MARKET pulse

January 2024

Dear Investors,

MARKET PULSE, the monthly report from ACMIIL, aims to provide insightful perspectives on all aspects of the market, the Fundamental, Technical, and Derivatives. The report contents

Overall Outlook

- Domestic & Global Update

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Retail Research Call Performance

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MARKET PULSE aims to capture the market in all its hues and colors and provides a range of information that helps in making wise investment decisions.

Regards,
Research Team
ACMIIL

January 2024

Contents

Overall Outlook

Indian Outlook:

The Indian equity market exhibited a robust rally in December, driven by significant Foreign Portfolio Investor (FPI) participation. It successfully attained our medium-term target levels, falling within the range of 21,000 to 22,000, as envisaged since the beginning of the calendar year 2023. The recent rally saw it reaching a high of 21,834.35 levels. Both Nifty and Sensex concluded the month with a monthly closing in positive territory, registering gains of approximately 7.9% and 7.8%, respectively. The broader market sustained its outperformance throughout December, with NSE Midcap 100 and NSE Smallcap 250 ending the month positively, showcasing gains of about 7.6% and 6%, respectively. Foreign Portfolio Investors exhibited a strong buying trend, with a net equity worth of ₹31,959.78 crore, while Domestic Institutional Investors also participated actively, net buying equities worth ₹12,942.25 crore for the month of December.

The Q3FY24 earnings season is set to commence this month. There is a high possibility of sector-specific strong earnings continuing further in this quarter. The softening commodity prices are expected to be beneficial for stronger corporate profitability. The robust auto sales numbers and a good demand environment during the festival season also indicate the possibility of strong performance from Indian companies in this results season.

India's eight core sector grew around 7.84 % for the month of November v/s 12.1 for the month of October. The month of month dip is largely on account of high base effect. The CPI for the month of November inched up to around 5.6% v/s 4.87% in the month of October. The rise in CPI inflation is majorly caused by an increase in the food Inflation. IIP jumps to a 16 month high of 11.7% in October due to factory activity rebounds aided by festival demand.

India's trade deficit data for the month of November was around $20.58 billion. As of December 22, 2023, India's forex reserves stood at $620 billion. The data for GST collection in December showed a strong year-on-year jump of around 10% to 1.64 lakh crore. However, India's manufacturing PMI hit 18-month lows for December, coming in at 54.9 compared to 56 in the previous month. Manufacturing activity in India declined to its lowest levels, pulled down by a weaker increase in factory orders and output.

The RBI kept its policy rate unchanged in the December policy meeting and raised its GDP growth prediction for FY2024 to 7% from 6.5%. It maintained the 5.4% inflation target for fiscal year 2024. The central bank also underlined its concern about rising overall inflation in the coming months due to the potential risk of an increase in food inflation.

Positive factors such as corporate earnings growth momentum, strong GST collection, capex cycle revival, robust credit growth, a strong domestic demand environment, and a positive global market trend are driving optimism. However, an unexpected surge in crude oil prices, a rise in trade deficit, and geopolitical concerns pose potential near-term uncertain risks to the overall GDP growth of the economy.

Mutual funds data also indicates a steady inflow by Indian retail investors, which is expected to provide support to Indian equity markets in the event of any sharp correction. Our bullish stance persists on sectors such as Auto and Auto Ancillary, Cement, Defence, Railways, Consumer Durables, Energy, Logistics, FMCG, Capital Goods and Engineering, Infrastructure, Construction, Banking, and Financials, among others, which are anticipated to outperform in the upcoming rally.

While certain laggard sectors, including Information Technology, Specialty Chemicals, and Metals, present value buying opportunities at lower levels. The structural bull market for Indian equity remains intact, supported by strong domestic fundamentals. As mentioned earlier, the current levels may be a pitstop, but the final destination is still ahead. We will continue to review and update our outlook periodically, and sustaining above 22,000 levels on Nifty will confirm higher level targets for medium to long-term perspectives.

Global Outlook:

The US market rallied sharply in December, as anticipated, driven by the hope of a policy rate cut sentiment in CY2024. Global indices, particularly Dow Jones, S&P 500, and Nasdaq Composite, concluded with positive monthly closings of around 4.8%, 4.4%, and 5.5%, respectively.

The ISM Manufacturing PMI in the US slightly improved to 47.4 in December 2023 from 46.7 in November, although the reading still pointed to the 14th consecutive month of contraction in factory activity. The third GDP estimates for Q3 CY 2023 showed an increase at an annual rate of 4.9%. This growth in the third quarter primarily reflected increases in consumer spending and inventory investment.

Non-farm payroll data in the US exceeded expectations for the month of December. Non-farm payroll employment increased by 199,000 in November, but it fell below the average for the last year, indicating a slower pace of job growth. The unemployment rate edged down to 3.7%.

The Federal Reserve kept interest rates unchanged at 5.25%-5.5% in the December policy meeting and indicated three rate cuts in CY2024. Inflation has eased from its highs, and this has occurred without a significant increase in unemployment, thereby avoiding harm to the economy, as stated by the Fed governor in the press conference. CPI for the month of November came in around 3.1%, in line with expectations. Softening PCE data indicates CPI is likely to remain moderate in the coming months.

US consumer spending data came out better than expected, indicating resilience in the economy. The Bank of England (BOE) and the European Central Bank (ECB) maintained their policy rates unchanged at 5.25% and 4.50%, respectively, in the December policy meeting.

Overall Outlook

Brent crude oil has shown a sharp pullback from lower levels as investors continued to monitor developments in the Red Sea, where Houthi attacks on ships disrupted global trade and stoked geopolitical concerns in the Middle East. Analysts have pointed to the prospects of a prolonged Israeli military campaign in Gaza and Iran's increasing involvement in the conflict. Although major shipping firms have said they are returning to the Red Sea route following the formation of a US-led maritime task force mandated to protect commercial vessels in the area, supply chain disruption risks remain due to prevailing uncertain geopolitical tensions.

In conclusion, the structural long-term equity bull market for India remains intact, driven by strong domestic driving forces as mentioned above. Leading credit rating firm Fitch has stated that with strong domestic demand growth, India is expected to be among the world's fastest-growing countries, with resilient GDP growth of 6.5% during fiscal 2024-25. Rising demand and easing input cost pressure should boost corporate margins in the coming quarters.

The public capex push by the government is now achieving its aim of beginning the private capex revival of Indian companies. The balance sheets of Indian companies also show less or moderate leverage. Banks are at comfortable levels with constantly falling NPA levels and a pickup in credit growth. The proactive policies by the RBI are beneficial for banks in the face of any unexpected domestic and global financial risks. Companies are also in a sound position to boost investments. All these factors indicate medium to long-term GDP growth for the country. India is set to become the third-largest economy by 2030, and the paramount test for the country would be to become the next global manufacturing hub, according to S&P Global Ratings.

We continue to reiterate the same view: one should buy stock-specific at current levels or any kind of decline or consolidation for medium to long-term investment perspectives.

Global Indices Performance

Index	29-Dec-23	30-Nov-23	Change MoM
Dow Jones	37,690	35,951	4.8%
S&P 500	4,770	4,568	4.4%
Nasdaq	15,011	14,226	5.5%
CAC 40	7,543	7,311	3.2%
DAX	16,752	16,215	3.3%
FTSE 100	7,733	7,454	3.7%
Nikkei 225	33,464	33,487	-0.1%
Hang Seng	17,047	17,043	0.0%
Shanghai	2,975	3,030	-1.8%
Nifty 50	21,731	20,133	7.9%
BSE Sensex	72,240	66,988	7.8%
Brent Crude ($)	77.0	82.8	-7.0%
WTI Crude ($)	71.7	76.0	-5.7%

Sources : Yahoo Finance /BSE

Domestic & Sectoral Indices Performance

Index	29-Dec-23	30-Nov-23	Change MoM
Nifty 50	21,731	20,133	7.9%
Nifty IT	35,515	32,582	9.0%
Nifty Next 50	53,345	48,020	11.1%
Nifty Bank	48,292	44,482	8.6%
NIFTY MIDCAP 100	46,182	42,909	7.6%
Nifty 500	19,429	17,988	8.0%
Nifty 100	21,919	20,201	8.5%
Nifty Midcap 50	13,145	12,201	7.7%
Nifty Realty	783	714	9.7%
Nifty Infra	7,303	6,586	10.9%
Nifty Energy	33,468	29,295	14.2%
Nifty FMCG	56,987	53,014	7.5%
Nifty MNC	24,208	22,665	6.8%
Nifty Pharma	16,832	16,239	3.7%
Nifty PSE	7,855	6,779	15.9%
Nifty PSU Bank	5,713	5,041	13.3%
Nifty Serv Sector	27,688	25,596	8.2%
India VIX	15	13	14.3%
Nifty Auto	18,618	17,552	6.1%
Nifty Metal	7,978	7,017	13.7%
Nifty Media	2,388	2,297	4.0%
NIFTY SMLCAP 250	14,041	13,252	6.0%
NIFTY MIDCAP 100	46,182	42,909	7.6%

Sources : NSE

Accumulate

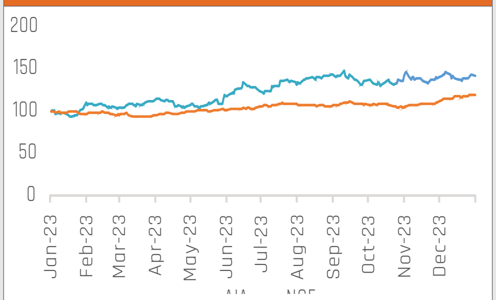
Key Data	
DATE	01-01-2024
Reco Price	3650-3690
Target	4909
Sector	Castings & Forgings
BSE Code	532683
NSE Code	AIAENG
Face Value (Rs.)	2
Market Cap (Mn)	348042.16
52-week High/Low (Rs)	3830.00/2383.50

Source : NSE, BSE

Shareholding pattern (September-2023)	%
Promoters	58.47
DIIs	20.29
FIIs	18.50
Public	2.74
Total	**100.00**

Source : NSE, BSE

Price Performance



Rebase to 100

Retail Research

E: retailresearch@acm.co.in

D: +91 22 2858 3208

AIA Engineering Limited

Company Background

AIA Engineering Limited (AIA) was incorporated in 1991, is a distinguished entity in the design, development, production, installation, and servicing of high chromium wear, corrosion, and abrasion resistant castings. These superior products specifically serve the cement, mining, and thermal power-generating industries, highlighting the Company's capacity to cater to diverse market demands. The company engages with a customer over 18 to 24 months to develop a mine site by doing trials and establishing optimal chrome grade for that set of operating conditions. Because of these benefits company is expect high chrome to take higher market share forged over a time. The business covers most important geographies including North America, Latin America, Australia and Brazil. The company continues to acquire new customers in these geographies. The installed capacity of company is 4,40,000 TPA that will rise further to 5,20,000 TPA by March, 2025. It has 4 manufacturing facilities i.e. Ahmedabad (Grinding media), Nagpur (Centrifugal castings), Bengaluru (Grinding media) and Trichy (Grinding media).

Outlook and Valuation

AIA Engineering Ltd. is a global leader in grinding solutions, boasting a 35% market share across 125 countries and over 95% dominance in India. With a focus on reducing wear parts costs, the company is confident in maintaining its strong position in the industry. Growth is tied to the Cement Industry's expansion and market share, while significant opportunities exist in the Mining Industry, particularly in converting mines to High Chrome Grinding Media. AIA Engineering is poised for customer acquisition, continuous engagement, and sustained growth, leveraging its competitive advantages. The company also maintains dominance in supplying large castings to the Thermal Power Plant Industry in India.

The company's outlook revolves around its involvement in basic industries like Mining, Cement, and Thermal Power generation. The estimated revenue growth is at a 19% CAGR from FY23 to FY26E, supported by an increase in volume along with capacity expansion. **We recommend an "Accumulate" rating with a target price of Rs 4909, reflecting a potential upside of 33% based on a PE multiple of 28X to FY26E EPS of Rs 175.35.**

Financial Snapshot

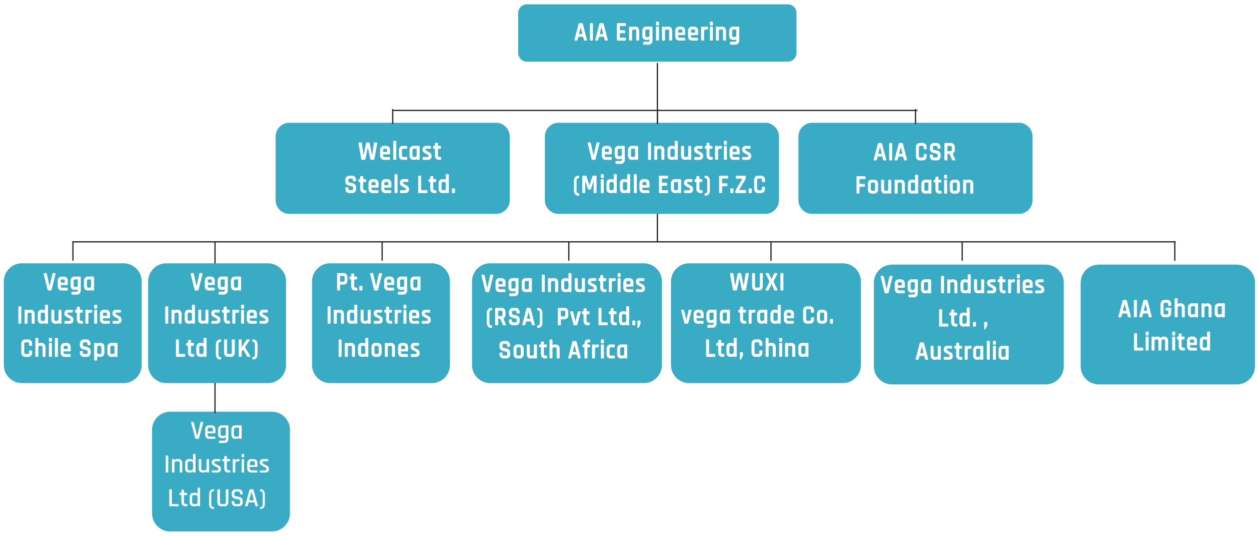
Particulars (in Mn.)	FY23	FY24E	FY25E	FY26E	CAGR % (FY23 - FY26E)
Revenue	48,380.25	56,897.38	68,276.86	80,566.69	19%
EBITDA	11,746.30	14,793.32	17,069.21	20,141.67	20%
EBITDA %	24.28%	26.00%	25.00%	25.00%	
PAT	10,559.29	12,311.40	14,216.46	16,539.14	16%
EPS (Rs)	111.95	130.53	150.73	175.35	16%

Source: Company, ACMIIL Retail Research

Company at a Glance

- A leading provider of cutting-edge wear components and innovative solutions.
- Capacity expansion to enhance future growth.
- Adapting renewable power on a large scale to strengthen sustainable energy practices.
- Prioritizing optimal performance by introducing automation and streamlining production processes to drive efficiency.
- Substantial Opportunities in Mining and Cement Sectors.

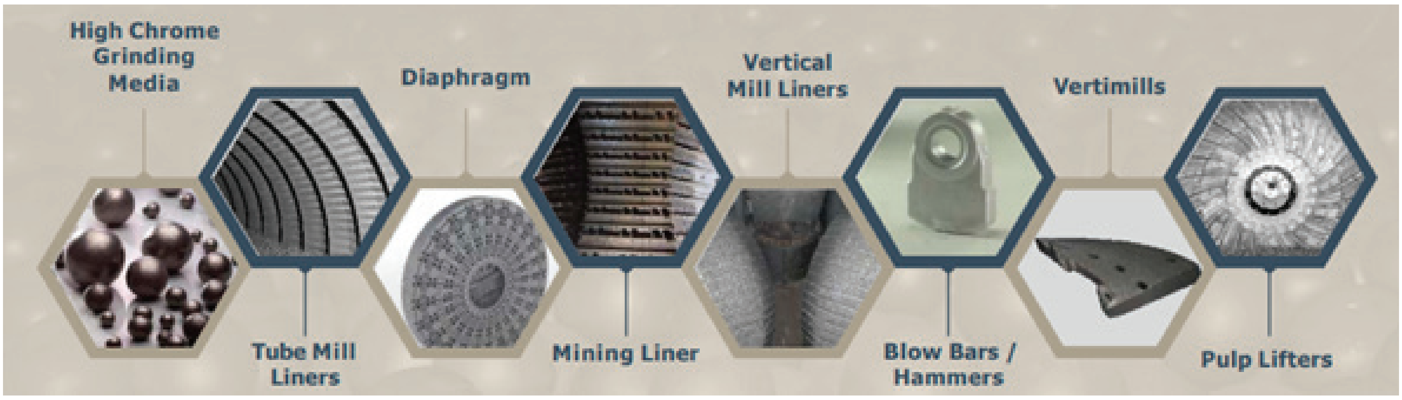
AIA Group Structure



Source: Company, ACMIIL Retail Research

Product Portfolio

AIA manufactures grinding media, liners and diaphragms which are collectively known as Mill Internals. These are used in crushing and grinding operations in cement, power utility, and mining industries. Further, the services provided by company are Ball size optimization, Ore grindability, Millart, Mill Audits, Alloy selection for wear reduction, installation support, line wear monitoring & alloy optimization for improving metal recoveries.



Source: Company, ACMIIL Retail Research

Industry Served

Cement
Expertise in manufacturing of tube mills & vertical mills. Strong metallurgical, grinding, & design experience.

Application
Grinding of Limestone & cement

Mining
Minimising downtime in mining operations. Expertise in advanced alloys & mineral manufacturing.

Application
Grinding mineral ore for material separation

Thermal
Producing shell liners & grinders. Innovate alloys for diverse minerals with advanced manufacturing.

Application
Coal grinding prior to entering the boiler

Quarry
Develop alloys & methods for various minerals. Specialize in extracting iron, gold, lead/zinc, bauxite, copper & Phosphorus.

Application
Crushing of aggregates

Source: Company, ACMIIL Retail Research

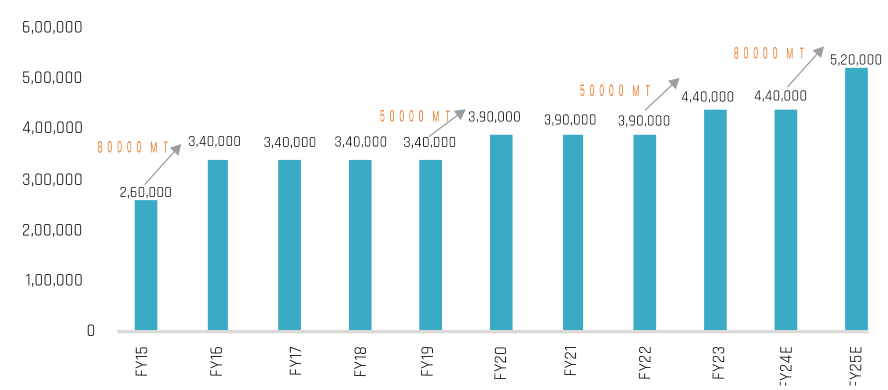
Investment Rationale

A leading provider of cutting-edge wear components and innovative solutions

It is India's largest manufacturer and supplier of high chrome wear, corrosion and abrasion resistant castings used in cement, mining and thermal power plants (or mills) with 95% market share & globally, it has 35% market share (excluding China). The company has evolved from modest origins into a reliable global partner, emphasizing excellence and commitment to delivering inventive solutions. AIA's strong market position is driven by superior technology, strategic presence in key segments, efficient aftersales services, and enduring client relationships across diverse end-user sectors. With over 40 years of legacy in India and the international reach facilitated by Vega Industries, AIA has set benchmarks in quality, services, and innovation, establishing itself as a renowned global solution provider.

Capacity expansion to enhance future growth

Installed Capacity (In Mn)



FY16: Greenfield expansion at GIDC - Kerala, Phase-I and brownfield expansion at Trichy of 80,000 MT.

FY20: Expanded capacity of 50,000 MT in Castings at Kerala GIDC Facility, Phase-II.

FY23: Commissioned Greenfield facility at Kerala GIDC near Ahmedabad to manufacture 50,000 MT of Mill Linings.

FY25E: Brownfield expansion of Grinding Media by 80,000 MT.

Source: Company, ACMIIL Retail Research

The company is actively expanding its capacity to meet demand, having incurred a capex of Rs 1950 Mn in FY23 for a new mill liners plant with capacity of 50,000 TPA. Ongoing projects include a brownfield expansion of grinding media capacity of 80,000 MT in Kerala GIDC, with an estimated investment of Rs 2500 Mn expected to be commissioned by FY 2024-25. Additionally, Rs 2000 Mn restructuring initiative aims to optimize operational efficiency, creating warehouse space and enhancing capabilities for precision manufacturing. The company expects 20,000 MT capacity addition in castings & liners through de-bottlenecking.

Increased R&D focus to further strengthen total solutions capabilities

The company's increased focus on research and development is evident in specific areas aimed at enhancing its total solutions capabilities. Notably, R&D efforts have been directed towards the development of new alloys for Grinding Media in the mining industry, with the expectation that these innovations will result in more cost-effective solutions for customers. Additionally, the exploration of the effects of using High Chrome Media instead of Steel Forged Balls has shown promise in improving mineral recoveries, thereby adding substantial value for customers. Looking ahead, the company plans to sustain its commitment to innovation by continuing to introduce solutions that are not only cost-effective but also enhance overall value for its customers, reinforcing its position as a leader in providing comprehensive solutions.

Adapting renewable power on a large scale to strengthen sustainable energy practices

With a strong emphasis on minimizing power consumption and mitigating environmental impact, AIA Engineering is committed to enhancing its use of captive and renewable energy sources in line with sustainability goals. Prioritizing eco-friendly practices, the company aims to decrease its carbon footprint and ensure long-term operational sustainability. Notably, AIA Engineering has already implemented 11 Wind Energy Turbines at sites in Kutch and Jamjodhpur, generating 24.3 MW of renewable energy. In the fiscal year 2022-23, the company successfully fulfilled 17% of its total electricity requirement for all plants through renewable sources. Additionally, the company has recently incorporated two Hybrid Projects in Village Dedan, Gujarat. Looking ahead, AIA Engineering plans to invest Rs 600 Mn in the FY24 to further expand its Renewable Energy Projects, encompassing both Solar and Wind initiatives.

Prioritizing optimal performance by introducing automation and streamlining production processes to drive efficiency

The company is dedicated to adopting advanced technologies and automated systems to improve various aspects of its operations. Automation plays a crucial role in minimizing manual intervention, reducing errors, and speeding up production cycles. By embracing automation and streamlining production processes, company aims to achieve higher levels of precision, consistency, and overall operational efficiency. This approach allows the company to meet growing demands, enhance product quality, and ensure timely delivery to customers. The emphasis on optimal performance aligns with the broader goal of maintaining a competitive edge in the market while also addressing sustainability concerns by potentially optimizing resource utilization. In essence, the integration of automation and streamlined production processes at AIA reflects a commitment to driving efficiency across its operations, contributing to the company's overall success and resilience in a dynamic business environment.

AIA Engineering's Acquisition Enhances Technological Capabilities and Market Presence in Mill Liner Segment

AIA's recent acquisition of a 30% stake in an Australian company is a strategic move aimed at bolstering the company's presence in the mill liner market. The Australian company brings valuable high technology design capabilities to the table, enhancing AIA's overall technological progress. This acquisition is particularly significant as it expands AIA's addressable market for mining liners, estimated at around 300,000 tonnes for the metal segment. The Australian company's expertise in designing a wide variety of mill liners adds a layer of sophistication to AIA's capabilities. The acquisition also provides access to new markets, contributing to AIA's aggressive approach to capitalize on the mill liner opportunity and boost volumes in this segment. The synergy is evident as the acquired company already has an established business relationship with AIA, making this strategic move a complementary and mutually beneficial endeavor that aligns with AIA Engineering's long-term focus on technological advancement and solution-driven capabilities.

Focus on customization

AIA is entirely focused on delivering customized solutions tailored to specific applications. With a global presence in over 125 countries, the company has implemented its solutions in countless mills and equipment worldwide. Their unique expertise lies in more than 100 alloy combinations and specialized heat treatment cycles, designed to meet the diverse needs of different solutions. Despite the complexity involved, AIA Engineering has established significant entry barriers, ensuring customer loyalty once a solution is applied. Beyond cost reduction, their comprehensive package aims to minimize overall ownership costs, enhance process efficiency, and boost client profitability.

Secures Reliable Ferro Chrome Supply and Financial Support through SAL Steel Agreement

AIA has entered into a three-year non-exclusive supply agreement with SAL Steel for ferro chrome in Sep-22, ensuring a steady and assured source of this critical material. As part of the agreement, AIA will also provide a secured inter-corporate deposit of Rs 1250 Mn to SAL Steel. This strategic move not only guarantees a consistent supply of ferro chrome for its manufacturing processes but also provides financial flexibility for loan repayment and working capital needs. With SAL Steel being one of the five vendors for AIA, the arrangement adds resilience to the supply chain, reducing dependency risks and bolstering company's operational and financial robustness.

Effective Strategy for Stability through Price Pass-Through Mechanism

The inclusion of a price pass-through mechanism in contracts is a strategic approach to maintain stability in pricing. This mechanism allows the company to reflect previous raw material and freight costs in the pricing of their products. In practical terms, when there are fluctuations in the costs associated with raw materials or freight, the pricing of AIA Engineering's products can be adjusted accordingly. This serves as a risk mitigation strategy, providing the company and its clients with a level of predictability and protection against sudden and unpredictable changes in input costs. It aligns with the company's commitment to transparency and fair pricing while navigating the dynamics of the market.

Building a sustainable future via ESG approach

AIA is in line with the strategy to maintain the industry's circular economy target by considering the reduction of waste from operations and synergizing with responsible waste management. Furthermore, they reuse foundry dust/sand and plastic bags to create eco-friendly bricks/paver blocks and reuse foundry sand in cement kilns. The company also reduces per capita water consumption through operational efficiency, water recycling and reuse, and rainwater harvesting to recharge groundwater levels. Another major initiative of organization is environmental protection and reducing carbon footprint and undertaken initiatives such as 'Plantation' and 'Reclamation of Land' and successfully planted 100,000 trees during the year.

Industry growth drivers

Substantial Opportunities in Mining and Cement Sectors

AIA adopts a strategic stance of being largely agnostic to Mining Industry cycles. Despite potential scenarios of zero or negative growth in the mining sector, the company remains confident in its growth plans. The considerable headroom available for the conversion of mines to High Chrome use serves as a mitigating factor, ensuring resilience to market fluctuations. Mining industry uses forged grinding media (forged grinding balls which is cheaper than high chrome grinding balls offered by AIA since the wear rate of forged balls are much higher than HCMI). When assessing the mining sector, company sees a significant replacement opportunity ranging from 2.5 million to 3 million tonnes. The addressable opportunity for the ore types the company focuses within the range of 1.5 million to 2 million tonnes. Notably, there exists a distinct opportunity for penetration in high chrome, with AIA Engineering currently leading in this aspect with a range of 400,000 to 500,000 tonnes. The company is actively working on converting this opportunity, aiming to reinforce its position in the market. In the cement industry, the opportunity is approximately 300,000 tonnes, primarily serviced by high-chrome use. While the cement sector is relatively stable for AIA Engineering, the focus remains on leveraging opportunities for growth and consolidation within the high chrome segment.

Global Thrust: Navigating Growth in Mining and Cement Industries

AIA places special emphasis on the global mining industry, particularly in Copper, Gold, and iron ore mines worldwide. The mining sector has remained largely unaffected by disruptive factors that impacted other economies due to geopolitical tensions. This is mainly because the mining industry is concentrated in specific regions like North America, Latin America, Australia, Africa, the Far East, China, and CIS countries, with minimal presence in Europe. Notably, Copper and Gold continue to show bullish trends, and Iron, as a base metal, has witnessed steady growth. Globally, the Mining Industry is growing at a rate of around 3% to 4% per annum. The Cement Industry is expected to maintain a near double-digit growth rate in India and a normal single-digit rate of around 3% to 4% worldwide. AIA expects its supplies to the Cement Industry to grow in tandem, with additional growth coming from increased market share.

Rising Global Copper Demand

The global demand for copper is on the rise, driven by stimulus packages countering the impact of China's zero-Covid policy and efforts in Europe to expedite renewables and infrastructure projects amid diminishing Russian gas deliveries. Copper, a vital industrial metal in electronics, appliances, vehicles, and renewable energy technologies, is predicted to see its demand double by 2035, reaching 50 million metric tons. However, by 2030, existing and projected mining activities are expected to meet only 80% of this demand, indicating a looming copper shortage. This shortage is poised to fuel increased mining activities, amplifying the consumption of AIA Engineering's products tailored for the mining industry.

Industrial shift from steel-based grinding media to High Chrome Mill Internals (HCMI) products for operational efficiency

Presently, industries favor steel-based grinding media due to its lower cost compared to High Chrome Mill Internals (HCMI) by 20-40%. However, the steel-based material contributes to increased wear and tear on machinery, making it less cost-effective in the long run. Recognizing this, several companies are transitioning to HCMI products, despite a minor price difference, to minimize wear and extend the life of mills & to get operational cost efficiency for overall production.

Empowering Green Initiatives through Expanded Metal Mining for Electric Vehicles and Renewable Energy Generation

As global governments advocate for cleaner energy solutions, the push for electric cars and green energy generation intensifies. This surge in demand for electric vehicles and renewable energy technologies fuels increased mining activities for metals essential in manufacturing car batteries. Simultaneously, the growing emphasis on electricity generation amplifies the need for these metals. AIA Engineering stands to benefit significantly, providing its High Chrome Mill Internals (HCMI) products to both the expanding electric vehicle and green energy sectors.

Story in Charts (Values in Mn.)

Exhibit 1: Revenue

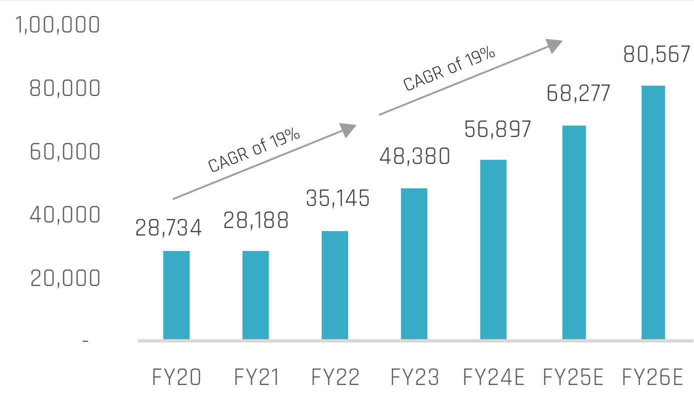


Exhibit 2: PAT

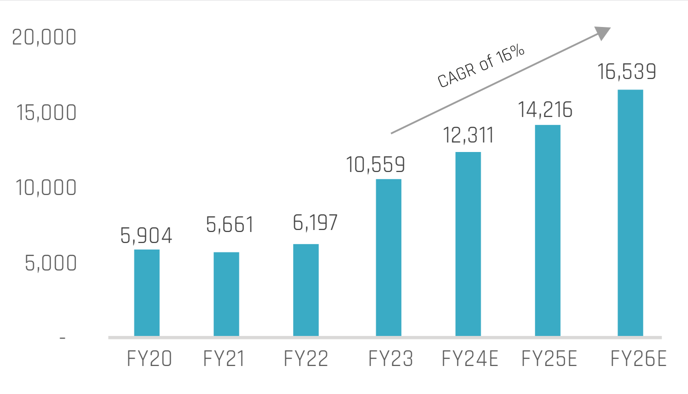


Exhibit 3: Geography wise revenue (FY23)

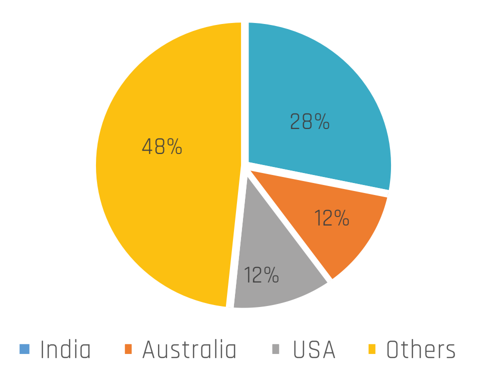
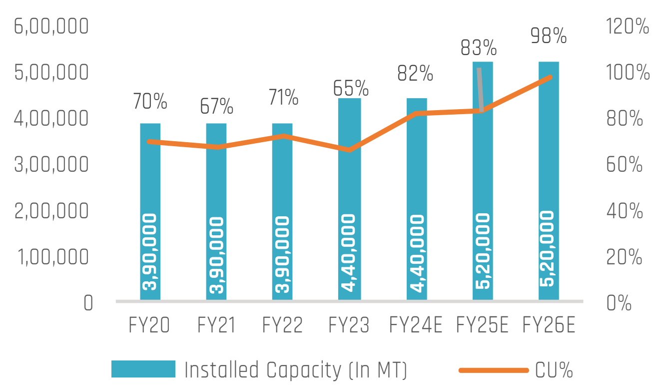


Exhibit 4: Capacity & Utilisation (CU)



Source: Company, ACMIIL Retail Research

Financial Statements

Consolidated Profit & Loss Statement:

Particulars (Rs in Mn)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenue	28,733.62	28,187.79	35,144.68	48,380.25	56,897.38	68,276.86	80,566.69
Expenses	22,852.12	22,223.54	28,409.52	36,633.95	42,104.06	51,207.64	60,425.02
EBITDA	**5,881.50**	**5,964.24**	**6,735.16**	**11,746.30**	**14,793.32**	**17,069.21**	**20,141.67**
EBITDA%	**20.47%**	**21.16%**	**19.16%**	**24.28%**	**26.00%**	**25.00%**	**25.00%**
Other Operating income	966.12	627.14	520.8	707.44	853.46	1,024.15	1,208.50
Other Income	1,419.10	1,721.96	1,562.90	2,345.39	2,271.68	2,328.01	2,384.35
Interest	100.68	81.85	85.01	248.37	268.07	268.07	268.07
Depreciation	978.79	935.01	921.16	930.4	1,235.18	1,198.03	1,414.26
PBT	**7,187.24**	**7,296.48**	**7,812.69**	**13,620.36**	**16,415.20**	**18,955.28**	**22,052.19**
Tax	1,284.04	1,639.42	1,616.51	3,055.36	4,103.80	4,738.82	5,513.05
PAT*	**5,903.58**	**5,661.22**	**6,196.81**	**10,559.29**	**12,311.40**	**14,216.46**	**16,539.14**
EPS (in Rs)	62.59	60.02	65.7	111.95	130.53	150.73	175.35

Note: *PAT is adjusted after Minority interest

Source: Company, ACMIIL Retail Research

Risks and concerns

- Business operations can be impacted by supply chain disruptions arising from geopolitical uncertainties.
- Downturn in the mining, cement, thermal, and quarry industries will have a direct impact on the company's operations.

Accumulate

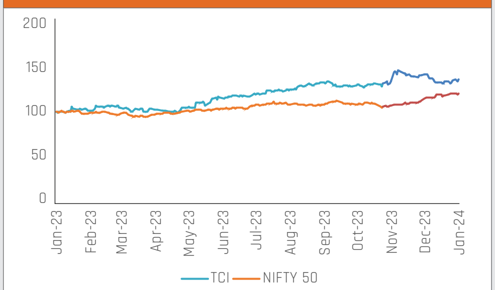
Key Data	
DATE	03.01.2024
Reco Price	825-835
Target	1,080
Sector	Logistics
BSE Code	532349
NSE Code	TCI
EPS (FY23)	40.83
Face Value (Rs.)	2.00
Market Cap (Mn)	64,552.30
52-week High/Low (Rs)	912.00 / 591.00

Source : NSE, BSE

Shareholding pattern (September-2023)	%
Promoters	68.94
DIIs	12.87
FIIs	2.58
Public	15.61
Total	**100.00**

Source : NSE, BSE

Price Performance



Rebase to 100

Retail Research

E: retailresearch@acm.co.in

D: +91 22 2858 3208

Transport Corporation of India Limited

Company Background

Transport Corporation of India Limited (TCI) is incorporated on April 06, 1965 is an India-based provider of integrated multimodal logistics and supply chain solutions. The Company operates through four segments: Freight Division, Supply Chain Solutions Division, Coastal Shipping and Multi Modal Transportation.

TCI Freight division is a surface transport solutions provider. TCI Supply Chain Solutions division is a single-window enabler of logistics and supply chain solutions. TCI Coastal Shipping deals with multimodal coastal players, connecting its western, eastern, and southern ports. The Company's subsidiaries include TCI-CONCOR Multimodal Solutions Pvt. Ltd., TCI Cold Chain Solutions Ltd., TCI Bangladesh Ltd., among others.

Outlook and Valuation

From a conventional transportation company, TCIL has emerged as India's largest integrated logistics service provider. As "Leaders in Logistics", TCI continuously strives to better existing systems, processes and productivity. Its integrated and diversified business profile and customer base, coupled with a healthy proportion of contracted business, provide adequate revenue visibility. Additionally, it continues to be a gradual shift in preference towards organized players in the logistics sector since the implementation of the GST and e-way bills

We expect the company's revenue to grow at a **CAGR of 13.13%** over **FY23-FY26E.** Hence, we recommend Transport Corporation of India Limited with a target price of **Rs 1,080 based on FY26E EPS of Rs 61.69** with a forward **PE Valuation multiple of 17.5;** it looks value **BUY** with growth potential at current levels. Hence, we recommend **ACCUMULATE** rating for the long term.

Financial Snapshot (Consolidated)

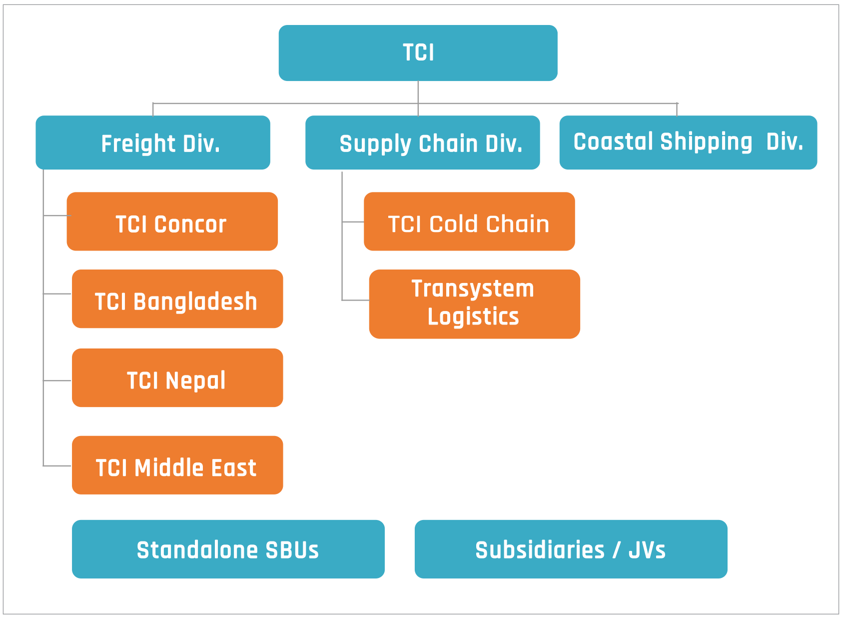
Particulars (Rs. in Mn.)	FY23	FY24E	FY25E	FY26E	CAGR % (FY23-FY26E)
Sales	37,825.70	42,705.22	48,256.89	54,771.57	13.13%
EBITDA	4,253.70	4,868.39	5,646.06	6,517.82	15.29%
EBITDA Margin (%)	11.25%	11.40%	11.70%	11.90%	
Adjusted PAT	3,173.36	3,603.96	4,087.02	4,794.58	14.75%
PAT Margin (%)	8.39%	8.44%	8.47%	8.75%	
Diluted EPS (Rs.)	40.83	46.37	52.59	61.69	

Source: Company, ACMIIL Retail Research

Company at a Glance

- It caters to a diverse base of customers and end-users
- Dominant player in Freight Transport, Supply Chain Solutions and Transport through Coastal Shipping.
- Providing freight solutions for SAARC (South Asian Association for Regional Cooperation) countries.
- 650+ ISO Containers
- 3600 Technology Adoption
- More than 1000 enables IT offices
- 10k Trucks in Operations
- Presence across all industry sectors
- Strong Multimodal Capabilities & Network.

Group Structure



Source: Company, ACMIIL Retail Research

Company's integrated multi-modal logistics services offered through:

TCI Freight TCI Supply Chain Solutions TCI Seaways

Subsidiary:

TCI COLD CHAIN SOLUTIONS

Joint Venture:

TCI CONCOR Multimodal Logistics Solutions Transystem

Subdivisions:

TCI Chemical Logistics Solutions

International Subsidiaries

TCI BANGLADESH LEADERS IN LOGISTICS TCI NEPAL LEADERS IN LOGISTICS

Source: Company, ACMIIL Retail Research

Company Overview

Transport Corporation of India (TCI) is engaged in the Business of Freight Transport, Supply Chain Solutions and Transport through Coastal Shipping. With more than 64 years of experience in the logistics industry, TCI has continuously delivered excellence in every facet of its activities, satisfying the aspirations of its stakeholders, including society, shareholders, and the Indian transport community. TCI's ability to work in challenging conditions and deliver consistent results has set it apart from its peers. The Company has also taken steps to promote sustainable practices through its robust ESG Framework. The company has an extensive pan-India network with a presence across major districts. TCI has emerged as the pioneer in providing integrated multimodal logistics and supply chain solutions.

TCI has several subsidiaries, key among them being TCI-CONCOR Multimodal Solutions Pvt. Ltd. (49% shareholding with Container Corporation of India Ltd; offers multi-modal rail-road container services) and TCI Cold Chain Solutions Limited (20% shareholding with Mitsui & Co. Ltd., Japan; integrated cold-chain services to meet temperature-controlled warehousing and distribution services). Additionally, it has joint venture with Mitsui & Co., Japan (holding 51% stake), Transystem Logistics International Pvt. Ltd. (Logistical partner for Toyota Kirloskar and other Japanese companies).
TCI has emerged as the pioneer in providing integrated multimodal logistics and supply chain solutions. It provides an array of end-to-end logistics and supply chain solutions in India and SAARC countries (Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri-Lanka) through multiple modes, including road, rail, and sea.

Business Divisions

TCI has emerged as the pioneer in providing integrated multimodal logistics and supply chain solutions. It provides an array of end-to-end logistics and supply chain solutions in India and SAARC countries through multiple modes, including road, rail, and sea. The Company leverages its multi-modal network and ESG based modern warehouses to help customers reduce GHG (Greenhouse Gases) emissions and achieve their sustainability goals. TCI's rapid adoption of technology at all levels has further distinguished it from its competitors. TCI has also established itself as a centre of excellence for digital transformation and technology adoption, enabling it to offer value-added services to its customers using the latest tools and technologies.

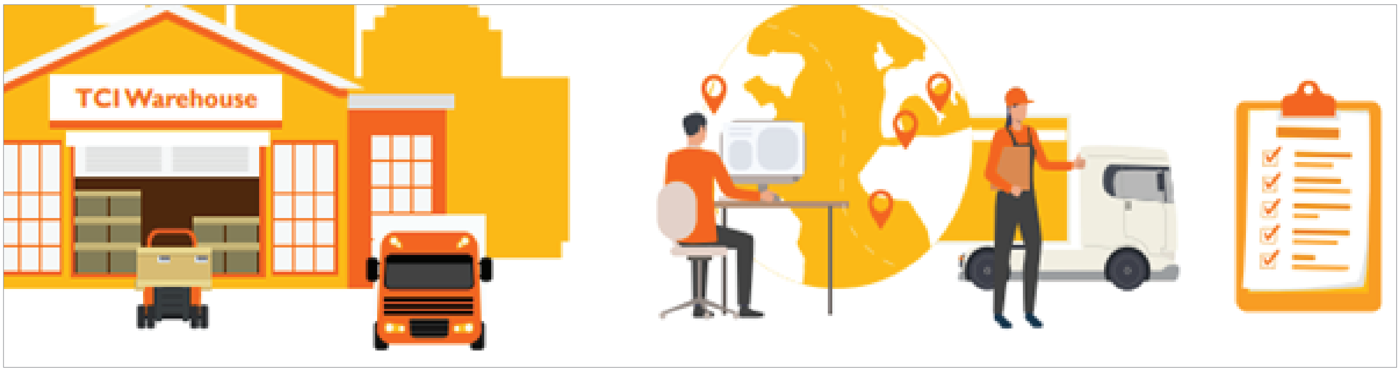
A) Freight Division

With a legacy of over 6 decades in the Logistics industry, it is fully equipped to provide surface transport solutions for cargo of any dimension or product segment ranging from Full Truck Load, Less than Truck Load, Control towers and Over-dimensional Cargo & Project Heavy Haul. TCI Freight is a leading surface transport service provider in India, known for its reliable and customized logistics solutions. Whether it's large equipment, heavy machinery, or small packages, TCI Freight's network reaches every nook and corner of India, as well as the SAARC nations. By providing comprehensive and efficient logistics solutions, TCI Freight aims to be the go-to choice for businesses looking to the movement of goods anywhere, everywhere.

Source: Company, ACMIIL Retail Research

B) Supply Chain Solutions

It provides services such as Dynamic supply chain network design, Scientifically and professionally managed inventory, Modern warehousing management using smart material handling equipment, and Multimodal transportation. At TCI Supply Chain Solutions (TCI SCS), its core mission is to empower customers by optimizing supply chain processes, reducing costs, boosting efficiency, and enhancing customer satisfaction. Through the seamless integration of advanced logistics technologies and software, TCI ensures end-to-end visibility and control across the entire supply chain, spanning from production logistics to distribution centers and aftermarket warehouses. Its commitment lies in providing innovative solutions that enable informed decision-making and operational streamlining, allowing clients to navigate the complexities of the supply chain with confidence and competitiveness. TCI's modern warehousing management systems, smart material handling equipment, and multi-modal transportation services ensure fast, reliable, and secure delivery of goods. With TCI SCS, businesses can benefit from professionally managed inventory, dynamic supply chain network design, and integration with numerous logistics partners, all within a single-window user experience.



Source: Company, ACMIIL Retail Research

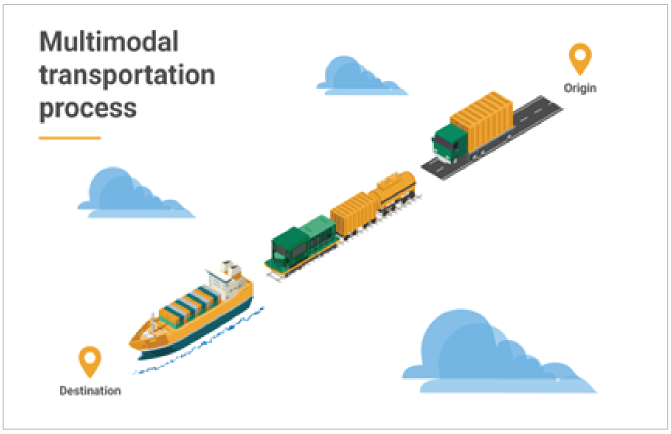
C) Coastal Shipping

Company has a presence in coastal shipping, container cargo movements and transportation services. TCI Coastal Shipping is a premier multi-modal coastal transport provider in India, connecting the country's major ports in the west, east, and south. From container cargo movement and liner services to charter operations and first and last-mile connectivity via rail and road, TCI Coastal Shipping offers a complete range of coastal shipping solutions that provide a hassle-free experience to customers.

Source: Company, ACMIIL Retail Research

D) Multimodal Capabilities & Network

The company manages 14 Mn Sq ft. of warehousing space. Additionally, it has a customized fleet of 1,200+ trucks and trailers, owns 3 Automobile Trains, operating under the AFTO Rail scheme, and owns 6 ships with 8000+ GP containers. Also has a set-up of 25 strategically located hubs across India with 700+ IT Enabled Owned offices. Multimodal capabilities includes managing 60 yards and 55 terminals



Source: Company, ACMIIL Retail Research

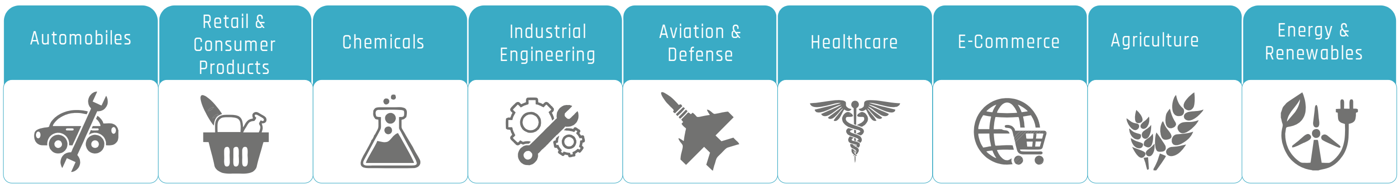
Range of services for customized solutions

TCI provides a wide range of customized services in Warehousing, Port Logistics, Freight Forwarding, Coastal Shipping, End-to-End Supply Chain Solutions, Integrated Multimodal Solutions across various verticals.

LTL/FTL	Warehousing	Port Logistics	Freight Forwarding	Coastal Shipping	ODC/PHH
Domestic Rail: Container & Auto movement		CHA	International Country Operations		Reefer TPT
	Liquid & Gas Bulk Logistics	In/Outbound Logistics	Reefer Storage		

Source: Company, ACMIIL Retail Research

Differentiated customer base catering to a wide range of industries



Source: Company, ACMIIL Retail Research

Investment Rationale

Robust growth led by changing consumer preferences and macro pick-up

The logistics sector has witnessed a strong rebound following the COVID-19 pandemic, as reflected in metrics such as e-way bill generations, FASTag collections, rail freight volume, and foreign trade. Organized players in the domestic logistics industry have bolstered their operations, responding to increased demand from industries seeking dependable supply chain management in the aftermath of COVID-19 impacts. Notably, the third-party logistics (3PL) segment, particularly in e-commerce, pharmaceuticals, and fast-moving consumer goods (FMCG), has demonstrated swift enhancements in its operational efficiency.

Strong headroom for long-term growth

TCI holds significant long-term growth potential in the fragmented logistics industry. With over six decades of experience, the company's presence in multi-modal logistics and supply chain businesses uniquely positions it for further growth. TCI is poised to benefit from sectoral growth driven by factors like GST, increased logistics outsourcing, government emphasis on Atmanirbhar Bharat, and global supply chain realignments. Given these positive fundamentals and TCI's inherent strengths, we anticipate the company to maintain a sustained growth trajectory.

Diversified customer base and high share of contracted business provides revenue visibility

TCI has a diversified customer base, which has remained stable over the years. The business caters to various industries that account for a healthy proportion of its revenues. Although the fragmented nature of the transportation business leads to intense competition, TCI continues to have a healthy proportion of contracted business (especially in the Supply Chain Solution and Coastal Shipping divisions). This, coupled with the diversified customer mix, insulates the business from any downturn in demand in any industry, to an extent, thereby providing healthy revenue visibility.

Supply Chain business likely to sustain the growth momentum

The Supply Chain business has successfully upheld its growth trajectory through a strategic emphasis on retaining and expanding business relationships, both with existing clients and through new acquisitions. This sustained growth is anticipated to continue, primarily propelled by the automotive sector. Furthermore, the company anticipates that its other business will also experience positive momentum as a result of a broader industry shift from unorganized to organized sectors. This strategic alignment positions the company to capitalize on emerging opportunities within the evolving logistics landscape.

TCI's Strategic Hub & Spoke Logistics: Enhancing Efficiency in Cargo Consolidation and Transportation

The Hub & Spoke Model employed by TCI involves a robust network comprising 25 strategically located hubs across India. This model serves as a logistical framework where these hubs act as central points (hubs) for the collection, sorting, and distribution of cargo. The strategically positioned hubs enable TCI Freight to efficiently consolidate and transport goods, enhancing the reliability of their distribution network. In this model, the hubs are connected to various spoke locations, which can be used as warehouses, distribution centers, or other delivery points. And spokes serve as the endpoints for the transportation network, facilitating the movement of goods to and from the central hubs. This setup optimizes the overall logistics process, making cargo consolidation and transportation more streamlined and cost-effective. As part of this model, TCI Freight currently operates a substantial fleet of trucks, with over 4,500 trucks in operation, of which 120 are owned by the company. This extensive fleet further supports the efficiency of the Hub & Spoke Model, ensuring a smooth and reliable flow of goods throughout the distribution network.

Implementation of digitalization and tech adaptation to become imperative and enhance operational efficiency

- **Internet of Things (IoT) for Fleet Management:**

Deploying IoT in fleet management to enhance efficiency, visibility, and manageability, contributing to cost reduction.

- **Wireless Devices for Real-time Monitoring:**

Company to utilize wireless devices such as RFID tags, eSIM, and GPS sensors to track shipment locations and monitor real-time conditions like container temperature and humidity.

- **Inventory Management with RFID Tags:**

Automation and optimization in inventory management, including the use of RFID tags, enable real-time tracking of item locations and inventory levels in SMART warehousing.

- **Big Data for Informed Decision-Making:**

The continuous collection and exchange of data, facilitated by advanced software and hardware, empower TCI to draw insights from the past, provide future forecasts, stabilize supply chains, and optimize transport routes for efficiency.

- **Robotics to Increased Productivity:**

Intelligent robotics to play a crucial role in boosting productivity, reducing costs, and addressing labor challenges in the logistics sector.

- **Blockchain for Security:**

The implementation of blockchain adds an additional layer of security, protecting critical customer data and facilitating authenticated and secure financial transactions in the company.

Reverse Logistics Excellence: Digitally Empowered Solutions for sustainable growth

TCI strategically prioritizes reverse logistics, efficiently managing returns arising from customer preferences, end-of-life cycles, or product defects. This commitment ensures prompt and effective handling of returns, including scenarios involving recycling, disposal, or refurbishment by end users. Aligning with Logistics 4.0 and Industry 4.0's digitalization shift, TCI utilizes digital technologies to enhance visibility in logistics and supply chain management, ultimately improving overall performance. With a global valuation of US$1.5 trillion, TCI's adoption of digital transformation integrates tools like data analytics, automated sorting, and drones, synergistically simplifying procedures, predicting potential disruptions, and reducing the environmental footprint.

TCI's Maritime Momentum: Government Boosts Multimodal Logistics amid Rising Sea Cargo Demand

TCI is witnessing an increased demand for shifting of cargo by sea, as it is cheaper, more efficient and has better green footprint. Being green and an environmental friendly option, companies are increasingly looking to transport their goods by coast in a larger way. As this is a multimodal activity, and while the time taken could be the same, or maybe slightly more, the cost is slightly lower. Most importantly carbon emissions are low and as a result of which the Government is giving more thrust on improving multimodal logistics.

Driving Indian Economic Growth: Expanding Logistics Services Nationally and Internationally

The company aims to foster the Indian economy's growth by offering comprehensive logistics services nationwide and beyond borders. While intensifying operations in Bangladesh and Nepal, they are also venturing into new regions and markets, strategically positioning themselves in high-growth segments like chemicals, agriculture, renewables, and cold chains. With a commitment to service excellence, their focus on key sectors, including roads, railways, ports, airports, dams, power stations, oil & gas pipelines, and telecommunication facilities, underscores their dedication to being a pivotal contributor to India's development.

Strategic Product Mix: TCI's Resilience in Varied Market Conditions

A right product mix has enabled TCI to grow steadily even in tough times where the slowdown in one segment had been adequately compensated by robust growth in another one. For e.g. In pandemic period the auto sector was not doing well due to supply constraints. However, its shipping business did quite well, as it went overseas to some locations, opportunistically to move cargo and containers. At present, international freight rates has come down, but the auto sector is doing well.

Proven Operational Excellence, Extensive Network/Infrastructure, and Robust Brand Strength

With more than six decades of operations, TCI having a fleet of ~10,000 trucks and trailers managed daily, and a widespread distribution network (branch network of more than 900 company-owned offices), TCIL has cemented its position as a leading player in the logistics industry over the years.

Navigating Chemical and Pharma Frontiers, Securing Supply Chains Globally

TCI capitalizes on significant opportunities in the chemicals and pharma sector due to supply chain disruptions in China. India emerges as a preferred manufacturing destination for a diverse range of products, including agrochemicals, cosmetics, petrochemicals, biotech, life sciences ingredients, polymers, resins, dyes, pigments, paper, pulps, pharmaceuticals, and food stabilizers. The company specializes in handling and transporting medical devices such as MRI machines and CT scanners. It offers dynamic, safe, and cost-effective multimodal logistics solutions for bulk liquid and dry chemicals, facilitating the movement of hazardous and non-hazardous chemicals through road, rail, and sea using ISO containers.

Additional Key Growth Drivers

- With emerging Direct to Customers (D2C), Direct to Retailers (D2R), and Direct to Kirana (D2K) models, there is a need for new models of production, storage, and distribution. As a result, logistics players need to develop capabilities in distribution, fulfillment, last-mile delivery, and the utilization of technology for inventory management, optimization, customer data analytics, and route optimization. Meeting these growing customer expectations is crucial.
- The expansion of the manufacturing sector in India is driving demand for logistics services, providing a significant opportunity for companies to expand their operations.
- TCI's freight division remains asset-light in nature, with a large pool of truck suppliers/partners to support its asset-light model. This asset light model provides company the flexibility in operation and helps in higher return generation.
- It aims to build a business that is less cyclical and more consistent in terms of growth and margins.
- The company is focused on creating a structure that can beat cycles and provide more consistent results.
- TCI is in line with the strategy to focus on providing quality growth, maintaining margins, and enhancing customer service through technology and training.
- It aims to provide integral technology services, enhance customer satisfaction, and maintain a strong value system and culture.
- The increasing foreign investment in the Indian economy is expected to drive demand for logistics services, providing a significant opportunity for companies in the sector. This increase also fuels the conversion of a large unorganized sector into a formal, process driven and tech-enabled sector.
- The agriculture and pharmaceutical industries are experiencing a surge in demand for organized logistics service providers. The pharmaceutical sector, in particular, requires highly efficient logistics. Integrated supply chains including stable cold chain infrastructure are critical to support its growth. Several pharmaceutical companies are outsourcing their logistics functions to third-party logistics (3PL) providers due to their efficient, temperature controlled supply chain management and lower operating costs.

Industry Overview

A) Global Outlook

Logistics is an indispensable element of all economic activities. On an average, logistics sector accounts for anywhere between 8-10% in the GDP of various countries across the globe. Global Logistics Services Industry expected CAGR growth is 6.3% between FY 2023-28.

The cover story of global logistics in the past year has been about sustainability & resilience. The disruptions caused by various geo-political events has made organizations as well as governments to relook at the resilience of their supply-chains and logistics ecosystem. Rise in demand for robust and sustainable multi-modal logistics provided the necessary momentum for the growth in the global logistics sector. This is a great opportunity for the entire Logistics industry. Established players has a chance to leverage their strengths and partner with their customers for creating incremental value across the value system. Going ahead, the focus will remain on increasing the resilience and efficiency of logistics. Logistics players will have to opt for redesigning supply chains and adopting technology partners to offer seamless customer experience.

B) Indian Logistics

The logistics industry in India is booming, driven by the country's rapidly growing economy. India is uniquely poised for a transformation in the logistics sector, with significant interventions observed in the past year, and this momentum is expected to continue in the coming years. As India aims to become a USD 5 trillion economy, the logistics sector plays a crucial role in propelling this growth. Focused public investment in improving transportation infrastructure by the Indian government has provided the necessary boost to enhance the efficiency of the logistics industry. Currently, in India, logistics costs account for as much as 14% of the total production cost, compared to 7-8% in developed nations.

This calls for a fresh look at solving for the challenge of improving cost efficiency across the entire value chain - delivering a major boost to the Logistics sector. As India continues to insource manufacturing, it offers a plethora of opportunities for the logistics industry to flourish by capitalizing on the nation's vast geographic area and large population. This, coupled with strong Government impetus is positioning the logistics industry to achieve further growth. Post the launch of National Logistics Policy, today India's logistic ecosystem is in transformative stage which is acting as a catalyst for these opportunities. This plan is proving to be the game changer as it targets reducing the cost of logistics in India to be comparable to global benchmarks by FY 2029-30.

Global supply chains are changing, and it's crucial to build resilience against procurement risks. The Indian Government's "Make in India" initiative and Production-Linked Incentives (PLIs) are boosting manufacturing, increasing exports. Improved connectivity and initiatives like PM Gati-Shakti, Multi-Modal Logistics Parks (MMLP), National Logistics Policy (NLP), Bharatmala and Sagarmala projects, digital platforms are making logistics more transparent and efficient. India is becoming an alternative to China in global supply chains, and its growing domestic market is significant. Post-pandemic shifts in consumption are increasing demand for flexible channels, with Direct-to-Consumer (D2C) and quick commerce driving more warehousing needs. Logistics players are using technology for innovative and eco-friendly supply chains.

The budget for FY 2023-24 has successfully sustained the ongoing economic momentum, and there is huge potential for further alleviation of supply chain bottlenecks. This development is poised to bolster business strategies, enhancing global competitiveness. Despite persistent challenges such as prolonged capital investment cycles, escalating margin pressures, uneven booking-to-cash conversion, and the existence of fragmented and localized operations with unorganized small and marginal players, opportunities abound for 3PL, 4PL, and Multi-Modal Integrated Logistics Solutions Providers (MMILSPs). Additionally, there is substantial scope for improving resource productivity. In the upcoming years, well-established and committed players are likely to reap significant benefits from the evolving market dynamics.

Industrial Key Growth Drivers

- The Indian Government is placing significant emphasis on improving the country's road network, constructing dedicated freight corridors, implementing technology-driven warehousing, and establishing multimodal logistics parks to ride on the opportunity.
- The PM Gati Shakti National Master Plan's allocated budget under the Union Budget has increased from `50 Bn to `100 Bn. The National Master Plan for Multimodal Connectivity is a digital platform that aims to integrate planning and coordinated implementation of infrastructure connectivity projects. Thus, facilitating the infrastructural last mile connectivity & seamless movement. Under this plan, Rs 2.4 Tn is allocated to the Indian Railways.
- National Infrastructure Pipeline (FY 2019-25) focuses on improved project preparation and investments into infrastructure. Energy, roads, railways & urban projects would account for almost 70% projects.
- The Multi-Modal Logistics Parks policy aims at improving the country's logistics sector. It will lower freight costs, vehicular pollution, congestion and also warehouse costs by acting as a single platform optimizing performance for cargo, warehousing, custom clearance, and parking and maintenance services.
- The Integrated National Logistics Action Plan strives to facilitate the seamless movement of goods, providing a substantial boost to the trade sector within the economy.
- The production-linked incentive schemes cover 13 manufacturing sectors including for semiconductors & is bringing in global value chains into India which will enable the production and distribution of many large, bulk manufactured goods to meet both international and local demand.

Investment Idea

Story in Charts (Values in Mn.)

Exhibit 1: Sales Growth

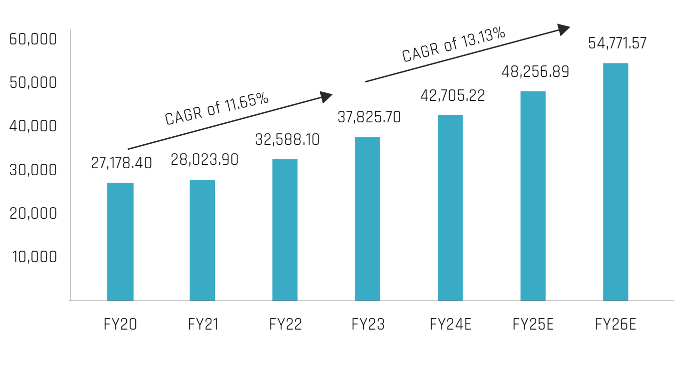


Exhibit 2: EBITDA & EBITDA Margin %

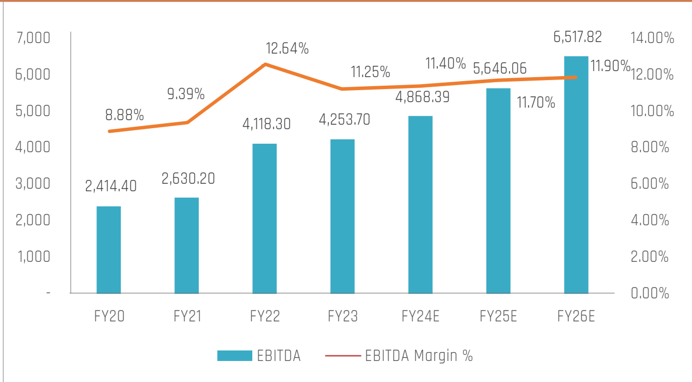


Exhibit 3: Adjusted PAT & PAT Margin (%)

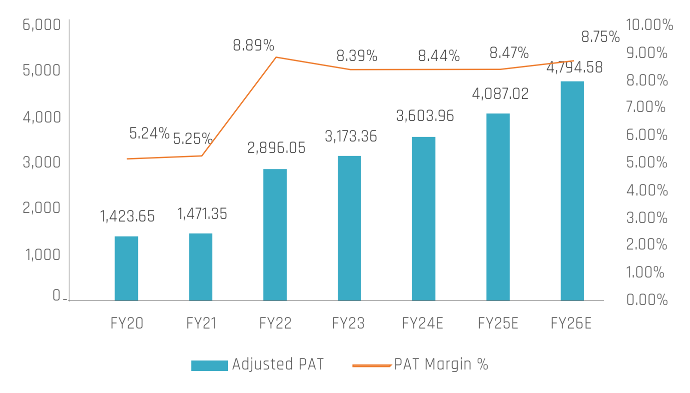
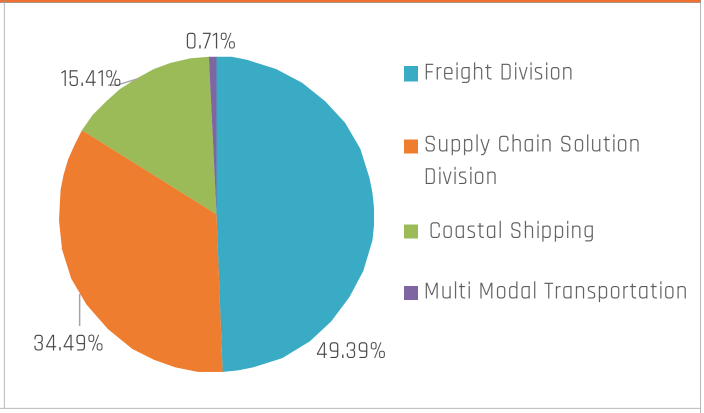


Exhibit 4: Segment Breakup FY23



Source: Company, ACMIIL Retail Research

Financial Statements

Consolidated Profit & Loss Statement:

Particulars (Rs. in Mn.)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Sales	27,178.40	28,023.90	32,588.10	37,825.70	42,705.22	48,256.89	54,771.57
Total Expenses	24,764.00	25,393.70	28,469.80	33,572.00	37,836.82	42,610.84	48,253.76
EBITDA	**2,414.40**	**2,630.20**	**4,118.30**	**4,253.70**	**4,868.39**	**5,646.06**	**6,517.82**
EBITDA Margin %	**8.88%**	**9.39%**	**12.64%**	**11.25%**	**11.40%**	**11.70%**	**11.90%**
Other Income*	344.80	307.40	444.90	698.90	600.10	650.12	660.24
Interest	343.20	267.00	128.30	98.20	95.12	96.33	95.00
Depreciation	824.90	928.10	1,130.20	1,214.10	1,169.33	1,464.73	1,470.12
PBT	**1,591.10**	**1,742.50**	**3,304.70**	**3,640.30**	**4,204.04**	**4,735.12**	**5,612.94**
Tax	159.20	238.30	376.50	434.40	567.55	615.57	785.81
PAT	**1,431.90**	**1,504.20**	**2,928.20**	**3,205.90**	**3,636.50**	**4,119.56**	**4,827.12**
Adjusted PAT#	**1,423.65**	**1,471.35**	**2,896.05**	**3,173.36**	**3,603.96**	**4,087.02**	**4,794.58**
PAT Margin %	**5.24%**	**5.25%**	**8.89%**	**8.39%**	**8.44%**	**8.47%**	**8.75%**
Diluted EPS (Rs.)	18.56	19.08	37.34	40.83	46.37	52.59	61.69

Note: *Other Income includes Share of Associates & JV and Exceptional Items,
Note: #Adjusted PAT is considered after minority interest.
Source: Company, ACMIIL Retail Research

Risks and concerns

- Geo-political instability in key international markets may affect company's business.
- Economic slowdown may affect business and growth of the company.
- Highly competitive industry having multiple unorganized players.

NIFTY

Chart as 05 Jan 2024

NIFTY - Daily Chart

- The index commenced the week on a flat note at 21,728 levels, registered an all-time high of 21,834, showed some profit booking from there and settled the week on flat note at 21,711 levels.
- Technically, on a daily scale, the index has witnessed a channel pattern breakout, as highlighted in the chart above. According to this pattern breakout, the index could test the levels of 23,500-24,000 in medium term.
- However, in the short term, the index may encounter resistance around the psychological level of 22,000, followed by 22,200 levels.
- The immediate support for the index is placed near its recent swing low of 21,500 levels, followed by 21 DEMA (21-Daily exponential moving average) levels of 21,300 in the short term. For medium-term, Nifty may find a significant resistance near its 34-DEMA, which is around 21,000 level.
- The momentum indicator RSI on the daily is positioned above the centre point, indicating strength.
- For the short to medium term, 21,500 and 21,000 will serve as support levels, whereas 22,000 and 22,200 will act as resistance levels.

BANKNIFTY

Chart as 05 Jan 2024

BANK NIFTY - Daily Chart

- The index started the week on a Negative note at 48,203 levels, registered a low of 47,481 and closed the week on a flat to negative note at 48,159 levels.
- Previously, the index had given a breakout of a rounding bottom pattern, as highlighted in the chart above. According to this pattern breakout, the index could test the levels of 49,730.
- The immediate support for the index is around its 21-DEMA (Daily exponential moving average) and the recent swing low of 47,470 levels, followed by 50-DEMA level of 46,300.
- The index can face a resistance around a psychological level of 49,000, followed by 49,730 levels.
- On a daily basis, the momentum indicator RSI is positioned above the center point and holding above the recent trend line breakout as shown in the chart above, indicating strength in the index.
- For the short to medium term, 47,470 and 46,300 will serve as support levels, whereas 49,000 and 49,730 will act as resistance levels.

TATA CONSULTANCY SERVICES (TCS)

Chart as on 29th Dec 2023

TCS (DAILY CHART)

- The stock on a daily scale has witnessed the breakout of a rounding bottom pattern as highlighted in the above chart. As per this breakout, the stock could test 4,000-4,050 levels in the short term.
- The breakout is accompanied by volumes indicating strength in the breakout.
- The 21-DEMA (21-Daily exponential moving average) is placed near 3,710. Thus, any dips till 3,710 can be used for accumulation.
- The RSI on a daily scale is placed above the centre point, suggesting strength.
- Based on the above technical set up, we recommend accumulating TCS in the range of 3,680-3,750 with a stop loss of 3,540 on a closing basis for the target of 4,000-4,100 for the short-term.

LATENT VIEW ANALYTICS LTD.

Date: 12/12/2023	Reco. Price: 437-465 • Target: 545-625 • Stoploss: 390	Time Frame: 3-6 months

LATENT VIEW-WEEKLY CHART

Chart as on 11th Dec 2023

Technical Outlook

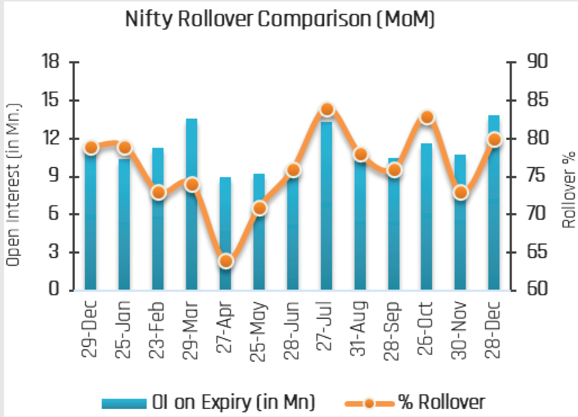
- On a weekly scale, the stock broke out of a cup and handle pattern, as highlighted in the chart above. Following the breakout, the stock tested a high of 503.90 but experienced profit booking, retracing back to the breakout point of the cup and handle pattern, as shown in the chart above.
- The breakout was accompanied by high volume, indicating strength in the breakout.
- The 21-WEMA (21-Weekly exponential moving average) is around 426 levels, serving as good support for the stock. Therefore, one can consider accumulating the stock again, on dips around 430-440.
- According to the cup and handle pattern, the medium-term target comes around 625. However, in the short term, the stock might encounter resistance around 545.
- On a weekly scale, the RSI is positioned above the center point, indicating strength.
- Based on the technical setup described above, we recommend accumulating LATENTVIEW in the 462-468 range and on dips around 434-440 with a stop loss of 390 on a closing basis for a target of 545 in the short term and 625 in the medium term.

Fundamental Outlook

- Latent View Analytics (LATENTVIEW) is a global digital analytics company that inspires and transforms businesses to excel in the digital world by harnessing the power of data and analytics.
- The company has a strong presence in the US and is looking to expand their presence in Europe and APAC region. They have a presence in three countries in Europe namely Netherlands, Germany and UK and are planning to hire Head of Europe and looking to build up sales & marketing team there. They currently have five clients in the region and indicated that there are 20 more engagements being under active discussions.
- The company has a diversified client base of 60 active clients worldwide that we served in FY23. Its client base is diversified across size, industry, and geography. They primarily provide services to companies in the Technology, CPG and Retail, Financial Services, and Industrials (Automotive, Manufacturing, Oil and Gas, and Logistics) sectors.
- LATENTVIEW order book remains healthy, and actively working towards its long-term goals. Several significant opportunities within current pipeline of ~$50 million have the potential to be transformative in nature. The pace at which they convert and add more opportunities to our pipeline will ultimately shape the revenue trajectory in the year to come.
- The Company reported the highest-ever full-year revenue and profit margins in the history of the company. Revenue witnessed growth of 32% on a year-on-year basis to 5,388 million for FY23. The growth was broad-based across Technology, Financial Services, and CPG and Retail. In the last five years FY19-FY23, LATENTVIEW's operating revenues and profitability have grown by a CAGR of 17% and 27% respectively. Further, during the same period, the company's operating profit grew by a CAGR of 19%. It currently trading at lower end PE multiple range. Hence we recommend to "**ACCUMULATE**" the stock.

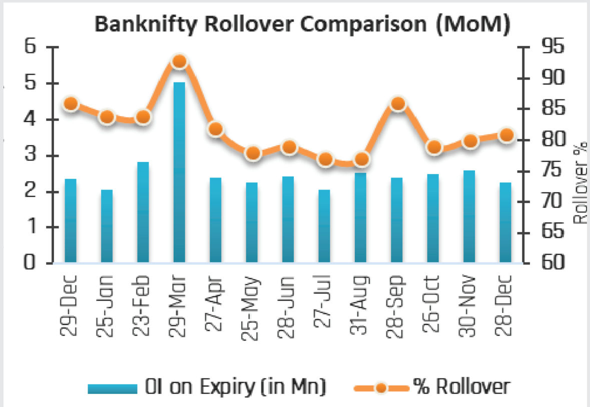
JANUARY SERIES VIEW

In December expiry, the bulls maintained a firm grip on Dalal Street, fueled by positive global cues and strong Foreign Institutional Investors (FIIs) inflows. BJP's sweeping victories in three states, increase in full-year GDP growth estimates by RBI while maintaining status quo on policy rates, and strong hopes of ending rate hike cycle despite inflation concerns lifted market sentiment. Finally, Nifty settled the December expiry on a new high at 21779 level, with gain of 1645 points (EoE) indicating positive bias for the short term. On the expiry day, the Nifty futures rollover stood at 80%, which is higher than the last three series average rollover of 77% indicating long position carry forward. Nifty will begin the January series with the open interest at 1.38 crore shares, compared to 1.07 crore shares at the commencement of the December series. Market-wide rollovers stood at 93% as compared to the average rollovers of 92% in the last three series. Going forward, monthly auto sales data, Rupee movement against the Dollar, bond yields, Fiis flow, global cues, Q3FY24 earnings, geopolitical concerns, and crude oil price movement will dictate the trend on the bourses next month.



DERIVATIVES INDICATORS

The volatility index, India VIX, shoot up by 19.31% and closed at 15.14 vs. 12.69 levels (EoE) of the previous month. We expect volatility will remain continue due to geopolitical concerns and Q3FY24 earnings. Another leading derivatives indicator, Nifty PCR, opened on a higher note this month at 1.30 against last month's 1.26.

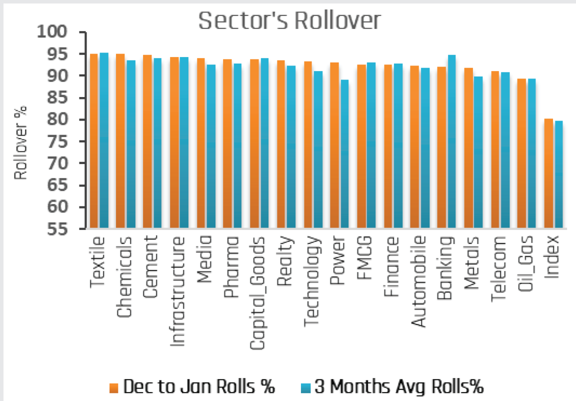


BANKNIFTY

The index saw in line rolls of 81% as compared with the 3M average of 82%. BankNifty will start the January series with OI of 2.26 Mn shares as compared with OI of 2.60 Mn shares at the beginning of the December series. As per technical, support for the index stands around 48000 and 46920 whereas resistance stands at 49000 and 50500 for the short term.

SECTOR/STOCK ROLLOVER ACTIVITY

1. From the sectoral action, rollovers accelerated for **CHEMICALS, CEMENT, MEDIA, PHARMA, TECHNOLOGY and POWER** sectors in January expiry. However, low rollovers were seen in **BANKING, CAPITAL GOODS and TEXTILE** sectors stocks on expiry day as compared to three month's average as highlighted in the chart.
2. Within the Nifty50 space, index heavy weights such as **NTPC, ONGC, BHARTIARTL, COALINDIA, and JSWSTEEL** saw aggressive rollover in the January series while low rolls were seen in **ULTRACEMCO, INDUSINDBK, TATACONSUM, HDFCBANK and RELIANCE** compared with the 3M average rollover.
3. From the midcap space, **IDFC, DELTACORP, LALPATHLAB, PFC, and GRANULES** saw high rollovers whereas **ICICIPRULI, CHOLAFIN, M&MFIN, RBLBANK, and TATACOMM** saw lower rollover compared with the 3M average.



Stocks to watch out based on Rollover Analysis:

POSITIVE	
POWERGRID	Rollover of 93% compared with 3 months average of 89%.
HINDUNILVR	Rollover of 96% compared with 3 months average of 93%
DIVISLAB	Rollover of 93% compared with 3 months average of 92%.
OFSS	Rollover of 91% compared with 3 months average of 93%.

Retail Research Call Performance

MT Medium Risk Calls												
Calls Performance	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
Calls Activated	29	18	57	27	59	64	68	32	36	23	23	25
Successful	18	10	39	21	43	44	44	18	23	14	13	14
Unsuccessful	11	8	18	6	16	20	24	14	13	9	10	11
Succes Rate	62%	56%	68%	78%	73%	69%	65%	56%	64%	61%	57%	56%

MT High Risk Calls												
Calls Performance	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
Calls Activated	13	10	19	15	9	11	20	27	27	28	32	31
Successful	7	8	12	11	7	8	15	20	18	16	22	21
Unsuccessful	6	2	7	4	2	3	5	7	9	12	10	10
Success Rate	54%	80%	63%	73%	78%	73%	75%	74%	67%	57%	69%	68%

Positional Calls												
Calls Performance	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
Calls Activated	9	14	9	8	10	9	17	18	19	10	9	14
Successful	6	12	6	8	10	9	13	14	16	5	8	13
Unsuccessful	3	2	3	0	0	0	4	4	3	5	1	1
Success Rate	67%	86%	67%	100%	100%	100%	76%	78%	84%	50%	89%	93%

Techno Funda												
Calls Performance	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
Calls Activated	-	-	-	1	1	1	1	2	-	-	2	-
Successful	-	-	-	1	1	1	1	2	-	-	2	-
Unsuccessful	-	-	-	0	0	0	0	0	-	-	0	-
Success Rate	-	-	-	100%	100%	100%	100%	100%	-	-	100%	-

Event Calendar January 2024

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
1	2 • US S&P Global Manufacturing PMI January	3 • IND S&P Global Manufacturing PMI • Fed Speech • ISM Manufacturing PMI	4 • US S&P Global Composite PMI Final • US S&P Global Services PMI Final	5 • IND S&P Global Composite PMI Final • IND S&P Global Services PMI Final" • Non Farm Payrolls • Unemployment Rate • US ISM Services PMI	6 • Fed Barkin Speech	7
8	9 • DELTACORP	10	11 • HDFCAMC • INFY • TCS • Fed Williams Speech • CPI • Initial Jobless Claims	12 • ANANDRATHI • HCLTECH • HDFCLIFE • WIPRO • Industrial Production YoY • Manufacturing Production YoY	13 • DMART	14
15 • ANGELONE • NELCO • KESORAMIND • WPI Manufacturing YoY • WPI Food Index YoY • WPI Inflation YoY	16 • HDFCBANK • ICICIGI • LTTS	17 • ASIANPAINT • ICICIPRULI • LTIM • Industrial Production MoM • Manufacturing Production MoM • OPEC Monthly Report	18 • POLYCAB • POONAWALLA • RKFORGE	19 • ATUL • CREDITACC • SUPREMEIND • ULTRACEMCO	20 • ICICIBANK • JKCEMENT • PERSISTENT	21
22 • COFORGE • ZENSARTECH	23 • AXISBANK • INDUSTOWER • PIDILITIND	24 • BAJAJ-AUTO • CONCOR • EXIDEIND • TECHM • US S&P Global Composite PMI Flash • US S&P Global Manufacturing PMI Flash	25 • CIPLA • CHOLAFIN • CYIENT • JSWSTEEL • NOVARTIND	26	27 • CRAFTSMAN • YESBANK	28
29 • BAJFINANCE • BEL • LATENTVIEW • PETRONET • UTIAMC	30 • BAJAJFINSV • BLUESTARCO • DRREDDY • KPITTECH • Fed Interest Rate Decision	31 • DABUR • IDFC • JUBLFOOD • SHREECEM • IMF/World Economic Outlook • Fed Interest Rate Decision				

Result Updates   Economic & Other Event

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Asit C. Mehta
INVESTMENT INTERRMEDIATES LTD.

Retail Research Desk
Email: retailresearch@acm.co.in

Research Analyst Registration Number:
INH000002483

CIN: U65990MH1993PLC075388

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