

RESEARCH

HDFC AMC | TARGET: Rs 1,946 | +1% | HOLD

Annual report analysis – Stable FY23; focus on growth

CROMPTON GREAVES | TARGET: Rs 370 | +29% | BUY

Annual report analysis – Difficult year

KEC INTERNATIONAL | TARGET: Rs 550 | –0% | HOLD

Management meet takeaways – Guidance maintained

TTK PRESTIGE | NOT RATED

Navigating troubled times with confidence

SUMMARY

HDFC AMC

- Product launches, top-tier scheme outperformance and phygital delivery channels remain key growth levers
- MAAUM market share flat at ~11% in FY23 with 80bps YoY growth in equity share; debt continued to lag
- Reversal of market share losses remains a key monitorable; maintain HOLD and TP of Rs 1,946

[Click here for the full report.](#)

CROMPTON GREAVES

- New energy labelling norms hit the fans business and subdued demand dimmed lighting sales in FY23
- Butterfly merger and foray into large kitchen appliances to transform Crompton into an end-to-end kitchen player
- Among the stronger plays on premiumisation trends in fans; maintain BUY with a TP of Rs 370.

[Click here for the full report.](#)

Daily macro indicators

Ticker	13-Jun	14-Jun	Chg (%)
US 10Y yield (%)	3.81	3.79	(3bps)
India 10Y yield (%)	7.00	7.01	1bps
USD/INR	82.38	82.11	0.3
Brent Crude (US\$/bbl)	74.3	73.2	(1.5)
Dow	34,212	33,979	(0.7)
Hang Seng	19,521	19,408	(0.6)
Sensex	63,143	63,229	0.1
India FII (US\$ mn)	12-Jun	13-Jun	Chg (\$ mn)
FII-D	28.5	7.7	(20.8)
FII-E	(72.1)	267.1	339.2

Source: Bank of Baroda Economics Research



KEC INTERNATIONAL

- Management reiterated its FY24 order inflow (+15% YoY), revenue and EBITDA margin (~7%) guidance
- T&D and civil projects carry strong prospects; SAE Brazil now EBITDA-positive and guided to be PBT-positive in FY24
- Management's confidence on margins leads us to raise our target P/E to 15x (vs. 14x); retain HOLD with a new TP of Rs 550 (vs. Rs 500)

[Click here](#) for the full report.

TTK PRESTIGE

- Management optimistic of strong demand recovery in H2FY24; foresees no requirement for price hikes in near term
- Focus on innovation-led products expected to counter steep discounts by peers on entry-level products
- Aims to maintain leadership and market share in the face of rising competition

[Click here](#) for the full report.

HOLD

TP: Rs 1,946 | ▲ 1%

HDFC AMC

| NBFC

| 15 June 2023

Annual report analysis: Stable FY23; focus on growth

- **Product launches, top-tier scheme outperformance and phygital delivery channels remain key growth levers**
- **MAAUM market share flat at ~11% in FY23 with 80bps YoY growth in equity share; debt continued to lag**
- **Reversal of market share losses remains a key monitorable; maintain HOLD and TP of Rs 1,946**

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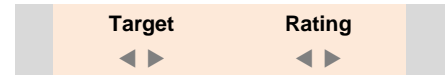
Key growth levers: HDFC AMC’s MD & CEO Navneet Munot has outlined the levers for future growth – (1) launch of new products (including PMS and AIF) to build a holistic platform, as illustrated by the launch of two equity-oriented thematic sectorial funds and one long-duration debt fund, (2) expanding phygital delivery channels and enhancing the digital experience, and (3) maintaining the performance of major equity schemes in the top tier and generating alpha. The company believes an equity mix better than the industry average along with strong growth in systematic transactions served as a competitive edge in FY23.

Focus on market share and efficiency: HDFC AMC maintained ~11% market share (MAAUM) in FY23. Notably, equity MAAUM share rose to 12.2% in FY23 from 11.4% in FY22 owing to product bouquet expansion and better scheme performance. Debt remained dull shedding 90bps in market share. Systematic transactions grew 39% YoY to Rs 17bn. In terms of distribution, the share of the direct channel in overall AUM declined from 41.6% in FY22 to 40.5% in FY23 whereas MFDs grew from 27.8% to 28.7%. Market share in unique customers inched up during the year.

Stable financials: Total revenue from operations grew 2% YoY in FY23 aided by a superior AUM mix (equity at 56% vs. 51%) and 4% QAAUM growth, partially offset by a dull debt portfolio. Other income remained flat but shows an increase of 4% YoY if we exclude a one-off gain of Rs 137mn in FY22 from the sale of pledged shares. Employee cost was flat despite an 8% rise in salaries due to a 37% decline in ESOP costs. Other costs grew 18% YoY mainly due to a rise in advertising, software and CSR expenses.

Maintain HOLD: The stock is currently trading at 25x FY25E EPS, a 30% discount to the long-term mean, and we continue to value it at a similar multiple for an unchanged TP of Rs 1,946. Maintain HOLD as we monitor the company’s ability to regain market share while we remain positive on its brand strength, large AUM base and robust scheme performance.

Key changes



Ticker/Price	HDFC AMC IN/Rs 1,934
Market cap	US\$ 5.0bn
Free float	37%
3M ADV	US\$ 12.4mn
52wk high/low	Rs 2,315/Rs 1,590
Promoter/FPI/DII	63%/8%/18%

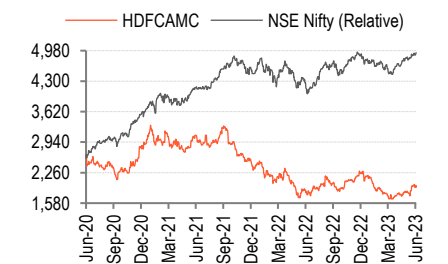
Source: NSE | Price as of 14 Jun 2023

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Core PBT (Rs mn)	15,549	16,669	18,294
Core PBT (YoY)	1.1	7.2	9.7
Adj. net profit (Rs mn)	14,239	15,086	16,608
EPS (Rs)	66.7	70.7	77.8
Consensus EPS (Rs)	66.7	73.7	84.7
MCap/AAAUM (%)	9.2	8.7	7.8
ROAAAUM (bps)	31.7	31.7	31.6
ROE (%)	24.5	23.8	24.4
P/E (x)	29.0	27.4	24.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



BUY

TP: Rs 370 | ▲ 29%

CROMPTON GREAVES

Consumer Durables

15 June 2023

Annual report analysis: Difficult year

- **New energy labelling norms hit the fans business and subdued demand dimmed lighting sales in FY23**
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Rating change in fans slowed growth: Though FY23 was a challenging year for the entire durables sector due to subdued consumer demand, the fans business had the added headwind of energy rating changes in Dec'22. Crompton's fans segment posted only 5% value growth in FY23. While the company has transitioned its entire portfolio to the new rating norms, channel stocking of older, cheaper products hurt the segment.

Lighting business subdued: The lighting division underperformed with value growth staying flat for both Q4FY23 and FY23, as the B2B and B2C divisions flagged. Whereas a lack of government orders weakened B2B sales, B2C performance was dented by price volatility in the market.

Butterfly merger to add synergies: Crompton owns 75% of Butterfly Gandhimathi and plans to merge with the latter. This will simplify its corporate structure and give it access to Butterfly's manufacturing units, R&D and distribution, thereby expanding its offering in small kitchen appliances and boosting its presence in South India. Similarly, Butterfly products can reach a broader audience via Crompton's pan-India network.

Foray into large kitchen appliances: In a bid to further broaden its product portfolio, Crompton has ventured into the large appliance market. As per the company, this would complete the kitchen play after Butterfly's acquisition.

Cost management to the fore: Crompton continues on the path of cost management with its *Unnati* project. FY23 saw the company achieve the highest savings under this programme at Rs 2.5bn, a 14.6% CAGR over 4Y from Rs 1.4bn.

New R&D centre to aid product development: The company commissioned its largest R&D centre during the year covering the areas of technology, IoT, energy efficiency, and smart testing technologies. R&D spend in FY23 was Rs 777mn.

Maintain BUY: Crompton pushed its new, compliant fans portfolio in FY23, outplaying peers who chose to clear old stock. We believe the company is a stronger play on the growing share of premium fans. Maintain BUY with a TP of Rs 370 (30x FY25E EPS).

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	CROMPTON IN/Rs 288
Market cap	US\$ 2.2bn
Free float	100%
3M ADV	US\$ 12.8mn
52wk high/low	Rs 429/Rs 251
Promoter/FPI/DII	0%/40%/44%

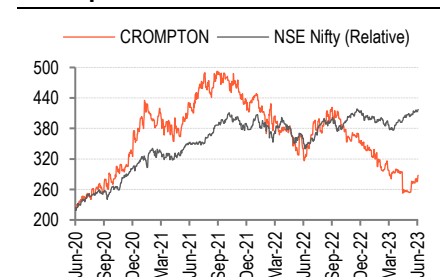
Source: NSE | Price as of 14 Jun 2023

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs mn)	68,696	79,054	91,036
EBITDA (Rs mn)	7,705	9,629	11,532
Adj. net profit (Rs mn)	4,632	6,307	7,837
Adj. EPS (Rs)	7.3	9.9	12.3
Consensus EPS (Rs)	7.3	9.8	11.8
Adj. ROAE (%)	18.1	21.6	22.5
Adj. P/E (x)	39.5	29.0	23.4
EV/EBITDA (x)	24.4	18.5	15.3
Adj. EPS growth (%)	(21.7)	36.2	24.3

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



HOLD
 TP: Rs 550 | ▼ 0%

KECI INTERNATIONAL

Capital Goods

15 June 2023

Management meet takeaways: Guidance maintained

- Management reiterated its FY24 order inflow (+15% YoY), revenue and EBITDA margin (~7%) guidance
- T&D and civil projects carry strong prospects; SAE Brazil now EBITDA-positive and guided to be PBT-positive in FY24
- Management’s confidence on margins leads us to raise our target P/E to 15x (vs. 14x); retain HOLD with a new TP of Rs 550 (vs. Rs 500)

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FY24 guidance maintained: Management continues to guide for revenue growth in excess of 15% for FY24 anchored by expected strong order inflows of Rs 250bn. KECI’s current addressable order pipeline totals Rs 1tn, and the company pegs the share of the transmission and distribution (T&D) and civil segments at 30-40% each. EBITDA margin is guided to recover from the trough of H2FY23 as legacy orders get executed in H1FY24. Management reiterated its earlier guidance of a ~100bps YoY increase in margin by H1 and expects to exit FY24 with near double-digit margins. Net working capital days are guided to improve to ~110 days, closer to KECI’s long-term target of <100 days.

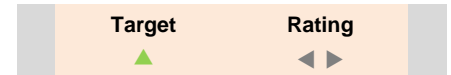
T&D and civil projects to be key drivers for FY24: KECI’s timely diversification into railway and civil projects over the last five years has helped it offset the muted growth in T&D. Notably, working capital requirements are relatively lower for the civil segment. Management expects growth in the civil business (mainly data centres, water, residential, commercial projects) and power T&D business to fuel orders in FY24. However, it pointed out that growth in rail ordering has slowed.

SAE Brazil troubles subsiding: Subsidiary SAE Brazil’s troubles stem from delays and subsequent cost overruns in its legacy EPC projects. Higher interest rates have also exacerbated losses. While the entity has turned EBITDA-positive in Q4FY23, management expects it to be PBT-positive in FY24. SAE Brazil has completely stopped EPC projects and only has tower supply orders.

FY24 interest cost to trend lower: In FY23, interest cost as a percentage of sales rose to 3.1% mainly due to higher interest rates, with the full impact seen in Q4. However, KECI has managed significant collections in the meantime, leading to some reduction in borrowings. For FY24, we estimate interest cost-to-sales at 2.5-2.6%.

Maintain HOLD: Management has reiterated confidence in margin improvement which leads us to raise our target FY25E P/E a notch to 15x from 14x, a 15% discount to the 5Y average, translating to a revised TP of Rs 550 (vs. Rs 500). Considering the runup in stock price (~25% in the last two months), we retain HOLD.

Key changes



Ticker/Price	KECI IN/Rs 552
Market cap	US\$ 1.7bn
Free float	47%
3M ADV	US\$ 5.2mn
52wk high/low	Rs 586/Rs 352
Promoter/FPI/DII	52%/13%/26%

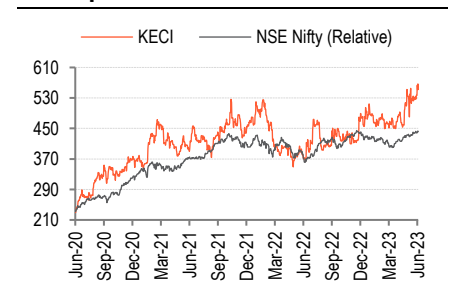
Source: NSE | Price as of 15 Jun 2023

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs mn)	1,72,817	2,02,357	2,36,340
EBITDA (Rs mn)	8,297	13,747	18,742
Adj. net profit (Rs mn)	1,760	5,647	9,450
Adj. EPS (Rs)	6.8	22.0	36.8
Consensus EPS (Rs)	6.8	25.5	37.7
Adj. ROAE (%)	4.8	14.1	20.4
Adj. P/E (x)	80.6	25.1	15.0
EV/EBITDA (x)	13.7	8.1	6.3
Adj. EPS growth (%)	(53.2)	220.8	67.4

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



**NOT
RATED**
TTK PRESTIGE

| Consumer Durables

| 15 June 2023

Navigating troubled times with confidence

- **Management optimistic of strong demand recovery in H2FY24; foresees no requirement for price hikes in near term**
- **Focus on innovation-led products expected to counter steep discounts by peers on entry-level products**
- **Aims to maintain leadership and market share in the face of rising competition**

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We hosted a call with K Shankaran, ED of TTK Prestige (TTKPT IN, Not Rated), a leading name in the kitchen solutions industry. Key takeaways:

Demand respite likely in H2FY24: TTKPT expects lukewarm demand conditions to persist in H1FY24 with meaningful recovery only in H2. Inflationary pressures have led to erosion of purchasing power and prompted heavy discounts by peers for entry-level products. Management expects demand recovery and growth from new SKUs/products to aid performance in H2.

No price hikes planned: After taking hikes in the past to offset commodity inflation, management does not see any reason for further price increases, even during the upcoming festive season.

Relaunching of 'Judge': The company's *Judge* brand was targeted at the entry segment given ample demand and the lack of quality rival products. However, due to heavy discounting by peers along with its own limited product and distribution range for *Judge*, TTKPT decided to strengthen the product branding to *Judge by Prestige*. The company have also identified gaps in the product portfolio and does not anticipate cannibalisation following the rebranding.

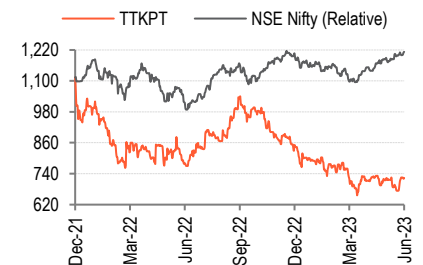
Prepared for competition: Per management, recent acquisitions in the industry indicate that existing brands exchanged hands and no new competition was added. TTKPT believes its strong brand recall, diverse product range and premiumisation-led strategy is capable of fighting competition. Management does expect market share to reduce in the near term amid increased competition but aims to regain ground via new innovative products and brand relaunch. It does not subscribe to the deep discounting tactics adopted by other players to recoup market share.

Ultrafresh on track: TTKPT has a 51% stake in Ultrafresh Modular Solutions which is engaged in the business of modular kitchens and kitchen appliances. Per management, cross-selling opportunities across geographies are boosting growth.

Ticker/Price	TTKPT IN/Rs 727
Market cap	US\$ 1.2bn
Free float	30%
52wk high/low	Rs 1,050/Rs 652
Promoter/FPI/DII	70%/9%/14%

Source: NSE | Price as of 15 Jun 2023

Stock performance



Source: NSE



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BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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