



MARKET pulse



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

Investment Idea

- Astral Ltd.
- Thermax Ltd.

Technical View

- Nifty View
- Bank Nifty View
- Steel Authority Of India (SAIL)
- Wipro Limited (WIPRO)

Derivatives Report

- Rollover Report

Retail Research Call Performance

Event Calendar

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

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Overall Outlook

Indian Outlook:

The Indian equity market ended the month of February on a positive note. Nifty & Sensex gain around 1.2% & 1.0% for the month of February respectively. However, throughout the month, the index consolidated in a narrow band of 21,500-22,300. FPI net bought equity worth Rs 3568.11 crore and DII net sold worth Rs 230.21 crore for the month of February.

The HSBC Manufacturing PMI data for the month of February came out around 56.9 v/s 56.5 in the month of January. The growth in Manufacturing PMI is due to rising export and domestic new factory orders. The CPI for the month of January came around 5.1% v/s 5.70% for the month of December. The WPI for the month of January came around 0.27% v/s 0.73% for the month of December. The decline in overall inflation is attributed mainly to a drop in food inflation for January, though it remains above the RBI's comfort zone of a 4% target level. The Industrial Production Index (IIP) for December increased to 3.8% from 2.4% in November.

Trade deficit for the month of January 2024 came better month-over-month to around \$17.49 bn v/s \$19.8 bn for the month of December 2023. Merchandise exports rose by 3.12% to \$36.92 billion, while imports increased by 3% to \$54.41 billion for the month of January. The RBI came out with their monetary policy decision. It kept all policy rates unchanged as expected. The repo rate, MSF, and SDF rates stand around 6.5%, 6.75%, and 6.25% respectively. It maintained the withdrawal of accommodation stance. The RBI's GDP and CPI forecast are seen around 7% and 4.5% for FY25. Even IMF & World Bank expects Indian economy to grow around 6.5% & 6.4% respectively in FY25. Such Optimistic forecasts is long to medium term Positive for Indian economy.

India's economy outperformed expectations in the third quarter of the financial year 2024, with growth rates surpassing both Reserve Bank of India (RBI) and market predictions, primarily fueled by significant gains in the manufacturing and construction sectors. This led to an upward revision of the full-year GDP growth forecast to 7.6% from an earlier estimate of 7.3% for FY24, showcasing the economy's resilience and potential for higher growth. India's GST collection rose 12.5% YOY basis to 1.68Lakh crore for the month of February.

The sectoral landscape offers a mixed but hopeful picture. The auto sector is poised for transformation with the government's push towards electric vehicles (EVs), aiming not only to boost sales but also to encourage the localization of EV components. This move, coupled with resilient passenger vehicle sales, especially in the SUV segment, points to a sector on the cusp of significant evolution. However, the domestic Commercial Vehicle (CV) sector might experience a short-term dip of 4-7% in FY25 due to high base effects and election-related slowdowns, though long-term growth prospects remain strong, supported by infrastructure investments and a robust macro-economic environment. In contrast, the agriculture sector, particularly the sugar industry, faces challenges with expected lower production due to adverse weather conditions, although government interventions like the increase in the Fair and Remunerative Price (FRP) for sugarcane signal a supportive stance towards mitigating impacts. As per Crisil ratings analysis, Hospitality Industry in India is expected for revenue growth around 11-13% for FY25, backed by steady domestic demand and an expected ramp up in foreign traveler demand.

Indian cement makers are optimistic about achieving single-digit growth in the coming quarters, driven by healthy demand and unaffected by potential slowdowns from the upcoming parliamentary elections. Additionally, India is set to accelerate the development of its national highways to establish a world-class road network by 2037, aiming to expand the highway length to over 200,000 km from currently around 144955 Km in FY23. According to research by S&P Global Markets Intelligence, Indian banks are experiencing a slowdown in growth and profit margins as deposits lag behind credit growth. Most banks reported income gains last quarter, but net interest margins fell due to tighter liquidity and rising costs.

The Q3 FY2024 earnings season ended with muted top-line growth and more misses than hits in earnings. There is a challenge of top-line growth across sectors, with companies facing difficulties due to increased competition and limited advantages for listed players, although many sectors still maintain good margins due to softening commodity prices. The market will now focus on the January-March quarter, which has historically been a better performer.

We continue to be bullish on some of the key sectors like Auto & Auto Ancillary, Cements, Defence, Railways, Consumer Durables, Energy, Logistics, FMCG, Capital Goods & Engineering, Infrastructure, Construction, Banking, and Financials, etc. which are going to be outperformers in the rally ahead. Some of the laggard sectors also have some value buying opportunities to accumulate at lower levels including Information Technology, Specialty Chemicals and Metals, etc.

The structure Bull Market for Indian Equity remains intact supported with strong domestic fundamentals. As mentioned earlier, 22000 levels is crucial resistance levels for Nifty, sustain above it will confirm extension of rally towards 24000-24500 levels on nifty for medium to long term perspective.

Overall Outlook

Global Outlook:

US market ended the month of February on a positive note. Global Indices particularly Dow Jones, S&P 500 & Nasdaq composite ended a positive monthly closing of around 2.2%, 5.2%, and 6.1% respectively. These all indices trading at their life time high levels. Short to medium term trend for the US market remains positive. ISM manufacturing PMI for the month of February came around 47.8 below the expectation of 49.5. The reading pointed to the 16th straight month contraction in manufacturing activity as output, inflows of new orders.

The U.S. markets demonstrating resilience despite mixed economic signals and speculation around Federal Reserve's interest rate decisions. The economy added a remarkable 353,000 jobs in January, far exceeding expectations, while maintaining a stable unemployment rate of 3.7%. The Federal Reserve remains committed to a data-driven approach, emphasizing the need for inflation to move sustainably towards their target before considering rate cuts. Recent commentary consensus of many FED officials indicating rate cut is going to happen in summer or later part of calendar year based on economic data. The U.S. GDP's slight growth in Q4 CY2023 further underscores economic resilience. Overall, the sentiment remains cautiously optimistic, focusing on sustainable growth and stability amidst ongoing challenges. People Bank of China (PBOC) cuts key mortgage rate aimed stimulation to boost economy. PBOC brings down five year loan prime rate by 25 basis points to 3.95%.

Brent crude oil prices traded in range throughout the month of February, influenced by geopolitical tensions and economic uncertainties. It's trading around \$83, buoyed by geopolitical risks in the Middle East, particularly between Israel and Hamas and the Russia-Ukraine conflict, raised concerns over potential supply disruptions. The upcoming OPEC+ meeting in March is anticipated, where discussions on extending output cuts are expected, likely maintaining voluntary production limits until the June meeting to stabilize the market. Additionally, tensions including the uncertain ceasefire between Israel and Hamas, and Houthi attacks on Red Sea shipping, contribute to a risk premium on oil prices.

Conclusively, the structural long-term equity bull market for India is intact driven by strong domestic driving forces as mentioned above. The geopolitical tensions, higher interest & food inflation are potential risk for global economic growth. 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-Feb-24	31-Jan-24	Change MoM
Dow Jones	38,996	38,150	2.2%
S&P 500	5,096	4,846	5.2%
Nasdaq	16,092	15,164	6.1%
CAC 40	7,927	7,657	3.5%
DAX	17,678	16,904	4.6%
FTSE 100	7,630	7,629	0.0%
Nikkei 225	39,166	36,287	7.9%
Hang Seng	16,511	15,485	6.6%
Shanghai	3,015	2,789	8.1%
Nifty 50	21,983	21,726	1.2%
BSE Sensex	72,500	71,752	1.0%
Brent Crude (\$)	81.9	81.7	0.2%
WTI Crude (\$)	78.3	75.9	3.2%

Sources : Yahoo Finance /BSE

Domestic & Sectoral Indices Performance

Index	29-Feb-24	31-Jan-24	Change MoM
Nifty 50	21,983	21,726	1.2%
Nifty IT	37,720	36,638	3.0%
Nifty Next 50	58,991	55,299	6.7%
Nifty Bank	46,121	45,997	0.3%
NIFTY MIDCAP 100	48,336	48,569	-0.5%
Nifty 500	20,090	19,802	1.5%
Nifty 100	22,526	22,052	2.2%
Nifty Midcap 50	13,746	13,621	0.9%
Nifty Realty	911	855	6.3%
Nifty Infra	8,086	7,860	2.9%
Nifty Energy	38,838	36,748	5.7%
Nifty FMCG	54,016	55,071	-1.9%
Nifty MNC	25,091	24,306	3.2%
Nifty Pharma	19,003	17,939	5.9%
Nifty PSE	9,139	8,670	5.4%
Nifty PSU Bank	6,930	6,272	10.5%
Nifty Serv Sector	27,684	27,386	1.1%
India VIX	16	16	-3.0%
Nifty Auto	20,412	19,227	6.2%
Nifty Metal	7,922	7,973	-0.6%
Nifty Media	2,050	2,151	-4.7%
NIFTY SMLCAP 250	14,965	15,064	-0.7%
NIFTY MIDCAP 100	48,336	48,569	-0.5%

Sources : NSE

ACCUMULATE

Astral Limited

Company Background

Astral Ltd. (ASTRAL) was incorporated in 1996, with the aim to manufacture pro-India plumbing and drainage systems in the country. It is amongst the fastest-growing and leading companies in the category of building materials with presence across pipes and adhesives, and is now foraying into paints, faucets & sanitary ware and valves and Infrastructure. It is a prestigious manufacturer of Chlorinated Poly Vinyl Chloride (CPVC) and Poly Vinyl Chloride (PVC) plumbing systems catering to both residential and industrial use. With a commanding market share in the domestic CPVC and PVC pipe industry, the Company has achieved widespread recognition as a leader in the piping segment. It operates several manufacturing facilities across India, including Santej, Dholka (Gujarat), Hosur (Tamil Nadu), Ghiloth (Rajasthan), Sangli (Maharashtra), Sitarganj (Uttarakhand), Aurangabad (Maharashtra), and Bhubaneswar (Odisha), which are capable of producing a range of products such as plumbing systems, drainage systems, agricultural pipes, industrial pipes, fire protection pipes, electrical conduit pipes, and infrastructure products.

Outlook and Valuation

Astral has established its market position with significant market share along with healthy demand prospects. Demand from building materials like pipe, paint, sanitary ware, faucets, ceramic, plywood are linked to various sectors like construction, real-estate, infrastructure etc, which is expected to grow forward. Management is also confident to attain overall growth in range of 15%-20% along with government initiatives such as the Pradhan Mantri Krishi Sinchayee Yojana (PMKS), the "Nal se Jal" scheme under Jal Jivan Mission, and the Pradhan Mantri Awas Yojana (PMAY) are also expected to drive the demand for plastic pipes.

We find Astral attractive for its consistent focus on profitability and growth, driven by innovative product launches, vigorous brand building and successful product diversification. After establishing a leading position in plumbing pipes, it has now entered into new segments as Adhesives, Paints and the Bathware. Its foray into adjacent segments (organically or inorganically) to lever its brand and distribution network, has enabled it to effectively capture growth opportunities. **We estimate revenue CAGR of 17% from FY23 to FY26E, with recommendation to "Accumulate" with a target price of Rs 2,627, reflecting a potential upside of 26%, based on a PE multiple of 84x to FY26E EPS of Rs 31.28.**

Financial Snapshot

Particulars (In Mn.)	FY23	FY24E	FY25E	FY26E	CAGR % (FY23 - FY26E)
Revenue	51,585.00	61,076.25	70,587.69	83,450.84	17%
EBITDA	8,099.00	9,161.44	10,941.09	13,352.13	18%
EBITDA %	15.70%	15.00%	15.5%	16.0%	
PAT	4,566.00	5,370.83	6,702.65	8,401.91	23%
EPS (Rs)	17.00	19.99	24.95	31.28	23%

Source: Company, ACMIIL Retail Research

Company at glance

- Offers a complete range of diversified building materials portfolio.
- Leadership position in the piping industry and getting strong foothold in new segments.
- Expanding into Paints: Acquiring Majority Stake in Gem Paints to Enhance Building Material portfolio.
- Boosting Capacity in Pipes and Adhesives for Future Growth.



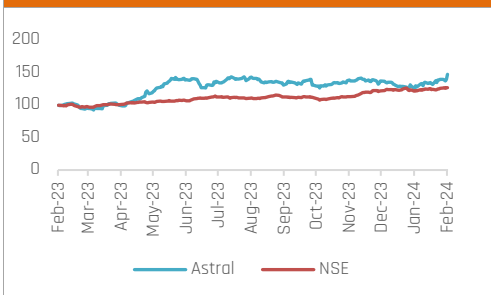
Key Data

DATE	23-02-2024
Reco Price	2,080-2,100
Target	2,627
Sector	Industrial Products- Building Materials
BSE Code	532830
NSE Code	ASTRAL
Face Value (Rs.)	1
Market Cap (Mn)	5,64,116.72
52-week High/Low (Rs)	2,095/1,298

Shareholding pattern (Dec 2023)

	%
Promoters	54.10
DII's	13.66
FII's	19.79
Public	12.44
Total	100.00

Price Performance



Retail research

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End user category



Clienteles

Hospitals	Government	Construction houses	Industries
<ul style="list-style-type: none"> Tata Memorial Cancer Hospital Unity Hospital - Baroda JMC Hospital Project Wockhardt Hospital Kailash Cancer Hospital (Muni Seva Ashram) - Baroda Wockhardt Hospital - Bangalore 	<ul style="list-style-type: none"> Police Avas Nigam Central University Rajasthan American Embassy - New Delhi 	<ul style="list-style-type: none"> Aashiana Housing (Rangoli) - Bhiwadi Kukreja Construction Company - Chembur G. L. Raheja Group - Bandra NCC - Maytas (JV) - Hyderabad Hiranandani Construction Pvt. Ltd. - Thane Tata Housing Limited - Thane 	<ul style="list-style-type: none"> Tisco Ltd. - Jamshedpur Essar Steel Ltd. - Surat Grasim Industries Ltd. Reliance Industries Ltd. - Ahmedabad Grasim Industries Ltd. - Nagda (MP) Hindustan Zinc Ltd. - Vizag./Udaipur
Resort and parks	Residential project	Film city	Technology parks
<ul style="list-style-type: none"> Akj Resort Ltd Gupta Resort Pvt Ltd Eagle Berg Resorts Hans Paradise 	<ul style="list-style-type: none"> Ongc Town Ship Sankalpa By West Bengal Housing Board & Hdfe Reliance Town Ship Tata Town Ship Tata Court 	<ul style="list-style-type: none"> Pearl Film City Prayag Film City 	<ul style="list-style-type: none"> Eco Space RMZ Ecospace Software Park - Bangalore Info City - Gandhinagar Silicon County - Hyderabad Millenium City TCS
		Stadium	
		<ul style="list-style-type: none"> Eden Garden Geetanjali Stadium 	

Source: Company, ACMIIL Retail Research

Product Portfolio

Astral's range of products in the adhesive sector encompasses a diverse selection of sealants and adhesives for various uses, including domestic, construction, furniture, engineering, automotive, and insulation applications, among others. Over recent years, Astral has significantly broadened its offerings in both the piping and adhesive domains, incorporating advanced plumbing systems for both hot and cold water, a quiet drainage and sewage piping system, cyanoacrylate, a surface drainage system, solvent cement, and rescue tape. The company is poised to gain from its extensive product line up moving forward.



Source: Company, ACMIIL Retail Research

Pipes



Source: Company, ACMIIL Retail Research

Water tanks products



Source: Company, ACMIIL Retail Research

Adhesives & Sealants Products



Source: Company, ACMIIL Retail Research

Investment Rationale

Offers a complete range of diversified building materials portfolio

Astral has established itself among leading player in the domestic CPVC pipes and fittings niche market. Transitioning from a growth-oriented company, it has effectively broadened its scope from manufacturing pipes and fittings to becoming a key player in the home building products sector. Through successful acquisitions, such as those in the adhesive businesses, Astral has risen to become the second-largest entity in the adhesives and construction chemicals market in India. Additionally, it has expanded into new segments like water tanks, sanitary ware, faucets, and the paint industry (via the acquisition of Gems paint). Astral's commitment to innovation, its proven track record, and its ability to execute effectively have not only solidified its position in the domestic market but also allowed it to expand into new markets successfully.

Robust distribution network

The company has a robust distribution network with a large number of distributors (2778+) and dealers (193000+). This enables Astral to reach a wide customer base efficiently and effectively. The company has effectively served with vast network of partners, with in house marketing team dedicated to deliver exceptional service. Many dealers and distributors have been long-standing partners, contributing to market dominance over three years. Originally starting in the western region of India, the company has methodically extended its reach to cover all four geographical zones of the country. In line with their strategy of decentralization, Astral has set up additional manufacturing facilities in the southern, northern, and eastern regions. This deliberate geographical expansion serves to improve service quality for their distributors and to efficiently tackle the significant logistics expenses tied to the transportation of pipes and fittings.

Leadership position in the piping industry and getting strong foothold in new segments

As one of India's premier providers of piping solutions, the needs of the real estate, infrastructure, and agricultural sectors have been met with a comprehensive array of products. The state-of-the-art manufacturing facilities have been carefully designed to foster operational efficiencies and cater to the dynamic needs of customers. A robust emphasis on capitalizing on distribution prowess, scalability, and the invaluable insights acquired from the piping business has led to remarkable growth in the Adhesive and Sealant Business. Encouraged by this progress, a strong dedication to swiftly extend operations into new product categories has been maintained. The aim is to deploy specialized knowledge and cutting-edge manufacturing capabilities towards exploring new product lines, thus widening scope and enhancing reach across various sectors.

Expanding into Paints: Acquiring Majority Stake in Gem Paints to Enhance Building Material portfolio

The company has entered into definitive agreement to acquire a controlling 51% equity stake in the operating business of Gem Paints Private Limited as part of strategic decision to expand product portfolio under building material segment and strengthened its brand ASTRAL and levergae its Dealers' and Distributors Network. Gem Paints has been involved in manufacturing high performance Industrial and Decorative coatings in South India. The Company enjoys its competitive edge derived from its resin manufacturing capabilities and in-house R&D division. On Oct,23, Astral further acquired up to 80% equity of Gem Paints Private Limited (51% against redemption of Optionally Convertible Debentures amounting to Rs. 1940 mn towards First Tranche Acquisition and 29% equity shares of Gem Paints Private Limited towards Second Tranche Acquisition). The balance 20% equity stake will be acquired by Astral Limited over a period of 5 years, as per the Share Purchase Agreement entered between the Parties.

Strong existing brand with focus on advertisement

Astral has been actively promoting its brand by getting involved with Bollywood movies and sponsoring cricket teams in the Indian Premier League. These efforts have made Astral a well-known name in the plastic pipes market, helping it attract more customers, especially as people prefer buying from well-organized companies. The company also hired Allu Arjun and Ranveer Singh as brand ambassadors, popular actors with lots of fans, to help promote its products in Southern India and across the country, aiming to increase sales.

Embracing Sustainability: Renewable Energy and Eco-Friendly Initiatives at the Forefront

The company is dedicated to embracing low-carbon technologies and eco-friendly manufacturing practices to reduce environmental footprint. With a focus on improving both environmental and social impacts of their products, they are channeling investments into renewable energy sources and enhancing waste recycling efforts. A notable initiative includes generating biomass fuel from renewable resources like rice husk for manufacturing operations, thereby decreasing dependence on non-renewable fossil fuels. The company is also actively engaged in implementing water conservation and energy efficiency strategies. Furthermore, they have established a 'green building' in Dholka, Gujarat, designed with sustainability in mind, aiming to foster sustainable practices and create a positive impact on the social and economic well-being of the workplace.

Strategic Expansion: Boosting Capacity in Pipes and Adhesives for Future Growth

Astral is aggressively expanding its capacity in the pipe business, with three new plants in Guwahati, Hyderabad, and Kanpur. Throughout the first nine months of FY24, the company has successfully increased its production capacity by 30,000 metric tonnes, from 2.9 lakh metric tonnes to 3.29 lakh metric tonnes.

Guwahati plant (Pipes): The Company has initiated production at a Guwahati plant with a capacity of 22,000 metric tonnes on water tank production in the second quarter of FY24. From January, the plant has commenced the production of pipes, and expectation of sales contributions is from Q4FY24.

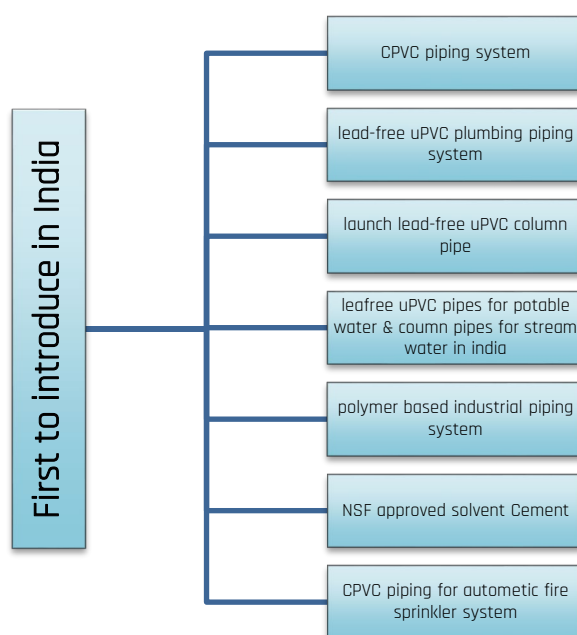
Hyderabad and Kanpur (Pipes): Expansion efforts are underway at the company's Hyderabad and Kanpur facilities. The Hyderabad plant, with a future capacity of 70,000 metric tonnes, is nearing the completion of its first construction phase, expected by March,25. The installation of machinery is planned for the first quarter of FY25, with commercial production slated to begin by the end of the second quarter of FY25. Meanwhile, the Kanpur plant, which will have a 60,000 metric tonne capacity, is currently in the layout phase, with construction activities to commence shortly.

Dahej (Adhesives): This plant is in operation and providing good results as per expectations like energy saving, cost reductions. It is going to reflect in terms of numbers in coming quarters when plant will get fully operational (Q1FY25).

These facilities will commence operation gradually over FY24-FY25. The company plans to spend annual capex of around Rs. 3000-3500 mn each in FY24-FY26 which is planned to be funded through internal accruals. Company is confident that it will be able to grow not only in its existing product portfolio, but also, projects additional revenues of Rs 15000 Mn in next 4-5 years from its new product and categories.

Innovation-Driven Growth and Product Differentiation in the Pipe and Adhesive Sectors

The company's strategic emphasis on innovation has been a pivotal factor in distinguishing its products in the market, offering consumers unique value. This commitment to innovation, coupled with a focus on enhancing customer engagement, has led to consistent investments across several key domains: manufacturing, research and development (R&D), information technology (IT), and sustainability efforts. These investments are thoughtfully directed to align with the company's growth strategies, ensuring that they not only foster business expansion but also deliver substantial returns to shareholders. By prioritizing innovation, the company has been at the forefront of launching new and exciting products and services, all while maintaining a keen focus on sustainability. This approach ensures the company's leadership position within the industry. As a direct outcome of this innovation-led strategy, the company has been able to introduce a variety of groundbreaking products, marking their debut in our country's pipe and adhesive sectors. These initiatives underline the company's dedication to innovation as a core component of its business philosophy, driving both market differentiation and sustainable growth.



Source: Company, ACMIIL Retail Research

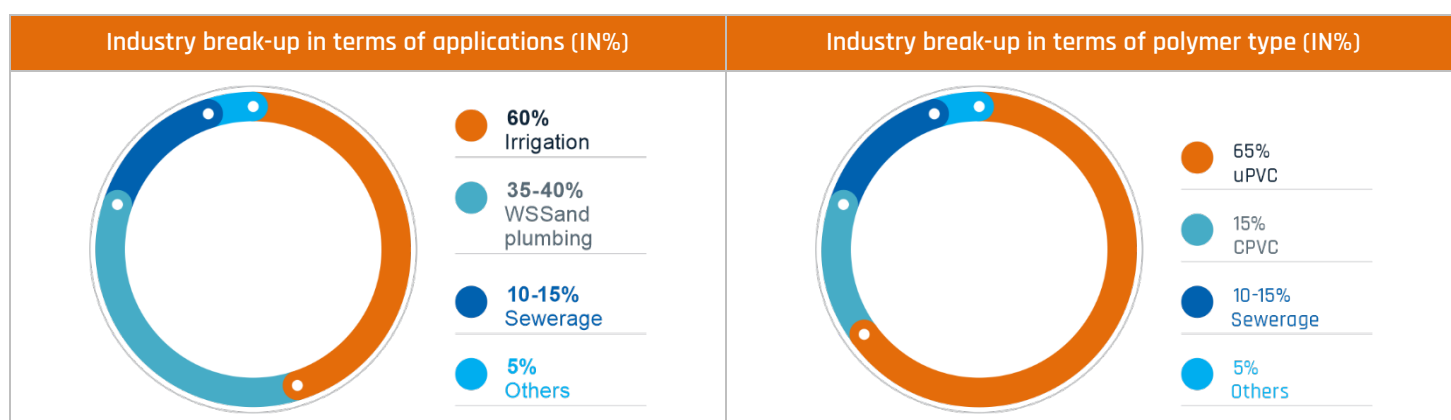
Industry Synopsis with growth drivers

The expansion of India's infrastructure and construction sectors is catalyzing the growth of the market for plastic pipes. The surge in infrastructure projects, including the construction of roads, bridges, and buildings, is generating significant demand for plastic pipes for uses such as water supply, drainage, and irrigation. India is projected to ascend to the position of the third-largest construction market globally within the forthcoming two to three years. Interim budget laid emphasis on key areas like fiscal consolidation, infrastructure, agriculture, green growth, and railways. It was vote-on-account budget which significantly emphasis on revival of rural growth & demand, overall infrastructure developments and higher capital investments. The capital expenditure outlay for the next year is being increased by 11.1 per cent to Rs 11,11,111 crore, which would be 3.4 per cent of the GDP. Direct policies, such as the Jal Jeevan Mission and Har Ghar Jal Yojna, have created new demand avenues for the industry, while indirect policies have amplified its development. The Jal Jeevan Mission (JJM) initiative is a game changer for the industry. With a target of providing tap water connections to all rural households by 2024, it has created a massive opportunity for plastic pipe manufacturers to cater to the increasing demand for potable water supply

Indian Plastic Pipe Market Overview

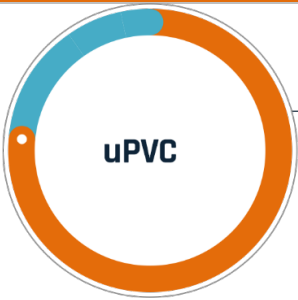

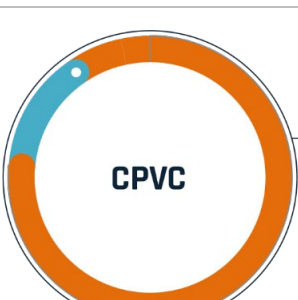

The Indian plastic pipe market is on a trajectory of substantial growth, fueled by increasing demands across various sectors such as potable water supply, wastewater management, electrical and telecommunication cable protection, agriculture, chemicals, and oil and gas. With a projected expansion rate of 10.3% from 2022 to 2027, the market is anticipated to reach a valuation of \$10.9 billion. This growth is driven by factors such as government infrastructure investments, rising construction activities, industrial advancements, irrigation sector demands, and the need for replacing old pipes.

Growth Drivers	Details
Impact of Government Initiatives	Government-led initiatives have played a pivotal role in propelling the demand for polymer pipes. The government launched the National Infrastructure Pipeline (NIP) with a forward-looking approach and with a projected infrastructure investment of around Rs 111 lakh crore during FY20-25 to provide high quality infrastructure across the country, has opened vast opportunities for the plastic pipe industry. The expansion of critical infrastructure sectors like railways, airports, roadways, agriculture, and affordable housing further stimulates the demand for polymer pipes.
Shift in Material Preference	The shift from metal to polymer pipes has become increasingly evident, particularly within the construction industry for plumbing and piping applications. The pandemic has not deterred the momentum of the polymer pipes sector, which continues to shine in India's evolving landscape. CPVC pipes, in particular, have seen a surge in demand within the hot- and cold-water plumbing sectors, showcasing the industry's adaptability and growth potential.



Source: Company, ACMIIL Retail Research

Plastic pipes are made of different types of polymers. The four key types are:

Types of Polymer	Details
 <p>72-76% Unplasticised Polyvinyl Chloride (u PVC) Which represents 72-76% of industry demand</p>	<p>UPVC pipes have witnessed robust demand growth due to their resistance to corrosion, abrasion, and chemicals. Their versatility makes them suitable for a wide range of applications, including water treatment and the oil and gas industry. As the market continues to expand, UPVC pipes are expected to play an increasingly critical role in India's infrastructure development, particularly in water resource management.</p>
 <p>06-08% High Density Polyethylene (HDPE) Representing 06-08% of the industry demand</p>	<p>HDPE pipes are highly sought after for applications in irrigation, drainage, city gas distribution, and the chemical processing sectors. They account for a substantial share of the plastic pipes industry, preferred for their superior build and quality over traditional materials. The cost savings and reduced maintenance requirements they offer make HDPE pipes a valuable component of India's infrastructure development.</p>
 <p>13-15% Chlorinated Polyvinyl Chloride (CPVC) Which represents 13-15% of the industry demand</p>	<p>CPVC pipes have carved out a significant niche in the plumbing segment for hot and cold potable water distribution systems, thanks to their exceptional durability, fire and corrosion resistance, and capacity to withstand extreme temperatures. Their remarkable rise in the market underscores their importance and the shifting preferences towards more durable and efficient piping solutions.</p>
 <p>03-05% Polypropylene (PPR) Representing 03-05% of the industry demand</p>	<p>PPR pipes, known for their durability and versatility, have established themselves in various industrial sectors, despite constituting only 3-5% of the total plastic pipe demand. Their relatively higher cost, compared to other plastic pipes, has somewhat limited their widespread adoption, yet they remain a crucial part of the industry's diverse product offerings.</p>

Source: Company, ACMIIL Retail Research

Indian water tank industry

Growth Prospects of the Indian Water Tank Market

The Indian water tank market is on the brink of a promising growth phase from 2021 to 2025, fueled by an amalgamation of factors that include escalating construction activities, tightening government regulations regarding wastewater management, the deterioration of existing water infrastructure, and the escalating demand for treated and soft water across various sectors. Water tanks, predominantly manufactured from polyethylene or polypropylene, are becoming an indispensable solution for storing water for a multitude of uses such as drinking, irrigation, chemical production, fire suppression, and food preparation processes.

Leading Position in the Asia Pacific Region

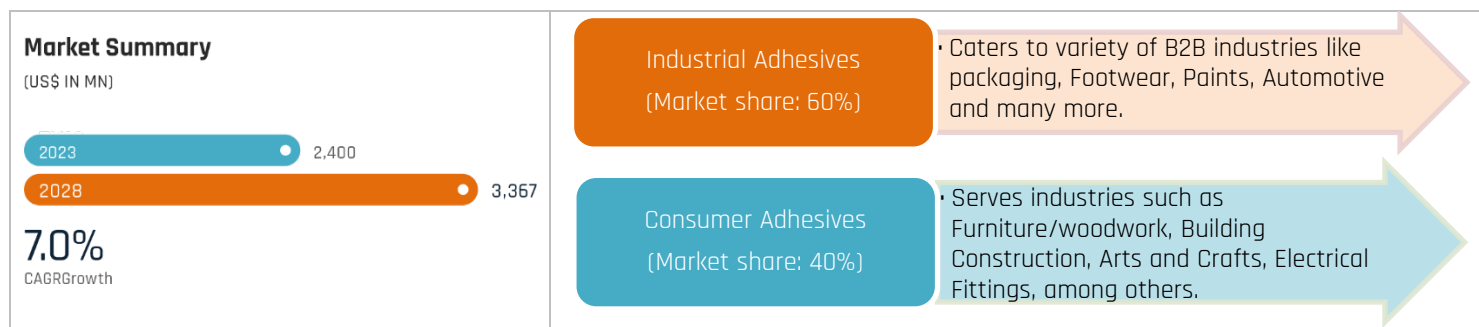
The Asia Pacific region, with India at its core, stands as the most significant market in terms of revenue generation for water tanks. This is largely attributed to the burgeoning construction of residential homes, public amenities, and commercial buildings across the country. The expansive growth in construction projects is a direct reflection of the increasing demand for reliable and efficient water storage solutions, positioning India as a key player in the market.

Market Valuation and Demand Trends

The valuation of the Indian water tank market is estimated to range between Rs 45-50 billion, with an anticipated compound annual growth rate (CAGR) of 5-6%. The demand for plastic storage tanks is projected to maintain a robust trend, driven by ongoing construction ventures, heightened awareness and concern over water conservation, a growing population base, and the challenges posed by ageing water infrastructure. These elements collectively contribute to the sustained demand and growth of the water tank market in India, highlighting the critical role of efficient water storage solutions in meeting the country's burgeoning water needs.

Indian Adhesives and Sealants Market: A Path to Substantial Growth

The Indian adhesives and sealants market is on the verge of significant expansion, with projections estimating its value to surpass USD 2,400 million by the end of FY23. Fueled by a strong CAGR of over 7% from 2023 to 2028, the market's growth is largely attributed to the surging demand within the packaging industry and the burgeoning aerospace sector, alongside various other factors driving its progress. This dynamic market is segmented into two principal categories: industrial adhesives and consumer adhesives.



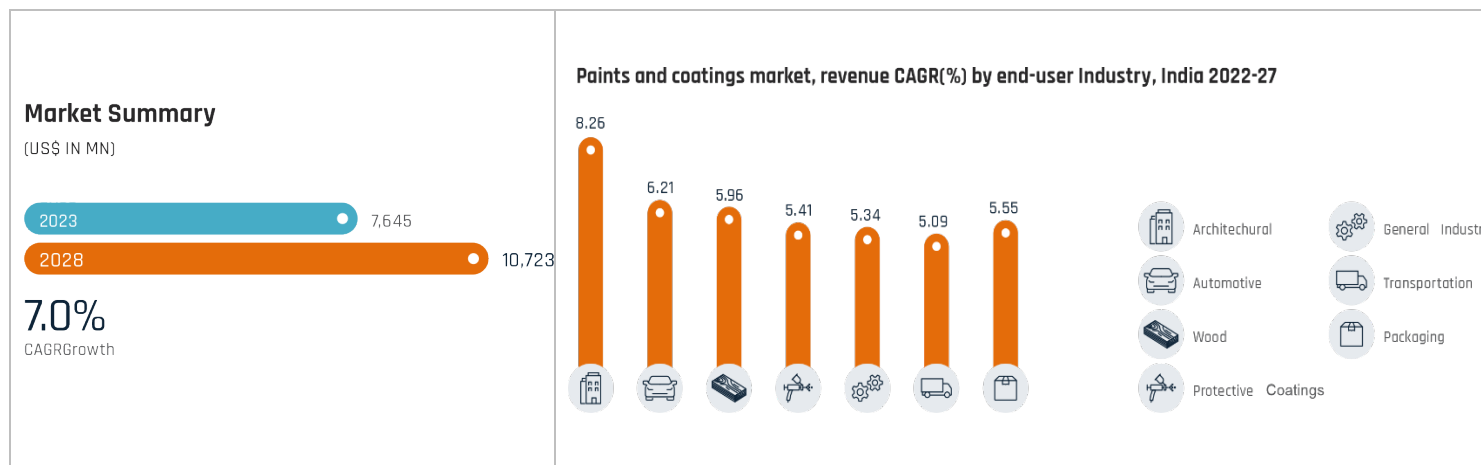
Source: Company, ACMIIL Retail Research

The Indian adhesives and sealants market is thus set for a promising future, backed by diverse applications ranging from industrial manufacturing to everyday consumer use, and supported by the country's expanding sectors.

Growth Drivers	Details
Aerospace and Defence	The booming aerospace industry in India, encompassing both civil aviation and defense sectors, has emerged as a pivotal driver for adhesives and sealants demand. With India's defense capital expenditure witnessing a steady increase, the aerospace sector's growth trajectory is set to offer substantial opportunities for market players, bolstering the demand for adhesives and sealants.
Construction Industry	The construction sector extensively utilizes adhesives and sealants for various applications, from flooring and carpets to wall coverings and window frames. With India's continued investment in infrastructure and increased building construction spending, the construction industry is anticipated to maintain its status as a significant demand source for adhesives and sealants, underpinning the market's overall growth potential.
Packaging Industry	The packaging industry, recognized as the fifth-largest economic sector in India, plays a crucial role in driving the adhesives and sealants market. Its remarkable growth, attributed to the expanding middle-class, enhanced supply chain systems, and the surge in e-commerce, positions it as the largest end-user of adhesives and sealants. Applications span across labels, tapes, carton sealing, and more, underlining the sector's significance.
Furniture and Electronics	The pandemic-induced shift towards work-from-home and online education has spiked the demand for household, especially wooden, furniture—a trend expected to continue, thereby increasing the demand for furniture-specific adhesives and sealants. Concurrently, the electronics industry, with its extensive use of adhesives and sealants for various applications, is another vital growth driver, benefitting from the soaring demand for electronics projected at a CAGR of 19-24%.

Indian Paints and Coatings Industry

The Indian paints and coatings market is on the cusp of significant achievement, expected to reach an impressive \$7,645 million by the end of the year. Additionally, the sector is forecasted to witness a CAGR of over 7% from 2023 to 2028, supported by notable advancements in the construction industry. The remarkable success of the market can be linked to a strong lineup of construction projects, forward-thinking government initiatives like "Housing for All," and the rapid pace of urbanization. These factors have jointly contributed to an increased demand for architectural coatings throughout the country. In the medium to long term, these influences are set to play a pivotal role in driving the market forward, with economic expansion, urban growth, and increased consumer spending power acting as key determinants in the consumption of architectural paints across the nation.

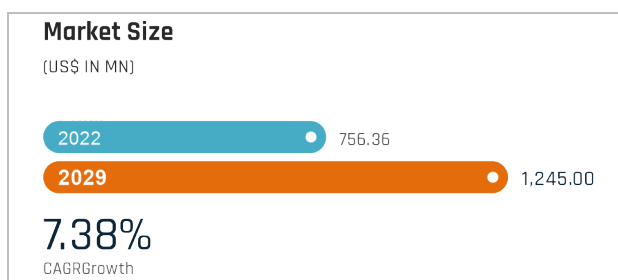


Source: Company, ACMIIL Retail Research

Growth Drivers	Details
Residential Sector	The government's proactive stance and various initiatives have catalyzed an uptick in the residential sector's demand. With the Ministry of Housing and Urban Development earmarking significant funds in the 2021 budget for housing construction, coupled with schemes like the Pradhan Mantri Awas Yojana (PMAY) aiming to deliver affordable housing by 2022, the architectural emulsion coatings market is set to receive a substantial boost. This momentum is anticipated to sustain, further propelling market growth.
Commercial Sector	India's commercial sector growth is positively influencing the paints and coatings industry. The inauguration of 92 new school buildings, including 48 labs and three libraries in the country's southern region in September 2021, underscores this upward trend. The increase in commercial infrastructure is expected to escalate the demand for architectural emulsion coatings, thereby aiding in the market's expansion.
Government Initiatives	The array of initiatives launched by the Indian government is significantly benefiting the paints and coatings industry. Notably, the provision of subsidies on housing loan interest rates for first-time homeowners is a key measure. Such policies, along with a concentrated effort on infrastructure development, are poised to stimulate paints and coatings demand in the foreseeable future.

Indian Sanitary Ware Industry

Projected to expand at a CAGR of 7.38% from 2023 to 2029, the Indian Sanitary Ware market is on the cusp of remarkable growth, anticipated to reach a valuation of US\$1245 million by 2029. This sector has seen consistent development, with ancillary industries like bathroom fittings also poised for significant advancement. Modern Indian households are increasingly favoring bathrooms equipped with statement fittings and interiors, reflecting a shift towards more aesthetically pleasing and functional spaces. Despite the fierce competition between organized and unorganized sectors, the latter still claimed about one-fourth of the market share in 2022. The base year of 2022 saw over 46 million units of sanitary ware sold, a figure expected to exceed 80 million units by 2030. While the mass or middle segment of the market currently dominates in terms of market share, the premium segment is witnessing a faster rate of growth. This evolution in market dynamics presents numerous opportunities for stakeholders aiming to make their mark in the thriving Indian Sanitary Ware industry.



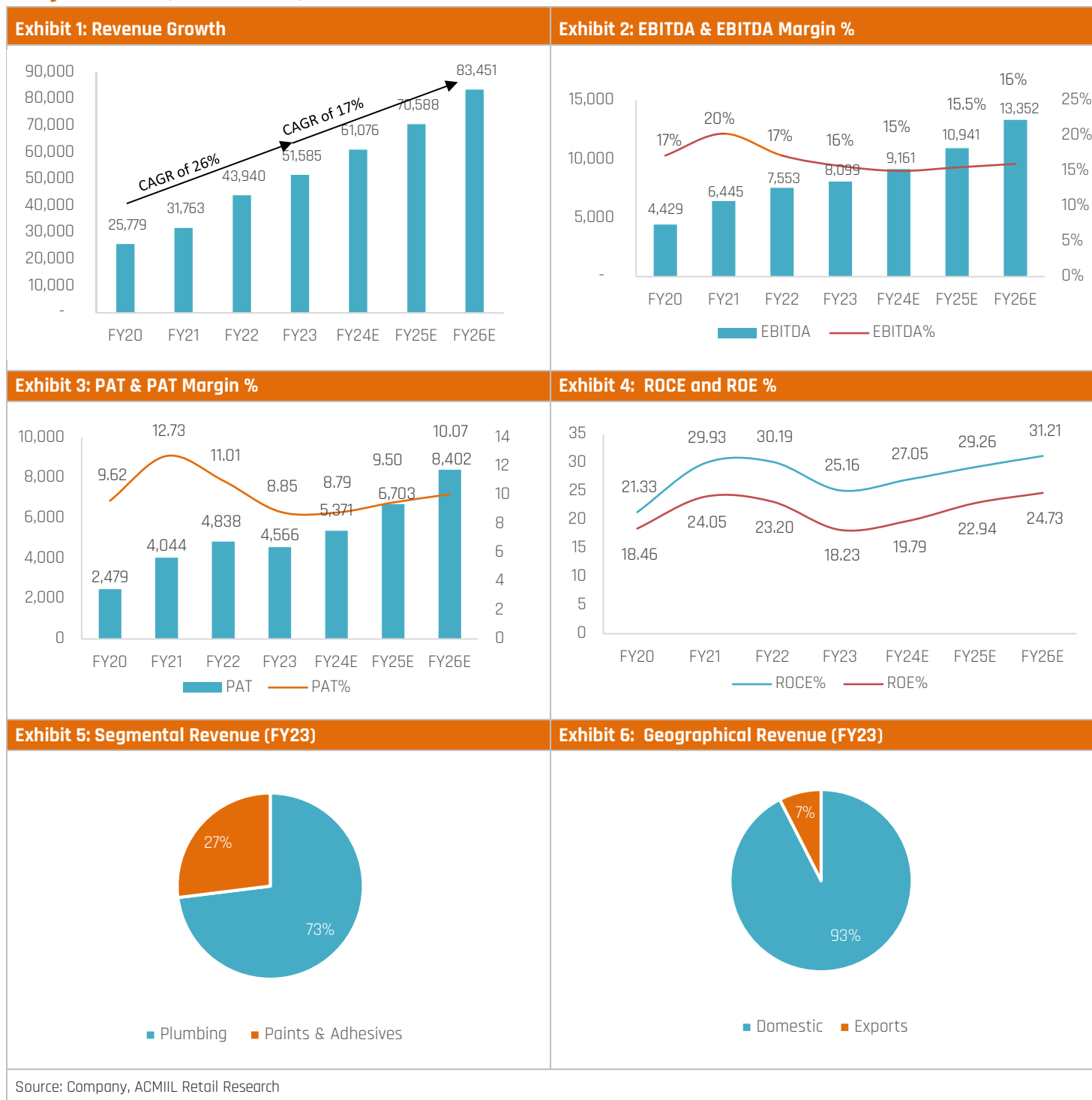
Source: Company, ACMIIL Retail Research

Transformative Dynamics in the Indian Sanitary Ware Market

The Indian Sanitary Ware market is undergoing a remarkable transformation, fueled by an abundance of raw materials and the allure of low labor costs. These factors are drawing a significant influx of both domestic and international manufacturers to establish operations within the country. Enhanced by vital government and private sector initiatives, along with noticeable improvements in living standards, there's been a notable surge in sanitation levels across India. A growing hygiene consciousness among Indian consumers, driven by increased disposable incomes and Western cultural influences, is further amplifying the demand for sophisticated and feature-rich bathroom solutions.

Growth Drivers	Details
Rising Housing Sector and Government Initiatives	The steady ascent of the Indian housing sector is a significant catalyst for growth, driven by increased purchasing power and supportive government initiatives, including accessible loan options. This surge has directly impacted the demand for bathroom fittings, essential components of contemporary infrastructure.
Urbanization and Consumer Awareness	The expansion of urban areas alongside heightened consumer awareness has been pivotal in propelling the sanitary ware market forward in India. A shift towards luxury and premium household fittings has resulted in a heightened demand for sophisticated bathroom accessories. Additionally, the emergence of smart and luxury housing projects has further amplified this trend, leading to a preference for automated bathroom accessories like sensor taps and automatic soap dispensers.
Increasing Disposable Income and Evolving Preferences	The growth in disposable income, paired with changing consumer tastes, has played a crucial role in driving the sanitary ware industry's expansion. The hospitality and tourism sectors, in particular, have seen a spike in demand for ceramic sanitary ware products, reflecting broader industry growth driven by evolving customer preferences.
Real Estate Sector's Rapid Expansion	The swift expansion of the real estate sector has triggered an increase in demand for sanitary ware products, spurred by the construction of diverse property segments, including offices, shopping malls, and hospitality facilities. This momentum is expected to sustain in the foreseeable future, buoyed by a growing population and the rise in nuclear families, underlining the sector's potential for continued growth.

Story in Charts (Values in Mn.)



Source: Company, ACMIIL Retail Research

Financial Statements

Consolidated Profit & Loss Statement:

Particulars (Rs in Mn)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenue	25,779.00	31,763.00	43,940.00	51,585.00	61,076.25	70,587.69	83,450.84
Total Expenses	21,350.00	25,318.00	36,387.00	43,486.00	51,914.81	59,646.60	70,098.71
EBITDA	4,429.00	6,445.00	7,553.00	8,099.00	9,161.44	10,941.09	13,352.13
EBITDA%	17%	20%	17%	16%	15%	16%	16%
Interest	394.00	131.00	129.00	400.00	340.91	376.43	423.96
Depreciation	1,079.00	1,165.00	1,269.00	1,781.00	1,867.60	1,843.48	1,951.04
Other Income	121.00	251.00	349.00	267.00	274.84	282.35	292.08
PBT ^	3,061.00	5,330.00	6,485.00	6,152.00	7,227.78	9,003.53	11,269.21
Tax	565.00	1,248.00	1,581.00	1,557.00	1,806.94	2,250.88	2,817.30
PAT*	2,479.00	4,044.00	4,838.00	4,566.00	5,370.83	6,702.65	8,401.91
PAT%	9.62	12.73	11.01	8.85	8.79	9.50	10.07
EPS	9.26	15.10	18.06	17.00	19.99	24.95	31.28
ROCE%	21.33	29.93	30.19	25.16	27.05	29.26	31.21
ROE%	18.46	24.05	23.20	18.23	19.79	22.94	24.73

Note: ^PBT is adjusted after exceptional items

*PAT is adjusted after Minority interest, discontinued operation

Source: Company, ACMILL Retail Research

Risks and concerns:

- Intense competition in the pipes and fittings industry from unorganized players.
- Supply chain disruptions, in the context of the war involving Israel, have led to the Red Sea being blocked by Yemen, which will result in logistical issues regarding raw materials, although with a minor impact.
- Significant fluctuations in forex rates and the inherent volatility of raw material prices, such as PVC and CPVC resins, which are influenced by global crude oil prices.
- Economic slowdown may hamper business prospects.

ACCUMULATE



Thermax Limited

Company Background

Thermax Limited (THERMAX) is a multinational engineering conglomerate that is involved in clean air, clean energy, and clean water solutions. Headquartered in Pune, it has emerged as a leading conglomerate in the energy and environment sector. The company has strategically spread its operations to markets worldwide and catering to a gamut of industries. The Company's portfolio includes boilers and heaters, absorption chillers/ heat pumps, power plants, solar equipment, air pollution control equipment/ system, water and waste recycle plants, ion exchange resins and performance chemicals, and related services. THERMAX operates globally through 34 international offices, 22 domestic offices, and 14 manufacturing facilities of which 10 are in India and one each in Denmark, Indonesia, Poland, and Germany.

The company's presence spans in terms of installation in 90+ countries and it supports customers through an extensive sales and service network spread over Asia, South East Asia, the Middle East, Africa, Europe, and America. The group consists of 17 wholly-owned domestic subsidiaries and 20 wholly-owned overseas subsidiaries.

Outlook and Valuation

Thermax Limited provides equipment and services solutions in the areas of energy and environment which comprises heating, cooling, power, water & waste management, air pollution control, and chemicals. The company's focus on energy and environment-friendly solutions and products led to growth which is supported by changing emission norms and growing demand for green-energy solutions. The future of Thermax is closely aligned with the needs of a cleaner, greener, and healthier world. The Company is committed to its philosophy of 'Conserving Resources, Preserving the Future' with more sustainable projects in clean air, clean energy, and clean water. We believe Thermax Limited is well-placed to capitalize on these opportunities. Going ahead, **we expect the company's revenue to grow at a CAGR of ~10.74% over FY23-FY26E**. Hence, we recommend Thermax Limited with a target price of Rs 4096 based on FY26E EPS of Rs 60.24 with a forward PE valuation multiple of 68x. **It looks like a value buy with growth potential for medium to long-term investment. Hence, we recommend ACCUMULATE rating for the long term.**

Financial Snapshot

Particulars (in Mn.)	FY23	FY24E	FY25E	FY26E	CAGR % (FY23 - FY26E)
Sales	80,898.10	88,987.91	97,886.70	1,09,877.82	10.74%
EBITDA	5,973.30	7,030.04	7,830.94	9,229.74	15.61%
EBITDA Margin %	7.38%	7.90%	8.00%	8.40%	
PAT	4,507.00	5,240.88	5,987.28	7,181.13	16.80%
PAT Margin %	5.57%	5.89%	6.12%	6.54%	
Diluted EPS (Rs.)	37.81	43.97	50.23	60.24	

Source: Company, ACMIIL Retail Research

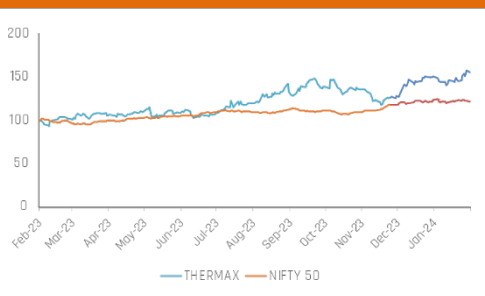
Key Data

DATE	09.02.2024
Reco Price (Rs.)	3,260-3,280
Target Price (Rs.)	4,096
Sector	Engineering - Industrial Equipment
BSE Code	500411
NSE Code	THERMAX
EPS (FY23)	37.81
Face Value (Rs.)	2.00
Market Cap (Mn)	3,99,215.30

Shareholding pattern (Dec 2023)

	%
Promoters	61.99
DII's	15.86
FII's	12.01
Public	4.66
Others	5.48

Price Performance



Retail research

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Company at a Glance

- Five decades of deep domain expertise in understanding the energy matrix and a team of dedicated engineers.
- Sales and Service Presence in 30+ Countries
- The company has benefitted from clients' increasing focus on energy efficiency and carbon footprint reduction.
- Thermax is investing in green and clean technology and expanding its product portfolio.
- The company is setting up its first heat recovery waste to energy boiler in the UK.

Company Business and Products

Thermax Limited is an India-based company, which offers solutions to the energy, environment, and chemical sectors. It operates through four segments as below. The Company designs, builds, and commissions boilers for steam and power generation, turnkey power plants, industrial and municipal wastewater treatment plants, waste heat recovery systems, and air pollution control projects.

Segment	Businesses Covered
Industrial Products	Boilers & Heating equipment (small capacity), Absorption Chillers / Heat Pumps, Air Pollution Control Equipment/Systems, Water & Waste recycling, Including Associated Services and Engineering, Procurement and Construction (EPC).
Industrial Infra	EPC of Power Plants, Boiler & Heater (high capacity) Plants, Infra Projects, and Flue Gas Desulphurisation Projects (Includes Associated Services).
Green Solutions	Build, Own, and Operate (BOO) model of Green Solutions for Energy and Environment Utilities.
Chemical	Ion Exchange Resins, Performance Chemicals, Construction Chemicals, Water Treatment Chemicals, Oil Field Chemicals, Paper Chemicals, Construction Chemicals, and Related Services.

Source: Company, ACMIIL Retail Research

The product portfolio of different segments include:

1. Industrial Products:

The Company's Industrial Products segment comprises its largest portfolio. Under Clean Energy, this segment supplies packaged boilers and fired heaters, in addition to offering turnkey solutions for process heating using various heating media such as steam, thermic fluid, hot water, and hot air. Moreover, it provides biomass-fired equipment for the combustion of green fuels, including agricultural waste and industrial process waste. The segment also offers heat recovery solutions for clean energy production and is supported by steam engineering products and accessories. Furthermore, it specializes in providing air pollution control systems for both particulate and gaseous exhaust. The Company's expertise extends to offering comprehensive solutions for environmental protection, covering products and systems for air pollution control (APC) as well as retrofit and rebuild services.

2. Industrial Infra:

Industrial Infra covers Projects and Energy Solutions (P&ES) and Thermax Babcock & Wilcox Energy Solutions (TBWES) businesses. P&ES offers captive power plants, cogeneration systems, waste heat recovery power plants, and independent power plants in the utility space on an EPC basis. The business provides captive and independent power plants operating on a variety of renewable fuels. It also offers equipment and solutions based on conventional fuels (solid, liquid, and gaseous). Cogeneration is a system that produces heat and electricity in a single plant powered by a single energy source.

3. Green Solutions:

The Green Solutions segment includes Thermax Onsite Energy Solutions Limited (TOESL) which provides green utilities such as steam, heat, treated water, chilled water, and cogeneration power, along with other utilities on a long-term basis (build-own-operate model). The Company has recently entered into a partnership for green hydrogen projects for commercial and industrial customers in India. The production of green hydrogen at an industrial scale would be a major step forward in decarbonizing hard-to-abate industries such as refineries, fertilizers, and steel.

4. Chemical:

The Chemical segment manufactures and markets a wide range of specialty chemicals to help improve processes and water use efficiency across a spectrum of industries. Thermax is recognized as Asia's leading manufacturer and exporter of ion exchange resins and is a pioneer in water and wastewater treatment chemicals. It also manufactures construction and oil-field chemicals. With these specialty chemicals and its strong dealer network, it serves several industrial sectors and customers globally. The company has equipped with modern research, state-of-the-art manufacturing facilities, and qualified professionals to offer customized solutions. The USA is an important market for this business.

Subsidiaries:

- **Thermax Babcock & Wilcox Energy Solutions Limited (TBWES)**

TBWES, a 100% subsidiary of Thermax, provides steam generation solutions for process and power needs, using fuel as well as waste heat. Additionally, it offers renovation and modernization along with upgrades for old boilers and furnaces. To expand its green portfolio in conjunction with the trend toward clean energy, TBWES has developed newer technologies and formed strategic partnerships focused on waste to energy, municipal solid waste (MSW) incineration, and waste heat recovery, all of which are gaining traction. One of the most recent additions is the newly-launched FlexiSource multifuel boiler.

TOESL is a sustainable utility provider that uses the build-own-operate (BOO) business model to deliver utilities such as steam, heat, treated water, and cogeneration power.

- **First Energy Private Limited (FEPL)**

First Energy Private Limited (FEPL), is commissioned as solar and solar-wind hybrid farms to fulfil Company's customers' captive renewable power requirements.

Other Key Overseas Subsidiaries:

1. PT Thermax International, Indonesia (PT TII).
2. Thermax Europe
3. Danstoker Group
4. Thermax Inc., USA

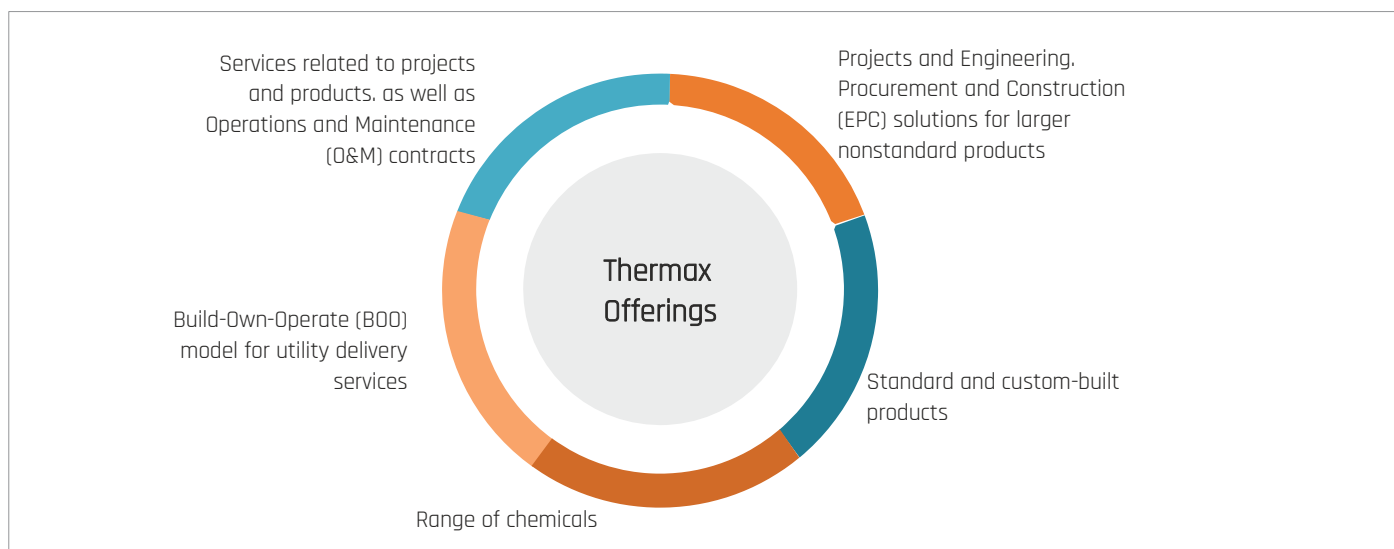
Industries Catered

Thermax has a rich experience of working across industries -



Source: Company, ACMIIL Retail Research

Thermax Offerings



Source: Company, ACMIL Retail Research

Investment Rationale

Embracing the Green Revolution: Leading the charge towards sustainable energy solutions

We believe the company is well-positioned to benefit from the increasing emphasis on energy transition and de-carbonization initiatives led by the government to promote reliable, cleaner, greener, and sustainable energy. This signifies a strategic shift towards resource-efficient economic growth. These initiatives mark a significant milestone in India's green energy journey, representing a progressive step towards future growth, especially considering the company's sustainable green industrial solutions in bioenergy, heating & cooling, chemicals, and wastewater treatment.

Adoption of Environmental Solution technologies

Private Capex revival with increased new investments by industries towards improving their sustainability performance with the adoption of environmental solution technologies. They are focused on minimizing carbon and water footprints and optimizing resource consumption with efficiency improvement solutions, renovation and modernization projects, and adopting energy-efficient technologies. Thermax with its heating, cooling, power, and diverse environmental solutions is well-positioned to address this need.

Capturing new opportunities

The company remains to capture opportunities in waste heat recovery, CFBC boilers, and biomass in both domestic and export markets. The Company is also contemplating opportunities across newer and green technologies such as solar, biomass, and green hydrogen which will provide the next leg of growth. It has wide offerings and technological capabilities in desalination. The company has also solutions & Expertise in coal gasification, gas segregation and gas cleaning.

Ample growth opportunities

Industries such as steel and cement are undergoing capacity expansion, which bodes well for Thermax. The Indian Government's Union Budget announcement for infrastructure development and the PLI package will support demand in the coming years. The government's National Infrastructure Plan (NIP), which projects a total capital expenditure of ~Rs. 111 lakh crore during FY2020-2025, also augurs well for the growth of capital goods players. The significant allocation towards infrastructure is expected to provide healthy growth opportunities for the company.

Diverse product portfolio and geographical presence leading to the stable revenue stream

Thermax is a leading player in several product segments, including vapor absorption chillers, low- and medium-capacity boilers, and electrostatic precipitators. Additionally, the company has been steadily expanding its global footprint, with approximately 25% of its revenue derived from overseas markets across various geographies.

Scope of margin improvement

The better product mix, revenue growth, and the softening of commodity prices, in general, are expected to lead to a high possibility of improving overall margins moving forward. The management anticipates a profit after tax (PAT) margin in the range of 6% to 8% in the coming years.

Bio-CNG Plant as another growth opportunity

Proposal by the Indian Government to establish 5,000 bio-CNG plants within five years, creating a potential market worth Rs. 25,000 crores. Moreover, the Ministry of New and Renewable Energy (MNRE) has also introduced a supportive Sustainable Alternative towards Affordable Transportation (SATAT) policy, which guarantees market-linked pricing and financial assistance. This presents a promising opportunity with a favorable environment for Thermax.

Green Hydrogen to give an edge

Currently, green hydrogen is in a nascent stage, Thermax wants to be an end-to-end EPC player in a hydrogen project. They have an interest in the electrolyzer and biomass to hydrogen side. Thermax recently entered the green hydrogen market in partnership with Fortescue Future Industries (FFI), an Australia-based green energy and green technology company, have signed an MOU to explore green hydrogen projects including new manufacturing facilities in India.

Additional Key Growth Drivers

- Thermax has a robust outstanding order book of around 10,717 cr as of 31.12.2023 indicating Revenue visibility for coming Quarters.
- It has benefitted from clients' increasing focus on energy efficiency and carbon footprint reduction. The Company is investing in green and clean technology and expanding its product portfolio.
- Thermax Limited has recently acquired 51% stake in TSA Process Equipments, with plans to acquire the remaining 49% over two years. The acquisition will enhance Thermax's water division's capabilities, providing end-to-end solutions for highly purified water in various industries.
- The global and domestic shift towards renewable energy aligns well with the company's solutions in waste-to-energy, waste heat recovery, and renewables. These offerings cater to the needs of both local and international enterprises.
- The Company's technological know-how, customized solutions, and well-trained field engineering staff have aided the expansion of the Green Solution segment. It has a full-fledged in-house R&D setup, including testing equipment, prototypes, pilot plants, and shop floor plant installation to validate product performance.
- THERMAX is going to focus on urban and commercial segments to offer sewage recycling solutions with newer compact products based on membrane bioreactor (MBR) and sequential batch reactor (SBR) technologies.
- The Company's strong emphasis on zero liquid discharge (ZLD) systems with advanced multi-effect evaporators gives new avenues for future growth.
- THERMAX is having a continuous increase in demand for solvent-free and low total organic carbon (TOC) resins for ultrapure water applications in industries such as food, pharma, and electronics.
- THERMAX is in line with new business development collaborations and industrial associations, OEMs, process licensors, and consultants in important markets.
- With India's commitment to COP26, aiming to reduce carbon intensity to less than 45% by the end of the decade and achieve net-zero carbon emissions by 2070, the company is well-positioned to seize opportunities in the emerging areas related to clean and sustainable energy.
- Tightened ESG standards, decarbonization, and energy transition would create opportunities for Thermax, with its expertise in heating, cooling, power, and diverse environmental solutions, putting it in a good position to capitalize.
- The company's state-of-the-art facilities in India, equipped with modularized equipment and offering significant value addition, are receiving positive responses from overseas customers.

Industry Overview

India's Capital Goods manufacturing industry serves as a strong base for its engagement across sectors such as Engineering, Construction, Infrastructure, and Consumer goods, amongst others. The engineering sector is the largest among the industrial sectors in India and holds immense strategic importance to the country's economy due to its close association with the manufacturing and infrastructure sectors. India exports transport equipment, capital goods, other machinery/equipment, and light engineering products such as castings, forgings, and fasteners to various countries of the world. The demand for services in the engineering sector is being driven by capacity expansion in various industries such as cement, automotive and auto ancillaries, electricity, mining, oil and gas, refinery, steel, chemicals, sugar, and consumer durables.

India holds a competitive advantage in terms of manufacturing costs, market knowledge, technology, and innovation in various engineering sub-sectors. The engineering sector in India has experienced remarkable growth in recent years. India is the third-largest consumer of energy in the world. Supported by industrial growth, urbanization, government policies, and favourable geopolitics over the past decade, India has achieved an installed capacity exceeding 400 GW. The Indian power sector employs a wide range of fuel sources, including traditional sources such as coal, oil, and gas, alongside environmentally sustainable sources such as solar, wind, biomass, industrial waste, and both large and small hydro plants. With a population of approximately 1.4 Bn and the world's fastest major growing economy, India's energy demand is growing rapidly.

A catalyst for power industry growth, infrastructure development initiatives focus on expanding and modernizing power generation, transmission, and distribution networks. These efforts aim to meet rising energy demands, integrate renewable sources, and enhance overall efficiency. Investment in smart grids and digital technologies contributes to improved grid management, reducing losses. Beyond advancing the power sector, these initiatives create ancillary opportunities, stimulate economic growth, and generate employment. In summary, infrastructure development serves as a cornerstone for building a resilient, efficient, and sustainable power ecosystem.

Furthermore, the Indian government's policies and reforms aimed at boosting manufacturing, such as the Make in India initiative and the Production-Linked Incentive (PLI) schemes, are beginning to show positive outcomes. These initiatives are expected to contribute to the overall sustainable GDP growth of the country throughout this decade, as noted by many experts.

In January 2024, India's Manufacturing Purchasing Managers' Index (PMI) recorded a robust figure of 56.50, the strongest growth in the factory sector since last September, as both output and new orders expanded the most in four months while new export orders increased further. This indicates strong manufacturing activities supported by overall demand and order inflow across various sectors. The government's budget for the current period included a capital expenditure (capex) outlay of 11.11 lakh crore, providing a significant impetus for the country's infrastructure and construction development. Such public capex initiatives and government policies are expected to stimulate private capex revival across industries and contribute to the overall GDP growth of the country.

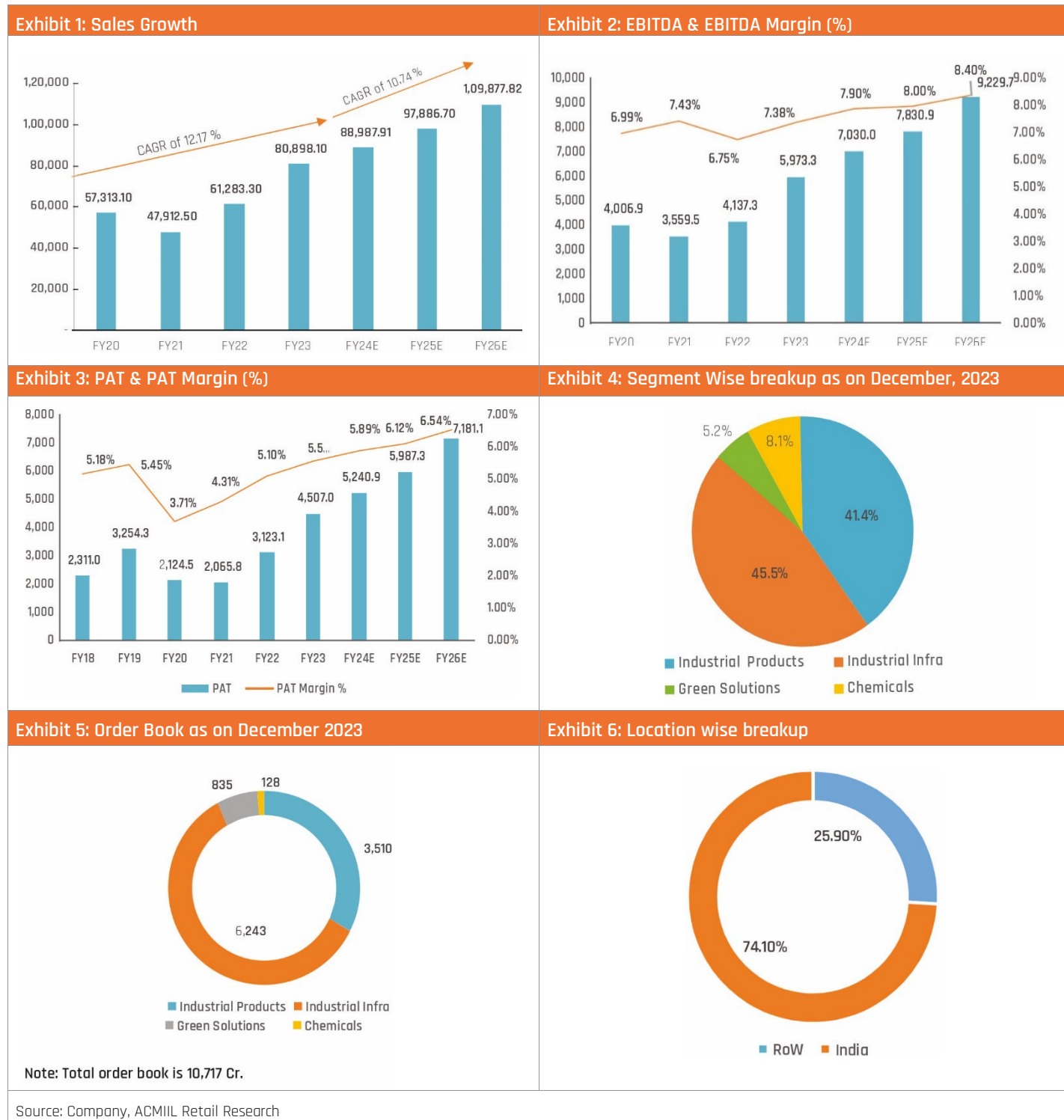
Carbon Capture, Utilization, and Storage (CCUS) policies incentivize companies to adopt technologies that capture and store carbon emissions, ensuring compliance with regulations, mitigating carbon costs, enhancing CSR, accessing funding and investment, managing climate-related risks, driving technological innovation, and contributing to long-term sustainability goals, thus fostering a transition to a low-carbon economy and enhancing business competitiveness in a carbon-constrained world. These incentives are anticipated to unlock significant opportunities for the industry, particularly in developing new product lines like green ammonia, green urea, and green hydrogen. CCUS is recognized as a crucial strategy in the global fight against climate change, offering a way to reduce emissions and enable oil and gas companies to utilize captured CO₂ for enhanced oil recovery (EOR) or chemical production.

The government has also introduced several policies aimed at promoting the adoption of environmental solution technologies in new capex projects across industries. In addition, incentives and schemes have been implemented to encourage the use of renewables and alternative energy sources in industries.

Industry Growth Drivers

- Emphasis on clean energy driving a shift in the energy mix, creating opportunities for Greenfield projects and brownfield replacements.
- Increasing demand for EPC, renewable energy, waste to energy, waste heat recovery plants, and biofuels due to focus on sustainability and energy-efficient solutions.
- Increase in demand for dry cooling solutions and adiabatic cooling towers on account of sustainability and water consumption regulations.
- Development of new air pollution control technologies to manage diverse versions of gaseous pollutants and enable agro-based fuel combustion.
- The Government commitment towards 20% ethanol blending by 2025 will also push for future growth.
- Energy transition and action on climate change are major priorities of governments globally.
- The government's ambitious target of achieving 500 GW of renewable energy capacity by 2030 is creating a surge in demand for specialized equipment for solar, wind, and other renewable energy projects.
- Government's mandate to power companies on installation of FGD systems within a stipulated timeframe to mitigate SO_x emissions.

Story in Charts (Values in Mn.)



Source: Company, ACMIIL Retail Research

Financial Statements

Consolidated Profit & Loss Statement:

Particulars (in Mn.)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Sales	57,313.10	47,912.50	61,283.30	80,898.10	88,987.91	97,886.70	1,09,877.82
Expenses	53,306.20	44,353.00	57,146.00	74,924.80	81,957.87	90,055.76	1,00,648.08
EBITDA	4,006.90	3,559.50	4,137.30	5,973.30	7,030.04	7,830.94	9,229.74
EBITDA Margin %	6.99%	7.43%	6.75%	7.38%	7.90%	8.00%	8.40%
Other Income	1,054.90	544.50	1,347.80	1,601.80	1,936.00	2,024.00	2,129.60
Depreciation	1,166.30	1,145.70	1,132.40	1,168.60	1,303.20	1,275.90	1,228.50
Interest	150.20	206.40	251.70	375.90	675.00	596.00	556.00
PBT	3,745.30	2,751.90	4,101.00	6,030.60	6,987.84	7,983.04	9,574.84
Tax	1,620.80	686.10	977.90	1,523.60	1,746.96	1,995.76	2,393.71
PAT	2,124.50	2,065.80	3,123.10	4,507.00	5,240.88	5,987.28	7,181.13
PAT Margin %	3.71%	4.31%	5.10%	5.57%	5.89%	6.12%	6.54%
Diluted EPS (Rs.)	17.82	17.33	26.20	37.81	43.97	50.23	60.24

Source: Company, ACMIIL Retail Research

Risks and Concerns

- Economic slowdown due to external and internal factors can affect the overall GDP growth of the Country.
- Any kind of unexpected change in government policies and Regulations.
- The slowdown in private capex would lead to the muted order booking.
- Geopolitical tensions and supply chain disruptions leading to volatility in commodity prices and higher logistics costs. Such fluctuations in key raw material prices impact may impact the overall business & profitability of the company.

NIFTY-DAILY CHART



Chart as on 01st Mar 2024

- Nifty started the month of February on a positive note. However, throughout the month, the index consolidated in a narrow band of 21,500-22,300.
- Technically, the index has registered an ascending triangle pattern breakout in the short term. Post-breakout, the index went into consolidation mode. On 1st March, the index witnessed a breakout of this consolidation. As per the ascending triangle pattern, if the index holds the support of 21530, it can test the target of 23000-23200 levels.
- Currently, the 34-DEMA(Daily exponential moving average) is placed near 21867. Thus, 21860 will act as short-term support for the index.
- On the upside, the index might face resistance near the psychological hurdle of 23,000 levels.
- The RSI on the daily scale is placed above the center point, suggesting strength.
- For the short term, 21,860 and 21,530 will act as support points, whereas 23,000 and 23,200 will act as resistance points.

BANKNIFTY- DAILY CHART



Chart as on 01st Mar 2024

- Bank Nifty started the month of February on a positive note. However, throughout the month, the index consolidated in a narrow band of 44,400-47,300.
- Technically, the index was consolidating in the symmetrical triangle pattern. On 1st March, the index has broken symmetrical triangle pattern suggesting strength. Moreover, the index is on the verge of forming cup and handle pattern. As per this pattern, if the index sustains above 47363, then index could test the levels of around 49000 in short term and 50300 in medium term.
- On the downside, 100-DEMA is placed near 45867, which will act as first key support followed by and the recent low of 44,400 (44,429) levels. Thus, 45,860 and 44,400 will act as strong support for Bank Nifty in the short term.
- The momentum indicator RSI on the daily scale is positioned above the center point, suggesting strength.
- For the short term, 45,860 and 44,400 will act as support points, whereas 49,000 and 50,300 will act as resistance points.

STEEL AUTHORITY OF INDIA (SAIL)



SAIL-DAILY CHART

- The stock, on a daily scale, has witnessed a breakout of short-term consolidation with strong volume. As per this breakout, the target comes around 152.
- The volumes near the breakout are higher than the volumes in consolidation, indicating strength in the breakout.
- The 21-DEMA (21-Daily exponential moving average) is currently placed near 127. Thus, 127 will act as strong support for the stock in the short term.
- The momentum indicator RSI on a daily scale is placed above the centre point, suggesting strength.
- Based on the above technical setup, we recommend buying SAIL at the current market price and on dips near 132- 134 with a stop loss of 127 for a price target of 150-152.

WIPRO LIMITED (WIPRO)



Chart as on 02nd Mar 2024

WIPRO-WEEKLY CHART

- The stock on a weekly scale has witnessed a breakout of short-term consolidation with strong volume, as highlighted in the chart.
- Technically, this consolidation took shape in the form of a flag pattern. As per the flag pattern, if the stock holds the support of 467, it could test the levels of 600 in the short term and 680 in the medium term.
- The 21-Week Exponential Moving Average (WEMA) is providing good support for the stock, currently placed near 465, coinciding with flag support. Thus, 465 will act as strong support for the stock in the short term.
- The momentum indicator RSI on a weekly scale is placed above the center point, suggesting strength.
- Based on the above technical setup, we recommend buying WIPRO at the current market price and on dips near 490-500 with a stop loss of 465 for a price target of 600-680.

MARCH SERIES VIEW

In the February series, the Indian benchmarks were volatile and moved in a narrow range. Despite this, the Nifty reached an all-time high and finished the month on a higher note, thanks to bullish global markets and continuous purchasing demand. However, we have observed index dispersion toward the top, particularly in midcaps and small caps. Thus, investors should remain cautious on the higher side. Finally, Nifty settled the February expiry on positive note at 21983 level, with gain of 630 points (EoE) indicating positive bias for the short term. On the expiry day, the Nifty futures rollover stood at 79%, which is higher than the last three series average rollover of 78%. Foreign Institutional Investors (FIIs) will start the March series with a short rollover in index and stock futures, however domestic Client will start the March series with a long position in index and stock futures. Nifty will begin the March series with the open interest of 1.41 crore shares, compared to 1.29 crore shares at the commencement of the February series indicating long position carry forward. 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, Fed interest rate, geopolitical concerns, and crude oil price movement will dictate the trend on the bourses next month.

DERIVATIVES INDICATORS

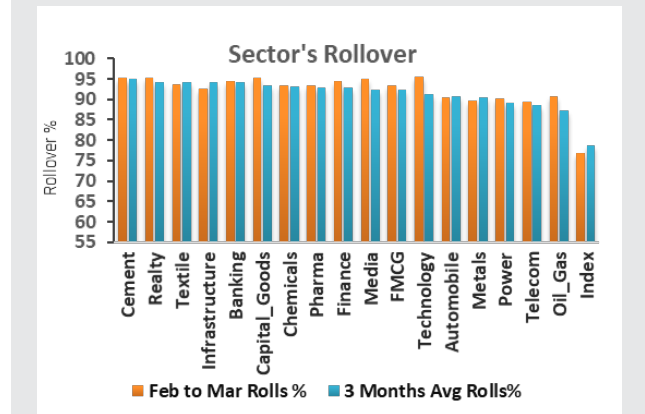
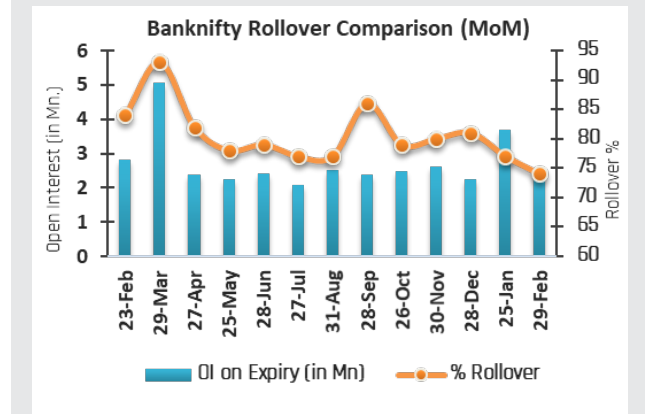
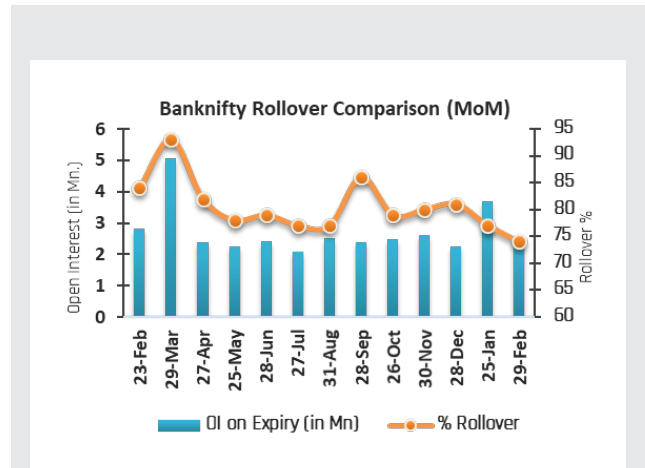
The volatility index, India VIX, shoot up by 12.26% and closed at 15.57 vs. 13.87 levels (EoE) of the previous month. We expect volatility will remain continue due to geopolitical issue and macroeconomics data. Another leading derivatives indicator, Nifty PCR, opened on a higher note this month at 1.09 against last month's 1.04.

BANKNIFTY

The index saw lower rolls of 74% as compared with the 3M average of 79%. BankNifty will start the March series with lower OI of 2.57 Mn shares as compared with OI of 3.68 Mn shares at the beginning of the February series indicating neutral bias for short term. As per technical, support for the index stands around 45300 and 44400 whereas resistance stands at 46900 and 47300 for the short term.

SECTOR/STOCK ROLLOVER ACTIVITY

- From the sectoral action, rollovers accelerated for **CEMENT, REALTY, BANKING, CAPITAL GOODS, MEDIA, FMCG, TECHNOLOGY,** and **FINANCE** sectors in March expiry. However, low rollovers were seen in **METALS, INFRASTRUCTURE** and **TEXTILE** sectors stocks on expiry day as compared to three month's average as highlighted in the chart.
- Within the Nifty50 space, index heavy weights such as **BRITANNIA, BHARTIARTL, ONGC, HINDALCO,** and **INFY** saw aggressive rollover in the March series while low rolls were seen in **MARUTI, SUNPHARMA, SBIN, JSWSTEEL** and **ASIANPAINT** compared with the 3M average rollover.
- From the midcap space, **ALKEM, IDFC, ICICIPRULI, SUNTV,** and **MARICO** saw high rollovers whereas **SAIL, PIDILITIND, GMRINFRA, MOTHERSON,** and **DEEPAKNTR** saw lower rollover compared with the 3M average.



Stocks to watch out based on Rollover Analysis:

POSITIVE	
RELIANCE	Rollover of 95% compared with 3 months average of 89%.
WIPRO	Rollover of 95% compared with 3 months average of 93 %.
NESTLEIND	Rollover of 98% compared with 3 months average of 89%.
NEGATIVE	
BANDHANBNK	Rollover of 94% compared with 3 months average of 96%.
PAGEIND	Rollover of 95% compared with 3 months average of 92%.

Retail Research Call Performance

MT Medium Risk Calls												
Calls Performance	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24
Calls Activated	57	27	59	64	68	32	35	23	23	25	21	41
Successful	39	21	43	44	44	18	23	14	13	14	12	30
Unsuccessful	18	6	16	20	24	14	13	9	10	11	9	11
Success Rate	68%	78%	73%	69%	65%	56%	64%	61%	57%	56%	57%	73%

MT High Risk Calls												
Calls Performance	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24
Calls Activated	19	15	9	11	20	27	27	28	32	31	16	24
Successful	12	11	7	8	15	20	18	16	22	21	5	17
Unsuccessful	7	4	2	3	5	7	9	12	10	10	10	7
Success Rate	63%	73%	78%	73%	75%	74%	67%	57%	69%	68%	38%	71%

Positional Calls												
Calls Performance	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24
Calls Activated	9	8	10	9	17	18	19	10	9	14	14	15
Successful	6	8	10	9	13	14	16	5	8	13	10	10
Unsuccessful	3	0	0	0	4	4	3	5	1	1	4	5
Success Rate	67%	100%	100%	100%	76%	78%	84%	50%	89%	93%	71%	67%

Techno Funda												
Calls Performance	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24
Calls Activated	-	1	1	1	1	2	-	-	2	-	-	2
Successful	-	1	1	1	1	2	-	-	2	-	-	2
Unsuccessful	-	0	0	0	0	0	-	-	0	-	-	0
Success Rate	-	100%	100%	100%	100%	100%	-	-	100%	-	-	100%

Event Calendar March 2024

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
				1 • Monthly Auto Sales Number and Manufacturing PMI Final FEB	2	3
	5 • Services PMI Final FEB	6	7 • ECB Interest Rate Decision	8 • US Unemployment Rate FEB	9	10
11 • Passenger Vehicles Sales YoY FEB	12 • Industrial Production YoY JAN , Manufacturing Production YoY JAN and Inflation Rate YoY FEB	13	14 • WPI Manufacturing YoY FEB, WPI Inflation YoY FEB	15	16	17
18	19 • Fed Interest Rate Decision	20 • Fed Interest Rate Decision	21	22	23	24
25	26	27	28	29 • Government Budget Value	30	31

 Result Updates

 Economic & Other Event

ACMIIL Retail Research Products

Informational Products	Recommendation Products
Morning Notes	Momentum Calls
Market Watch	Positional Calls
Investor First Magazine	Smart Delivery Calls
IPO/NCD/ETF/OFS/BOND	Investment Ideas
Market Pulse	Master Trades High Risk
RBI Monetary Policy	Master Trades Medium Risk
Union Budget Report	Techno-Funda
Weekly Derivative Synopsis	Top Mutual Fund Schemes
Rollover Snapshot	Portfolio Review
Rollover Analysis	Stock Basket

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