DSP
MUTUAL FUND

RELIANCE INDUSTRIES

ADANI

BHARTI

HDFC

BAJAJ

CHOLA

SBI CARDS

TCS

INFOSYS

WIPRO

TECH MAHINDRA

ANNUAL REPORT NECTAR

FY22

UNILIVER

ITC LTD.

NESTLE

GODREJ

SBI LIFE INSURANCE

ICICI PRUDENTIAL

ICICI LOMBARD

DR. REDDY'S

LUPIN

DR. LAL'S PATHLABS

Curated comments, observations, trends and insights we found startling, potent, insightful or just plainly informative from our reading of annual reports of India's sector leaders

AGRICULTURE

PI expanding beyond AGROCHEM:

PI reports that it commercialized 9 molecules in FY22 (the most in a single year) and that 40 new products are in various stages of development. The company considers its successful venture into electronic chemicals to be a significant step forward in its efforts to diversify away from agrochemicals. The company emphasizes that non-agrochemical products account for 20% of its pipeline.

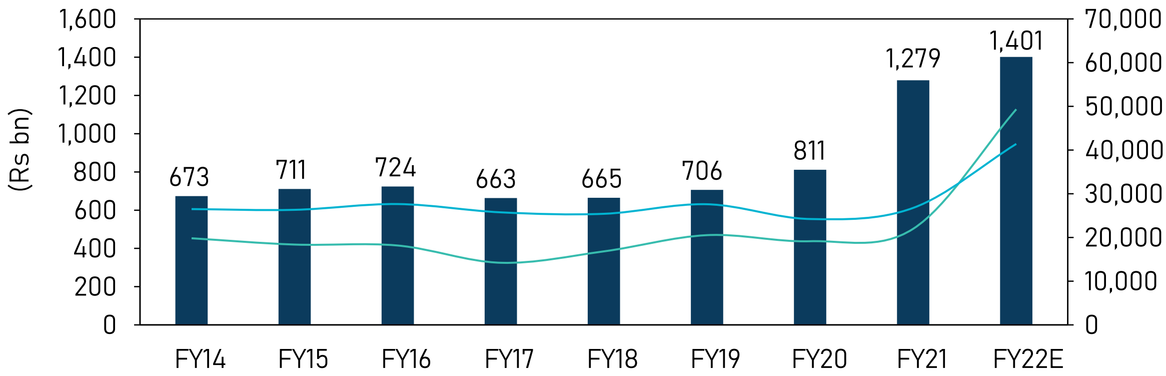
COROMANDEL's long term growth initiatives:

1) strategic investments in Senegal rock phosphates mines which is expected to provide up to one-third of Coromandel's rock phosphate requirements in due course (The non-availability of rock has been a key constrain for Coromandel to purse capacity expansion despite high utilization rate (>80% in FY22)
2) Building growth momentum by demarking and setting up dedicated office
3) Strengthening the projects teams across businesses to deliver on high capital expenditure targets envisioned by the company

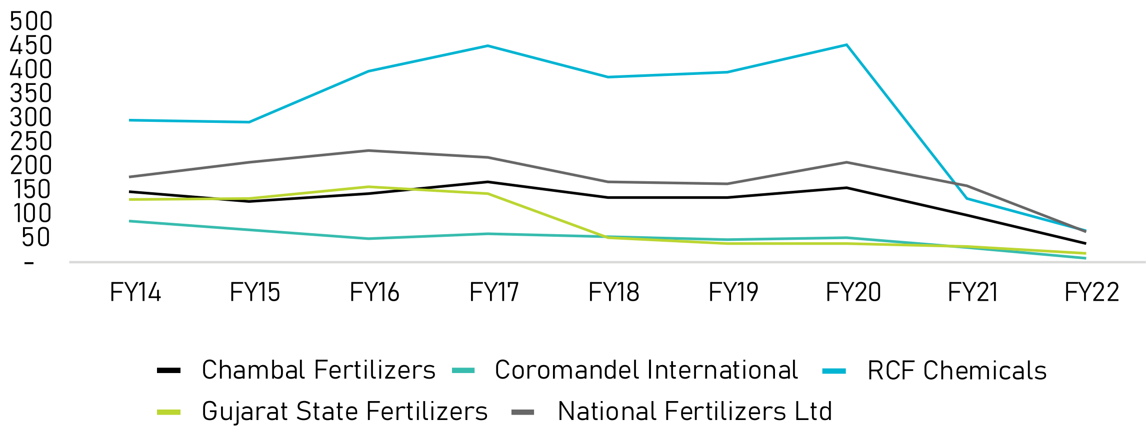
BAYER's foray in drone technology for spray applications: Over the past few years, Bayer has collaborated closely with industry organisations, regulators, policymakers, the Indian government's ministry of agriculture and civil aviation, as well as drone manufacturers to establish a framework that will facilitate the use of drone technology in Indian agriculture. As a result of these efforts, Bayer became the first agrochemical company to receive authorisation in 2021 to perform drone-based spraying trials for two of its flagship brands, Nativo & Vayego, at 10 R&D facilities nationwide. From Kharif 2022, Bayer plans to start offering drone spraying services for Small farm holders in the states of Punjab, Haryana, Madhya Pradesh, Odisha, Maharashtra, and Andhra Pradesh.

Government insulating farmers from high fertilizer price through higher subsidies

Yield of major crops



Time payouts by the government to Fertilizer companies



Source : Government budget documents and Bloomberg

AUTO ANCILLARIES

BHARAT FORGE on turnaround of international operations: The company is hopeful that a combination of product and cost rationalisation, productivity gains and investment towards a more favourable mix (aluminium forging) would result in sustainable 10%+ margins. It hopes to improve on it in the medium term

Snapshot of Bharat Forge's overseas subsidiaries

Rs bn	CY17	CY18	CY19	CY20	CY21
Revenues	26.8	32.3	27.9	23.4	31.6
EBITDA	1.8	2.1	0.8	1.2	3.2
EBITDA margin (%)	6.5	6.4	3	5.2	10.1
Adjusted PAT	-0.2	0.3	-1.3	-1.1	0.7
Capital Employed	21	28	23	24	31
EBITDA to Cap Emp (%)	8.5	7.4	3.6	5	10.3
% of Consolidated					
Revenue	32.1	31.9	34.6	36.9	30.2
Capital Employed	20.8	24.1	20.3	18.6	20.1

Source: Company annual reports

MOTHERSON WIRING INDIA's strategy to outperform the Indian automotive industry: The company emphasises that it has historically outgrown the market by focusing on content and value per car rather than increasing market share. To build trust with Original equipment Manufactures (OEMs), the company focuses on QCDDMSES parameters (Quality, Cost, Design, Delivery, Management, Safety, Environment, and Sustainability). Because of its global parentage with Motherson and Sumitomo Wiring Systems, the company can stay close to industry trends both locally and globally, allowing it to bring tried-and-tested technologies and manufacturing processes to customers in India, for whom it has evolved from being a component supplier to a technology partner.

BALKRISHNA (BKT) will more than double its global market share: the company reiterated its double-digit sales volume guidance for FY23. It also stated that, despite supply chain bottlenecks and higher freight rates, it has a strong order book and is "very optimistic" about the growing demand for tyres in the Off highway Tyres segment. This demand will likely exceed pre-pandemic levels. The company is seeing increased demand from the agriculture and mining industries. It also stated that it will continue to expand capacity to achieve its goal of increasing its global market share to 10% from 5.5% currently. Future growth strategies would include expanding market reach, improving penetration in US markets, expanding product portfolio, and strengthening distribution channel in India's markets and increasing utilization levels. It will also continue its brand building and visibility initiatives by associating with several sports events globally.

AUTO OEMS

According to MARUTI, the transition from Hatchback to SUV is a myth: Because of affordability issues, mass market segments, particularly the entry-level segment, have been under pressure, with the hatchback segment's share falling from 46% in FY21 to 38% this year. While the share of industry sales for SUVs increased from 32% in FY21 to 40.1% in FY22, it is a common misconception that customers are shifting away from hatchbacks and toward SUVs. Because of affordability issues, the entry-level market is contracting, while those who can afford higher segment vehicles are purchasing more. The cost of purchasing a vehicle has risen significantly in recent years, particularly for entry-level hatchbacks due to several reasons like product regulations, increase in insurance costs, increase in road taxes by various state governments, among others.

ASHOK LEYLAND'S (AL) plans for clean-emission vehicles: AL has created a roadmap that includes CNG, LNG, hydrogen, fuel cell, and battery electric vehicles to meet a variety of applications and customer needs. The company has plans to extend CNG and LNG across the full range of trucks and buses. AL has established a separate business entity called Mobility Switch to focus on electric vehicles in the bus and LCV segments, through which significant progress has been made in India, the United Kingdom, and Spain. Mobility switch is actively involved in several EV-related market opportunities in India and abroad. Switch Mobility recently unveiled modern 12-meter buses for the Indian and European markets.

M&M aims to become the number one core suv player by leveraging its brands - XUV, THAR, BOLERO, and SCORPIO - and launching 13 new products. M&M plans to launch eight new electric vehicles (EVs) by 2027, accounting for 20% of the company's total volume.

TATA MOTORS how profitable is TAMO's passenger vehicle business?

Maruti's gross margins are 10-13 percentage points higher than Tata Motors'. Even after deducting the royalty paid by Maruti to Suzuki, Maruti's margins are 6-8 percentage points higher. Despite commodity headwinds, Tata Motors' gross margins remained relatively protected in FY22.

Comparison of Tata Motor and Maruti's PV profitability

	TAMO		MARUTI		Maruti (-) TAMO	
	FY21	FY22	FY21	FY22	FY21	FY22
Revenue	100	100	100	100		
Gross Profit	14.5	15.1	27.7	25.2	13.2	10.1
Royalty			4.6	4		
Gross profit after royalty	14.5	15.1	23.2	21.2	8.7	6.1
Employee	4.6	3	4.8	4.6	0.2	1.6
Other expenses	12.3	9.3	10.7	10.2	-1.6	0.9
EBITDA Before Royalty	-2.4	2.8	12.2	10.4	14.6	7.6
EBITDA	-2.4	2.8	7.6	6.4	10	3.6
D&A	10	6.3	4.3	3.2	-5.7	-3.1

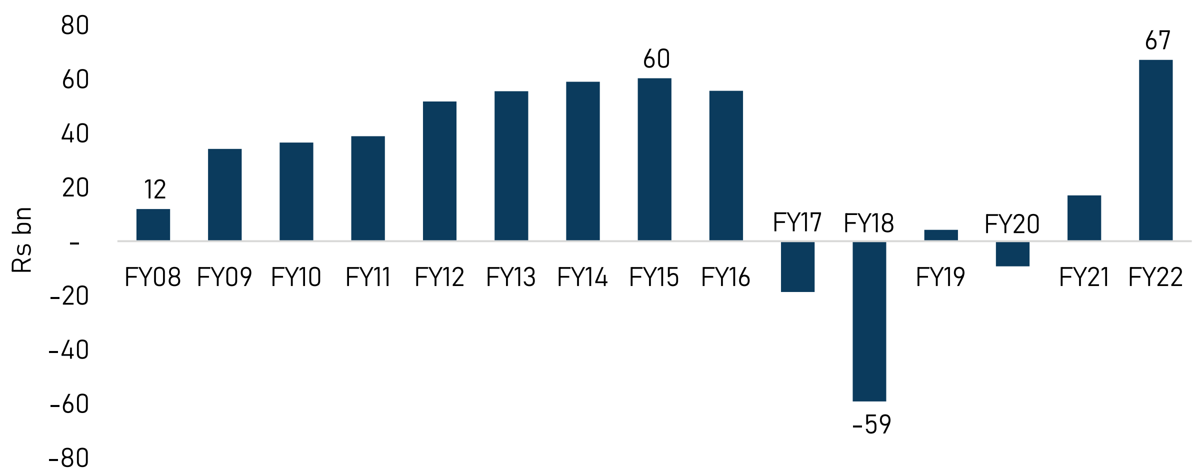
Source: Company annual reports

BANKS

HDFC BANK rationalizes its merger with HDFC: The bank emphasizes that just 2% of its clients obtain their mortgages from the bank, while 5% do so from other organizations. The latter is equivalent to the retail book size of the bank. Clients with home loans often maintain deposits that are 5-7 times higher than those of other retail customers. About 70% of HDFC Ltd's customers don't transact with HDFC Bank. These are indicative of the scale of opportunity available from the merger

Wholesale PBT for AXIS reaches new high: Axis' segmental profitability in the wholesale business reached a new high, as provisioning fell sharply and was below 2014 levels (beginning of the NPA cycle)

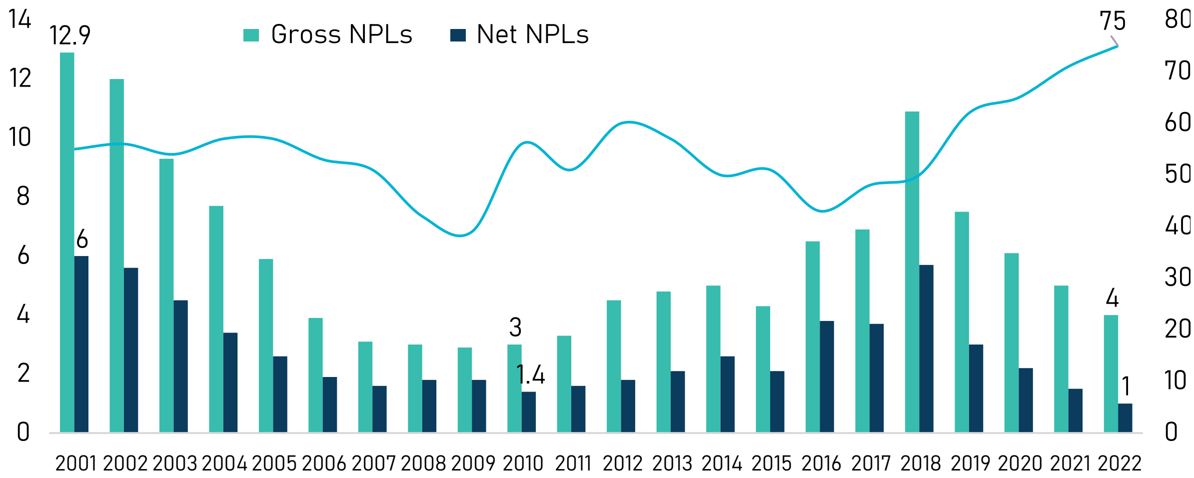
Wholesale PBT for Axis at new high



Source: Company annual reports

FY22 was STATE BANK OF INDIA'S best year on asset quality metrics. Net NPLs and slippage of 1% were both two-decade lows for the bank. The provision coverage ratio, excluding and including technical write-offs, was 75%/90%, highest in two decades.

SBI's net NPLs at 2 decade low with solid coverage



Source Kotak and SBI Annual report

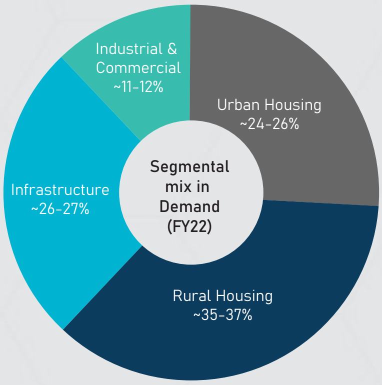
CEMENT

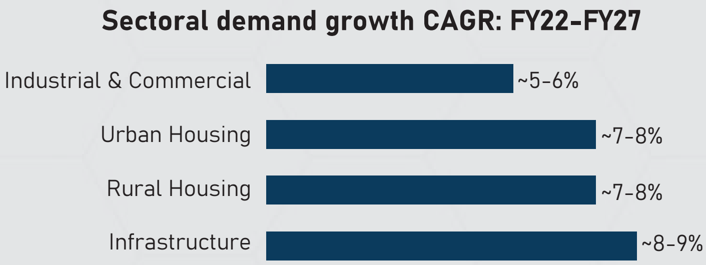
ULTRATECH intends to reach a capacity of 200 mmt by 2030: Management anticipates an 8% CAGR (vs 5% CAGR over FY17-22) in cement demand over the next five years (>500mt by FY27), with incremental demand exceeding capacity addition growth. Furthermore, the company has announced for the first time its intention to reach 200mt capacity by FY30E (7% CAGR) to support volume growth and market share gains. The Company is also focusing on improving overall RoCE, with an IRR of 15%+ (vs pre-tax RoCE of 14% in FY22) in phase 2 expansion (22.6mt capacity at Rs130bn capex) implying EBITDA/ton of Rs1,400-1,500 by FY26E.

SHREE (SRCM) expects to double capacity by 2030: Shree management expects cement demand to grow at least 7% CAGR over next few years. On cost front, share of green power has increased 1,100bps in past four years to 48% (industry-leading) in FY22 and management is targeting it to increase to ~60% over next few years. Besides, Shree is focusing on building rail connectivity for some of its plants to enhance the movement of materials through railways and help contain transportation costs (SRCM has the lowest rail share in the industry at 5% vs. 15-35% for the industry).

AMBUJA and ACC focused on driving cost efficiencies After years of stagnation, Ambuja addressed investor concerns on growth with commissioning of 1.5mt cement grinding capacity in the North by Jun'23, and clinker/cement grinding capacities of 3mt/7mt in the East region by H2CY24. Post this, its total capacity will increase to 40mt from 31.5mt currently. In addition, Ambuja plans to achieve 50mt capacity over the next few years through capacity expansion in the West and debottlenecking at various locations. (Post Adani acquisition, the group has very aggressive capacity addition targets)

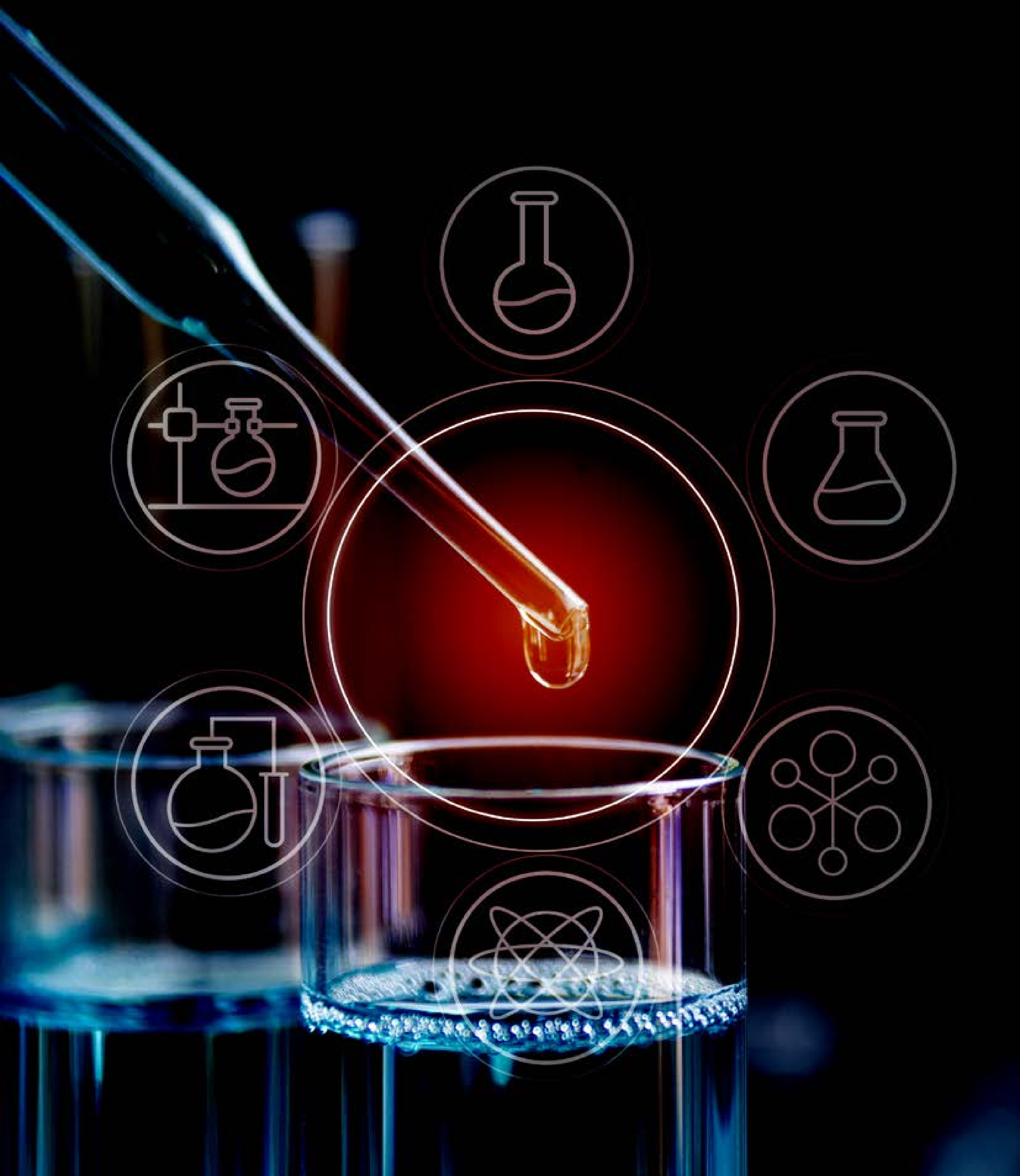
Ultratech expectations for segment wise volume growth





Source : Company presentation

CHEMICALS



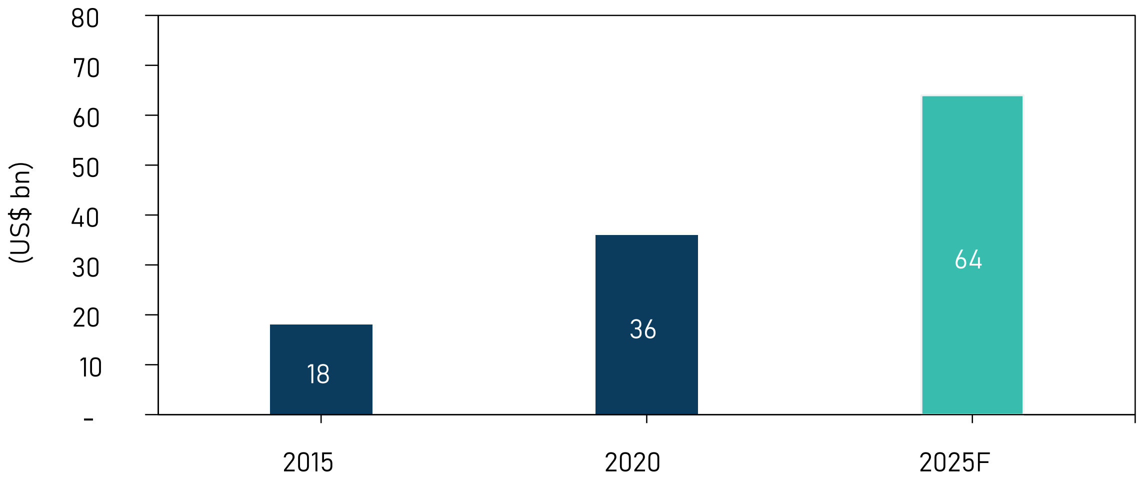
SRF is moving up the value chain: By moving up the value chain, the company is adding pharmaceutical intermediates and gaining traction in active ingredients of agrochemicals. According to the company, it is making rapid progress in the development of new products and process technologies. During the year, the company introduced four new agrochemical products and two new pharmaceutical products. Furthermore, the company has seen increased traction in the Active Ingredients space and has been developing capabilities in this area. (Active ingredients are similar to active pharmaceutical ingredients in pharmaceutical parlance (n-1) to the final formulations SRF, previously largely manufactured advanced intermediates (n-2,n-3) and exported to MNCs such as Bayer, BASF, and Syngenta. The preceding commentary implies that they are moving up the value chain.

TATA CHEMICALs believes green energy demand is a structural positive for soda ash industry: Aggressive focus on green energy is driving increased usage of glass for solar panels and Lithium Carbonate for EV battery applications with a consequent sharp demand growth for soda ash which is a vital ingredient in these two sectors. (Soda Ash is a critical material used in the making of Lithium Carbonate (Lithium Carbonate is the starting material used to manufacture all Li-Ion battery material like electrolyte and Cathode. (Approximately 2 tons of Soda ash is required to extract 1 ton of Lithium carbonate).

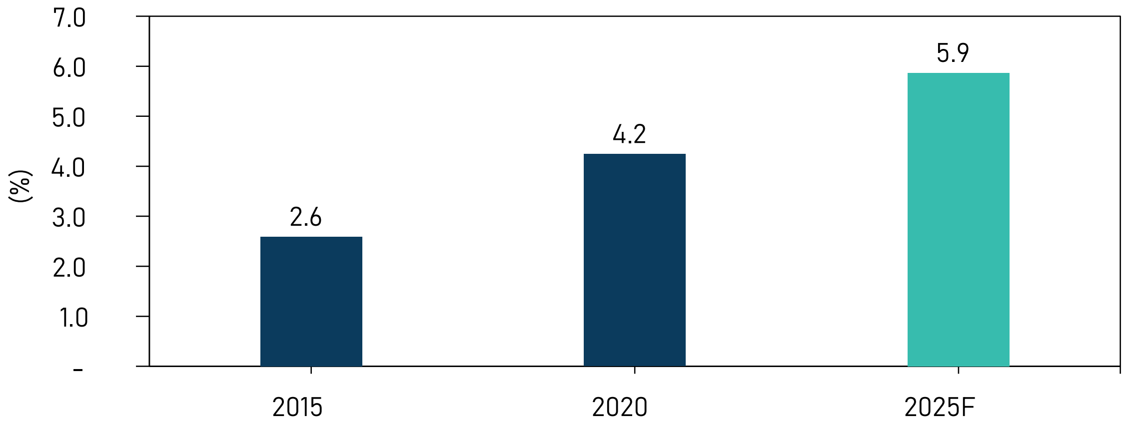
ATUL emphasizes efficiency over growth: Five of Atul's six subsegments emphasize efficiency over growth as its key priority. Atul may be less aggressive in pursuing growth than its peers due to the company's conservative ethos. Over the last five years, Atul volumes increased by 5% while revenue/gross profit and EBITDA increased at a CAGR of 12%, indicating that pricing/mix change drove 60% of the company's operating growth.

India's specialty chemical companies are Expected to grow at twice the rate of the global market.

Indian Specialty chemicals market



India Speciality Chemical market as a % of world's total

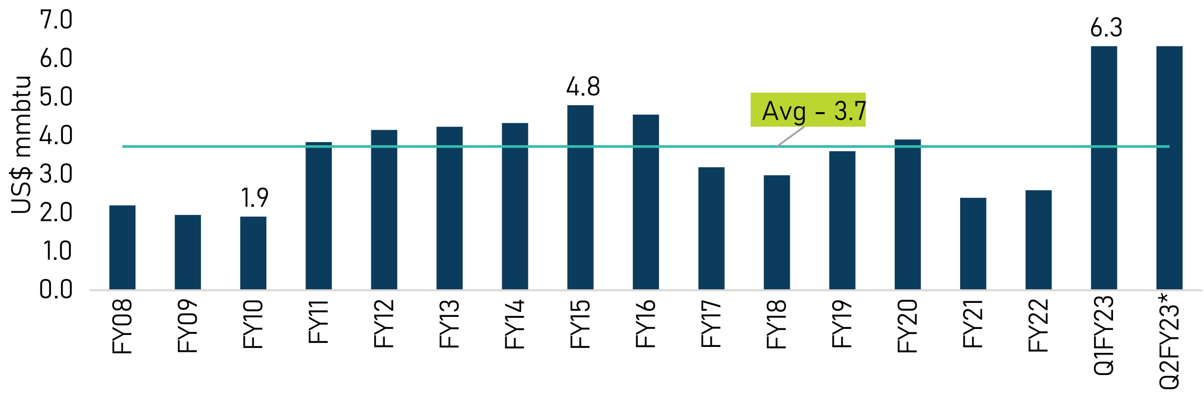


Source : Aarti Annual report

ENERGY

ONGC requires a high gas price regime to break even on its gas portfolio: ONGC identifies domestic gas price volatility as a major risk. The company has a pipeline of gas-rich projects, with breakeven prices ranging from US$5-9/mmbtu, implying that the company would require a sustained high gas price regime to break even.

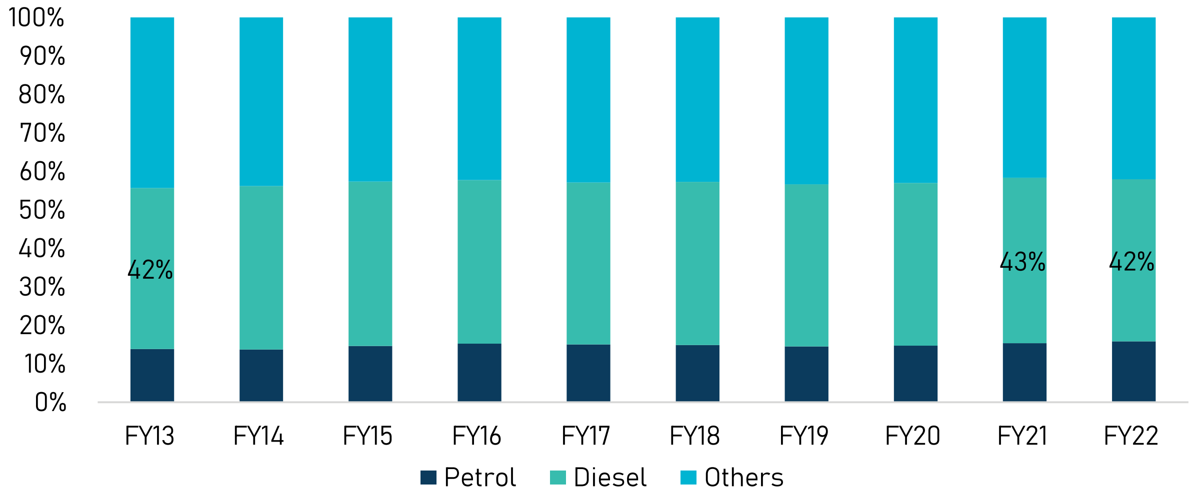
ONGC's realised gas price



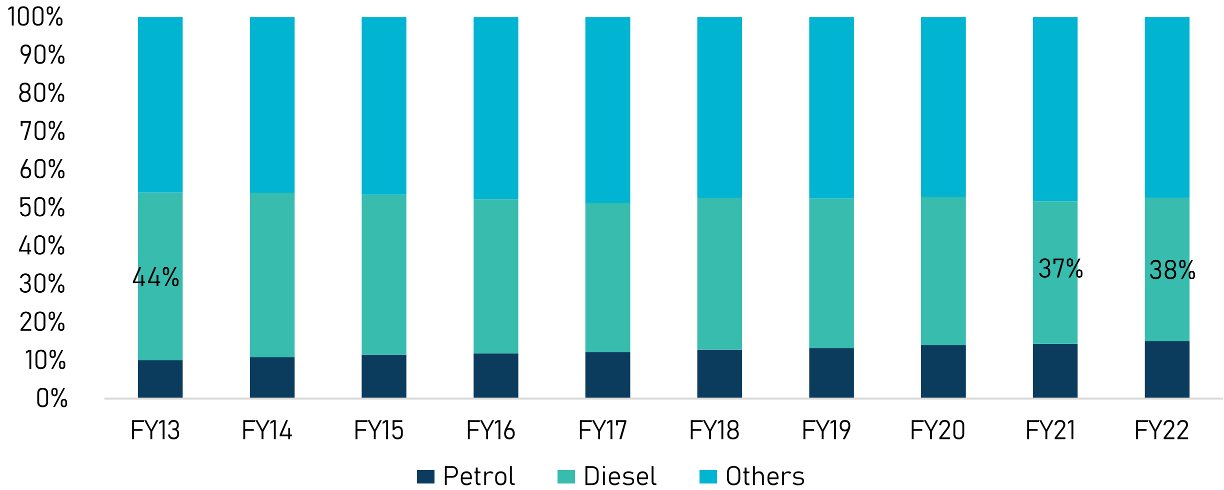
GREAT EASTERN'S superior capital allocation and chartering decisions are critical to net asset value (nav) accretion: NAV is a key metric for valuing shipping companies that represents the company's ships' mark to market value. Great Eastern emphasises that in the highly commoditized shipping industry, capital allocation decisions to buy and sell ships and deploy them in long-term or short-term voyages are critical to value creation. While the Company's NAV-based return from 2012 to 2017 was around 8% per year, the return for the five years ending March 2022 has been close to 15% per year. Better decision making is responsible for the nearly 7% CAGR higher returns.

BPCL flags out the dilemma of the domestic refiners : Domestic oil markets have been witnessing a structural decline in the consumption of diesel for the past few years due to building up of efficient logistics and improvement in electricity generation and transmission across the country. On the contrary, petrol sales have been on a consistent growth year-on-year. With most of the Indian refineries heavy on production of diesel as per their configurations, a typical refinery slate problem is created once the product swing capability is exhausted. It may lead to petrol being imported while diesel is exported to balance the demand-production situation, making it economically inefficient besides exerting undue pressure on port infrastructure.

Indian refinery are configured to produce high amount of diesel



Where as the diesel consumption is structurally coming down....



FMCG


SHIKHAR
Order Anytime
Fast & easy way to order top selling brands for your shop.

With its Shikhar App, HUL is responding to modern B2B distribution platforms: The B2B Shikhar app from HUL is now accessible in 0.8 million establishments. The app enables zero-contact order placement, allows users to view prices and discounts and track stock and shipments. By enabling users to place orders online at their convenience, receive faster and more dependable service, and improve assortment, the app addresses the two primary problems that a shop faces: space and capital.

ITC demonstrates its brand adjacency strategy as a growth lever: The company is well positioned to address adjacent growth opportunities by leveraging the 25+ mother brands it has established over the years. Aashirvaad to Dairy, Ready-to-Eat, Vermicelli, Salt, and Spices; Sunfeast to Dairy Beverages and Cakes; Bingo to Namkeens; ITC Master Chef to Frozen Snacks and cooking pastes; Savlon to surface and clothes disinfectant sprays, sanitizers, masks are some recent examples of this strategy

According to ADANI WILMAR, four realities are hastening a structural shift in India's food consumption:

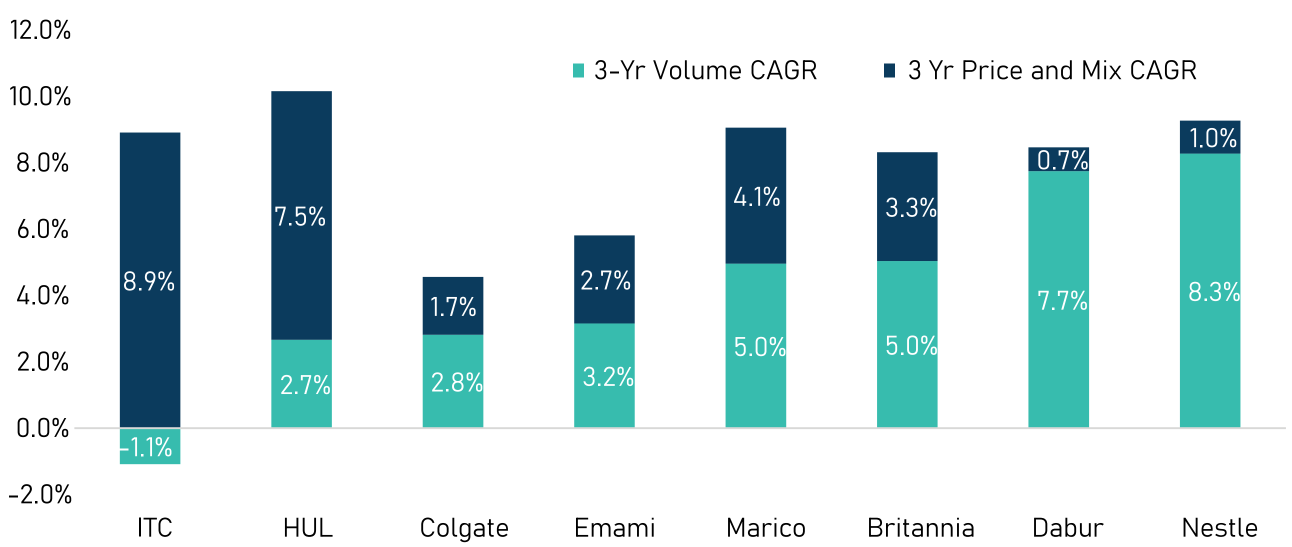
Brand: The Indian consumer would purchase a variety of products from various brands. The same consumer now seeks to trust a few select brands and purchases everything from them.

Hygiene: There is a higher premium on trust, allowing consumers to pay more for superior branded and packaged products – in contrast to longstanding price sensitivity that translated into the purchase of loose products; the switch from unbranded to branded staples increased threefold in the last year.

Food hygiene: Following the pandemic, there is a greater emphasis on eating safe and eating right, resulting in a greater need for ingredient and resource integrity.

Convenience: Consumers are increasingly looking to buy from the comfort of their own homes via the internet or through modern trade formats, supported by the vernacularisation of content.

FY22 3- Yr Volume and Price/Mix CAGR

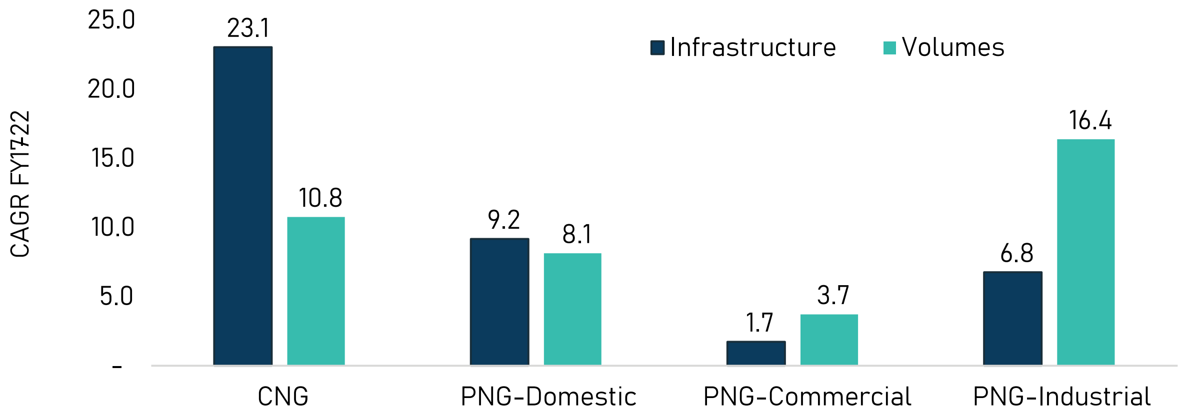


Source : Company disclosures

GAS UTILITIES

GUJARAT GAS's efforts to expand CNG infrastructure have yet to bear fruit: 70% of Gujarat Gas volumes are still accounted for by the lower margin Industrial segment, the majority of which are from the price sensitive Morbi market. In FY17-22, the company expanded its CNG station network by 24% CAGR, while volumes from this higher margin segment grew at just a 10% CAGR.

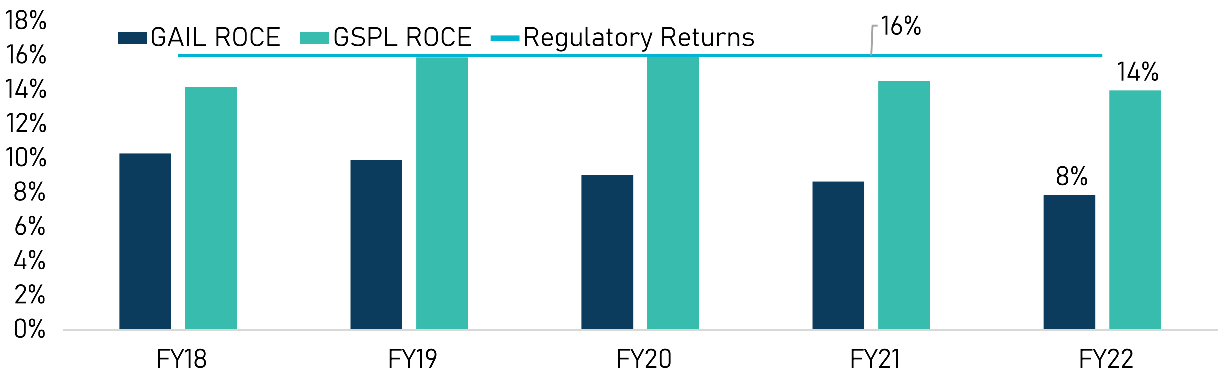
Infrastructure vs volumes



Infrastructure is stations for CNG and number of customers in other segments

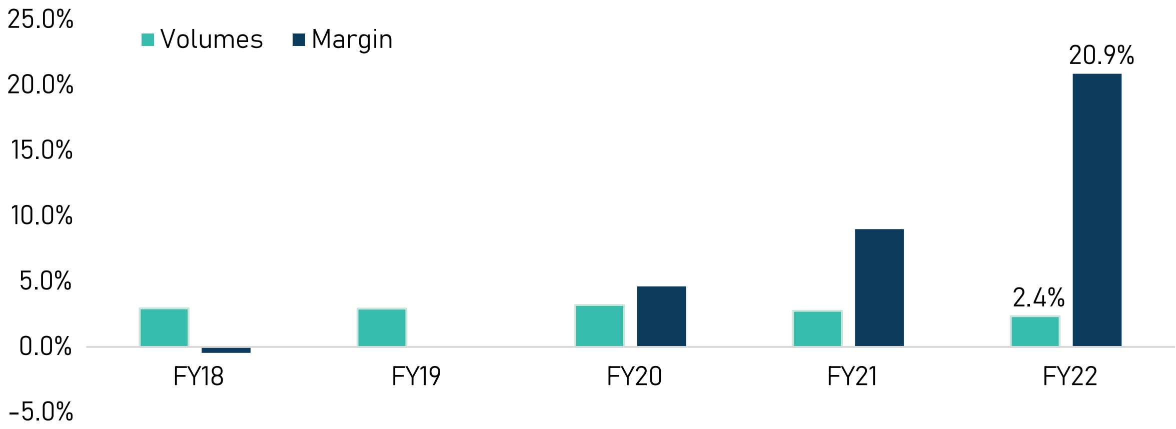
The ROCE for GAIL's transmission sector is only half of the regulatory returns: because of GAIL's lower transmission utilization (GAIL - 40% vs. GSPL 75%). Regulation mandates minimum utilization of 75% to earn regulatory returns.

GAIL and GSPL's return on capital employed



PETRONET's inventory gain may be unsustainable: Given the global rise in LNG prices (the spot price has increased three-fold), Petronet has experienced large inventory gains; nevertheless, these gains may not be sustainable.

Spot contribution to volumes and margins



Source: Company and internal calculation

HFCs & NBFCs

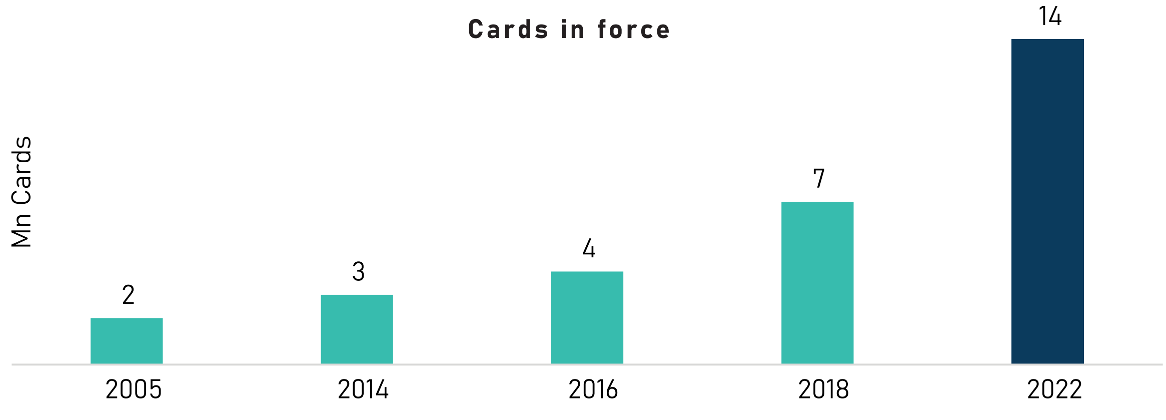
According to HDFC, the home loan market will double in the next five years: The Indian home loan market is estimated to be slightly more than US$300 billion, representing a mortgage-to-GDP ratio of 11%. The demand for home loans is still high. The sales momentum, combined with the regular launch of several new projects, bodes well for the housing sector. Within the next five years, management believes India will be able to double its home loans to around US$600 billion. Despite the doubling of housing loans, India's mortgage penetration is expected to remain low at 13% of GDP.

Volumes for BAJAJ FINANCE (BAF) still below pre-covid levels: Consumer durable/Lifestyle and e-commerce remained 3-15% below pre-covid (FY20) levels. Risk aversion remained high in the 2-wheeler and 3-wheeler segments resulting in sharply lower volumes vs pre-covid, its market share in Bajaj Auto sales stood at 37/44% in 2W/3W vs. 54/51% in FY20. BAF plans to add other OEMs for Auto Financing in FY23. Small-ticket loans volume in new bookings was also lower at 0.66m vs 1.96m in FY20 as the company had stopped disbursing them to reduce the pressure on collection teams. Cross-sell to existing customers contributed ~64% vs. 65/70% in FY20/21 and average of ~60% FY16-19 in the new loans booked.

FY22 has been a year of "expanding horizons" for CHOLA. Chola extended beyond traditional segments and explored new horizons to cater to the changing needs of customers. It launched two new businesses, consumer and small enterprise loan and secured business and personal loan (the company disbursed 12% in the new segment in Q4FY22) . It acquired Payswiff Technologies and invested in Paytail Commerce to participate in the fintech space.

SBI CARDS is now in the purple patch: SBI Cards took more than a decade to double its card volumes, but despite a covid-induced slowdown, it nearly quadrupled them in half the time.

SBI CARDS: Cards in force

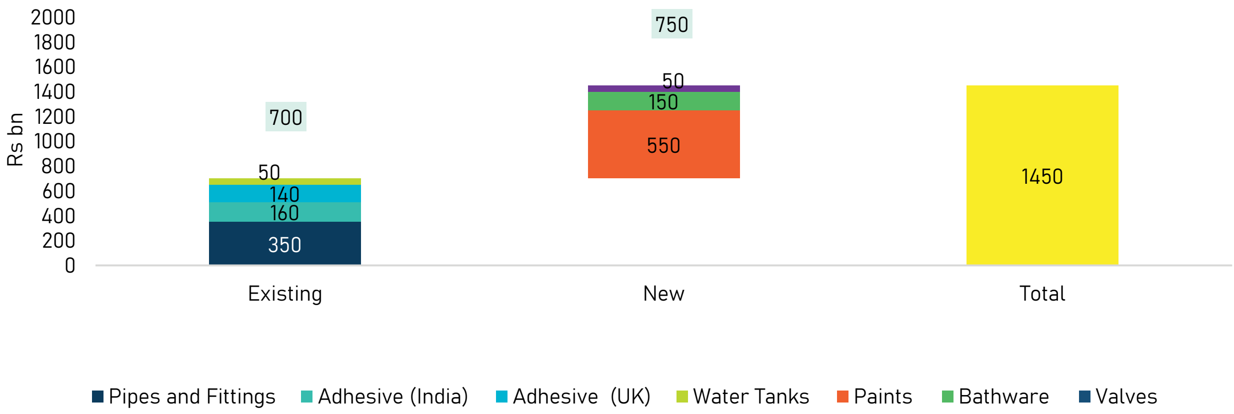


HOME BUILDING

ASIAN PAINT's intention is to transition from "share of surface" to "share of space: Asian Paints highlights the company's efforts to strengthen its position in its core business of decorative coatings while also expanding into new areas such as home décor, waterproofing, safe painting services, beautiful home services, and so on. The company has articulated its vision of expanding beyond "the walls" to a larger home décor space, for which it is bolstering its offering through acquisition, network expansion, interior design services, and experiential retail stores. The company focused on tapping alternate channels for network expansion, new launches, increased discounting to remain competitive, and deeper penetration in its core decorative coating business.

ASTRAL on TAM expansion: To become a full-service homebuilding company, ASTRAL has revised its product portfolio approach by expanding into paints, sanitary ware, and faucets. The company expects to generate 30% of existing revenues from these segments in next five years with minimal capex.

Astral on TAM expansion

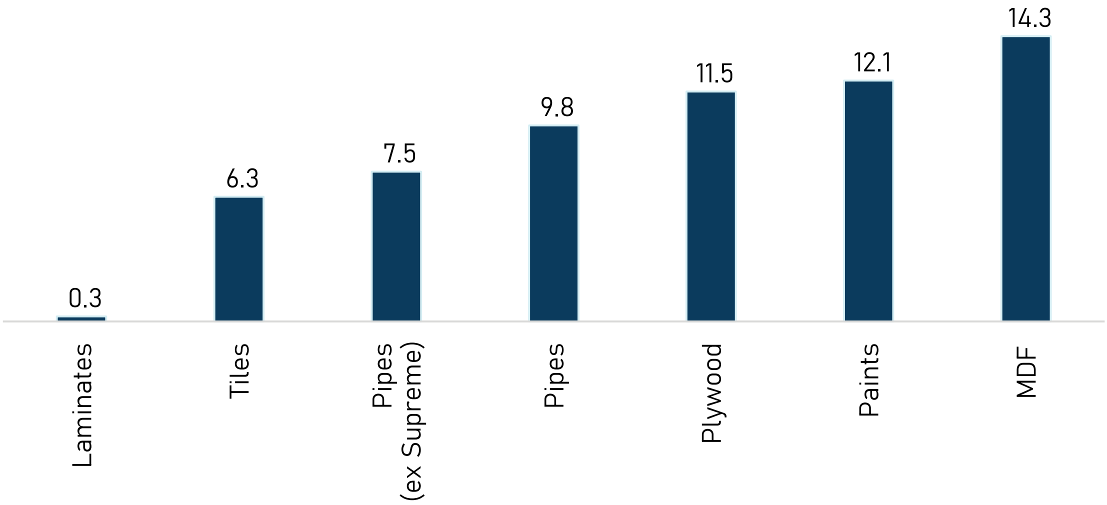


Source: Company annual report

KAJARIA notes the regional players are losing ground in the domestic market primarily as a result of 1) Turning their attention to the Western market, 2) Significantly reduced operational flexibility due to fuel price spike, and 3) Inability to extend longer credit terms to dealers than they did in the pre-covid era. The combination of these factors has created a sizeable vacuum in the domestic market for the branded players to fill in.

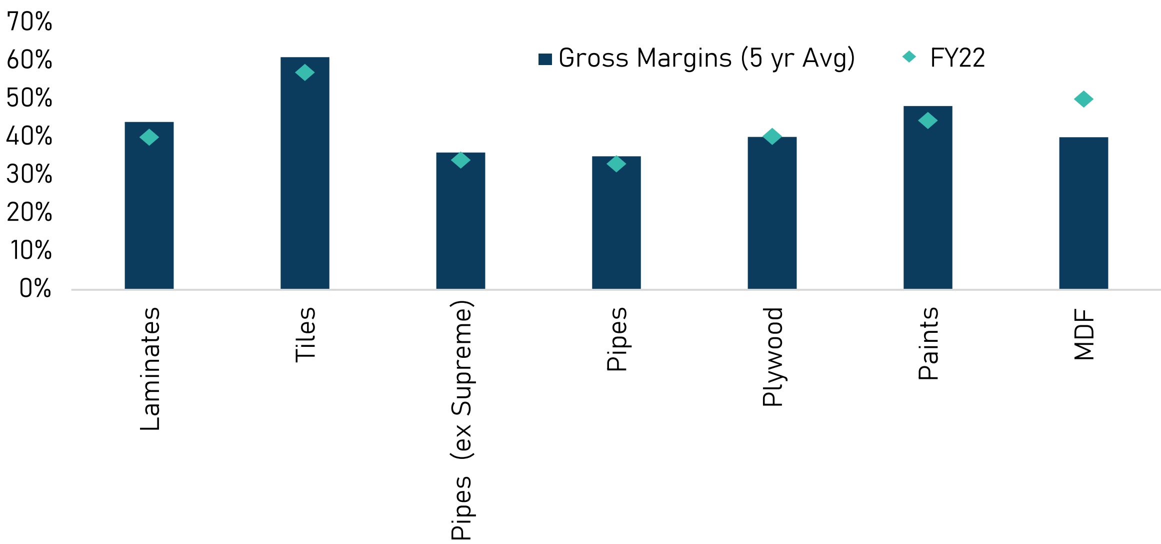
Mixed performance from paint companies

5-Yr Revenue CAGR



Source: Based on the representative set of companies

Gross Margins



Source :Company disclosures

INFORMATION TECHNOLOGY

TCS on why smaller (IT) companies are growing faster: The impression about smaller companies growing faster is more due to sampling bias, based on a handful of highly visible outperformers. That is not true if one looks at the global cohort. Even though the bottom quartile by revenue size had its best growth in a decade in 2021, it still underperformed the top quartile by a significant margin. Overall, the current demand environment is a rising tide that has lifted all boats. Horizon one is very democratic opportunity, largely technology centric having enough people with requisite certfications and skills is sufficient to participate in this opportunity

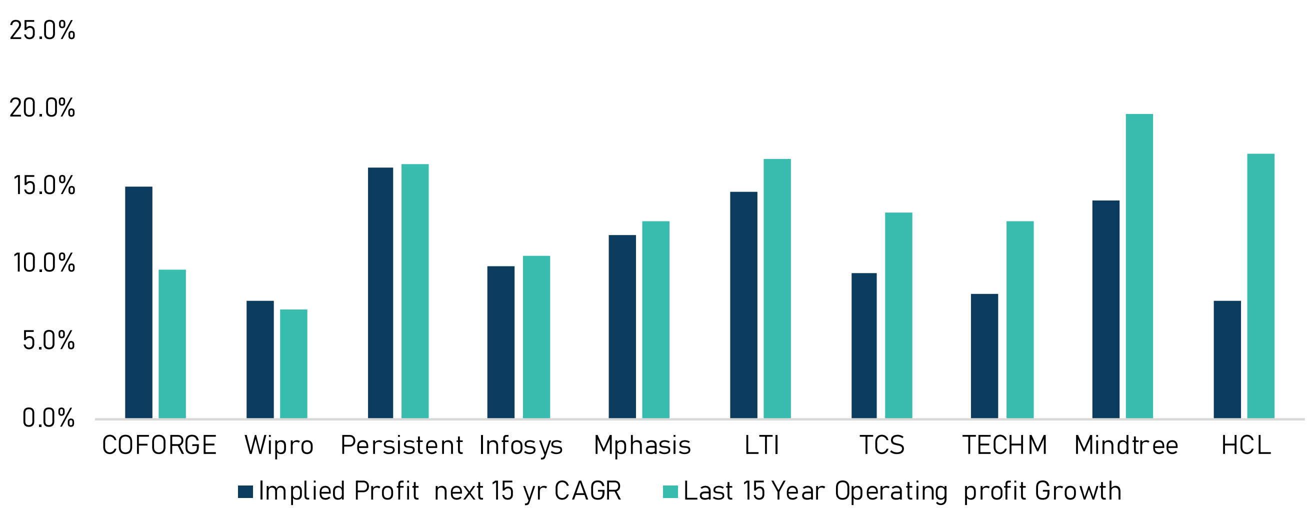
INFOSYS has room to grow among Fortune 500 clients: Infosys' number of Fortune 500 clients reduced by 5 in FY22 to 184. The total number of US$100 mn plus clients stood at 28. The company has added only 4 Fortune 500 clients while overall addition to active accounts was 331 over the past few years. Both the number of Fortune 500 client served and the total number of US$ 100 mn+ clients is indicative of significant room for client addition and penetration in the Fortune 500 accounts for Infosys.

Intangibles (excluding goodwill) at TECH MAHINDRA INCREASED by 2.5x: in FY22 to Rs 36.6 billion, primarily due to acquisition intangibles. A significant portion of the increase can be attributed to customer relationships, indicating a high concentration of clients in several of the acquired entities. These intangibles' accelerated amortisation charge impacted 4QFY22 margins and will continue to impact margins in FY23.

TECH Mahindra's Intangibles contibution

Rs bn	Customer relationships	Other intangibles	Goodwill	Total	Total Intangibles
CTC	8.3	2.3	14.1	10.6	3.2
DigitalOnUS	3.5	0.2	5.3	3.7	10.1
Allyis India	3.7	0	4.7	3.7	0.7
Lodestone	3.1	0	4.2	3.1	31
Activus Connect	0.9	0	2.1	0.9	10.3
Eventus	1	0	1.4	1	
Others	0.9	0.9	2.7	1.8	30.2
Total	21.4	3.4	34.5	24.8	20.1

Implied operating profit growth for next 15 years vs Actual 15 year operating profit growth



Source Implied profits growth based on reverse DCF based on the prices as on 27 Sep-2022

INFRA & CAPITAL GOODS

FY16-22, L&T distributed all standalone free cashflow to shareholders: Two major concerns for investors are a lack of free cashflow generation and investments in subsidiaries. Between FY16 and FY22, the company distributed all free cashflows generated by standalone operations and did not reinvest in subsidiaries on a net basis. By FY26, the company hopes to achieve a 15% revenue CAGR and an 18% ROE (11% currently). With the concessions portfolio removed, the company already has a ROIC of 19%.

Key cashflow metrics for L&T standalone

Rs bn	2010-15	2016-22
Free Cashflow Generation	90	240
Pay-out to shareholders	63	243
Net investment in subs	107	1

Revenue and ROE targets

	FY21	FY22	FY26	CAGR
Order Inflow	1.7	1.9	3.4	14%
Revenue	1.4	1.6	2.7	15%

Industrial gas consumption has several structural drivers, according to LINDE: Linde projects that demand for industrial gases will increase by 9%. (1.5 x IP). Because of high commodity prices and a pickup in infrastructure demand (metals account for 60% of the company's Industrial gas sales), the company is upbeat on demand from the steel industry. Specialty and argon sales would rise by 25% in response to a resurgence in the auto industry (15% of Linde's industrial gas sales). The healthcare industry (14% of Linde's industrial sales) would grow because of government initiatives like the National Health Mission and PM Ayushman Bharat Health Infrastructure Mission. Specialty gas sales for Linde surged by 50% in CY21 driven by sectors such as photovoltaic solar, lighting, optic fibre and healthcare sectors etc (we estimate that their contribution has gone up by 300 basis points YoY to 8%).

THERMAX on the progress on its three key strategic objectives:

1) Increase the share of green offerings which includes providing clean air, water and energy solutions. The company highlights 75% of the order bookings is from green portfolio (vs average of 66% FY19-21),

2) Grow the products and services portfolio to reduce the cyclicality of the projects business (portfolio includes industrial and chemical products, services and digital solutions. The orderbook from the portfolio is up 41% during the year)

3) Focus on internalization to increase market share in selective international geographies. The international orders were up 38% (up from 7% in FY21)

INSURANCE

SBILIFE going from strength to strength: SBI Life continued to increase its market share in the retail business in both the private and total market. Individual rated premium market share increased to 23.4% of the private market and 14.7% of the overall market. Expanding geographical reach of distribution network (addition of 5 offices, 7 brokers and 54.5k agents leading to share of rural sector policies increasing to 28.7%) and launch of 5 new products aided the growth in FY22.

Mkt share in New Business Premium

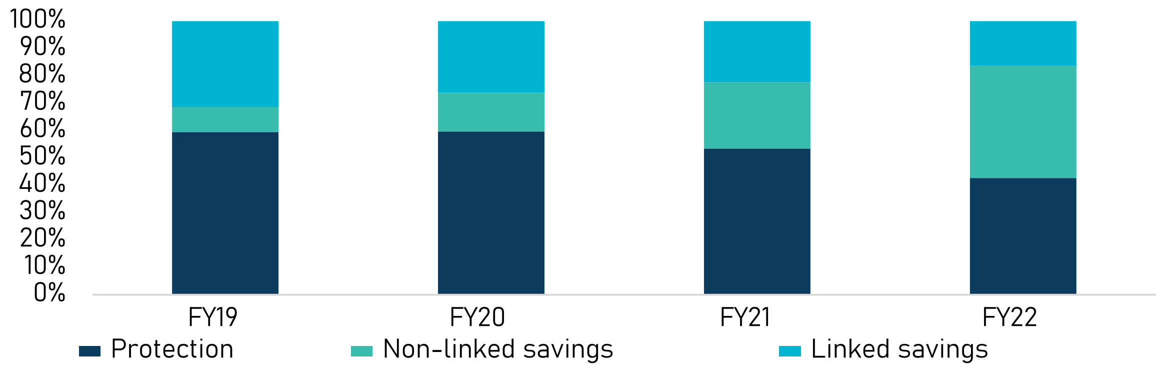
Mkt shr (%)	FY18	FY19	FY20	FY21	FY22
Pvt market	18.5	19	20.5	21.9	22
Total	5.7	6.4	6.4	7.4	8.1

Mkt share in Individual rated premium

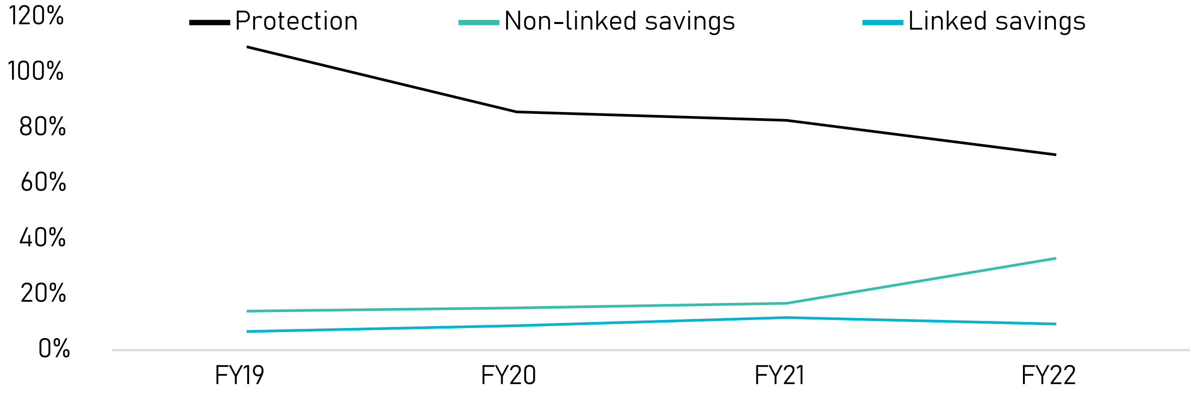
Mkt shr (%)	FY18	FY19	FY20	FY21	FY22
Pvt market	21.8	22.3	23.2	22.6	23.4
Total	12.3	12.9	13.3	13.5	14.7

ICICI PRUDENTIAL LIFE's value of new business (VNB) mix has consistently seen diversification, with non-linked savings products generating 42% of VNB in FY22, as margin profile of the segment almost doubled to 33% and led to best-in-class headline margins of 28% for FY22. The margin profile for protection products, on the other hand, trended lower (from 86% pre-covid in FY20 to 70% in FY22).

ICICI Prudentials VNB mix

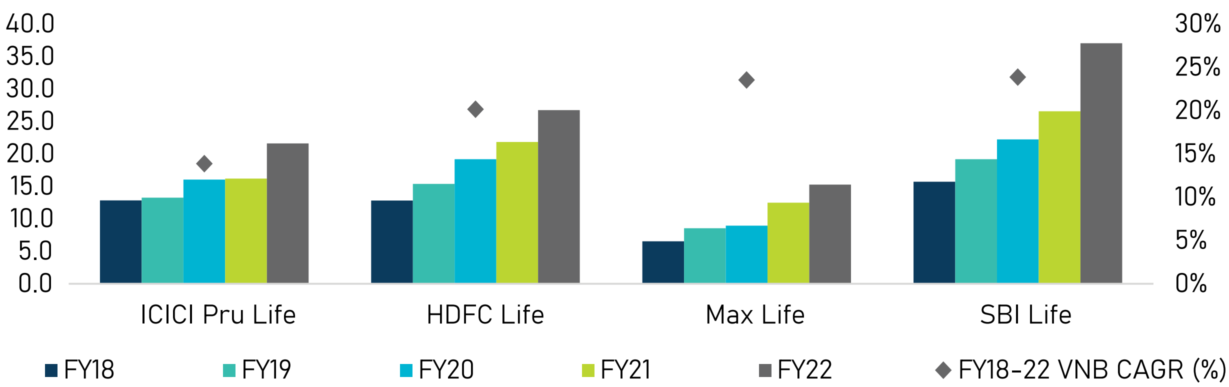


ICICI Prudentials VNB mix



ICICI LOMBARD's focus on profitable growth: Since its de-tariffication in 2008, the general insurance (GI) industry has delivered a 14-year GDPI CAGR of 15.5%, while the company has delivered a 12.9% Gross direct premium income CAGR during the same period. However, given ICICI Lombard's philosophy of long-term profitable growth, while the GI industry PAT CAGR was 2.4% (13 years from FY2008 to FY2021), ICICI Lombard delivered a PAT CAGR of 22.7% during the same period. Headcount productivity increased at a 14.0% CAGR (FY08 - FY22).

Strong double digit operating profit (VNB) growth for Life insurers



Source : Company disclosures

METALS

JSW GROUP's strategy continues to emphasize capacity expansion. After nearly doubling its capacity in the last six years to 27 million tpa, the company plans to increase capacity to 37 million tpa by FY25 with a greater emphasis on value added products (share of value-added products increased to 60% from 48% in FY20).

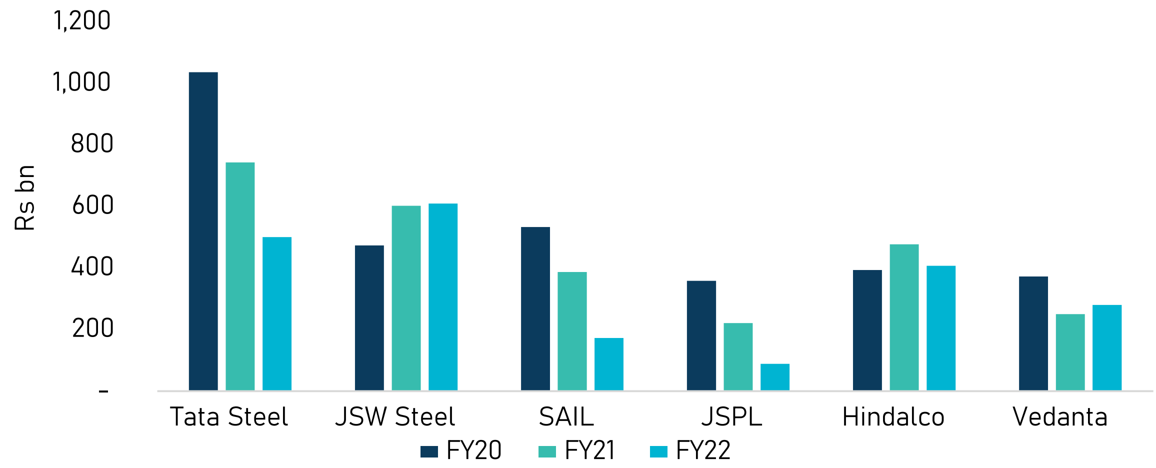
TATA STEEL will continue to prioritize three areas:

1) Increasing domestic capacity (acquired 1 million tpa Nilanchal Ispat plant, scalable to 10 million tpa and accelerating 6 million tpa pellet, 2.3 million tpa CR plant, and 5 million tpa Kalinganar expansion);
2) Diversifying into 'New Material Business' (Composites, Graphene, and Medical Materials & Devices (already commissioned 100 TPA Graphene capacity and investing in medical Hydroxyapatite (along with prefabricated door frames and housing business, this segment is expected to account for 25% of revenues in the long run) and
3) Balance sheet strengthening (to pay down debt by at least US$ 1 billion despite high capex levels).

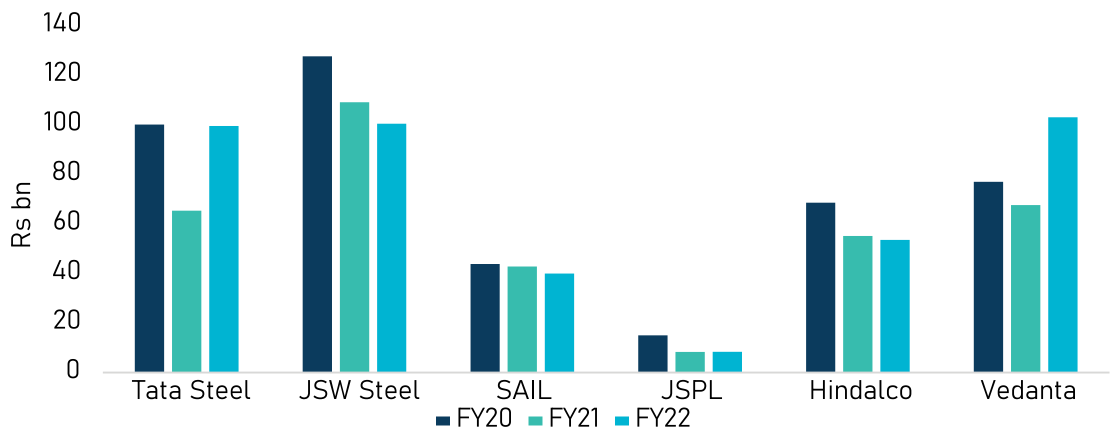
HINDALCO has announced one of the largest organic capex plans in its history, spending US$ 8 billion over the next five years. Most of the capex (US$ 4.5-4.8 billion) is aimed at increasing Novelis capacity (including US$ 2.5 billion in greenfield CAN/Auto capacity) from 4 million to c.6 million tpa. Similarly, US$3.4 billion is expected to be spent on increasing Indian capacity (US$1 billion or more on value addition up to 70% from 35% currently).

Net debt vs Capex

Net debt



Capex



Source : Company disclosures

2 WHEELER OEMS

TVS on falling two-wheeler sales: The drop was caused by a lack of demand in both urban and rural markets, with rural markets taking the brunt of the damage. While the monsoon remained favourable, the non-agri rural services sector underperformed significantly. As a result, demand for entry-level and mid-level commuter motorcycles and mopeds has decreased. Rural markets were impacted by savings depletion, income erosion, broad inflation, and rising vehicle prices as a result of commodity price increases.

EICHER highlights the impact of digital initiatives: Eicher customers can use recently launched the Royal Enfield app, to schedule service appointments, book a motorcycle, browse the community ride schedules, and explore the Make it Your (MIY) options for customizing their motorcycles. When MIY option is available, it accounts for 80% of bookings for models. The company intends to include MIY as an option for all its bikes and to make it accessible worldwide. Eicher is hopeful that a wider range of options under MIY across the product lines will increase consumer spending on motorcycles. The app accounts for 8% of bike servicing needs since its launch last year. Over the past two years share of online inquiries and bookings have increased by two and half time and five times respectively for the company.

HERO'S export aspirations: Hero MotoCorp's new strategy for its global business called R4 has delivered 300K+ two wheelers in 43 markets up 57% YoY (13% 3-year CAGR). The company is targeting 15% volumes from the export markets (from ~6% currently).

Updates on EV initiatives of the companies

BAJAJ

Bajaj established a new EV subsidiary company called Chetak Technology Ltd. This subsidiary will be home to all EV-related activities like R&D, aftermarket sales, and so forth. Additionally, plans been drawn to set up a new state of the art manufacturing facility at Akurdi, Pune.

EICHER

Plans for electric vehicles will be a crucial component of the "Rebalance" strategy for EICHER's product development process. The goal of making modern classic motorcycles affordable and appealing to consumers today will serve as the motivation behind the concentration on EV.

HERO

Hero's three-pronged strategy for electric vehicles (EVs) consists of, first and foremost, developing a portfolio through internal initiatives at the R&D hub, secondly through Hero Hatch, the company's internal incubation centre, and thirdly through partnerships with external entities

TVS

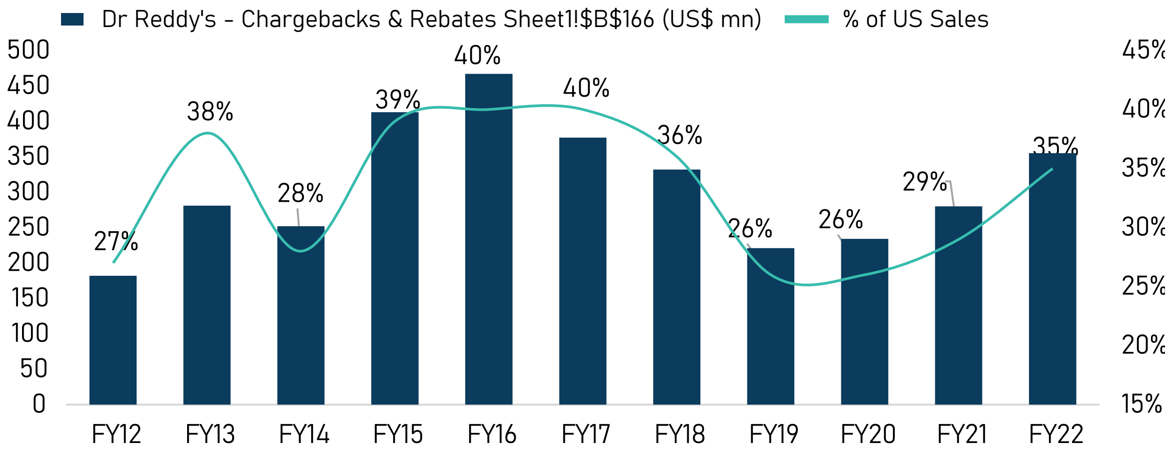
The R&D team intends to focus on building the core technology for EVs such as battery, e-powertrain, controllers & infotainment, etc. The EV scooter iQube had sales of 9,000+ units while contributing 1.2% to the revenues.

Source : Company Annual Reports

HEALTHCARE

DR. REDDY'S global generics (gg) segment experienced significant price erosion: While Dr Reddy's volumes in the GG segment increased by 17% in FY22 (7-year high), price erosion increased to 12% (4-year high), offsetting two-thirds of the volume growth. After bottoming out at 26% of US revenue in FY19/20, chargebacks and rebates provisions (CRPs) in the US have increased to 29/35% in FY21/22, indicating a deteriorating pricing environment in the US generics market. CRPs peaked at 40% of US revenue in FY16/17 and have since dropped to 35%.

Dr Reddy's chargebacks and rebates



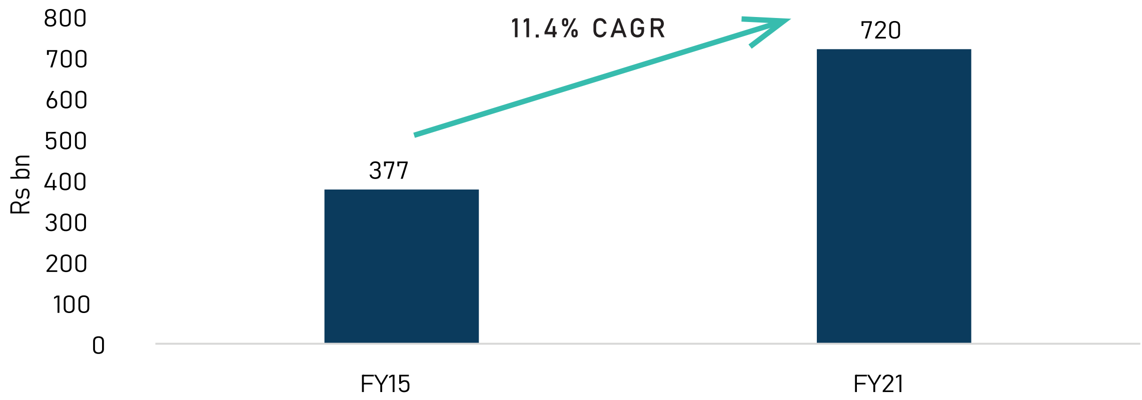
Source: Company annual report

LUPIN admits to inefficient capital deployment and aims for 20% ebitda margins: Lupin claims that its recent acquisition and R&D spending failures demonstrate that its capital allocation strategy has been ineffective. The company aspires to be more selective in its acquisitions and R&D efforts. The goal for the near future is to return to EBITDA margins of 20%. (EBITDA margins were at 14% in FY22)

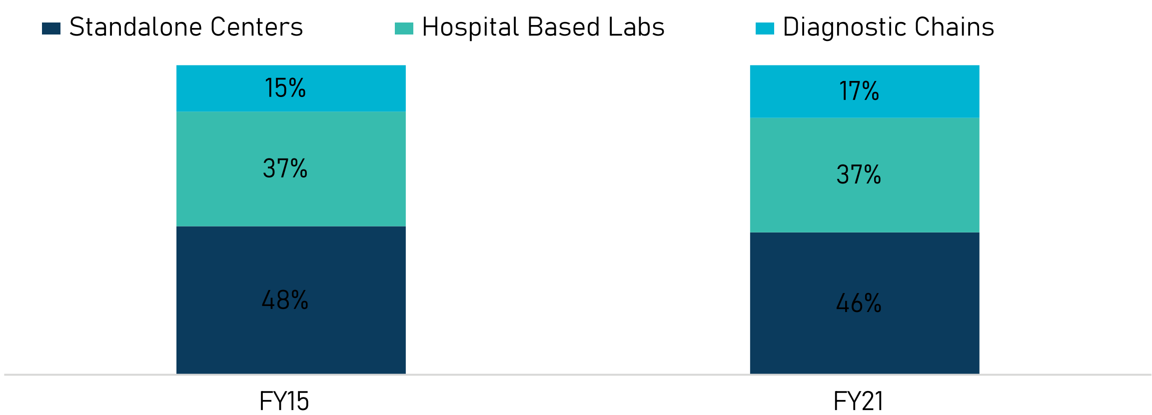
DR LAL highlights the changing dynamics of diagnostics industry: Increasing salience of home collection and online test booking, rising awareness of preventive healthcare, rising competition from smaller and regional labs and online platform and web aggregators establishing their physical presence. The Indian domestic healthcare market grew at 12% CAGR FY15-21 with rising market share of diagnostic chains at the expense of standalone centers

Indian diagnostic industry trends

Diagnostic Industry Growth

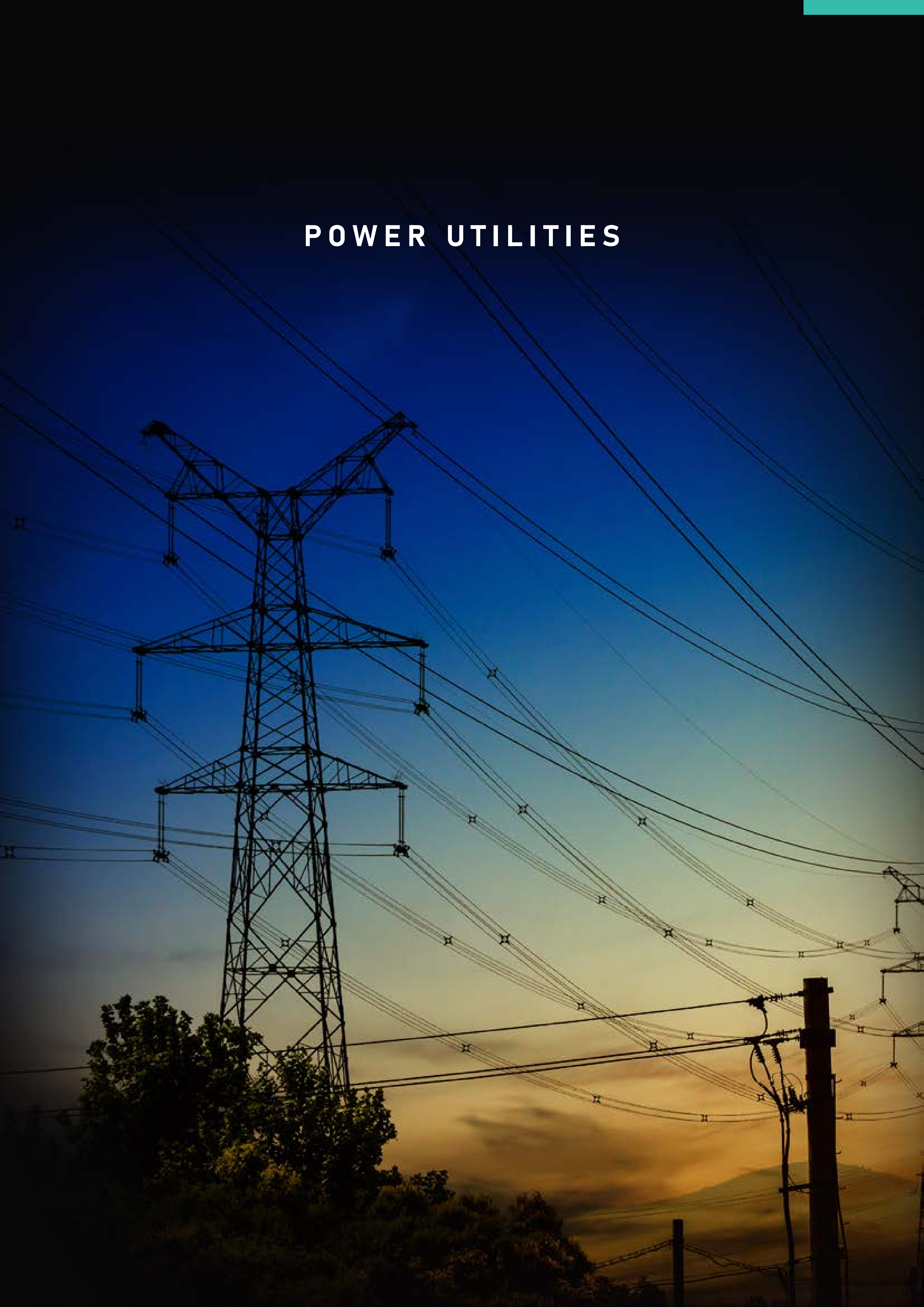


Market Share Split



Source : Dr LAL's Annual Report

POWER UTILITIES

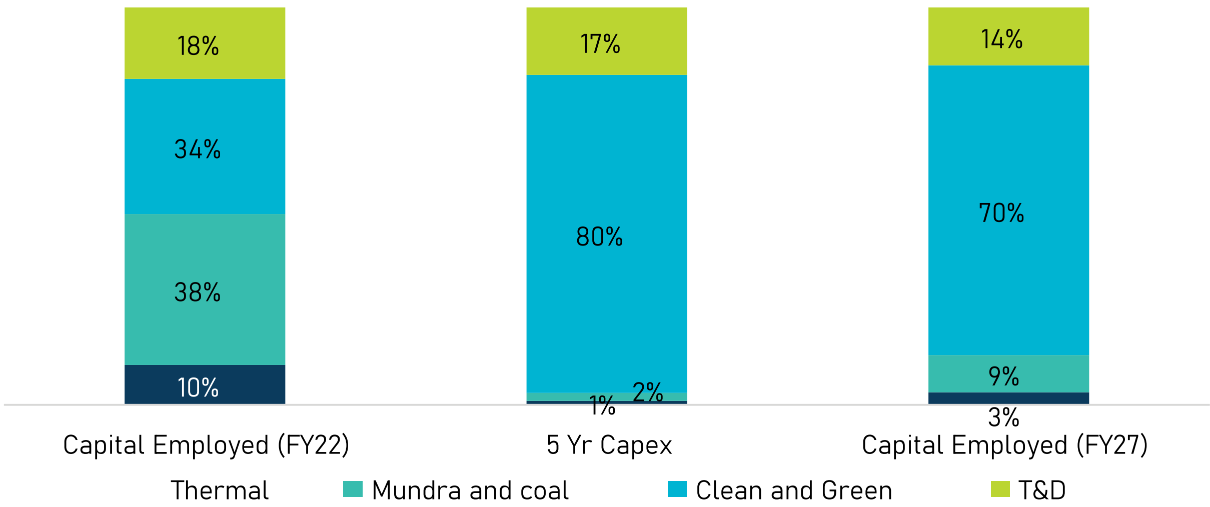


NTPC provides updates on its renewables (RE) portfolio: NTPC has committed to constructing 60 GW of renewable capacity by 2032. 2GW of capacity has been commissioned, 4GW is under construction, and 5GW is up for bid. The construction of Gujarat's largest renewable energy park (4750 MW) has begun. NTPC and the Government of Rajasthan have agreed to allocate land parcels for the development of a total renewable capacity of 10 GW. The company is also establishing a merchant capacity of 1600 MW. NTPC intends to consolidate all “green” assets through a new company, NTPC Green Energy Limited (NGEL), and has obtained government approvals to transfer RE assets to the new company. The organization is in the process of identifying strategic investors for NGEL

GRID parity for renewable energy, in the opinion of ADANI TRANSMISSION, will mark a turning point for the transmission industry. Grid parity has been established for solar and wind energy. This one occurrence fundamentally changed India's transmission network map for an intriguing reason. Solar and wind energy might be produced in literally hundreds of locations, as opposed to traditional energy sources. To transport this power, India now required additional transmission lines. This was not the end of the story. The declaration by India that it intends to start one of the largest renewable energy capacities in the world by 2030 would be supported by a long-term policy. The combination of breadth and size gave India's power transmission industry fresh life.

TATA POWER intends to expand its “green” portfolio and B2C business: By FY27, the company plans to more than double its capacity to 30 GW (from 12 GW now), with more than two-thirds of its portfolio designated as 'Clean & Green.' Consumer-oriented and new-age businesses are on the verge of explosive growth. The company expects its customer base to grow to 40 million from the current 12 million. The company, on the other hand, is less sanguine about its ROE targets, expecting a >12% ROE by 2027.

Tata power reallocating capital to cleaner and consumer driven businesses



Source : Tata Power's Annual report

RETAIL

DMART outlines their business strategy: "Our fundamental business model thrives on the principle of doing more with less. Value retail is more supply chain than retail. Our ability to deliver good quality products in the most efficient manner and in a conducive environment to our end consumer is the bedrock on which the business model was created and further strengthened. We like bulk at every step of the process – bulk in procurement, bulk in movement of goods and bulk in buying behavior of our shoppers".

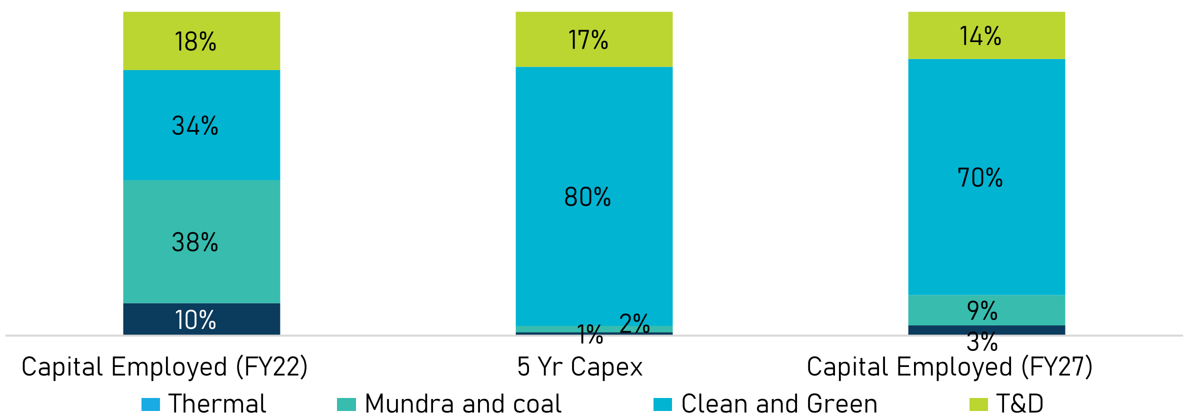
TITAN's Tamil Nadu market share expansion strategy: One of India's largest jewellery markets, Tamil Nadu accounts for 40% of the nation's gold consumption. Titan emphasizes that it has increased its focus on making Tanishq a stronger and bigger brand in the state as part of its regionalization strategy. Based on in-depth customer insights, the company has launched several initiatives, such as network expansion, regional product introduction, and culturally relevant marketing activities, which are producing strong growth. (In Tamil Nadu, Titan's market share is ~15% that of the industry leader).

BATA reorients the portfolio towards casual footwear: As consumer preferences shifted toward casualization, Bata responded by introducing casual footwear across multiple brands for men, women, and children. It bolstered its sneaker offering by introducing new 'Sneaker Studios' to showcase up to 300 styles and 9 brands in 107 stores and on its website Bata.in. With an average selling price of Rs 2,000, the sneaker portfolio contributed approximately 20% of sales. Hush Puppies increased its focus on casual shoes, contributing more to sales from this category with the launch of the Neo Casual collection for young professionals.

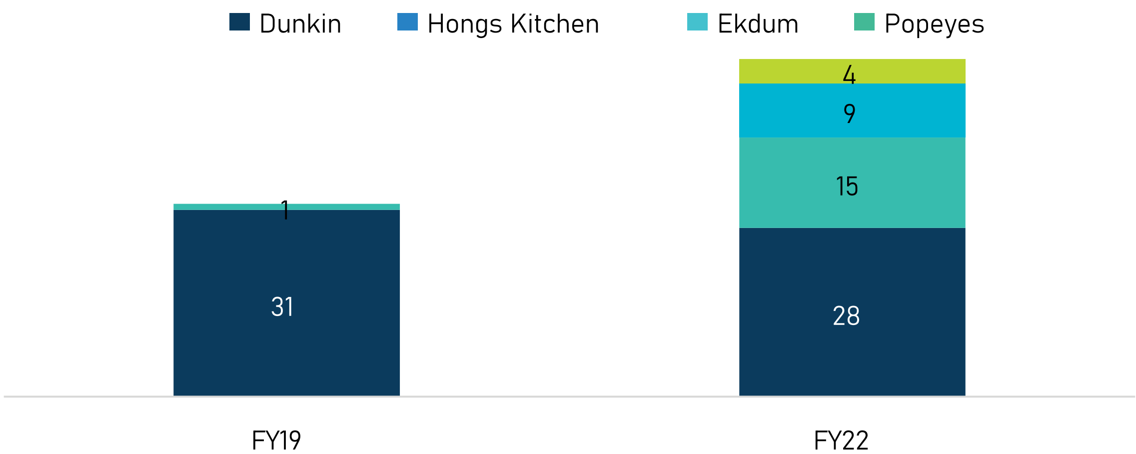
JUBILANT opened the 1500th Domino's store in India: FY22 was a watershed moment for Jubilant with the opening of the 1500th store. With this achievement, India became the only country outside of the United States to achieve this level. The company also set a record by opening 230 stores during the year. It maintained its medium-term goal of doubling the store count. Jubi delivered more than 70% of orders in less than 20 minutes by leveraging its expanded reach and digital capabilities. While the core Domino's portfolio delivered strong growth, other brands failed to reflect similar momentum

Jubilant's store roll outs

Core Dominos Portfolio



Other Brands



WHITE GOODS

HAVELLS will prioritize export as a key growth driver: Havells' growth strategy includes investing in people, new product development, and strategic partnerships with global players. Switchgear has been the company's lead product for export markets, and it is gradually expanding into other categories such as fans, cables, and air conditioners.

POLYCAB creates exclusive channel for FMEG: The company's dealers and distributors strength stand at 4600+ (up 1.4x since FY18), retail outlets at 205000+ (up 4.3x since FY18). About 21% of this network exclusively serves wire and cable business; 54% is utilised by the FMEG segment whereas 25% of the network is common to both the segments.

CROMPTON's perspective on the Butterfly acquisition: Crompton will significantly benefit by leveraging Butterfly's manufacturing facilities, R&D capabilities and distribution strengths in the dealer network as well as ecommerce platforms. Butterfly's wide portfolio will help Crompton expand its range of small domestic appliances. It also gives the company a strong foothold in South Indian markets where it can expand its other segments through Butterfly's strong dealer and distributor networks. At the same time, Crompton's pan India presence will help Butterfly's products scale faster in the rest of India

WHIRLPOOL highlights premiumisation trends: Demand for premium products was visible. Consumers were willing to pay more for innovation and design. Home renovation was high on the agenda of consumers and with that came investments in appliances with not only the latest technologies but also premium aesthetics. Mid and premium segment product categories witnessed demand growth however demand for entry level products remain subdued.

Focus on deeper Rural and Semi Urban penetration

HAVELLS

Havells Rural Vistaar program was launched four years back, with the objective to reach out to identified 3K towns. Havells is now the most penetrated FMEG company in rural markets, covering 40K retail outlets.

CROMPTON

Initiatives to reach low population rural strata (<1 lakh population centres) helped rural sales expand by 182%. The company believes there is tremendous potential in these areas and continue to invest in them

ORIENT ELECTRIC

During FY2022, OEL redesigned its fans distribution framework in Odisha and Bihar to extract the full market potential of these territories.

POLYCAB

It created a focused business vertical called ‘Emerging India’, with the aim of building presence in towns with up to 2 lakh population.

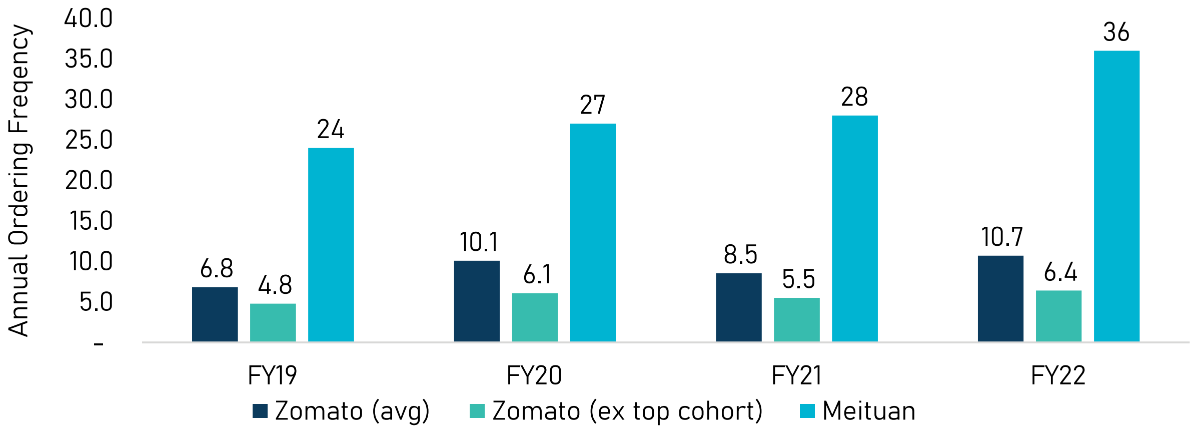
Source : Company Annual Reports

MISCELLANEOUS

Indian hotel's ambitious growth plan "AHVAAN 2025: Indian hotels builds on its Aspiration 2022 strategy with "AHVAAN 2025". The plan rests of 4 key strategic pillars 1) reaching a total of 300+ hotels (from 225 currently) 2) Achieving a consolidated EBITDA margins of 33% (from 14% in FY22) with management contracts and new business accounting for 35% EBITDA share 3) Obtaining an equal mix of owned/leased and management contract room keys 4) Maintaining a net cash balance sheet while pursuing growth objectives

ZOMATO'S annual ordering frequency: Zomato reports that 2.3 million customers order more than 50 times per annum. If this top cohort has an annual ordering frequency of 100, the annual ordering frequency outside of this cohort is just 60% of the company average. When compared to Meituan, these figures show that there is significant room for annual ordering frequency to increase.

Zomato's Annual Ordering Frequency



Source: Company annual report

BHARTI's net debt continues to mount: Despite industry consolidation since Jio's entry and improving P&L profile from November 2019, Bharti net debt position continues to be higher than FY17 given the limited free cashflow generation, spectrum purchase done in March 2021 and impact of Adjusted Gross Revenues penalty

Bharti's net debt

Rs bn	FY17	FY18	FY19	FY20	FY21	FY22
Net debt	941	944	1085	1165	1482	1553
Net debt excluding finance obligation	884	895	1037	859	1152	1167

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