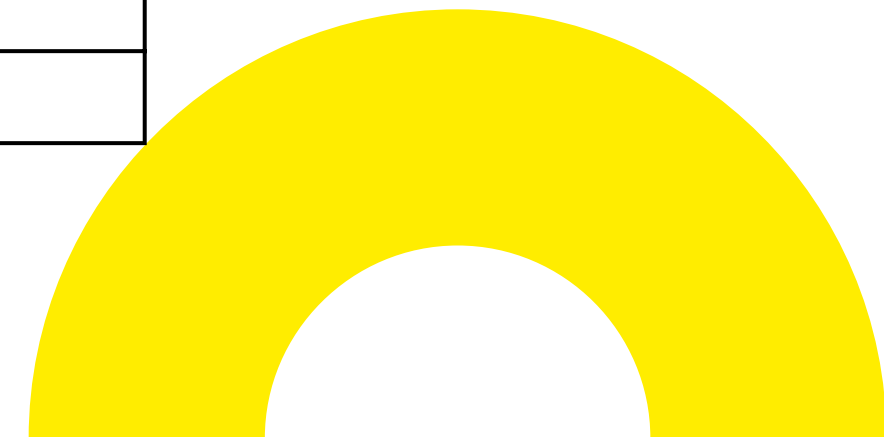


MONOPOLIES



WHAT DOES THIS PORTFOLIO CONTAIN?

Company	Industry	Weight
ITC	FMCG	13.4%
Sequent Scientific	Pharmaceutical	12.7%
EPL	Tube Packaging	11.5%
Hindustan Aeronautics	Defence and Aerospace	11.1%
Acrysil	Kitchen Product Manufacturing	9.3%
Satin Creditcare Network	NBFC	8.0%
Bharat Dynamics	Defence and Aerospace	7.5%
United Spirits	Alcoholic Beverages	7.4%
Genesys International Corporation	IT Services	5.4%
Jagsonpal Pharmaceuticals	Pharmaceutical	5.3%
Data Patterns	Defence and Aerospace	5.2%
ADF Foods	Food manufacturing	3.2%



ITC

ITC is a conglomerate that dominates the organised cigarette market in India, and is also a major player in FMCG, hotels, paper and agriculture, amongst other businesses

Why is a cigarette baron making biscuits for kids? Globally, cigarettes are a good and a bad business. Good for their loyal and addicted consumers. And bad because the government will always impose higher taxes to increase price and discourage people from smoking.

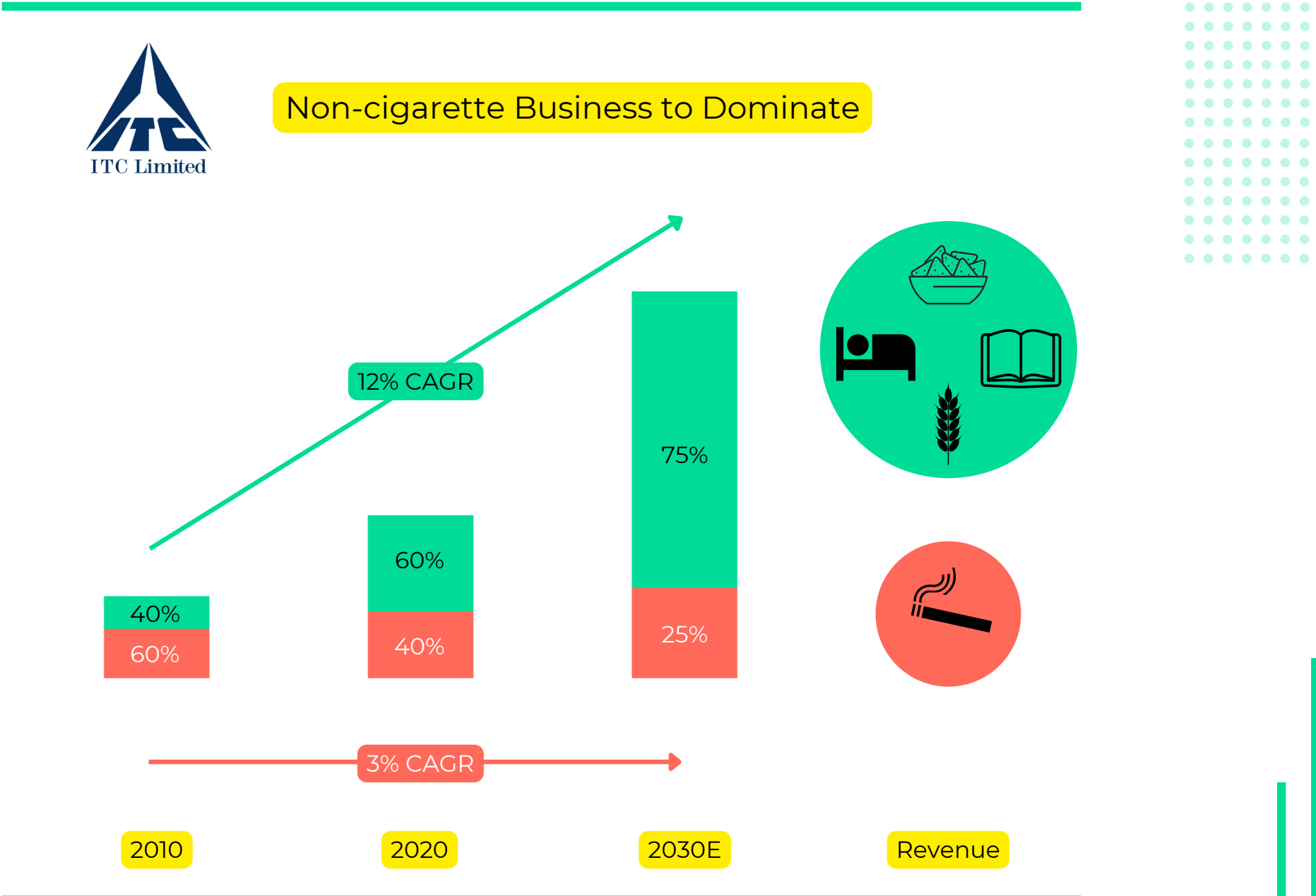
The result? Poor valuations for a good business. And hence an effort to diversify. And that's where we like ITC!

238

Entry

450

Target



WHY ITC?

1

Ample cash to diversify

ITC's tobacco business, which accounts for 40% of revenue saw a growth of 13% YoY in FY22, as the government skipped increasing taxes.

The business has unbelievably high operating margins of 75%. Even in low growth, the cigarette business is hence able to generate high amounts of cash, and fund ITCs diversification.

2

Increasing margins

Other businesses, (60% total revenue), were less than half of ITC's revenue five years ago. They businesses have grown at a 14% CAGR over the last five years, and continue gaining share. Whilst they are less profitable than cigarettes, they are in the investment stage, and are moving towards higher profits. Margins for the non-tobacco business expanded by 650 bps over the last five years.


3

Changing business mix

Over the next couple of years, ITC is likely to continue driving high growth (13% EBITDA CAGR). Along with this, it will also continue getting higher valuations, thanks to more revenue and profits from the non-tobacco business.

PE

At 20x EBITDA FY24, we see a price of Rs. 450 on ITC. Additionally, the tobacco business generates so much cash that ITC pays high dividends - some extra bucks on your invested money!



- 1. Increase in taxes on cigarettes might slow volume growth
- 2. Soaring commodity prices may hurt margins

SEQUENT SCIENTIFIC

148

Entry

180

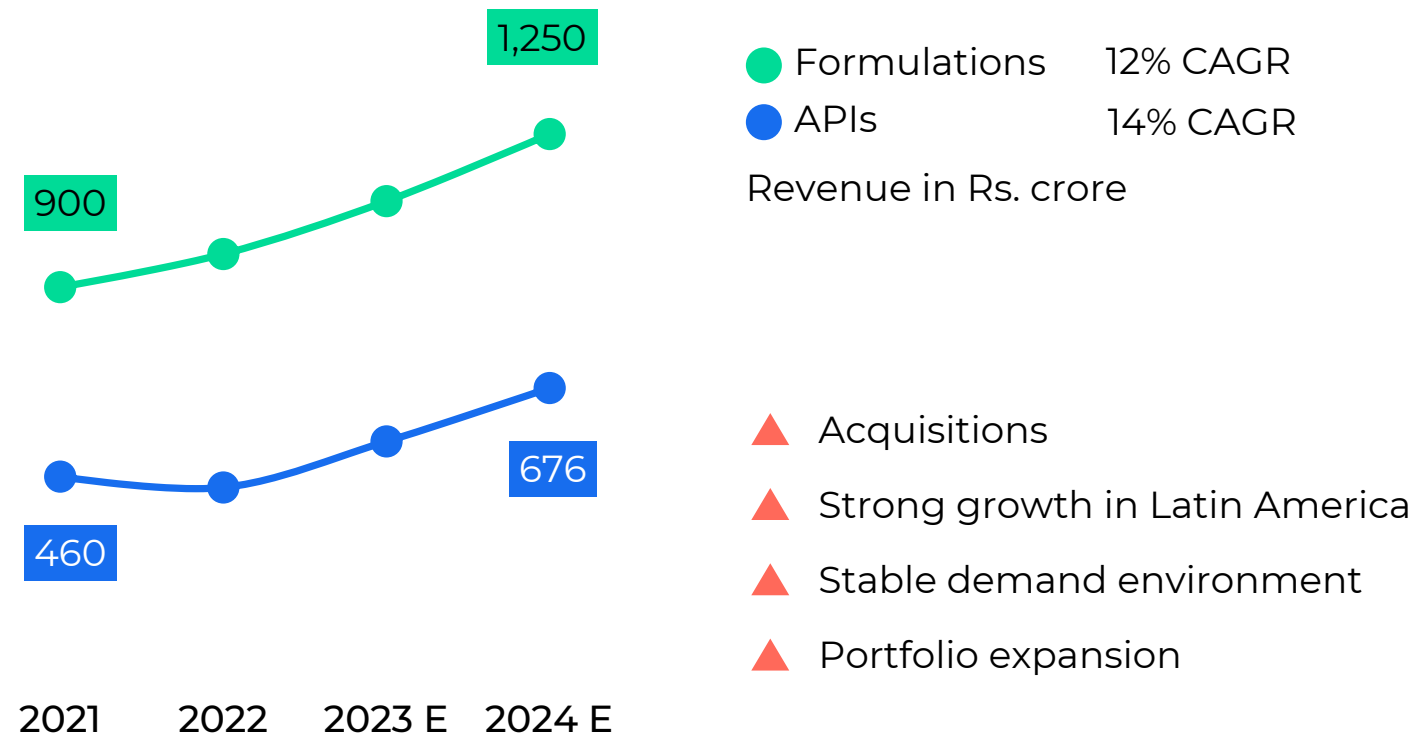
Target

We have a lot of pharma companies that cater to manufacturing all sorts of medications for humans. But who does the same for animals? Sequent Scientific has taken up the challenge of manufacturing quality veterinary solutions globally

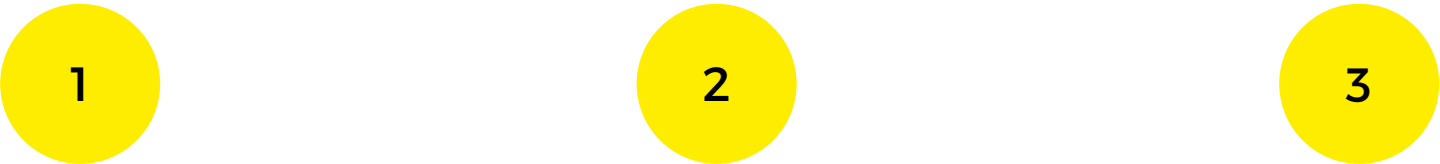
They are India's largest active pharmaceutical ingredients (API) producer for animal health



Strong Growth Ahead



WHY SEQUENT SCIENTIFIC?



- Leading player in animal health
- Aggressive portfolio expansion
- Strong growth expected

Sequent is the largest animal health company in India and one of the top 20 in the world. At US\$ 53 billion, the global animal healthcare market is forecasted to grow at a CAGR of 5-7% by 2027. Being one of the largest players globally with a presence in over 80 countries, it has been able to grow at 13% YoY in 1QFY23, with the formulations business being the driving force.

We expect revenue to increase at a 16% CAGR in next two years (compared to a 9% CAGR from FY19-FY22), driven by

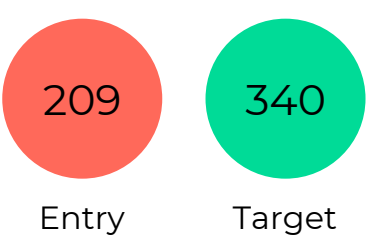
- (i) integration of acquisitions,
- (ii) strong growth in Latin America,
- (iii) a stable demand environment, and
- (iv) portfolio expansion in both APIs and formulations.

With strong growth, and margin expansion (as the company tackles inflationary pressures, and plays on pricing), we expect an EPS CAGR of 45% over the next two years.

PE A target multiple of 46x sets the target for Sequent at Rs. 180.



- 1. Higher R&D productivity will require a lot of capital influx within next 3-5 years
- 2. As the company is bound by extreme regulatory risk, certain product approvals might delay sales into newer territories



There are 8 billion people on this planet, and they consume a total of 34 billion toothpaste tubes every year. EPL supplies 8 billion of these, that's nearly 1 in every 3 toothpaste tubes.

Will the same happen with cosmetics and personal care products?



Large Headroom Left in the Tubes Market

Past and present

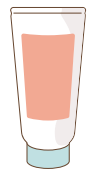
1 in every 3 toothpaste tubes sold in the world is made by EPL



Future prospects



Recyclable tubes



Cosmetic tubes



Pharma tubes

WHY EPL?



Global market leader

EPL is the world’s largest specialty tube manufacturer, with a 33% market share in toothpaste tubes. It also manufacturers tubes used in cosmetics, pharmaceuticals, food and industries.

A sticky customer base, and deeper penetration into the cosmetics market helped EPL grow 11% in FY22.



Sustainability is the future

EPL has a long runway for growth through category expansion and product innovation. It has been aggressively tapping into the personal care segment, where it has lower market share. It also recently signed a contract for recyclable tubes with Colgate Palmolive. EPLs recyclable tube sales have grown 10x in the last two years. We expect these factors to drive 14% revenue CAGR over the next two years.



Strong growth expected

With steady growth in oral care, and increased focus on personal care, we expect revenue and profit growth to accelerate from current levels.

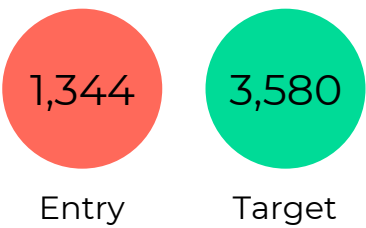


At 12x FY24 EBITDA, our price target for the stock is at Rs. 340.



- 1. Volatility and inflation in input costs for polymers, aluminum, packaging, and freight
- 2. Operations across many nations might increase the risk of currency fluctuations

HINDUSTAN AERONAUTICS

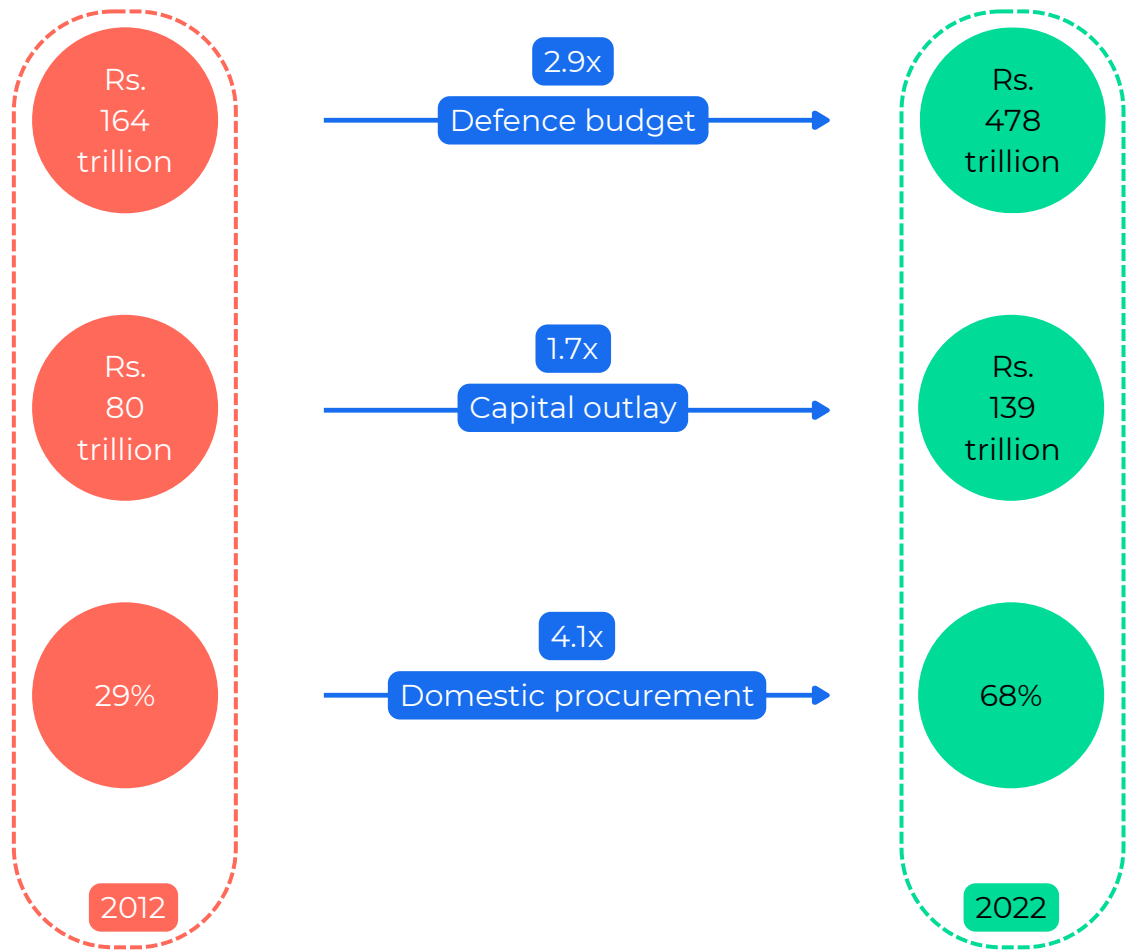


HAL is the India’s only domestic supplier of aircraft and helicopters to all of the armed forces.

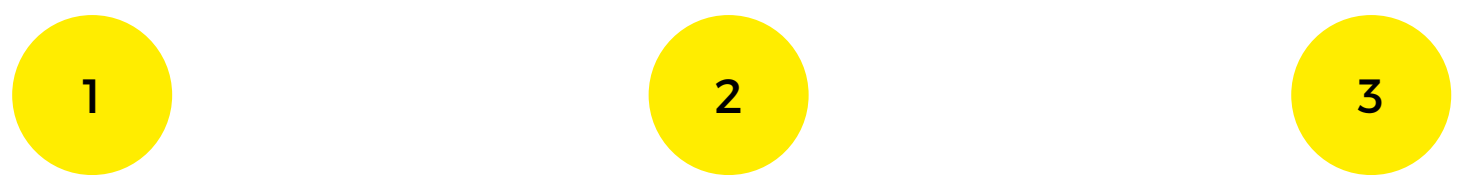
At a time when India is spending more bucks on defence than ever before, and focusing more on ‘Make in India’, HAL couldn't be better placed to take advantage of its monopoly.



Multiple Tailwinds for HAL



WHY HAL?



1 India's focus on defence

India’s defence budget has gone up 2.7x in the last ten years. With growing geopolitical stress, and an increased focused on indigenisation, while the defence budget grew by 10%, capital outlay increased by 19% YoY in 2021-22.

While HAL’s revenue has grown at 6% CAGR over the last 5 years, this can propel to 16% CAGR over the next two years.

2 Make in India

Part of India’s effort to make everything in India, HAL recently won a Rs. 48,000 crore order to supply 83 Light Combat Aircrafts (Tejas), taking its order book to 3x its annual revenue.

Higher budgets and more domestic supplies are likely to create an opportunity of more than Rs. 5 lakh crore over the next decade.

3 High growth visibility

Recent orders and capacity expansion provide visibility for 30% earnings CAGR over the next two years.



At a 16x FY24 earnings, we see a target price of Rs. 3,580 on HAL.



- 1. Increased FDI investment can cause well-funded and technologically superior competitors to enter
- 2. High exposure to the government can lead to working capital stress

ACRYSIL

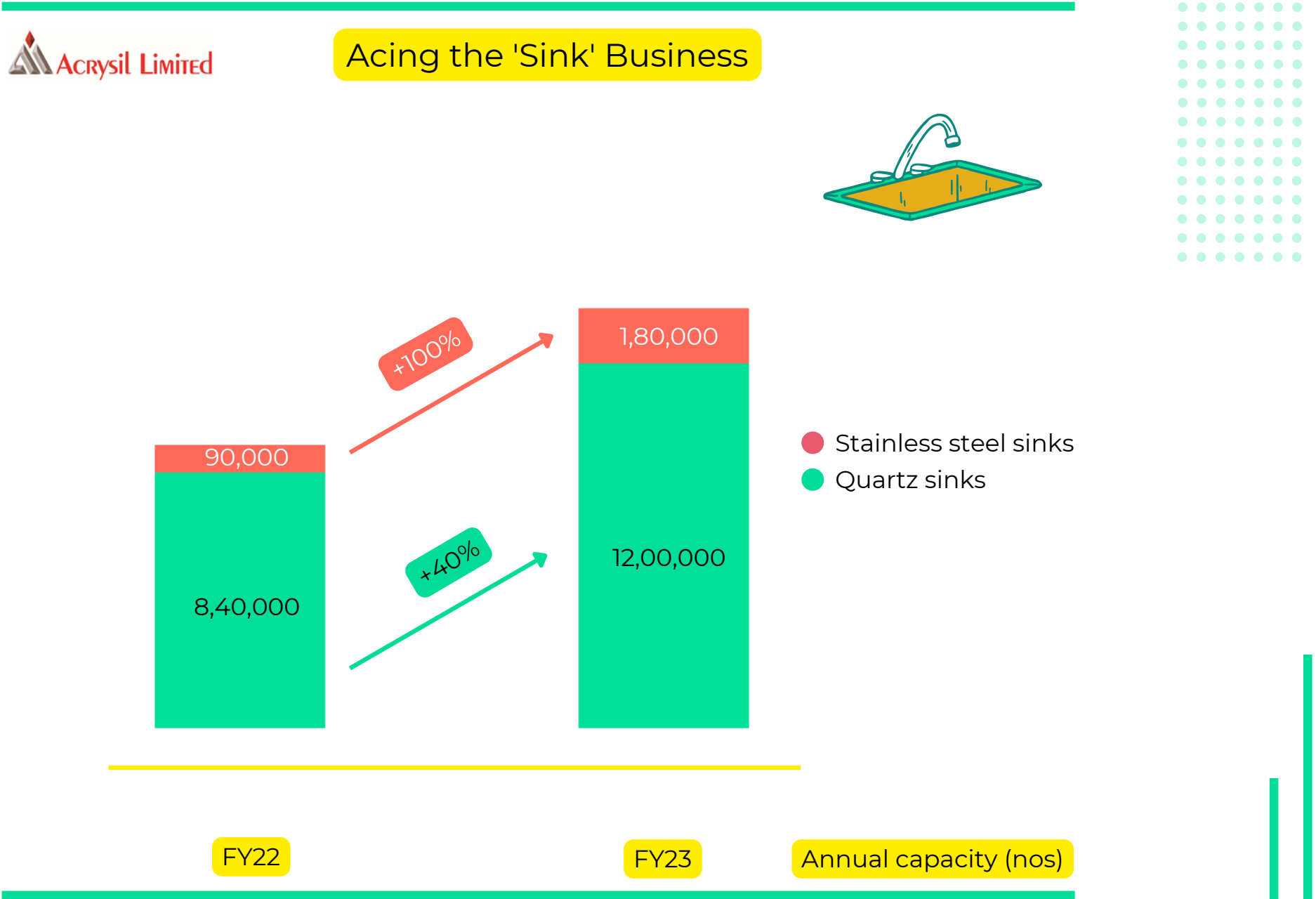
612

Entry

890

Target

Acrysil is one of the largest manufacturers and exporters of kitchen sinks and appliances in India. It makes both granite and stainless steel sinks. It has the capacity to make 12 lakh granite sinks and 2 lakh steel sinks every year.



WHY ACRYSIL?

1

A leader in quartz sinks

Acrysil has been one of the fastest growing sink companies globally, despite its leadership position.

Over the last five years, its sink volumes (granite and steel) have increased at a 19% CAGR. This 2.5x growth in the last five years has come from selling sinks in both India and over 55 countries.

2

Multiple growth levers

In FY22, the company's revenue growth accelerated even further, growing by 55% YoY, driven by

(i) substantial increase in demand in India,
(ii) aggressive expansion of dealer network,
(iii) tapping of new geographies in Asia,
(iv) a promising partnership with IKEA, and
(v) product line expansion.

3


Doubling capacity

We reckon high growth for Acrysil will continue as the company has doubled capacity in the last two years, is doubling its dealer network, is acquiring companies to increase product and geographic presence, and is expanding its product portfolio (kitchen appliances and bath fittings).

We forecast an EPS CAGR of 22% over the next two years.

PE

High growth and a target multiple of 24x (at a PEG of 1) sets the target for Acrysil at Rs. 890.



1. Rising inflation and ongoing geo-political tension might moderate export demand

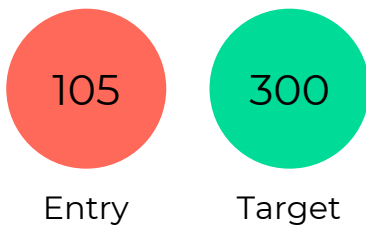
2. Rising global competition may impede market share growth

SATIN CREDITCARE

It is a micro finance institution with a presence in 23 states and more than 90,000 villages.

Satin offers loans to lower income groups, which are often excluded from the organised financial services sector. Their average ticket size stands at a mere Rs. 41,000.

Satin has faced a series of setbacks - demonetisation, the pandemic and floods in Assam; the segment it caters to tends to be severely affected by these shocks. However, it has been coming out of distress, and diversifying



WHY SATIN CREDITCARE?



Better quality of operations

With several setbacks over the last two years, Satin's growth had been patchy. In 1QFY23, at Rs. 6,389 crore, its AUM in the MFI business reduced by 12% compared to FY21. However, the quality of operations improved dramatically during this period. Gross yield is up to 41% from 18%, net interest margin is up to 32% from 9%, cost to income ratio has come down to 22% from 58%, and GNPA's have halved.

Diversification on the cards

Satin learnt its first lesson at demonetisation. This is when it decided to diversify its business, and started subsidiaries for home loans and loans for MSMEs.

Both these business have been seeing an exponential growth in AUM on a small base, and because of the leverage that Satin's network and experience provides.

Growth + Balance

With stability in the MFI business, and high growth from new ones, Satin can achieve 15-20% AUM growth over the next 5 years, with a more balanced portfolio, and better return ratios.



Business Is Smaller, but so Much Better!

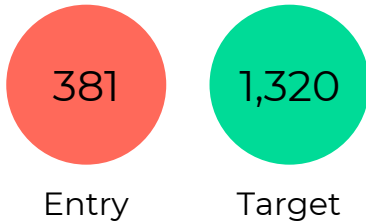
	FY21	1QFY23
AUM	<div><div></div><div>Rs. 8,379 Crore</div></div>	<div><div></div><div>Rs. 7,569 Crore</div></div>
Gross yield	<div><div></div><div>18%</div></div>	<div><div></div><div>41%</div></div>
Net interest margin	<div><div></div><div>9%</div></div>	<div><div></div><div>32%</div></div>
ROA	<div><div></div><div>-0.2%</div></div>	<div><div></div><div>3.3%</div></div>
Cost to income ratio	<div><div></div><div>58%</div></div>	<div><div></div><div>22%</div></div>
GNPA	<div><div></div><div>8.4%</div></div>	<div><div></div><div>4.3%</div></div>



Pegging it at 1.5x adjusted book value, we set a target of Rs. 300 per share.



- 1. External shocks can shake the MFI business up as it has in the past
- 2. With the base of new businesses being very small, Satin may not be able to achieve meaningful diversification soon enough



BDL designs and manufactures missiles for the Indian Armed Forces.

It closely works with DRDO and OEMs to supply torpedoes, guided missiles, missile launchers, mines, and weapon launching systems to defence forces in India, and now exports too.



Acing the Game in 3 Segments



WHY BHARAT DYNAMICS?

1

India's focus on defence

Taking up the mantle as the leading underwater and surface-to-air weapons manufacturer, BDL receives over 90% of its revenue from the Defence budget, the capex for which grew by 19% in FY22, making it the largest hike in 15 years.

Moreover, India's focus on indigenisation further boosts the opportunity for BDL.

2

All-time high order book

BDL's revenue for FY22 grew by 47% YoY, reflecting increased defence spending, local sourcing and exports.

The trend of high growth is likely to continue in the future, validated by BDL's order book, which currently stands at Rs. 13,140 crore (up 57% YoY). 40% of the current order book for BDL is made up of new orders received in FY22.

3

Strong pipeline and visibility

The high growth potential and visibility of BDL's growth over the next two years is cemented by its order book, pace of new orders, deal pipeline, capacity expansion, and new initiatives.

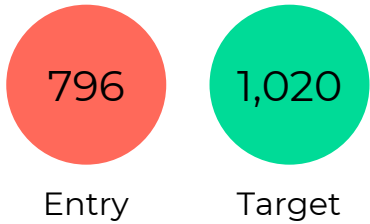
We expect a 30% revenue CAGR and 28% earnings CAGR.

PE

Given the high growth, we peg it at 28x FY24 earnings for a target price of Rs. 1,320.

- 1. High dependence on the defence budget for revenue and growth; changes in allocation will directly affect BDL
 - 2. BDL still relies on certain foreign OEMs for key elements of their missiles, therefore a supply chain disruption could affect order book fulfilment

UNITED SPIRITS



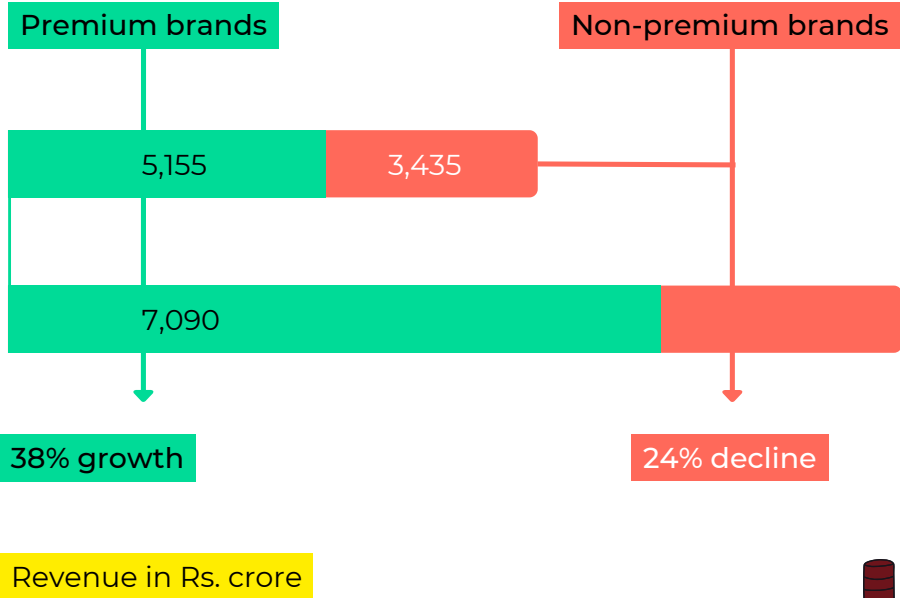
United Spirits is the world’s second largest, and India’s largest spirits company. In India, United Spirits has a 33% volume share.

Have you heard of Black Dog, Black & White, Signature, and Royal Challenge? If not, we are sure you know what Smirnoff is. Yes, it manufactures, and sells liquor under more than 50 brands.

With a portfolio (or bar) that runs across whisky, brandy, vodka, gin and wine, United Spirits rules the Indian alcohol market.



Premium Alcohol Driving Growth



WHY UNITED SPIRITS?

1

People are drinking again :)

After a pandemic-led dip in the business, United Spirits has bounced back and how. In 1QFY23, it reported volume growth of 18% YoY, and revenue growth of 34% YoY.

A pick-up in volume, and a conscious shift towards premium brands (which now make up for 70% of revenue) led growth for United Spirits.

2

Shift towards premium brands

Despite the strong growth, inflationary pressures have been cutting into the margins for United Spirits.

Although the change in product mix (more premium brands) provides tailwinds, they aren't enough to offer cost pressures. We expect this trend to continue into FY23, but not over the long term.

3

Multi-year growth story

United Spirits offers a multi-year play on the Indian made foreign liquor growth story.

Moreover, its focus towards launching and running successful premium brands has been paying off. There is a case for a sustained 15% earnings CAGR over the next five years.

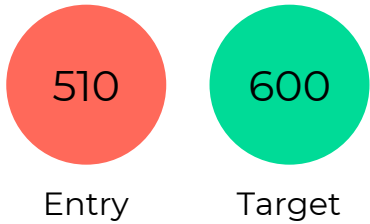
PE

Valuing it at 50x PE on FY24E earnings, we expect the stock to reach Rs. 1,020

1. Frequent change in regulations regarding pricing, licensing and distributing may adversely affect sales

2. Inflationary pressures cutting into profits, and impacting consumption

GENESYS



Genesys is a pioneer in mapping and geospatial solutions. Its expertise lies in the areas of 3D mapping, LiDAR, and terrestrial and aerial systems.

It is placing large bets on ‘Digital Twins’, which would essentially help provide a digital infrastructure layer for utilities, urban services, planning, navigation and commerce.

The monopoly Genesys has in mapping solutions provides it an edge on anything related to digital maps, geospatial partnerships and 3D digital content.

WHY GENESYS?

1

Street View and Digital Twins

While Genesys has been in the mapping business for several years, it recently made news for a contract it signed with Google, to bring Street View to India.

Over the next year, it plans to cover all of urban India’s street imaging. Several other opportunities have cropped up for Genesys in areas like smart cities, propelled by policy support.

2

Marquee equity investors

Genesys recently raised Rs. 250 crore through equity investments from Malabar India, and a bunch of marquee investors.

These investments are likely to help the company execute its advancement in 3D mapping, and further strengthen its positioning.

3


Large deal wins

Boosted by large deal wins, we expect an EPS of Rs. 30 in FY24, up from Rs. 4 in FY22.

This is likely to be accompanied by a massive re-rating, as the company now sees an orbital change in its business.

GENESYS

Early Days in a Massive Opportunity




Genesys to help Google launch its 360-degree panoramic Street View feature in India

Genesys partnered with Bentley Systems to launch India's first digital twin project, powered by OpenCities 365, Bentley's infrastructure digital twin solution

Andhra government awards Rs. 46 crore contract to Gensys to digitize land records

Amitabh Kant, CEO of Niti Aayog launched Genesys' Digital Twin program for the top 100 cities of the country

The geospatial space lays out the foundation for urban planning, utilities like telecom (5G rollout), power, gas, sustainable initiatives, and disaster management



PE

At 20x FY24 earnings, we see a target of Rs. 600 on the share.



- 1. An influx of government projects may boost revenue, but may not do a lot in terms of margins and timely receivables
- 2. A rapidly evolving tech landscape and supportive policy initiatives may invite new players and stiffen competition

JAGSONPAL PHARMA

297

Entry

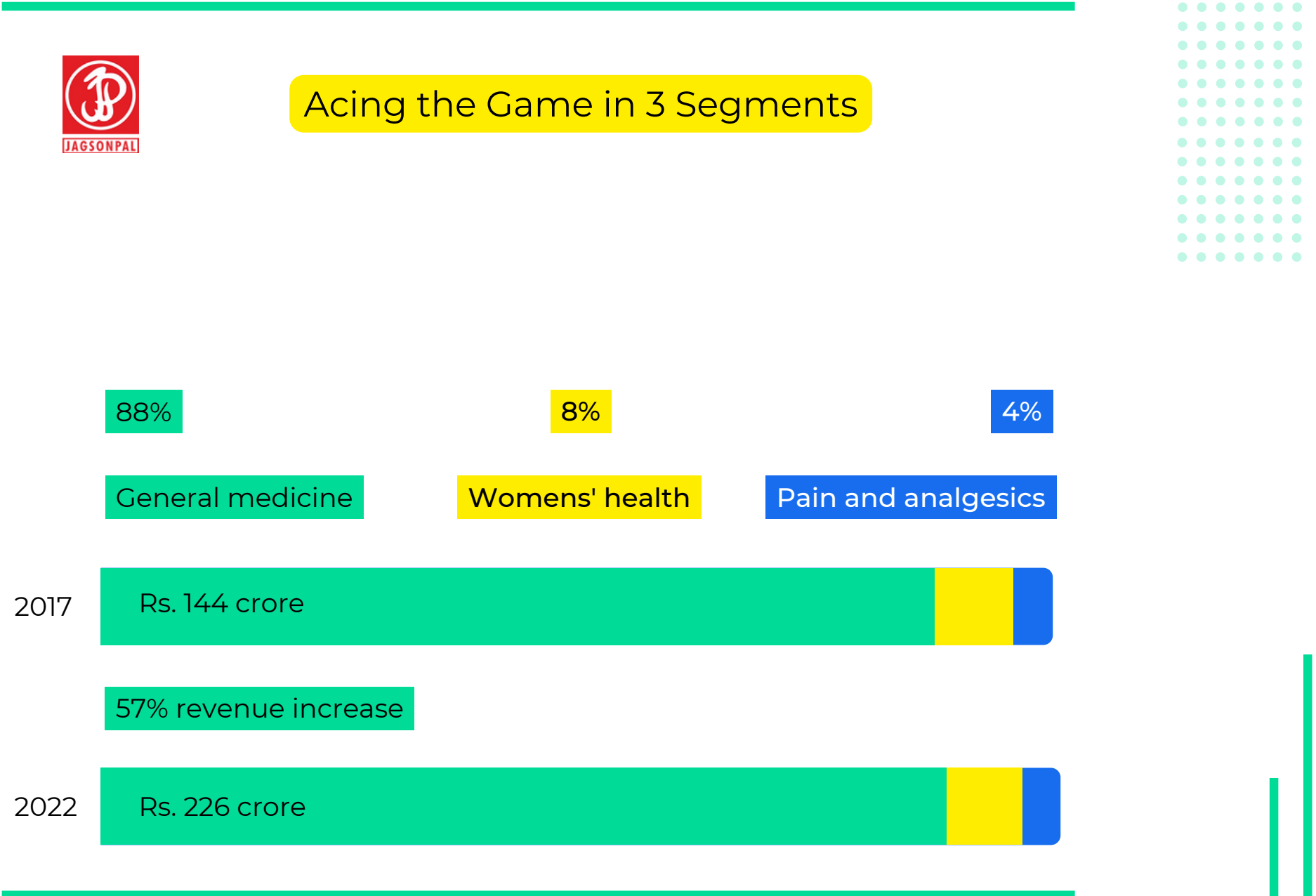
670

Target

Jagsonpal Pharma is a company that specialises in developing and manufacturing drugs and pharmaceutical formulations.

Its focus is on women’s health and it has a product portfolio that covers birth control, cramp relief, infection treatments, infertility, gyenocological disorders, and PCOS amongst others.

It also makes general medicinal drugs for treatment of skin disorders, cough, allergies, pain, and bacterial infections.



WHY JAGSONPAL?

1

Leader in womens' health

Owing to its targeted approach in women’s hygiene, new brands, and an affordable pricing strategy, Jagsonpal has been able to capture higher market share.

In FY22, its revenue grew by 20% YoY, far ahead of the industry (8%). Over the next five years, it expects continued revenue growth in the high teens, and EBITDA margins of 20% (from the current 11%).

2

Business restructuring

To scale to new heights, the company is going through a restructuring. Convergent, a PE firm started by ex-Fairfax executives acquired controlling stake. The company also made a high-profile leadership hire - the CEO of Sequent Scientific. A transition to professional management and an operational restructuring are likely to bode well for the company going forward.


3

High growth ahead

With higher growth and potential scaling under the new leadership, we expect, over the next two years, a revenue CAGR of 20%, margin expansion of 200bps and earnings CAGR of 30%.

PE

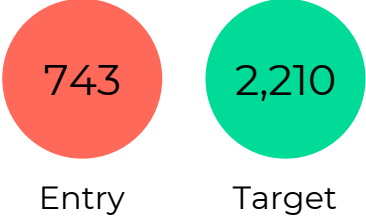
Valuing it at 50x PE on FY24E earnings, we expect the stock to reach Rs. 670.



1. Intense price competition in the pharmaceutical industry across the globe

2. Any adverse changes to government pricing policies could have a significant impact on a company's performance

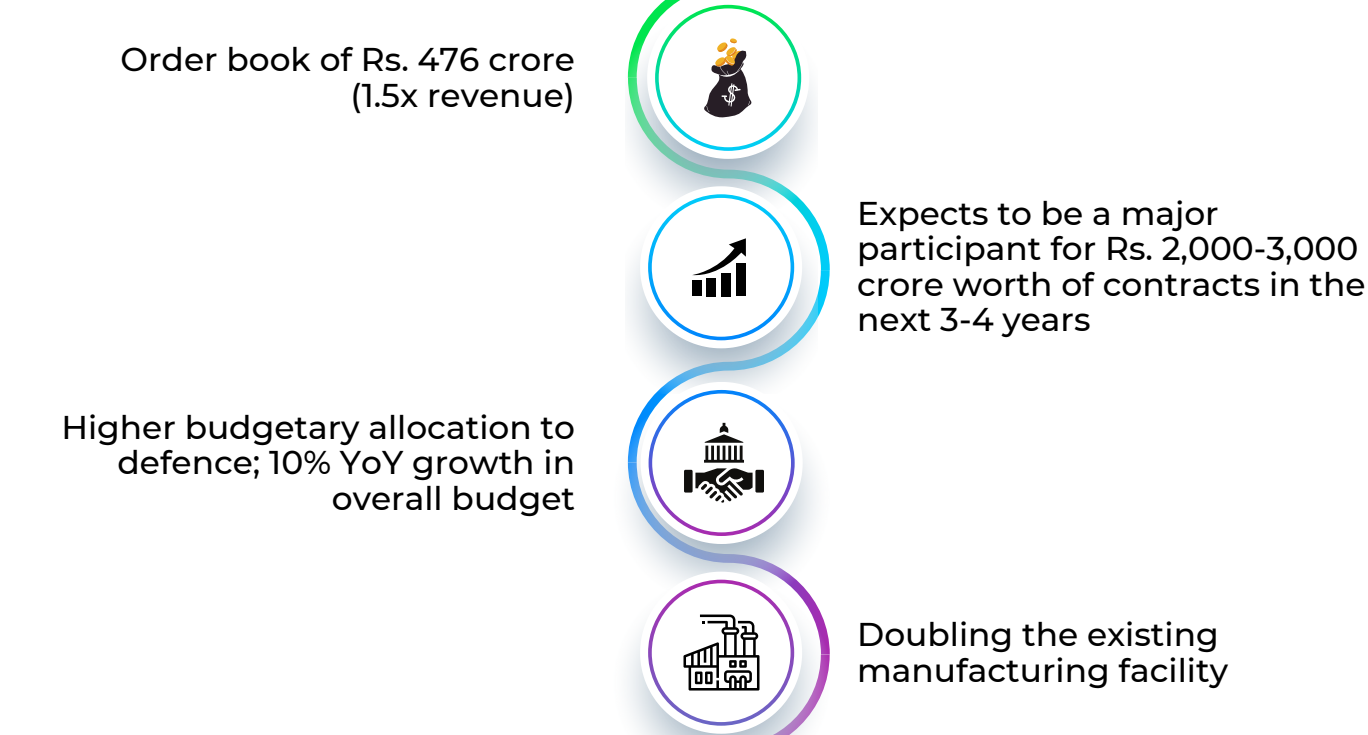
DATA PATTERNS



Data Patterns is a specialist in defence and aerospace electronic systems.

It makes radars, electronic warfare systems, avionics, missile launchers, cockpit displays, communication systems, satellites, and many other electronic systems used in defence.

DATA PATTERNS Strong Order Book Up for Execution



WHY DATA PATTERNS?

1

India's defence focus

Data Patterns serves the entire spectrum of defence and aerospace platforms, including those in air, land, sea and space.

In the next 4-5 years, the need for advanced systems by the armed forces, and a push towards indigenisation would drive a massive Rs. 1.5 lakh crore opportunity.

2

Strong order book

The massive opportunity is already being materialised by Data Patterns, evident from its 24% revenue CAGR over the last four years.

With an order book of Rs. 2,000 crore (6.5x current revenue), there is visibility of a 30% revenue CAGR over the next three years.

3

Deal pipeline + Capacity

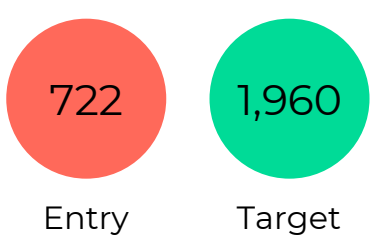
Expect a 38% EPS CAGR over the next two years, driven by a strong order book, expansion in capacity, a growing deal pipeline and improving margin profile.

PE

Given the growth and positioning, we peg it at 34x FY24E earnings for a target price of Rs. 2,210 per share.

-
- 1. Heavy reliance on government contracts
 - 2. The company is subject to foreign exchange risks, which could have a negative impact on its operational performance

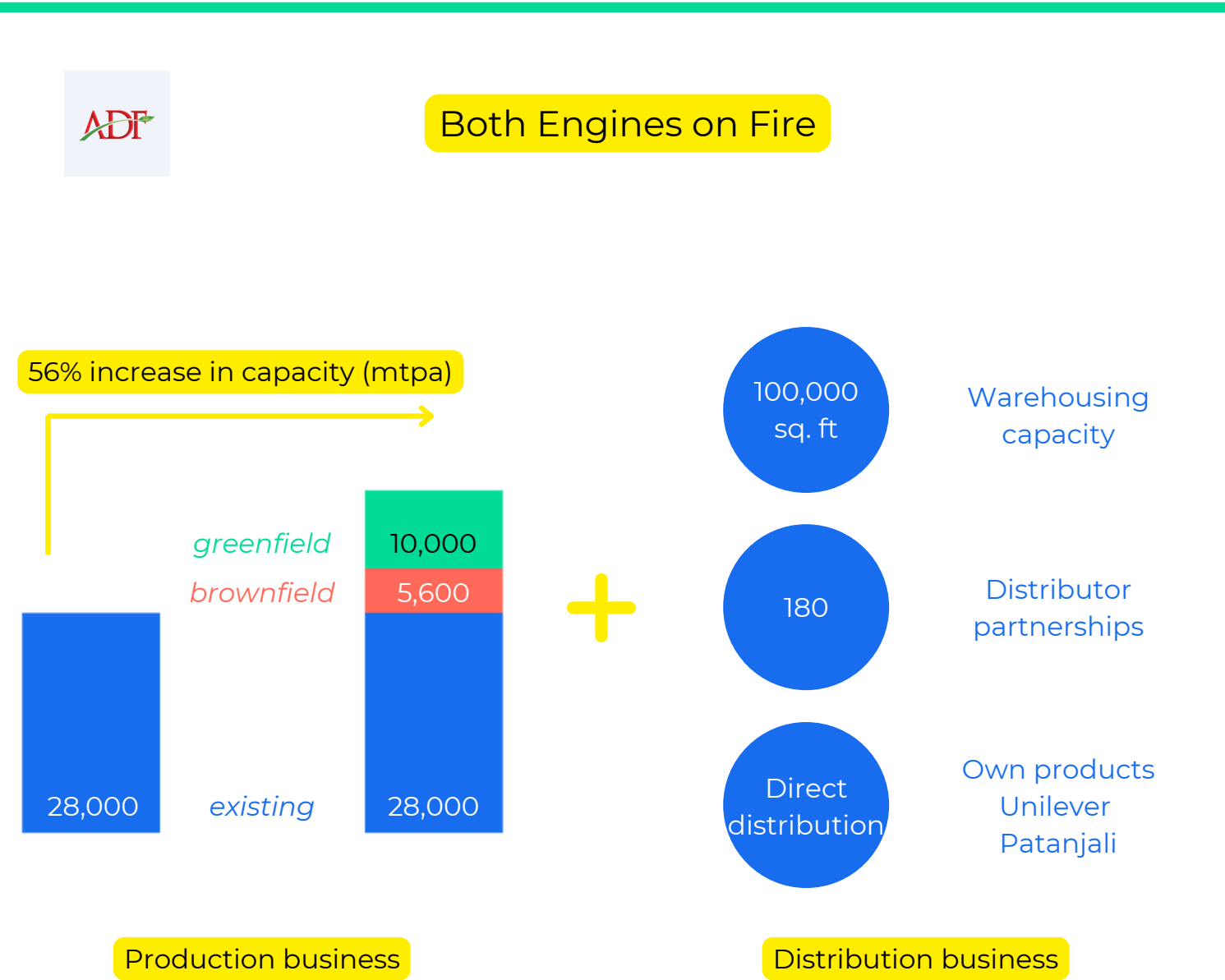
ADF FOODS



ADF Foods has 8 brands, 400 products, and will hit a revenue of Rs. 500 crore in FY23. But in all likelihood, you haven't even heard of any of the brands.

Heard of Ashoka’s frozen samosas? Or PJ’s burritos? Camel’s mango chutney? Aeroplane’s curry powder? Truly Indian’s ready-to-eat daal makhani? Soul’s ginger garlic paste?

No, you’ve not been living under a rock. ADF makes Indian food for Indians or Indian food lovers in 55 countries outside of India.



WHY ADF FOODS?

1

Demand + capacity expansion

With newer products, ramped up distribution and new markets to cater to, ADF Foods is expanding its capacity by

(i) 35% through a Greenfield expansion of 10,000 MT (on top of the current capacity 28,000 MT), and

(ii) an additional 20% in existing capacities.

This is likely to boost revenue by 80% over the next two years.

2

Dsitribution for Patanjali

Additionally, it is now leveraging the distribution network it set up for its own products, to distribute products for Unilever and Patanjali.

The strong brands it acts as an agency for will also help sell ADF’s own products in geographies it couldn't penetrate earlier.

3

PLI beneficiary

ADF is also a beneficiary of the PLI Scheme, wherein it will receive financial incentives for 50% of international branding and marketing expenses, or 3% of sale of food products, whichever is lower, but at a ceiling of Rs. 61 crore, until FY27.

PE Given its strong FMCG play, aggressive expansion plans, network effect and high return ratios, we peg ADF at 32x PE FY24 for a target price of Rs. 1,960.

-
- 1. Intermittent mismatch between demand and supply because of aggressive capacity expansion
 - 2. Inflationary pressure on raw materials, and foreign exchange fluctuations can increase costs

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