MONARCH
NETWORTH CAPITAL

# MNCL DIWALI PICKS

## SAMVAT 2081

## India: An Island of stability in the midst of wars

Over the past one year, the world has been undergoing an unprecedented geopolitical crisis on multiple fronts. This coupled with ballooning sovereign debt in the major developed economies poses a difficult road ahead. However, a declining inflation expectations and consequent start of rate cut cycle came as a big relief for global capital market. But, the worsening West Asian crisis and volatile Ukrainian fault line, have potential to turn into wider war engulfing the entire region of Middle East and Europe. However, we still assign low probability of a wider war on both the fronts, given the constraints exercised by the major players. However, the Global South in general and India in particular remains an island of stability in political, demographic and economic parlances. We reiterate our viewpoint of a sustained decoupling between the developed world and the Global South. Global south, despite its dependence on the developed world for both exports as well as capital, has shown significant resilience and will continue to do so in the future, albeit not entirely insulated from a large global shock. We remain cautiously optimistic on the domestic demand outlook, supported by declining inflation & interest rates, political stability, recovery in rural demand and supporting fiscal policies by the Government.

In line with our belief that superior stock selection will not only deliver good return but also curtail the portfolio risk, our stock selection methodology remains consistent with higher emphasis on emerging economic themes. We continue to prefer sectors riding on domestic consumption, capex recovery and infra development like BFSI, Mobility, Capital Goods and Healthcare. Further, Fed rate cuts and Chinese monetary & fiscal stimulus are likely to keep commodity prices high, benefitting the Metals and Mining sector Rising sourcing of Auto parts from India and sustained domestic Automobiles sales (particularly supported by recovery in the rural economy) keep our positive stand intact on Auto Ancillary space. Our stock selection also relies on Govt.'s focus on DFC, Logistics, Green Hydrogen, LNG infrastructure development for high haulage transport etc.

Happy New Year, and happy investing!

**STOCK PICKS FOR SAMVAT 2081**

| Stock Details | Industry | Buying Range (₹) | CMP* (₹) | Target Price (₹) | Upside Potential % |
|---|---|---|---|---|---|
| Aster DM Healthcare Ltd | Healthcare | 435-465 | 449 | 524 | 17% |
| Elecon Engineering Company Ltd | Capital Goods | 515-570 | 542 | 707 | 31% |
| Godawari Power & Ispat Ltd | Metals & Mining | 160-185 | 173 | 250 | 44% |
| HDFC Life Insurance Company Ltd | BFSI | 690-730 | 709 | 850 | 20% |
| Hindustan Copper Ltd | Metals & Mining | 255-285 | 272 | 401 | 48% |
| Inox India Ltd | Capital Goods | 1050-1120 | 1086 | 1441 | 33% |
| JB Chemicals & Pharma Ltd | Pharma | 1840-1950 | 1892 | 2430 | 28% |
| Ritco Logistics Ltd | Logistics | 340-375 | 357 | 760 | 113% |
| S J S Enterprises Ltd | Auto Ancillary | 970-1050 | 1012 | 1190 | 18% |
| TCPL Packaging Ltd | Packaging | 3025-3200 | 3120 | 3734 | 20% |
| Timken India Ltd | Mobility | 3270-3470 | 3371 | 4200 | 25% |

**Closing Price as on 25-10-2024*

# Aster DM Healthcare Ltd.

**Buying Range: Rs 435-465** **TP: Rs524**

**Monarch Research**

| | |
|---|---|
| **CMP (Rs)** | **₹449** |
| **Target (Rs)** | **₹524** |
| **Upside** | **17%** |

**Key Data**

| | |
|---|---|
| Bloomberg Code | ASTERDM IN |
| Curr Shares O/S (mn)* | 499.5 |
| Mkt Cap (Rsbn/USDmn) | 224.5/2670 |
| 52 Wk H / L (Rs)* | 558/311 |
| 5 Year H / L (Rs)* | 558/78 |
| Daily Vol. (3M Avg.) | 1,512,300 |

Source: ACE Equity, MNCL Research

**Price Performance**

| (%) | 1M | 6M | 1Yr |
|---|---|---|---|
| ASTERDM | 6.8% | 22.6% | 25.7% |
| NIFTY | -6.0% | 8.3% | 27.8% |

Source: ACE Equity, MNCL Research

**Shareholding Pattern**

| (%) | Sep-24 | Jun-24 | Mar-24 |
|---|---|---|---|
| Promoter | 41.9 | 41.9 | 41.9 |
| Inst./Govt. | 44.8 | 43.4 | 47.2 |
| Others | 13.4 | 14.7 | 10.9 |

Source: ACE Equity, MNCL Research

**ASTERDM operates a network of 18 hospitals in India with 3,550+ operational beds currently. ASTERDM's expansions in India would be in a) Kerala – Aster has a strong brand image in the state b) outside Kerala –metros/Tier 1 locations, such as Bangalore, under an asset-light model. In India, in line with the asset-light expansion strategy, ASTERDM continues to expand its diagnostic lab network (1 reference lab, 15 satellite labs, and 200 patient experience centres as of Mar 2024), pharmacy distribution network and retail pharmacy (215 Aster pharmacies in Karnataka & Kerala as of June 2024).**

- **Growth Strategy:** In existing units, we factor in expansions at Medcity Kochi (100 beds), MIMS Kannur (100 beds) & Ongole (75 beds) in 4QFY25, MIMS Calicut (75 beds) in FY27 and Aster CMI (350 beds) & Medcity (100 beds) in FY28. We expect the commissioning of new units at Aster Whitefield Hospital Block D (159 capacity beds) in FY25, Aster MIMS Kasargod (260 capacity beds) in FY26 and Aster Capital Hospital Phase 1 (450 capacity beds) in FY28. We estimate an overall revenue/EBITDA cagr of 18%/23% respectively in FY24-28E.

- **Multiple Margin levers and Massive bed Expansion:** ARPOB growth was led by payor mix (insurance patient share at 30%, >200bps increase yoy), higher ARPOB in recently commissioned Whitefield unit (~Rs. 70,000 vs. ~Rs. 44,200 at network level) and price hikes (3-3.5% impact, across select units). India Hospitals EBITDA margin (before ESOP costs and variable O&M fee) improved by ~260bps yoy to 20.8% in 1QFY25 primarily led by ALOS reduction (3.2 days vs. 3.4 days in 1QFY25), material cost optimization (~330bps) improvement in gross margins) and operating leverage. In existing units. except O&M asset light units, we expect continued ARPOB growth (at 7-8%) and EBITDA margin expansion led by better payor mix improvement. Aster has proposed to add ~1,700 beds (with a capex of Rs. 10bn) to reach ~6,500 capacity beds by FY27. We expect a faster ramp-up in EBITDA margins at new units given ~60% are brownfield expansions & >95% of the beds are in core locations (Kerala & Bangalore).

**Outlook & Valuation: We factor in expansions at Medcity Kochi (100 beds), MIMS Kannur (100 beds) & Ongole (75 beds) in 4QFY25, MIMS Calicut (75 beds) in FY27 and Aster CMI (350 beds) & Medcity (100 beds) in FY28. We expect the commissioning of new units at Aster Whitefield Hospital Block D (159 capacity beds) in FY25, Aster MIMS Kasargod (260 capacity beds) in FY26 and Aster Capital Hospital Phase 1 (450 capacity beds) in FY28. We estimate an overall revenue/EBITDA CAGR of 18%/23% respectively in FY24-26E. Our target price of Rs504 is based on 26x FY26E EV/ EBITDA for India Hospitals business (in line with our target multiples for peers).**

**Exhibit 1: Key Financials (Consolidated)**

| Y/E Mar (Rs mn) | FY22 | FY23 | FY24 | FY25E | FY26E |
|---|---|---|---|---|---|
| Sales | 102533 | 119329 | 36989 | 44264 | 53572 |
| *YoY (%)* | *19%* | *16%* | *24.0* | *20.0* | *21.0* |
| EBIDTA | 14833 | 15653 | 5780 | 7750 | 10073 |
| *YoY (%)* | *40.0* | *6.0* | *30.0* | *32.0* | *30.0* |
| PAT | 5260 | 4249 | 1860 | 3640 | 5050 |
| *YoY (%)* | *256.0* | *-19.0* | *26* | *96* | *39* |
| EPS (Rs) | 10.6 | 8.5 | 3.7 | 7.3 | 10.1 |

**Exhibit 2: Key Indicators**

| Y/E Mar | FY22 | FY23 | FY24 | FY25E | FY26E |
|---|---|---|---|---|---|
| EBIDTAM (%) | 14.5 | 13.1 | 15.6 | 17.5 | 18.8 |
| NPM (%) | 5.1 | 3.5 | 5.0 | 8.1 | 9.3 |
| PER (x) | 38.0 | 47 | 98.8 | 50.5 | 36.4 |
| EV/ EBITDA (x) | 13.4 | 13 | 33.2 | 25.0 | 19.2 |
| RoE (%) | 8.0 | 3.9 | 12.7 | 15.2 | 15.5 |
| RoIC (%) | 7.7 | 13.9 | 15.0 | 18.2 | 19.2 |
| Pre-Tax OCF/EBITDA (%) | 120.9 | 92.4 | 39.6 | 96.3 | 97.0 |

*GCC business divested in April 2024; GCC business considered as discontinued operations in FY24 financials*
*Source: Company, MNCL Research*

# Elecon Engineering Company Ltd.

**Buying Range: Rs515-570** **TP: Rs707**

Monarch Research

| | |
|---|---|
| CMP (Rs) | ₹542 |
| Target (Rs) | ₹707 |
| Upside | 31% |

**Key Data**

| | |
|---|---|
| Bloomberg Code | ELCN IN |
| Curr Shares O/S (mn)* | 224.4 |
| Mkt Cap (Rsbn/USDmn) | 121.6/1446 |
| 52 Wk H / L (Rs)* | 739/357 |
| 5 Year H / L (Rs)* | 739/8 |
| Daily Vol. (3M Avg.) | 702,500 |

Source: ACE Equity, MNCL Research

**Price Performance**

| (%) | 1M | 6M | 1Yr |
|---|---|---|---|
| ELECON | -18.4% | -5.2% | 44.8% |
| NIFTY | -6.0% | 8.3% | 27.8% |

Source: ACE Equity, MNCL Research

**Shareholding Pattern**

| (%) | Sep-24 | Jun-24 | Mar-24 |
|---|---|---|---|
| Promoter | 59.3 | 59.3 | 59.3 |
| Inst./Govt. | 12.8 | 11.7 | 9.9 |
| Others | 27.9 | 29.1 | 30.9 |

Source: ACE Equity, MNCL Research

**Established in 1951, Elecon Engineering is India's largest manufacturer of Industrial Gears and Gear boxes for varied industrial applications in the Metal, Mining, Power, Cement, Marine, Plastic and Fertilizers Industries. The company has 39% market share in the domestic Industrial Gear market. The company operates under two verticals- Power Transmission Solutions (Helical & Spiral, Worm gears, Couplings, Planetary gears, High speed gears and custom-built Gearboxes) & Material Handling Equipment (comprehensive solutions for Materials Handling solutions like Stacker, Reclaimers, Conveyors, Crushers, Feeders and Wagon Tipplers). Under the MHE segment, Elecon had earlier operated both as an Equipment manufacturer as well as an EPC player. As key target sectors suffered downturn, the company also suffered a prolonged bad debt issue. The company managed to come out of this crisis and decided to limit itself as purely an equipment manufacturer. Under the Power Transmission vertical, it acquired Benzlers and Radicon brands from UK based David Brown in FY11, which gave the company a strong product portfolio as well as a wide customer base in Europe. With the upturn in domestic Industrial activities and strong demand from Europe, the company has rapidly grown at a CAGR of 16% over the past four years, with significant improvement in cash flow generation.**

- **Market Leader in the Industrial Gear/Gear Boxes:** With 39% market share, Elecon is India's largest manufacturer of complex and high precision Industrial Gears and Gear boxes. Its large product basket has a varied industrial applications spanning from Metal, Mining, Sugar, Wind Mills, Materials Handling, Power, Palm Oil, Marine etc. Elecon has one state of the art manufacturing facility in Vallabh Vidyanagar, Gujarat and four assembly centres one each in the US, Denmark, Sweden and UK.
- **Diversification:** Over the years, the company has been able to break free from over dependence on select sectors like power. It has aggressively diversified into multiple sectors and geographies, with no single sector accounting for more than 20%. Also, the company has restricted itself as a pure equipment supplier and has stayed away from working capital intensive EPC projects in MHE segments.
- **Robust growth outlook:** After resolving the bad debt issues, the company has shown a stellar growth over the past four years, with strong demand from the domestic as well as global market. Rising manufacturing cost in Europe has opened a new opportunity for Elecon. On account of Red sea Crisis and elections in both US and India, the company has reported muted growth in 1HFY25, though the management is confident of achieving 15% revenue growth for FY25E. Growth is expected to pick up further going forward as the large orders from Navy is expected in FY26 onwards. The management is confident of maintaining the margins at the current levels and expects further improvement in the working capital requirement.

**Outlook & Valuation: Elecon is the market leader in the burgeoning Industrial Gears and Gear box market. Our one year forward DCF target price for Elecon stands at Rs699, while we have valued its 16.5% stake in Eimco Elecon at its market price with 20% holding company discount. Our SOTP valuation of Elecon Engineering Co stands at Rs707, with a potential upside of 31% from the current levels.**

**Exhibit 1: Key Financials (Consolidated)**

| Y/E Mar (Rs mn) | FY23 | FY24 | FY25E | FY26E | FY27E |
|---|---|---|---|---|---|
| Sales | 15,297 | 19,374 | 21,846 | 27,250 | 33,641 |
| *YoY (%)* | *27.1* | *26.7* | *12.8* | *24.7* | *23.5* |
| EBIDTA | 3,389 | 4,745 | 5,298 | 6,682 | 8,203 |
| *YoY (%)* | *41.3* | *40.0* | *11.7* | *26.1* | *22.8* |
| PAT | 2,375 | 3,556 | 3,848 | 5,032 | 6,354 |
| *YoY (%)* | *68.5* | *49.7* | *8.2* | *30.8* | *26.3* |
| EPS (Rs)* | 10.6 | 15.8 | 17.1 | 22.4 | 28.3 |

***Adjusted for stock split***

*Source: Company, MNCL Research*

**Exhibit 2: Key Indicators**

| Y/E Mar | FY23 | FY24 | FY25E | FY26E | FY27E |
|---|---|---|---|---|---|
| EBIDTAM (%) | 22.2 | 24.5 | 24.3 | 24.5 | 24.4 |
| NPM (%) | 15.5 | 18.4 | 17.6 | 18.5 | 18.9 |
| PER (x) | 60.6 | 40.5 | 37.4 | 28.6 | 22.6 |
| EV/ EBITDA (x) | 41.6 | 29.2 | 25.6 | 19.7 | 15.5 |
| RoE (%) | 20.4 | 24.7 | 21.7 | 23.2 | 23.8 |
| RoIC (%) | 20.1 | 27.3 | 27.6 | 33.0 | 37.0 |
| Pre-Tax OCF/EBITDA (%) | 111.0 | 99.6 | 123.9 | 81.2 | 82.0 |

# Godawari Power & Ispat Ltd.

**Buying Range: Rs160-185** **TP: Rs250**

**Monarch Research**

| | |
|---|---|
| CMP (Rs) | ₹173 |
| Target (Rs) | ₹250 |
| Upside | 44% |

**Key Data**

| | |
|---|---|
| Bloomberg Code | GODPI IN |
| Curr Shares O/S (mn)* | 669.0 |
| Mkt Cap (Rsbn/USDmn) | 116.1/1381 |
| 52 Wk H / L (Rs)* | 245/115 |
| 5 Year H / L (Rs)* | 245/5 |
| Daily Vol. (3M Avg.) | 881,500 |

Source: ACE Equity, MNCL Research

**Price Performance**

| (%) | 1M | 6M | 1Yr |
|---|---|---|---|
| GODPI | -18.4% | -4.5% | 45.0% |
| NIFTY | -6.0% | 8.3% | 27.8% |

Source: ACE Equity, MNCL Research

**Shareholding Pattern**

| (%) | Sep-24 | Jun-24 | Mar-24 |
|---|---|---|---|
| Promoter | 63.5 | 63.3 | 63.3 |
| Inst./Govt. | 9.0 | 9.5 | 7.6 |
| Others | 27.5 | 27.3 | 29.1 |

Source: NSE, MNCL Research

**Godawari Power & Ispat Ltd. (GPIL) is India's leading high grade pellet producer having large reserves of iron ore and captive green power. Due to high grade iron ore, long mining lease, no premium on royalty and sales in the adjoining Raipur markets, GPIL delivers better than industry margins on all its steel products like pellet, billet, DRI and wire rods. In the next phase of growth, GPIL is expanding its captive iron ore capacity and pellet capacity which will be the reason to drive very aggressive 28% CAGR growth in revenues over FY24-27E. Additionally, no external purchase of iron ore, increasing captive green power and rising proportion of high margin pellet in product mix will all help in margin expansion. On a longer term, GPIL will expand its steel capacity by 2mntpa ensuring forward integration, increasing EBITDA to 2.5-3x by FY30. This will be pursued using internal accruals thus ensuring a net cash balance sheet. We have valued GPIL at 6x Jun'26 EV/EBITDA to arrive at a TP of Rs250/share.**

- **Market leader in the domestic pellet market:** GPIL is a leader in the Indian pellet market and its pellet command a premium of Rs1000-1500/tonne in the Raipur market due to high grade of iron ore used for pellet production. GPIL has its own high grade iron ore mines with capacity of 2.35mntpa which will be expanded to 6mntpa by end of FY25.

- **Pellets to drive very strong revenue/earnings growth –** GPIL is expanding its pellet capacity by 2mnt which should majorly drive the 14%/30%/31% CAGR growth in Rev/EBITDA/PAT over FY24-FY27E. GPIL manufactures high grade pellets (63%-67% Fe) that are in high demand at the DRI kilns in Chhattisgarh and fetch Rs1500/t premium vs. other producers. Availability of fully captive iron ore, which is not liable for any royalty, maximizes margins for all steel products. Further, the rising revenue from pellets (57% in FY27E vs. 38% in FY24), captive solar power plant and backward integration for galvanized products are factors for margin expansion.

- **Longer view - Net cash Steel plant with captive ore and green power:** In 3 years, GPIL will pursue capex to be an ideal steel manufacturing company with finished steel capacity of 2.5mnt producing wire rods, HRC & CRC which will be fully backward integrated on iron ore and driven by green captive power. We expect this steel plant to increase GPIL's EBITDA by 2.5-3x. All this capex will be entirely pursued using internal accruals ensuring a net cash balance sheet, which also highlights the cash flow generating power of this business. This steel plant setup will be much more immune from commodity price volatility with >20% ROE/ROCE.

**Outlook & Valuation:** Even after accounting for a correction in our commodity price estimates, we find that GPIL is attractively trading at 5x FY26 EV/EBITDA. **We value GPIL at 6x Jun'26 EV/EBITDA estimates to arrive at a TP of Rs250/share.** Risks – severe commodity down-cycle, delay in expansion projects**.**

**Exhibit 1: Key Financials (Consolidated)**

| Y/E Mar (Rs bn) | FY22 | FY23 | FY24 | FY25E | FY26E |
|---|---|---|---|---|---|
| Sales | 53,992 | 57,530 | 54,554 | 52,951 | 64,998 |
| *YoY (%)* | *36.4* | *6.6* | *-5.2* | *-2.9* | *22.8* |
| EBIDTA | 18,631 | 11,325 | 13,281 | 14,976 | 22,029 |
| *YoY (%)* | *63.9* | *-39.2* | *17.3* | *12.8* | *47.1* |
| PAT | 13,825 | 8,081 | 9,178 | 10,320 | 15,199 |
| *YoY (%)* | *121.8* | *-41.5* | *13.6* | *12.4* | *47.3* |
| EPS (Rs) | 21.0 | 12.5 | 14.7 | 16.9 | 24.8 |

*Source: Company, MNCL Research Estimates*

**Exhibit 2: Key Indicators**

| Y/E Mar | FY22 | FY23 | FY24 | FY25E | FY26E |
|---|---|---|---|---|---|
| EBIDTAM (%) | 34.5 | 19.7 | 24.3 | 28.3 | 33.9 |
| NPM (%) | 25.6 | 14.0 | 16.8 | 19.5 | 23.4 |
| PER (x) | 2.9 | 5.3 | 8.1 | 11.5 | 7.1 |
| EV/ EBITDA (x) | 2.1 | 3.2 | 5.0 | 7.4 | 5.0 |
| RoE (%) | 40.2 | 20.5 | 20.2 | 19.8 | 22.9 |
| RoIC (%) | 40.9 | 22.2 | 23.7 | 22.2 | 25.6 |
| Pre-Tax OCF/EBITDA (%) | 92.9 | 111.6 | 100.5 | 101.8 | 94.1 |

# HDFC Life Insurance Company Ltd.

**Buying Range: Rs690-730** **TP: Rs850**

**Monarch Research**

| | |
|---|---|
| CMP (Rs) | ₹709 |
| Target (Rs) | ₹850 |
| Upside | 20% |

**Key Data**

| | |
|---|---|
| Bloomberg Code | HDFCLIFE IN |
| Curr Shares O/S (mn)* | 2,152.2 |
| Mkt Cap (Rsbn/USDmn) | 1527.5/18168 |
| 52 Wk H / L (Rs)* | 761/511 |
| 5 Year H / L (Rs)* | 776/340 |
| Daily Vol. (3M Avg.) | 4,428,700 |

Source: ACE Equity, MNCL Research

**Price Performance**

| (%) | 1M | 6M | 1Yr |
|---|---|---|---|
| HDFCLIFE | -1.0% | 19.3% | 15.1% |
| NIFTY | -6.0% | 8.3% | 27.8% |

Source: ACE Equity, MNCL Research

**Shareholding Pattern**

| (%) | Sep-23 | Jun-23 | Mar-23 |
|---|---|---|---|
| Promoter | 50.3 | 50.4 | 50.4 |
| Inst./Govt. | 38.9 | 37.9 | 38.0 |
| Others | 10.8 | 11.8 | 11.7 |

Source: ACE Equity, MNCL Research

**HDFC Life is one of the leaders in the retail protection business. It has gained market share over the past 5 yrs with its Individual APE 5yr CAGR (FY19-24) at 15% vs industry growth (private insurers) of 13%. HDFC Life's Embedded Value (EV) assumptions are conservative which is reflected in its 5-year average operating variance at -0.1% of EV despite Covid-related impact on mortality variance which indicates the quality of EV. Key positives – 1) Market share gain in HDFC Bank channel shall lead to better growth than the industry. 2) Balanced product mix 3) Market leadership in credit life. 4) Surrender value regulations should improve HDFC Life's competitive position. Management aspires to double its VNB over the next 4 years. We also like the fact that top management is stable and have shown the ability to scale new profit pools (Credit Life, Non-par Savings, and Annuity). We believe HDFC Life is set to grow its APE at 18% CAGR over FY24-26e given the favourable base of FY24. We forecast 16%/17% VNB/EV CAGR over FY24-26e. HDFC Life remains a strong compounding story.**

- **Significant expansion in Distribution network:** HDFC Life saw highest agents (19% CAGR)/branches (5% CAGR) expansion over past 5yr. It has the highest number of banca partners. Its largest distributor HDFC Bank has also expanded the branch network, the most amongst large banks. HDFC Life's counter share at HDFC Bank has improved to 65% for H1FY25 (56% prior to the merger).

- **Diversified Product Mix:** HDFC Life has the most diversified product mix with the lowest share of ULIP at 31% for FY24 among listed players. Management continues to focus on absolute VNB growth and will adjust the product mix appropriately to meet their goals.

**Outlook & Valuation: We believe opportunity in retail protection is large which is yet to be penetrated fully along with low sum assured to GDP at ~100% vs 200% for developed economies. Our Target price for HDFC Life stands at Rs 850, with a potential upside of 20% from the current levels. It trades at 16x VNB multiple and 2.4x Embedded Value on FY26e.**

**Exhibit 1: Key Financials (Consolidated)**

| Y/E Mar (Rs mn) | FY22 | FY23 | FY24 | FY25E | FY26E |
|---|---|---|---|---|---|
| APE | 97,580 | 1,33,360 | 1,32,910 | 1,59,492 | 1,88,201 |
| *YoY (%)* | *17%* | *37%* | *0%* | *20%* | *18%* |
| VNB | 26,774 | 36,740 | 35,005 | 39,777 | 46,935 |
| *YoY (%)* | *22%* | *17%* | *-5%* | *14%* | *18%* |
| EV | 3,00,480 | 3,95,277 | 4,74,687 | 5,64,184 | 6,54,689 |

*Source: Company, MNCL Research*

**Exhibit 2: Key Indicators**

| Y/E Mar | FY22 | FY23 | FY24 | FY25E | FY26E |
|---|---|---|---|---|---|
| VNBM (%) | 22% | 37% | 26% | 24.9% | 24.9% |
| VNB (X) | - | - | 26.7 | 20.7 | 16 |
| Op. ROEV (%) | 16.6% | 19.7% | 17.5% | 16.2% | 15.6% |
| P/EV (X) | 4.0 | 3.9 | 3.2 | 2.8 | 2.4 |

# Hindustan Copper Ltd.

**Buying Range: Rs255-285** **TP: Rs401**

Research

| | |
|---|---|
| **CMP (Rs)** | **₹272** |
| **Target (Rs)** | **₹401** |
| **Upside** | **48%** |

**Key Data**

| | |
|---|---|
| Bloomberg Code | HCP IN |
| Curr Shares O/S (mn)* | 967.0 |
| Mkt Cap (Rsbn/USDmn) | 262.7/3125 |
| 52 Wk H / L (Rs)* | 416/136 |
| 5 Year H / L (Rs)* | 416/18.3 |
| Daily Vol. (3M Avg.) | 7,507,700 |

Source: ACE Equity, MNCL Research

**Price Performance**

| (%) | 1M | 6M | 1Yr |
|---|---|---|---|
| HCP IN | -20.1% | -28.6% | 92.5% |
| NIFTY | -6.0% | 8.3% | 27.8% |

Source: ACE Equity, MNCL Research

**Shareholding Pattern**

| (%) | Sep-24 | Jun-24 | Mar-24 |
|---|---|---|---|
| Promoter | 66.1 | 66.1 | 66.1 |
| Inst./Govt. | 12.5 | 12.6 | 15.4 |
| Others | 21.3 | 21.3 | 18.5 |

Source: ACE Equity, MNCL Research

**Hindustan Copper Limited (HCL) is the only Indian public sector company involved in the entire copper production process, from mining and beneficiation to smelting, refining, and casting of copper metal into market-ready products. HCL holds over 80% of the nation's copper reserves and boasts a robust infrastructure, vertically integrated operations, an extensive distribution network, and a well-established customer base.**

- **Global copper demand supply dynamics remains balanced:** World mine production in 2024 is forecast to rise by 3.7%. Besides additional output from new or expanded mines, production rates are expected to improve in countries affected by operational constraints in 2023, namely Chile, China, Indonesia, Panama and the USA. Major projects starting or expanding in the period 2022 to 2024 include Kamoa Kakula and Tenke in the D.R Congo, Quellaveco and Torromocho in Peru, Quebrada Blanca QB2 in Chile and Malmyzhskoye and Udokan in Russia. The ongoing transition to cleaner energy and electric cars is expected to keep the demand supply scenario in balance for the world copper market.

- **Long way to go for India's copper demand vs World:** India's per capital copper consumption remains very low at 0.5kg/person vs World at 3.2kg/person. India has only 0.25% of the World's copper reserves. HCL has access to 80% of India's copper reserves and resources i.e. 698mntonnes of ore and 6.7mnt of copper metal. Demand wise, EV is expected to be biggest driver for copper demand as EV requires 4x copper as compared to ICE vehicle. Additionally, electrical products, renewable energy products, communication and construction will be major drivers for copper demand in India.

- **Strong growth runway for HCL due to mining expansion and start of mines:** HCL is undergoing capex to increase it mining capacity from 4mntpa to 12mntpa in phase 1 by FY29. This includes expansion of ore production capacity of Malanjkhand project from 2.5mtpa to 5mtpa, Khetri and Kolihan mine from 1mtpa to 3mtpa and Surda mine from 0.4mtpa to 0.9mtpa. This mine can scale up the revenues by another Rs1bn. Jharkhand Cabinet has approved lease extension for the Kendadih and Rakha on 20th Sept'24. Re-opening of Kendadih and Rakha mines is on the cards this year which will triple the production of Indian Copper Complex. Further, long term agreement for concentrate sales signed with a domestic player will help to achieve better realization.

**Outlook & Valuation: Given strong pricing dynamics, improving domestic demand, and robust volume growth prospects, we believe the company should command a premium to its historical valuation. Based on our valuation methodology, we arrive at a target price of Rs401 per share.**

**Exhibit 1: Key Financials (Consolidated)**

| Y/E Mar (Rs Mn) | FY20 | FY21 | FY22 | FY23 | FY24 |
|---|---|---|---|---|---|
| Sales | 8,319 | 17,868 | 18,219 | 16,773 | 17,170 |
| *YoY (%)* | *-54.2* | *114.8* | *2.0* | *-7.9* | *2.4* |
| EBIDTA | -2,386 | 4,157 | 5,122 | 4,920 | 5,475 |
| *YoY (%)* | *-147.1* | *-274.2* | *23.2* | *-3.9* | *11.3* |
| PAT | -5,692 | 1,104 | 3,741 | 2,954 | 2,953 |
| *YoY (%)* | *-491.1* | *-119.4* | *238.6* | *-21.0* | *-0.1* |
| EPS (Rs) | -5.9 | 1.1 | 3.9 | 3.1 | 3.1 |

**Exhibit 2: Key Indicators**

| Y/E Mar | FY20 | FY21 | FY22 | FY23 | FY24 |
|---|---|---|---|---|---|
| EBIDTAM (%) | -28.7 | 23.3 | 28.1 | 29.3 | 31.9 |
| NPM (%) | -68.4 | 6.2 | 20.5 | 17.6 | 17.2 |
| PER (x) | -49.8 | 256.6 | 75.7 | 95.9 | 95.9 |
| EV/ EBITDA (x) | -125.2 | 70.9 | 55.4 | 57.3 | 52.0 |
| RoE (%) | -43.8 | 10.8 | 24.9 | 14.8 | 13.5 |
| RoIC (%) | -40.5 | 14.2 | 39.0 | 17.6 | 12.9 |
| Pre-Tax OCF/EBITDA (%) | -54.6 | 200.0 | 224.7 | 152.9 | 72.9 |

*Source: Company, MNCL Research*

# Inox India Ltd.

**Buying Range: Rs1050-1120** **TP: Rs1441**

## Monarch Research

| | |
|---|---|
| **CMP (Rs)** | **₹1086** |
| **Target (Rs)** | **₹1441** |
| **Upside** | **33%** |

**Key Data**

| | |
|---|---|
| Bloomberg Code | INOXINDI IN |
| Curr Shares O/S (mn)* | 90.8 |
| Mkt Cap (Rsbn/USDmn) | 99.0/1177 |
| 52 Wk H / L (Rs)* | 1507/802 |
| 5 Year H / L (Rs)* | 1507/802 |
| Daily Vol. (3M Avg.) | 209,900 |

Source: ACE Equity, MNCL Research

**Price Performance**

| (%) | 1M | 6M | 1Yr |
|---|---|---|---|
| INOXINDIA | -6.0% | -21.0% | NA |
| NIFTY | -6.0% | 8.3% | 27.8% |

Source: ACE Equity, MNCL Research

**Shareholding Pattern**

| (%) | Sep-23 | Jun-23 | Mar-23 |
|---|---|---|---|
| Promoter | 75.0 | 75.0 | 75.0 |
| Inst./Govt. | 13.0 | 13.1 | 12.7 |
| Others | 12.0 | 11.9 | 12.3 |

Source: ACE Equity, MNCL Research

**Established in 1976, Inox India is the largest supplier of cryogenic equipment in India by revenue, with over 30 years of experience in delivering solutions across design, engineering, manufacturing, and installation for cryogenic applications, cryogenic storage tanks, microbulk units, beverage kegs, and turnkey solutions for industries like LNG, clean energy, and scientific research. Inox India is also a key supplier of Cryogenic equipment to global scientific research projects and holds the position of the largest exporter of cryogenic tanks from India. The company operates under three verticals-Industrial Gases, LNG and Cryo-scientific. As the transition of High Haulage HCV segment from diesel to LNG has started, LNG segment offers large opportunities in setting up LNG fuel stations, LNG fuel cylinder for vehicles as well as LNG transportation vehicles for remote locations. Further, Inox India is a key beneficiary of India's Green Hydrogen initiative. The company's engineering expertise, quality-driven approach, and strong international presence have earned it a leadership position in both domestic and global markets.**

- **Domestic leader in the domestic cryogenic storage solution:** Inox India holds the leadership position in the domestic LNG storage/Fuel station market, with ~60% market share. It is also a leader in cryogenic equipment across industries such as industrial gases, green hydrogen, and healthcare. The company's technological edge and industry-first approach innovations, such as the development of hydrogen transport tanks in collaboration with ISRO, is likely to keep its leadership position intact as the domestic LNG and Green Hydrogen initiatives have started evolving. It is expanding its product range to serve growing sectors like hydrogen storage and LNG fuel tanks for marine and automotive applications.

- **Strategic Focus on Clean Energy and LNG:** The company has been actively involved in development of LNG infrastructure as well as Green Hydrogen initiatives. Massive capex earmarked under these two initiatives by domestic companies like Reliance Industries offers a substantial growth opportunity for Inox India in the coming decade. The Indian government's ambitious target of establishing 1,000 LNG fueling stations across the Golden Quadrilateral, as part of its strategy to promote LNG as a high haulage transport fuel, presents significant opportunities for the company in the coming years. Further, the Govt. of India has earmarked an initial capital outlay of Rs197.44bn for the Green Hydrogen Mission by 2029-30. **With the aforementioned LNG and Green Hydrogen initiatives, Indian market will transit from a low margin standard storage market to high margin custom built cryogenic tank market.**

- **Expanding Global Presence:** Exports contributed to 55% of its revenue in FY24 compared to 34% in FY22. Out of the order book of Rs11,050 Mn, 51% is of exports. In last 4 years, North America, Europe and South America has contributed average of 37%, 18% and 14% respectively of total exports.

**Outlook & Valuation: By leveraging its market dominance, continuous innovation, and expanding global presence, Inox India is poised for long-term growth. Our 1 year forward DCF target for Inox India stands at Rs1441, with an upside potential of 33% from the current levels. Our DCF target price implies P/E multiple of 40x FY27E.**

**Exhibit 1: Key Financials (Consolidated)**

| Y/E Mar (Rs mn) | FY23 | FY24 | FY25E | FY26E | FY27E |
|---|---|---|---|---|---|
| Sales | 9,659 | 11,312 | 13,349 | 15,978 | 19,237 |
| *YoY (%)* | *N.A.* | *17.1* | *18.0* | *19.7* | *20.4* |
| EBIDTA | 2,044 | 2,503 | 2,958 | 3,566 | 4,369 |
| *YoY (%)* | *N.A.* | *22.5* | *18.2* | *20.6* | *22.5* |
| PAT | 1,547 | 1,960 | 2,145 | 2,623 | 3,291 |
| *YoY (%)* | *N.A.* | *26.7* | *9.4* | *22.3* | *25.5* |
| EPS (Rs) | 17.0 | 21.6 | 23.6 | 28.9 | 36.3 |

*Source: Company, MNCL Research*

**Exhibit 2: Key Indicators**

| Y/E Mar | FY23 | FY24 | FY25E | FY26E | FY27E |
|---|---|---|---|---|---|
| EBIDTAM (%) | 21.2 | 22.1 | 22.2 | 22.3 | 22.7 |
| NPM (%) | 16.0 | 17.3 | 16.1 | 16.4 | 17.1 |
| PER (x) | 68.9 | 54.4 | 49.7 | 40.7 | 32.4 |
| EV/ EBITDA (x) | 50.7 | 41.6 | 35.0 | 28.8 | 23.0 |
| RoE (%) | 28.2 | 32.7 | 30.6 | 31.6 | 32.5 |
| RoIC (%) | 25.5 | 28.9 | 28.5 | 29.2 | 29.7 |
| Pre-Tax OCF/EBITDA (%) | 112.6 | 75.5 | 107.2 | 87.1 | 99.8 |

MONARCH NETWORTH CAPITAL

# JB Chemicals & Pharmaceuticals Ltd

**Buying Range: Rs1840-1950** **TP: Rs2430**

**Monarch Research**

| | |
|---|---|
| CMP (Rs) | ₹1892 |
| Target (Rs) | ₹2430 |
| Upside | 28% |

**Key Data**

| | |
|---|---|
| Bloomberg Code | JBCP IN |
| Curr Shares O/S (mn)* | 155.3 |
| Mkt Cap (Rsbn/USDmn) | 293.7/3493 |
| 52 Wk H / L (Rs)* | 2030/1245 |
| 5 Year H / L (Rs)* | 2030/158 |
| Daily Vol. (3M Avg.) | 208,300 |

Source: ACE Equity, MNCL Research

**Price Performance**

| (%) | 1M | 6M | 1Yr |
|---|---|---|---|
| JBCHEPHARM | -0.9% | 1.6% | 45.8% |
| NIFTY | -6.0% | 8.3% | 27.8% |

Source: ACE Equity, MNCL Research

**Shareholding Pattern**

| (%) | Sep-24 | Jun-24 | Mar-24 |
|---|---|---|---|
| Promoter | 53.7 | 53.8 | 53.8 |
| Inst./Govt. | 30.5 | 29.8 | 29.4 |
| Others | 15.8 | 16.4 | 16.8 |

Source: ACE Equity, MNCL Research

**JB Chemicals (JB) has demonstrated remarkable progress in the Indian Pharmaceutical Market (IPM), climbing from the 32nd position to the 22nd place in just three years. This significant advancement underscores the company's strategic initiatives and successful market penetration strategies. The rapid ascent in rankings reflects not only JB's growing market share but also its increasing influence and recognition within the highly competitive pharmaceutical industry. JB has strategically built a formidable presence in key therapeutic areas, focusing on cardiac, gastrointestinal, and antiparasitic segments. JB Chemicals has established a track record of consistently outperforming the broader Indian Pharmaceutical Market. From FY2014-21, the company consistently outpaced IPM growth by 400-500 basis points (bps). Furthermore, JB's annual overall domestic sales growth has surpassed the IPM growth in 13 out of the past 15 years. This remarkable consistency in outperforming the market average further solidifies JB's strong market position and demonstrates its sustained competitive edge**

- **Growth Strategy:** We estimate domestic (ex Ophthal business acquisition) revenue CAGR of 13% in FY24-26E. For export formulations, we factor 11% revenue CAGR in FY24-26E. We expect a recovery in CDMO business in 2HFY25 (estimated CAGR of 9% in FY24-26E) driven by entry into new geographies (Europe, S Africa, Mexico, Brazil), new partnerships and new product launches (in categories such as sleep disorders & immunity). We estimate the EBITDA margin (ex ESOPs) to be 27.8%/28.3% in FY25/FY26 aided by a better mix (higher share of India & CDMO), partly offset by lower margin from the in-licensed Ophthal portfolio.

- **Diversified revenue Mix and an inorganic growth Strategy + CMO Biz :** On the inorganic front, JB has targeted under-promoted brands with significant potential, Brands acquired in the last 12-18 months – Sporlac (Feb 2022), Azmarda (Apr 2022), Razel (Dec 2022), Ophthal portfolio from Novartis (Jan 2024) – have significant potential for further ramp-up, in our view. Acquired brands continue to register strong growth under JB – Sporlac franchise (+21% in FY24), and Razel (+24% in FY24). Azmarda ranks among the top 5 brands in Valsartan/Sacubitril segment and is expected to benefit from double-digit volume growth in the category. JB's CDMO business (~12% of FY24 revenues), focused on the lozenges segment, counts marquee names such as J&J and Reckitt Benckiser as its customers and we expect strong growth for the segment, driven by improvement in capacity utilization and launches in new categories.

**Outlook & Valuation: We estimate the EBITDA margin (ex ESOPs) to be 27.8%/28.3% in FY25/FY26 aided by a better mix (higher share of India & CDMO) partly offset by lower margin from the in-licensed Ophthal portfolio. JB's strong earnings growth (estimated 25% cagr in FY24-26E), free cash generation (FCF of ~Rs. 13bn in FY24-26E) & domestic focused capital allocation strategy are factored into our valuation (~45x on FY26E earnings) multiple for the stock, to arrive at a target price of Rs.2430**

**Exhibit 1: Key Financials (Consolidated)**

| Y/E Mar (Rs mn) | FY22 | FY23 | FY24 | FY25E | FY26E |
|---|---|---|---|---|---|
| Sales | 24242 | 31493 | 34842 | 40026 | 45214 |
| *YoY (%)* | *18.7* | *29.9* | *10.6* | *14.9* | *13.0* |
| EBIDTA | 5435 | 6957 | 8969 | 10680 | 12650 |
| *YoY (%)* | *-3* | *28.0* | *28.9* | *19.2* | *18.4* |
| PAT | 3850 | 4098 | 5526 | 6850 | 8642 |
| *YoY (%)* | *-14* | *6.4* | *34.8* | *24.0* | *26.2* |
| EPS (Rs) | 24.9 | 26.2 | 34.8 | 43.2 | 54.5 |

**Exhibit 2: Key Indicators**

| Y/E Mar | FY22 | FY23 | FY24 | FY25E | FY26E |
|---|---|---|---|---|---|
| EBIDTAM (%) | 22.4 | 22.1 | 25.7 | 26.7 | 28.0 |
| NPM (%) | 15.9 | 13.0 | 15.9 | 17.1 | 19.1 |
| PER (x) | 76 | 73 | 55.4 | 44.7 | 35.4 |
| EV/ EBITDA (x) | 55 | 43 | 32.8 | 27.5 | 23.3 |
| RoE (%) | 20 | 18 | 20 | 21 | 23 |
| RoIC (%) | 25 | 23 | 25 | 28 | 30 |
| Pre-Tax OCF/EBITDA (%) | 56 | 104 | 104 | 91 | 91 |

*Source: Company, MNCL Research*

# Ritco Logistics Ltd

**Buying Range: Rs 340-375** **TP: Rs760**

**Monarch Research**

| | |
|---|---|
| CMP (Rs) | ₹357 |
| Target (Rs) | ₹760 |
| Upside | 113% |

**Key Data**

| | |
|---|---|
| Bloomberg Code | RITCO IN |
| Curr Shares O/S (mn)* | 28.3 |
| Mkt Cap (Rsbn/USDmn) | 10.1/120 |
| 52 Wk H / L (Rs)* | 409/189 |
| 5 Year H / L (Rs)* | 409/113 |
| Daily Vol. (3M Avg.) | 178,200 |

Source: ACE Equity, MNCL Research

**Price Performance**

| (%) | 1M | 6M | 1Yr |
|---|---|---|---|
| RITCO | 12.0% | 32.5% | 52.1% |
| NIFTY | -6.0% | 8.3% | 27.8% |

Source: ACE Equity, MNCL Research

**Shareholding Pattern**

| (%) | Sep-24 | Jun-24 | Mar-24 |
|---|---|---|---|
| Promoter | 63.1 | 73.0 | 73.0 |
| Inst./Govt. | 2.6 | 0.5 | 0.0 |
| Others | 34.3 | 26.5 | 27.0 |

Source: ACE Equity, MNCL Research

**Ritco began its journey in 1996 as a contract logistics provider. Revenue is derived primarily from a combination of owned and hired vehicles. At present, Ritco is amid a significant transformation, positioning itself as an integrated tech-based supply chain solution provider on the introduction of proprietary tech platform named TrucksUp. This innovative platform aims to transform the trucking industry by empowering truck operators while addressing issues of underutilization, reverse load with provision of several value-added services. Ritco is positioned for accelerated growth, driven by new customer acquisitions in its traditional Full Truck Load (FTL) business, expansion into promising multimodal logistics, and significant contributions from TrucksUp. Ritco is well-positioned for growth with its asset-light model, timely fundraising, and a manageable Debt/Equity ratio of 0.5x expected by FY27. Strong relationships with marquee customers, opportunities for margin improvement and enhanced ROE and ROCE over FY25-27 further support its potential for a re-rating.**

- **TrucksUp – industry needed tech platform:** TrucksUp, an extension of Ritco's legacy in the trucking industry, is a digital marketplace platform designed to address the challenges faced by small fleet owners, including under-utilization, reverse load management, fleet monitoring, and cash management. The platform offers value-added services such as GPS tracking, fuel cards, FASTag integration, insurance, old vehicle purchase & sales and vehicle financing. Since its introduction, TrucksUp has achieved an impressive 1.7 lakh downloads as of Aug'24, and we project significant growth of nearly 8 lakh downloads by FY27. We believe that Ritco will experience significant synergies as a substantial portion of its loads are routed through this platform, leading to enhanced scalability and margin expansion.

- **Tailwinds in the traditional FTL business:** With nearly three decades in the traditional contract logistics sector, Ritco has established strong associations with prominent players such as Reliance, ONGC, Gati, Haldi Petrochemicals, Waaree, Tata Steel, Jindal Steel, Ambuja Cement, and Dalmia Bharat. These partnerships reflect their commitment to service quality and timely execution. Although Ritco has historically relied heavily on the petrochemicals sector, which accounted for 48% of its revenue in FY24, the company is now strategically targeting steel, cement, and emerging solar markets, with a projected increase in their combined revenue share from 30% in FY24 to 50% by FY27. Additionally, Ritco's intent to enter the rapidly growing multi-modal logistics sector further enhances its growth prospects.

**Outlook & Valuation: Our estimates project Ritco to achieve a consolidated revenue/ EBITDA/ PAT CAGR of 28%/ 38%/ 48%, respectively, over FY24-27E. We have valued Ritco at 20x FY27 EPS (discount to larger peers) to arrive at a target price of Rs760. Key Risks: Potential slowdown in end-user demand and challenges in scaling up the TrucksUp platform.**

**Exhibit 1: Key Financials (Consolidated)**

| Y/E Mar (Rs mn) | FY23 | FY24 | FY25E | FY26E | FY27E |
|---|---|---|---|---|---|
| Sales | 7,511 | 9,333 | 12,273 | 15,634 | 19,707 |
| YoY (%) | 26.6 | 24.3 | 31.5 | 27.4 | 26.0 |
| EBIDTA | 523 | 751 | 838 | 1,446 | 1,991 |
| YoY (%) | 28.1 | 43.7 | 11.6 | 72.5 | 37.7 |
| PAT | 244 | 330 | 349 | 742 | 1,077 |
| YoY (%) | 50.0 | 35.1 | 5.8 | 112.8 | 45.0 |
| EPS (Rs) | 10.0 | 13.5 | 12.3 | 26.2 | 38.0 |

*Source: Company, MNCL Research Estimates*

**Exhibit 2: Key Indicators**

| Y/E Mar | FY23 | FY24 | FY25E | FY26E | FY27E |
|---|---|---|---|---|---|
| EBIDTAM (%) | 7.0 | 8.0 | 6.8 | 9.2 | 10.1 |
| NPM (%) | 3.3 | 3.5 | 2.8 | 4.7 | 5.5 |
| PER (x) | 16.1 | 16.9 | 31.7 | 14.9 | 10.3 |
| EV/ EBITDA (x) | 11.4 | 10.8 | 15.9 | 9.2 | 6.6 |
| RoE (%) | 17.9 | 19.9 | 14.1 | 21.1 | 24.0 |
| RoIC (%) | 11.7 | 12.3 | 9.3 | 16.3 | 19.7 |
| Pre-Tax OCF/EBITDA (%) | 34.4 | 34.0 | 14.5 | 40.9 | 43.7 |

# SJS Enterprises Ltd.

**Buying Range: Rs970-1050** | **TP: Rs1,190**

Monarch Research

| | |
|---|---|
| CMP (Rs) | ₹1012 |
| Target (Rs) | ₹1190 |
| Upside | 18% |

**Key Data**

| | |
|---|---|
| Bloomberg Code | SJS IN |
| Curr Shares O/S (mn)* | 31.0 |
| Mkt Cap (Rsbn/USDmn) | 31.4/374 |
| 52 Wk H / L (Rs)* | 1138/552 |
| 5 Year H / L (Rs)* | 1138/340 |
| Daily Vol. (3M Avg.) | 226,300 |

Source: ACE Equity, MNCL Research

**Price Performance**

| (%) | 1M | 6M | 1Yr |
|---|---|---|---|
| SJS | 3.2% | 64.6% | 54.1% |
| NIFTY | -6.0% | 8.3% | 27.8% |

Source: ACE Equity, MNCL Research

**Shareholding Pattern**

| (%) | Sep-24 | Jun-24 | Mar-24 |
|---|---|---|---|
| Promoter | 21.8 | 21.8 | 21.8 |
| Inst./Govt. | 46.8 | 47.7 | 47.2 |
| Others | 31.4 | 30.5 | 31.0 |

Source: ACE Equity, MNCL Research

**Founded in 1987, SJS Enterprises Ltd is a leading player in the Indian decorative aesthetics industry, manufacturing diverse range of aesthetic products for two-wheelers, passenger vehicles, and consumer segments. We believe that SJS is positioned to grow faster than the industry due to several key factors: a) the premiumization trend, which includes a shift to 3D dials (2x higher realization), capacitive overlays (2x higher realization), premium logos (20% higher realization), and IML/IMD products (1.5x higher realization); b) the addition of new customers; and c) the optimization of cross-selling opportunities. SJS has demonstrated exceptional integration and operational capabilities by doubling Exotech's revenues while achieving significant margin expansion since the acquisition; it remains optimistic on a similar outcome for WPI. We expect SJS to post Revenue/ EBITDA/ PAT CAGR of 17%/19%/24% over FY24-27E and have derived a target price of Rs 1190, valuing SJS at 25x Sept'26 EPS.**

- **SJS's competitive advantage:** SJS distinguishes itself with a comprehensive portfolio of over 7,000 SKUs that are technologically agnostic across 13 to 14 product categories, reinforcing its status as the preferred partner for OEMs. This is evidenced by long-standing relationships with its top 10 customers, averaging 19 years, along with a consistent track record of acquiring new clients. SJS provides seamless design-to-delivery solutions within a timeframe of 15 days to six months. The recent acquisition of WPI has bolstered SJS's capabilities in 2K injection molding, 3D die cutting, and IML/IMD/IMF technologies, addressing critical gaps in its technological portfolio. Furthermore, SJS is advancing in the globally underpenetrated IME technology to sustain its competitive edge. SJS has been consistently outstripping industry growth through premiumization, customer additions, increase in wallet share and strategic acquisitions. Further, foray into cover glass is expected to be a significant growth driver for SJS, but it is an optionality to our estimates.

- **Exotech & WPI - game changing acquisitions:** The acquisitions of Exotech and WPI have empowered SJS to enhance kit value, access a larger addressable market, and achieve greater diversification. With a robust pipeline of model launches, the value-added products from Exotech and WPI are gaining traction in the market, and we anticipate that they will aid in outperforming the overall industry growth. The cross-selling potential demonstrated at Exotech has yet to be fully realized at WPI, and we believe there is substantial scope, along with significant export opportunities. SJS is currently evaluating an overseas acquisition to tap into substantial global TAM and leverage cross-selling opportunities, which remains an optionality in our estimates.

**Outlook & Valuations: We forecast a Revenue/EBITDA/PAT CAGR of 17%/19%/24% over FY24-27E. We value SJS at 25x Sept'26 EPS to arrive at TP of Rs1,190. Risks: Poor exports recovery, slowdown in premiumization.**

**Exhibit 1: Key Financials (Consolidated)**

| Y/E Mar (Rs mn) | FY23 | FY24 | FY25E | FY26E | FY27E |
|---|---|---|---|---|---|
| Sales | 4,330 | 6,278 | 7,725 | 8,887 | 10,039 |
| YoY (%) | 17.1 | 45.0 | 23.0 | 15.0 | 13.0 |
| EBIDTA | 1,066 | 1,522 | 2,001 | 2,275 | 2,590 |
| YoY (%) | 13.0 | 42.7 | 31.4 | 13.7 | 13.8 |
| PAT | 673 | 848 | 1,160 | 1,355 | 1,603 |
| YoY (%) | 22.2 | 26.1 | 36.8 | 16.7 | 18.3 |
| EPS (Rs) | 22.1 | 27.3 | 37.4 | 43.6 | 51.6 |

**Exhibit 2: Key Indicators**

| Y/E Mar | FY23 | FY24 | FY25E | FY26E | FY27E |
|---|---|---|---|---|---|
| EBIDTAM (%) | 24.6 | 24.2 | 25.9 | 25.6 | 25.8 |
| NPM (%) | 15.5 | 13.5 | 15.0 | 15.2 | 16.0 |
| PER (x) | 20.3 | 21.9 | 29.4 | 25.2 | 21.3 |
| EV/ EBITDA (x) | 11.4 | 12.3 | 16.9 | 14.5 | 12.1 |
| RoE (%) | 17.0 | 17.1 | 18.8 | 18.3 | 18.1 |
| RoIC (%) | 17.9 | 17.9 | 19.3 | 20.9 | 23.7 |
| Pre-Tax OCF/EBITDA (%) | 106.3 | 93.2 | 80.6 | 86.0 | 87.8 |

*Source: Company, MNCL Research Estimates*

MONARCH NETWORTH CAPITAL

# TCPL Packaging Ltd.

**Buying Range: Rs3025-3200** | **TP: Rs3734**

**Monarch Research**

| | |
|---|---|
| CMP (Rs) | ₹3120 |
| Target (Rs) | ₹3734 |
| Upside | 20% |

**Key Data**

| | |
|---|---|
| Bloomberg Code | TCPL IN |
| Curr Shares O/S (mn)* | 9.1 |
| Mkt Cap (Rsbn/USDmn) | 28.5/339 |
| 52 Wk H / L (Rs)* | 3672/1926 |
| 5 Year H / L (Rs)* | 3672/130 |
| Daily Vol. (3M Avg.) | 16,700 |

Source: ACE Equity, MNCL Research

**Price Performance**

| (%) | 1M | 6M | 1Yr |
|---|---|---|---|
| TCPLPACK | -10.2% | 50.7% | 57.0% |
| NIFTY | -6.0% | 8.3% | 27.8% |

Source: ACE Equity, MNCL Research

**Shareholding Pattern**

| (%) | Sep-23 | Jun-23 | Mar-23 |
|---|---|---|---|
| Promoter | 55.7 | 55.7 | 55.7 |
| Inst./Govt. | 12.3 | 10.0 | 8.8 |
| Others | 32.0 | 34.3 | 35.5 |

Source: ACE Equity, MNCL Research

**TCPL is one of the leaders in the packaging solution business, with pan India presence and a focus on sustainable and recyclable packaging solution. The company further entered high margin rigid packaging solution to the Mobile and Consumer Electronics companies, by acquiring entire stake in COPPL in FY22. It is also one of the India's leading Folded Carton based packaging solution providers. Leveraging its sustainable packaging solutions capability, the company has a stellar track record both in terms of revenue and profit growth since its inception. The company's revenue grew by a robust CAGR of 17% over the past 30 years. TCPL diversified into the Flexible Packaging solutions 8 years ago and it accounts for ~15% of its revenue. The balance 85% of its revenue comes from a high margin Foldable Carton based packaging, where the company has several innovative products like, Metallized Paper Boards, Water Soluble coating to replace the Polyester lining etc. as substitute to the non-recyclable Polyester packaging, particularly in the Food and FMCG segment. Almost 85% of the company's packaging solutions are fully recyclable, making it immune to any Govt. regulation to do away with non-recyclable harmful PE based packaging solutions. Capitalizing on the rising demand for the premium packaging solution from the domestic Industries, TCPL has been able to set up a chain of plants spread across all the regions of India. Recovery in the domestic FMCG demand and upcoming capacity has significantly improved TCPL's earnings visibility.**

- **One of the largest organized players in the foldable Carton-based packaging solutions:** TCPL is one of the largest manufacturers of Folded Carton and Paper Board convertor. The company is focused on a sustainable and recyclable packaging solutions. Premiumization in the packaging solution resulted in a large growth opportunity for the organized players like TCPL. The company offers a large variety of packaging solution like Mono-Cartons, Specialty and Gift packaging, Metalized Paperboard, Rigid Packaging to diverse industries like FMCG, Food & Beverages, Pharma, Tobacco, Liquor, FMEG etc.
- **Diversified revenue Mix and a de-risked customer base:** TCPL has a significantly de-risked revenue profile and it caters to all major companies in the FMCG, Foods and Beverages, Pharma, Liquor, Tobacco industries. Further, acquisition of COPPL has given the company a foothold in the Mobile and Consumer Electronics space. TCPL can now offer the COPPL's superior rigid packaging solution to other Industries like Liquor and Tobacco, where the trend of premium packaging is picking up. Also, no single client of TCPL accounts for more than 10% of the revenue. However, the company has a significant dependence on FMCG and Food & Beverages Industries.

**Outlook & Valuation: We believe that premiumization in the packaging solution will continue to create large opportunity for the organized packaging solution companies. TCPL is one of the leaders in the packaging solution business and operates at a superior RoE/ ROIC, which entails premium multiples compared to other Packaging film manufacturers. Our DCF based Target price for TCPL Packaging stands at Rs3734, with a potential upside of 20% from the current levels.**

**Exhibit 1: Key Financials (Standalone)**

| Y/E Mar (Rs mn) | FY23 | FY24 | FY25E | FY26E | FY27E |
|---|---|---|---|---|---|
| Sales | 14319 | 14908 | 16920 | 19459 | 22377 |
| *YoY (%)* | *33.1* | *4.1* | *13.5* | *15.0* | *15.0* |
| EBIDTA | 2357 | 2489 | 2900 | 3331 | 3866 |
| *YoY (%)* | *51.1* | *5.6* | *16.5* | *14.9* | *16.1* |
| PAT | 1175 | 1020 | 1307 | 1566 | 1915 |
| *YoY (%)* | *138.6* | *-13.2* | *28.2* | *19.8* | *22.2* |
| EPS (Rs) | 129.2 | 112.1 | 143.7 | 172.1 | 210.4 |

*Source: Company, MNCL Research*

**Exhibit 2: Key Indicators**

| Y/E Mar | FY23 | FY24 | FY25E | FY26E | FY27E |
|---|---|---|---|---|---|
| EBIDTAM (%) | 16.5 | 16.7 | 17.1 | 17.1 | 17.3 |
| NPM (%) | 8.2 | 6.8 | 7.7 | 8.0 | 8.6 |
| PER (x) | 23.2 | 26.7 | 20.8 | 17.4 | 14.2 |
| EV/ EBITDA (x) | 12.4 | 10.7 | 9.2 | 7.7 | 6.5 |
| RoE (%) | 29.5 | 20.6 | 22.0 | 21.9 | 22.2 |
| RoIC (%) | 14.4 | 13.2 | 14.0 | 14.9 | 16.1 |
| Pre-Tax OCF/EBITDA (%) | 65.8 | 105.4 | 82.2 | 85.4 | 87.3 |

MONARCH NETWORTH CAPITAL



# Timken India Ltd

**Buying Range: Rs3270-3470** **TP: Rs4,200**

## Monarch Research

| | |
|---|---|
| CMP (Rs) | ₹3371 |
| Target (Rs) | ₹4200 |
| Upside | 25% |

**Key Data**

| | |
|---|---|
| Bloomberg Code | TMKN IN |
| Curr Shares O/S (mn)* | 75.2 |
| Mkt Cap (Rsbn/USDmn) | 254.7/3029 |
| 52 Wk H / L (Rs)* | 4818/2525 |
| 5 Year H / L (Rs)* | 4818/639 |
| Daily Vol. (3M Avg.) | 95,900 |

Source: ACE Equity, MNCL Research

**Price Performance**

| (%) | 1M | 6M | 1Yr |
|---|---|---|---|
| TIMKENINDIA | -12.2% | 5.8% | 14.2% |
| NIFTY | -6.0% | 8.3% | 27.8% |

Source: ACE Equity, MNCL Research

**Shareholding Pattern**

| (%) | Sep-24 | Jun-24 | Mar-24 |
|---|---|---|---|
| Promoter | 51.1 | 51.1 | 57.7 |
| Inst./Govt. | 37.9 | 38.1 | 30.8 |
| Others | 11.0 | 10.8 | 11.5 |

Source: NSE, MNCL Research

**Timken India Ltd., a subsidiary of US based The Timken Company, manufactures tapered roller bearings and mechanical power transmission products. The company serves industries like Railways, Automotive, Renewable Energy, and Heavy Industries, benefiting from strong demand in India's rail and automotive sectors. Timken India is well-positioned to capitalize on the growing need for reliable bearings in wind turbines and industrial automation. While exports may face short-term challenges, the company remains a strong player in India's infrastructure development and continues to invest in technology and capacity expansion.**

- **Railways and Metro Expansion as Growth Catalysts:** Timken India has maintained its dominant position in the rail segment, contributing 23% of the total revenue in FY24 (vs 17% in FY23). This growth is driven by increasing demand for freight wagons, metro projects, and initiatives like Vande Bharat, alongside robust infrastructure spending. The sector is set for sustainable growth over the next 20-30 years, driven by ongoing metro expansions, conversions of passenger coaches to Vande Bharat, and Dedicated Freight Corridor (DFC) requirements. With the company holding a significant share of the Indian rail market (around 50%), rail sector investments, including new wagons and metro projects, offer long-term growth potential. In Q1 FY25, the rail segment contributed 24% of the revenue, indicating that this is a sustainable and profitable segment for Timken.

- **Capacity Expansion and Localization for Increased opportunities:** Timken is investing heavily in expanding its capacity to meet increasing demand. The new greenfield facility in Bharuch is expected to be fully operational by FY25, with a planned capex of Rs. 6000 mn for FY25. This facility will focus on producing cylindrical and spherical roller bearings (CRB and SRB), primarily targeting domestic demand but also supporting exports to nearby regions. The company is confident that this expansion will help improve margins by reducing dependence on imports, increasing local production, and boosting economies of scale

- **Operational Efficiency, Strategic Market Positioning, and Growth Potential:** Timken India maintains a diversified revenue mix across rail (23%), mobility (20%), distribution (18%), process industry (19%), and exports (20%) for FY24.The company projects exports to rebound to 25-30% of total revenue, driven by robust rail demand in North and South America. Timken India is running its Jamshedpur and Bharuch plants at near-full capacity while optimizing supply chains to enhance margin.

**Outlook & Valuation: The company is well-positioned to capitalize on government initiatives like Indian Railways modernization, Make in India, and the rise of EVs, with growth opportunities in projects such as Vande Bharat Trains, Metro Rail expansions, and the Commercial Vehicle scrappage policy. These factors collectively drive sustained growth across multiple segments. We have assigned 43x PE multiple to FY27E EPS to get a target price of Rs 4200, giving an upside of 25% from the current levels.**

**Exhibit 1: Key Financials (Consolidated)**

| Y/E Mar (Rs mn) | FY23 | FY24 | FY25E | FY26E | FY27E |
|---|---|---|---|---|---|
| Sales | 28066 | 29095 | 33165 | 39908 | 47274 |
| YoY (%) | *27.4* | *3.7* | *14.0* | *20.3* | *18.5* |
| EBIDTA | 5673 | 5724 | 6746 | 8417 | 10234 |
| YoY (%) | *9.8* | *0.9* | *17.9* | *24.8* | *21.6* |
| PAT | 3907 | 3921 | 4650 | 5895 | 7276 |
| YoY (%) | *19.5* | *0.4* | *54.0* | *26.8* | *23.4* |
| EPS (Rs) | 51.9 | 52.1 | 61.8 | 78.9 | 97.9 |

*Source: Bloomberg, Company, MNCL Research*

**Exhibit 2: Key Indicators**

| Y/E Mar | FY23 | FY24 | FY25E | FY26E | FY27E |
|---|---|---|---|---|---|
| EBIDTAM (%) | 20.2 | 19.7 | 20.3 | 21.1 | 21.6 |
| NPM (%) | 13.9 | 13.5 | 14.0 | 14.8 | 15.3 |
| PER (x) | 53.0 | 54.9 | 54.0 | 42.3 | 33.8 |
| EV/ EBITDA (x) | 35.8 | 36.7 | 36.5 | 29.3 | 23.9 |
| RoE (%) | 21.2 | 17.6 | 17.4 | 18.6 | 19.1 |
| RoIC (%) | 21.4 | 18.1 | 19.4 | 20.5 | 20.8 |
| Pre-Tax OCF/EBITDA (%) | 87.3 | 82.2 | 75.3 | 64.9 | 68.1 |

We further undertake that

| | |
|---|---|
| Research analyst has served as an officer, director or employee of subject Company: | No |
| MNCL has financial interest in the subject companies: | No |
| MNCL's Associates may have actual / beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report. Research analyst or his/her relative has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research | No |
| MNCL has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: | No |
| Subject company may have been client during twelve months preceding the date of distribution of the research report. | No |

There were no instances of non-compliance by MNCL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years.

Graphs of daily closing prices of the securities is also available at www.nseindia.com.

**Analyst Certification**

This research report is prepared by our research team consisting of all qualified NISM research analysts

The analyst for this report certifies that all the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

The user should consult their own advisors to determine the merits and risks of investment and also read the Risk Disclosure Documents for Capital Markets and Derivative Segments as prescribed by Securities and Exchange Board of India before investing in the Indian Markets.

Registration granted by SEBI, and certification from NISM for our Research Analysts in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

**Investment in securities market are subject to market risks. Read all the related documents carefully before investing.**

**Key to MNCL Investment Rankings**

Buy: Upside by>15%, Accumulate: Upside by 5%to 15%, Hold: Downside/Upside by -5% to +5%, Reduce: Downside by 5% to 15%, Sell: Downside by>15%

**Monarch Networth Capital Ltd. (www.mnclgroup.com)**

**Office: -** Unit No. 803-804A, 8th Floor, X-Change Plaza, Block No. 53, Zone 5, Road- 5E, Gift City, Gandhinagar -382355, Gujarat