Motherson Sumi Wiring India

MINDSPACE BUSINESS PARKS REIT

ITC Limited

Mahindra

SIEMENS
Ingenuity for life

EICHER

L&T Technology Services

STAR Personal & Caring | Health Insurance
The Health Insurance *Specialist*

Hitachi Energy

TIMKEN
Timken India Limited

3C CAPITALS
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Top 5 Sectors for Next 5 Years	
SN#	**Sector / Industry**
#1	Electric Equipment / Capital Goods / Defense & Railways
#2	Auto & Auto Ancillaries / Manufacturing / Electric Vehicle
#3	Real Estate Construction / Infrastructure / REIT
#4	Health Insurance / Life Insurance / Generic Pharma
#5	Information Technologies (Mid-Cap IT Stocks Preferred)

Top 5 Mid Caps

Sector	Stock Idea	CMP	M Cap (Cr)	5Y CAGR (E)
Electric Equipment	Hitachi Energy	3274	13,877	30%
Bearings	Timken India	2531	19,038	25%
REIT	Mindspace Business	349	20,746	15%
Auto Ancillaries	Motherson Wiring	74	23,273	30%
Insurance	Star Health Insurance	534	30,804	30%

- ❑ Above mentioned stock ideas are for long term holding of minimum 1 year plus.
- ❑ We have mentioned expected compounded annual growth rate (CAGR) in the stock price over next 5 years.
- ❑ Buying can be done in two phases – 50% quantity can be bought @ CMP & rest 50% if the stock corrects down by 15-20%.
- ❑ REIT is dividend paying instrument with approx. 6% yield hence CAGR in stock price is lower around 15%.

Top 5 Large Caps

Sector	Stock Idea	CMP	M Cap (Cr)	5Y CAGR (E)
Information Tech	L&T Technology	3121	31,952	30%
Automobiles	Eicher Motors Ltd	2932	80,158	25%
Electric Equipment	Siemens	2681	95,488	25%
Automobiles	M & M	1133	1,40,928	25%
Cigarettes / FMCG	ITC	293	3,61,833	25%

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Hitachi Energy

Hitachi Energy (1/2)

For more than 200 years electricity has been transforming lives societies and businesses around the world we have been at the forefront of this journey and now in the 21st century the energy landscape continues to evolve driven by climate targets and changing lifestyles a massive shift to wind and solar and the electrification of transportation industries and buildings.

- **Strong orderbook:** In 4QFY22, Hitachi received orders worth 1,043.6 crore, up 22.9% YoY, driven across sectors -utilities and industries (Led by Transmission segment orders growth of 138%). The Company received significant orders from both public and private businesses to assist digitization, reinforce state grids, and integrate renewable energy sources. The order backlog stood at INR 4,672.3 crore (60% variable contracts and remaining have fixed contracts.) Exports constitute 24% of order book.
- **Part of Hitachi Group, Japan**: With over 10,000 projects implemented globally, including over 800 that connect renewable energy sources to the grid, Hitachi Energy International is the leading provider of grid connections and power quality solutions. They also own a 75% share in Hitachi Energy India.
- **Demerger** The Company entered a Scheme of Arrangement with ABB India Ltd, for the Demerger of the Power Grids Business of ABB India and which was taken over by the Company.
- **Large product portfolio:** The company has 4 key segments under it: **Grid Automation** (substation automation, communication networks, grid automation services, and grid edge solutions to enterprise software solutions.), **Grid Integration** (transmission and substation applications having delivered more than 4000 projects), **High Voltage Products and Transformers** (complete range of transformers and transformer services). They have over 16 manufacturing units and around 17 sales offices. Such a large portfolio and the large manufacturing capabilities of the company allow them to serve a large no. of large clients on a global scale.
- The Company has signed a **memorandum of understanding with IIT Roorkee** to progress toward a smart and sustainable campus energy ecosystem.

Market Cap (Cr)	13878
Face Value	2
Current Price	3274
52 Weeks H/L	4043/1556

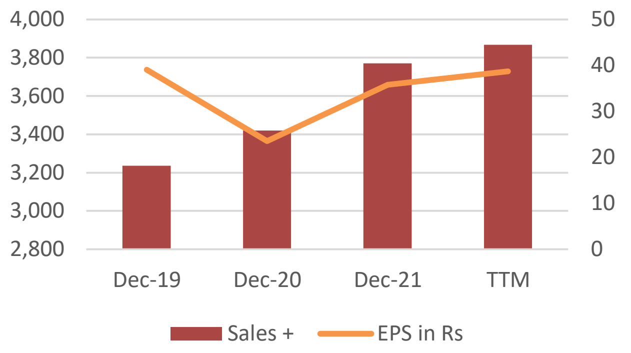
ROE	17.4
ROCE	25.7
Compounded Sales Growth (3Yrs)	-
Compounded Profit Growth (3Yrs)	-

Promoter Holding %	75
Pledged %	0.00

Stock PE	77
PB Ratio	12.3

Hitachi Energy (2/2)

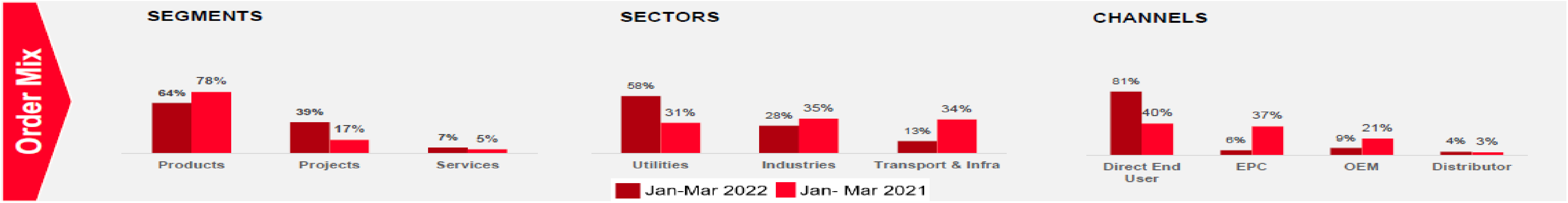
- **Continued Research and Investments:** The business recently debuted RoadPak- a power semiconductor module for EVs around the world, and OceaniQ - innovative solution created for offshore environments. In order to meet the impending demand from locomotives both domestically and internationally, the company intends to continue investing in its transformers business, increasing the traction transformers capacity and broadening its product portfolio of high-voltage class bushings through facility expansion.
- **Service orders grew 70% YoY** with the First ever order for GIS inspection and overhauling at Singapore power executed successfully.
- Pioneering HVDC technology in India. Majority of HVDC links in India are commissioned by the company.
- **Good performance:** In Q4FY22, revenue increased 9.6% YoY to Rs. 1,113.5cr, driven by mix of local and international orders. PAT for Q4 FY 22 increased by 31% YoY to Rs. 51.7 cr. Due to supply-side issues, inflationary pressure, and freight costs, EBITDA margin decreased by ~130 bps YoY to 6%.



Some of the key triggers for the company include:

- Large investments by major players like Adani, Jio, Amazon, Microsoft, NTT etc. in Data Centers. Capacity to double in 3-4 years.
- Major projects to come up for decision in Q1FY23 for renewable energy.
- Green Energy Corridor II notified by government.

The company's growth is anticipated to be steady and supported by a healthy order book. The company is concentrating on developing sustainable operations and strong growth segments. However, it is anticipated that inflationary pressure, supply-side issues, and freight costs will continue to be issues in the near future.



TIMKEN

Timken India Limited

Timken India (1/2)

From a simple grocery cart to massive power plants, bearings are used everywhere . Without them, many pieces of industrial and light-duty machinery would not be able to operate. Just like the vast number of applications, there are several types of bearings available.

In our view, Timken India Ltd., being one of the leading players in anti-friction bearings, mechanical power transmission products and services looks best positioned to ride the manufacturing industry revival and growth.

- **Manufacturing Leader:** The company has manufacturing facilities in Jamshedpur and Baruch and has been producing bearings for 3 decades. Their ability to serve their customers is enhanced by their international reach. They mostly manufacture tapered roller bearings and few other bearings while sourcing the rest from the parent company. Numerous reliable industrial brands, including Timken, Fafnir, Philadelphia Gear, Drives, Lovejoy, and Interlube, are included in the company's expanding product and service range. The business keeps making investments in growth. capacity utilization at all plants have been impressive.
- **Strong Parentage:** The holding company is Timken Singapore Pte. Ltd. (67.80%) has played important roles in some of the greatest projects in the world which has even taken the company to the moon. The defense and aerospace industries, which presently provide about 30% of the parent company's revenue, is expected to start contributing to TIL's P/L as they will have access to the parent company's R&D and experience.
- **Diverse Markets:** The company caters to several industries including defense, mining, aerospace, agriculture, rail, energy and automotive. It works closely with 50+ Industrial and 100+ Automotive channel partners across the globe (25% revenue from export) as per their specifications.

Market Cap (Cr)	19038
Face Value	10
Current Price	2531
52 Weeks H/L	2730/1450

ROE	21.8
ROCE	28.7
Compounded Sales Growth (3Yrs)	10%
Compounded Profit Growth (3Yrs)	30%

Stock PE	58.2
PB Ratio	11.5

Promoter Holding %	67.8
Pledged %	0.00

Timken India (2/2)

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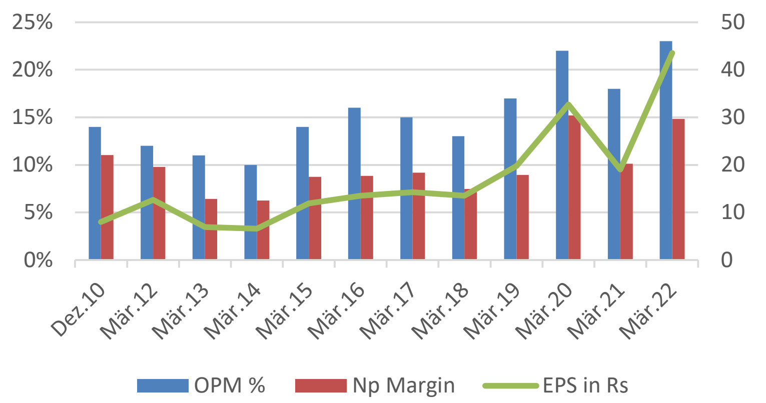
- **Strategic Inorganic Growth:** After acquiring ABC Bearings, TIL increased its market share for tapered roller bearings and made a move into the wheel end bearing market. The Bharuch plant's lower cost structure and available capacity which allowed TIL to manufacture for exports, improved operating leverage and led to revenue and margin growth.
- **Improving Business:** Timken reported excellent Q4FY22 results as revenue was up 40% YoY & 30.9% QoQ. Gross margins expanded ~160 bps YoY & ~500 bps QoQ with an EBIDTA margin of 26.9% vs 18.3% YoY & 22.4% QoQ, thanks to passing along the RM cost increase, improving product mix, increasing capacity utilization, and enhancing productivity. EBITDA margins are predicted to typically remain within this range due to the anticipated drop in steel prices. PAT was up 73.9% QoQ and EPS almost doubled to Rs 16.13/share. Timken has a sound financial position and reasonable development prospects, with rapid expansion in the wind, rail, and export sectors as its main drivers.



The global bearing market size is estimated to touch USD 186.1 billion by 2025, registering a CAGR of 9.1% during 2014-2025 (Source: Grand View Research, Inc., Report). The estimated consumption of anti-friction bearings in India is about Rs. 9500 to 10500 Cr. The automotive sector constitutes a larger market demand share with the Indian automotive bearing market estimated to register a CAGR of ~13%, between 2018 and 2025 (Source: Business wire).

The most recent steel export duties will help the automotive industry recover, and the company is one of the top providers of Axle to the HCV Industry.

Some of the key triggers for the company include:

- With the launch of the 400 Vande Bharat trains and 90,000 wagons over the next three years, the railways might be a major growth accelerator.
- Recovery in Indian economy led by mining and industrial segment.
- Strong worldwide capex cycle with growth in the energy and manufacturing sectors.

We have good faith in the growth prospects of Timken India Ltd. despite certain risks that the business faces which include commodity price risk and the problem of increasing counterfeit bearings. However, owing to its market leadership, consistent quality and performance, Robust R&D setup, growing portfolio of products, global footprint and decades of experience, we feel that Timken can overcome market disrupters and showcase great results.

MINDSPACE
BUSINESS PARKS REIT

Mindspace Business Parks REIT (1/3)

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Mindspace REIT, a pioneer in the development of world-class business districts, has expanded with the goal of becoming a responsible leader who creates lasting experiences for all of its stakeholders. The entity's progress has been based on accepting change in order to reenergize creativity and innovation

In our view, Mindspace Business Parks REIT, being one of the leading players and offers a diverse portfolio that includes Grade A integrated business districts and individual office buildings scattered throughout top commercial micro-markets in Mumbai Region, Hyderabad, Pune, and Chennai.

- **Experienced Player:** Mindspace runs by K. Raheja Group which has the experience of more than four decades and is one of India's leading developers. The holdings of the promoters in the company is around 63.22%. The group is constantly expanding into newer geographies across India name as Pune, Ahmedabad, Vadodara, Bengaluru, Hyderabad, Coimbatore, Chennai and Goa. All places have good tendency to generate rental income for the company. This has been the guiding idea in creating community-based ecosystems that are dynamic, smart, and led by the sustainability pillars. The group has commitment to 100% renewable energy usage by 2050 and 100% electric mobility within the parks.
- **Strong Presence:** The company have strong presence in prominent geographies across India like **Mumbai(40%.6), Hyderabad(40%), Pune(17%), Chennai (2.5%).** The company have well diversified business in all the major cities. They are analyzing options to acquire additional assets while keeping an eye out for acquisitions that would bring value to the unitholders. They have got a ROFO notice from the sponsors to buy a fully leased c.1.8 million square foot asset in Madhapur, Hyderabad. This asset is located near Mindspace Madhapur Park and compliments their present offers.
- **Robust Portfolio:** The company has 5 integrated business parks with superior infrastructure and amenities. The company is well diversified with its tenants and borrowers. The company have positioned in a way that **no single tenant contributed more than 7.7% of Gross Contracted Rentals**. This diverse positioning mitigates and reduced the probability of default by various parties.

Market Cap (Cr)	20,746
Face Value	-
Current Price	350
52 Weeks H/L	369/279

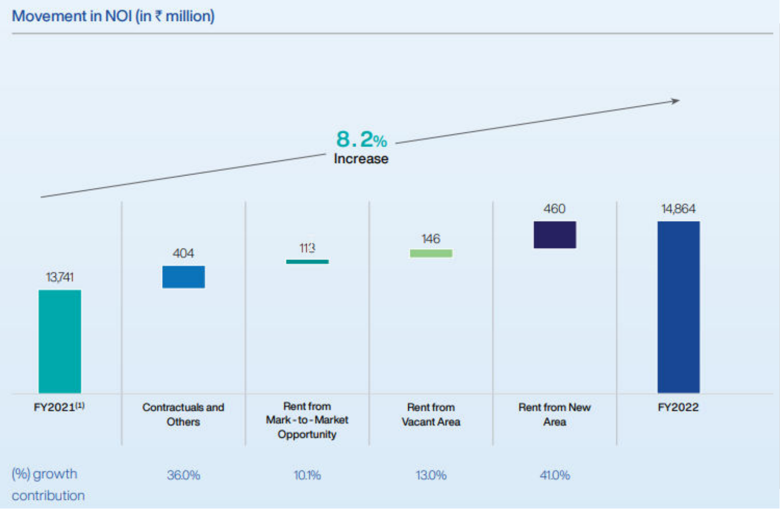
ROE	2.96%
ROCE	5.29%
Compounded Sales Growth (3Yrs)	7%
Compounded Profit Growth (3Yrs)	0%

Stock PE	43.1
PB Ratio	1.31

Promoter Holding %	63.22
Pledged %	0.00

Mindspace Business Parks REIT (2/3)

- **Average contractual Agreement:** The WALE is around 6.9 years which is quite stable. The WALE consider that on-an average for 6.9 years the companies has entered into a contract for lease rentals from all these tenants. The company have total leasable area of 31.8 msf and 84.3% have committed capacity.
- **Improving Business:** The revenue has been constantly increasing but show a dip 2020-21. However, revenue increased by 53.77% in FY22. Although OPM only increased to 78%. In addition to that net profit increased by 38% which is stable as net profit doesn't grow that much. The company has less debt borrowings and more equity capitals which signifies that company low debt-equity ratio which is very good as it is very capital-intensive industry. Having a lower debt provide flexibility for future development as the group is trying to enter into new geographies. The dividend payout ratio has been increased to 258%.



As the second wave faded, leasing demand increased, and we were able to lease 3.8 million units in the first nine months of FY22. Physical occupancies began to improve beginning in September 2021. However, the third wave slowed lease momentum slightly, pushing occupiers to postpone their return to office plans. Despite the delays created by two waves, we had one of our finest leasing years, leasing 4.5 million square feet.

The portfolio is well diversified with over 175 tenants. Our diversified tenant base comprises a mix of Indian and foreign multinationals, including affiliates of Accenture, Qualcomm, Cognizant, L&T, Wipro, IDFC, Barclays and Amazon, among others.

Some of the key triggers for the company include:

- Indian IT industry at its new inflection point and office space coming to the fore
- Strengthening of India's potential as GCC hub
- Readying for upsurge in leasing demand

We have good faith in the steady income from Mindspace Business Parks REIT. Despite certain risks that the business faces which include absorption risk, renewable risk and the problem of increasing counterfeit bearings. However, owing to its market consistent player, inherent quality and performance, Robust team, growing portfolio, expanding footprint and decades of experience, we feel that Mindspace can overcome market disrupters and showcase positive results.

Mindspace Business Parks REIT (3/3)

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Peer Comparison	Portfolio	Total Leasable Area (MSF)	Occupancy Rate (%)	Collections (%)	WALE (in years)	Major Geographies	FY22 Revenue (Rs.)
Mindspace Business Parks REIT **M Cap = 20,747 Cr**	5 integrated business parks with superior infrastructure and amenities	31.8	84.3	90-95	6.9	Mumbai(40.6%), Hyderabad(40%), Pune(17%), Chennai (2.4%)	1,750 **(M Cap = 11.8x Sales)**
Embassy Office Park REIT **M Cap = 35,319 Cr**	Operates 8 office parks and 4 prime city-center offices	42.8	87	95-99	7	Bangalore (72%), Mumbai(11%), Pune(10%), NCR (7%)	3,053 **(M Cap = 11.6x Sales)**

Motherson Sumi Wiring India

Motherson Sumi Wiring (1/2)

Numerous megatrends, including premiumization, electrification, self - driving smart cars, etc., are affecting the automotive sector globally. These megatrends are going to require major changes from the entire industry as they are occurring at the same time.

MSUMI, through its wiring harness content in vehicles, is well positioned to benefit from these megatrends. It is headquartered in Noida (India) and has 23 plants across India.

- **Market leader in the India wiring harness industry:** Motherson Sumi Wiring India (MSUMI), a JV between Sumitomo Wiring System (SWS) and Motherson Group, is a market leader in the Indian wiring harness industry with a market share of of 44.50% (Revenue) and 74% (EBITDA). As evidenced by its industry-leading gross/EBITDA/EBIT margins, MSUMI enjoys superior profitability driven by increased efficiency and economies of scale.
- Motherson Sumi Systems (MSS) underwent restructuring, and MSWIL became an India-based **pure play wiring harness player** with the domestic market as its target. With very little exposure to exports, it generates over 95% of its revenue domestically. Consequently, MSWIL benefits directly from the revival of the Indian automotive industry.
- It enjoys **strong parentage of both MSS and SWS**, a global leader in the manufacture of wiring harnesses, harness components, and other electric wires.
- The value of the Indian Automotive Wiring Harness Market, which was USD 1518.96 million in 2022, is projected to increase by 8.48 % CAGR to reach USD2373.10 million by 2028. The Indian Automotive **Wiring Harness Market is anticipated to increase significantly over the next five years** as a result of rising technological developments in the automotive industry and rising consumer desire for more energy-efficient vehicles. (Market Research)

Market Cap (Cr)	23274
Face Value	1
Current Price	74
52 Weeks H/L	79/56

ROE	82
ROCE	93.70
Compounded Sales Growth (3Yrs)	-
Compounded Profit Growth (3Yrs)	-

Promoter Holding %	61.7
Pledged %	19.2

Stock PE	50.9
PB Ratio	20.9

Motherson Sumi Wiring (2/2)

For FY22, the Revenues grew ~36.2 % and EBITDA margin climbed ~210 basis points. High capital efficiency and superior cash flow generation for the business are the results of a healthy EBITDA margin, higher asset turnover, and reduced capex demand.

In comparison to the underlying PV industry production CAGR of 2.2%, MSWIL's revenue achieved a 13.8 % CAGR (during FY10-21), which was mostly driven by the increase of electronic content in PVs and the pass-through advantage of rising metal prices.

The company is a **net debt free company** with Net Debt at Rs.-2740 Mn as of 31st March 2022.

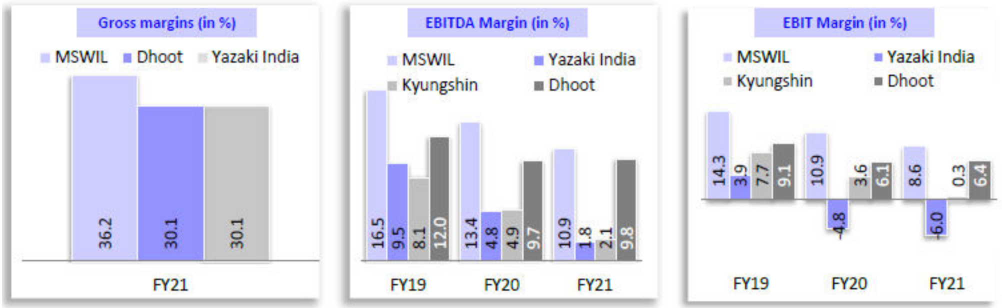
The wiring harness business is unique from the perspective of **high human capital intensity and lower capex requirement**. MSWIL has over 42000 employees and its revenue per employee is around INR 1 Million. This showcases their ability to manage very large workforce in the manual assembly business.

Some of the key triggers for the company include :

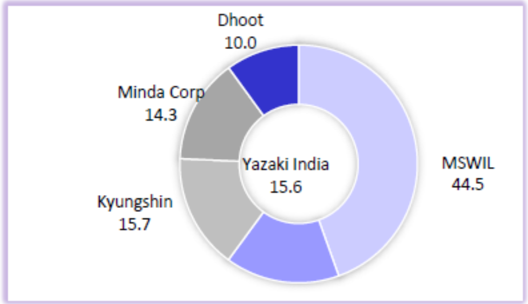
- ❑ An increase in the popularity of hybrid and electric cars, which consume more wires than traditional fuel cars in India.
- ❑ Increased need due to consumer desire for advanced features in passenger cars, such as cutting-edge infotainment systems, monitoring systems, automated tasks, Camera, etc.
- ❑ Manufacturing of auto components under PLI incentive to supply child parts and wiring harness to SWS globally.

Owing to strong competitive positioning, good parentage, capital efficiency, we feel that the company can easily improve margins and give good returns in the future.

MSUMI enjoys substantially higher profitability than peers

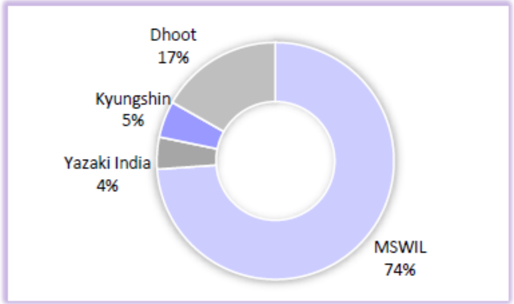


India wiring harness revenue market share *



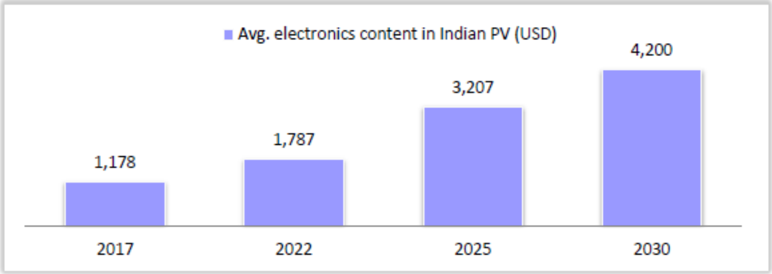
* Market share is calculated based on revenues of these 5 players
Source: MOFSL

India wiring harness EBITDA market share *



* Market share is calculated based on EBITDA of these 4 players
Source: MOFSL

Electronic content in PVs to go up substantially



Source: Counterpoint Research, MOFSL

Charts Source: Motilal Oswal.

STAR

Personal & Caring

Health Insurance

The Health Insurance *Specialist*

Star Health & Allied Insurance Company Ltd (1/2)

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Large population base along with massive under penetration provides a long term sustainable growth opportunity for Indian Insurance industry. Increased awareness, led by Covid, is likely to act as inflection point. Rising income, product development, medical inflation is expected to pave the way for next leg of growth. It is expected that **insurance penetration to double (from 3.8% in FY21) to 17%, 18% CAGR** in total health, retail health premium, respectively, in FY21-31E

- **Market leader in retail health insurance; gaining market share :** Star Health is the largest retail health insurance player in India, with **32% market share in retail health premium.** It has grown relatively faster than the industry, which can be corroborated by its increase in market share in both GDPI and number of persons covered. Further Star Health will continue to dominate the retail industry with significant increase in market share till FY24E, which will eventually stabilise thereafter. Such an increase in market share is expected to be driven by growth in agent productivity along with improvement of income level and lifestyle of the population.

- **Largest network of hospitals:** Star Health has also successfully **built one of the largest health insurance hospital networks in India,** with 12,000+ hospitals as of December 31, 2021. Out of the total number of hospitals in the network, it has entered into pre-agreed arrangements with 7,741 hospitals, or 65.7%, of total tie-up hospitals as of September 30, 2021. Agreed hospital network enables it to monitor the quality of medical service provided to customers and provides access to competitive pricing at attractive, pre-negotiated rates, which lowers claims costs and increases profitability.

- **Strong, diversified product mix with competitive pricing:** Star Health offers a range of flexible and comprehensive coverage options primarily for retail health, group health, personal accident and overseas travel. The company has introduced 56 new products from FY18 to September 30, 2021. Its family floater policies accounted for ~60.5%, individual floater policy 28.3%, and specialised policies at 11.2% of total retail health GWP for FY21 and 57.8%, 28.7%, and 13.5%, respectively, for H1FY22. Star Health has been focusing on the specialised product with 13.5% of retail premium in H1FY22 derived from specialised products.

Star Health & Allied Insurance Company Ltd (2/2)

- **Strengthening of operating metrics to boost profitability:** A mix of lowest claim and OPEX ratio, with continued focus, led Star Health to report combined ratio below 100% in FY18-20 and, thus, superior RoE. However, **Covid led higher claims impacted combined ratio and thus profitability in FY21-22.** Going ahead, a slew of factors including continued growth in premium backed by healthy renewals, focus on diversifying distribution channel are seen enabling it to keep premium growth ahead of industry. Further, focus on prudent underwriting, in-house claim settlement and hospital tie-ups is expected to keep claims and OPEX under check. Thus, a multi faceted approach with focus on various parameters is expected to enable it to continue to deliver superior business growth and return ratios.

Retail health is a high growth business with high entry barriers. This is proved by the fact that…

- **Retail health premiums have grown by 20% CAGR over the last 5 years.** Retail health insurance is a high growth industry and STAR has a pole position in the same. This continues to be the investment thesis: STAR retail health GDPI has grown at 29% CAGR between FY18-22 vs industry retail health GDPI growth of 18%. FY23-TD growth has moderated to 13% on the high base of Apr/May’21. Market share as on FY23-TD stood at 30.6%, higher than 29% in FY22-TD (Apr and May’21).

- In such an industry scenario, **STAR is a distant market leader in retail health** (31% as of FY23-TD based on monthly GDPI data released by General insurance council) and well entrenched with 550k agents, 12,820 network hospitals and 807 branches. Additionally, the high share of PSU insurers with low solvency continues to provide a growth opportunity for strong players like Star.

- **No company has been able to garner a significant amount of market share in the retail health segment except Star Health and Care Insurance** (and also HDFC Ergo due to acquisition of Apollo Munich which was SAHI). Star/Care retail health market share has improved from 23%/4% in FY18 to 33%/7% in FY22, respectively.

- **Fears of life insurers selling retail health indemnity leading to business impact of STAR is overdone.**

L&T Technology Services

L&T Technology: Brand with domain expertise (1/2)

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LTTS is an engineering services provider incorporated in 2012, offers engineering,, research and development (ER&D) and digitalization solutions to companies in the areas such as Transportation, Industrial Products, Telecom and Hi-Tech, Medical Devices and Plant Engineering.

With its Strong fundamentals and impressive financial performance, the company is a dominant player in the industry. Further, **being an L&T group company, LTTS also benefits from the strong brand and domain expertise available within the group**, resulting in better penetration and acceptability in the market. Company's future growth is driven by increased demand and healthy deal pipeline.

- **Growth in revenues visible due to accelerated demand:** In fiscal 2022, revenue grew by 18% year-on-year to Rs 5,874 crore with EBITDA growing by 40% to Rs 1,319 crore as margins improved by about 370 bps to 22.5%. This was led by pickup in demand across profitable segments including transportation, industrial products and engineering verticals compared to lower base last year and improved fixed costs absorption.

- **Large diversified clientele**: The company has a large and diversified client base given its strong presence over the years across various verticals including telecom, automotive, aerospace, medical devices, industrial products, heavy machinery, construction, and consumer appliances. There has been growing interest in the past few years from clients across sectors in sourcing their engineering and Research and Development (R&D) requirements from India. Clients currently include 69 of the global fortune-500 companies and 57 of the top 100 R&D spenders. This has enabled the company to withstand the slowdown pressures as exposure is not restricted to a particular end-user industry. LTTS has 296 global clients in 25+ countries.

- **Strong headcount addition continued:** Net headcount addition of 743 employees, +4% QoQ, +27% YoY. Company hired 3000 freshers in FY22. Attrition increased to 20.4% +290 bps QoQ. Attrition is expected to be stabilize over couple of quarters. LTTS is focusing on expanding delivery talent in Chennai, Mysore and Baroda where attrition is very low. It is also looking at secondary centers as Mumbai Hyderabad Bangalore and Chennai as needed.

L&T Technology: Brand with domain expertise (2/2)

- **Large deal win $100mn for two consecutive quarters:** Deal bookings continue to be strong with a total of 6 deals more than $10 million won in Q4, that includes a $100 million plus deal in EACV in aerospace vertical which involves setting up engineering R&D center in Canada and 2) $25mn deal with new age self-driving and autonomous cars company where LTTS is exclusive engineering partner. The large deal pipeline is bigger than FY22.

- **Vertical-wise Outlook :** Transportation demand remains strong in Auto, Trucks, Aerospace, and Off-Highway Equipment. ESEV is a huge tailwind for the segment, with a visibility of three-to-five years. The management continues to remain bullish on this segment. It won one USD100m multi-year deal in the Aerospace segment.

- **Plant engineering & Industrial products:** Plant Engineering sees good demand for EPCM and Automation. The management said that clients are increasingly looking at smaller local plants. It sees good traction in sustainability, carbon capture, water waste management, etc. For Industrial Products, demand is intact and the deal pipeline continues to remain strong.

- **Telecom & Hi-tech:** Compared to other verticals the growth in Telecom and Hi-tech industry is muted at 11.6% YoY, however, the management said that semiconductors will propel growth and the outlook remains strong. It shared its plans to open 5G laboratory to tap this opportunity. LTTS has established a new Metaverse unit to tap the huge opportunity that lies ahead in this space.

- **Medical devices:** Within Medical Devices, it bagged a few projects in component engineering and medical devices. It continues to remain bullish on this business.

- **Growth guidance:** The niche presence in value-added segments and focus on emerging areas such as automotive (mainly Electric Vehicles), medical devices, telecom and 5G, process engineering, and industrial automation will aid sustained annual healthy growth in revenue of 12-15% and operating profitability of 19-20% over the medium term. The management guided at 13.5-15.5% revenue growth for FY23 and said it remains conservative like last year. However, it is confident of an USD1b run rate in 2Q/3QFY23.

EICHER

Eicher Motors - Export: New Growth Arena (1/2)

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expertise you can trust

Changing industry dynamics including expansion of the middle class and high-income segments, increasing tourism, increasing working age population and premiumisation in India have provided us with a burgeoning opportunity evolving in the automobile industry which favors two wheelers and commercial vehicles.

The 1982-founded Eicher Motors Limited is the Eicher Group's listed company in India, a major player in the country's automotive market, and a global leading manufacturer of middleweight motorcycles. In a joint venture, Eicher and Sweden's AB Volvo created Volvo Eicher Commercial Vehicles Limited (VECV), a company that operates trucks and buses and provides technical consulting services.

- **Market leader:** Royal Enfield (RE) is a global leader in the 250cc – 750cc, mid-segment motorcycles with ~90% market share in India. RE has 3 manufacturing facilities around Chennai. The total RE stores and studio stores count at 1,063 and 1,055 with presence across ~1,750 cities across the nation.
- **VECV JV Capability and Market Position strengthened over past 13 years.** They have strengthened market share in all segments driven by increased manufacturing at its plants in Madhya Pradesh, Maharashtra and Karnataka. Volvo FY22 market share was ~84% with 660+ network count.
- **New business areas :** The Non-motorcycle revenue in FY22 was Rs 16bn (Rs 11bn in FY21) which accounted for 15.4% of total revenue.
- **Aligned with developments in India for alternative and green fuels:** VECV offers 12+ CNG powered Eicher Truck and Bus models. Following the initial, successful rollout of Eicher Skyline Pro E electric buses in Kolkata in May 2018, VECV has continually sought to advance the development of electric vehicles in order to take part in government-sponsored incentive program. While still focusing on its offerings for internal combustion engines, the company is in the process creating future EV offerings.
- **A replacement opportunity exists since most sales happened 3-6 Years back.** While FY2021-22 volumes were impacted due to COVID-19 and production constraints, their new models including the New Classic 350 and Scram 411 received phenomenal response from customers as well as critics and reviewers

Market Cap (Cr)	80158
Face Value	1
Current Price	2932
52 Weeks H/L	2995/2110

ROE	13.29
ROCE	18.20
Compounded Sales Growth (3Yrs)	2%
Compounded Profit Growth (3Yrs)	-9%

Promoter Holding %	49.2
Pledged %	0.00

Stock PE	47.8
PB Ratio	6.24

Eicher Motors - Export: New Growth Arena (2/2)

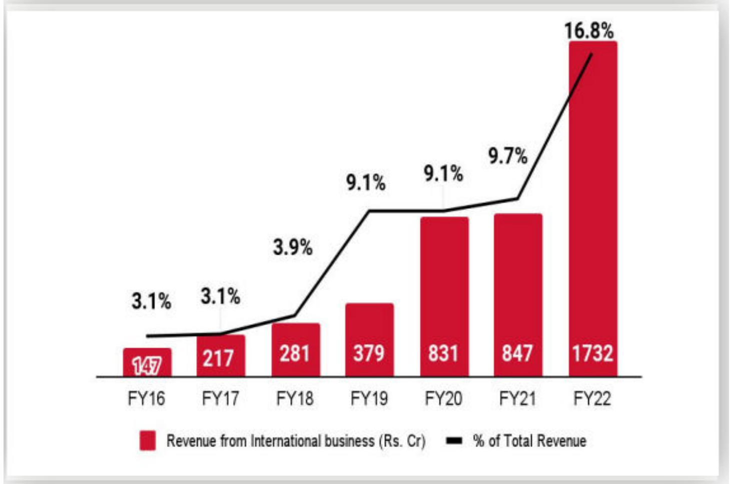
- **Growing Globally**: The company has a targeted strategy for expanding its global market that includes investing in Completely Knocked Down (CKD) facilities in strategically significant regions. These facilities are currently established in Argentina, Colombia, and Thailand. The Company has been quite upbeat about the export market and bullish about the outlook for domestic market growth. The company shipped 81,028 units to the export market in FY22, an increase of 110 percent Y-o-Y. They currently have 840+ worldwide touchpoints, including 670+ MBOs and 165 Exclusive stores spread over 60+ nations.
- **Enhancing Customer sense of belonging:** The company's customer experience and marketing initiatives have been phenomenal, and this is expected to continue. Studio stores, Make It Yours - a unique motorcycle personalization initiative, RE Vintage for transparent sale and purchase of pre-owned RE motorcycle, Cafes to deepen association with riding enthusiasts are just some examples.
- In order to reduce its exposure to chip shortage issues, they have added two suppliers, which will improve supplies for RE post 2QFY23E.

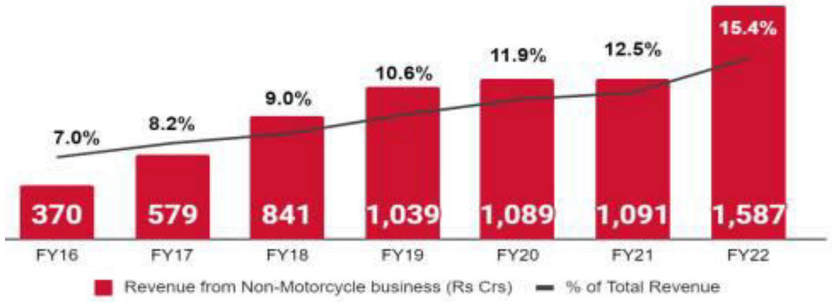
The challenges with commodity cost inflation persist. Although the price of precious metals is currently stable, the price of base metals is still high. Geopolitical tensions caused an increase in pressure that was first noticed at the beginning of Q4FY22. In the upcoming quarters, commodities prices should remain stable.

Some of the key triggers for the company include:

- Easing of supply restrictions, new product introductions, advantages of network growth, and positive global market response.
- Continued growth in VECV volumes.

International Business – Stellar Financial Performance over last 7 years





With their line-up of evocative, world-class motorcycles along with several initiatives to grow the pure motorcycling ecosystem, their extensive network and their non-motorcycle solution portfolio, we feel that they are well on their way to becoming the first premium global consumer brand from India.

SIEMENS

Ingenuity for life

Siemens Ltd – Healthy demand continues (1/2)

3C CAPITALS expertise you can trust

Siemens Ltd. is a 75% subsidiary of Siemens AG, Germany, which has presence in more than 200 countries. Siemens is a technology company focused on industry, infrastructure, transport as well as transmission and generation of electrical power. From more resource-efficient factories, resilient supply chains and smarter buildings and grids to cleaner and more comfortable transportation, the company creates technology with purpose adding real value for customers. Siemens has **22 factories located across the country, 8 Centres of Competence, 11 R&D centres** and a nationwide sales and service network. The factories in India mainly aim at manufacturing steam turbines, motors, switchgears, generators, transformers, relay and smart grid systems etc. The strategic business unit in India can be divided into divisions i.e., **Power, Energy & Gas (34%), Smart Infrastructure (33%), Digital Industries (22%) and Mobility (7%).** Siemens has been associated with the Indian Railways for more than six decades and has been a preferred technology and customized solution provider since then.

- **Healthy Order Inflows -** Order inflow in Q2SY22 rose by 61.4% YoY to Rs. 5,339 crore, driven by high value order booked in mobility segment. **Strong order inflow was witnessed across all business verticals during the quarter.** Order book as on Q2SY22 stood at strong Rs. 17,174 crore up 35% YoY (1.3x of TTM revenue), which **indicates a clear upswing in both public and private capex spending and offers revenue visibility for the coming quarters.** Siemens expects order inflow momentum to continue from **Metro, Captive Power Plant, F&B, Chemicals and Water segments etc.**

- The management continues to focus on driving its short-term and digitalization businesses with a clear focus on profitable growth and working capital management. The management highlighted that the current demand scenario continues to remain healthy led by continued traction in short-cycle orders, large projects (from government as well as private players) **witnessing an uptick and Greenfield capex picking up in segments like data center, intra-logistics (warehouse automation) and batteries etc.** Despite challenging environment (higher commodity cost, increasing interest rate etc.) management indicated that the demand would continue for next 2-3 quarters.

- **Traction continues from industries like Cement, Chemicals, Pharma, F&B and Steel etc.** Furthermore, segments such as data center, e-commerce, waste heat recovery, smart infra, digitalization, automation, TBCB, intra-logistics, charging infrastructure, de-carbonization, smart metering and smart grids etc. would be key growth drivers, going ahead.

Siemens Ltd – Healthy demand continues (2/2)

3C CAPITALS
expertise you can trust

- **Digitalization – Long-term Growth Driver -** Under its digitalization/automation drive, Siemens continues to bring digitalization across its business spectrum (Energy, Infrastructure, Discrete & Process Industries, Mobility) to provide customers with advantages such as quick uptime, speed, flexibility, quality, efficiency and security (plant security, network security and system integrity). This has become reality due to its key technical capabilities i.e., **Internet of Things (IoT), Artificial Intelligence (AI), Digital Twin and Mind sphere.** COVID-19 has accelerated the demand for digitalization and automation products by 1-2 years and Siemens has seen exponential growth in enquiries from the companies across sectors.

- **Overall Demand Scenario Continues to Remain Healthy -** Demand scenario continues to remain strong from sectors such as **Railways, Metro, Infrastructure, Pharma, Data Center, F&B, Intra-logistics and Transmission etc.** Short-cycle business is witnessing strong demand with clear traction from steel, cement, chemical, pharma, fertilizer for short-cycle projects/products. While on long-cycle projects, transmission projects from government and utilities are getting deferred due to pandemic though the longer-term pipeline remains intact with visible demand for GIS substations. On generation side, waste heat recovery (WHR) plants largely from steel, cement, chemical, and fertilizer players are seeing lot of demand and conversions. In smart infrastructure segment, lot of traction is seen in data centres, hospitals, building management systems and low voltage products with fairly visible opportunity pipeline. Siemens' Gas & Power segment, which contributed 40% to the company's revenue, is expected to see meaningful revival in the next 2-3 years. **Manufacturing capex is a key growth area for Siemens.**

- **Cyclical & Structural Drivers -** Current utilization for private sector stands at ~70%, suggesting full fledged capex is around the corner. Siemens has capability to significantly accelerate growth during up-cycles. The company has a broad based product portfolio and has most advanced technologies in its space, which make it **one of the biggest beneficiaries of initiatives like PLI scheme and Rs100 trillion infrastructure pipeline.** PLI is a major driver of current capex across few sectors. The management indicated strong potential from medium voltage segment, which will see significant growth across data centres, renewables integration, EV charging (grid to socket) and the company is already witnessing improving traction in these segments.

- **Key Risks :** Slowdown in key infra verticals including government capex and private investments. Slowdown in key export markets including INR depreciation. Slowdown in the pace of adoption of automation.

M&M Ltd - Eyeing leadership in the electric SUV (1/2)

Mahindra & Mahindra Ltd. (M&M) manufactures automobiles, farm equipment's and automotive components. The company also manufactures agricultural tractors, agricultural implements and agricultural engines. We are positive on M&M as

(1) automotive segment will benefit from robust product pipeline, strong order book and supply issues easing out

(2) strong demand for farm implements space with its leadership positioning and

(3) better product mix, expected commodity softening and systematic price hikes will lead to margin improvements.

- **Mahindra & Mahindra registered strong revenue growth** of 20.9% in Q4FY22 by reaching Rs. 25,934.4cr., driven by strong recovery in auto business. M&M reported 39.7% YoY increase in Adj. PAT in Q4FY22 to reach Rs. 1,943.6 cr. EBITDA margin contracted by -160bps YoY to 16.5% due to higher RM costs and weaker product mix. **We expect M&M to regain some of its lost market share in the future backed by record high order backlog and a solid product pipeline.**

- **Topline driven by strong recovery in auto business:** Revenue grew by 20.9% YoY to Rs. 25,934.4cr in Q4FY2, driven by strong recovery in auto business. Auto business delivered highest ever quarterly UV Volumes in Q4FY22 with 42% growth on YoY. Automotive segment revenue grew at 46.9% YoY to Rs. 12,492.8cr (~48.2% of total revenue). Tractor business performance was weak during the quarter, Farm equipment segment revenue declined by -6.3% YoY to Rs. 6,178cr (23.8% of total revenue). Meanwhile financial services revenue shown marginal dip of 4.9% YoY to Rs. 2,884cr. Real estate revenue reported at Rs. 1623cr (+163% YoY), Hospitality segment revenue reported at Rs. 542cr (+15.8% YoY) and other segments reported at Rs. 4,456cr (+24% YoY).

- **M&M's EV gameplan:** They are eyeing leadership in the EV SUV space. About 20-30% of our total sales will be EVs, that will help them achieve that position. As for segments, their first biggest focus is on the passenger four-wheeler, which is their core in many ways. So are LCVs and three-wheelers. All three have different customer segments and hence they are all managed differently so that each segment has the right product and right mindset for customers.

M&M Ltd - Eyeing leadership in the electric SUV (2/2)

3C CAPITALS
expertise you can trust

- **RM costs inflation impacts margin :** EBITDA grew 10.1% YoY to Rs. 4,277.7cr in Q4FY22. EBITDA margin was down by - 160bps YoY to 16.5% on account of higher RM costs and weaker product mix. PBIT margin for the Auto business improved by 60bp YoY (+190bp QoQ) to 5.6%, however, FES PBIT margin declined by 630bp YoY (-160bp QoQ) to 15.7%. Adj. PAT in Q4FY22 grew by 39.7% to reach Rs. 1,943.6 cr.

- **Key con call highlights :**

- M&M has an order backlog of 170k+ units in UV. XUV700, has an open booking of 78k+, run-rate of 9.5k+ bookings/month.

- Tractor segment market share has improved by 180bps to 40% in in FY22. With April-May demand picking up ahead of expectations, management is now confident of the industry delivering single digit volume growth in FY23.

- M&M is the numero uno SUV player based on a 17.8% revenue market share in Auto business.

- Farm subsidiaries recorded the seventh consecutive quarter of positive PBIT.

- **Upside risks:** Better than expected tractor demand in FY23E-FY24E, potential stake sale in the EV business to strategic investor resulting in value unlocking.

- **Downside risks:** Loss of market share from intense competition in UVs, sharper decline in tractor demand in FY23E-FY24E.

Mahindra & Mahindra (M&M) is eyeing a leadership position in the electric vehicle sport-utility segment, emboldened by a global investor's interest in its newly set-up EV subsidiary. The maker of Scorpio and Thar plans to invest over ₹10,000 crore in its EV business, which **raised $250 million from British International Investment (BII) on 7th July 2022 at a valuation of $9.1 billion.**

ITC Limited

ITC Ltd - The giant awakens (1/2)

Although ITC Ltd. has been a stark underperformer over the last few years, we believe that this is set to change. Having achieved critical scale, the FMCG business which has been dragging profitability is expected to witness robust growth (16% CAGR to INR 22,729 cr) with improving margins (+290 bps to 8.6%). Increasing migration towards sustainable packaging and revenge travel post pandemic should help bolster revenue growth and profitability of both verticals. With buoyancy in tax collections, the stress on rising cigarette taxation is diminished and should help drive cigarette volume growth. **The agri-commodity business prospects have sharply improved post the Ukraine invasion** and the IT vertical is expected to continue its strong double digit revenue growth with top percentile margins.

With all verticals set to fire on all four cylinders, we expect revenue / EBIT / PAT to grow faster than before. However, we have not modeled any margin expansion given the systemic inflationary pressures.

Among Nifty 50 stocks, ITC is one of the few stocks that provide a strong growth opportunity along with an attractive dividend yield of 4.19%. The market has not taken cognizance of the fact that **ITC's FY24 EBIT of INR 24,613.5 cr is expected to be more than 1.6X that of HUL** (which is the 2nd most profitable listed consumer player) and equal to the combined EBIT of the next 4 players. We believe that this dominance should result in the rerating of the stock as the growth story unfolds. **Another kicker for the valuation rerating is the potential demerger plan as outlined in the Dec-21 corporate communication.**

Investment Triggers

- ✓ Strong growth potential of the industry
- ✓ Growing market share with leadership position in many of the categories
- ✓ India consumption growth story with strong demographic profile Catalysts
- ✓ Strong distribution network, brand extensions, new product launches across all categories
- ✓ Strong backward integration which aids to costs control

- ❑ **ITC's World-class Indian Brands:** ITC has built a portfolio of 25 world-class Indian brands. Today, the company's vibrant portfolio of brands represents an annual consumer spend of over INR 22,000 cr. ITC's FMCG products reach over 150 mn Indian households.

ITC Ltd - The giant awakens (2/2)

- **ITC Life Sciences & Technology Centre:** ITC Life Sciences and Technology Centre (LSTC) in Bengaluru is at the core of driving science-led product innovation to support and build the company's portfolio of products and brands. The LSTC team comprises 350+ highly qualified scientists with 900+ patents.

- **'Baareh Mahine Hariyali' program:** The company piloted an integrated 'Baareh Mahine Hariyali' program in four districts of Uttar Pradesh (Prayagraj, Chandauli, Ghazipur, and Varanasi) to give a new dimension to the complex task of multiplying farmer incomes. Over 200,000 farmers in UP have already been covered and the program is planned to be rolled out to over 10 lakh farmers, progressively.

- **Improvement in the profitability of the FMCG segment:** Profitability of the FMCG Others Segment improved significantly with Segment EBITDA margin expanding by ~180 bps on the back of higher operating leverage, enhanced operational efficiencies, product mix enrichment, delayering of operations, reduced distance-to-market and other structural interventions across the value chain.

- **The Agri-Business segment:** The Agri-Business segment posted robust growth in revenue driven by opportunities in wheat, rice, and oilseeds, scale-up of the valueadded portfolio, and higher supplies to the branded packaged foods businesses to support enhanced scale.

- **New product launches Cigarette:** New variants were introduced during the year including the launch of innovative offerings such as 'Gold Flake Neo', 'Classic Connect', 'American Club Clove Mint', 'Gold Flake Indie Mint', and 'Capstan Fresh Flavour'. Refreshed packs were also introduced for several 'Navy Cut' variants.

- **Inorganic growth:** The company acquired Sunrise Foods Private Ltd (Sunrise), a leading player in the branded spices market in the East, in July 2020.

- **Leadership brand:** Aashirvaad is No. 1 in Branded atta, Bingo! is No. 1 in Bridges segment of Snack Foods (No.2 overall in Snacks & Potato Chips), Sunfeast is No. 1 in the Cream Biscuits segment, Classmate is No. 1 in Notebooks, YiPPee! is No. 2 in Noodles, Engage is No. 2 in Deodorants and Mangaldeep is No. 2 in Agarbattis (No. 1 in Dhoop segment).


Thank
you