SMART SYNC SERVICES

Q3FY22 Results & Conference Call Highlights of 52 Stocks

Made by Karan Patel

Subscribe

Click here to Subscribe on WhatsApp

SMART SYNC SERVICES

A-404, Titanium Heights,

Corporate Road, Makarba,

Ahmedabad, Gujarat - 380015

Who We Are

We are a SEBI Registered (*INA000007881*) Investment Advisory firm. We passionately believe that the people of our country must know about the importance of financial literacy and financial freedom and we will do everything possible to realize this vision.

We at **Smart Sync Investment Advisory Services** (SSIAS) are guided by the words of wisdom from the father of Investment Management, **Benjamin Graham —**

> *"An investment operation is one which, upon thorough analysis, promises safety of principal and a satisfactory return."*

Subscribe

Click here to Subscribe on WhatsApp

Contents

AUTO & AUTO ANCILLARIES

Bajaj Auto

Financial Results & Highlights

Brief Company Introduction

Bajaj Auto Ltd has been one of the largest automobile players in India for a long time. They have been in operations since 1945. Bajaj Auto operates primarily in the entry level and premium segment motorcycles along with small and large three wheeler commercial vehicles segment. It is the largest three wheeler manufacturer and third largest motorcycle manufacturer in the world. They are now present in more than 70 countries around the world. Bajaj Auto also owns Force Motors and is a part owner of the popular Austrian motorcycle brand KTM.

Standalone Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	9294	9279	0.16%	9080	2.35%	26090	20137	29.56%
PBT	1573	2032	-22.58%	1652	-4.78%	4608	4199	9.74%
PAT	1214	1556	-22%	1274	-4.70%	3549	3222	10.14%
Consolidated Financials (In Crs)								
	Q3FY22	32FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	9369	9279	0.96%	9080	3.18%	26165	20137	29.93%
PBT	1788	2192	-18.4%	2417	-26.02%	5697	4282	33%
PAT	1429	1716	-16.72%	2039	-29.76%	4639	3305	40.36%

Detailed Results:

- The revenues for the quarter were at Rs 9369 Cr with a rise of 0.96% YoY and decrease of -16.72% YoY in PAT for Q3.
- The volumes sold for the quarter stood at 1,181,361 units
- The export volumes were at 658,062 units in Q3FY22 which was down 4% YoY.
- EBITDA margin was at 15.6% vs 19.8% last year.
- The YoY changes in volumes for Q3FY22 are as follows:
  - Domestic:

Domestic	YoY
Two-wheelers	-20%

CV	52%
Total	-16%

- Exports:

Exports	**YoY**
Two-wheelers	-5%
CV	3%
Total	-4%

- Total:

Total	**YoY**
Two-wheelers	-12%
CV	18%
Total	-10%

- The overall share in the domestic motorcycle market for Bajaj Auto grew close to 19.2% in Q3FY22 from 18.6% in Q3FY21.
- Domestic market share in commercial vehicles segment for Bajaj Auto was at 71% in Q3FY22.
- Africa, SAME region and LATAM continued to record strong sales.
- The company maintained surplus cash and cash equivalents at Rs 17,883 Cr as of 31st December 2021.
- The company recorded Rs 75 Cr in Other income in Q3 which was a result of buyback of 1.49% stake in KTM AG in Nov 2021.
- The company swapped the rest of 46.5% stake in KTM AG for 49.9% in Pierer Bajaj AG.

Investor Conference Call Highlights

1. Q3 was a difficult quarter to navigate due to the combination of the uncertain demand environment, cost increases, and supply chain disruptions in semiconductors.
2. Exports is now the largest business unit for the company, accounting for 56% of the topline. In Q3, the company exported an average of 219,000 units per month.
3. By end of Q3, the company had price increases of 5% in retail terms.

4. The record performance both in shipping and retail has been delivered while digesting the price increases at the retail level and navigating all problems of shipping as well as shortages in semi-conductors.
5. The motorcycle business unit has declined by double digits in Q3. All segments, entry, mid and sports are in decline. This decline is seen largely in retails. This suggests an underlying issue with both purchasing power and sentiment of the two-wheeler customer.
6. The decline of the company was lower than the industry on a retail basis resulting in market share gains.
7. The company witnessed a 1.6 percentage points increase in market share to 20% YTD market share vs 18.4% FY21.
8. The rise in market share is driven by the upgrade strategy in 100cc as the kick-start to electric-start ratio has moved to 95% in Q3. 95% of the portfolio sales are in the 100cc-based electric start.
9. In the mid-segment of 125cc, 22% of sales come from premier Pulsar 125 NS.
10. The management plans to extend the upgrade strategy in the sports segment too. On OCT 28, a new 250cc platform was launched which was well received by riders.
11. The company plans to keep making new introductions at regular intervals over the next 6 to 9 months and completely upgrade and refresh the Pulsar portfolio.
12. The management expects Q4 to be negative over Q4 FY ’21 due to the third wave.
13. The domestic 3-wheeler business has returned to normalcy in Q3 with the company selling 52,000 units during the quarter which was 52% higher YoY. This helped the company reach a market share of 71% in domestic 3-wheelers.
14. During the year, active CNG pumps and the number of cities have increased by 50% which bodes well for the company. The company has a market of 75% in this 3-wheeler segment.
15. The company has applied for the Champion OEM Incentive Scheme of auto under PLI under which the company will invest over 1000 crores over the next five years.
16. The first investment of Rs 300 Cr is in Akurdi, Pune which will deliver a production capacity of 5 lakh electric two-wheelers per annum. The first vehicles are expected to roll out by June 2022.
17. The company sold over 2000 chetaks in Q3 and is currently present in 8 cities. Now that the management sees better visibility in the supply chain, it plans to roll into 12 more cities in the next 9 months.
18. The management states that despite all the frenzy surrounding the EV space, the company will use a 3-pronged approach to build the EV business and build a robust, dependable brand.
19. The company delivered a 15.6% EBITDA margin this quarter. This 60 bps QoQ improvement is accounted for by improved realization of the US Dollar and price increases this quarter.
20. The management's outlook on cost increases is for a 1% rise in Q4 which has already been passed on by increases in early Jan.
21. Most of the company’s R&D efforts in terms of new platforms are focused on EVs.
22. The management remains uncertain of the supply chain environment because of the chip shortage situation.
23. The management states that an electric vehicle is 20% cheaper in operating costs compared to a CNG vehicle, yet the company is going to pursue both for 3-wheelers as the Capital costs for electric vehicles is higher compared to CNG.
24. Currently the company is selling 2000 units in Cambodia, 1800 units in the Philippines, 3000 units in Iraq of 3-wheelers per month.

25. The management states that the reason for 3-wheeler export performing better than domestic is the aggressive push to create new markets in new countries since the last few years after the drop of sales witnessed in Sri Lanka.
26. Egypt had banned 3-wheeler sales in October, yet the company continued to supply till December to fulfil the pending order book.
27. The management maintains the two-wheeler export outlook for Q4 as steady.

Analyst's View:

Bajaj Auto has been a long-performing player in the automobile sector that has established itself as a dominant player in all the segments that it operates in both in India and abroad. The company has seen a decent quarter with export volumes staying resilient. The company continues to see market share rise despite industry decline in Q3. It has also seen a good uptick in Chetak sales and now plans to expand it to 12 more cities in the next 9 months. The 3-wheeler segment is expected to see demand comeback as vaccination rises. Exports have now become the dominant segment for the company accounting for 56% of sales in Q3. It remains to be seen how the company handles the transition from ICE to electric in both the 2 & 3-wheeler sectors and how long will the semiconductor shortage last for the auto industry. Nonetheless, given the company's position in export markets and its strong presence in all market segments in the two-wheeler market and three-wheeler markets, Bajaj Auto remains a pivotal auto sector stock to watch out for.

Balkrishna Industries

Financial Results & Highlights

Brief Company Introduction

Balkrishna Industries Limited (BKT) is a tire manufacturing company based in Mumbai, India. Balkrishna Industries manufactures off-highway tires used in specialist segments like mining, earthmoving, agriculture and gardening in five factories located in Aurangabad, Bhiwadi, Chopanki, Dombivali and Bhuj. In 2013, it was ranked 41st among the world's tire makers.

Balkrishna Industries is currently an OEM vendor for heavy equipment manufacturers like JCB, John Deere and CNH Industrial. The company currently enjoys 2% market share of the global off-the-road tire segment.

Standalone Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	2141	1555	37.6%	2182	-1.8%	6215	4115	51.0%
PBT	438	424	3.3%	542	-19.1%	1466	1036	41.5%
PAT	328	321	2.1%	377	-12.9%	1037	783	32.4%
Consolidated Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	2158	1563	38%	2205	-2.1%	6249	4140	50.9%
PBT	450	427	5.3%	557	-19.2%	1491	1052	41.7%
PAT	338	325	4%	391	-13.5%	1060	797	32.9%

Detailed Results:

1. The revenue for the quarter grew 38% YoY & -2.7% QoQ in consolidated terms.
2. PBT was up 3.3% YoY & 5.3% YoY in standalone and consolidated terms in Q3.
3. Consolidated PAT was up 4% YoY in the quarter.
4. Sales volumes for the quarter came in at 70,320 metric tons which were up 18% YoY.
5. The EBITDA margin fell 750 bps YoY to 24.4% in Q3.
6. The company announced a third interim dividend of Rs 4 per share.
7. The company also declared a special dividend of Rs 12 per share.
8. Sales breakup in 9M for the company is:
    A. Agri-65.6%, OTR-31.1%, Others-3.3%.
    B. Replacement-69.6%, OEM-27.1%, Others-3.3%
    C. EU-53.8%, Américas-16.6%, India-17.8%, RoW-11.9%

9. The company saw a forex gain of Rs 80 Cr in Q3.
10. The company remains debt-free with current cash holding at Rs 1927 Cr as of 31th Dec 2021.
11. The company raised fixed rate liability of Rs 500 Cr from EU at an effective interest rate of 0.055% for 3.5 years in Q2.
12. The old Waluj plant will be upgraded with the capex required for this to be at Rs 350 Cr and this new capacity will come online in Q3FY23.
13. The company is aiming to reach an achievable capacity of 3.6 Lac tons per year by the end of FY23.
14. The company has revised its volume guidance to 275,000 – 285,000 MT.

Investor Conference Call Highlights

1. The company continues to face macro challenges such as raw materials cost and logistics.
2. The brownfield capex at Bhuj announced on February '21 will add 50,000 metric ton per annum capacity and the revamp of the old waluj plant will add 25,000 metric ton per annum.
3. During 9M for FY '22, the PAT was impacted by the crystallization of the contingent liabilities of 65.4 crores post completion of certain tax assessments.
4. The gross debt stood at Rs 1881 Cr for BKT. The company has completed Rs 912 Cr of capex in 9M of which Rs 852 Cr was spent on the new capex program of Rs 2250 Cr.
5. The company had taken a 2%-3% price increase in the beginning of Q3.
6. The company's current market share in the global OHT market is 5%. The market growth for the industry is 3%-4%. The management expects this market growth rate to continue going forward for a few years.
7. The company's marketing expenses are about Rs 120 – 130 Cr every year. The management expects for this to continue going forward.
8. The management states that there will be 100% capacity utilisation during the upcoming quarters.
9. The company is not planning to change the product mix to increase its per ton realisations during capacity shortages, but may take further price hikes as per the competitive scenario.
10. The synthetic rubber costs for the company remained the same, whereas the natural rubber costs went up by more than 20% during the quarter.
11. The management sees natural rubber prices remaining stable with a slight increase for some time ahead.
12. The Euro hedge rate for the quarter is at 87.3 and for the year is at 89.6.
13. The management expects the OEM segment to sustain on the levels it has reached.
14. Carbon Black sales to third parties was 17% of the company's capacity which contributed to about 3% of the overall sales revenue.

15. The outlook by the management for Q4 and the upcoming quarters remains the same due to the bottleneck of capacity shortage.
16. The company has seen better demand in recent quarters in Europe for industrial, construction and OTR.
17. Once the company's capacity increases to 360,000 ton; the carbon black capacity needed would be 90K-100K ton.
18. The company is setting up a new captive power plant at Bhuj which will be completed during the ongoing expansion.
19. The company is also increasing investments into solar to reduce dependency and costs.
20. At Bhuj, the plant is supplied 80% power needs through captive power plants and at other plants 40% power needs are supplied through solar and windmills.
21. The price difference of the company's products with its American counterparts is currently 12%-15%. The company looks to maintain this for the short term.
22. The management expects the volumes to remain flat for next few quarters due to supply constraints after which there will be a sudden jump after capex plans get finished.
23. The OEM margins and replacement margins are almost similar for the company.
24. The management's endeavour is to sustain 10%-12% volume growth each year.
25. The company has 10%-12% market share in the European Agri tyres market.

Analyst's View:

BKT has been a rising player in the off-road tires business for years now. The company witnessed another phenomenal quarter with 38% YoY growth in sales but PAT up only 4% YoY. BKT is seeing continuous growth in North America while the India market was stagnant in Q3. It is looking to maintain a steady EBITDA margin of 28-30% and has done a price increase of 2-3% in October to preserve margins despite rising RM & logistics costs. The management maintains that the end industries are all seeing positive trends and good tailwinds and the company embarked on its big new capex due to the growth expectations arising from these trends. It remains to be seen how the India market shapes up for BKT in going forward and how the company's plans for the new capex pans out. Nonetheless, given the company's sustained margin performance, its resilient market share in a slow global market, and the rapid rise of the company in India, Balkrishna Industries is a good tire stock to watch out for.

Eicher Motors

Financial Results & Highlights

Brief Company Introduction

Eicher Motors Limited is an Indian manufacturer of motorcycles and commercial vehicles. Eicher is the parent company of Royal Enfield, a manufacturer of middleweight motorcycles. In addition to motorcycles, Eicher has a joint venture with Sweden's AB Volvo - Volvo Eicher Commercial Vehicles Limited (VECV).

Standalone Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2Y22	QoQ %	9MFY22	9MFY21	YoY%
Sales	2933	2928	0.1%	2294	27.8%	7269	6035	20.4%
PBT	561	658	-14.7%	445	26.0%	1363	1152	18.3%
PAT	422	488	-13.5%	343	23.0%	1032	861	19.8%
Consolidated Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	2972	2953	0.6%	2358	26.0%	7427	6119	21.3%
PBT	592	701	-15.5%	475	24.6%	1396	1109	25.8%
PAT	456	532	-14.2%	373	22.2%	1066	820	30%

Detailed Results:

1. The company had a bad quarter with a 0.6% YoY rise in consolidated revenues, but it was up 26% QoQ. Similarly, PAT was down -14.2% YoY and up 22.2% QoQ.
2. 9M figures were good with 21.3% YoY revenue rise and 30% YoY rise in PAT mainly due to smaller base in 9MFY21.
3. Volumes for 9M was at 416,000 vs 407,000 last year.
4. EBITDA growth was at 18.9% in 9M.
5. Standalone EBITDA margins for 9M fell to 19.6% vs 20.1% in 9MFY21.
6. Overall market share was at 27% in the 125+ cc segment.
7. The company opened 22 studio stores and 40 large format stores in 9M.
8. The number of international stores has risen to 156 with presence in over 660+ multi branded outlets.
9. VECV saw sales of Rs 8417 Cr in 9M with EBITDA margin of 5.1% and a PAT profit of Rs 12 Cr.

Investor Conference Call Highlights

1. The company commenced operations at Royal Enfield's CKD facility in Thailand during Q3, which is a very promising market for the company.

2. The benefits of operating leverage and alternate sourcing were visible in the company's sequential margin improvement.

3. Royal Enfield now has currently three assembling units outside India; one in Argentina, the second in Columbia, and the third in Thailand.
4. VECV delivered strong growth in all parts of the business, including a 25% growth in top line and volumes, with a market share of 30% in the light and medium-duty segment.
5. At an overall level, the company continues to face challenges due to ongoing supply chain problems and inflation.
6. Royal Enfield had a market share of 9% in the overall motorcycle segment for December '21.
7. Exports have risen 57.3% YoY for Royal Enfield at around 17,000 units.
8. The company's total footprint as of now stands at 2,118; of which 1065 are in dealership formats and 1053 are in studio formats.
9. Total non-motorcycle business revenue stands at about 15% of overall revenues.
10. The company witnessed QoQ growth in the CV industry and VEVC continued to perform better than the industry backed by higher demand for CNG trucks and solid response in new export markets.
11. LMD segment consistently performed well, maintaining a 30% market share and over 50% market share in the LMD CNG segment. Heavy-duty market share grew to 8%.
12. VECVs exports have grown by 72% and the company has added new markets in Southern Africa, Latin America, and the Middle East.
13. The company recently launched intercity coaches and sleeper buses built in the Volvo India Bus Facility in Hoskote on Eicher chassis.
14. The management believes that the Eicher intercity bus has enormous potential in the coming years.
15. The company has a very healthy order book and is looking to add more vendors to ramp up production and reduce the waiting period.
16. On a sequential basis, the company witnessed an ASP drop due to a rise in the India business leading to lower percentages of international business.
17. The new launch Classic 350; launched in September-October received a fantastic reception and booking numbers are growing for the model MoM.
18. The company has a strong pipeline of motorcycles that will be launched going ahead.
19. The management is confident in the supply chains ramping up MoM going ahead.
20. A cost rise of Rs. 2000 per bike was incurred by the company due to inflation in various commodities, mainly Aluminium.
21. The company is working on prototypes, infrastructure, and product roadmaps for the EV space. Although it does not plan to roll out or announce anything shortly.
22. The company has taken a 1.5% price hike on average in Q4 against commodity inflation.

Analyst's View

Eicher Motors has been one of the highest-rated auto companies in India. This was mainly on the back of their successful turnaround of Royal Enfield and the emergence of the mid-sized (250cc-750cc) motorcycle market. The company saw a bad quarter with a 0.6% and -14.2% fall in revenues and profits in Q3. The company continues to see good reception to the MiY platform and around 90% of new bookings going through the app. MiY has also enabled an increase of over 100% in the sale of accessories. The newly launched Classic 350 has also seen good reception and bookings are rising MoM. The management expects the semiconductor shortage to ease going forward. It remains to be seen how long the company will be able to keep outperforming the industry, how international expansion plans pan out in the future, and whether the new Classic 350 replicates the success of the previous version. The company is also having a very healthy order book and is now focusing on the supply side. Nonetheless, given its resilient performance in its various segments and the strong brand and industry position of the company, Eicher Motors remains a critical stock to watch out for every auto sector investor.

BANKS

HDFC Bank

Financial Results & Highlights

Brief Company Introduction

Consolidated Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	43364	39838	8.9%	41436	4.7%	123734	114975	7.6%
PBT	14218	11813	20.4%	12323	15.4%	37183	31530	17.9%
PAT	10615	8760	21.2%	9119	16.4%	27676	23412	18.2%

Standalone Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	40651	37522	8.3%	38754	4.9%	116177	108045	7.5%
PBT	13781	11771	17.1%	11882	16.0%	35970	30819	16.7%
PAT	10342	8758	18.1%	8834	17.1%	26906	22930	17.3%

Detailed Results:

1. Net standalone revenues rose 12.1% YoY in Q3.
2. Other income formed 30.7% of net revenues at Rs 8183.6 Cr
3. Fees & Commissions: Rs 5075.1 Cr vs 4974.9 last year.
4. FX & Derivatives: Rs 949.5 Cr vs 562 Cr last year.
5. Gain on sale/revaluation: Rs 1046.5 Cr vs 1019 Cr last year.
6. Miscellaneous Income: Rs 1112.5 Cr vs 797.1 Cr last year.
7. NII grew 13% to Rs 18443.5 Cr driven by growth in advances of 16.5% and core NIM of 4.1%.
8. Operating expenses were up 14.9% YoY.
9. Pre-provision Operating Profit grew 10.5% YoY.
10. Total Credit Cost ratio was at 0.94%.
11. Bank maintained a CAR of 19.5%.
12. Bank maintained floating provisions of Rs 1451 Cr and contingent provisions of Rs 8636 Cr. Total provisions were at 172% of GNPAs.
13. HSL saw revenues for the quarter rose 58% YoY. PAT grew 58% YoY.
14. HDB Financial Services Net revenues grew 15% YoY. CAR was maintained at 20.3%

Investor Conference Call Highlights:

1. Private issuance raising almost INR 82,000 crores, Company was mandated for 8 IPOs.
2. The Bank maintained its ranking as one of top 3 arrangers in the INR bond market.
3. Liquidity is strong as reflected in average LCR for the quarter at 123%.
4. The company onboarded more than 5,000 people in the quarter, 14,300-plus people during the 9 months period and about 17,400 people over the past 21 months.

5. The bank saw capacity for UPI triple, while net banking and mobile banking capacity have been doubled to manage 90,000 users concurrently.
6. The bank has migrated 4 data centers in Bangalore and Mumbai to state-of-the-art facilities.
7. During Q3, the company received a total of 245 million visits on our website, averaging 31 million unique customers per month.
8. As per company analysis, 30% to 70% visits on website with vis-a-vis public-private sector sales, close to 60% of the visits were through mobile device indicating the mobile simplicity.
9. During Q3, the company opened about 2.4 million new liability relationships, 6.4 million new liabilities during the 9 months period of this financial year, exhibiting a growth of 29% over the same period last year
10. In Q3, the company achieved the highest ever issuance with 9.5 lakh card issuances.
11. Credit cards print for the bank has grown 22% year-on-year and debit card print has grown 14% year-on-year.
12. The Bank have signed MOUs with 2 large payment banks for distributing certain products.
13. The Bank has 2.85 million acceptance points as of December with a year-on-year growth of 35%.
14. The Bank's acquiring market share stands at approximately 47% with a 19% share in terminals processing about 300 million transactions per month
15. Over 50% of new merchant sourcing is from SURU locations.
16. Corporate banking and other wholesale loans grew by 7.5% over prior year and 4.4% over prior quarter. On retail assets front, momentum pickup observed during Q2 continued its stride in Q3 as well, witnessing a robust sequential asset growth of 4.7% and year-on-year growth of 13.3%.
17. Retail constitutes approximately 93% and wholesale constitutes 7% of fees and commission income.
18. Fees, excluding payment products, grew year-on-year by 17%.
19. FX and derivatives income at INR949 crores was higher by 69% compared to prior year, reflecting pickup in activities and spreads.
20. Trading income was INR1,046 crores for the quarter, prior year was at INR1,109 crores and prior quarter was at INR676 crores.
21. Expenses for the quarter at INR9,851 crores.
22. Company added 294 branches, bringing total branches to 5,779 and added 1,697 ATM cash deposit and withdrawal machines, taking the total to 17,238.
23. Cost-income ratio for the quarter was at 37%, which is similar to the prior-year level.
24. GNPA ratio was at 1.26% of gross advances as compared to 1.35% in previous quarter.
25. Net NPA ratio was at 0.37% of net advances however preceding quarter was at 0.4%.
26. Annual slippage ratio for the current quarter is at 1.6%, about INR4,600 crores as against 1.8% in prior quarter.
27. Agri seasonally has contributed approximately INR1,000 crores to slippages or about 25 basis points annualized rate.
28. During Q3, recoveries and upgrades were about INR2,400 crores or approximately 25 basis points.
29. Sale of NPA, about INR260 crores, approximately 2 basis points in the Quarter included in one of the categories above.
30. Restructuring under RBI resolution framework for COVID-19 as of December end stands at 137 basis points at the borrower level and includes approximately 28 basis points of other facilities of the same borrowers, which are not restructured, but included here.

31. In restructured accounts, 30% are secured with good collateral and the predominant good CIBIL score and the unsecured portion, approximately two-thirds are salaried customers and about 40% have good CIBIL scores.
32. Specific loan loss provisions for the quarter were INR1,821 crores as against INR2,286 crores during prior quarter.
33. Credit cost ratio, that is the specific loan loss ratio, is at 57 basis points for the quarter against the 76 basis points for the prior quarter.
34. Total annualized credit cost for the quarter was at 94 basis points, which includes impact of contingent provision of approximately 30 basis points.
35. Total deposits amounting to INR14,45,918 crores is up 13.8% over prior year.
36. CASA deposits registered a robust growth of 24.6% year-on-year
37. Profit after tax for the quarter was INR304 crores compared to a loss of INR146 crores for the prior-year quarter and a profit after tax of INR192 crores for the sequential quarter.
38. HDFC Securities Limited, with its wide network presence of 213 branches in 147 cities and towns in the country has shown an increase year-on-year in total revenue to INR536 crores.
39. Payment and credit card-related fees declined in Q3.
40. There was no new restructuring done in this quarter.
41. Focus is on customer acquisition, customer servicing, and relationship management according to the management.

Analyst Views:

HDFC Bank is the biggest bank in the country by market capitalization. The bank saw a good Q3 with 13% YoY growth in NII and 16% YoY growth in advances. It has seen good growth in the retail segment with consumer spending rising and credit card issuance also rising a lot. The management has stated that the next leg of growth in NII will be coming from the retail segment with the company working to establish itself in the payment ecosystem in the country. It also sees good potential for growth in the MSME lending space and expansion of the addressable market with programs like Kirana and Dukandar Overdraft. It remains to be seen how the company will combat the rising competition in the payments space from tech majors like Paytm and consumer finance giants like Bajaj Finance. Nonetheless, given the bank’s customer set, strong liquidity profile, and enduring brand image, HDFC Bank remains an indispensable banking stock for every investor.

Kotak Mahindra Bank

Financial Results & Highlights

Introduction

Kotak Mahindra Bank is an Indian private sector bank headquartered in Mumbai, Maharashtra, India. It offers banking products and financial services for corporate and retail customers in the areas of personal finance, investment banking, life insurance, and wealth management. As of April 2019, it is the second-largest Indian private sector bank by market capitalization.

Consolidated Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	14176	14671	-3.4%	15341	-7.6%	42088	40571	3.7%
PBT	4410	3455	27.6%	3930	12.2%	10860	9804	10.8%
PAT	3402	2601	30.8%	2988	13.9%	8197	7400	10.8%
Standalone Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	8260	7949	3.9%	8408	-1.8%	24500	23839	2.8%
PBT	2832	2484	14.0%	2696	5.0%	7715	7074	9.1%
PAT	2131	1853	15.0%	2032	4.9%	5805	5282	9.9%

Financial Results & Highlights

1. The company had a mixed quarter with revenues falling slightly at 3.4% decline YoY while PAT rose 30% YoY mainly due to the low base last year from high provisioning.
2. Consolidated CAR was at 24.5% with tier 1 capital at 23.7%.
3. Consolidated assets grew 20% YoY to Rs 3.09 Lac Cr in Q3 vs Rs 2.55 Lac Cr last year.
4. RoA was at 2.6% vs 2.21% last year.
5. Consolidated Book value per share was at Rs 467 per share.
6. 63% of the total PAT came from the bank vs 71% a year ago.
7. Standalone CASA was at 59.9% vs 58.9% a year ago.
8. Standalone NIM was at 4.62% vs 4.36% a year ago. NII grew to Rs 4334 Cr vs 3876 Cr last year. Rs 279 Cr of COVID provisioning was reversed in Q3.
9. Standalone CAR was at 23.6% with Tier I ratio at 22.4%.
10. The bank continues to carry COVID-19 provision of Rs 1,000 cr.
11. Credit cost on advances for Q3FY22 35 bps annualised (excluding COVID reversal) Q2FY22: 63 bps.
12. Standalone GNPA was at 2.71% vs 3.27% last year and 3.19% in Q2.
13. The segments showing the biggest growth in customer assets were Home Loans which grew 38% YoY and SME which grew 21% YoY.
14. Average CA grew 32% YoY while SA and TD grew 11% and 20% YoY respectively.
15. Insurance AUM as on 31st Dec was at Rs 49,221 Cr, registering a growth 23.8% YoY. GWP grew 18.5% YoY while Group premium grew 28% YoY.

16. Kotak securities saw an overall market share in Q3FY22 of 3.0% vs 2.0% last year.
17. Kotak Mahindra Capital saw many big issues so far including Star Insurance, Nykaa, Mapmyindia, and Rategain. It also did rights issues for Airtel and Indian Hotels.
18. Kotak Mahindra Prime acquired the car finance arm of Ford India in Q3.
19. Kotak AMC saw Overall Market share on AAUM rise to 7.4% in Q3FY22 vs 7.3% last year. PAT from the unit saw a 53.6% rise in Q3 to Rs 149 Cr. AMC AUM has risen 23% YoY to Rs 3.86 Lac Cr.

Investor Conference Call Highlights:

1. Fees and services have continued to be a good growth area according to the management with a 33% YoY rise.
2. The company added 21 lakh customers in Q3, versus 8 lakhs in the same quarter last year, a nearly 3x growth in new customer acquisitions.
3. The management states that having a CASA above 60% will be very good for the bank as interest rates rise.
4. Growth in advances was 18% year-on-year and 8% Q-on-Q.
5. The consumer bank grew at 29% Y-o-Y and 10% Q-on-Q, which is nearly 40% annualized.
6. Slippages for the quarter were down to 0.3% of advances.
7. The overall duration of the fixed income bond book is at a low of around 1.5 years.
8. Kotak Prime ended the current quarter with a profit of INR 254 crores as against INR 149 crores a year ago.
9. Absolute GNPA went down from INR 7,658 crores to INR 6,983 crores.
10. SMA2 continued to be low at INR 298 crores.
11. On the SME side, the momentum of growth continues. Y-o-Y growth is about 21%. NPV acquisition remained robust throughout the quarter and can see this momentum carrying forward.
12. Overall, the segment, the corporate and SME together have grown at about 16.5% Y-o-Y.
13. Retail lending businesses showed robust growth in Q3 helped Company to gain market share in many products. As a consumer asset aggregate level, Company grew 29% Y-o-Y and 10% Q-o-Q.
14. Mortgages had its best-ever quarter on fresh volumes for home loans, a price leadership campaign of 6.5% during the festival season helped acquire quality customers.
15. Mortgages grew at 38% Y-o-Y and 12% quarter-on-quarter.
16. The company had one of its best quarters in the cards segment with the issuance of 3.9 lakh new cards.
17. CASA and TD below INR 5 crores comprised 88% of the deposits.
18. In Q3, the company continued building on the API stack of partners, with 391 APIs live currently.
19. The company added new 4 new partners in Kaymall, including Myntra in the in-app shopping mall.
20. The company plans to leverage the regulatory network of account aggregators and open for retail and SME lending in the upcoming quarters.
21. The company migrated 14,000-plus customers to the new CMS portal which is simple to operate with superior interfaces and customer experience according to the management.
22. On the transaction banking side, the company saw 7 lakh+ transactions, which is a 46% Y-o-Y growth for YTD December.
23. The unsecured business saw 12% YoY and 16% QoQ growth in Q3.
24. The gross income premium of Kotak Life Insurance for the quarter increased to Rs 2,108 crores from Rs 2,023 crores in the previous year, showing an increase of 15.5%.

25. From a service initiative, a multi-legal chat box in 9 languages, 15 service options was launched, and the company migrated its telephone services into the cloud with multilevel IVR capability enhancing customer inbound call.
26. Kotak Mahindra Prime Disbursements during the quarter have been better than the comparable quarter of the previous financial year, but it continues to be slightly impacted by supply constraints faced by the manufacturers according to the management.
27. Equity AUM saw a bounce-back of 67% YoY in the AMC.
28. The gross accretion of NPA has slowed down and realizations have started to come up according to the management. It also states that restructuring requests have also gone down which is a good sign for the bank.
29. The management is not worried about the growth in the unsecured business as it forms only 5% of the overall book. Once it becomes more prominent, the company will formulate a formal policy regarding it, says the management.
30. The management states that the company continues to attract millennial customers with a major portion coming from the age range of 25-40.
31. The opportunity on the unsecured lending is mainly from personal loans, credit cards, and consumer durable financing which can be scaled up using analytics on a large amount of data available on the bank's customer set.
32. The management states that by June 2022, a lot of the digital initiatives will start to bear fruit. It remains confident that the bank can keep up the growth momentum even if inflation and interest rates rise in the near future.
33. The management states that opex has risen mainly due to a rise in retail loans which are front-ended. Hence the opex to income should come down in the future. The company is also spending on developing its digital initiatives which are also expected to keep opex at elevated levels for some time.
34. In Corporate Banking, the bank is looking at increasing the scope for its services like forex, transaction banking, investment banking opportunities, and others. Thus, the function of this business segment is much bigger than just its core offerings according to the management.
35. The company remains a largely retail-focused bank with the prime focus on aggressively acquiring new customers according to the management.
36. The uniform interest rate provided by Kotak on SA is 3.5%.
37. The bank is not doing any form of IPO financing currently.

Analyst's View

Kotak Mahindra Bank is the third-biggest private bank in the country by market capitalization. It has deservedly earned its stellar reputation over the years. The bank has seen a mixed performance in Q3 with a 3.4% drop in Q3 revenues due to a drop in other income. But PAT was up 30% with lower provisioning in Q3 and a reversal of provisioning of Rs 278 Cr. The bank has seen good growth of 38% YoY in the home loan space while the vehicle finance business has also seen a good recovery. The bank has also launched several new digital initiatives and will continue this momentum for 6 more months at least. It remains to be seen how the threat of inflation and rising interest rates will affect the bank and how long will it take for the bank to bring in operating leverage from its digital technology to compete with other players with its low branch density plan. Nonetheless, given the bank's track record and the capability and vision of the management over the years, Kotak Mahindra Bank remains a pivotal banking stock for every Indian investor.

CEMENT

Dalmia Bharat

Financial Results & Highlights

Introduction

Founded by Jaidayal Dalmia in 1939, Dalmia Bharat possesses India's fifth largest installed cement manufacturing operational capacity of 30.75 million tonnes per annum (MTPA). This capacity is spread across 13 state-of-the-art manufacturing plants in nine States. Dalmia Bharat contributes ~6% of the entire country's cement capacity. It has a brand portfolio of three marquee brands: Dalmia Cement, Dalmia DSP and Konark Cement. These brands are available as Portland Pozzolona Cement, Portland Slag Cement, Composite Cement, and Ordinary Portland Cement in select markets.

Standalone Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	36	47	-23.4%	144	-75.0%	222	134	65.7%
PBT	7	13	-46.2%	82	-91.5%	99	29	241.4%
PAT	10	9	11.1%	67	-85.1%	87	20	335.0%
Consolidated Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	2761	2783	-0.8%	2622	5.3%	7996	7092	12.7%
PBT	93	311	-70.1%	307	-69.7%	786	977	-19.5%
PAT	73	179	-59.2%	214	-65.9%	575	601	-4.3%

Detailed Results:

1. The company had flat revenues and a 59% YoY fall in PAT.
2. Dalmia Bharat saw volume growth of 2.5% YoY while EBITDA stood at Rs 409 Cr vs Rs 681 Cr last year.
3. EBIDTA margins stood at 14.97%.
4. EBITDA/Ton was at Rs 718.
5. Net debt to EBITDA stands at -0.64X.
6. The company completed the Commercialization of Cement capacity of 2.9 MnT of Murli cement plant at Maharashtra.
7. Total capacity is now at 35.9 MnT.
8. The company completed slump sale of Hippo Stores (retail business) for Rs 155 Cr.

Investor Conference Call Highlights:

1. Q3 was tough for both Dalmia and the cement industry with rising input costs and weak demand.
2. Petcoke price increased to $164/ton in Q3.
3. The company received Rs 35 Cr upfront from the slump sale of Hippo.
4. Capacity utilization in Q3 was at 69% but it rose to 83% in Dec.

5. The management expects to see good performance in Q4.
6. The trade % was at 59% in Q3.
7. The share of DSP in trade sales was at 21%.
8. Lead distance rose to 298 km in Q3 from 285 km in Q2.
9. The company did capex of Rs 1350 in 9M and expects to do a further Rs 800 Cr capex in Q4.
10. The company has won a limestone block auction in Jhunjhunu district of Rajasthan.
11. CO_2 emissions were at 488 kgs per ton in Q3.
12. Packing costs have also risen 40% YoY to Rs 124 per kg.
13. The closing debt as of 31st Dec 2021 was at Rs 3647 Cr.
14. Cement clinker ratio in 9M was at 1.62.
15. Currently cement prices in the east are lower than the south and west zones but the management is confident that it will rise soon.

Analyst's View:

Dalmia Bharat is one of the leading cement makers in India. The company has had a decent quarter with an 11% YoY rise in revenues despite a seasonal drop in industry sales due to monsoons. The company has done well to maintain Debt to EBITDA at negative levels and has seen commercialization of a 2.25 MT capacity in Odisha in Q2. But the company has not been able to grow in terms of utilization level which has remained at 60% since 2019. It is planning to reach 100% blended cement sales by 2025 from the current 75%. It remains to be seen whether the company will be able to keep its debt low while trying to maintain its ambitious capacity growth and whether its expansion plans will bear fruit according to the management and board expectations. Nonetheless, given the strong brand image of the company, the efficient utilization of its plants, and the high EBITDA/ton and high carbon efficiency of its operations, Dalmia Bharat can prove to be a pivotal cement sector stock going forward.

Heidelberg Cement

Financial Results & Highlights

Introduction

HeidelbergCement India Limited is is a subsidiary of HeidelbergCement Group, Germany. The Company has its operations in Central India at Damoh (Madhya Pradesh), Jhansi (Uttar Pradesh) and in Southern India at Ammasandra (Karnataka).

Consolidated Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	556	607	-8.4%	590	-5.8%	1677	1517	10.5%
PBT	42	92	-54.3%	91	-53.8%	237	261	-9.2%
PAT	30	64	-53.1%	59	-49.2%	159	175	-9.1%

Detailed Results:

1) The company had a very poor quarter reporting revenue degrowth of 8% YoY and profit de-growth of 53% YoY.
2) The share of green power was at 20%.
3) Capacity utilisation for this quarter was 73%.
4) The company's EBIDTA per tonne stands at Rs 607 per tonne which is down by 36% YoY.
5) Sales volumes decreased by 11.1% YoY whereas gross realizations increased by 1.8% YoY.
6) Total costs were up 12.7% YoY. The major increase was in other expenses which rose 36.8% YoY.
7) EBIDTA margins decreased by 750 bps to 12.8%. The biggest reason for this fall was rise in power & fuel costs & input cost inflation.
8) The company has net cash balance of Rs 181.1 Cr.
9) MYCEM accounted for 22% of trade volumes.
10) Trade segment accounted for 77% of total sales having a degrowth of 219 bps YoY.

Investor Conference Call Highlights:

1. The company is targeting a contribution of AFR to 8-9% TSR
2. The company's 5.5 MW solar power project will be operational within 1 month.
3. The management states that the cause for higher power costs was also due to low sales volume which reduced the ability to produce electrical power by 2 Gigajoules.
4. Raw material prices hiked due to an increase in prices of granules & an increase in fuel price for the transfer of clinker from Damoh to Jhansi.
5. Coal to pet coke contribution is 70:30 however decreased use of pet coke as pet coke's prices have risen sharply but the higher usage of normal coal leads to higher sweetener consumption.
6. The company expects power tariffs to increase in the coming quarters.
7. The management expects price hikes in the coming quarter as current input costs are very high and are expected to remain at elevated levels in the coming months.

8. The company has taken normal sustainable CAPEX which is almost 35% to 40% of its annual depreciation & amounts to Rs.50 Cr. It is further incurring a capex of Rs.16 Cr stretched over 2 years on the AFR project.
9. During fiscal year 21- 22, the company's total CAPEX will be in the range of Rs.75 crores, out of that it has incurred Rs. 50- 55 crores in nine months and balance in the remaining three months.
10. To retain its market share, the company is looking at the Greenfield project in Gujarat which is expected to get started in FY23 after Govt. approvals.
11. The company s not planning to add any new capacity in Central India other than 0.5MT through debottlenecking as it already increased its capacity by 1MT in the last quarters & has sufficient headroom to increase its utilization in the existing capacities.
12. The clinker to cement conversion ratio was 61.5%.
13. The company is unable to pass on price hikes due to poor demand in the market.
14. Grid & non-Grid mix of power consumed was at 32:68.
15. The lead distance was at 350 Km in Q3.
16. The current capacity is 6.25 MTPA.

Analyst's View:

Heidelberg Cement is one of the leading cement makers in South and Central India. It had a poor quarter with revenues decreasing by 8% YoY & EBIDTA margins were down 750 bps to 12.8% due to higher input costs & fuel costs.. Like everyone else in the cement industry, HCIL is also facing the threat of coal supply disruption with costs of its raw materials increasing drastically. The management believes that input costs will remain at elevated levels even in the coming quarters and increase in realizations is going to be an uphill task due to poor demand from the market. The company remained unable to pass on the rise in RM costs due to poor demand in Q3. It remains to be seen how the company will face increased competition from pan India players and the raw materials and power cost inflation. Nonetheless, given the strong brand image of the company, the efficient utilization of its plants, and the pricing power it has, Heidelberg Cement India can prove to be a pivotal cement sector stock going forward

Ultratech Cement

Financial Results & Highlights

Brief Company Introduction

UltraTech Cement Ltd. is the largest manufacturer of grey cement, Ready Mix Concrete (RMC) and white cement in India. It is also one of the crown jewels of the Aditya Birla Group, one of India's leading Fortune 500 companies.

The company has a consolidated capacity of 117.35 Million (including Bara) Tonnes Per Annum (MTPA) of grey cement. UltraTech Cement has 23 integrated plants, 1 clinkerisation plant, 27 grinding units and 7 bulk terminals, post the Century merger. Its operations span across India, UAE, Bahrain, Bangladesh and Sri Lanka. UltraTech Cement is also India's largest exporter of cement reaching out to meet the demand in countries around the Indian Ocean and the Middle East.

In the white cement segment, UltraTech goes to market under the brand name of Birla White. It has a white cement plant with a capacity of 0.56 MTPA and 2 WallCare putty plants with a combined capacity of 0.8 MTPA. With 100+ Ready Mix Concrete (RMC) plants in 35 cities, UltraTech is the largest manufacturer of concrete in India. It also has a slew of speciality concretes that meet specific needs of discerning customers.

Standalone Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	12580	12092	4.04%	11690	7.61%	35963	29927	20.17%
PBT	1556	2303	-32.44%	1946	-20.04%	6017	5253	14.5%
PAT	1632	1550	5.29%	1300	25.54%	4613	3565	29.40%
Consolidated Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	13055	12522	4.26%	12157	7.39%	37246	30994	20.17%
PBT	1634	2332	-30%	1948	-16.12%	6109	5219	17%
PAT	1710	1585	8%	1319	29.64%	4721	3545	33.17%

Detailed Results:

1. The company had a decent quarter with consolidated revenues rising 4.26% YoY while QoQ profits rose 29.64% with 7.39% QoQ revenue growth.
2. Sales volumes fell 3% YoY in Q3 while consolidated EBITDA decreased 26% YoY.
3. Blended realization was at Rs 5527/ton while premium product mix was at 15.5% of trade volumes. Green power now accounts for 15.6% of total power demand.
4. The number of UBS outlets increased 15% YoY to 2759.
5. The grey cement capacity was increased to 114.55 MTPA in Jan 2022.
6. The white cement capacity in Kharia, Rajasthan is to be doubled to 12.53 MTPA with a capex outlay of Rs 965 Cr.
7. Current net debt stands at Rs 6147 Cr with net debt to EBITDA at 0.49.

8. Changes in operating costs in Q3 is as follows:
    1) Logistics: Up 4% YoY to Rs 1229/ton. Accounts for 30% of the total operating costs.
    2) Energy: Up 39% YoY to Rs 1327/ton. Accounts for 32% of total operating costs.
    3) Raw Materials: Up 7% YoY at Rs 538/ton. Accounts for 13% of total operating costs.
9. Diesel Price higher by ~24% YoY which led to logistics costs rising 4% YoY.
10. Energy cost rise of 39% YoY mainly due to a rise in petcoke/coal prices.
11. Raw material costs increased by 7% YoY due to increase in flyash, gypsum prices
12. Other costs increased 20% YoY due to 24% YoY rise in packing costs.
13. Consolidated ROCE was at 16.2% in Q3.

Investor Conference Call Details:

1. Q3FY22 was a tough quarter for Ultratech Cement, due to rising costs sudden and unexpected decline in demand in November, and consequent pressures on selling prices.
2. The company achieved a 13% growth in domestic volumes in 9MFY22. Now even with a high base for Q4FY22, they aim to achieve in Q4 as well.
3. The factors behind the demand slump in November include unexpected rains in several parts of India, construction ban in NCR, labor availability at several places, and sand shortages in the eastern side according to the management.
4. The average capacity utilization was 75% in Q3, with December already above 80%.
5. The company is putting up additional 19.5 million tonnes of capacity. 1.2 million tonnes brownfield was already commissioned in Q2 in the east and 2 million tonnes brownfield Bara grinding unit has been commissioned in Jan'22, taking their total India operating capacity to 114.55 million tonnes. The remaining 16.3 million tonnes of capacity will be commissioned during FY23.
6. As part of the acquisition of Nathdwara Cement, definitive agreements have been signed to sell off the fiberglass business in Europe.
7. The company plans to spend a total of Rs. 5000 crores on overall CapEx in FY22 of which Rs 4000 Cr has been done already.
8. The current putty capacity is 8.2 lakh tonnes at two locations. The company is in midst of completing a greenfield expansion of putty capacity by about 4.4 lakh tonnes. The project is expected to go on schedule in Q2FY23.
9. The company paid down its treasury and prepaid its loans to the extent of INR 3,459 crores, as planned considering the hardening of interest rates and falling treasury yields.
10. The management expects operating EBITDA and total EBITDA will narrow down due to lower treasury operations.
11. The management reiterated that fuel consumption costs for sales are up by roughly INR 250 per tonne for own cement. During Q4, they don't expect any more surprises. But the costs will remain elevated at the current levels.
12. The logistics costs in Q3FY22 were almost at the same level as Q2 despite the reduction in the cost of diesel in November.
13. Q4 has begun with an improvement in demand sentiments and prices.
14. The management talked about the government's Gati Shakti initiative as a transparent mechanism of tracking all the projects. This will further strengthen the intent of timely execution of infra projects.
15. During Q3, the company further increased its capacity of Waste Heat Recovery System (WHRS) and solar. The WHRS capacity as of Dec'21 is at 156 MW and solar at 221 MW. On the current

scale, they are now close to 16% green energy on their path to achieve 34% green energy by the end of 2024.

16. The management assures that the drop in demand in November was temporary and it has bounced back in Dec and Jan.
17. Q3 selling prices were roughly the same as Q2. But prices are expected to be hiked soon according to the management.
18. The management mentioned that spot coal prices do not have any impact on the current quarter's numbers because the company always keeps a coal inventory of 45-60 days. Thus, any rise in spot prices will see its impact in the next quarter's numbers.
19. If oil prices continue to rise, demand may be affected due to a rise in overall inflation according to the management.
20. There have not been any delays in the company's ongoing projects due to the latest COVID wave.
21. The management maintains that the fall in demand and volumes in the East zone for 2 consecutive quarters was due to temporary reasons like a sand shortage, rains, and labor movement. Demand should come back to the region now that these factors have stabilized.
22. The management states that the company has enough limestone reserves for 40-50 years of white cement production after the expansion is completed.
23. The company has had to meet excess demand for white cement using imports and it had plans to import 2 Lac tons of it in FY22.
24. The trade sales for the quarter were at 64% of total volumes.
25. The management expects market share for Ultratech to rise proportionately as new capacity comes online.
26. The construction chemicals business is expected to reach Rs 500 Cr in sales by the end of FY22.
27. The management maintains that it will only be using these chemicals in the construction stage and will not be entering the market for products at the finishing stage.
28. The management states that it will be targeting sales of Rs 2500 Cr per year from this new unit of construction chemicals.
29. The allocation of the capex will be higher on the grey cement side. Capex for FY23 should be at Rs 4000 Cr.
30. The management does not expect any challenges to sell cement even after all the planned expansions are done.
31. The management also states that it expects the capacity utilization to rise for the entire industry in the next 18-24 months.
32. The realization from sales in Belgium was at 90 million euros.
33. Due to rising prices in petcoke, the company has reduced its use to 25% of requirements. The slack is filled using imported coal.
34. The white cement line expansion is expected to be commissioned in FY26.
35. The management states that it is not focusing on margins for the new business of construction chemicals and is focused on expansion. But in the long term, this unit should have an EBITDA margin of 15-18%.
36. This business will also have very little capex to it as most of the production will be done using existing plants.
37. The major draw of expanding in this direction is to position Ultratech as a building solutions provider with its strong brand equity, wide distribution reach, and logistics network for everyone from individual home builders to high-rise developers.

Analyst's View:

Ultratech Cement is the biggest cement maker in India. The company has done well to acquire aging cement makers in India and integrating them and adding to the company's ever-growing market presence and reach in the country. Ultratech has had a flat quarter with sales growth of 4% but volumes have fallen 3% while EBITDA fell 26% YoY. The fall in volumes was mainly due to a drop in demand in Nov while the EBITDA fall was due to rising input prices especially energy costs while selling prices remained flat due to demand remaining stable in Q3. But Q4 is expected to have much better demand with utilization already above 80% in Jan. The company is looking to maintain a steady rate of capacity expansion in both grey and white cement. It also looking to develop its construction chemicals business a lot in the next few years to position itself as a complete building solutions provider. It remains to be seen how long the input cost inflation will go on and whether the projected rise in oil prices will hurt the demand for construction & infrastructure development more than anticipated and whether the management vision of rising utilization across the entire industry will happen or not. Nonetheless, given the company's leadership position in the industry, its wide distribution network across India, and its strong brand image, Ultratech Cement remains a pivotal cement sector stock for all Indian investors.

CHEMICALS

Apcotex

Financial Results & Highlights

Introduction

Apcotex Industries Limited is one of the leading producers of Synthetic Lattices (VP Latex, Acrylic Latex, Nitrile Latex) and Synthetic Rubber (HSR, SBR) in India.

	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	253	166	52.4%	245	3.3%	686	358	91.6%
PBT	32	21	52.4%	29	10.3%	88	29	203.4%
PAT	24	17	41.2%	22	9.1%	68	22	209.1%

Detailed Results:

1. Across all financial parameters the company has reached historical highs in Q3-FY22.
2. Quarterly Volumes grew YoY for both Q3 and 9M-FY22 due to:
    a. Full benefits of all debottlenecking projects achieved from November 2021 – almost maximized capacities.
3. Broad-based volume growth was seen across most industries, customers, and geographies.
4. Export sales contribution grew to 21% of overall sales to INR 53 Cr in Q3-FY22.
5. Quarterly Operating EBITDA grew by 13.5% YoY to INR 33.90 Cr.
6. Quarterly PAT grew by 41% YoY to INR 23.78 Cr.
7. Work on new expansion projects is on schedule and is expected to be completed around Q2/Q3 of FY23.
8. The company has declared an Interim Dividend @ Rs 2/- per equity share and the Board has fixed 11th February, 2022 as record date for the same.

Investor Conference Call Highlights:

1. The company achieved its highest-ever quarterly sales volume including the exports.
2. The Capex plan of INR 130 to 140 crores, which was started from 1st October 2020 would be completed by 31st December 2021.
3. The XNBR project for manufacturing latex for the hand gloves is about INR 100 crores project.
4. The detailed design for XNBR Project is completed and Company is currently working on the implementation of the plant which, is subject to permission and necessary approvals.
5. Debottlenecking at Taloja is approximately INR 15 crores project help to increase the latex manufacturing facility by about 15% to 20%.
6. Regarding the anti-dumping side of the Korean Sunset Review, the DGTR has recommended the extension of duty for another five years on 24th November 2020 however Company is still waiting for the final notification from the Department of Revenue, Ministry of Finance.

7. Apcotex has filed a fresh petition against other countries like Russia, China, Japan, and European Union. The public hearing has been completed against the Petition and awaiting the final finding.
8. A large chunk of the overall revenue growth has come from the volume growth and part of its from net realization and product mix according to the management.
9. The company is making more latex with the product mix currently at about 55% latex and 45% synthetic rubber.
10. Out of the rubber, around 30%-35% is coming from NBR and about 10% is coming from high styrene rubber.
11. Out of the latex out of 55%, about 20% is for paper and paper board, 10% is for construction, 10% is for tires and now about 10% is for Nitrile Latex and the remaining 7%-8% is for carpet and textiles.
12. The company is not back to the historic margins as far as the NBR portfolio is concerned.
13. Compared to Q2, Q3 Capacity utilization was much better at almost 90%-95% utilization across the board.
14. Debottlenecking at Taloja will become available for production by May or June.
15. The next project lined up is to double the NBR capacity. The company is still waiting for one final permission to start XNB projects.
16. Currently, about 8% to 10% of revenue is coming from XNB latex for gloves.
17. The management expects the next five years to be quite strong for the glove market and therefore with the margins expected to be good, they expect a turnover of about 300 to 350 crores.
18. The company will focus on the latex project first and thereafter on the rubber project. Only for NBR, 40%-50% of the industry imports are coming from Korea and about 40% of the imports are coming from these three or four regions Japan, China, Russia, and EU
19. Issues on shipping are there but long-term contracts help Company however Company is paying higher rates in the last three months.

Analyst's View:

Apcotex is one of the very few synthetic rubber makers in India. The company continued its good momentum from H1 and achieved its best-ever sales, volumes, and exports in Q2. The margin profile remained subdued but mainly due to raw material price inflation and a rise in shipping costs. But operating EBITDA margin has risen to 13.5%. The debottlenecking efforts are expected to come online in Q1FY23. The management is aiming to work on a new capex program to double the capacity of the NBR for the company. It remains to be seen how the company will be able to bring back margins to previously high levels and what obstacles will it face in its export expansion. Nonetheless, given the company's industry-leading position in the domestic market, the prudent management of the company, and the management's optimism from its on-track Capex plans, Apcotex seems to be a good chemical stock to watch out for.

PI Industries

Financial Results & Highlights

Introduction:

PI Industries Limited manufactures and distributes agro chemicals in India and internationally. The company offers agrochemicals, including insecticides, fungicides, and herbicides; specialty products; and generic molecules under various brands. It also provides research and development services comprising target discovery, molecule design, library synthesis, lead optimization, biological evaluation, and route synthesis; and custom synthesis and manufacturing solutions consisting of process research and development, analytical method development, synthesis of reference standards, structure elucidation and synthesis of impurities, physio-chemical studies and 5-batch analysis under GLP conditions, scale-up studies, safety data generation, waste categorization and treatability studies, process/plant engineering, and large-scale commercial production.

Standalone Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	1327	1172	13.2%	1323	0.3%	3807	3286	15.8%
PBT	258	261	-1.1%	255	1.1%	732	679	7.8%
PAT	214	194	10.3%	221	-3.1%	615	530	16%
Consolidated Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	1382	1201	15%	1381	0%	3985	3460	15.1%
PBT	269	263	2.2%	266	1.1%	763	716	6.5%
PAT	222	195	13.8%	229	-3%	639	558	14.5%

Detailed Results:

1. The company witnessed good revenue growth of 15% YoY in consolidated terms in Q3.
2. The profits for the company were up for Q3 with a rise of 10% & 13% YoY respectively in standalone and consolidated terms.
3. The EBITDA for the company grew 8% YoY in Q3 and EBITDA margin fell 185 bps to 22%.
4. Gross margins fell 49 bps to 46% in Q3. This was due to lower export incentives and partial cost pass through.
5. Fixed overheads increased by 24% YoY in Q3. This was mainly due to sharp increase in fuel and related utilities, shipping cost and one-time expenses pertaining to strategic projects.
6. Exports saw a growth of 19% YoY in Q3 while domestic sales increased 8% YoY in the same period.
7. 9M saw revenue and PAT rise of 15% and 14% YoY while EBITDA margin fell 177 bps to 21%. Exports were up 24% YoY while domestic sales were down -3% YoY.
8. Surplus Cash net of Debt as on Dec '21 stood at Rs 2078 Cr. QIP funds remain invested into deposits and debt mutual funds with SLR philosophy while final deployment aligned with PI's longer term growth strategy is underway.
9. 12 new products were launched in 9M which were 1 new insecticide for leaf folder in rice and another was a new fungicide for Sheath blight control.

10. 4 new molecules were commercialized this quarter. 3 new molecules planned to be commercialized in Q4.
11. One MPP has been commissioned in Q3 and another MPH also got commissioned in Q3.
12. PI has signed a technology partnership under joint venture structure in bio-chemical space with a foreign partner. Scale up is expected to start from FY23.
13. The acquisition of API & Intermediate business undertaking of ISLL called off amid non-fulfilment of vital CPs, renegotiation of deal.
14. The company has received 32 inquiries received in different stages. Its order book is at $1.4 billion.

Investor Conference Call Highlights:

1. The company acquired 8 new customers in the 9M period.
2. It is also targeting to commercialize 3 more molecules in Q4 bringing the total for FY22 to 8.
3. The company has 15-18 products in various stages of development.
4. Awkira is expected to increase 3x in the coming year.
5. The margin fall was mainly due to increased overheads by 24%, mainly attributed to sharp increase in fuel and other related utilities costs, logistics costs and one-off expenses pertaining to strategic initiatives.
6. The management reiterated that it should take 3-5 years for new products to reach peak volumes.
7. DSO should remain for nearly 70 days according to the management. The receivable cycle for exports is shorter than that for domestic sales according to the management.
8. The management states that despite some patented molecules going off patent will be damaging to sales, it should not have much impact as the innovator molecule will always be at a premium to generic versions and the innovator should also have a big advantage with an optimized cost structure before everyone else.
9. The company will be pursuing both organic and inorganic expansion. In organic expansion, it will expand to pharma intermediates while for inorganic expansion, it is open to options.
10. The company is looking to launch MMH which is a backward integration strategy providing cost arbitrage and a risk mitigation plan along with some revenues in certain intermediate blocks.
11. The company has shown borrowings of Rs 300 Cr on its books which is mainly the ECB facility taken 2 years back and is up for repayment in 3 more years.
12. MMH should help increase revenues from both existing and new molecules according to the management.
13. Capex done so far in FY22 was Rs 228 Cr and the total for the year is expected to be near Rs 300-350 Cr.
14. The capex in coming years is not only expected to increase capacity but also to improve margins for the company according to the management.
15. The capex for the backward integration is expected to be at Rs 70 Cr for FY22.

16. The company is ideally looking to acquire a pharma company which can deliver Rs 1000 Cr revenues in 3 years time.
17. Despite the rise in competition in the industry, the management believes that new product development does require a lot of trust and competencies and is not suitable for the RFQ approach.
18. The company has launched PB Knot which is a new product based on pheromones and PI is working with various FPOs and state govts to increase adoption of this product and technology. PB Knot itself is targeted at Pink Bollworm.
19. The company has an exclusive license for Asia for PB Knot.
20. The management stated that non-agro CSM could rise to 15-20% of the total customer composition in the next 3 years.
21. The management also stated that it takes 3-4 years for each new capacity to be fully utilized.
22. In CSM, the company is looking to focus on customer stickiness rather than just order book expansion according to the management.
23. The company had done price hikes where a partial impact was seen in Q3 revenues and the remaining will be seen in Q4.

Analyst's View:

PI Industries have been one of the most consistent performers in the agrichemicals business. The company saw a good performance in Q3 on the back of sustained sales momentum in export markets despite margins being under pressure. The company's acquisition of ISLL has gotten terminated and it is looking for new acquisition opportunities. PI is already in talks for expanding into biochemicals and electronic chemicals spaces. The company is also looking to start a new backward integration project which should help enhance capacity and operational efficiency for PI. It remains to be seen whether PI will be able to find a pharma acquisition opportunity in time to aid the commercialization of products in its new pharma segment, what challenges will it face in the 2 new segments of biochemicals and electronic chemicals, and whether the company will be able to match its medium-term guidance for growth in all segments. Nonetheless, given the company's strong track record, strong tailwinds of the industry, a good agricultural season, and opportunities arising from the China substitution phenomenon, PI Industries remains a pivotal agrichemical sector stock to watch out for.

Sudarshan Chemicals

Financial Results & Highlights

Brief Introduction:

Sudarshan Chemical Industries is manufactures and sells a wide range of Organic and Inorganic Pigments, Effect Pigments and Agro Chemicals. The Company also manufactures Vessels and Agitators for industrial applications.

Standalone Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	542	464	16.8%	437	24.0%	1414	1192	18.6%
PBT	42	64	-34.4%	24	75.0%	95	125	-24.0%
PAT	31	45	-31.1%	18	72.2%	71	97	-26.8%
Consolidated Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	603	509	18.5%	499	20.8%	1577	1292	22.1%
PBT	49	56	-12.5%	28	75.0%	114	126	-9.5%
PAT	36	39	-7.7%	23	56.5%	85	88	-3.4%

Detailed Results:

1) The company's consolidated income from operations increased 18% YoY to Rs 603 Cr.
2) The company recorded an EBITDA decline of 7.5% YoY to Rs 74 Cr.
3) EBIDTA margins decreased 340 bps YoY from 15.7% to 12.3%.
4) The company's PAT decreased by 16% YoY to Rs 36 Cr.
5) Pigment business saw revenue rise by 17% YoY to Rs 560 Cr. EBIDTA margin of this division contracted by 260 bps to 13.7% due to soft demand and rise in coal and logistics costs. Capacity utilization was at 80%.
6) Gross margins for the quarter in the pigment business stood at 41.6% vs 43.2% YoY due to very high basic and chemical intermediates prices along with energy crisis leading to difficulty in passing costs increases to customers.
7) Exports of the pigment business increased by 17% YoY to Rs 254 Cr. Domestic sales increased 17% YoY.
8) The specialty segment's revenue rose by 14% YoY while non-specialty revenue also rose by 25% YoY.
9) The current ratio for Q3 was at 1.1 while debt to equity was at 1.0 times.
10) The cash conversion cycle had reduced from 105 days in Q2FY22 to 91 days in Q3.

Investor Conference Call Highlights

1. Coal prices are still above 200% of the level seen in the last year's quarter 4 FY21 which is pushing up the manufacturing cost.

2. The company completed the commercialization of the capex project of Rs.150 Cr from an ongoing capex plan of Rs.750 Cr. Management expects total capitalization to be at Rs.300 Cr. This will include capex projects in the new molecules as well as capacity additions in the existing segment as well as the infrastructure-related capex.
3. The management is seeing a good ramp in high-performance pigment.
4. Out of capex, Rs.600 Cr revenue will be generated from new blockbuster products while the rest Rs.900 Cr is expected to be from old products.
5. The specialty pigment segment has 50% more margins than the non-specialty pigment division.
6. The management doesn't see further raw material pressure till Q4.
7. The management expects challenges in terms of revenue contribution from its new capex for the next few quarters because they have bought material at peak price due to being a new entrant whereas their competitors bought at lower prices.
8. The new capex will be focused on taking market share from European players.
9. The boards will decide on a backward integration project in March.
10. The company faced aggressive pricing pressure in the current quarter due to the availability of adequate raw material inventory with the European players.
11. The management has increased its guidance of possible revenue to be generated by its capex after 3 years from Rs.1200 Cr to Rs.1500 Cr due to an increase in realizations and chance in the mix of investments.
12. The company doesn't expect margins to improve due to its new capex, however the company expects the margins to improve once backward integration takes place.
13. The company has only capitalized capex of Rs.400 Cr instead of Rs.300 Cr as guided by the company due to its policy of capitalizing capex only when products are commercialized.
14. The company has experienced logistics costs increasing by 2X-3X.
15. 80% of the new capex will be towards specialty pigments.
16. The management states that every raw material is currently haunting the company due to continuous rise in prices.

Analyst's View:

Sudarshan Chemicals is one of the largest pigment makers in the world. The company had a decent quarter sequentially with margins improving QoQ but YoY margins were eroded by 340 basis points due to rising input and logistics costs. The management expects the coming quarter to be more robust due to the improving demand scenario. It is also confident of improving margins from the current low level and in the market potential of Sudarshan's Rs 750 Cr capex plan. It remains to be seen whether the growth capex will deliver to its expectations in the given time frame, how long will the supply chain issues and raw material price inflation last, and what issues will the company face to reach its goal of cracking the global top 3 in the pigment industry given the consolidations among the top 5 players. Nonetheless, given the company a strong position in both domestic and export markets and its steadily improving margins due to an improving product portfolio, Sudarshan Chemicals is a pivotal chemical sector stock to watch out for.

CONSTRUCTION

KNR Constructions

Financial Results & Highlights

Introduction:

KNR Constructions is engaged in the business of the infrastructure sector, primarily in the construction of roads, bridges, flyovers and irrigation projects.

Consolidated Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	863	761	13.4%	853	1.2%	2529	1955	29.4%
PBT	87	119	-26.9%	114	-23.7%	344	354	-2.8%
PAT	44	92	-52.2%	73	-39.7%	226	288	-21.5%
Standalone Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	774	713	8.6%	766	1.0%	2285	1807	26.5%
PBT	146	106	37.7%	139	5.0%	398	233	70.8%
PAT	101	77	31.2%	95	6.3%	269	167	61.1%

Detailed Results:

1. Revenue increased by 13% while PAT decreased by 50% on a consolidated basis while PAT on a standalone basis in 31%.
2. EBITDA increased by 17% while EBITDA margins stand at 100 Bps.
3. Net working capital stands at 40 days.
4. Standalone EBITDA margins increased by 154 bps to 22.2% while consolidated margins fell 501 bps to 21.1%.
5. The total order book is at Rs.10,009 Cr. The irrigation segment constitutes 26% & EPC & HAM 74% of total order book.
6. Third-party order book accounts for 58% of the total order book position is distributed between state government contracts with 42% and 10% is from central government and balance 5% of order book is from other private players.
7. The outstanding order book position of INR 6,511 crores.
8. The percentage of physical progress as of 31st December 2021 for the HAM project is:
    a. Chittor to Mallavaram at 99%;
    b. Ramsanpalle to Mangloor at 100%;
    c. Trichy to Kallagam at 86%;
    d. Magadi to Somwarpet at 48%;
    e. Oddanchatram to Madathukulam at 48%
9. The working capital days were stable at 45 days.
10. KNR received orders for the widening of existing service roads of Outer Ring Road, Hyderabad on Bill of Quantities basis worth Rs.312.8 Crs and received 1/2 of this for a value of Rs.1,041.5 Cr.

11. Shareholders have approved 100% stake sale of KNR Shankarampet Projects Private Limited, KNR Srirangam Infra Private Limited and KNR Tirumala Infra Limited.
12. Standalone Net debt to equity stood at 0.

Investor Conference Call Highlights:

1. The industry saw 6,684 km contracts awarded in 9M vs 9,132 km last year.
2. The company transferred 49% of the stake in two of the subsidiaries KNR Tirumala Infra Private Limited and KNR Shankarampet Projects Private Limited to Cube Highways and Infrastructure on 30th December 2021.
3. The company has received sanction for the project from lenders with an estimated EPC cost of Rs. 765 Cr.
4. The management states de-growth in EBITDA and PAT is on account of modification loss accounted in two of the HAM projects in KNR Tirumala Infra Private Ltd and KNR Shankarampet Projects Private Ltd which is due to the companies have achieved the PCOD and there is descope of the project and saving the total project cost and therein change of assumptions.
5. The management expects financial closure of Chittor-Thatchur to be done by April end or Mid-May.
6. Only Rs.50 Cr of work is pending in Mallanna Sagar and Vattem is also around 74%.
7. Receivables of Rs.590 Cr are outstanding from irrigation projects.
8. The company is pursuing irrigation projects even though they have high receivables since margins are better.
9. The company is targeting Rs.3000 Cr from the irrigation project in the coming year.
10. The company did Rs.130 Cr in 9M & is expecting to do Rs.180 Cr in this fiscal.
11. The management states that it has 2.5 years of revenue in its hand
12. The retention receivables is Rs. 157 Cr, mobilization advance is a liability which is Rs. 120 Cr & unbilled revenue of Rs.257 Cr.
13. The Order book split is as follows:- For Kaleshwaram package 4 - Rs. 1,249 crores. For Kaleswaram package 4 - Rs. 695 crores. For Mallanna Sagar - Rs. 50 crores. For western - Rs. 495 crores. For Yedula - Rs. 29 crores. For KP Sagar - Rs. 11 crores. For PSK KNR JV - Rs. 24 crores. And others -Rs. 28 crores. Total put together is Rs. 2,500 crores.
14. The company's 9M depreciation stands at Rs.94 Cr & Q3 it is Rs.35 Cr.

Analyst's View:

KNR has been one of the top performers in the construction industry. KNR has seen a great quarter with a 28% YoY rise in revenues. The company had a weak quarter due to rising input prices. The company has done well to gather an order book of over Rs 10,000 Cr already. It is already bidding for new projects and is targeting to get Rs 3000 Cr orders for irrigation projects in the coming year. The central govt push for PM Gati Shakti National Master Plan for multiple modal connectivity is expected to be a great boost for the entire industry and a seasoned player like KNR. It remains to be seen how the industry will fare going forward given the sustained rise in raw material costs and how long will it take for the Govt's push in infrastructure to gain proper momentum. Nonetheless, given its strong balance sheet, good operational history, and resilient order book, KNR Constructions remains a pivotal construction sector stock to watch out for.

CONSUMER ELECTRONICS

Amber Enterprises

Financial Results & Highlights

Brief Introduction:

Amber Enterprises India is engaged in the business of manufacturing a versatile range of products i.e. Air conditioners, microwave ovens, washing machines, refrigerators, heat exchangers, sheet metal components etc. Currently, the Company has nine manufacturing facilities in India out of which two manufacturing facilities are operating in tax exemption zone.

Standalone Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	670	584	14.7%	353	89.8%	1605	1011	58.8%
PBT	18	27	-33.3%	-8	325.0%	20	-17	217.6%
PAT	14	18	-22.2%	-6	333.3%	16	-9	277.8%
Consolidated Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	982	774	26.9%	596	64.8%	2293	1457	57.4%
PBT	43	40	7.5%	9	377.8%	68	4	1600.0%
PAT	33	28	17.9%	8	312.5%	52	7	642.9%

Detailed Results:

1. The company had a decent quarter with a rise of 27% YoY in consolidated revenues while consolidated profits rose to Rs 43 Cr from a profit of Rs 40 Cr last year.
2. On a standalone basis, the decline in profitability is due to commercialization expenditures for three new facilities in Kadi (Gujarat) for injection molding, Chennai (Tamil Nadu) for sheet metal components and heat exchangers, and Supa (Maharashtra) for sheet metal components.
3. PAT margins stood at 3.4% in this quarter.
4. Operating EBITDA in Q3 for Amber was at Rs 74 Cr with the margin at 7.6%.
5. Operating EBITDA in 9M for Amber was at Rs 163 Cr with the margin at 7.2%.
6. The consolidated revenue mix was at 39:61 in Q3 for RAC: Components+Mobility respectively.
7. The consolidated revenue mix was at 46:54 in 9M for RAC: Components+Mobility respectively.
8. The subsidiary revenues for Q3 were at:

1. PICL: Rs 80 Cr
2. ILJIN: Rs 123 Cr
3. EVER: Rs 63 Cr
4. Sidwal: Rs 85 Cr
5. AmberPr: Rs 12 Cr

9. Amber added 1 new customer for EVER and 2 new customers for IL JIN in Q3.
10. The order book for Sidwal stands at more than Rs 425 Cr.
11. The company invested Rs 73 Lacs to set up Amber Enterprises USA to expand its global presence.

Investor Conference Call Highlights:

1. The acquisition of a majority stake in AmberPR Technoplast will help the company in expanding its footprint in the manufacturing of cross-flow fans and other plastic components for a variety of sectors.
2. Seeing a surge in demand for air-conditioned coaches and many forthcoming Metro projects around the country, the company has strengthened its product portfolio for Railways, Metros, and Bus Air Conditioning in Sidwal.
3. The management states that input costs rose due to high commodity prices and supply chain issues. However, the company has been able to pass on the price hike to the customers & expects to maintain its EBIDTA margins in the future, says the management.
4. The company has surpassed pre-pandemic revenue & EBIDTA for the quarter.
5. The acquisition of majority ownership in AmberPR Technoplast India Private Limited, erstwhile Pasio India Private Limited is expected to help help the company to grow its component segment, with a greater focus on providing more backward integrated solutions in key components of the RAC segment i.e. cross-flow fan, along with injection molding components for other industries, like refrigeration and automobile segments.
6. The company received approval for production of AC components under normal investment category under a threshold incremental investment of Rs.300 Cr while its subsidiary IL JIN electronics received approval for manufacturing of lower value intermediaries of AC under large investment category with a threshold incremental investment of Rs.100 Cr.
7. The management expects the motor division & electronics division in PICL to double in revenues.
8. In the component division, the company has added new customers like Samsung for sheet metal components and heat exchangers & Voltas Beko for injection molding components for washing machines and refrigerators.
9. The company has also started offering a full range of cassette ACs to existing customers.
10. Due to the new product additions in the commercial RAC division, the management expects to outnumber the industry in terms of volume.
11. The management expects the company to do volumes of close to 3 million units in the AC segment for the current fiscal year.
12. The management expects to see good numbers in the coming year due to the import ban leading to Amber receiving a bigger share of brands that were previously importing finished units.

13. The management believes the AC demand will hit 7.5-7.8 million units from the current levels of 6.2-6.5 million which would mean surpassing the pre-covid levels. The company expects to outpace the industry growth rate & gain market share like it has done in the past as well.
14. The company has introduced cassette AC, which is a new offering & is seeing good traction no one in the industry is offering it today as an ODM solution. However, the management expects the revenue contribution of this segment to be marginal.
15. The company will require 1.5-2 years to crack the mass production in export markets like the USA due to the high-reliability cycle.
16. The company is expected to generate revenues of Rs.90 Cr from its new acquisition of AmberTechnoplast.
17. The management expects to carry out the current Capex through internal accruals & believes that the new product line addition in the component segment (even though it is a low margin business) will help in improving asset utilization.
18. New ratings, new model lineups, and conversations with the customers for a long time helped the company to completely pass on the commodity price hike impact.
19. Due to make in India, PLI initiatives, work from home culture, wide product line & company's new entrance in Southern market, the management is confident of doubling the revenues in the next 3 years.
20. The management is aiming for 25% EBIDTA growth in the next 3 years.
21. The company believes that it is competitive with China when it comes to exports of components. However, it lags when it comes to the finished goods side.
22. The company is focusing on increasing its wallet share & improving asset utilization by increasing component segments' revenue rather than investing in ODM and finished goods as they require large capex.
23. The management is envisaging a CapEx of around 375 crores on a consolidated basis and in the next financial year, a CapEx of somewhere around 250 crores to 275 crores is expected.
24. At the year-end, the management expects the net debt level to be close to Rs.300 Cr.
25. The company has a majority share in window air conditioners, however, it doesn't expect any further growth from this segment, instead, growth is expected to come from split & inverter ACs.

Analyst's View:

Amber Enterprises has cemented its position as a prime AC and white good components manufacturer in India. The performance of the quarter was decent with 27% YoY growth in revenues and 18% YoY in PAT. The company is adding new customers for its various component-making businesses and has also acquired AmberPR which is expected to add to its already large components portfolio. The business for Sidwal remains steady with an order book of above Rs 450 Cr. The company is also looking to expand globally and has set up its USA subsidiary in Sep for gaining international contracts. The management expects Amber to outpace industry growth and establish itself in the export ODM market slowly. It remains to be seen how the industry demand will be affected by rising RM costs and whether the company will be able to achieve its optimistic expectations in the exports and components space. Nonetheless, given the massive opportunity size from import substitution, the growth prospects of the industry, and the company's dominant position in the ODM market, Amber Enterprises remains a pivotal stock in the fast-rising air conditioning industry. However, the current valuation appears to be very stretched for the company.

Blue Star

Financial Results & Highlights

Brief Company Introduction

Blue Star is India's leading air conditioning and commercial refrigeration company, with an annual revenue of over ₹5200 crores (over US$ 750 million), a network of 32 offices, 5 modern manufacturing facilities, 2800 employees, and 2900 channel partners. The Company has 5000 stores for room ACs, packaged air conditioners, chillers, cold rooms as well as refrigeration products and systems, along with 765 service associates reaching out to customers in over 800 towns.

The Company fulfils the cooling requirements of a large number of corporate, commercial as well as residential customers. Blue Star has also forayed into the residential water purifiers business with a stylish and differentiated range including India's first RO+UV Hot & Cold water purifier; as well as the air purifiers and air coolers businesses.

Blue Star's other businesses include marketing and maintenance of imported professional electronics and industrial products and systems, which is handled by a wholly owned subsidiary of the Company called Blue Star Engineering & Electronics Ltd.

Consolidated Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	1519	1131	34.3%	1247	21.8%	3827	2674	43.1%
PBT	70	49	42.8%	47	48.9%	137	43	218.6%
PAT	47	36	30.5%	31	51.6%	91	32	184.3%
Standalone Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	1340	1027	30.4%	1103	21.4%	3407	2373	43.5%
PBT	57	33	72.7%	32	78.1%	104	1	10,300%
PAT	38	23	152.1%	21	80.9%	68	1	6,700%

Detailed Results:

1. The company had a consolidated revenue rise of 34% YoY & 22% QoQ.
2. PAT was up to Rs 47 Cr vs Rs 36 Cr last year.
3. EBIDTA grew from Rs.82 Cr to Rs.91 Cr YoY, however its margins decreased from 7.2% to 6% due to continued input cost pressure.
4. Carry forward order book for the company was up 2% YoY to Rs 3111 Cr.
5. Capital employed increased from Rs.742 Cr to Rs.978 Cr on account of improved working capital management.
6. Net borrowings were increased to Rs.165 Cr in YTD.

7. Segment revenue for the Electro-Mechanical Projects & Packaged Air Conditioning Systems was up 42% YoY in Q3. Order inflow in Q3 was at Rs 830 Cr vs Rs 585 Cr last year.
8. The Carried-forward order book of the Electro-Mechanical Projects business was Rs 2311 Cr Vs Rs.2217 Cr. Major orders gotten in Q3 were from were from Avenue Supermarts, DSR Builders, Olympia Cyberspace and JSW Steel.
9. Blue Star was able to maintain its position as number 1 position in Ducted Air Conditioning, number 2 in VRF and moved up to number 2 in Chiller product categories.
10. In the unitary products segment, the company saw revenue growth of 45% YoY in Q3.
11. Blue Star had applied for the PLI benefit for sheet metal components and heat exchangers. The application has now been approved as earlier envisaged.
12. The company grew its market share to 13.25%.
13. The commercial refrigeration business saw improvement in demand across all customer segments.
14. Professional electronics and industrial systems grew revenue by 47% YoY in Q3.

Investor Conference Call Highlights:

1. Revival of business and economic activity enabled the company to end the quarter on a strong note with all segments witnessing robust volume growth and surpassing pre-pandemic levels.
2. The impact of an increase in commodity prices, raw materials, and ocean freight and rollback and cuts in discretionary spending that the company had undertaken in FY'21 have led to lower EBITDA in Q3.
3. The company's EMP business driven by the CAPEX commitments of the private sector received order inflows from Factories and Light Industrial sectors. The inflow of orders from Infrastructure, NEP, and water distribution picked up during the quarter.
4. The growth of QSRs in Middle East markets led to improve in demand for refrigeration solutions. The company also witnessed good traction for its products in the newly entered market of Tanzania.
5. The management continues to explore new markets internationally for business opportunities and expansion.
6. The construction of the new factory at Sri City is progressing as planned and is expected to be commissioned by October '22.
7. The company continued to maintain its leadership position in deep freezers, storage water coolers, and modular cold rooms.
8. In Professional Electronics & Industrial Systems, major orders were backed from JSW Steel, ICICI Bank, FIS Payment Solutions, and Reliance Industries.
9. The management expects the disruption due to the third wave to continue till the end of Feb. They anticipate the peak selling months starting from march to be unaffected.
10. The management continues to remain optimistic about the growth prospects in the project business across the select customer segments focused on them. Increased CAPEX investments by both the public and private sectors are expected to offer good prospects for the Electro-Mechanical Projects business.
11. The management expects margins to remain impacted in the short term while revenue growth to be robust. Prudent working capital management is expected to result in healthy cash flows and a strong balance sheet.

12. The room AC market grew by 25% and the company grew in the segment by 28% due to encouraging demand in December.
13. The company had already taken 3 price hikes in 2021 so no price hikes were taken in Q3. The management does not plan any price hikes for Q4 either despite there being pressures on margins.
14. The management expects the margin profile to be better from Q4 due to the competitive pressure easing and the third wave not impacting as severely as the earlier ones.
15. The management sees the AC market growing at 15% - 18% CAGR in FY'23.
16. The management plans to scale up the company's market share to 15% in the coming years by growing faster than the market consistently.
17. The company's unallocable expenses are in the range of 1.5% to 1.7% of overall revenues which is in a healthy ballpark range as compared to peers according to the management.
18. In the past calendar year, the company has taken a 15% price increase in three installments.
19. The number of stores the company is serving has gone up 15%-20% YoY. Currently, it stands at 7,500 in Q3. The company plans to reach 8000 stores by end of 2022.
20. The management expects to commission the second deep freezer manufacturing plant at Wada in the next three months.
21. The plant under construction in Sri City is expected to get commissioned by October to December this year. This plant has received the PLI benefit as well.
22. The current contribution to sales from e-commerce for the overall market was 10% and for the company was 8%.

Analyst's View:

Blue Star is one of the largest cooling solutions providers in the country. It is one of the biggest branded players in the RAC market. The company has seen an excellent quarter which saw good revenues growth of 37% YoY. It saw a good resurgence in EMP business with segment revenues rising 42% YoY here. The demand for commercial refrigeration remains resilient and this demand is expected to continue from QSRs. The company remains confident of the prospects of its EMP business given the policy support for the rise of the infra sector. It also expects to preserve its market share of 15% in the RAC space and match the industry CAGR of 15-18%. The company is also commissioning additional capacity for the expected demand rise across RAC and commercial refrigeration segments. It remains to be seen how the pricing environment and competition will fare in the industry going forward and how will the new opportunities in the EMP and commercial AC spaces evolve. Nonetheless, given the company's strong market presence, its history of completing EMP projects, and its robust presence in semi-urban and rural India, Blue Star is a pivotal white goods stock to watch out for.

Dixon Technologies

Financial Results & Highlights

Brief Introduction:

Dixon Technologies (India) Limited is the largest home grown design-focused and solutions company engaged in manufacturing products in the consumer durables, lighting and mobile phones markets in India. Its diversified product portfolio includes Consumer electronics like LED TVs, Home appliances like washing machines, Lighting products like LED bulbs and tubelights, downlighters and CFL bulbs, Mobile phones like feature phones and smartphones, Security Surveillance Systems like CCTV & DVRs. The company manufactures and supplies these products to well-known companies in India who in turn distribute these products under their own brands.

Standalone Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	2090	1897	10.2%	2195	-4.8%	5817	3836	51.6%
PBT	48	76	-36.8%	80	-40.0%	152	144	5.6%
PAT	35	57	-38.6%	62	-43.5%	116	107	8.4%
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	3073	2182	40.8%	2804	9.6%	7746	4339	78.5%
PBT	63	81	-22.2%	80	-21.3%	168	155	8.4%
PAT	46	61	-24.6%	62	-25.8%	127	115	10.4%

Detailed Results:

1. The company had a weak quarter with Q3 revenues rising 40% YoY while profit dropping by 25%.
2. The EBITDA margin for the company has fallen by 120 bps YoY to 3.4% in Q3FY22 & EBITDA has risen 3% YoY.
3. 9M figures saw revenues rising 79% YoY while EBITDA margin fell 140 bps YoY to 3.4% and PAT saw growth of 10% YoY.
4. Segment-wise revenue performance in Q3 was as follows:
    1. Consumer Electronics: down 5% YoY (46% of Q3 revenues)
    2. Lighting Products: Up 9% YoY (14% of Q3 revenues)
    3. Home appliances: down 20% YoY (6% of Q3 revenues)
    4. Mobile Phones: Up 57% YoY (31% of Q3 revenues)

5. Security Systems: Up 14% YoY (4% of Q3 revenues)

5. The company had a cash conversion cycle of 0 day.
6. It had a ROCE of 24.1% and ROE of 21.2%.
7. As of 30th Sep 2021, Dixon has a cash balance of Rs 266.23 Cr.
8. Total cash flow from operations in Q2FY22 was at Rs 126.74 Cr.
9. The company's net debt was at Rs 40.5 Cr in Sep from a negative net debt of Rs 8.04 Cr in March.

Investor Conference Call Highlights

1. The major reason for the margin contraction is an increase in commodity & freight prices and a rise in revenue mix from mobile business.
2. The company has an annual capacity of 5.5 million after backward integration exercise which serves 35% of India's market.
3. The company is making investments in injection molding units in the integrated Tirupati campus, which will be operational by the Q1 end of this fiscal.
4. The company has received a huge order for LED TVs from a large global brand for which commercial production is expected to start from May of the forthcoming year meanwhile commercial production of another order which was received in the previous quarter for LED TVs is expected to start by April of next fiscal with expected volumes in year 1 of around 0.5 million.
5. In LED bulb, the company has a capacity of 300 million, which is almost 50% of the Indian requirement & it has already expanded the capacity in battens to 5 million per month and in downlighters to 1.5 million per month.
6. The company is in the final stage of approvals for both technical and commercial from its global customers and the export will be starting from the forthcoming quarters.
7. The company received approval under the PLI scheme of the government of India for manufacturing LED lighting components through its wholly owned subsidiary Dixon Technologies Solutions Private Limited & as a part of backward integration strategy, the company will be committing 100 crores for this project which will also help in margin expansions.
8. In the home appliances segment, the company has 160-odd models in the semi-automatic category with the largest portfolio ranging from 6 kgs to 14 kgs. It now also possesses the largest capacity of semi-automatic washing machines, which is almost 2.4 million annually.
9. Additional industrial footprint in Dehradun will be operational by Q1 of next fiscal which will help in meeting the festive demand.
10. Motorola mobile business has now ramped up and stabilized with monthly volumes touching at 215K and the company has a strong order book for around 1.2 million in Q4 and 1.6 million to 1.7 million starting to Q1 next fiscal.
11. The company also finalized the Nokia feature phone business with a monthly volume of 0.5 million units in addition to smartphones that they are currently manufacturing, and production is likely to commence from Q1 next fiscal. In addition, it has acquired a new customer-Itel in the feature phone category. A 2 lakh square feet facility in Noida has been purchased to meet the demand from these customers.

12. The order books on Samsung smartphones have also significantly increased from 1 million to almost 1.5 million a month which makes the company one of the only players to achieve the thresholds for revenue & investments as prescribed under the PLI scheme.
13. In the set-top box business – the company has manufactured 6.5 lakh set-top boxes for Jio, DISH TV, SITI cable, SUN TV, and reported revenues of INR 70 crores with 2.3% operating margin, and order book in this vertical is also stable.
14. Given the robust order book in the camera & DVR segment, the company is going into further capacity expansion from 10 million per annum to 14 million per annum by Q1 next fiscal. For this, they are relocating their existing set-top box factory in Tirupathi to Kopparthi Electronic Manufacturing Cluster where they have taken a 2 lakh square feet constructed facility.
15. The company is pursuing new opportunities in the refrigerator segment for which initially they will be creating a capacity of 0.6 million direct cool refrigerators, which will be further ramped up to 1 million.
16. The management states that they have started manufacturing laptops for Acer from December 21, and volumes are expected to increase significantly from next fiscal.
17. Partnerships for this quarter include 51-49 JV with VT for telecom and networks, 40-60 JV with Rexxam, Japan for inverter controller board for air conditioners, 50-50 JV with BoAt for manufacturing of wearables & wearables.
18. The company has started passing price hikes to the customers of the ODM business and expects margins to increase from the next quarter itself.
19. Profitability has been lower due to a high mix of low margin businesses like mobile & television coupled with high fixed costs due to new factory set up & raw material & freight inflation.
20. The management expects the margins to compress during the coming years due to a switch in prescriptive business, however due to higher asset turnover because of higher turnover – the return ratios on capital will improve from 30% to close to 40%.
21. The volume from the consumer electronics segment has fallen by 8% YoY however pricing increase led to 3% revenue growth.
22. Capex for the current year will stand close to Rs.370-380 Cr meanwhile net debt stands at Rs.100 Cr
23. The management believes that the current run rate for the automatic washing machines is 10K per month & expects to ramp it up to 300K per month from next fiscal.
24. Open sell prices for LED TVs have softened significantly & management expects it to stabilize.
25. Management is confident of doing Rs.2500 revenue for PLI this year and touching Rs.4000 Cr ceiling in the next fiscal.
26. Due to the conversion cost being on an absolute side rather than the percentage of the price at which sales are made, the margins for the consumer electronics business looks optically lower whenever the price of the goods increase, thus one must look at absolute growth in EBIDTA & the ROC profile.
27. Due to backward integration, margins in ODM business are expected to increase by 0.7-1%.
28. Debtor days have improved due to factoring done by the management along with favorable collection terms in the new mobile business with Motorola.
29. Margins in the JV with Rexxam will be 7-8% & the JV is expected to generate revenues of close to Rs.300 Cr from the next couple of years.
30. Investment in the LED segment will be Rs.100 Cr with revenues of close to Rs.130-140 Cr & PLI incentive of 6% in the first year leading to EBIDTA margins of 9-10%.
31. The margins are expected to rationalize back to 4-4.2% from the current levels of 3.5%

32. The company passes on price increases in its prescriptive business (which involves mobiles, set-top box, security service & consumer electronics business) immediately and is not affected by commodity inflation. However, it passes on price hikes in the ODM business (which involves washing machines & lighting) with a lag of 1-3 months leading to margin compression due to raw material inflation.

Analyst's View:

Dixon Technologies is one of the foremost leaders in the electronics manufacturing and outsourcing industry in India. The company had another great quarter despite challenges and margin contraction due to RM price increases and high shipping costs. The company is participating in multiple PLI schemes like mobile phone PLI, IT hardware PLI, AC components PLI, and Telecom products PLI. It has also added refrigerators to its ODM portfolio. The management has high expectations from all its newly formed JVs. It has also seen the Samsung smartphones order rise to 1.5 million per month, highly increasing its chances of fulfilling the PLI scheme obligations. The company has also started passing the RM price increases to its customers and it expects margins to come back to 4% and above soon. It remains to be seen what obstacles it will face that may threaten to halt its growth momentum, how will the RM price situation pan out, and whether the export ambitions of Dixon bear fruit as expected. Nonetheless, given the list of marquee customers that the company has gained and retained over the years and its continuous efforts to expand existing capacities like consumer electronics, adding new product lines, and participating in multiple PLI schemes, Dixon Technologies is cementing its place as a good growth story in the electronics manufacturing sector in India.

EXCHANGE

BSE

Financial Results & Highlights

Introduction

BSE was established in 1875 and is Asia's first Stock Exchange and one of India's leading exchange groups. Over the past 144 years, BSE has provided a capital-raising platform and provided a platform for trading in equity, debt instruments, derivatives and mutual funds. It also has a platform for trading in equities of small-and-medium enterprises (SME).

Standalone Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	180	138	30.4%	208	-13.4%	545	423	28.8%
PBT	62	25	148%	86	-27.9%	197	85	131%
PAT	41	21	95.2%	62	-33.8%	141	82	71.9%
Consolidated Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	218	162	34.5%	225	-3.1%	630	484	30.1%
PBT	82	37	121.6%	90	-8.8%	241	104	131.7%
PAT	58	31	87%	62	-6.4%	173	109*	58.7%

*due to negative tax expense

Detailed Results:

1. Sales for Q3 were very good with consolidated revenues up 34% YoY & consolidated PAT up by 87% YoY.
2. EBITDA margin for Q3 was at 30% vs 2% last year & 28% in Q2.
3. Average daily turnover rose 49.6% YoY in the Equity Cash segment in 9M. TC revenue in the segment on the other hand rose 131% YoY.
4. Equity derivatives saw a fall of nearly -10.9% QoQ in Average Daily Turnover.
5. The currency derivative segment saw a rise of 26% YoY in average daily turnover in 9M.
6. In the commodity derivatives segment, average daily turnover rose almost 75% YoY in the 9M period with over 99% of turnover in gold derivatives.
7. The company launched steel billets futures in July. 360 MT delivered on an exchange platform in Raipur.
8. BSE Star MF saw MF revenue rise 20.8% YoY in 9M while Average Number of Orders rose 99% YoY in the same period.
9. In the services to corporates segment, listing fees grew by 21.1% YoY in 9M while Book Building & other Services grew by 115% YoY.
10. In the India International Exchange IFSC, the average daily turnover grew more than 126% YoY in 9M.

11. BSE Ebix Insurance Broking collected a total premium of Rs 9.94 Cr in 9MFY22 vs Rs 3.65 Cr in 9MFY21. Premium collected has grown by 172% YoY.
12. Star MF maintained increased market share to 73% while India INX increased its market share to 94%. BSE Bond market share was at 59%.

Investor Conference Call Highlights:

1. The Board of directors have recommended a bonus issue of 2 hares for each existing share.
2. The BSE bond platform raised Rs 5.2 Lac Cr in Q3 while the equity platform raised Rs 72,213 Cr.
3. BSE has signed MoUs with many physical market participants in the quarter including Gem and Jewellery Council, Nasik Saraf Association, South Tamil Nadu Jewellers Guild and The Bullions and Jewellers Association to increase liquidity in the gold options and futures markets.
4. It has also applied for approval to launch electronic gold receipts as a new segment to launch spot gold trading in India.
5. BSE stake in INX and India International Clearing Corporation have been reduced to 71.81% and 69.28% respectively.
6. BSE Technologies is the technology solutions provider for the international bullion exchange at GIFT City. The same solutions will also be used for spot gold trading on BSE in the future.
7. BSE EBix has onboarded LIC on its platform in Dec.
8. The BSE E Agriculture Markets Limited, (BEAM), has started spot trading for non-Agri commodities. It has also received a mandate from Maharashtra for carrying out agriculture auctions on its platform.
9. Pranurja was rebranded to Hindustan Power Exchange Limited in November. BSE owns 22.61% stake in this venture currently.
10. BSE Technologies has also received an in-principle approval from RBI for setting up and operating trade receivables discounting systems (TReDS). TReDS is an electronic platform for facilitating the financing discounting of trade receivables of MSMEs through multiple financiers.
11. BSE Technologies has also received approval for KYC KRA.
12. The company is currently only charging listing fees from SMEs and equity segments. In the commodity and derivative segments, it is running liquidity enhancement programs where it is not charging anything.
13. A large portion of the technology for the new power exchange was provided by BSE Technologies. The power exchange unit is now working on spot exchange and it will start on electricity futures next year according to the management.
14. The management does not expect any significant cash burn for the new business of trade receivable discounting.
15. The major reason for the rise in transaction charges is the general bullishness of the market.
16. BSE has already started the process of hiring a new CEO as the current CEO's term is set to end after Oct 2022.

Analyst's View:

BSE is the largest stock exchange in the world in terms of listed entities. The company has been in this industry sector for close to 150 years and is still at the forefront of the industry in terms of technology and access to tradable products. BSE had a great quarter with rising volumes in all segments leading to a 34% YoY rise in sales and 87% YoY rise in PAT. The company is doing well to continue to expand its strength in the equity and commodity derivatives space and continue the growth momentum of BSE Star. It also introduced the new trade receivables discounting platform and has plans to launch spot gold trading in India. BSE Technologies has also gotten approval for KYC KRA. It remains to be seen whether BSE Star MF turns into another CDSL for BSE or not, how long will it take for INX to start generating profits and what is the road ahead for the new businesses. Nonetheless, given the company's long-standing brand value and its market execution experience, and the potential of its new businesses, BSE can turn out to be a dark horse wealth creator in the next few years.

Indian Energy Exchange

Financial Results & Highlights

IEX is the first and largest energy exchange in India providing a nationwide, automated trading platform for physical delivery of electricity, Renewable Energy Certificates, and Energy Saving Certificates. The exchange platform enables efficient price discovery and increases the accessibility and transparency of the power market in India while also enhancing the speed and efficiency of trade execution. In August 2016, the Exchange received ISO Certifications for quality management, Information security management, and environment management. The Exchange is now a publicly listed company with NSE and BSE. IEX is approved and regulated by the Central Electricity Regulatory Commission (CERC) and has been operating since 27 June 2008.

Standalone Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	127	96	32.3%	121	5.0%	350	256	36.7%
PBT	106	78	35.9%	103	2.9%	293	198	48.0%
PAT	79	60	31.7%	78	1.3%	222	150	48.0%
Consolidated Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	131	96	36.5%	122	7.4%	356	256	39.1%
PBT	107	76	40.8%	102	4.9%	291	191	52.4%
PAT	81	58	39.7%	77	5.2%	220	144	52.8%

Detailed Results:

1. On a consolidated basis, PAT was up 40% YoY while revenue for the quarter was up 36% YoY.
2. Traded volume on exchange increased by 37% YoY.
3. India's renewable installed capacity is 151 gigawatts.
4. Power consumption in the Q3 of FY22 increased by 5% CAGR on a 2 year basis.
5. IGX recorded trade volume of 3.6 MMBTU in Q3. It has now reached break-even level.
6. Margins stood at 63.1%.
7. Interim dividend of 100% per equity share was announced.
8. Real time market (RTM) grew by 70% YoY & contributed 20% of the total revenues

Investor Conference Call Highlights:

1. The power consumption in India has risen with a CAGR of 5% in the least 2 years.
2. The CERC draft (Connectivity and General Network Access to the inter-State Transmission System) was released in Dec which is expected to clarify on how transmission access will be available for participants on the Exchange. The General Network Access is expected to promote the power market in India according to the management.
3. The dispute between SEBI & CERC has been resolved which will lead to introduction of long duration contracts & electronic derivatives in power exchanges.

4. The company will be able to launch long duration contracts in the next financial year.
5. The management states that electricity derivatives will smoothen out the price volatility, and buyers will be able to hedge their portions and take delivery in the spot markets, which will lead to an increase in exchange transactions.
6. The National Open Access Registry is likely to be implemented by Q4 of FY22 which will lead to further development of power market in India.
7. Trading in the REC market has resumed in Nov and the management expects good momentum ahead in this market.
8. The company has commenced cross border electricity trade initiatives with key stakeholders in Bangladesh & Nepal.
9. The RTM segment grew 70% YoY and accounted for 20% of overall electricity volumes on the exchange.
10. The company has also applied for a voluntary gross bidding platform which would simulate the objectives that the MBED draft is looking to achieve.
11. The management expects ESCerts trading to start from next month.
12. After the stake sale of 4.93% to IOCL, IGX is now an associate company of IEX.
13. The company brought in NSE as a strategic investor with 26% stake sale due to its experience of dealing in large volumes as well as avoiding competition with another exchange like NSE according to the management.
14. The management believes that general network access is a very market friendly regulation as only buyers will have to pay charge now instead of both sellers & buyers thus making the process simpler. Further, a provision for short-term general network access has been introduced for meeting seasonal demand of 2-3 months.
15. The management states that if the gross bidding voluntary mechanism is implemented effectively and used by the states effectively, the MBED will become redundant.
16. The management expects IEX to garner decent market share of REC. the demand for RECs is much higher currently due to the inactivity of the last 2 years and REC inventory being limited as no new capacity is being added under the REC scheme.
17. The top 10 buyers constituted about 58% of total volumes.
18. The top 10 sellers contributed about 56% of total volumes.
19. The company charges Rs 20 from buyer & seller each on every energy certificate.
20. Of the 37% YoY growth in volumes in IEX, 20% was from REC and ESCerts. The remaining 17% was from electricity trading of which RTM was a significant share.
21. The volumes from green market have increased from 0.7 BU to 1.2BU in the current year. The management expects to see good growth even in future.
22. The management is confident about future growth prospects despite emergence of the 2 new rival exchanges.
23. The other expenses were optically higher in the Q3 due to bonus issue and higher expenses on CSR.
24. The company's gas exchange division has seen volumes grow from 3.3 Lac MMBTU in Q1 to 36 MMBTU in Q3 in FY22 so far. The management expects exponential growth in coming quarters as well.
25. The DAM volume is growing tepidly due to higher growth from green markets and RTM.
26. The management states that IEX has a consistent policy of giving more than 50% of its profits in the form of dividends & it intends to maintain the same.

Analyst's View:

IEX is the first and largest energy exchange in India providing a nationwide, automated trading platform for physical delivery of electricity, Renewable Energy Certificates, and Energy Saving Certificates. It has a very asset-light business model and a strong Balance Sheet. In the last several years it has done well by constantly adding new products and improving offerings for the participants on its platform. The company continues its growth march with another good quarter with volume growth of 37% YoY and sales & profit growth of 36% & 40% YoY. IEX saw a great rise in volumes mainly on the back of increased consumption in the country and the resurgence of the REC and ESCerts segments. It has also received approval for long duration contracts and is expecting the resumption of ESCERTs and GTAM very soon. The management does not appear very concerned about the MoP directive for MBED implementation by April 2022 and has even applied for a product for a gross voluntary bidding mechanism which will make MBED redundant. It also states that MBED implementation is still very open to changes under discussion, and it should not lead to any decrease in volumes for IEX. It remains to be seen whether the MBED development will pan out as the management expects and how IEX will fare with the addition of new rival exchanges in this space. It is still very early days in the power exchange market. However, as of date, IEX looks like a pivotal player in this industry.

FMCG

CCL Products

Financial Results & Highlights

Brief Company Introduction

CCL Products (India) is engaged in the manufacturing of instant coffee. The Company operates through the Coffee and Coffee related products segment. It is engaged in the manufacture of soluble instant spray dried coffee powder, spray dried agglomerated/granulated coffee, freeze-dried coffee and freeze concentrated liquid coffee.

Standalone Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	261	189	38%	218	19.7%	702	570	23.1%
PBT	32	30	6.6%	36	-11.1%	103	88	17%
PAT	16	21	-23.8%	21	-23.8%	61	58	5.1%
Consolidated Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	423	300	41%	337	25.5%	1086	911	19.2%
PBT	74	56	32.1%	65	13.8%	193	162	19.1%
PAT	58	47	23.4%	49	18.3%	151	133	13.5%

Detailed Results:

1. The company had a great quarter with consolidated sales up 41% YoY and PAT up 23.4% YoY.
2. 9M numbers were good with 19.2% YoY revenue growth and 13.5% YoY PAT growth.

Investor Conference Call Highlights:

1. The management maintains the growth guidance for FY22 at more than 15% and believes that it is on track for the same.
2. The expansion plans in Vietnam were completed last quarter. It is one of the reasons for the enhanced capacity utilization also.
3. The doubling of capacity plans has already started and by Q3FY23 it should be up and running.
4. The expanded capacities were running at optimum levels. The company’s plants are running at almost full capacity.
5. It will take more than 1-2 months to get a higher volume out of the plants because of the pending approval from customers for revised blends submitted to them.
6. The company will be increasing the small pack capacity to 20,000 tonnes. The 12,000-tonne expansion which is a part of this will be completed this quarter.

7. The domestic market branded business continues to do well. On both the total level and on the branded side, the company has grown by 40% in the 9M duration of this FY.
8. The management's outlook for the branded and non-branded segments in the domestic markets is around 200+ crore. The branded category is expected to be around 70% - 75% of this.
9. As per Nielson, the company's market share is 3.1% in the south region of the country, being the number three brand there. The south region accounts for 70% of the coffee consumption of the country.
10. The management states that it works on a costless basis and basis on the extent of the change in raw material prices, it passes it on to the customers. This ensures that the per kg base realization is always the same.
11. Volume growth on a percentage basis was 17%. The EBITDA per unit remained the same from the normal level for this quarter.
12. The company has 13,500 tonne capacity in Vietnam currently after completing the previous round of expansion. The company is now in the process of doubling this capacity by Q3 of next FY.
13. The management intends to wait for the domestic sales to reach a minimum threshold level before setting up a separate new factory for the domestic business. The process will be initiated at the end of the year.
14. The company is not looking for any expansion in the freeze-dried coffee business due to the pressure from competitors who are setting up new plants in Brazil and Vietnam.
15. The management observes that the gap between spray-dried and freeze-dried coffee has come down drastically. People are going for cheaper options with the spray-dried category which also has very good quality blends of coffee.
16. The management foresees the green coffee prices to remain high for another two years at least. This is one of the reasons for the management's confidence in spray-dried expansion rather than freeze-dried expansion.
17. The company is at around 6% to 7% market share in the states of Andhra Pradesh and Telangana.
18. The management is highly optimistic about the future of the coffee vending machine business in India
19. The problem of shipping containers and freight costs has improved but is yet causing minor hindrance to the company.
20. The company's market share in the US will be at 7%. In Russia, it will be at 15%.
21. In Most cases the freight costs are borne by the customer only.
22. From a total capacity of 38,500 tonnes; 5000 tonnes are sold in India annually and the rest is exported.
23. The capacity utilization of the company currently stands at 80% - 85%.
24. There is not much impact of inflation or currency fluctuation on the business as the entire purchasing of raw materials and selling of goods by the company is done in dollars internationally.
25. The distribution of the products is taken care of by the customer in exports. The company supplies the goods directly to the warehouses where the customer has asked them to deliver. For the domestic market, the company has a distribution network of 1lac retail outlets and 350 distributors.
26. The total domestic market for branded coffee is 2300 crore. 70% of this comes from the south.
27. The company's annual advertising spends are around 13-15 crore which is spent on south regional channels and non-south news channels.

28. Out of 38,500 tonnes total capacity, 11000 tonnes is currently freeze-dried which is going to remain constant and all of the remaining is for spray-dried coffee. An additional 15000-tonne capacity will add in Vietnam which will be in spray-dried coffee.
29. The topline of the Vietnam operations was 322 crores and EBITDA was at 87 crores.
30. The company plans to have specialized and premium packaged product offerings ahead and is not focusing on any small packs manufacturing in Vietnam currently due to the bulk coffee demand that the company is already catering to from the Vietnam plant.
31. The e-commerce business is currently 10% of the total retail business.
32. 75% of the company's customers do long-term contracts of more than one year.
33. Under a government incentive, the company received 7.57 crores this quarter.

Analyst's View:

CCL has already established itself in the wholesale coffee space for many years and their foray into branded sales through the Continental Coffee label has been very encouraging. The company has had a great quarter with 41% YoY growth in Sales & 23.4% growth in profit. It also saw utilization of above 80% at the plants. CCL is planning to achieve Rs 200 Cr of sales from the domestic branded business. The company has seen a good response to its cold brew product and has also received inquiries for this product from European, Chinese and Russian supermarket chains. CCL also expects Q4 revenues to rise disproportionately as it expects the rise in green coffee prices to start reflecting in sales from Q4 onwards. It is also undertaking capacity expansion for small packs in India and spray dried coffee in Vietnam to keep up with the rising demand. It remains to be seen whether the rising green coffee prices will result in any drop in order placement for CCL and whether the branded business will be able to maintain its growth momentum in other parts of India. Nonetheless, given the enormous market opportunity for the branded business in the domestic market, CCL products may turn out to be a dark horse in the global coffee industry in the years to come.

ITC

Financial Results & Highlights

Brief Introduction:

ITC Limited is an Indian multinational conglomerate company headquartered in Kolkata, West Bengal. Established in 1910 as the 'Imperial Tobacco Company of India Limited', the company was renamed as the 'India Tobacco Company Limited' in 1970 and later to 'I.T.C. Limited' in 1974. It has a diversified presence in FMCG, Hotels, Packaging, Paperboards & Specialty Papers and Agri-Business. It has many famous brands under its stable like Wills, Classic, Gold Flake, Aashirvaad, Sunfeast, Bingo, Fiama, Vivel, Classmate and many others.

Standalone Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	17616	13733	28.2%	14230	23.7%	45235	36846	22.7%
PBT	5492	4880	12.5%	4880	12.5%	14387	12310	16.8%
PAT	4156	3687	12.7%	3697	12.4%	10866	9283	17.0%
Consolidated Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	18787	14670	28.0%	15313	22.6%	48788	39803	22.5%
PBT	5580	4904	13.7%	5054	10.4%	15102	12905	17.0%
PAT	4118	3587	14.8%	3764	9.4%	11225	9572	17.2%

Detailed Results:

1. The company had a good quarter with a 28% consolidated revenue growth YoY and a rise of 14.8% YoY in consolidated profits in Q3.
2. The Company EBITDA was up 18.2% YoY.
3. Cigarette segment saw revenue growth of 13.6% YoY and 10.8% QoQ. Segment EBIT also grew 14.4% YoY with EBIT margins up 55 bps YoY.
4. FMCG-Others segment grew 9.3% YoY & 1.3% QoQ in Q3. Segment EBITDA grew 46% over Q3FY20 and -7.4% QoQ respectively. EBITDA margin was at 9.1%.
5. Staples & Convenience Foods, saw a moderation while Hygiene products also moderated. Out of home consumption saw sharp recovery.
6. ITC e-commerce FMCG 9M Sales are 3x of FY20 levels; now accounts for close to 7% of revenue.
7. Market and outlet coverage is at 1.5x and 1.1x respectively compared to last year levels.
8. ITC e-store now covers 15 cities with over 700 products in 45 categories.
9. Sunfeast introduced new Dark Fantasy Deserts collection. Savlon introduced new handwash powder. ITC also acquired minority stake in Mother Sparsh, a premium ayurvedic and natural personal care startup with focus on mother and baby care segments.
10. Aashirvaad forayed into the value-added adjacent vermicelli category.
11. In the personal care segment, Engage saw good resurgence with rise in mobility.
12. FMCG Cigarettes saw new varieties of additions to the portfolio.

13. The Hotels business saw occupancy recover to pre-pandemic levels and saw strong sequential improvement in ARRs. Leisure travel remained strong while business travel is coming back.
14. The hotels segment launched 2 new Welcomhotel properties which are:
    a. Welcomhotel Guntur – A first-of-its-kind premium property offering an immersive regional experience. (104 keys)
    b. Welcomhotel Bhubaneshwar – Draws inspiration from 500 magnificent temples adorning the city. (107 keys)
15. 3 more properties to be launched soon under the Welcomhotel brand. Welcomhotel Brand footprint scaled up to 23 properties/2600 keys.
16. The company is looking to drive engagement and business through ITC Hotels app which provides food delivery, room reservation, loyalty benefits and offers for customers.
17. In the Paper & Paperboard business, the company saw revenues rise 38.5% YoY & an EBIT rise of 57.3%. It also saw paperboard sales volumes at a record high.
18. Agribusiness saw a massive revenue increase of 100% YoY & an EBIT growth of 50.6% YoY driven by strong growth in Wheat, Rice & Leaf Tobacco exports.
19. ITC Infotech saw a great 9M with revenue growth of 21.3% YoY to sales of Rs 2181 Cr while Pat grew 48.3% to Rs 454 Cr in the same period. Margin expansion a/c improved business mix and higher resource productivity.
20. EBITDA margin for ITC Infotech improved 400 bps YoY to 27.5%. It also saw PAT margin growth of 380 bps.

Analyst's View:

ITC has been one of the biggest conglomerates in the history of modern India. The company has done well to diversify into other FMCG segments and build many leading brands like Aashirvaad, Bingo, etc. The company has seen good performance in Q3FY22 with all segments reporting good growth especially the Paperboard business growing 38.5% YoY and the Agribusiness segment growing 100% YoY. The company is doing well in maintaining a leadership position in many of its brands and always introducing new products under these brands. The company has seen sharp recovery in its out of home consumption products and has seen consistent rise in EBITDA in the FMCG-Others segment with EBITDA margin now at 9.1%. The hotel business is also on its way back with business travel demand coming back and the company is looking to drive this business using digital means through its ITC Hotels app. ITC Infotech has also turned into a good growth machine for ITC with revenue growth of 21.3% YoY for 9M. It remains to be seen how the company will mitigate the effects of the systematic decline of the cigarette industry and how long will it take for the FMCG business to realize its value and start performing like the rest of the industry. Nonetheless, given its history of building and maintaining durable brands, its leadership in various operating segments, and its mammoth cash-generating ability, ITC remains a critical stock to watch for any investor interested in the themes of FMCG and consumption, all the while providing a consistent 5% dividend with a strong runway for business for many years to come.

Jyothy Labs

Financial Results & Highlights

Introduction

Jyothy Laboratories Ltd is a Mumbai-based fast-moving consumer goods company founded in 1983. It has 6 business divisions namely Fabric Care (Ujala -. market leader), Household Insecticide (Maxo), Utensil Cleaners (Exo), Fragrances, Personal Care (Margo) and Fabric Care Service. Ujala, Maxo, Exo, Jeeva and Maya are some of the brands it owns under these divisions. The company is the largest player in the fabric whitener space in India with a market share of 72%.

Standalone Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	532	475	12%	583	-8.74%	1643	1412	16.3%
PBT	42	64	-34.3%	50	-16%	193	223	-13.4%
PAT	35	52	-32.6%	42	-16.6%	163	190	-14.2%
Consolidated Financials (In Crs)								
	Q2FY22	Q2FY21	YoY %	Q1FY22	QoQ %	H1FY22	H1FY21	YoY%
Sales	542	482	12.4%	590	-8.13%	1662	1428	16.38%
PBT	47	68	-30.8%	54	-12.96%	152	201	-24.3%
PAT	38	53	-28.3%	43	-11.62%	122	163	-25.1%

Detailed Results:

1. Standalone and Consolidated quarterly revenues were up at 12% & 12.4% YoY respectively.
2. The gross margin for the quarter decreased from 48.8% last year to 41.6%.
3. Operating EBITDA at 11.3% (Rs 61.2 Cr) Vs 16.7% (Rs 79.8 Cr) in the same period last year.
4. In Q3FY22, consolidated revenues were up 12.4% YoY while volumes were up 13.1% YoY.
5. Gross Margin in Q3FY22 was 41.6% from 47.6% in the same period last year.
6. Category wise break-up of Q3 YoY Revenue Growth:
    1. Fabric Care: Up 18.8%
    2. Dishwashing: Up 10.4%
    3. Household Insecticides: Up 9.8%
    4. Personal Care: Up 0.2%
    5. Others: Up 20.5%

Investor Conference Call highlights:

1. The management states that there has been stabilization in all distribution channels in Q3, specifically modern trade and CSD, which had been impacted for the past 18 months.
2. High raw material prices have impacted the margins. These have been managed with calibrated price increases and inward-looking cost rationalization measures according to the management

3. This quarter, the company has grown by double-digit and all categories have witnessed a double-digit growth on a 2-year CAGR basis.
4. Input prices as a percentage of turnover have increased by 14%.
5. The management sees further pressure on margins in upcoming quarters and has further price increases in the pipeline.
6. To continue the sales momentum, the company's A&P spending for the quarter increased by 7.4%.
7. Ujala Fabric Whitener has achieved pre-covid sales. Crisp and Shine are expected to perform in another quarter and Ujala IDD has received a good response in West Bengal.
8. The management states that market share has been gaining every quarter for Exo, which used to be 11.3% in 2019 and is 13.7% presently.
9. The market share of Maxo has hit double-digits at 10.2% market share for the first time.
10. The management states that it wants to build volume growth and focus on tech-led distribution and increased media spending.
11. The management targets to reach to 15% EBITDA margin as early as possible.
12. The management expects Q4 to be unaffected in terms of topline trajectory.
13. The company has crossed 1 million retail outlets network compared to 8 lacs at the beginning of the FY.
14. Mr. Ullas Kamath, Joint MD, would not be seeking reappointment or extension in the company to focus on his passion and other work roles.
15. Dishwash was the best performer this quarter in terms of growth followed by Fabric Care and Personal Care.
16. The management is open to new opportunities in the market like D2C and e-commerce.
17. The industries in which the company operates – Fabric Care, Dishwash, and Detergents do not have much D2C penetration from competitors.
18. Margo brand has seen 20% CAGR growth in the past 2 years. This quarter was flattish due to the early onset of winter.
19. The company continues to be a net-debt-free company in Q3.
20. The company is on a deep search for acquisitions and will share info with shareholders once it gets an opportunity in a relevant category.
21. The company in the last 1 year has added 500 rural stockists, which help it reach its products to villages with a population of up to 5000.
22. Both Prill and Exo have done well in Q3. Prill is focused more on the metro and urban areas while Exo is focused on rural areas.
23. The current cash balance on the books of the company is 60 Cr.
24. E-commerce currently contributes to 4% of the company's revenues.
25. The company has new products in the pipeline and had recently launched Ujala liquid detergent last quarter.
26. Henko detergent contributed over 200 Cr to the top line of the company.

Analyst's View:

Jyothy Labs is a consistent performer in the FMCG segment in India. They have successfully carved out a niche for themselves and have established themselves as market leaders in the fabric care and dishwashing segment. The performance of the company was encouraging in this quarter mainly on the back of sustained good performance of all core categories. The company has done well to continue growth momentum in its core categories, but margins have remained under pressure due to rising input costs. It remains to be seen how long will margins remain subdued to raw material price inflation and how the company will fare in the increasingly competitive environment in the health hygiene space. Nonetheless, given the renewed focus on health and hygiene going forward and the company's good distribution reach and resilient product portfolio, Jyothy Labs may turn out to be a pivotal FMCG stock to watch out for.

KRBL

Financial Results & Highlights

Brief Company Introduction

KRBL is the world's leading basmati rice producer and has fully integrated operations in every aspect of basmati value chain, right from seed development, contact farming, procurement of paddy, storage, processing, packaging, branding and marketing. It is also the owner of the famous basmati rice brand INDIA GATE.

Standalone Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	1169	1128	3.6%	1059	10.4%	3259	3037	7.3%
PBT	100	195	-48.7%	184	-45.7%	471	564	-16.5%
PAT	73	146	-50.0%	137	-46.7%	351	422	-16.8%
Consolidated Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	1169	1128	3.6%	1059	10.4%	3259	3038	7.3%
PBT	100	194	-48.5%	183	-45.4%	470	563	-16.5%
PAT	73	145	-49.7%	136	-46.3%	350	421	-16.9%

Detailed Results:

1. The company had a bad quarter with a 3.6% rise in consolidated revenues and a 49.7% fall in PAT at a consolidated level.
2. Gross profit was down 25% YoY while EBITDA in Q3 declined 44% YoY.
3. Gross margin declined 770 bps to 21.6% while EBITDA margin declined to 10.6% from 19.3% last year. The gross margin decline was due to changing product mix and rising input costs.
4. The EBITDA margin decline was mainly due to rise in logistics costs and marketing spending.
5. Net debt to equity is now at 0.06 from 0.11 a year ago. The interest Coverage ratio improved to 50 times from 36 a year ago.
6. Inventory position is at Rs 1660 Cr of rice and Rs 1359 Cr or paddy in Q3.
7. The company maintained a cash balance of Rs 270 Cr.
8. Net borrowing was at Rs 174 Cr vs Rs 314 Cr last year.
9. The overall market share of KRBL was at 35%.
10. India business saw revenue growth of 26% YoY.
11. Export business was down 25% YoY due to unavailability of Iran. A new distributor has been appointed for the Saudi region.
12. Market share in various exports markets was:
    1. Kuwait: 86%
    2. Qatar: 82%
    3. UAE: 74%

4. Kenya & South Africa: 86%

Analyst Views:

KRBL is one of the biggest sellers of basmati rice in the world. It has built up a long-standing legacy of more than 120 years and enhanced it using modern technology to make the process from grain to pack as efficiently as possible. The company has had a bad quarter with a 3.6% YoY fall in sales while PAT fell by 49.7% YoY mainly on the back of a big decline in export sales and wide margin compression. Margins have suffered due to the rise in input and logistics costs and enhanced marketing spending. Export segment is expected to recover with KRBL already appointing a new distributor for the Saudi region. There hasn’t been any definitive resolution of the Enforcement Directorate charge sheet issue against Anoop Kumar Gupta who is the Joint MD of KRBL. But the company continues to show good brand and volume performance while developing in new segments like Unity and health foods. It remains to be seen how the company will navigate the ED charge sheet issue and what roadblocks it will face in its quest to reach Rs 8000 Cr sales in 3-4 years and the recapture of big export markets of Saudi Arabia and Iran. Nonetheless, given the company’s long-standing brand image, its resilient operations and export structure, and its focus on maintaining its strengths and developing new avenues, KRBL may turn out to be a prime wealth creator in the next few years.

Tata Consumer Products

Financial Results & Highlights

Brief Company Introduction

Tata Consumer Products Limited (formerly Tata Global Beverages) is an Indian multinational non-alcoholic beverages company headquartered in Kolkata, West Bengal, India and a subsidiary of the Tata Group. It is the world's second-largest manufacturer and distributor of tea and a major producer of coffee.

Tata Consumer Products markets tea under the major brands Tata Tea, Tetley and Good Earth Teas. Tata Tea is the biggest-selling tea brand in India, Tetley is the biggest-selling tea brand in Canada and the second-biggest-selling in United Kingdom and United States.

In 2012, the company ventured into the Indian cafe market in a 50/50 joint venture with Starbucks Coffee Company. The coffee shops branded as "Starbucks Coffee - A Tata Alliance" source coffee beans from Tata Coffee, a subsidiary company of Tata Consumer Products.

Standalone Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	2054	1987	3.3%	2018	1.7%	6184	5408	14.3%
PBT	252	176	43.1%	248	1.6%	878	721	21.7%
PAT	187	136	37.5%	188	-0.5%	679	537	26.4%
Consolidated Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	3233	3089	4.6%	3072	5.2%	9342	8643	8%
PBT	387	292	32.5%	347	11.5%	1071	1113	-3.7%
PAT	287	237	21%	285	0.5%	789	860	-8.2%

Detailed Results:

1. The consolidated performance was decent at 4.6% YoY growth in revenue while PAT was up 21% YoY.
2. 9M performance was mixed with 8% YoY revenue growth and -8.2% YoY decline in PAT.
3. EBITDA margin was at 14.6% which was up 70 bps QoQ and was up 270 bps YoY.
4. Overall, India's business grew 6% YoY with a business growth of 1% in beverages & 16% in foods. The company has a cash position of Rs 1891 Cr.
5. India business A&P was up 19% YoY.
6. TCPL has acquired Tata SmartFoodz Ltd. (TSFL), owner of the brand Tata Q which marks their expansion into new higher margin categories.
7. The company has a net cash balance of Rs 1891 Cr as of Dec 2021.

8. Tata Tea saw market share gain of 89 bps YoY and Tata Salt saw market share gain of 476 bps YoY.
9. The India Beverages business showed revenue growth of -1% YoY & volume growth of 6% YoY in Q3.
10. The India Foods business showed revenue growth of 16% YoY & volume growth of 4% YoY in Q3. Salt revenues grew by double digits in Q3 with the premium salt portfolio growing 29% YoY in Q3. Tata Sampann portfolio also grew in double digits.
11. NourishCo had revenue of Rs 72 Cr and saw 91% YoY revenue growth in Q3. Tata Water Plus (now rebranded to Tata Copper Water) sold 2.8x volumes in Q3.
12. The Tata Coffee division saw 33% revenue growth YoY in Q3. Plantation revenue grew and Extraction revenue grew 36% YoY in Q3. Vietnam plant operated with 98% capacity utilisation. Vietnam sales grew 17% YoY.
13. In the Starbucks JV, the company had 94% of stores operational. Sales have been rising each month since the opening-up post 2nd wave of COVID-19. The company added 13 new stores and entered Trivandrum and Siliguri in Q3.
14. The UK tea business saw revenue growth of -4% YoY in Q3. It maintained a market share of 19.4% in the everyday black tea segment. Teapigs revenue declined 3% YoY in Q3 due to a high base last year.
15. The USA coffee business saw a 6% YoY revenue growth in Q3. The tea business saw revenue remain flat YoY in Q2.
16. In Canada, the company saw revenue decline of -2% YoY in Q3. It maintained a market share of 28.2%.
17. The total revenue distribution for TCPL was:
    1. India Beverages: 44%
    2. India Foods: 25%
    3. Intl Beverages: 31%

Investor Conference Call Highlights

1. International business' growth was average to flat due to an elevated base in Q3 last year.
2. With tea inflation tapering off, the company has seen a strong improvement in India Beverages gross margins resulting in EBIT margins jumping up 1100 bps YoY.
3. India foods margins were impacted by inflation across the portfolio and investments into new businesses.
4. The company continues to invest in new businesses and acquire new brands. It has recently acquired Soulfull and Tata Q which add new categories to the company.
5. Tata SmartFoodz Limited is the recent acquisition by the company which owns the brand Tata Q. This brand will enable the company to enter the ready-to-eat market cater to the growing consumer need for convenient food offerings.

6. The company has transitioned its Australian business from direct distribution to distribution-led which will expand reach and give cost efficiencies.
7. The company took price increases this quarter for coffee products due to the unprecedented cost inflation on coffee.
8. The management has defined six strategic priorities - strengthening and accelerating core business, driving digital and innovation, unlocking synergies and focusing on costs, making sure the company has talent and capabilities and building a future-ready organization, exploring organic and inorganic new opportunities, and embedding sustainability in everything the company does.
9. The company has started ATL on Agni to move the brand up the value chain. It partnered with the Indian Hockey Team for an ad that was extremely well received.
10. The company took a 15% price increase in Tata Salt to mitigate various cost impacts.
11. The company has started a pilot of online-only dry fruits which received a great response.
12. The inflationary pressures the company is currently facing are freight, packaging, and energy.
13. The company is focusing on premiumization and value-added products to improve margins.
14. NourishCo is going from strength-to-strength delivering better performance each quarter and will be a big value add to the company in the future according to the management.
15. Contributors to EBITDA in the consolidated performance were renegotiation of input cost with Keurig and price hikes in the coffee business.
16. Exceptional items are higher because of the ongoing activity of restructuring and are expected to continue for a few more quarters.
17. The tax rates this year are comparatively higher as the company had availed deferred tax benefits and one-time tax credits last year.
18. The management states that it sees the India business as a portfolio and if it feels the need to invest in the foods business at the cost of the portfolio, it will go ahead with it.
19. The management plans to build a master brand architecture with Tata Tea. Tata tea will be the mother brand in this with smaller brands like Gold, Premium, and Agni being on different price brands and positioning range.
20. The company's plan for the dry fruits business is to leverage the Tata brand and gain the trust of consumers while making sure the price value equations are right.
21. The management expects the margins in the dry fruits business to be comparable to existing businesses.
22. A&P expenses were at 150 crores and were 13% up QoQ.
23. The management expects margin compression to remain for a few quarters till brine prices stabilize. They expect the brine prices to retrace down in the long term.
24. 35% of the company's overall revenues come from rural areas. The management states that the company is currently witnessing softness in rural demand and expects it to bounce back soon.
25. The company is continuing to expand its distribution to rural areas. Currently, it has distribution to 1.2 million outlets.
26. Current ready-to-eat market size in India is Rs 150 Cr but for exports, it is Rs 1700 Cr. The company is currently only present in the domestic segment in this business. The acquisition of Tata Q gives the company a huge export potential while domestic markets are expected to keep on expanding.
27. For Tata Q, the company plans to leverage its distribution to scale and expand the portfolio. In the next 1 year, the company plans to be in all developed markets which will give higher revenues and have attractive margins.

Analyst's View:

Tata Consumer Products has a very good product portfolio in diverse F&B segments and strong brands like Tata Tea under its umbrella. The company has seen a mixed performance in Q3FY22 with the domestic beverages and foods businesses growing while international business was mostly flat YoY. It also completed the acquisition of Tata SmartFoodz which would add Tata Q to the company's roster. The company is focused on expanding and enhancing the brand image for emerging brands like Tata Sampann, Soulfull, and Tata Coffee products, and in premium flagship brands like Tetley. The margins in the tea business are normalizing which is resulting in a good revenue rise despite modest volume growth. The management is committed to maintaining a high A&P spend to enhance the brands of the company and to capitalize on the unbranded to branded transition for food and beverage products in India. It remains to be seen how the company will leverage its connection with BigBasket for the online grocery space and how the company will fare against other branded players like ITC in the fast-rising branded staples category. Nonetheless, given the company's leadership position in its top brand segments, its enhanced distribution reach after the merger, and the incoming synergies and benefits from integration, Tata Consumer Products remains a good FMCG stock to watch out for.

Varun Beverages

Brief Company Introduction

VBL are the second largest franchisee in the world (outside US) of carbonated soft drinks ("CSDs") and non-carbonated beverages ("NCBs") sold under trademarks owned by PepsiCo and a key player in the beverage industry. They produce and distribute a wide range of CSDs, as well as a large selection of NCBs, including packaged drinking water. PepsiCo CSD brands sold include Pepsi, Diet Pepsi, Seven-Up, Mirinda Orange, Mirinda Lemon, Mountain Dew, Seven-Up Nimbooz Masala Soda, Evervess Soda, Sting and Gatorade. PepsiCo NCB brands sold by the company include Tropicana (100%, Essentials & Delight), Tropicana Slice, Tropicana Frutz, Seven-Up Nimbooz and Quaker Oat Milk as well as packaged drinking water under the brand Aquafina.

Standalone Financials (In Crs)								
	Q4 '21	Q4 '20	YoY %	Q3 '21	QoQ %	CY21	CY20	YoY%
Sales	1134	867	30.7%	1719	-34%	8675	6653	30.3%
PBT	-33	-66	50%	205	-116%	66	681	-90.3%
PAT	-19	-51	-62.2%	146	-113%	-51	489	-110.4%
Consolidated Financials (In Crs)								
	Q4 '21	Q4 '20	YoY %	Q3 '21	QoQ %	CY21	CY20	YoY%
Sales	1765	1356	30.1%	2477	-28.7%	9026	6592	36.9%
PBT	41	-18	327.7%	350	-88.2%	1006	362	177.9%
PAT	32	-7	557.1%	258	-87.5%	746	357	108.9%

Detailed Results:

1. The current quarter was very good for the company with a 30.1% YoY rise in consolidated revenues & a PAT rise of 557% YoY.
2. Yearly figures were even better with 36.9% YoY rise in revenues and 108% YoY rise in PAT due to low base last year.
3. The company saw an EBITDA rise of 20.5% YoY and a volume rise of 30.3% YoY in the quarter.
4. Other income has fallen to Rs 8.54 Cr from Rs 55.69 Cr last year.
5. Realization per case grew 2.2% YoY due to higher realizations in international territories partially offset by higher mix of water.
6. CSD constituted 61%, Juice 5%, and Packaged Drinking water 34% of total sales volumes in Q4 CY21.
7. Gross margins fell by 476 bps YoY due to increase in pet prices (18%) & increase in sugar prices (2%) in India.
8. EBITDA margin was stable at 18.8% in Q4 CY21 despite a fall in gross margins because of operating leverage on account of higher volume.
9. Finance costs for the company declined 39.8% YoY due to the repayment of some debt and a lower average cost of borrowing.
10. Net debt to equity stood at 0.72 times.

Investor Conference Call Highlights:

1. The company for the first time ever reported profits in a seasonally soft quarter of December due to strong volume growth.
2. The third wave did not have any significant impact on the business and the company continues to further strengthen its distribution network.
3. CY2021 total sales volume grew by 33.8% to 569.1 million cases.
4. Working capital days increased to 35 at the December primarily because of higher stocking of pet chips/ preforms.
5. During CY2021, net CAPEX stood at Rs. 3500 million. Out of which 1300 million was towards brownfield expansion in certain plants in India and 2200 million was towards brownfield expansion in Morocco and Zimbabwe.
6. As of December 2021, Capital work-in-progress stood at approximately Rs. 5000 Million primarily for setting up of new greenfield production facilities in Bihar & Jammu and brownfield expansion at Sandila facility.
7. The company has announced an interim dividend of 2.5 per share with pay-out of 1082 Million.
8. The management maintains that it will always keep the capex around the depreciation figure.
9. Currently there is no capex planned for new geographies. The management is looking out for in-organic opportunities of growth.
10. The company plans to put-out 40,000 visi-coolers in the coming year as it had done in the past year.
11. The out-of-home consumption was 65% and in-home consumption was 35% for the year.
12. Sting has been doing extremely well for the company with 440% YoY growth contributing to 5% of the product mix.
13. The company is in a finalization stage of entering Democratic Republic of Congo and plans to distribute products for a year from the existing capacities at the Morocco and Zambia plants.
14. The company will be testing the markets of Congo and optimally utilising plants in Africa as the off-season in Morocco coincides with the busy season in DRC.
15. If the Congo business turns out to be promising, the company may plan a capex in the future.
16. The rise in realization per case internationally to Rs 193 per case has been due to passing on PET price increase to the consumers.
17. The management states that the company can look at 20% - 21% EBITDA margin range going forward.
18. The current debt levels of the company stand at 3000 crore and the company plans to reduce it by 40% in CY22.
19. The Tropicana volume mix for the company is 2.3% currently.
20. The Bihar and Jammu plants are expected to be ready before the peak season and will be producing during the March quarter.

Analyst Views:

Varun Beverages have been one of the biggest bottlers in India and has been quite proactive in international expansion for some time now. The company has seen good YoY growth in the quarter with a sustained EBITDA margin despite falling gross margins due to higher PET prices. The management expects good growth in international realizations due to passing on the increased cost of PET to customers. The management expects to see EBITDA rise to 20-21% in the next few quarters. VBL's new plants in Bihar and Jammu are expected to come online by the time the peak summer season starts. VBL's efforts in deleveraging the balance sheet are resulting in significant finance costs reduction thus improving debt profile as well as PAT. It remains to be seen what challenges the company will face in trying to maintain its growth momentum while setting up the new facility and how long will it take for the new brands like Sting, Cream bell & others to start contributing meaningfully to the company's sales. Nonetheless, given the resilient sales network, the rising demand for the company's products, and the good potential of its emerging products like Sting, Mountain dew, & Cream bell beverages, Varun Beverages is a good consumption stock to watch out for at present. However, the valuation at current levels does not provide any margin of safety.

HEALTHCARE & PHARMA

Cadila Healthcare

Financial Results & Highlights

Brief Company Introduction

Zydus Cadila is a leading Indian Pharmaceutical company and a fully integrated, global healthcare products manufacturer. From formulations to active pharmaceutical ingredients and animal healthcare products to wellness products, Zydus has earned a reputation amongst Indian pharmaceutical companies for providing comprehensive and complete healthcare solutions. From a humble turnover Rs. 250 crores in 1995, the group witnessed significant financial growth and registered a turnover of over Rs. 12,700 crores in FY19.

Standalone Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	1856	1943	-4.4%	2078	-10.6%	6087	5877	3.5%
PBT	239	206	16%	91	162%	817	1246	-34.4%
PAT	197	140	40.7%	14	1307%	611	1011	-39.5%
Consolidated Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	3715	3660	1.5%	3838	-3.2%	11610	10883	6.6%
PBT	599	590	1.5%	603	-0.6%	1957	1652	18.4%
PAT	500	527	-5.1%	3002*	-83.3%	4089*	1454	181%

*Contains Gain on disposal of discontinued operations.

Detailed Results:

1. Consolidated revenues were up with 1.5% YoY growth. Profit has risen -5.1%YoY in Q3.
2. The EBITDA for the quarter was at Rs 753 Cr which was down -2% YoY.
3. India revenues were at Rs 1461 Cr in Q3 which was down -1% YoY. Human formulations business declined -2% YoY while consumer wellness business grew 2% YoY.
4. US formulations business was at Rs 1504 Cr. Cadila filed 12 new ANDAs and got 9 new product approvals from the USFDA.
5. Cadila received an order from Government of India to supply 1 crore doses of vaccine for which the supplies of the order have already started.
6. A partnership with Enzychem Lifesciences is expected to lead to manufacturing of over 80 million doses of the vaccine in 2022 which will be supplied in South Korea, Latin America and Asia.
7. The company submitted an NDA of Desidustat to DCGI for treatment of anemia in patients with CKD both on Dialysis and not on Dialysis. This molecule will further consolidate the company's leadership position in the Indian nephrology market.
8. Cadila completed Phase 3 CTs for one mAb and received the permission from DGCI to initiate Phase 3 CTs for one mAB.

9. The company received regulatory permission to initiate Phase 2(a) CTs in patients with CAPS in Australia.

Investor Conference Call Highlights

1. Due to the reduced need for Covid related medicines in India, Covid related opportunistic portfolio recorded a decline in the revenues during the quarter on a sequential and YoY basis.
2. Despite the reduction in mesalamine revenues in the U.S. and the decline in Covid related revenues in the quarter, various cost optimization and efficiency enhancement initiatives helped the company contain the EBITDA margin declined by only 50 basis points.
3. The branded business growth was 17% YoY. The growth was driven by volume expansion in the existing products and key new product launches made over the last 12 months and improved realizations.
4. During the quarter, Lipaglyn catapulted 183 ranks up to 92nd rank amongst the top 100 brands in the Indian pharma market.
5. The company continues to maintain a leadership position on the super-specialty front in the nephrology segment. In the oncology space, it is the fastest-growing company in India.
6. Price hikes were taken in key brands of the Consumer Wellness segment which helped protect gross margins.
7. Consumer Wellness posted flattish growth of 2% YoY due to a high base during the previous year and due to reduced inventory both internally and in trade channels.
8. The company received 9 new product approvals in the US formulations business, including 5 tentative approvals, and launched 5 new products during the quarter.
9. New launches and approvals included Nelarabine injection for which the company is granted 180 days of exclusivity. This product was launched immediately upon approval.
10. The company filed 12 ANDAs during the quarter and amongst them is the first drug-device combination product on the NCE-1 date. Apart from this, 2 products are single-source products and 2 others are limited competition products.
11. The management states that the zero-based budgeting approach will lead to margin improvement during the current calendar year.
12. The company has been selected as the Best Pharma Company to Work For in the large company category for the year 2021 in the Employee Choice Awards by AmbitionBox.
13. The company has started the supplies of vaccines of ZyCov-D to the government of India.
14. The company has entered into an agreement with Shilpa America Limited for the production and supply of the drug substance of ZyCov-D, from their manufacturing facility which shall begin in the current month helping the company improve demand and supply.
15. The company on the global front entered into a manufacturing license and technology transfer agreement for the vaccine with Enzychem Lifesciences of South Korea. The partnership will lead to manufacturing over 80 million doses of the DNA vaccine in the year 2022.
16. Saroglitazar has been given an orphan drug and a fast-track designation by the US FDA.
17. The company concluded a pre-NDA meeting with the FDA for 2 more products in the area of metabolic disorder and also submitted a pre-IND request for one more product in the orphan drug space.
18. The 2-dose vaccine enrollment has been completed. By end of the month, the company will have all the data to file with the regulators. This is the phase 3 trial done for ages 12 and above.

19. The company has a profit-sharing agreement with Enzychem Lifesciences of South Korea.
20. The management states that everything is on track for desidustat and estimates a launch in April.
21. Last year the company had launched Ujvira, which is KADCYLA. It has crossed the number of prescriptions compared to the nearest competitor turning out to be a very successful launch.
22. The management outlook for US business gross margins remains flattish due to price erosion whereas is positive for India business.
23. The management maintains its guideline for R&D expenses at 8% of revenue.
24. The management believes that desidustat has the potential to become a 250 crore-plus franchise for the company over the next three years.
25. On the biosimilar side, the company has received approval in Russia for PEG GCSF and has started supplies for that.
26. The company is waiting for approval of 2 critical biosimilar molecules in Latin America in the next 3 months. After the approval, the company will be able to participate in large Latin American government contracts.
27. Currently the company has 12 biosimilars in India and has enough capacity for the next 2 to 3 years. The annualized revenues of this are currently 600 crores.
28. The management is confident for US revenues to cross the 1-billion-dollar mark in FY ’24.

Analyst’s View:

Zydus Cadila is one of the leading pharmaceutical and wellness product makers in the country. The company has done well to maintain good growth in the branded business while the consumer wellness and India Business were mostly flat YoY. The company is seeing demand decline for COVID-related drugs but the demand scenario for the in-house developed vaccine remains stable. It is also expecting good potential from its Saroglitazar Mg drug in the next 3 To 5 years which is said to be given a fast-track designation by the USFDA. The company is also looking to concentrate on biosimilars and is said to have enough capacity for biosimilar demand for the next 2-3 years. It remains to be seen what the future holds for the pharma industry and how will the company’s foray into biosimilars pan out. Nonetheless, given the strong positioning of the company in various pharma and consumer product categories and its ever-increasing specialty product portfolio, Zydus Cadila is an important stock to watch out for in the pharma space.

Divi's Laboratories

Financial Results & Highlights

Brief Introduction:

Divi's Laboratories Limited manufactures and sells generic active pharmaceutical ingredients (APIs) and intermediates for in the United States, Asia, Europe, and internationally. The company also undertakes custom synthesis of APIs and intermediates; and supplies a range of carotenoids, as well as markets vitamins to nutritional, pharma, food/beverage, and feed industries. In addition, it exports its products. The company was formerly known as Divi's Research Center and changed its name to Divi's Laboratories Limited in 1994. Divi's Laboratories Limited was founded in 1990 and is headquartered in Hyderabad, India.

Standalone Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	2483	1676	48.1%	1986	25%	6445	5123	25.8%
PBT	1036	629	64.7%	760	36.3%	2610	1975	32.1%
PAT	907	461	96.7%	606	49.6%	2065	1466	40.8%
Consolidated Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	2509	1720	45.8%	2006	25%	6502	5224	24.4%
PBT	1033	642	60.9%	759	36.1%	2607	1996	30.6%
PAT	902	470	91.9%	606	48.8%	2065	1482	39.3%

Detailed Results:

1. Consolidated revenues were very good rising 45% YoY while profit saw a rise of 91% YoY in Q3.
2. 9M figures were similarly good with 24% YoY revenue rise and 39% YoY rise in PAT.
3. The company saw forex loss of Rs 3.10 Cr in Q3 vs gain of Rs 2.53 Cr YoY & loss of Rs 7.12 Cr last quarter.

Investor Conference Call Highlights

1. The company has done capex of Rs 196 Cr in Q3 and expects to do Rs 100 Cr more in Q4.
2. The company is now operating at 80-85% capacity according to the current safety standards.
3. Divi's saw a rise in input prices due to the energy crisis in China. Logistics remained a challenge in both procurement and dispatch of raw materials and finished products.
4. Exports accounted for 92% of sales in Q3 and 90% in 9M. EU and USA accounted for 79% of revenues in Q3 and 77% in 9M.
5. Product mix for generics and custom synthesis was at 43:57 in the 9M period. The ratio for Q3 was at 40:60.
6. Constant currency growth for the quarter was 59% YoY, while for the nine-month period it was 32% YoY.
7. The Nutraceutical business saw sales of Rs 166 Cr in Q3 and Rs 471 Cr in 9M.

8. As of 31st December receivables amounted to INR2,209 crores and inventories INR2830 crores. The cash on books was INR 2,323 crores.
9. The management states that the demand for COVID drugs is constantly evolving and Divis can make the new drugs whenever required as it has done in the past with hydrochloroquine, molnupiravir and others.
10. The management states that the company will continue to invest in increasing capacity ahead of time and it is always looking to build multi-product, multi-purpose blocks to not stay dependent on any specific products.
11. The company will be receiving 500acres of land for the Kakinada project soon according to the management.
12. The management states that it is not tied to any particular company for making and selling COVID drugs and it can meet the requirements of any other buyer in the market.
13. The management is not worried for the lower mix of generics as it expects generics to rise up in the future as $20 billion of APIs will go off-patent between 2023 to 2025.
14. The management states that the recent crackdown of the FDA on Chinese sourced APIs is indeed an opportunity for the Indian Pharma industry and for DIVI's.
15. The custom synthesis business is also expected to stay strong mainly due to the demand for nw COVID drugs and combinations.
16. The management states that most generic contracts are multi-year and they have provisions for input price volatility.
17. The company is looking to invest Rs 1000-2000 Cr into greenfield project in Kakinada and brownfield projects at its existing sites.
18. The management expects to maintain the current revenue run rate and growth given all the different avenues of growth like generic opportunity, contrast media, sartans and custom synthesis.

Analyst's View:

Divi's Labs has been a celebrated API manufacturer in India for a long time. The company is doing well and differentiating itself from the rest of the Indian Pharma industry by continuing to hone its efforts in maintaining its dominance in the API industry and Custom Synthesis. It had a phenomenal Q3 with 43% sales growth and 92% PAT growth while maintaining its margin profile despite challenges in logistics costs and a rise in input prices. The product mix remained in favour of customer synthesis which accounted for 60% of revenues in Q3. The management has stated that the company can see good opportunity from the evolving demand for new COVID drugs and drug combinations. It remains to be seen whether the company's identified growth engines pan out according to expectations and whether it will face any issues in its proposed expansion plans in Kakinada where they are finally completing the delayed land acquisition. Nonetheless, given the company's history of excellent performance and its standing in the global API industry, Divi's Laboratories remain a pivotal pharma stock in India, especially given the massive China substitution opportunity.

Hester Biosciences

Financial Results & Highlights

Brief Company Introduction

Hester Biosciences Limited (HBL) is a publicly traded Indian company headquartered in Ahmedabad, Gujarat, India. Hester is an animal and poultry vaccines manufacturing Company with plants situated in Gujarat and Nepal. The company currently has a 30% share of the poultry vaccines market in the country.

Standalone Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	55	53	3.8%	58	-5.2%	173	147	17.7%
PBT	14	18	-22.2%	16	-12.5%	46	42	9.5%
PAT	11	13	-15.4%	12	-8.3%	35	31	12.9%
Consolidated Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	58	58	0.0%	64	-9.4%	185	152	21.7%
PBT	12	18	-33.3%	15	-20.0%	42	36	16.7%
PAT	8	13	-38.5%	11	-27.3%	30	25	20.0%

Detailed Results:

1. The company had a bad quarter with flat consolidated revenues and a 38% YoY fall in PAT at a consolidated level due to the high base in Q3FY21.
2. 9M performance was good with 22% YoY rise in revenues and 20% rise in PAT.
3. The EBITDA margin was down 10.77% YoY to 28.21% in the current quarter. ROE has fallen 4.15% to 16.03% in Q3FY22.
4. The standalone revenue growth in Q3 for the various segments is:
    1. Poultry Healthcare: Up 5% YoY
    2. Animal Healthcare: Up 25% YoY
    3. License Fees: Down 100% YoY
5. The vaccine segment was flat YoY while health products grew 42% YoY in Q3.
6. Hester Africa has started production of PPR and CBPP vaccines.

7. Texas Lifesciences saw steady growth while Hester Nepal saw a turnaround with the execution of export orders. The company expects to see higher FAO volumes in Q4.
8. The company expects to start production of Classical Swine Fever, Lumpy Skin Disease and Sheep Pox by Q1FY23.
9. The company is also looking to launch modified Inactivated Coryza Vaccine by the end of Q4.
10. The company was awarded the national PPR tender for 200 million doses in two years.
11. The company is looking to commercialize the pet division by the end of Q4.
12. The construction of the BSL-3 facility for the Drug Substance for Covaxin is expected to be completed in Q4.

Investor Conference Call Details:

1. The company won the PPR tender with a consideration amounting to Rs.20-25 Cr.

2. The company's capex for increasing the capacity of antigen & finished vaccines are likely to be commercialized by Q4 and it will increase the capacity by 100%.

3. The company's African subsidiary has received licenses for starting manufacturing & inspection has also been done. They will start producing and selling 3 types of vaccines namely - PPR Vaccine - Nigerian, Newcastle Disease Vaccine for the poultry, and the CBPP- Contagious Bovine Pleuropneumonia Vaccine.

4. World Animal Health Organization has put the tender to create a vaccine bank for PPR vaccine & Hester is one of the two companies to have won the tender. Furthermore, the business is expected to start from the current quarter.

5. The company acquired a 50% stake in another trading entity in Africa wherein they want to transfer all the trading activity namely - Thrishool Exim.

6. The pet division products launch will primarily be pharmaceuticals & the entire product range is expected to be launched by end of Q4.

7. The construction work for human covid vaccines going on where there has been a little bit of delay of dependence on important consumables as well as imported equipment. Trial production is expected to start by April-May with 20 Lac doses initially & it will be scaled up to the peak capacity will be 70 lakh doses of the drug substance.

8. The focus of Hester Tanzania will be to create demand & sell to private markets instead of depending on the tender business of Govt.

9. Most of the revenue from the covaxin human vaccine deal is likely to be realized in FY23. The management will then focus on using the new facility primarily for other human vaccines as once it is used for animal vaccines, it cannot be used again for human vaccines.

10. Hester has bought technology from Indian Veterinary Research Institute and other national and international organizations for vaccines including Classic swine fever, LSD, Brucella, and others.

11. The breakeven for Africa business is expected to be at 20-25% of capacity utilization.

12. Margins from the covaxin agreement will be lesser than animal vaccines produced by the company.
13. The gross margins of vaccines are more than that of health products. Therefore, the company saw a margin decline as the share of health products rose in Q3.
14. The company will be procuring the pet products currently and it will not be producing these products now.
15. Investment for the covaxin project is Rs.60-70 Cr & the expected payback period is 4-6 years.
16. The management believes setting up an adequate marketing structure in Africa will be an uphill task as most of the products will be new to the continent.
17. The main competition for Hester Africa will be from a few private labs in Morocco and South Africa but the products being made by Hester are not made by any of them and are not being supplied from anyone from the EU as well.
18. In the case of Nepal, the sales have been Rs. 7 Cr and loss of Rs.80 lakhs in the 9 months. In the case of Texas Lifesciences, Rs.20 Cr is the overall sales with Rs. 1 Cr as profit and in the case of Tanzania the sales have been Rs 2 Cr and the loss in that entity was at Rs 11 lakh.
19. The institutional business contributes 4-5% of the total revenues of Hester India.
20. The company has 200-250 salespeople in the field currently.
21. The management states that the margins from the Hester Africa unit are expected to be more than Hester India.

Analyst Views:

Hester Bio had a flat quarter with flat sales on a YoY basis due to higher base and negligible licensing revenues coupled with higher SG&A expenses and rising health product mix leading to lower margins. The company is making good inroads in the animal health products space and the poultry business remains resilient. It is also looking to expand into the pet healthcare space. FAO tenders have yet to come back to the pre-pandemic level, but the management believes that it is slowly recovering. Hester is also looking to add capacity to its India operations which are expected to bring in incremental revenue of Rs 80-120 Cr. It remains to be seen how long the slowdown in animal vaccine tenders in India & from FAO continues and what challenges will the company face in ramping up production in Hester Africa once the plant is operational. Nonetheless, given its excellent technical expertise and the future potential of its international operations, and its upcoming foray into animal health products, Hester Biosciences remains a good small-cap stock to watch out for.

LIFESTYLE PRODUCTS

VIP Industries

Brief Company Introduction

VIP Industries Ltd is an Indian luggage maker which is the world's second largest and Asia's largest luggage maker. The company has more than 8,000 retail outlets across India and a network of retailers in 50 countries. VIP's products are imported in numerous other countries. It acquired United Kingdom luggage brand Carlton in 2004. It also owns the Aristocrat and Skybags brands which are very popular in India.

Standalone Financials (In cr)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	386.9	229.97	68.2%	324.9	19.1%	913.59	371.9	145.7%
PBT	37.01	-9.44	492.1%	29.14	27.0%	70.88	-96.61	173.4%
PAT	27.55	-8.68	417.4%	23.63	16.6%	54.66	-72.64	175.2%
Consolidated Financials (In cr)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9mFY22	9mFY21	YoY%
Sales	397.34	232.53	70.9%	330.06	20.4%	933.61	375.56	148.6%
PBT	43.71	-8.01	645.7%	24.56	78.0%	70.12	-118.89	159.0%
PAT	33.47	-7	578.1%	18.54	80.5%	54.54	-93.71	158.2%

Detailed Results:

1. Q3 was the highest revenue quarter in the last 8 quarters, including Q4FY20.
2. Revenue growth was very good with a gain of 71% You and PAT was at Rs 33 Cr vs a loss of Rs 7 Cr last year.
3. The revenue breakup of hard and soft luggage was at 61:39 while the revenue breakup for brands was:
   a. Carlton: 5%
   b. VIP: 22%
   c. Skybags: 32%
   d. Aristocrat: 41%
4. Gross margin climbed up to 49% in Q3 with EBITDA margin at 16%. The gross margin was up mainly due to the product mix shifting towards VIP and Skybags.
5. Borrowings were reduced to Rs 68 Cr while cash and investments were at Rs 141 Cr.

Investor Conference Call Highlights

1. QoQ rise in sales was 20% which was much sharper than precovid QoQ rise in Q3 in the past.
2. Many travel spots saw higher traffic than before the pandemic.
3. VIP is seeing severe inflation in all raw materials and logistics. RM costs have risen 13% YoY.

4. The company has been concentrating on improving internal operations and manufacturing and reducing dependence on external manufacturers.
5. The company has also focused more on hard luggage in the recent past with global demand trends pointing to a greater demand for hard luggage due to hygiene issues.
6. VIP has invested Rs 36 Cr in increasing capacity for hard luggage in both India and Bangladesh.
7. VIP saw good pent up demand in all products particularly hard luggage.
8. The management does not expect any demand uncertainty going forward.
9. ASP has remained at similar levels as FY20.
10. The management will stay cautious on pricing increase due to competitive intensity.
11. The management stated that the company aims to keep gross margins above 50%.
12. The company did a price hike of 4% in Nov.
13. The sales contribution from Bangladesh in Q3 was at 45%.
14. The management is expecting inhouse manufacturing to rise to 65-70% of total requirement vs FY20 which was at 40%. The share of Chinese outsourcing is less than 10% now.
15. The inhouse manufacturing was at 58% in the 9M period.
16. Q3 saw greater ad spend than previous quarters and it is expected to rise in the future according to the management.
17. 60% of the VIP's capacity is for hard luggage while 40% is for soft luggage. All of the hard luggage sold is made inhouse. All the soft luggage made by VIP is made in Bangladesh. The rest is outsourced to Indian manufacturers.
18. The management expects VIP and Skybags to rise from current levels.
19. The export business has seen good demand comeback in existing markets but the company does not have any plans for further expansion in exports currently.
20. A&P will be brought to 5% of revenues in time according to the management.
21. The management expects demand to rise in Q4 mainly due to the opening up of schools and institutions.
22. Ecommerce channel has grown 23% over FY20 numbers while the modern trade channel has stayed flat and general trade is down 5% from those levels. CSD was down 17%.
23. Polypropylene is much more cost effective vs polycarbonate for making hard luggage. All the new capex for VIP is also towards polypropylene based hard luggage.

Analyst's View:

VIP has been the market leader in the soft and hard luggage segment in India for a long time now. The company is one of the biggest luggage manufacturers in the world by volume. However, the company and the industry have been facing tough times with sales contraction due to a fall in demand and disruption from COVID-19. The company saw good momentum in overall performance. Sales were up for all segments with the revenue contribution being highest for Aristocrat. VIP is also looking to spend Rs 36 cr on developing a new line for making hard luggage based on polypropylene. It remains to be seen how VIP continues to strengthen its internals in the meantime and develop the eCommerce channel which was small for them so far, and what impact will the rising RM inflation have on the company's bounce-back plans. Given the caution in travel and travel activities at the moment, sustained demand-revival seems a little away. Nonetheless, given the company's strong brand image and leadership position in the industry along with the resilient balance sheet of the company, VIP industries remain a pivotal mid-cap stock to watch out for.

MICROFINANCE

Credit Access Grameen

Financial Results & Highlights

Brief Introduction:

CreditAccess Grameen Limited (formerly known as Grameen Koota Financial Services Pvt. Ltd.) is a microfinance institution providing a wide range of financial services to the rural poor and low-income households, particularly women. It is registered with the Reserve Bank of India under the NBFC-MFI category. The company provides loans primarily under the joint liability group (JLG) model. Its primary focus is to provide income generation loans which comprised 87.02% of its total JLG loan portfolio, as of March 31, 2018. It also provides other categories of loans such as family welfare loans, home improvement loans and emergency loans to existing customers.

CreditAccess Grameen is also an aggregator of the National Pension Scheme (NPS) of the Government of India. As of March 31, 2018, CreditAccess Grameen had 516 branches across 132 districts in the states of Karnataka, Maharashtra, Madhya Pradesh, Chhattisgarh, Tamil Nadu, Odisha, Kerala, Goa, and the union territory of Puducherry.

Standalone Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	577	440	31.1%	510	13.1%	1598	1422	12.4%
PBT	172	-95	281.1%	97	77.3%	310	95	226.3%
PAT	129	-72	279.2%	72	79.2%	231	70	230.0%
Consolidated Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	690	543	27.1%	618	11.7%	1926	1740	10.7%
PBT	155	-105	247.6%	79	96.2%	263	102	157.8%
PAT	117	-79	248.1%	60	95.0%	197	75	162.7%

Detailed Results:

1. The company had a great quarter with a 31% YoY rise in standalone revenues.
2. GLP grew 18.4% YoY to Rs 14,587 Cr. Standalone GLP grew 21% YoY. MMFL GLP grew 13.6% YoY.
3. Disbursements grew 2.8% YoY with CAGL down 4.1% YoY and MMFL up 53% YoY.
4. The customer base fell 4.3% YoY to 3.739 million. The standalone customer base fell to 2.8 million down 1.9% YoY. MMFL's customer base fell by 8.2% YoY.

5. NII has risen 11.5% YoY to Rs 368.9 Cr. PPoP grew 60.6% YoY at Rs 274 Cr.
6. Provisioning for CAGL & MMFL stood at 4.4% & 7.83% respectively
7. Overall RoA and RoE were at 1.6% and 11.9%.
8. Overall GNPA was at 6.02%. with PAR 90+ being 4.67%
9. CAR: CAGL 29.4% (Tier 1: 28.8%), MMFL 17.7% (Tier 1: 14.3%).
10. Collection efficiency at 95% for CAGL in December excluding arrears. MMFL collection efficiency excluding arrears was at 89% in December
11. Standalone debt to equity was at 2.4 times. MMFL debt to equity was at 5.7 times.
12. Consolidated cost to income ratios was at 39.3% in Q3. Opex to GLP was at 5.1% in Q3.
13. Consolidated cost of borrowings stood at 9.4%.
14. Consolidated branches increased by 14.7% YoY to 1593 & employees increased by 5.3% YoY to 15,483
15. NIM of standalone business stood at 11.7%. Consolidated NIM was at 11.4% while MMFL was at 10.2% in Q3.
16. Positive ALM mismatch with an average maturity of assets at 19.8 months and average maturity of liabilities at 20.2 months in CAGL.
17. IGL loans accounted for 93% of total loans.
18. No district accounts for >4% of the total loan portfolio currently.
19. Karnataka remains the biggest market for the company with 36.5% of GLP. Maharashtra comes in second with 22.3% of GLP and Tamil Nadu is third with 20.7% of GLP.

Investor Conference Call Highlights:

1. Monthly disbursement has grown to Rs 1400 Cr for CAGL and Rs 360 Cr for MMFL in Dec.
2. The company has added 5.4 Lac new borrowers in the last 12 months.
3. The company added 193 new branches this year primarily in new markets.
4. Consolidated GLP crossed the $2 billion mark in Jan.
5. 40% of the customers are new which are from non-core states like Bihar, Jharkhand, UP, Gujarat, Rajasthan, and Odisha. The initial ticket size for these new states is Rs 32,000.
6. The management doesn't expect any write-offs due to the omicron wave.
7. The company is the lowest priced MFI today due to the 10% margin-cap of RBI.
8. The management states that field operations are back to normal with 75-80% of JLGs paid back in full.
9. The management expects a long runway for growth in the future as well as only 35-40% of the addressable market has been achieved by the industry.
10. The company is doing 90000 new customer additions every month and is planning to increase infrastructure by 10-15% yearly.

11. The management believes that the industry's competitive intensity doesn't affect the business as it Is the sole lender for 43% of its customers & one of the two lenders for 39% of its customers.
12. The management expects the loan book of the industry to grow at 20-25% CAGR in the next 3 years with CAGL expected to grow 17-19% in FY21.
13. In MMFL, only 45% of the total book is from the CAGL model while the rest 55% is from the old MMFL model before the acquisition.
14. The management states that the company will be looking to add 10-15% infrastructure each year as it has done so far.
15. The company's new initiative includes pilot products like A) customers can withdraw their bank balance at central meetings B) secured products for affordable homes or home improvement or secured assets through retail platform C) vehicle insurance or 2-wheeler insurance.
16. The management is rethinking its retail strategy since its investment in Madura was treated as a non-qualified asset leading to less headroom for growth & is restricting the contribution of retail to only 2%. So the management is more focused on secured loans in its portfolio. Secured book is expected to contribute 10-12% by 2024.
17. The company has less than 10% of its borrowings from the less than 12-month maturity segment and more than 45% is of greater than 3 years.

Analyst's View:

Credit Access Grameen has emerged as one of the most reliable microlenders in the country. Their revolutionary JLG model has helped bring communities of borrowers together and helped reduce overall risk from their lending to a very large extent as seen in their low NPA numbers. The company has delivered a good Q3 performance which saw GLP, revenue, disbursement & profits grow substantially. The company remained conservative and focused on servicing existing customers which led to higher average loan outstanding, but it has been able to add new borrowers in the past few months. It remains to be seen whether the company will be able to come back to its pre-covid growth rate of 30-40% CAGR given the issues in the microfinance industry and how a possible 3rd wave of COVID-19 will affect near term operations. Nonetheless, given its strong market position and exemplary operating and risk management practices, Credit Access Grameen remains one of the must-watch stocks in the Microfinance sector for any interested investor.

NBFC

AAVAS Financiers

Financial Results & Highlights

Brief Company Introduction

Aavas Financiers Limited provides housing loans to customers belonging to low and middle income segments in semi-urban and rural areas in India. The company offers home loans for flats, houses, and bungalows, as well as resale properties; land purchase and construction loans, including finance for self-construction of residential house; and home improvement loans, which include loans for tiling or flooring, plaster, painting, etc. It also provides home equity loans; and micro, small, and medium enterprise loans for business expansion, purchase of equipment, working capital, etc., as well as balance transfer products. The company was formerly known as AU Housing Finance Limited.

Standalone Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	343	310	10.6%	325	5.5%	940	814	15.5%
PBT	115	110	4.5%	118	-2.5%	308	258	19.4%
PAT	89	85	4.7%	92	-3.3%	241	202	19.3%
Consolidated Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	343	310	10.6%	325	5.5%	940	814	15.5%
PBT	115	110	4.5%	118	-2.5%	307	248	23.8%
PAT	89	85	4.7%	92	-3.3%	240	201	19.4%

Detailed Results:

1. The company had a decent quarter with revenue growth of 10% YoY and 5% QoQ & PAT growth of 4% YoY and -3% QoQ.
2. AUM growth for the company was 20.3% YoY to Rs 10612.6 Cr as of 31st dec 2021.
3. Disbursements in H1FY22 increased by 40.8% to Rs. 2315 Cr.
4. Gross Stage 3 loans were at 1.72%. Net Stage 3 loans were at 1.33%.
5. NIM in 9MFY22 has gone up 69 bps YoY to 8.1%.
6. Product breakup was 71.6% Home Loans & 28.4% Other Mortgages Loans.
7. Around 60.3% of existing customers are self-employed while the rest are salaried.
8. 99.9% of customers are retail driven.
9. The company has kept the yield spread at a stable 5.76% in Q3.

10. Opex to AUM in 9M was to 3.34%.
11. ROA for 9MFY22 was at 3.37% & ROE was 12.7%
12. It has surplus funds of Rs 2833.7 Cr as of 31st dec 2021.
13. It had a CAR of 51.6% with Tier 1 capital at 50.9%.
14. Book value per share was at Rs 337.7 7 EPS was 30.4.
15. 1+DPD for the quarter was 6.45%.
16. The company borrowed incremental amount of Rs 2679 Cr at 5.91% overall average cost of borrowing stood at 7.03% on outstanding loans of Rs. 9220.6 Cr.
17. The company registered a growth of 19% YoY in total number of live accounts, branches increased by 35 and employee count increased by 34% YoY.
18. The company maintained a positive ALM surplus across all time periods and has an average tenor of outstanding borrowings stood at 127 months for this quarter.

Investor Conference Call Highlights

1. The management expects to reduce Opex by 25-30 bps soon.
2. NIM for the business has increased because as per the available balance sheet size, the cash proportion has reduced so income-generating assets have increased.
3. The company aims to maintain a yield spread of 5% & pass on any excess spread back to the customers.
4. The was an impact of around Rs 20-21 Crores on this quarter’s balance sheet due to additional provisioning of Rs.16 Cr and Rs.5 Cr of interest reversal.
5. The company’s LCR is much higher than the regulatory requirement due to Rs.1300 Cr of fixed deposit.
6. The management is comfortable maintaining stage 3 provisions of 23-24%.
7. Assignment income for this quarter is Rs.45 Crores vs. Rs.33 Crores in the last quarter but reversal for previous transactions was at Rs.21 Cr for the current quarter vs. last quarter Rs.18 Cr.
8. The management states that 35% to 40% of Opex is disbursement linked and since disbursement has grown nine-month basis by 40%, the variable cost has also increased in that proportion leading to higher Opex.
9. The 0.89% increase in NPA due to the RBI circular involved a total of Rs.76 Crores out of which Rs.4 Crores is in 1 to 30 DPD, around 12 Crores in 31 to 60 DPD, and 60 Crores in 61 to 90 DPD.
10. Assets held for sale for 9M were at Rs.20.4 Cr.
11. Alternative channels for lead generation contributed 6% to 7% of total business & the management intends to take it to 15% in the next two to three years.

12. The management provided guidance of maintaining ROA of 2.5-2.6% with 6-7 times leverage in the balance sheet & NIM of 6.5-7%.
13. The management believes ROE will inch upwards from 13.6% to 15-16% once the market scenario improves and covid provisioning goes off.
14. The management states that operating leverage will start to kick in from the next 12-18 months.
15. The company's 35% of costs are variable costs which are inching up in tune with disbursement growth and around 65% of costs are the fixed nature cost.
16. The company infused additional capital of Rs.8 Cr in its NBFC arm to meet the minimum capital requirement.
17. 9M write-offs from its NBFC stands at Rs.1.9 Cr.

Analyst's View:

Aavas Financiers is a fast-growing housing finance company in India. What sets it apart from the large housing finance players like HDFC, LIC Housing Finance & Repco is the space they cater to. The average ticket size of loans is less than 9 lacs against more than 14 lacs for others. Aavas caters to smaller towns where the population is less than 10 lacs. Aavas has a mixed quarter that saw YoY revenue growth of 10% & PAT growth of only 4% YoY. It has also maintained AUM growth of >20% and improved its 9M NIM to 8.1%. The management is also looking to increase the contribution from alternative lead generating channels to 15% of total business from the current 6-7%. The management also expects the RoE for Aavas to improve as the business becomes stable. It remains to be seen whether the company will be able to sustain its lofty growth momentum and what challenges will it face when expanding into new states like Odisha where housing loan penetration is very low. However, stretched valuations may have factored in most of the positives. Nevertheless, it is a good business to track in the housing finance space, especially given its consistent and steady growth while maintaining good asset quality and underwriting standards.

Angel One

Financial Results & Highlights

Brief Introduction:

Angel One also known as Angel Broking is one of the largest retail broking houses in India in terms of active clients on NSE as of June 30, 2020 (Source: CRISIL Report). It has a network of 11,000 Authorised Persons and has had more than 4.39 million downloads of Angel Broking mobile application and nearly 1 million downloads of Angel BEE mobile application as of June 30, 2020. It manages ₹ 132,540 million in client assets and over 2.15 million operational broking accounts as of June 30, 2020.

Standalone Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	602	312	92.95%	534	13.86%	1605	876	77.84%
PBT	218	105	107.62%	177	12.03%	553	260	116.10%
PAT	162	73	121.92%	132	11.86%	413	191	113.68%
Consolidated Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	607	316	92.09%	538	13.50%	1620	880	79.29%
PBT	221	105	110.48%	179	10.49%	562	269	109%
PAT	165	73	126.03%	134	10.74%	420	196	108.13%

Detailed Results:

1. The company had another excellent quarter with 92% YoY growth in consolidated revenues and 126% YoY growth in consolidated profits.
2. It has an 9.7% share in NSE Active Client Base in Dec'21. Angel has a total client base of 7.8 million as of Dec '21 across 98% of pin codes in India.
3. Q3 saw the top 5 digital brokers hold around 66% share of Incremental NSE Active Clients. Top 5 brokers now have a share of 56% In Cumulative NSE Active Clients Base.
4. Overall equity market share of Angel has risen to 20.9% in Q3FY22 vs 16.1% a year ago. F&O market share has risen to 20.9% in Q3FY22 from 16.1% a year ago.
5. Cash market share has gone down to 14.2% vs 17.6% a year ago while commodity market share has risen to 36.4% vs 26.8% a year ago.
6. Total gross customer additions in Q3 were at 1.3 million.
7. ~95% Of Gross Client Addition Contributed by Tier 3 & Tier 2 Cities in Q3FY22.
8. Around 92% Of Gross Clients Added Under Flat Fee Plan.
9. The total client base grew 19% QoQ. Average daily turnover grew 20% QoQ in Q3 while number of trades grew 18% QoQ.
10. Segment revenue breakup was 68% from Gross Broking, 16% from Interest, 6% from Depository, 2% from distribution, 6% from ancillary transaction income and 2% from other income.
11. Gross Broking split was 74% from F&O, 22% from Cash, 3% from Commodity & 1% from Currency.
12. Cost to net income was at 50.9% for 9MFY22 vs 52.4% in 9MFY22.

13. The company's borrowings have risen to Rs 1229.6 Cr in Dec from Rs 1171.5 Cr in March.
14. Angel has cash and cash equivalents of Rs 4,533 Cr as of 31st December 2021.
15. It had a book value of Rs 172.9 per share.
16. Angel announced an interim dividend of Rs 7 per share.

Investor Conference Call Highlights:

1. Q3FY22 was very good for the broking industry with 10 million new Demat accounts opened in the quarter. This was the highest India has added in any quarter in the past, taking total demat count to 81 million as of Dec'21.
2. The management highlighted that during India's 4 major cycles when NIFTY 50 & NIFTY Midcap 150 delivered negative returns, India's Demat account base grew at 15% CAGR and trade volumes grew between 2-27%.
3. The company has catapulted its business model to a completely digital platform and simplified price structures from turnover-based to order-based.
4. The median age of new clients has dropped to 29 years.
5. The company has emphasized digital marketing and improving its activation engine to accelerate customer acquisition.
6. To enhance the overall client experience, the company will continue to scale up artificial intelligence, machine learning, data science skill and deploy them in their Super App.
7. With a focus on increasing reliability, they have invested in the ruggedization of backend systems, improved error handling capabilities on apps, scaled up and fine-tuned the hardware, and have undertaken a complete rewrite of a few systems. This has led to improved availability and a reduction in contact ratio.
8. On the data science side, they have developed a new machine learning model-based forecasting to improve the top-of-funnel quality, resulting in higher lead conversion for clients.
9. The company has also built a propensity model to improve client activation, the result of which is evident from an uptick in client activation to 39% in Q3FY22 from 37% in Q1FY22
10. The company upgraded the KYC journey to offer clients a seamless experience by improving optical character recognition and introducing new stylus signature options for account opening.
11. Angel has pioneered the real-time process of identifying bank account details, during onboarding, by using a mobile number, an industry-first initiative.
12. The company also upgraded the in-app journey by letting go of the obsolete and cumbersome hamburger menu and replacing it with a far simpler Discover tab in the app. This eased navigation to different sections of the app with minimal clicks.
13. The company witnessed a multi-fold jump in clients accessing mutual funds, IPO, ARQ, GTT, options simplified, etc., now, leading to a step up in their net promoter score and Google Play Store rating.
14. The company is also building the new native mobile app on clean architecture principles, to leverage cross-platform technologies wherever suitable. This new app is in beta and is expected to be launched over the next few months.
15. Angel's share in the commodity segment was at our historical best of over 38% in Dec'21.
16. The company closed Q3 with the highest ever-gross revenue of INR 6.1 billion, registering a 12.8% sequential growth.
17. Net booking revenue from clients who are less than two years on their platform continues to remain high at 75% in Q3 FY2022

18. The net broking revenue under the Flat Fee plan grew to a significant 83% of the overall net broking revenue.
19. Over the last 11 quarters, since they became a full-fledged digital player, they witnessed a 5.8x and a 51x growth in the overall client base and net booking income from the Flat Fee clients respectively, offsetting an approximately 0.3x reduction in their quarterly ARPC.
20. Share of net total income from our Flat Fee clients to the consolidated total income grew six-fold to 81% in Q3FY22 from 14% in Q1FY20.
21. Other expenses rose to INR 1.4 billion, due to incremental spending in acquiring clients, technology, depository charges, and CSR.
22. The company continues to add digital talent to the business, leading to a 12.6% sequential growth in Employee costs.
23. The management highlighted that robust profitability and efficient capital utilization led to significant improvement in annualized average return on equity to 43.7%.
24. The management is confident of maintaining the cost to income at current levels near 49%.
25. The management states that it is looking to provide different kinds of customer journeys for the new mobile app depending on the type of investment persona that the customer is projecting.
26. It will also ensure that a lot of handholding will be done for 1st timers to make them as comfortable and knowledgeable about the process as possible.
27. Technology spending in 9M was at Rs 100 Cr and capex was Rs 6 Cr. The remaining Rs 94 Cr was in opex.
28. The management remains confident of maintaining Angel's high market share in the commodity segment.
29. The broking business will be the prime focus for the company for the next 12-24 months according to the management.
30. The management is not much concerned about ARPU which was bound to go down due to the rise of the flat fee structure. But this has corresponded with a monumental rise in the number of customers and thus has not been harmful to Angel.
31. ARPU also has room for a further decline as the median customer age falls but this is what Angel wants to do as it will help the company get customers from less penetrated age segments.
32. Around 80% of customers acquired in Q3 were new to the market.
33. The company is on track to launch the super app in Q1FY23 according to the management.
34. The management states that Angel is looking to make the new super app despite the existing app in the market as it was first built in 2018-19 and Angel is looking to include customer experiences that were not done at the time but are mainstream today. Another reason for doing so is to better position themselves for the newcomer customers in the market today.
35. The full-strength super app should be ready 8-10 months from the initial Q1FY23 release according to the management.
36. The management reiterated that the lifetime revenue of customers should be at least 5 years.

Analyst's View:

Angel Broking is one of the front runners of the online broking space in India. They have been in the broking business for over 25 years now and have time and again shown remarkable adaptability by pivoting its business model and transforming from a traditional physical broking house to an AI/ML-led digital-only broker that has its eyes set on becoming a fintech platform. Angel continued its great run with a 92% YoY rise in revenues and 1.3 million new customer additions. The company continues to source almost 95% of its new additions from tier 2 & 3 cities and is focussing on the launch of the super app in the next few quarters. Angel is also looking to differentiate itself on service quality and customer journey and the ability to allow for small-ticket investment profiles which will be instrumental for expansion in Tier 2 and beyond cities. It remains to be seen whether Angel will be able to maintain its growth momentum amidst the highly competitive space with seemingly everyone in the financial sector from traditional banks like HDFC Bank & NBFCs like Bajaj Finance to fintech unicorns like Paytm & Zerodha looking to get a slice of the pie and go a similar way to become fintech giants. Nonetheless, given the sustained momentum Angel has in this crowded space and the history of successful pivots along with the vision of the new tech-oriented CEO, Angel Broking may prove to be a reliable bet in the ever-rising fintech space.

Manappuram Finance

Financial Results & Highlights

Brief Company Introduction

Manappuram Finance Ltd. is one of India's leading gold loan NBFCs. Today, it has 4208 (Includes branches of subsidiary companies) branches across 28 states/UTs.

Standalone Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	1110	1355	-18.1%	1170	-5.1%	3524	3875	-9.1%
PBT	346	623	-44.5%	474	-27.0%	1391	1662	-16.3%
PAT	259	465	-44.3%	355	-27.0%	1039	1240	-16.2%
Consolidated Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	1507	1650	-8.7%	1554	-3.0%	4635	4774	-2.9%
PBT	348	657	-47.0%	495	-29.7%	1430	1694	-15.6%
PAT	261	483	-46.0%	370	-29.5%	1068	1257	-15.0%

Detailed Results:

1. The company reported another dismal result with consolidated revenue decreasing by 8% YoY and PAT falling by 46% YoY.
2. The company's ROE decreased by 600 bps QoQ & 1610 bps YoY to 12.9% whereas its ROA declined by 160 bps QoQ & 300 bps YoY to 3.1%.
3. The gold loan AUM increased by 8.8% sequentially driven by collateral growth of 7.8%.
4. The company's consolidated AUM was at Rs 30407 Cr which increased 10% YoY and increased 7% QoQ.
5. The company's subsidiary – Asirvad MFI saw its AUM being flat QoQ & increasing by 9% YoY.
6. Book value per share at the end of the quarter was Rs 94.1.
7. The company's consolidated cost of funds decreased by 90 bps YoY to 8.4%.
8. Consolidated Opex grew 13.8% QoQ and 47.1% YoY while Consolidated NII fell 8.3% QoQ & 12.3% YoY. Opex increased by 47.1% YoY.
9. In the gold loan business, the Opex to AUM increased by 100 bps YoY to 7% in Q3.
10. The standalone business has a GNPA of 1.4% and NNPA of 1%.
11. The CAR for the standalone business stands at 30%.
12. Gold AUM per branch increased from Rs 53.1 Cr to Rs 57.5 Cr QoQ.
13. LTV of standalone business as on 31st December stood at 65%.
14. Online gold loan division contributed 41% to the company's overall gold AUM in Q3.
15. Asirvad MFI saw a GNPA of 2.8% with NNPA at 0 for Q3. Opex to AUM for Asirvad was at 6%. Cost of funds was at 10.3%.
16. Collections were at 97% whereas billing efficiency was at 96% in MFI business.

17. The company's vehicle finance business reported an AUM of Rs 1509.7 Cr which improved from 1267.2 Cr QoQ while GNPA stood at 5.6%.Collection efficiency stood at 103%
18. GNPA of housing finance business stood at 12.3% while total loan book increased by 28.9% YoY & 11.5% QoQ to Rs.816 Cr. Collection efficiency stood at 100%
19. The board declared an interim dividend of 75 paise for this quarter.

Investor Conference Call Highlights

1. The management believes that it was able to perform reasonably well in terms of business volume growth in gold business despite the omicron variant affecting the quarter.
2. Increased ad spending and better incentives to staff to bring back high-value customers lead to higher Opex.
3. The microfinance portfolio saw a decline of 2.4% QoQ as the management consciously tailed back the lending due to uncertainties of the 3rd covid wave.
4. The company's focus on providing competitive interest rates to high ticket size gold loan customers will lead to better growth but decreased margins in future along with lower GNPA.
5. Cash & equivalents stood at Rs.1654 Cr * undrawn bank line at Rs.3202 Cr.
6. The company added 3.81 lakh new customers.
7. Gold loan average ticket size stood at Rs.53397 & average duration at 111 days.
8. Advertisement costs increased by 126% QoQ & 300% YoY to Rs.51.4 Cr
9. Interest receivable on gold loans were 3.6% of total AUM & amounted to Rs.738 Cr.
10. Write-offs to MSME and NBFC portfolios increased from Rs.10 to Rs.17 Cr due to revised IRAC norms.
11. The management states that advertisement expenditure will be moderated to a much lower level in the future and the current increase was primarily due to low demand due to covid.
12. The management is focused on maintaining its yield to 21% whereas other NBFCs are willing to go to 17% because of which growth is expected to moderate in further quarters.
13. OGL customers decreased by 34% due to the company providing a rebate to other customers as well instead of previously providing the same to only OGL customers.
14. The management expects the growth to moderate to 1.5-2% per month.
15. Teaser loans stand at 20% of the total AUM.
16. The contribution of 3-month loan tenure to the book stands close to 50%.
17. The company didn't see good momentum in January & February as well however the momentum is expected to improve due to the opening of institutions.
18. The company believes the short-term loan portfolio won't be affected due to lower yields of competitors however long term portfolio is expected to moderate.

19. The NBFC's major advantage over banks is a shorter turnaround and processing time for transactions.
20. There has been a growth of 3-4% in customers with ticket value > Rs.1 lakh & their contribution to AUM stands at 54%
21. The management still foresees the opportunity of AUM growth of 15-20% in the coming year.
22. The management believes the pre covid level of collections will come by the 4th quarter of next year.
23. Small ticket size customers will increase with improvement in the rural economy in the coming quarters.
24. The contribution to total gold loan AUM stands at Metro 22%, urban is 28%, semi-urban is 32 and the balance is in rural categories.

Analyst's View

Manappuram Finance has long been one of the most consistent players in the NBFC sector in India. The company has cemented its position as one of India's leading gold loan providers by growing its core business consistently. The company posted poor quarterly results with consolidated PAT declining by 46% due to higher Opex and ROE declining by 600 bps QoQ mainly due to rising A&P spend and the product mix shift towards lower-yielding loans. The management is expecting very moderate growth in the coming quarters due to high competition from other NBFCs who are willing to offer a lower yield. The company has also started seeing good collections in MFI and vehicle business. It remains to be seen how the company would mitigate the possible risk of further decline in gold prices, make up for the margin erosion from moving to a higher duration product, and the increased competition in this industry. Nonetheless, given the company's resilient customer base and gold loan AUM along with the rising star among MFIs in Asirvad Microfinance, Manappuram Finance seems like a pivotal finance stock to watch out for.

Muthoot Finance

Financial Results & Highlights

Brief Company Introduction

Muthoot Finance Limited operates as a gold financing company in India. It provides personal and business loans secured by gold jewelry, or gold loans primarily to individuals; micro finance; and loans to landlords. The company also offers gold coins, money transfer, foreign exchange, insurance, ATM, wealth succession, and housing finance services; mutual funds and non-convertible debentures; and wealth management services, including risk evaluation, client evaluation, value analysis, and consultancy.
As of March 31, 2020, the company operated approximately 4,567 branches in 29 states. Muthoot Finance Limited was founded in 1887 and is headquartered in Kochi, India.

Consolidated Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	3155	3000	5.2%	3052	3.4%	9164	8448	8.5%
PBT	1397	1350	3.5%	1351	3.4%	4058	3746	8.3%
PAT	1044	1007	3.7%	1003	4.1%	3025	2795	8.2%
standalone financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	2872	2776	3.5%	2833	1.4%	8420	7746	8.7%
PBT	1378	1331	3.5%	1340	2.8%	4017	3657	9.8%
PAT	1029	991	3.8%	994	3.5%	2994	2726	9.8%

Detailed Results:

1. The company saw a weak quarter with consolidated revenue growing 5% YoY and Profits growing 3% YoY.
2. The consolidated gross loan assets for the company grew 9% YoY.
3. The total number of branches stood at 5439.
4. The GLA growth for the company's different businesses was:
    a) Muthoot Finance: Up 9% YoY
    b) Muthoot Homefin: Down 16% YoY
    c) Belstar Microfinance: Up 33% YoY
    d) Muthoot Money: Down 44% YoY
    e) Asia Asset Finance: Up 10% YoY

5. Cash and cash equivalents for the company at the consolidated level were at Rs 9046.5 Cr as of September '21.
6. The consolidated interest income grew 5% YoY.
7. 31.8% of gold loan customers are transacting online. Interest income in standalone business grew 3% YoY.
8. The company has total funding of Rs 48830.9 Cr through various means like debt, NCDs, etc.
9. The company has around 178 tons of gold kept as security.
10. The gold loan portfolio distribution is North @ 22%, South @ 50%, East @ 9%, and West @ 19%.
11. Average monthly disbursement and collection were at Rs.104 & 106 billion respectively
12. The company has 5.42 million active customers registering a de growth of 1% QoQ.
13. The company saw a net interest margin of 13.74% & an interest spread of 12.61% in Q3FY22.
14. RoA was at 7.99% in Q3.
15. Opex to AUM was at 3.72%. RoE was at 24.36%.
16. Muthoot maintained a CAR of 29.94% with 28.96% being Tier I.
17. The book value per share was Rs 433.74.
18. Muthoot Homefin saw NIM of 5.95% and cost to income ratio of 62.43%.

Investor Conference Call Highlights

1. The management is confident of maintaining yields despite a rising interest rate environment in the future as their customers especially small ones are not that interest sensitive.
2. The management expects the next leg of growth will come primarily from economic recovery as the current base of Rs.55,000 Cr loan book is already very big.
3. The management believes that branches can be used to drive higher growth by simply adding more employees & due to the increase in per customer ticket size, growth is strong.
4. The company auctioned Rs.2800 Cr of gold of roughly 4 lakh customers having a ticket size of 60-70K.
5. LTV for the quarter was at 69%.
6. The LTV of stage 2 loans if the interest on those loans is also capitalized leading to LTV of 90-95%.
7. The cost of funds is currently 7.25-7.5% & is expected to further decrease due to change in borrowing mix along with payment of old long-term borrowings raised at higher costs.
8. The company added 3.5 lakh new borrowers however net borrowers decreased by 2%.
9. The management believes that customers choose Muthoot due to its goodwill & fast processing of loans instead of customer relationships.

10. 20% of loan book consist of people having ticket size > Rs.10 lakh.
11. The management expects the company to not meet the guidance number of 15% revenue growth in the current FY & is expecting to clock a growth of close to 9-10% in the current FY.

Analyst's View

Muthoot Finance is the leader in the gold loan industry. The company has cemented its market position by growing its core business consistently and maintaining the momentum. The company posted mediocre quarterly results with sales growth of 5% YoY and profit growth of 3% YoY. The management is expecting good growth in the coming quarters due to the further opening of the economy. The cost of funds is expected to decline from current levels given the expiry of old debt that were issued at higher interest rates. The management has also reduced its guidance of 15% revenue growth to 10% for FY22. It remains to be seen how the company would mitigate the risk of further decline in gold prices, the rising interest rate environment, and the increased competition in this industry. Nonetheless, given the company's resilient customer base, resilient brand image, and gold loan AUM, Muthoot Finance seems like a pivotal finance stock to watch out for.

Piramal Enterprises

Financial Results & Highlights

Brief Company Introduction

Piramal Enterprises Limited (PEL) (including its subsidiaries) is one of India's large diversified companies, with a presence in Healthcare, Healthcare Insights & Analytics business and Financial Services. In Pharmaceuticals, through an end-to-end manufacturing capabilities across its manufacturing facilities and a large global distribution network, the Company sells a portfolio of niche differentiated pharma products and provides an entire pool of pharma services (including in the areas of injectable, HPAPI etc.). In Financial Services, PEL provides comprehensive financing solutions to real estate companies.

Consolidated Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	4067	3265	24.6%	3233	25.8%	10312	9607	7.3%
PBT	954	834	14.4%	566	68.6%	2038	2198	-7.3%
PAT	1137	1000	13.7%	529	114.9%	2335	2489	-6.2%
standalone financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	702	586	19.8%	566	24.0%	1817	1403	29.5%
PBT	192	100	92.0%	39	392.3%	291	60	385.0%
PAT	168	-164	-202.4%	34	394.1%	256	-38	-773.7%

Detailed Results

1. The company had a good quarter with consolidated Revenues for Q3 rising 25% YoY & PAT rising 14% YoY.
2. The demerger of the pharma and financial services business was approved in Oct.
3. PEL acquired a minority stake in Yapan Bio in Q3.
4. Shareholders of PEL will get 4 shares of Piramal Pharma post demerger.
5. The overall loan book grew by 31% year-on-year to Rs. 60,600 Cr and retail AUM grew four times YoY to AUM of Rs. 21,500 Cr
6. The share of retail loans has gone up to 36% post the merger with DHFL. The Aum has increased 42% YoY post the merger. The company now has 301 branches in 24 states and UTs.
7. GNPA and NNPA post the merger were at 3.3% and 1.8% respectively with provisioning at 4% of AUM.
8. Capital adequacy ratio stood at 26%.
9. The loan book breakup after the demerger is:

1. Affordable Housing: 46%
2. MSME Secured:28%
3. Used car loans:2%
4. Digital unsecured:21%
5. MSME unsecured:3%

10. Net debt to equity of the financial services division is now at 2.5 times.
11. The yield of DHFL is 11% on disbursements and cost of borrowing being 7%.
12. Disbursements in retail book increased 5 times YoY to 735 Cr while disbursement yield stood at 12%.
13. The yield on disbursements was 11.4% while the average cost of funds was at 9.1% in Q3. NIM was at 3.5% while the cost to income was at 32% in Q3. ROA and ROE were at 2.6% and 9.5% respectively.
14. ROA stood at 2.6% while ROE at 9.5%. Cost to Income ratio stood at 32%
15. Pharma revenues grew 15% YoY in Q3 & 18% YoY in 9M. EBITDA increased by 18% YoY and EBITDA margins stood at 22.1%.
16. The breakup of pharma revenues was:
    1. Pharma CDMO: Up 10% YoY in Q3
    2. Complex Generics: Up 25% YoY in Q3
    3. India Consumer Healthcare: Up 45% YoY in Q3
17. PEL launched 20 new products in the India Consumer Healthcare division in 9M.
18. Demerger is expected to be completed by Q3 FY23.
19. The Pharma division contributed to 41% of total sales for Q3.

Investor Conference Call Highlights

1. The management is expecting a 20% growth in pharma division in FY22 , 15% across the business in coming years with margins reaching to 25-28% levels.
2. The management believes covid didn't impact CDMO biz and the key challenges are in terms of execution.
3. The company believes that excluding USA market, ROW is very volatile.
4. The CDMO order book increased by 30%.
5. Investment in Yapan will help in PEL's foray in biologics, develop synergies with its existing sites & be a complementary business to CDMO according to the management.
6. Overall collection efficiencies for the retail business have been in the high 90's.

7. Company expects to add 100 new branches in the next 12 months.
8. Ebitda margins for the current quarter were higher as compared to H1 due to higher margin business being invoiced in H2 of this FY
9. The company is doing significant capex in DIgwal capacity in India which will be the company's largest facility.
10. Logistics, distribution and manpower constraints have affected the execution in CDMO business leading to flat business.
11. The company earns 1.6% annualized fees on Rs.20,000 Cr of assets of DHFL which are being managed by the Piramal team for the public sector banks who bought these assets.
12. Overall Opex hasn't changed despite the consolidation with DHFL due to change in manpower to a separate manpower company & cost base of DHFL being lower before merger.
13. Incremental cost of funding for the current quarter stood at 8.5%
14. The yield in mass affluent space is 10.5-10.75% while affordable housing segment being 12% thus the weighted average being 11.25%
15. Tax rate is between 24-25%.
16. The margin in the JV with Allergen for Ophthalmology was at 30%.
17. The management expects ROA to be in the range of 2.5-3% in future.

Analyst's Views

Piramal Enterprises has seen the continuation of recovery in the financial division and good growth in the pharma division. PEL had a decent Q3 with 25% YoY rise in revenues. The company announced a demerger of its pharma business from the financial services business. This event is expected to take place in 2022. PEL continues to invest in adding on to its pharma business. It has acquired a minority stake in Yapan Bio which is expected to help Piramal pharma foray into biologics. It remains to be seen how long it will take for the new business segments in financial services to scale up for PEL and what challenges it will face in the integration of DHFL and in the growth path of the pharma business. However, given their past track record, management capability, and surplus unallocated capital which can be deployed to support any of the conglomerate's various businesses, Piramal Enterprises continues to be a good conglomerate stock to watch out for, particularly in the real-estate lending space.

NETWORK & COMMUNICATIONS

Sterlite Technologies

Financial Results & Highlights

STL, Sterlite Technologies Limited (Formerly Sterlite Tech) is a digital technology multinational company having offices in India, China, US, SEA, Europe and MEA. It is listed on Bombay Stock Exchange and National Stock Exchange of India. It has more than 270 patents and serving customers in over 150 countries, including Fortune 100.

The company is specialized in optical fibre and cables, hyper-scale network design, and deployment and network software and offer bespoke integrated solutions for global data networks of CSPs, Telcos and OTTs. STL has also partnered with global telecom companies, cloud companies, citizen networks and large enterprises to design, build and manage such cloud-native software-defined network. It has strong global presence with next-gen optical preform, fibre and cable manufacturing facilities in India, Italy, China and Brazil and two software-development centres.

Standalone Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	1321	1199	10.2%	1278	3.4%	3730	2861	30.4%
PBT	-144	108	-233.3%	122	-218.0%	97	208	-53.4%
PAT	-107	79	-235.4%	90	-218.9%	114	152	-25.0%
Consolidated Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	1370	1322	3.6%	1514	-9.5%	4200	3377	24.4%
PBT	-191	119	-260.5%	138	-238.4%	89	207	-57.0%
PAT	-140	86	-262.8%	106	-232.1%	72	143	-49.7%

Detailed Results:

1) The quarter saw a revenue growth of 3.6% YoY in consolidated terms.
2) Standalone revenues grew by 10% YoY.
3) The company saw loss after tax of Rs 140 Cr in consolidated terms in Q3.
4) The open order book is at Rs 11700 Cr currently.
5) The share of North America in STL revenue has risen to 13% in Q3. It also secured orders of Rs 300 Cr from the region in Q3.
6) The completion of various data network projects for the company are as follows:

1. Mahanet: completed
2. T-Fibre: 44%
3. Modern Optical fibre rollout for large Indian telco (phase 1): 83%
4. Fibre to the home rollout in U.K.: 2% (for the first project)

5. Data center connectivity projects: 49 completed, 13 ongoing

7) The client base revenue breakup in 9M is as follows:
    a. Telcos: 74%
    b. Enterprises: 7%
    c. Citizen Networks: 16%
    d. Cloud Players: 3%

8) The order book spread across customer segments is as follows:
    a. Telcos: 62%
    b. Citizen networks: 22%
    c. Enterprises: 15%
    d. Cloud: 1%

9) The company won multiyear orders worth about Rs.700 Cr for proprietary Opticonn offering.
10) The company has reported negative EBIDTA due to onetime provisions.

Investor Conference Call Highlights:

1. Huge investments by network creators including Govt. in creating digital infrastructure are being done according to the management.
2. The technological shift to 5G is happening rapidly with 2.6 billion 5G subscribers are expected by 2026.
3. The wireless shift towards RAN technology will lead to a sustained digital infrastructure creation cycle of 7-10 yrs.
4. OFC demand is expected to increase from 500 to 634 million by 2026.
5. Europe and North America, which are key markets for the company are likely to grow at around 6.5% to 6.8%.
6. The management believes an increase in profitability of the Indian telcos has led to a CapEx divide i.e Telcos are expected to deploy approximately 200,000 cable km in FY '23 to strengthen the fiber backbone to enable the 5G and strengthen 4G and FTTX.
7. The company secured orders close to Rs.300 Cr in the optical networking business.
8. The fiber cable capacity in South Carolina will be operational by Q2 of FY23 which will help the company to get access to Tier-1 telecom operators & grow its presence in the North American region.
9. The company has completed the business integration with Clearcomm & now has more than 150 employees and more than 20-plus partners on board.
10. The management is confident about increasing the U.K. contribution to 25% of its global business services.
11. Geographical revenue distribution mix is increasing towards EMEA & America.
12. The company's financial objectives are to achieve a run rate of Rs.100 billion per annum by quarter 4 of next fiscal, Net debt-to-equity ratio < 0.5, and a ROCE >20%.
13. The total bottom-line impact of the one-off provisions is slightly north of Rs. 200 Cr.
14. The margins on the product side were like the previous quarter with slight variations on account of higher freight costs.

15. The margins on the service side were soft due to the low margins contract pursued by the company, however, they are expected to improve after the next few quarters due to improved margins from Europe which are currently in negative territory due to the small scale of operations.
16. Margins (ex-provision) have fallen by 6-7% QoQ due to investments not panning out as planned, higher remunerations to employees & low margin product revenue mix.
17. Depreciation for the current quarter was abnormally high due to the backlog of the last 12 months on the acquired assets.
18. On the Rs.10,000 Cr of revenue guidance, management sees 35-40% coming from service, 5% from wireless, and the rest 55-60% from the product side.
19. The management expects the fiber prices to firm up & not increase by the large extent that was witnessed In the previous quarters.
20. The company's volumes for the fiber business are at a capacity utilization of about 75% to 80%. And on the cable side, it is close to 8 million.
21. The management states that one can assume book-to-bill revenue to be 20-25% every quarter.

<u>Analyst's View:</u>

The company had a poor quarter in terms of profitability due to one-time provisions. The revenue growth was low at only 3.6% as well. But the bright spots are that the company is sourcing new deals and expanding steadily in the USA and UK markets. The company is aiming to have sustained growth momentum due to the deal wins and the recent qualification as a PLI scheme-approved company. Its global recognition as an Open RAN vendor should also help it bag 5G orders in the future. It remains to be seen how fast the move towards 5G will take place in the company's principal geographies and whether the company will be able to maintain its planned trajectory to take advantage of this 5G movement along with the company's ability to scale up its European business which is currently not profitable. Nonetheless, given the company's capabilities in providing integrated and tailored network solutions, its expanded production capacity, and long-running order, Sterlite Technologies looks like a pivotal stock to watch out for in the communications technology space.

OTHERS

Ashiana Housing

Financial Results & Highlights

Brief Company Introduction

Ashiana Housing Ltd. (AHL) is an Indian real estate development company established in 1986 with its head office in New Delhi, India. It is a real estate company recognized by Forbes as Asia's 200 Best Under A Billion (2010 and 2011) Ashiana Housing is a mid-income housing developer with primary focus on Kid Centric Homes, Senior Living, Care Homes (i.e. assisted living) and also comfort homes.

Standalone financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	43	79	-45.6%	48	-10.4%	119	147	-19.0%
PBT	-3	14	-121.4%	-8	-62.5%	-16	9	-277.8%
PAT	-3.5	13	-126.9%	6	-158%	-15	9	-266.7%
Consolidated financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	54	90	-40.0%	61	-11.5%	155	178	-12.9%
PBT	-7	14	-150.0%	-6	16.7%	-22	6	-466.7%
PAT	-4	13	-130.8%	-6	-33.3%	-16	7	-328.6%

Detailed Results

1. Booking stood at 4.21 lakhs Sq. ft Vs 4.51 Lakhs QoQ.
2. Area constructed stood at 3.73 Lakh sq. ft Vs 4.5 Lakh sq.ft QoQ.
3. Revenue recognized from completed projects stood at Rs.30.9 Cr Vs Rs. 45.6 Cr QoQ.
4. Income from partnerships stood at Rs.6.4 Cr vs Rs.(0.26) Cr.
5. Total PAT improved to loss of Rs 3.28 Cr vs 6.36 Cr last quarter.
6. The company acquired new land parcels of 9.93 acres Chennai for senior living project development and 3.96 acres in Jamshedpur.
7. Bookings for 9M were at 10.23 lakh Sq Ft.
8. New land parcels acquired for Ashiana in the current year were Gurgaon 22.1 acres, Pune 11.93 acres, Jaipur 8.6 acres, Jamshedpur 3.96 acres and two land parcels in Chennai of 15.64 acres and 9.93 acres.

Investor Conference Call Highlights

1. The bookings in Q3 were relatively higher due to the launch of Ashiana Nirmay Ph 4, Bhiwadi and higher sales in Dwarka Ph 4, Jodhpur, launched towards the end of Q1.
2. The management believes that there is no correlation between regular housing and senior housing as senior housing has lower supply vis-à-vis regular housing leading to the ability to

appreciate prices by the company in its projects like Ashiana Nirmay Bhiwadi and Ashiana Shubham, Chennai.
3. The management believes to get to about 2.5million to 3 million square feet,they have enough projects now in all micro markets except for Jaipur. In Jaipur they need to sign up two more projects over and above their current run rate and are in talks to get new land parcels however sudden increase in prices have slowed that talks.
4. The management states that it enjoys premium brand positioning in areas like Jamshedpur and Jaipur leading to more JV's thus ensuring lower capex and better margins. Further, Chennai is becoming an interesting play from a Senior Living perspective where the management believes that the company can see margin expansion and a brand premium coming in.
5. The company is targeting a return of equity post tax of 15% by FY23 and has reduced its current cost of debt from 12-13% to 10%.
6. The company's borrowing strategy is counter cyclical where it pays off debt during upcycle and becomes more leveraged during down cycle.
7. After multiple instances of misappropriation of funds by the company , the management has appointed Grant Thornton for internal audit coupled with developing ERP systems.
8. The management states that they will sell the existing inventory in Ashiana town by 18-24 months.
9. The company has 1 million square feet of land in Ashiana Tarang and has further purchased land parcels using IFC facilities.
10. The management views that good golfer regular housing and Chennai for senior living will be good markets in the future.
11. The management states that Lavasa project is not doing well due to city issues, its project in Gurgaon has started to pick up well in the last 12-15 months in terms of sales while its new project Gurgaon Ashiana Amara is expected to be a great success and increase brand image of the company.
12. The company expects to sell its 11 million sq feet inventory by next 6 years.
13. The company believes it has the construction capability but needs to improve its sales quotient for which they have started with channel partners in different cities like Gurgaon.
14. The management expects a bull cycle and believes it will be able to pass input price hikes to customers.
15. Fixed costs other than sales and marketing ranges between 65-75 Cr per year.
16. The company has gross margins of 28-30% in its older projects and expects them to increase in coming years.
17. The company enjoys free cash flows even during years of losses due to revenues being front loaded.

Analyst's Views

Ashiana Housing is a unique presence in the Indian real estate industry. The company has seen a tepid recovery in Q3 with both sales and profits down YoY. But the projects are going ahead in time and the management expects good response to the upcoming projects in the future. The company has acquired land parcels for development in Chennai and Jamshedpur in Q3 and is looking to develop senior living in Chennai. It remains to be seen how long will it take for the company to recover and come back to precovid levels of performance and what impact will the rising inflation have on the real estate sector and Ashiana. Nonetheless, given the evergreen nature of the real estate industry in India, the unique and cautious business model of Ashiana and the rising trend of senior living in India, Ashiana is a good real estate sector stock with a lot of potential in the future.

SIS

Financial Results & Highlights

Introduction

Security & Intelligence Serv.(India)is directly and indirectly engaged in rendering security and related services consisting of manned guarding, training, and indirectly engaged in paramedic and emergency response services; loss prevention, asset protection and mobile patrols; facility management services consisting of cleaning, housekeeping and pest control management services in the areas of facility management; cash logistics services consisting of cash-in-transit, ATM cash replenishment activities and secure transportation of precious items and bullion; and alarm monitoring and response services consisting of trading and installation of electronic security devices and systems through its subsidiaries, joint ventures and associates.

Standalone Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	854	773	10.5%	816	4.7%	2482	2250	10.3%
PBT	18	24	-25.0%	13	38.5%	102	69	47.8%
PAT	28	19	47.4%	15	86.7%	107	49	118.4%
Consolidated Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	2629	2396	9.7%	2439	7.8%	7459	6810	9.5%
PBT	104	129	-19.4%	79	31.6%	265	341	-22.3%
PAT	100	99	1.0%	68	47.1%	228	265	-14.0%

Detailed Results:

1. Consolidated sales grew by 10% YoY & 7% QoQ whereas PAT remained flat.
2. EBIDTA margins for the quarter were 5.0% (due to one off costs of Rs 5.1 Cr.
3. OCF to EBIDTA was 31.6%
4. Net debt to EBITDA was at 1.4 times in Q3.
5. The Australia business saw new deal wins with monthly revenues of Rs 10 Cr.
6. The Contribution towards group revenues & EBIDTA -
   I. Security solutions India – 38.2% & 32.8% (EBIDTA% @4.3%)
   II. Security solutions International – 47.9% & 53.6% (EBIDTA% @ 5.6%)
   III. Facility management solutions – 14.1% & 13.6% (EBIDTA% @ 4.8%)
   IV. Cash logistics EBIDTA% @ 12.4% (Highest Ever)

Investor Conference Call Highlights:

1. The management states that due to one-off expenses margins of the Facility management business have been below pre-covid however Gross margins are stable & it expects to recover back to 6% margins in the coming quarters.
2. The one-off costs in the current quarter were for payment to higher salaried back-office employees who didn't get any increment in the previous year.
3. The management states that the company is the fastest-growing in the industry. Further, since the business is considered as a part of essential services therefore its demand resilience is extremely high, and the company continues to grow in crisis periods just like they grow in growth years albeit at a lower rate.
4. Due to a good customer satisfaction rate, the management believes that consolidation will happen which will lead to a shift from unorganized players who have 65% market share towards organized players.
5. Ad Hoc business related to covid related quarantine will reduce in Australia which might impact the topline for a few quarters, however, the management believes that due to strong pent up demand from aviation and other sectors which were affected by covid, the revenue will remain stable for the FY23.
6. The management believes the tapering down of revenues from the international segment will be covered from recovery in the Indian segment due to demand coming back from railways, IT, IIT & IIM's & the likes.
7. The management states that despite a 6% EBITDA margin this industry can deliver more than 20% return on capital employed and more than 20% return on equity.
8. The company is focused to double its market share in security, Facility management & cash logistics in the next three to four years.
9. The company's latest business involves products to protect like an alarm monitoring company, but it does not provide security guards, it provides alarms and does monitoring of customer sites remotely using CCTV footage & that business has crossed 5000 connections this and it is working more to build new technology-based products in its FM business.
10. The company closed the P4G New Zealand transaction they acquired the remaining shareholding there where they had a majority shareholding previously & transformed the business from a very small $8 million business to $25- $30 million over a cycle of three years.
11. The management states that the company's guided growth rate of 20% is broken down into three components roughly 7%-8% of roundabout came from minimum wage inflation and the remainder 12% came from existing customer new business and new customer acquisition since in the last two years the minimum wage escalation has completely stalled leading to optically lower growth rate despite increasing customer acquisitions. However, management is confident that wage hikes of 8.5-9% might happen in the future due to pressure on Government leading to better growth.
12. SIS is primarily targeting segments like manufacturing, healthcare, and commercial establishments like an I.T park or a mall.
13. The management is bullish about the Budget because India's commitment to spend 5 lakh Crores last year and 7.5 lakh Crores in the current year towards infrastructure creation is a massive opportunity creation because whether it is building a metro or a healthcare establishment or educational establishment or a railway platform everything any kind of infrastructure any kind of square footage that is added is going to need CCTV cameras, security staff, and hygiene and sanitation staff.

Analyst's View:

SIS is the market leader in security, cash logistics, and facilities management in India. The company saw a mixed quarter with revenues rising almost 10% YoY while profit was almost flat at 1% up YoY. The management states that it was mainly due to one-off costs undertaken in Q3. The management is expecting significant market expansion in the future for SIS from the anticipated demand for surveillance in upcoming infra projects and the ongoing construction boom. The company is also looking to expand its target market segments to include IT parks, and malls. The new business line of surveillance setup and maintenance only is also expected to well in the future. It remains to be seen what obstacles SIS will face during expansion into new segments and whether international growth will come about as expected. Given the market leader status of the company in its operating segments of facilities management and security and the promise of an ever-increasing market opportunity due to the infra boom in India, SIS is a critical stock to look for in the security and facility management space.

PLATFORM COMPANIES

CarTrade Tech

Financial Results & Highlights

Brief Company Introduction

CarTrade Tech Ltd is a multi-channel auto platform provider company with coverage and presence across vehicle types and Value-Added Services. The company operates various brands such as CarWale, CarTrade, Shriram Automall, BikeWale, CarTradeExchange, Adroit Auto, and AutoBiz. The platform connects new and used automobile customers, vehicle dealers, vehicle OEMs, and other businesses to buy and sell different types of vehicles. The company offers a variety of solutions across automotive transactions for buying, selling, marketing, financing, and other activities.

Standalone Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	42	37	13.5%	39	7.7%	110	75	46.7%
PBT	-37	13	-384.6%	-37	0.0%	-118	9	-1411.1%
PAT	-29	11	-363.6%	-40	-27.5%	-114	69	-265.2%
Consolidated Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	102	86	18.6%	88	15.9%	253	189	33.9%
PBT	-22	27	-181.5%	-30	-26.7%	-98	27	-463.0%
PAT	-18	24	-175.0%	-35	-48.6%	-100	87	-214.9%

Detailed Results:

1) Sales grew by 18% YoY on a consolidated basis with 16% rise QoQ.
2) Adjusted EBIDTA margins for the quarter stood at 32% up 400 Bps on quarterly basis.
3) AVG monthly unique visitors (UV) stood at 31.2 million out of which 86.2% were organic.
4) UVs increased by 1% YoY & decreased by 9% QoQ.
5) Auction listing for the quarter stood at 3,26,319 while the number sold stood at 72,639.
6) The company is geared to scale at 200 outlets in the next 2 years.

Investor Conference Call Highlights:

34. The overall car market was down 15% YoY in Q3.
35. 9M revenues grew 33% YoY while adjusted EBITDA grew 30% YoY.
36. The average monthly visitors to the company's sites were at 31 million of which 86% came in organically.
37. There was an exceptional non-cash adjustment of Rs 140 Cr in Q3 for ESOPs granted in April 2021.
38. The consumer business of CarWale, CarTrade, and BikeWale grew 47% YoY while adjusted EBITDA grew 56% YoY in these segments.
39. Among the new businesses that the company is looking to launch, the B2C used car franchising is expected to do well. The company has also created a fintech product where customers can get

linked to various auto financiers with approval from Cartrade once the customer puts in the requisite data.

40. The Board has earmarked Rs 750 Cr for investment into businesses like car servicing, car repair, car financing, electric vehicles and other avenues.
41. Cartrade is aiming to digitize the entire journey of acquiring a new or used vehicle.
42. The company is also aiming to enhance the online used car buying experience with its CarWale certified or CarWale abSure outlets. Currently 22 outlets are certified abSure. The company aims to bring this number up to 200 in the next 2 years.
43. In Q3, the company tied up with Ashok Leyland for auctioning the exchange vehicles brought to Ashok Leyland dealerships. The company also has such ties with Bharat Benz.
44. Despite the slowdown in the Indian auto sector, investments in online promotion and advertising have gone up and the management expects this to continue going up. There is still room for expansion for digital advertising in the auto space in India which is currently at only 13-14% of total ad spend vs 40% globally.
45. The company includes other income in its EBITDA calculations according to the management.
46. The realization per vehicle for SAMIL has fallen but the management remains confident that of it given that it is still yielding an adjusted EBITDA margin of 35%.
47. The abSure division has a separate CEO and the company is very bullish on developing this business. The main model of monetization here is transaction of sales of vehicles from the franchise stores where Cartrade charges a take rate on the selling price. The company's cut on the final sales price ranges from 1.5% to 3% depending on the services provided to the specific dealer.
48. The management said that Cartrade has already done tens of thousands of loan approvals through its fintech product already and is one of the largest approvers of loans in this segment in the industry.
49. The management reiterates the company's target to maintain a 30 30 30 model with growth target of 25-30%, margin of close to 30% and profit growth of 30%.

<u>**Analyst's View:**</u>

CarTrade Tech is one of the biggest auto platform providers in India and the only profitable one till date. The company had a good IPO post which it saw a serious fall in its share price of over 60%. The overall revenue growth has been decent in Q3 with revenues growing 19% YoY and the classified businesses of Carwale, Bikewale and CarTrade growing 47% YoY. The profits for Q3 and 9M remains subdued due to a non-cash exceptional item of Rs 140 Cr regarding ESOPs issued by the company in 2021. The company has a lot of plans in place for the expansion of its new business segments like the abSure outlets and the fintech loan platform. It has also earmarked Rs 750 Cr for investments in growing new businesses. SAMIL has also added Ashok Leyland to its institutional auto auction business and expects to add more OEMs in the future. It remains to be seen what obstacles the company will face in its expansion into new business segments and how will the whole online vehicle ecosystem develop in the future. Given the brand strength of the company and its status as the only profitable player in this rising segment, CarTrade Tech is a pivotal auto platform stock to watch out for, particularly considering its currently attractive valuation levels.

Easy Trip Planners

Financial Results & Highlights

Brief Company Introduction

EaseMyTrip is an Indian online travel company, founded in 2008 by Nishant Pitti, Rikant Pitti, and Prashant Pitti. Headquartered in New Delhi, the company provides hotel bookings, air tickets, holiday packages, bus bookings, and white-label services. EaseMyTrip has overseas offices in Singapore, Dubai, Maldives, and Bangkok.

Standalone Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	86	44	95.5%	57	50.9%	174	72	141.7%
PBT	54	29	86.2%	36	50.0%	112	42	166.7%
PAT	40	22	81.8%	27	48.1%	83	31	167.7%
Consolidated Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	90	47	91.5%	60	50.0%	184	81	127.2%
PBT	54	29	86.2%	36	50.0%	111	41	170.7%
PAT	40	22	81.8%	27	48.1%	82	30	173.3%

Detailed Results:

1. The company had an excellent quarter with revenues growing by 91% YoY on consolidated basis.
2. PAT increased by 81% YoY on a consolidated basis.
3. Gross booking revenue for this quarter increased by 65% YoY whereas Air segment bookings increased by 49% YoY.
4. Gross booking revenue for 9M increased by 108% YoY whereas Air segment bookings increased by 87% YoY.
5. The key acquisitions for this quarter include
    1. Spree: A 1200 room-keys hospitality management company
    2. Traviate: India's first B2B technology-driven travel marketplace
    3. YoloBus: A premium intercity mobility platform.
6. Hotel nights sold saw a jump of 144% YoY in Q3.
7. Train, bus & others segment grew by 162% YoY in Q3.
8. The Board has recommended a bonus issue of 1:1.

Investor Conference Call Details:

1. Yolobus has an asset-light business model and works with bus operators pan India. The company entered into a definitive agreement with YoloBus to acquire the brand name, technology, running business expertise, data, and the team of Yolo Traveltech Private Limited, operating under the name of YoloBus. The deal will be consummated within a month & it will be an all-cash deal.

2. Spree Hospitality is a 1200 room-keys hospitality management company, to expand its presence in the hotel and holiday segment. It was acquired for Rs.18.25 Cr and profit contribution for December from this stood at Rs.12 lakhs.
3. Key initiatives in this quarter includes full refund-medical policy, special airfare discount on waitlisted tickets & partnership with SpiceJet.
4. Vijay Raaz & Varun Sharma were appointed as first brand ambassadors.
5. Company is doing multiple tie-ups with various brands, banks & e-wallets.
6. Margins for the current quarter increased due to change in product mix towards hotel & other services.
7. Revenue from hotel bookings in the December quarter was low due to the 3rd covid wave.
8. The current GBR is the highest in the company's history.
9. The company's market share in the Air segment has increased from 7.5-8% to the north of 10% YoY.
10. The management is very bullish about the next 2 years due to the high pent-up demand coupled with the pandemic almost reaching its ending phase.
11. The company is planning to take benefit of synergies between the company itself and its new acquisition-Spree by leveraging its offering for providing a bundled service (like asking people booking a flight ticket to add a spree hotel stay by paying a little extra thus creating a bundled offering).
12. The company's acquisitions are primarily focused on acquiring asset-light fast-growing companies that have synergies with the company rather than being too much focused on payback from investment.
13. The management wants to become the leader in the travel industry and not just create a platform, but also create the entire ecosystem on the travel side, where a lot of good companies are in the travel trade.
14. The management is focused on ensuring the profitability of the company & maintaining an operating margin of 60% in the future as well.

Analyst Views:

Founded in 2008, EaseMyTrip is India's 2nd largest online travel booking portal. The company has seen a very good recovery with bookings across all segments rising a lot YoY. The company is making good inroads into the travel industry and is looking to expand its influence in the sector with key acquisitions which help enhance its portfolio of offerings and help provide bundled services. The company has also taken various actions and introduced new policies like a full medical refund and others which are expected to help differentiate EasyTrip from the rest of the market. It remains to be seen how long it will take for normal travel behavior to come back to pre-covid levels and whether the acquisitions and policy actions of the company will help it separate itself from the rest of the pack. Nonetheless, given the large market share in online travel bookings for EaseMyTrip and the steady revival of the travel sector in India, Easy Trip Planners is a pivotal stock to watch out for in the travel sector.

IRCTC

Financial Results & Highlights

Brief Introduction:

Indian Railway Catering and Tourism Corporation (IRCTC) is a Mini Ratna (Category-I) Central Public Sector Enterprise under the Ministry of Railways, Government of India. IRCTC was incorporated on 27th September 1999 as an extended arm of the Indian Railways to upgrade, professionalize and manage the catering and hospitality services at stations, on trains and other locations and to promote domestic and international tourism through the development of budget hotels, special tour packages, information & commercial publicity and global reservation systems.

Consolidated Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	556	245	126.9%	421	32.0%	1235	510	142.1%
PBT	281	104	170.1%	213	31.9%	606	121	400.8%
PAT	208	78	166.6%	158	31.6%	449	86	422.0%

Detailed Results:

1. The company saw a 1.2x YoY rise in total revenues.
2. PAT and PBT were up 170% and 166% YoY.
3. Catering saw revenues of Rs 104 Cr vs Rs 48 Cr last year & EBIT profit of Rs 5 Cr vs EBIT loss of Rs 7 Cr last year.
4. Rail Neer saw revenues of Rs 49 Cr vs Rs 16 Cr last year & EBIT of Rs 5 Cr vs EBIT loss of Rs 2 Cr last year.
5. Ticketing saw revenues of Rs 312 Cr vs Rs 143 Cr last year & EBIT of Rs 265 Cr vs EBIT of Rs 109 Cr last year.
6. Tourism saw revenues of Rs 68 Cr vs Rs 15 Cr last year & EBIT loss of Rs 7 Crs vs EBIT loss of Rs 11 Cr last year.
7. The company announced a dividend of Rs. 2 per share in Q4.

Investor Conference Call Highlights

1. While revenues of the company are still below their all-time high, the absolute EBITDA has hit new highs.
2. Internet ticketing, which has the highest margins amongst all the business segments continued to drive the growth in Q3.
3. Ticketing revenue was on an all-time high of 312 Cr. EBIT margin in this segment was at 84.8% vs 76.3% YoY.
4. The catering segment has moved back to profit at EBIT after 6 quarters of losses.
5. Railneer EBIT margin got back to the double-digit mark at 10.1% vs 6.8% QoQ.

6. The cash and bank balance of IRCTC was at Rs 1821 Cr.
7. 9M revenue from internet ticketing was 728 Cr out of which 68% was the convenience fee and 32% was the non-convenience fee.
8. In the catering segment, cooked food in pantry cars is being served on 428 trains and is available in all Rajdhani, Shatabdi, and Duronto trains.
9. The total marketing revenue from the company's payment gateway has been 56 Cr.
10. Current production of Railneer is 5.5 lakh liters per day at 45% plant utilization due to winter season and covid impacted demand.
11. In segmentation of tickets booked, 2S is the highest at 38.6%, sleeper class at 38.1%, and second AC, third AC, AC chair car at 22%.
12. The company's online share of railway ticketing is being maintained at more than 80% levels.
13. The company is facing challenges in iMudra because of changing its partner bank.
14. The company has got some progress in adding its food aggregator and plans to have an aggregator license.
15. The management sees the EBIT margins in the catering segment increasing back to double digits due to more trains being tendered.
16. IRCTC Air is still at below 19-20 levels due to the massive cancellation happening during the Omicron wave.
17. The company currently has 8 IRCTC Executive lounges and plans to open more coming ahead.
18. The number of TSV contracts this quarter has come to 700 vs 280 in the previous quarter.
19. IRCTC may make its engine or continue with the PRS booking engine if the rates are negotiated well.
20. The company is planning to do capex to improve the ticketing infrastructure and do some infrastructure projects.

Analyst's View:

Indian Railway Catering and Tourism Corporation (IRCTC) is a Mini Ratna PSU with massive cash flows and a well-managed balance sheet. The company has seen a great Q3 with its highest ever ticketing revenues and over 70% rise in both convenience & non-convenience revenues. The ticketing inventory has also increased to 12.5 lacs per day due to the mandatory reservation in the General category. IRCTC continues to have 80%+ of total bookings for Indian Railways in Q3. The company has applied for a payment aggregator license from both the Ministry of Railways and RBI. It has also increased the B2C catering aggregators to 20 and has seen the number of meals booked per day exceed pre-COVID levels. The tourism segment has suffered mainly due to high operational losses in the Tejas Express. The company is looking to take measures like reducing the frequency of these trains or getting concessions on haulage to reduce these operational losses. It remains to be seen what disruptions come up in the future from the upcoming waves of COVID-19 are, how long will it take for normal rail travel and how will the company's foray into private trains pans out given the difficulties it is seeing with Tejas. Nonetheless, given that IRCTC has a near-monopoly in its space and from the resilient demand for its services and products in railway stations, IRCTC remains a good stock to watch out for investors betting on the travel and railway theme.

Map My India

Financial Results & Highlights

Brief Company Introduction

C E Infosystems Limited ("Map My India") was incorporated on February 17, 1995. The company is a data and technology products and platforms company, offering proprietary digital maps as a service ("MaaS"), software as a service ("SaaS"), and platform as a service ("PaaS"). They are India's leading provider of advanced digital maps, geospatial software, and location based IoT technologies.

Standalone Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2Y22	QoQ %	9MFY22	9MFY21	YoY%
Sales	49	61	-19.6%	69	-28.9%	171	136	25.7%
PBT	19	29	-34.4%	36	-47.2%	81	54	50%
PAT	15	22	-31.8%	25	-40%	62	39	58.9%
Consolidated Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	52	61	-14.7%	70	-25.7%	174	136	27.9%
PBT	21	29	-27.5%	37	-43.2%	84	54	55.5%
PAT	18	21	-14.2%	25	-28%	65	40	62.5%

Detailed Results:

10. The company had a bad quarter with a -14.7% YoY fall in consolidated revenues and a -14.2% YoY fall in consolidated PAT.
11. 9M revenues were up 27.9% YoY and PAT was up 62.5% YoY.
12. Company has currently 500+ customers on SaaS, PaaS and MaaS platforms.
13. The company recently listed last quarter and was subscribed 155 times, listing at a 53% premium.
14. EBITDA margins on 9M basis expanded 44% from 32% the previous year. PAT margins expanded to 37% from 30% the previous year.
15. The cash and cash equivalents of the company stand at 389.6 Cr.
16. Sales of automotive OEMs were impacted due to semiconductor shortage which in-turn affected the company.
17. In Market Segment, A&M revenue has grown 39.5% YoY for 9M. C&E revenue has grown 33.3% YoY for 9M.
18. In Product Segment, revenue from Map & Data is up 25.1% YoY. Platform and IoT revenue grew 44.1% YoY for 9M.
19. Ministry of Road Transport and Highways signed an MoU with MapMyIndia for integrating information of accident-prone road stretches and promoting MapMyIndia's app, that gives real-time ADAS safety alerts to drivers during navigation, to users across India.
20. QSR company's adopted MapMyIndia for evaluating and selecting restaurant sites based on MapMyIndia's geospatial data and analytics platform.

21. The board gave approval for acquiring 9.99% stake in, Pupilmesh Pvt Ltd, a young, exciting automotive tech and augmented reality metaverse tech company, for a consideration of Rs. 49.95 lakhs.
22. Government health agency selected MapMyIndia to power GIS (Geospatial Information Systems) and location based services for India's health services.

Investor Conference Call Highlights

1. The company signs long term mutually renewable contracts of three to five years with its customers to whom they provide platforms, APIs, etc. and charge fees per period.
2. The management states that the addressable market for the company's area is set to grow to $4.2 Billion for digital map services and $44 billion for navigation solutions and telematics by the year 2025.
3. The management states that the company's business model is such that it is best understood when numbers are compared YoY.
4. The management expects quarterly revenues to get normalized and covered up as supply chains recover.
5. Some of the B2B and B2B2C contracts that the company receives are milestone-based due to which revenues get recognized in certain timeframes resulting in lumpy revenues.
6. The management is confident about the next quarter's for the company.
7. One of the leading European four-wheeler OEMs went live with MapMyIndia for in-vehicle navigation in Q3.
8. Bajaj Finance super app went live with MapMyIndia to power their consumer facing mapping services and for location enabling their digital transformation across their enterprise operations.
9. A publicly listed QSR company adopted MapMyIndia geospatial data analytic platform.
10. The management states that 35% - 40% range for PAT margin is sustainable for coming years ahead.
11. The ESOP charges for the quarter have been 92 lakhs.
12. The company's order book materializes at an average of 3.5 years.
13. Geospatial guidelines released by the government give an advantage to the company by restricting foreign entities from doing a vehicle-based ground survey and terrestrial mobile mapping survey.
14. The company has good direct business with the government, with the government to 20% of its business.
15. The acquisition of stake in Pupilmesh Ltd was to ride the wave of Metaverse and AR.
16. Pupilmesh is currently working on a helmet for two-wheeler riders to help in navigation and reduce accidents.
17. The company's addressable market for navigation solutions and telematics is $44 Billion by 2025.
18. While the platforms already exist, the company will spend going forward into investments and improvements in technology.
19. The management admits about the seasonality existing in the business with Q4 of the year having heavy revenues because of the terms of some contracts.
20. MapMyIndia in comparison to google has better precision, accuracy and flexible pricings therefore making it more preferred to customers.

Analyst's View

C E Infosystems (MapMyIndia) is a leading provider of advanced digital maps, geospatial maps and location-based IoT technologies. Its business is seasonal with heavy revenue being booked in the latter half of the year due to the nature of its revenue recognition and contracts. Its customers include the government and big companies giving it recurring revenue. The management is highly positive about the company's future. Recent changes in government policies which worked in favour of the company give a positive roadmap to the company. Huge market opportunities in digital maps and geospatial data give huge growth potential to the company. Yet, current valuations offer no margin of safety for a value investor. Nonetheless, being a one-of-its-kind company in its niched industry, C E Infosystems is definitely a company that should be under every investors watchlist.

Rategain Travel Technologies

Financial Results & Highlights

Brief Company Introduction

RateGain Travel Technologies Ltd is the leading distribution technology company globally and the largest Software as a Service (SaaS) provider in the travel and hospitality industry in both domestic and international travel markets. The firm offers travel and hospitality services across different verticals like hotels, airlines, online travel agents, meta-search companies, package providers, car rentals, cruises, and ferries.

Standalone Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	26	25	4.0%	24	8.3%	77	62	24.2%
PBT	-0.5	2.56	-119.5%	0.7	-171.4%	1.7	5	-66.0%
PAT	-0.44	2.3	-119.1%	0.4	-210.0%	1	4	-75.0%
Consolidated Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	100	65	53.8%	88	13.6%	269	186	44.6%
PBT	0.4	-11	103.6%	-1.4	128.6%	-1.5	-22	93.2%
PAT	0.085	-11	100.8%	-2	104.3%	-3	-23	87.0%

Detailed Results

1. The company showed good recovery with a 53% YoY rise in revenues and coming back to profitability vs a loss after tax of Rs 11 Cr last year.
2. 9M numbers were similarly encouraging with the company posting a 45% YoY rise in revenues and reduction of loss from Rs 23 Cr last year to Rs 3 Cr currently in 9MFY22.
3. The company has seen 75% of revenues in 9M come from subscriptions and 98% from recurring revenues.
4. The company also has a net cash of Rs 420 Cr with zero debt.
5. The Martech product line saw revenue contribution at 34% in 9M with 136 new clients added so far.
6. The DaaS product line saw revenue contribution at 36% in 9M with 67 new clients added so far. it also saw 160% growth in BI subscriptions, 161% growth in AirGain revenues and OTA processing was at 120% of precovid levels.
7. The distribution line saw revenue contribution of 30% and 81 clients added in the year so far.

8. Rategain saw gross margin for 9M at 79%. Cash generated from operations in the same period was Rs 179 Cr.
9. The revenue distribution by geography was :
    1. North America: 64%
    2. Asia Pacific: 11%
    3. Europe: 21%
    4. Others 4%

Investor Conference Call Highlights

1. The company saw a demand rise of 10-14% in travel in key cities like New York, London, Barcelona, Delhi through its product Demand AI.
2. The management states that the company's acquisition of Myhotelshop in Germany completes its MarTech offering as an end-to-end platform for digital customer acquisition.
3. The company has on-boarded Budget Rent A Car from Las Vegas for its REV AI product.
4. The gross margin in the distribution business has improved to 92%.
5. In Q3, 75% revenues came from subscriptions while 25% came from transactions.
6. The company added 182 new employees in Q3.
7. The gross revenue retention is at 92%, while the net revenue retention stands at 120% for Rategain.
8. The management explains that the revenue share of North America is higher than the actual operations in the region because sales from multinational clients based out of the region are also counted as North America Sales no matter which part of the world the service or product is being used.
9. The company is also seeing a high attrition rate of above 20% like the rest of the IT industry.
10. The company is targeting to follow the rule of 40 as many SaaS companies are. The rule of 40 states that the sum of revenue growth and EBITDA margin should equal to 40.
11. Despite having more clients than before the pandemic, the revenue figures for 9M are still below pre-covid levels. The management states that this is because the charges across the travel industry and for rategain are still not back to pre-covid levels as there is still discounting everywhere to promote the sector growth.
12. Most of the contracts are now back on pre-covid levels as of Q3.
13. The net contract value of the clients added in Q3 were at $ 4.9 million annually which comes out to Rs 40 Cr currently.
14. Currently only 25% of DaaS customers use the distribution services and vice versa. Thus there is still a cross sell opportunity for 75% of the customers in both segments.
15. Without the addition of myHotelshop, the organic growth in revenues in 9M was at 35% YoY.
16. The company added 778 customers in Q3 of which 600 came from MHS (MyHotelShop).
17. The amortization on the 3 acquisitions done by rategain was at 4% of revenues.
18. The management expects the revenue share of the Martech business to rise from current levels in the future.
19. The addressable market for Martech solutions is over 1 Lac hotels to but only 400 are using these solutions currently. Rategain's immediate focus is to increase this number to 1000.

20. DaaS is the most profitable business for Rategain followed by distribution. Martech has the lowest margin profile currently but should rise in the future according to the management.

Analyst's Views

RateGain is one of the leading travel technology companies in India. The company has done well to provide tech solutions to most of the travel booking industry. It has seen good recovery in FY22 so far with new client additions in all segments and 3 acquisitions. The company has a big cross sell opportunity among its operating segments and is sitting on a cash chest of Rs 420 Cr and an asset light model which indicates that there can be further new acquisitions in the near future. The Martech segment is expected to be the growth driver for the company as travel demand rises across the industry. It remains to be seen whether the global travel demand is slowed down by the new uncertainty around the geopolitical tensions around the world and how fast can the company scale back to profitability despite multiple hurdles like the Russia-Ukraine war, new strains of COVID and others. Nonetheless, given the large variety of solutions tailored to the travel industry and the rising demand in travel and tourism, RateGain is a pivotal stock to watch out for, as it can act as a rough proxy of the travel industry.

QSR

Barbeque Nation

Financial Results & Highlights

Brief Company Introduction

Incorporated in 2006, Barbeque Nation is one of the leading casual dining chains in India. Barbeque Nation Hospitality Limited (BNHL) is a pioneer in "over the table barbeque" live grills embedded in dining tables. Having a significant presence in India's hospitality sector, Barbeque Nation is one of the most visited and widely recognised restaurant brands in the rapidly growing casual dining restaurant market of India. As on 31st March 2020, BNHL had a chain of 150 restaurants across 77 cities and towns in India. It is operating 6 restaurants in International markets of Middle east and Malaysia.

Consolidated Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	291	203	43.3%	229	27.1%	630	316	99.4%
PBT	19	-3	-733.3%	4	375.0%	-33	-122	-73.0%
PAT	15	-1	-1600.0%	3	400.0%	-26	-98	-73.5%
Standalone Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	260	182	42.9%	205	26.8%	559	280	99.6%
PBT	18	-1	-1900.0%	4	350.0%	-25	-100	-75.0%
PAT	14	0.6	2233.3%	3.5	300.0%	-19	-77	-75.3%

Detailed Results

1. The company reported strong revenue growth of 47% YoY
2. EBITDA increased by 41% while margins stood at 24.5%.
3. Delivery revenue increased by 64% YoY
4. Restaurant operating margins for the quarter stood at 20.7%.
5. Total restaurant count as on Jan 2022 stood at 177 which included 160 BBQ indian stores, 6 BBQ international & 11 italian restaurants under the brand TOSCANO.
6. The company also has 12 extension kitchens as on Jan 22.
7. Dine-in recovery was 108% of pre-covid period of Q3 FY20
8. Delivery segment was 16% of the total revenue from operations in Q3 FY22
9. Cumulative BBQ App downloads stood at 3.6mn+, which is a 63% increase over Dec'20.
10. Channel contribution was at 25.6% of its own app, 53.9% from the non-digital reservation and walkin, & 20.5% from 3rd party digital apps.
11. The loyalty program SMILES saw 14.5% share of total bills in Dec 2021.

Investor Conference Call Highlights

1. Due to Q3 being the first quarter with minimal restrictions, company delivered its highest ever quarterly sales and EBITDA
2. The management states that due to input price inflation especially in the prices of meat, prawn etc, the company has taken price hikes at portfolio level of roughly 5-6%.
3. The company plans to close the delivery sales for the year at Rs.200 Cr and then further grow this segment at 20-25% in the coming years and this business is expected to contribute 15-20% of total revenues of the co.
4. The company's majority of delivery sales comes from its offering 'barbeque in box' which has 1.8-2 times APC in comparison to industry standards leading to better economy of its delivery offerings.
5. The company's delivery business has been stable despite pick up in dine in activities.
6. The management doesn't expect any further price hikes in its business. Further due to maturing of the delivery business, the food cost is reducing leading to better margins.
7. The company generated operating cash flow of Rs.45 Cr with debt being at Rs.20 Cr and cash balance being Rs.115 Cr.
8. Due to extension kitchens, the per store sales have reduced by 4-5%
9. The management expects to add 10-12 new stores in the coming quarter
10. The management says that it will be able to maintain its gross margins. It also said that due to opening up of corporates and cities in general, dine-in contribution will increase leading to the company delivering 15% EBITDA in the coming year.
11. The management believes that the Italian food subsidiary Toscano will do better in the coming time and is guiding for growth of outlets from 13 to 20-25 within the next 2 years.
12. The company is guiding to reduce the gap between restaurant & company margins to 5% in the coming quarters.
13. The management took steps to reduce employee expenses by reducing no. Of employees during covid by 10% and also rationalizing the employee mix.
14. Larger number of its stores operate on the fixed rental model currently.
15. The company had poor experience in the past in its international business however currently it is very bullish on its international business as it is clocking 20% EBITDA & SSSG of 35% & the payback period is similar to that of indian business
16. The company has a policy where it pays approximately 4% service charge to its employees, so that they feel part of the growth story of the company thus as sales increase the employee expenses also increases although at lower proportion.
17. The company spends only 1-1.5% of revenues on advertisement expense as it is more focused on word of mouth advertising

Analyst's Views

Barbeque Nation is one of the most recognizable casual dining restaurant chains in India. The company has done well to get back its dine-in sales above pre-covid levels and to ramp up its delivery business which has seen 3.6 million cumulative downloads. The company has opened up 14 new units in FY22 so far and 13 more are in the construction phase. Its Italian restaurant chain Toscano is also expected to open new stores and reach 20-25 stores in the next 2 years. It remains to be seen what obstacles will the company face in expanding the new restaurant chain and whether it will be able to scale up its delivery business in competition to 3rd party delivery majors like Dominos, Swiggy and Zomato. Nonetheless, given the good brand recall, wide geographical reach and the vast potential of the Indian Food Services sector, Barbeque Nation is an interesting stock to watch out for.

Restaurant Brands Asia (Burger King India)

Financial Results & Highlights

Brief Company Introduction

Burger King India Ltd is an international QSR chain in India. It started operations in 2014 and has established ~260 restaurants across major cities.

Restaurant Brands Asia has exclusive rights to develop, establish, operate and franchise Burger King branded restaurants in India as a master franchisee.

Consolidated financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	283	176	60.8%	250	13.2%	686	327	109.8%
PBT	-15	-29	-48.3%	-20	-25.0%	-80	-148	-45.9%
PAT	-15	-29	-48.3%	-20	-25.0%	-80	-148	-45.9%

Detailed Results

1. The company had a great quarter with revenues increasing by 13% QoQ
2. Q3 FY22 ADS recovery stood at 104% on FY20 ADS.
3. Region Recovery: West: 119%; South & East: 108% and North: 95%
4. GPM improved 70 bps from 65.4% to 66.1%.
5. Restaurant EBITDA% stood at 17.2% Vs 16.6% QoQ.
6. Company EBITDA% stood at 11.7% Vs 10.4% QoQ.
7. The company received shareholder's approval to acquire 83.24% stake in Burger King Indonesia at Enterprise Value of USD 183 Mn (on a cash free and debt free basis for 100% of the shares of BK Indonesia).
8. Restaurant count stood at 294 after 20 new additions in the current quarter.
9. BK app installs stood at 2.35 Mn which is a 55% growth QoQ while BK app delivery revenue growth stood at 41% QoQ.
10. The company launched 18 BK Cafés in the current quarter.
11. The company is in the process of acquiring 83% of Burger KIng Indonesia for $183 million.

Investor Conference Call Highlights

1. The company surpassed its guideline of 100% ADS recovery vis-à-vis FY20 within the third quarter itself & will thus stop referring to the phrase "recovery" from now onwards.
2. Dine in sales have recovered to from 65% to 78% of FY20 levels while delivery ADS remains strong at 160%.
3. The company's foundational work in BK App is providing a good dividend to the company according to the management in the form of higher delivery sales & it is currently deploying 177 E-bikes for the same.
4. The management expects FY23 to be a big year for the company due to recovery in malls, launch of BK café and consolidation with BK Indonesia.

5. The company expects dine-in to start gaining more attraction in the coming quarters due to covid led restrictions coming off.
6. The management delivered on its guidance of attaining 66% GPM by Q3 itself.
7. The company is on track to close the FY with 320 restaurants.
8. The management states that the company uses price differential as a mechanism to make sure that they realize very similar gross margins from both dine-in and delivery, as a business model.
9. The management states that the EBITDA margins of delivery are lower due to incremental cost of doing business.
10. The company currently has higher costs in its own app delivery model compared to delivery through aggregators. However it expects the costs to come down to levels of the aggregator channel once a decent scale of operations is achieved.
11. The company's future plan with regards to business & profitability growth is laid out into three buckets - gross margin improvement, broad basing of store level fixed cost largely on the rental side and the broad basing of the corporate costs on an overall business.
12. The management expects that due to maturing of the company's stores, its rental model will shift from minimum guarantee revenue model to percentage based rents leading to lower rental costs.
13. The management states that "traffic will be one of the biggest and strongest KPI of this business"
14. The balance 17% stake in BK Indonesia is owned by a retail group called Mitra Adiperkasa Group.
15. The management expects BK Indonesia's store count to go from 176 to 350 in the next 5 years.
16. The company's new BK Café will be developed as a single special café along with presence in the company's existing Burger King restaurant outlets. Management further states that all the new BK outlets will have an inbuilt space for BK Café.
17. Company is seeing good traction for its Whopper & stunner menu.
18. Northern region is taking longer to recover due to previous issues like farmers' protests in the previous quarter and restrictions in malls & theatres in the current quarter.
19. Royalty is capped at 5% till FY39 and is currently at levels of 2.5-3%.

Analyst's Views

Burger King is one of the leading QSR chains around the world. Restaurant Brands Asia is the master franchisee of Burger King in India. The company has seen impressive growth and a blockbuster IPO just over a year ago. It has seen good growth with average daily sales above pre-covid levels for the 1st time since the start of the pandemic. The BK app is also seeing good traction and orders coming in while dine-in sales are expected to revive going forward. The company is also looking to acquire 83% of Burger King Indonesia to expand its business to a new market. It remains to be seen what challenges will the company face in its expansion in both India and Indonesia, and how will the rising competition in the QSR space in India pan out for it. Nonetheless, given the high potential of the QSR sector, the strong brand of the Burger King franchise and the rapid planned expansion of the company, Restaurant Brands Asia is a pivotal QSR sector stock to watch out for.

Devyani International

Financial Results & Highlights

Brief Company Introduction

Devyani International is the largest Franchisee of Yum! Brands and operates the highest outlets of KFC, Pizza Hut, Costa Coffee in India, and the company is the largest operator of quick-service restaurants chain in India. It operates 655 stores across 155 cities in India, as of March 31, 2021.

Devyani International Ltd is part of RJ Corporation started by Ravi Kant Jaipuria in 1991. RJ Corp is a powerhouse multinational with thriving businesses in beverages(Varun Beverages) fast-food restaurants(KFC, Pizza Hut, Costa Coffee) retail, ice-cream, Livestock (Cream bell, Daima) healthcare (Medanta Afri care) and education with a presence across 26 Nations through its subsidiaries.

Consolidated Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	628	384	63.5%	521	20.5%	1507	780	93.2%
PBT	67	47	42.6%	47	42.6%	80	-106	175%
PAT	66	39	69.2%	46	43.5%	79	-125	63%
Standalone financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	555	340	63.2%	475	16.8%	1337	675	98.1%
PBT	54	66	-18.2%	40	35.0%	74	-73	201%
PAT	54	66	-18.2%	40	35.0%	74	-73	201%

Detailed Results

1. The company recorded its best ever quarter with revenue growing 20% QoQ & 63% YoY.
2. Pre-IND AS EBITDA grew by 30% QoQ.
3. Consolidated EBITDA margins stood at 23.9%.
4. Company added 81 new stores :-
    a) KFC India- 30
    b) Pizza Hut iIndia- 40
    c) Costa Coffee- 5
    d) Others- 4
    e) KFC Nigeria and Nepal – 2
5. Consolidated Gross margins stood at 71.4%
6. KFC's revenue grew by 20% QoQ, ADS increased by 23.8% to 124,000 meanwhile GPM stood at 69.4% and brand contribution margin stands at 23%.
7. Off/ On premise mix for KFC stood at 36:64.
8. Pizza Hut's revenue increased by 17% QoQ, ADS increased by 24.7% QoQ to 47,000 meanwhile GPM stood at 75.6% & brand contribution margin stands at 16.8%.
9. Off/On premise mix for Pizza Hut stands at 58:42.
10. Costa Coffee's revenue increased by 52% QoQ, ADS increased by 101% QoQ to 37,000 meanwhile GPM stood at 79.8% & brand contribution margin stood at 32.1%.

Investor Conference Call Highlights

1. The company added 192 stores in 9M FY22 taking the total store count to 884.
2. The management states that PH's momo mia offering is gaining widespread adoption especially from youth & people from East India.
3. The management believes after renewal of agreement with Costa Coffee, the store additions in the coming 2-3 quarters will be significant.
4. The management expects Vaango to do much better post covid due to increased traffic in malls and airports.
5. The company handles input cost inflation by taking price hikes (recently seen in KFC) or by rehashing the product mix to ensure contribution from higher margin items leading to stale gross margins on a consolidated basis.
6. The management states that it is more focused towards improving delivery sales through food aggregators instead of its own app as the costs in both the channels are similar, however food aggregators like Zomato & swiggy ensure that the company's new stores get better visibility which might not be possible through its own app.
7. The company has increased its past guideline of opening 200 stores in the current year to 250 stores.
8. The management believes that there is a long runway for growth in the upcoming 5-10 years since it has only 400 PH stores whereas its competitor Jubilant (Dominos) has 1500 stores thus leaving a huge gap for the company to fill up.
9. Seating capacity in the new KFC stores have been decreased from erstwhile 150 to 60 seats whereas that in PH stores has decreased from 120 to 46.
10. The management states that all cash flows from the international business is being ploughed back to open more international outlets.
11. The dine in business segment has higher margins vis-à-vis the delivery business due to delivery charge by aggregators.
12. Per store capex on a consolidated basis stands at Rs. 1.2 Cr.
13. Metro and non-metro store mix is 49:51.
14. The management believes that aggregators are a better model than own app due to lower fixed costs in the form of delivery network coupled with the fact that margins from both the models are similar and it further states that its key competitor Dominos opened its own app as there were no options in the past unlike today.

Analyst's Views

Devyani International is one of the largest QSR operators in India and the largest franchisee operator for Yum Foods which has brands like KFC and Pizza Hut. It has seen its best ever quarter in Q3 and the company has also shown good recovery with numbers back to pre-covid levels. The company is focused on converting teh Pizza Hut franchise into a delivery focused model with the help of aggregators which have lower running costs than building its own app and delivery network. The company has also added 81 new stores in the quarter, maintaining its impressive expansion momentum. It remains to be seen how it will be able to grow the Pizza Hut franchise amidst the massive competition in the pizza delivery segment with Dominos as the market leader and several national pizza chains also expanding quickly, and what issues will it face in its international expansion efforts. Nonetheless, given the company's market position, the brand strength of Yum Foods and the potential of the QSR segment in India, Devyani International is a pivotal QSR sector stock to watch out for.

Subscribe

Click here to Subscribe on WhatsApp

Jubilant Foodworks

Financial Results & Highlights

Brief Company Introduction

Jubilant FoodWorks Limited is an Indian food service company based in Noida, Uttar Pradesh which holds the master franchise for Domino's Pizza in India, Nepal, Sri Lanka and Bangladesh, for Popeyes in India, Bangladesh, Nepal and Bhutan, and also for Dunkin' Donuts in India. The company also operates two homegrown restaurant brands called Ekdum! and Hong's Kitchen. Jubilant FoodWorks is a part of the Jubilant Bhartia Group, owned by Shyam Sunder Bhartia and Hari Bhartia.

Consolidated Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	1222	1085	12.6%	1126	8.5%	3249	2334	39.2%
PBT	182	165	10.3%	162	12.3%	431	168	156.5%
PAT	133	124	7.3%	120	10.8%	322	125	157.6%
Standalone financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	1204	1073	12.2%	1110	8.5%	3201	2302	39.1%
PBT	1831	1661	10.2%	1635	12.0%	4353	1718	153.4%
PAT	1373	1251	9.8%	1215	13.0%	3214	1294	148.4%

Detailed Results

1. Consolidated Revenues in Q3 have increased by 13% YoY. 9M sales have seen an impressive 39% YoY growth.
2. When compared to pre-covid, Dominoes system sales recovered by 112.9%. This was attributed to recovery in Delivery and Takeaway channels by 128.0% and 148.2% while dine-in recovered by 71.4%
3. EBITDA margins stood at 26.6%.
4. The company opened 75 new Domino's stores along with the first two Popeyes restaurants in Bengaluru & 1 new restaurant each for Dunkin' and Hong's Kitchen. This was the highest number of stores opened ever in a quarter for Jubilant.
5. Domino's app downloads during the quarter stood at 8.2 million.
6. Sales growth In Srilanka & Bangladesh stood at 95.9% & 38% respectively.
7. Board of directors approved subdivision of equity shares from face value of Rs. 10 each to face value of Rs. 2 each.
8. GPM decreased by 70 Bps to 77.6% while PAT margins decreased by 30 Bps to 11.5%
9. Like-for-like (LFL) growth for the quarter stood at 7.5%
10. The company opened its 1500th store on 31st Jan 2022.
11. Online ordering accounted for 97.6% of total sales in Q3 with mobile orders accounting for 97.4%.

Investor Conference Call Highlights

1. The Company acquired 30.75% stake in Hashtag Loyalty Private Limited which operates an online food ordering platform - Thrive - for a consideration of Rs. 222.0 million.
2. The Company, through its wholly owned subsidiary Jubilant Foodworks Netherlands B.V., further increased its equity stake in DP Eurasia N.V. to 40.29% through a combination of Reverse Book-building process and direct market purchases
3. The company opened its landmark 1500th restaurant on 31st January, 2022 with total city coverage now standing at 322.
4. The company from the coming quarters will report LFL(which is same store sales growth of non split stores) instead of SSSG since it believes that it is a better indicator of company's performance & further the ratio of split stores to the overall new stores opened in the last 7 quarters is 46%.
5. The management states that it is looking to carve out areas of existing other stores and open up new stores which will add pressure on mother store revenues and mother store growth in the short term as these new stores play out And, these splits, are done to reduce the delivery times and ensure that it gets closer to its ambition of delivering 20 minutes across the country
6. The management states that the company's fortressing strategy is allowing it to shrink delivery areas and reduce drive times as a result of which a significant proportion of delivery orders are now getting delivered in under 20 minutes.
7. This faster delivery has directly translated into a significant increase in our customer satisfaction or NPS numbers.
8. The management states that the entire India menu for Popeyes has no MSG and the chicken is antibiotics free. Further Popeyes has built its own in-house delivery fleet, with 100% of use of e-bikes enabling a zero-emission delivery experience
9. The management stated that Hong's Kitchen has become one of the largest Chinese peers of QSR chains in the Delhi-NCR region.
10. The company closed 15 Dominos outlets in Q3.
11. The company saw relatively lower recovery in the current quarter due to various stores related restrictions like night curfew, 5% lower operational hours, dine-in being capped at 50%.
12. The company considers any store that is in the delivery area of a mother store and takes away orders and revenue as a split store.
13. The company was guiding to deliver 150 stores in the current FY however since it has already opened 150 stores by Q3 itself, so it plans to end the year with close to 200 store additions.

Analyst's View

Jubilant Foodworks is the largest QSR player in India with the master franchise of Dominos. It also holds the licenses for Dunkin Donuts and Popeye's Chicken. The company has seen impressive recovery post the pandemic and has seen 9M revenues rise 39% YoY. It has also completed 1500 stores in India and has seen the most stores opened in a quarter ever in Q3. The company continues to focus on superior delivery times and shrinking operating areas to be able to deliver within 20 mins. The management is also very optimistic on the future of the Popeye's franchise in India and is building a custom delivery network for this brand. It remains to be seen what issues will the company face in expanding Popeye's and whether they will be able to compete in terms of delivery times with the other food delivery majors like Swiggy and Zomato. Nonetheless, given the strong market position of the company, the future potential of the QSR sector and the introduction of Popeye's in India, Jubilant Foodworks is a pivotal QSR and food services stock to watch out for.

TECHNOLOGY

Intellect Design Arena

Financial Results & Highlights

Brief Introduction:

Intellect Design Arena is a global leader in Financial Technology for Banking, Insurance and other Financial Services. It is positioned at the forefront of the digital transformation that global banks are looking for in a connected world. Intellect's robust iDigital platform enables products across four distinct lines of businesses: Global Consumer Banking (iGCB), Risk, Treasury & Markets (iRTM), Global Transaction Banking (iGTB), Central Banking and Insurance (Intellect SEEC). Deep banking domain expertise, coupled with investments of Rs 800 Crores over the last ten years in developing the world's first full spectrum of banking products has made Intellect the company with one of the most advanced technologies for financial institutions and global businesses.

Standalone Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	325	278	16.9%	318	2.2%	931	740	25.8%
PBT	50	70	-28.6%	76	-34.2%	193	163	18.4%
PAT	40	66	-39.4%	56	-28.6%	150	152	-1.3%
Consolidated Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	519	386	34.5%	452	14.8%	1396	1111	25.7%
PBT	115	86	33.7%	90	27.8%	294	200	47.0%
PAT	101	80	26.3%	80	26.3%	255	182	40.1%

Detailed Results:

1. The company had a great quarter with consolidated revenues rising 34% YoY while PAT grew 26% YoY.
2. In $ terms, revenues grew 31% YoY in Q3.
3. SaaS revenues rose 113% YoY in Q3.
4. License revenues increased by 23% YoY. AMC revenues were up 11% YoY in Q3.
5. The gross margin was at 58.6% in Q3 vs 56% last year.
6. EBITDA margin was at 26.2% in Q3 and EBITDA for Q3 was up 37% YoY.
7. The Net Days of Sales Outstanding (DSO) is 129 days in Q3.
8. The company has zero net debt and cash equivalents of Rs.257 Cr.

9. Investment in product development was Rs.28.2 Cr in the current quarter
10. The current deal pipeline is sitting at Rs 5060.5 Cr. It accounts for 159 opportunities out of which it has 57 destiny deals having an average deal size of Rs 43.5 Cr which accounts for 58% of total opportunities.
11. The company had 10 new deals including 4 in platform businesses of which 2 were in USA, 2 in EU, 2 in APAC and 4 in IMEA.
12. The company made 10 new implementations in Q2 and 16 implementations of expansions in Q3.
13. The large deals in Q3 include
    1. One of the top 3 bank in France signed up Cash Flow Forecasting and Investment Sweeps from iGTB's Liquidity Management Platform
    2. A top 3 Austrian Bank has signed up to extend Trade product capabilities to 2 additional countries
    3. A top public sector bank in India signed a deal with iRTM for supporting the bank with its LIBOR transition risks
    4. One of the largest banks in the Oceania region has signed up for Intellect's Capital Cube
    5. A destiny deal from Asia's biggest bank for implementing intellect digital lending platform

Investor Conference Call Highlights:

1. Cloud revenues have a lag of 3-4 months in the term of actual realization in P&L A/C.
2. The major reason for higher SG&A expenses was activating the partnership network according to the management.
3. The company's ARR today is Rs.684 Cr, and license-linked revenue is 57% of the revenue.
4. The company hired 400 new employees to increase the capacity for achieving the $75 million quarterly run rate.
5. The 3 levers of operating margins for the company are an increase in destiny deals, better pricing due to branding & shift in revenue mix from implementation-based to license-linked revenue.
6. The company's unbilled revenue is greater than billed revenue due to milestone-based payment terms.
7. Due to contractual terms, the actual billing takes place at a later stage leading to a higher Days of Sales Outstanding.
8. The management is guiding for 20% growth on the top line and 30% on the EBITDA till 2030.
9. The company's revenue is on a lower scale since 3 of its products are in stage 5 & once they come in, it should boost revenues significantly according to the management.
10. The company is creating an AIF as instead of buying out companies at a certain cash outflow to the organization, it can invest for a minority stake at a much lesser amount, but it will be able to influence the ecosystem for the company's products.
11. The management states that the growth of the market is taking place since the buy vs build is growing.
12. The promoter shareholding was decreasing at a 1.5-2.5% run rate annually due to ESOPs & RSUs.
13. The management believes it is on track for establishing itself in the USA market & once a big order comes, the revenues will start increasing drastically due to increased adoption from other local players.

Analyst's View:

Intellect Design Arena is a fast-rising disruptor in the world fintech space. The company's products are well received all over the world which is evidenced in the diverse set of geographies and financial institutions that they cater to. The company has had an excellent quarter with 33% YoY revenue growth and 26% PAT growth. The management maintains that the company will reach $75 revenues in the next 3-4 quarters at its current pace and will deliver >20% revenues growth in FY22. Intellect is also looking to set up a Rs 100 Cr AIF to invest in growing fintech businesses that may leverage its platforms It remains to be seen what challenges the company will be face to maintain its growth momentum as the management has proposed. Nonetheless, given the acceptance of the company's products in all kinds of financial institutions worldwide and its high customer retention rate and accelerated implementation time for its projects, Intellect Design Arena remains a stock to watch out for in the financial software industry.

L&T Infotech

Financial Results & Highlights

Brief Introduction:

Larsen & Toubro Infotech Limited, a technology consulting and digital solutions company, provides information technology services and solutions in India, North America, Europe, the Asia Pacific, and internationally. The company operates through Banking, Financial Services & Insurance; Manufacturing; Energy & Utilities; High–Tech, Media & Entertainment; and CPG, Retail, Pharma & Others segments. It offers application development, maintenance and outsourcing, enterprise solution, infrastructure management, testing, digital solution, and platform-based solution services. It is a subsidiary of Larsen & Toubro Limited.

Standalone Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	3943	3039	29.7%	3535	11.5%	10892	8712	25.0%
PBT	787	662	18.9%	677	16.2%	2204	1769	24.6%
PAT	589	494	19.2%	497	18.5%	1662	1321	25.8%
Consolidated Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	4237	3222	31.5%	3878	9.3%	11700	9272	26.2%
PBT	824	699	17.9%	742	11.1%	2238	1871	19.6%
PAT	612	519	17.9%	552	10.9%	1661	1392	19.3%

Detailed Results:

1. The company had a great quarter with 31.5% YoY growth in consolidated revenues and 18% YoY growth in consolidated profits.
2. The constant Currency Revenue increase was at 9.2% QoQ and 30.1% YoY in Q2.
3. USD revenues saw a growth of 25.7% YoY & 6.3% QoQ.
4. EBITDA margin expanded 86 bps QoQ to 20.1% in Q3.
5. Revenue breakup in Q3 by vertical is:
    1. BFS: 32.8% (Up 38.4% YoY)
    2. Insurance: 13.3% (Up 14.3% YoY)
    3. Manufacturing: 17% (Up 30.4% YoY)
    4. Energy & Utilities: 8.8% (Up 13% YoY)
    5. CPG, Retail & Pharma: 10% (Up 18% YoY)
    6. Hi-tech, Media & Entertainment: 11.8% (Up 44.5% YoY)
    7. Others: 6.4% (Up 37.6% YoY)
6. Revenue breakup by Service Offerings is:
    1. ADM and Testing: 33.5% (Up 28.9% YoY)
    2. Enterprise Solutions: 31.4% (Up 29.1% YoY)

   3. Cloud Infrastructure & Security: 13.2% (Up 19% YoY)
   4. Analytics, AI & Cognitive: 12.7% (Up 37.9% YoY)
   5. Enterprise Integration & Mobility: 9.3% (Up 36.4% YoY)
7. Geographical breakup is North America @ 66%, EU @ 15.8%, RoW @ 8.6% & India @ 9.6%.
8. Top 5 clients account for 28.3% of revenue, Top 10 account for 40.4% of revenue & Top 20 account for 55.5% of revenue.
9. The company has added 27 new clients in Q3.
10. Effort Offshoring is at 84% while offshore revenues are at 59.9%.
11. Utilization including trainees is at 80.3% and excluding is at 81.4%
12. Attrition rate for the quarter stood at 22.5%.
13. Cash and Cash equivalents as of end of Q3 was at Rs 360.8 Cr.
14. Recent deal wins of L&T Infotech are:
    1. Selected by one of the largest global veterinary care practices and chain of North American pet clinics, a new logo, for a managed services deal involving cyber security and modernization of IT infrastructure including migration to cloud to gain operational efficiencies and transform clinic management and support
    2. Engaged by a Global Fortune 500 multinational pharma corporation to modernize and support its data platform.
    3. Selected by a Global Fortune 500 company and a world-wide leader in beauty and cosmetics for implementing its HR Transformation plan.
    4. Engaged by a Global Fortune 500 energy company to provide 'Data Management as-a-Service' for their Subsurface Platform ensuring efficient and seamless operations in a secure, cloud-based environment
    5. Selected by a North American utility company for cloud transformation across data, infrastructure, security and ERP systems to build resilient and scalable IT infrastructure
    6. world leader in semiconductor solutions partnered with LTI to rollout SAP S/4HANA to one of their largest manufacturing sites to optimize business performance and improve business agility
    7. Large bank in Namibia has appointed LTI as its partner on its digital transformation journey.
    8. Selected to partner with one of the largest banks in the Middle East on their wealth management transformation using Temenos Wealth Management Suite
    9. Engaged by a global bank headquartered in Europe for digital transformation of its payment processing functionality in 12 countries
    10. A financial services firm based in North America has selected LTI to build the necessary functionality to integrate, support and migrate record keeping system onto the Unitrax platform.

Investor Conference Call Highlights:

1. The company recorded its best sequential growth since listing.
2. After the addition of 27 new clients, it has a total of 72 fortune 500 clients.
3. Manufacturing saw relatively higher growth of 18% due to higher pass-through in one of its Indian clients.
4. The management is confident of maintaining PAT margins of 14-15%.

5. Operating margins improved by 70bps from 17.2% to 17.9% which was contributed by tailwinds/growth & operating efficiency (40 bps) & currency change (30 bps)
6. Added 1818 employees on a net basis in the current quarter.
7. Billed DSO stood at 66 days as compared to 61 days last quarter whereas e DSO including unbilled revenue was at 100 days compared to 98 days last quarter.
8. Conversion of net income to net cash flow from operations stood at 70.3% vs 91.3% QoQ due to licenses that were booked on the last day of the quarter leading to an increase in DSO
9. The management sees very high demand along with urgency by the clients for getting work done due to the paradigm shift that covid has brought. The company further took steps to mitigate the supply-side crisis by employing & training 1000 people in Q2 to create a pipeline for ever-growing demand.
10. The management expects demand to persist for new few years due to great restructuring of industries, higher spending in newer areas like ESG, and high attrition in offshore client business leading to a greater need for support from I.T. companies
11. The management expects the offshore mix to remain stable at these levels/increase by a little.
12. The management believes that it is a growth company & thus if focusing more on acquiring market share & keeping prices stable.
13. The company signed a large multi-year deal with a pharma company worth $32 million.
14. Due to fortune 500 & other companies' demand for customized solutions & expertise instead of scale, the company can land several large customers by differentiating itself.
15. The focus is currently more on the acquisition of talent rather than the costs of talent due to very high demand.
16. The company expects to get 2% additional revenues in Q3 & Q4 due to seasonality.

Analyst’s View:

L&T Infotech is a major in the digital solutions space in India. The company has done well to maintain its presence in many end industries like BFS, Insurance, Manufacturing, etc, and focus on cloud and data products to drive growth soon. It has had a stellar Q3 with major deal wins and achieving revenues of over $500 million. It expects the growth drivers for the IT industry to remain intact due to the demand for core digitization across various industries. The management also expects the current supply issues to stabilize in the next 3-4 quarters. LTI is looking to continue hiring as long as it is necessary while keeping the margin profile within the guided range of 14-15%. It remains to be seen how the company will be able to sustain its growth momentum and the increased competition in the tech space, & whether it will face any margin pressure due to the large hiring it is doing. Nonetheless, given the company’s ever-increasing roster of marquee clients and its focus on driving growth from cloud & data products, L&T Infotech is a pivotal technology stock to watch out for.

Persistent Systems

Financial Results & Highlights

Brief Introduction:

Persistent Systems Limited provides computer programming, consultancy, and related services. It operates through three segments: Technology Services, Alliance, and Accelerite (Products). The company engages in the provision of software products, services, and technology innovation in telecom and product lifecycle management domains, and digital practice; software development, professional, and marketing services; and telecommunication API gateway for defining, exposing, controlling, and monetizing telecom services to partners and application developers, as well as an Internet of Things service creation platform that allows enterprises to add a service layer to the basic APIs exposed to by connected devices, and to expose and monetize APIs. The company serves the banking, financial services, insurance, healthcare and life sciences, industrial, and software and technology industries.

Standalone Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	959	675	42.1%	875	9.6%	2634	1877	40.3%
PBT	224	161	39.1%	208	7.7%	653	478	36.6%
PAT	173	126	37.3%	152	13.8%	491	365	34.5%
Consolidated Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	1522	1105	37.7%	1384	10.0%	4175	3142	32.9%
PBT	236	165	43.0%	218	8.3%	657	425	54.6%
PAT	176	121	45.5%	162	8.6%	489	313	56.2%

Detailed Results:

1) The company reported a phenomenal consolidated sales growth of 37% YoY in Q3 and 33% YoY in 9M.
2) PAT grew 45% YoY in Q3 and 56% YoY in 9M.
3) Geographical revenue breakup was:
   a. North America: 79.2%
   b. EU: 8.3%
   c. India: 10.9%
   d. RoW: 1.6%
4) EBIT margin was at 14% vs 12.7% a year ago.
5) Segmental growth was:
   A) Healthcare & life sciences - Growth of 22.3% YoY.
   B) BFSI – Growth of 48.9% YoY.
   C) Software & Hi-Tech segments- Growth of 47.9% YoY.

6) The total contract value (TCV) for the quarter stood at $334.3 million and annual contract value (ACV) stood at $291.3 million.
7) The new booking for the quarter involved TCV of $157.6 million of which ACV component was $128.6 million.
8) New employee additions of 1110 lead to the total employee base of 16,989 people due to high demand along with its acquisitions contributing to 258 employee additions.
9) Utilisation rate improved by 0.2% QoQ to 83%.
10) Attrition increased from 23.6% to 26.9% due to overall increase in demand on a TTM basis.
11) Client concentration of top 10 customers to the total revenue decreased from 47% to 45% YoY
12) The number of customers in >$5 million category went up from 22 to 24 while customers between $1 to 5 million category increased from 76 to 84.
13) Avani Davda was inducted in board of directors while Werner Boeing was added to the Persistent Advisor Network.
14) Interim dividend of Rs.20 per share was declared.
15) Total cash and investments on the books stood at Rs.18,964 million, as on 31st December 2021.

Investor Conference Call Highlights:

1) The treasury income decreased from Rs. 293 million in Q2 to Rs. 251 million in Q3 due to lower investment funds due to acquisition pay-out & M2M adjustments on mutual fund investments.
2) The operational CAPEX for this quarter was Rs. 277 million.
3) The company gave an additional loan of Rs. 1,484 million to the ESOP trust to book shares needed for the new ESOP schemes so, the total loan to the trust stood at Rs 3,364 million.
4) Persistent recently acquired SCI whose revenue was consolidated for the entire period, & Shree partners whose revenue was consolidated for the half quarter.
5) The management expects the attrition rate to remain high for the coming quarters after which it is expected to moderate on account of higher base effect and introduction of freshers leading to larger supply in the industry.
6) The global IT industry is expected to grow at 4.6-5% for FY22 due to customer initiatives around digital transformation and cloud computing.
7) Offshore linear revenue grew by 6%, primarily on account of volume growth of 7.4%, while billing rate declined by 1.3%, primarily on account of holidays.
8) On-site revenue grew by 12.5%, comprising of volume growth of 16%, while billing rate decreased by 3%, mainly due to softer revenue in Europe.
9) Q3 is favorable for IP business which led to revenue growth of 15.9%
10) Higher services & IP led revenue, favorable currency movement-which gave a benefit of 50 bps & improved utilization rates helped offset the impact of higher expenses led by attrition rate and ESOP'S leading to improved margins by 20 bps.
11) The revenue from SCI was $3.7 million. And from Shree Partners, the revenue was about $800,000.
12) The company has very little exposure towards VCs & which is also primarily because they are interested in getting access to the cutting-edge technology of the startups.
13) On-site realizations have decreased due to higher share from Mexico & lower share from Europe.
14) The management believes that the company is a significant player in the Indian Salesforce system & has expanded its footprint in the Indian domestic financial services market in a big way.

15) Acquisition of SCI is helping the company get top banking clients & expects SCI to be a big success in the payments system business.
16) The management doesn't believe that current churn in the management team is a big concern as the proof of the pudding is in higher sales & margins.
17) The contribution of IBM to the total revenues of the company was 17.5% in Q3.
18) The management expects decent demand in the next 3-4 years provided the macro-economic scenario remains stable.
19) The company believes that ESOP costs as a % of total revenue are expected to taper in the coming quarters.
20) The management expects the Europe market to contribute well in the coming quarters due to healthy Salesforce and non-sales force pipeline.
21) New deal wins include –
    1. Chosen by a leading mutual property-casualty insurer to modernize their agent-facing system design and development work for personal and commercial line products
    2. Chosen to partner with a unique India-based next-generation banking technology company, which is a pioneer in developing payment solutions on the NPCI platform. We'll be partnering with them in the product development of treasury management systems, bill payment systems, and prepaid card user interface
    3. Chosen as a partner to establish a Canada-based development center for a leading provider of financial software for consumers and small-to-medium businesses. The engagement includes developing an end-to-end CRM portal using OpenSource technologies.
    4. Chosen to build the next-generation platform for a leading organization in the pharma and healthcare domain, providing end-to-end solutions for planning and executing, live and virtual events for healthcare professionals
    5. Chosen to build a patient 360-degree platform using the Salesforce Health Cloud for a healthcare leader, providing kidney dialysis services
    6. Chosen by a top 3 global education publisher for platform re-architecture, integrations, UI development, site reliability services for developing digital education content

Analyst's View:

Persistent System is a fast-rising player in the digital transformation space. It has seen good growth in recent years and is looking to capitalize on this momentum and aim to reach revenues of $1 billion in the next 3 years. The company experienced another strong quarter, with YoY revenue growth of 37% and PAT growth of 45% in consolidated terms. It has won several large digital engineering and enterprise modernization deals. These deals reinforce the differentiated value that the company delivers to both technology companies and enterprise clients. It has achieved a rare feat of reporting sequential QoQ growth for the last 8 quarters and delivering 9% growth in the last 3 quarters. The company has recently made new acquisitions which are expected to enhance its expertise and exposure to the BFSI and cloud solutions segments. It remains to be seen whether the demand situation will persist as per management expectations, whether the company will be able to reduce its attrition rate which is above the industry average and how long will it take for the new acquisitions to get fully integrated. Nonetheless, given its fast rise in recent years, its big presence in North America & its various Alliances, and the market potential for enterprise modernization, Persistent Systems remains a key technology stock to watch out for.

Tata Elxsi

Financial Results & Highlights

Introduction

Tata Elxsi provides product design and engineering services to the consumer electronics, communications & transportation industries and systems integration and support services for enterprise customers. It also provides digital content creation for media and entertainment industry.

Consolidated Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	642	492	30.5%	598	7.4%	1815	1341	35.3%
PBT	200	146	37.0%	171	17.0%	525	350	50.0%
PAT	151	104	45.2%	125	20.8%	390	253	54.2%

Detailed Results:

1) The company saw its revenue rise by 30% YoY.
2) PAT increased by 45% YoY.
3) EBIDTA grew by 46.8% YoY.
4) Constant currency revenue was up 33.2% YoY.
5) The company reported EBIDTA margins at 33.2% and PAT margins at 23.5%.
6) Company's embedded product division (EPD) reported growth of 35.4% YoY.
7) The revenue rise in different segments in the EPD business was–
    a) Automotive business: Up 31.2% YoY
    b) Media & communication business: 30.2% YoY
    c) Healthcare business: Up 71.5% YoY
8) The design business (IDV) saw rise in revenue of 12% YoY in Q3 while SIS business grew 22.8% YoY.
9) Revenue distribution across different geographies is as follows:
    a. EU: 32.8%
    b. Americas: 42.3%
    c. India: 16.7%
    d. RoW: 8.2%
10) The top client accounted for 14.4% of sales while the top 5 & top 10 accounted for 38% and 46.7% of sales respectively.
11) Attrition among employees has risen to 18.2% from 13.9% in Q2.
12) The offshore mix was at 75.1% vs 74.7% in Q2.
13) The company won many new deals including
    a) Selection by a world-leading systems supplier for the development of an autonomous driving platform for commercial vehicles.
    b) a 3-year 20M US$ deal by a leading global MSO to support and manage its network operations across data, mobile and video service delivery.
    c) Design Digital deal from a leading Japanese OEM for the development of a next-gen HMI for infotainment and incockpit interface for their range of vehicles.

d) selected by a North American new-age EV OEM for a strategic software development program.
e) A US headquartered Healthcare technology leader awarded Tata Elxsi a long-term multi-million US$ deal for its Digital Transformation & Cloud Migration Program.

Investor Conference Call highlights:

a. The company has added 414 new employees in Q3 while the attrition rate stood at 18.2%.
b. The company won 'The Videotech Award' for the 'Most Innovative OTT Technology of The Year'.
c. The margin expansion is taking place due to economies of scale, higher offshore mix, and lower costs due to improved utilization rates of 83% & suppressed SG&A expenses according to the management.
d. The management is focused on ensuring that 20% of transportation revenues come from commercial vehicles as well as off-road farm equipment and the rail segment in the next 3 years besides the already strong contribution from passenger car vehicles.
e. The company has a three-year roadmap about the 40:40:20 ratio between automotive, media and communication, and the healthcare business that it wants to maintain.
f. The increase in top client concentration is due to the deeper mining & ramp-up of deals that the company has won in the past 2-3 quarters according to the management.
g. JLR, one of its top clients was affected in the current quarter due to the semiconductor crisis. However, the management expects it to perform profitably in the coming quarters.
h. IDV revenues are relatively down due to delay in a project of one large customer & thus is a temporary issue according to the management.
i. The management states that from an organization's perspective, the capability in IDV has helped in winning larger deals in EPD and getting better margins and better pricing because of the capability that IDV brings in.
j. The management believes the ER&D segment to be the fastest-growing.
k. The management states that even though the rise in fix-price contracts has aided margins in the last few quarters, it is a double-edged sword since it requires taking complete ownership and one needs to have very strong internal capabilities to focus on product management & delivery excellence.
l. The management is planning to do further salary hikes in January to control the attrition rate.
m. The company is focused on growing all three verticals to de-risk itself from industry cycles.
n. The company will have to keep adding new employees to ensure growth rather than deriving operating leverage where revenues will increase despite no employee growth.
o. The average length of deals for EV, connected & autonomous vehicles ranges from 12-18 months to 24 months and so on.
p. The margins in the medical segment are highest followed by media & communication & automotive.
q. The rise in demand for engineers due to the foray of several industry participants into digital play is leading to a higher attrition rate.
r. The management states that high growth is expected in the automotive business in the future due to
    a) contribution of software and technology to the total value of the car is increasing,
    b) the level of sophistication is increasing in each of these technology trends,

c) a larger percolation is downwards from premium to mid and lower segments
d) all the latest innovations & developments are being increasingly being driven by software

Analyst's View:

Tata Elxsi had another good quarter with revenue growth of 30% YoY and profit growth of 45% YoY in Q3. The company continues to see good growth in all segments and recovery in the transport segment. The deal wins in the media and comms space have been very encouraging. The auto segment continues to recover and the opportunities for Tata Elxsi in this space are getting better with more and more auto players coming onto the EV and connected vehicles bandwagon. The company has done well to achieve multiple deals wins in Q3 including deals for EV and OTT platforms development. It has been hiring aggressively and is expected to continue this hiring trend for the rest of FY22. It remains to be seen how the company will be able to retain its top talent as attrition in the industry & the company is rising and what opportunities will the company explore to grow its new verticals. Nonetheless, given the company's strong technological capabilities and its resilient performance in the last year, Tata Elxsi remains a good technology stock to watch out for, particularly given the rising demand for its services in the media & communications spaces.

TRAVEL & HOSPITALITY

MHRIL

Financial Results & Highlights

Brief Company Introduction

Club Mahindra Holidays is an Indian travel company founded in 1996. It is a part of the Mahindra Group and provides holidays on a timeshare basis. Mahindra Holiday & Resorts India Limited (MHRIL) is a part of the Leisure and Hospitality sector of the Mahindra Group. Vacation ownership is its key offering and "Club Mahindra" is its flagship brand. MHRIL offers family holidays primarily through vacation ownership memberships for over a period of 25/10 years. Today they boast a fast growing customer base of over 235,000 members and 50+ resorts at some of the most exotic locations in both India and abroad.

Standalone Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	285	246	15.9%	265	7.5%	767	654	17.3%
PBT	49	55	-10.9%	55	-10.9%	144	137	5.1%
PAT	36	41	-12.2%	41	-12.2%	107	101	5.9%
Consolidated Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	584	515	13.4%	593	-1.5%	1596	1351	18.1%
PBT	20	7	185.7%	78	-74.4%	79	13	507.7%
PAT	13	-1	1400.0%	60	-78.3%	52	-4	1400.0%

Detailed Results

1. It was a mixed quarter for the company with a rise in consolidated revenues of 13.3% YoY while PBT rose to a profit of Rs 20 Cr and PAT was at Rs 13 Cr. Both PBT & PAT saw improvement YoY.
2. But QoQ performance suffered a lot with revenues declining 1.5% QoQ and PAT down 78% QoQ.
3. Standalone PBT & PAT was up 16% & down -12% YoY respectively.
4. The deferred revenue pool was at Rs 5052 Cr.
5. Strong cash position at Rs 1108 Cr and receivables were at Rs 1135 Cr.
6. Resort occupancy was at 80% for Q3. Resort income rose to its highest ever level of Rs 70 Cr in Q3.
7. The member additions in Q3 were at 3701 which was up 13% YoY.
8. Member acquisitions through the Referral & Digital route was at 58% in Q3.
9. Standalone EBITDA margin declined 370 bps QoQ to 29.9% in Q3.
10. Fixed assets for the company stand at Rs 2266 Cr as of 31st December 2021. This includes land worth Rs 1233 Cr and excludes long term leases which are valued at Rs 252 Cr.
11. The room inventory was at 4356 units.

12. Revenues for HCRO were up 9% YoY. Renting income & Spa hotel revenues were -27.5% YoY and 58% YoY respectively due to boost in traveller confidence from the vaccination drive in Finland. Time share sales declined 10.9% due to Omnicron surge.
13. The unit delivered an operating loss in Q3 of EUR -1.35 mn and PAT of EUR -2.17 mn.
14. 2 Spa Resorts which were shut in Jan 2022 are slated to open in the first half of Feb.
15. The company saw forex gain of Rs 7.79 Cr vs loss of Rs 7.05 Cr last year.

Investors conference call Highlights

1. The profit before tax for this quarter was lower than last year despite higher revenues due to an increase in depreciation and financing costs.
2. The management plans to focus on branding and marketing as the company has not invested in brand building for the past few quarters.
3. The company has added 123 rooms this quarter and is on track to reach 5,500 rooms inventory in two to three years.
4. Resort revenues grew 57% YoY to Rs 70 crores as members preferred to stay indoors and spend on F&B and other indoor experiences.
5. The management is confident that resort revenues will be a major growth driver and will strongly augment the company's revenue stream.
6. The management believes that post the third wave, there will be a phenomenal bounce back in domestic pleasure travel as pent-up demand plays.
7. The management believes that there won't be serious aftermath because of the third wave and expects a significant demand jump after this period.
8. The company has received certification from bureau veritas for 40 resorts and 14 associate resorts with the highest rating of platinum for covid safety.
9. The company was forced to increase the food and beverage prices to beat inflationary costs.
10. The company's AUR is also healthy at 3 lacs this quarter largely driven by the higher sales of the 25-year product.
11. For inventory additions, the company has projects going on in Asenora, Ashtamuri, Kandaghat and will start a new project in Ganpatipule.
12. The company has Rs 600 crores of capex in play currently and plans to invest an additional Rs 1000 to 1200 crore to add 1200-1500 rooms over the next three to four years.
13. HCR received a government subsidy of 1.14 million euros as a part of the covid-19 relief in Q3 FY'22.
14. The company is at its all-time high in terms of the percentage of people who are giving the company a 30% down payment or more.
15. The timeshare and vacation ownership business has become even more attractive with domestic travelers increasing due to the prevailing inflationary situation.
16. The company also gives pre-purchase discounts to engage members in food experiences and increase member commitment.
17. Despite Finland currently pulling down ROEs and ROCEs the management is confident about growth there and plans to use it as a pull to create member addition acceleration in India.
18. The new accounting standards which came in do not allow the company to disburse dividends because of the transition issue, the management is working with MCA to get an exception to this rule.

19. The management states that the campaign Jaana Kaha Hai has worked well for MHRIL, and it has provided a big boost to the digital acquisition of customers.
20. The management is very optimistic about the resort income for the coming quarters ahead with leisure and F&B opportunities rising as the greater number of rooms gets added resulting in more room nights.
21. The company is highly focused on increasing member experience by creating new leisure facilities and improving the dining experience to give a comfortable and enjoyable experience which results in higher spending of members and higher resort income.
22. The management's deep observation of the membership area is that the higher a member engages, the more likely is he to refer and share his experiences to friends and families. Thus, customer engagement is key to generating organic referrals
23. The management states that the three value drivers for the company are member addition, inventory increase, and member experience.

Analyst's View

MHRIL is the leading vacation ownership company in India. It has a unique business model where the company funds its Capex from customers' advance money. Because of this model, they are in a much better position against other hotels in terms of Balance Sheet strength. The company saw a decent overall performance in both India & in HCRO with resort occupancy rising to 80% in Q3. The management expects the momentum for HCRO to rise again in Q4 according to Finland's seasonal patterns. The recent hotel room price inflation has also seen many more additions to the 25-year product than others. It remains to be seen how long it will take for sentiments to completely normalize in the travel sector, & how long will it take for HCRO to become a consistent performer, and how long will it take for the company's continued aggressive inventory expansion plans to bear fruit. Nonetheless, given the company's resilient model and the current valuation is not too far from its replacement cost, MHRIL can turn out to be a pivotal travel sector stock in the times ahead.

Thomas Cook India

Financial Results & Highlights

Brief Company Introduction

Thomas Cook India is one of India's oldest companies which was established in 1881. It is an integrated travel and travel related financial services company. They provide a wide range of services from packaged tours and forex services to visa support and travel insurance. Thomas Cook has been credited with a number of innovations in the travel industry, which include the world's first packaged tour, first prepaid hotel, first holiday brochure and even the conceptualization of the first traveller's cheques.

Standalone Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	121	70	72.8%	80	51.2%	278	223	24.6%
PBT	-25	-20	-25%	-25	0%	-84	-26	-223%
PAT	-19	-6	-216%	-11	72.7%	-47	-1	-4600%
Consolidated Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	750	271	176.7%	351	113.6%	1417	544	160.4%
PBT	-36	-89	59.5%	-101	64.3%	-271	-348	22.1%
PAT	-24	-66	63.6%	-85	71.7%	-203	-274	25.9%

Detailed Results:

1. Consolidated revenues grew 176% YoY. The bad standalone performance was mitigated by growth in other businesses from DEI, Sterling, and DMSs in the Middle East.
2. 9M also saw good sales growth of 160% YoY and decent reduction in losses of 26% YoY.
3. Total cash and bank deposits were maintained at Rs 720 Cr on 31st Dec 2021.
4. Business recovery in various segments (Q3FY22 vs Q3FY21) was:
    a. Holidays: 7x growth in sales
    b. MICE: 8.8x growth in sales
    c. Sterling Holidays: 0.8x growth in sales
    d. DEI: 1.5x growth in sales
    e. Forex: 1x growth in sales
    f. Corporate Travel: 2.7x growth in sales

5. Thomas Cook India Board approved conversion of its Optionally Convertible Cumulative Redeemable Preference Shares in equity shares. Upon conversion, the promoter shareholding would increase from 65.60% to 70.58%.
6. The group staged a rapid recovery during the third quarter turning operating EBITDA positive
7. DEI opened new partnerships like Expo 2020, National Aquarium Abu Dhabi, Sky Views Observatory and inside Burj Al Arab.
8. DEI also renewed its terms with 8 partners during the quarter.
9. Thomas Cook and SOTC have inked key agreements in Q3 with Air Arabia to curate and distribute Air Arabia holidays in India and with Vistara to launch Vistara Getaways.
10. The company hosted over 280 groups/events with a total of over 10k travellers/attendees across India and international destinations.
11. Sterling added 637 new members this quarter with resort occupancy at 40%. Expansions include 2 resorts: Lake Palace Allepey, Rudra Gir. LOCAL Restobar launched across 6 resorts in West and South.
12. Sterling saw a rise of 86% YoY in revenue from operations in Q3. It also reported a positive EBIT of Rs 25.8 Cr vs Rs 0.26 Cr last year.
13. The segment performance in Q3 is as follows:
    a. Financial Services: Up 34% YoY
    b. Travel & Related Services: Up 382% YoY
    c. VO & Resorts: Up 86% YoY
    d. Digiphoto: Up 141% YoY

Analyst's View:

Thomas Cook is the biggest travel company in India in terms of reach. They have been innovators in the sector for more than a century now. The company is going through the toughest of times with the travel industry being hit hard due to COVID-19. The company has seen good growth spurt in Q3 which saw most of the holiday and travel segments bounce back. Thomas Cook has taken encouraging actions making deals with Air Arabia, opening new partnerships for DEI and many others. It has also seen a massive increase in Travel segment revenue of 382% YoY highlighting good recovery in the travel sector. It remains to be seen how long it will take for things to normalize for the travel industry and how the company can adapt and come up with new products and services to capture the pent-up demand. Nonetheless, given the company's resilient balance sheet and the management's focus on improving the internals of the company and focusing on new avenues for the industry, Thomas Cook seems to be a resilient travel industry stock in an industry plagued with shutdowns and bankruptcies these days.

Wonderla Holidays

Financial Results & Highlights

Brief Company Introduction

Wonderla Holidays Limited operates amusement parks and resorts in India. It operates through Amusement Parks and Resort, and Others segments. The company's amusement parks offer land, water, high thrill, and kid rides. It operates three amusement parks in Kochi, Bengaluru, and Hyderabad; and the Wonderla resort in Bengaluru under the brand name Wonderla. The company operates Wonder Kitchen, a food takeaway outlet. It also sells merchandise, cooked food, packed foods, etc. The company was incorporated in 2002 and is based in Bengaluru, India.

Consolidated Financials (In Crs)								
	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %	9MFY22	9MFY21	YoY%
Sales	50	6	733.3%	18	177.8%	74	10	640.0%
PBT	6	-19	131.6%	-12	150.0%	-25	-60	58.3%
PAT	5	-15	133.3%	-9	155.6%	-18	-45	60.0%

Detailed Results

1. The company revenues were up to Rs 50 Cr for the 1st time since the start of COVID-19. The company was PAT positive for the 1st time since the pandemic started with PAT of Rs 4.55 Cr.
2. Hyderabad & Bangalore parks were operational throughout Q3 while Kochi park was operational for 80 days in the quarter.
3. Total footfall in Q3 was at 3.8 lacs while in 9M footfall was at 5.63 Lacs.
4. The resort was at 58% occupancy with ARR of Rs 4260.
5. PARK PLUS strategy has helped Wonderla record higher footfalls of more than 1k per day during the event.

Investors Conference Call Highlights

1. The Bengaluru Park was closed for two weekends in January and then reopened around January 22, 2022, whereas the Cochin Park was shut for about two Sundays in January 2022 due to Omnicron.
2. The management stated that the company will continue to host theme events on festivals and holidays in Holi at least in Q4 after the great response to the Dussehra & New year events.
3. The average ticket price in Q3 was at Rs 886 while retail and F&B sales were at Rs 303. Thus the total ARPU came to Rs 1189 vs Rs 934 in FY20.
4. The company recorded 1,76,000 footfall for Bengaluru, 91,000 for Kochi, and 1,13,000 for Hyderabad park, 3,81,000 is a footfall for the quarter.

5. The company did a 29% EBITDA margin in Q3 with the management stating that it can improve with a rise in footfall.
6. The ticket to non-ticket spend was at 75:25.
7. The management has stated that the company will not be taking part in the Imagica auction directly and may consider partnering up for operations.
8. The management states that the company will continue to maintain most of its marketing focus towards digital media.

Analyst's View

Wonderla Holidays is India's leading amusement park operator. This business has strong entry barriers because of high Capex and long gestation cycle. Wonderla has been able to manage its operations well over the years and create a niche space for itself. Q3 saw great revival for the company with over rs 50 Cr in revenues and turning PAT positive for the 1st time since COVID-19. The management remains confident of the company's brand value and states that the company can improve its EBITDA margins even further from the current level of 29% when footfalls rise. The company is also looking at revenue-sharing opportunities with other parks and is not keen on buying them out fully. The management has also stated explicitly that Wonderla will not be participating in the auction for Imagica but remain open to partnership for running the park. It remains to be seen how much time it will take for normalcy to come back in their business, how will the company be able to capitalize on its current momentum, and how will it be able to weather through the incoming future waves of COVID. However, Wonderla has the resilience of the balance sheet to survive through these tough times and the potential to positively surprise once all the parks are opened and the footfall comes to pre-COVID level.