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Strategy

THEMATIC | **December 13, 2023**

Growth and hope! Value creation?

Significant revenue growth along with expansion in ROIC-WACC spreads (spreads) created maximum value for investors in the past. Better the spreads, higher the enterprise value to invested capital (EV/IC) ratio. EV/IC ratio of small-caps significantly expanded in FY23 and are at the lowest discount vs large-caps. Though the number of companies witnessing higher spreads increased over FY20-23, they are not attaining newer, higher ROIC levels. Increased spreads over FY20-23 could be attributed to higher revenue growth. But real revenue 3-year CAGR (inflation-adjusted) for small-caps over FY20-23 is lowest (3%) vs large-caps (8%) and mid-caps (12%). Further, spreads are normalizing because of reducing margins. Trajectory of spreads is not encouraging. Small-caps particularly have little room to slip on ROIC. Re-investments appear low; for instance, total cumulative capex (inflation-adjusted) in FY21-23 for small-caps was only ₹1.5tn, i.e. less than ₹1.6tn over FY18-20.

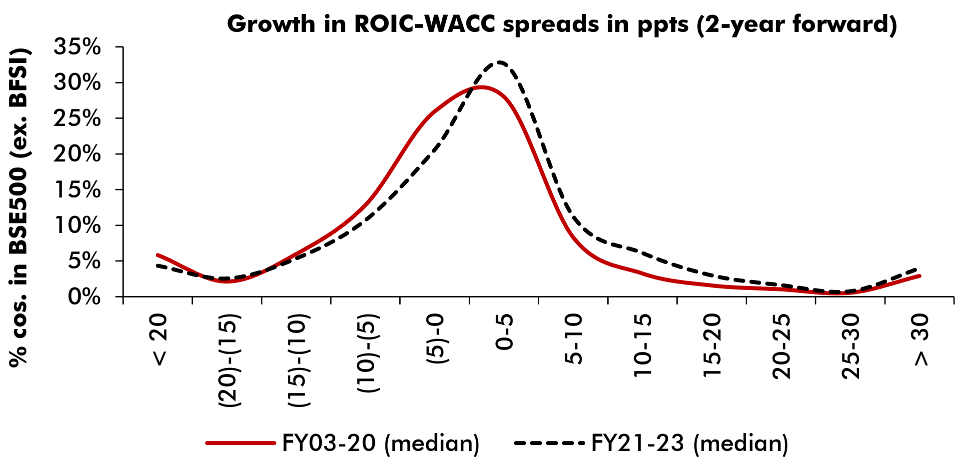
Otherwise elusive growth has fueled expansion of EV/IC ratio

Real revenue (inflation-adjusted) 3-year CAGR (FY20-23) for mid-caps (12%) explains higher EV/IC premium to large-caps (8%). But, it is significantly lower for small-caps to explain lowest discount (only 26%) on EV/IC vs large-caps in the last decade. Moreover, median spreads for small-caps was 0% in FY23 vs 3%/2% for large/mid-caps.

Clearing the delusion of newer and higher levels of spreads

There is a shift in the normal distribution curve in the last three years, suggesting that the number of companies witnessing expansion in spreads has increased. But overall distribution of the companies across different cohorts of spread has remained the same. For instance, like in the past two decades, over 50% of small-caps still generate negative spreads.

Exhibit 1: More firms witnessed increase in spreads recently



Source: Company, Ambit Capital research, ACE Equity; universe is BSE500 (ex. BFSI) as at 31 March of each year; growth in ROIC-WACC (spreads) for each year is calculated as 'spreads in X yr' - 'spreads in X-2 yr'

Reducing margins and unimpressive re-investment rates

EBIT margins remained in the tight range of 8-11% last decade for small-caps. They dipped in FY23 (10%), after the peak in FY22 (11%), ultimately resulting in lower spreads. Ideally, a company that can invest more at higher spreads generates more value. But re-investment rates are not significantly higher than in the last decade. For instance, the median invested capital growth rate for small-caps was 8% CAGR over FY20-23 vs 12% over FY16-20.

Key BUY ideas from our coverage

Company	Mcap ($mn)
Tata Steel	19,454
Indraprastha Gas	3,365
Wonderla	609
Kirloskar Pneumatic	453
Mold-Tek	344

Source: Ambit Capital research

Key SELL ideas from our coverage

Company	Mcap ($mn)
Siemens	16,458
ABB India	12,047
Dalmia Bharat	5,313
Gland Pharma	3,493
ABFRL	2,706

Source: Ambit Capital research

Key buy ideas outside our coverage

Company	Mcap ($mn)
Tata Motors	31,732
Interglobe Aviation	13,299
Apollo Tyres	3,524
EIH	1,949
EID Parry	1,204

Source: Ambit Capital research

Key sell ideas outside our coverage

Company	Mcap ($mn)
Balkrishna Ind.	5,990
Endurance Tech	2,853
KEC Int.	1,921
Sterling & Wilson	1,000
Varroc	884

Source: Ambit Capital research

Research Analysts

Nitin Bhasin
+91 22 66233241
nitin.bhasin@ambit.co

Vinit Powle
+91 22 66233149
vinit.powle@ambit.co

Parth Majithia
+91 22 66233149
parth.majithia@ambit.co

Ishita Lodha
+91 22 66233149
ishita.lodha@ambit.co

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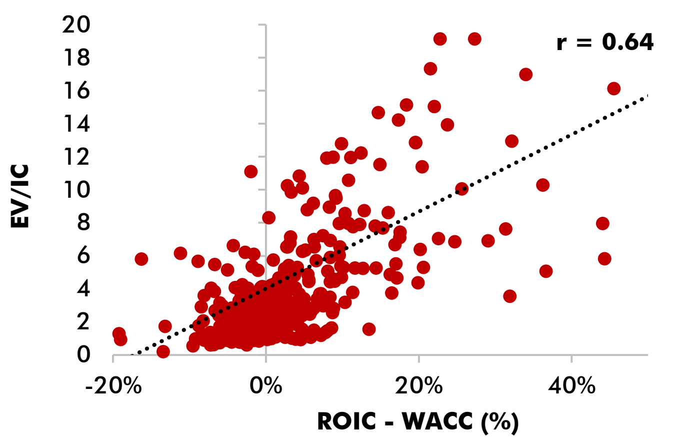
Unusual outlook in mundane settings

EV/IC levels continue to be high typically for mid/small-caps. The triggers for further expansion (or maintaining) of EV seem weak. Historically, the EV/IC ratio had a strong correlation (r >0.5) with spreads. We know spread expansion with solid revenue growth delivered maximum returns (14ppts outperformance on a median basis vs NSE100 on a two-year investment horizon since FY03). EV/IC of mid-caps remain high for the third consecutive year vs large-caps. However, sharp rise (>40%) in EV/IC of small-caps and lowest discount to large-caps (26% vs median 107% over FY03-20) suggests caution. Interestingly, the breadth of interest w.r.t. small-cap names is much wider vs large/mid-caps. It is pertinent to note that ROIC of mid/small-caps is normalizing. Perhaps owing to the low base, ~60% of BSE50 (ex BFSI) companies witnessed encouraging trend in ROIC in FY22/23. But there is no change in overall distribution of firms across different cohorts of ROIC-WACC spreads.

ROIC-WACC spreads have a bearing on investor returns

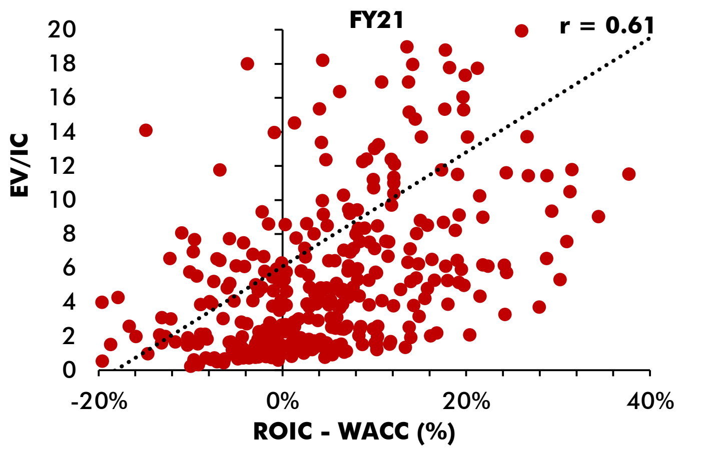
To know if market appreciates capital allocation strengths and weaknesses of the company, we look at the relationship between return on invested capital (ROIC) minus the weighted average cost of capital (WACC) and the ratio between the enterprise value (EV) and invested capital (IC) for BSE500 companies (ex-BFSI). IC is essentially the sum of fixed assets and net working capital. EV is the sum of market cap and net debt. Stable or improving spreads (ROIC-WACC) lead to market assigning a higher premium to the underlying firms. The higher the spread, the higher the EV/IC ratio. Lower or weakening spreads will eventually lead to a lower EV/IC ratio. Higher EV/IC implies investors are relatively optimistic w.r.t. future prospects of the company. On the other hand, lower EV/IC would mean investors are not so excited about the capabilities of the business. Consistent increase in EV/IC ratio would require companies to: 1) manage spreads (ROIC-WACC) well, 2) regularly invest and 3) sweat new investments efficiently.

Exhibit 2: Strong correlation always existed between EV/IC and ROIC-WACC spreads, like in FY18…



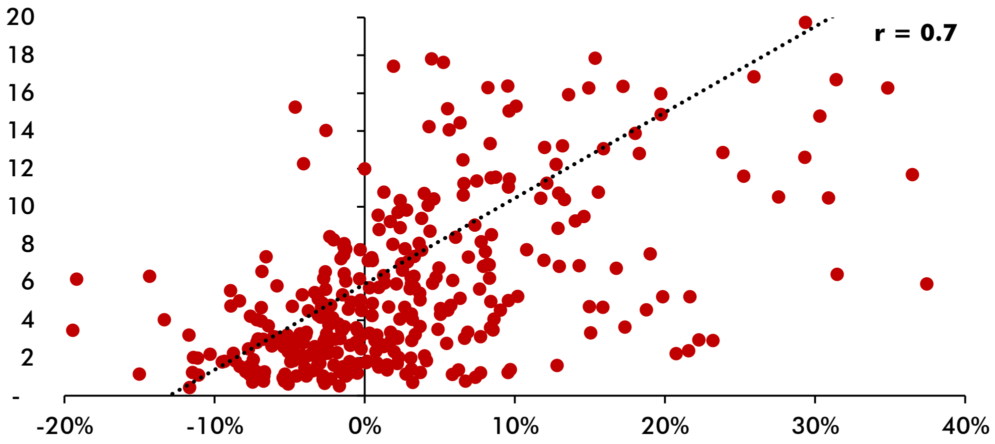
Source: Ambit capital research, ACE Equity; all values taken for computing EV/IC pertain to 31 Mar 18; mcap is taken as at 30 June 18; universe is BSE500 (ex-BFSI); ROIC is calculated as net operating profit after tax for FY18/invested capital as at 31 Mar 18, WACC is calculated by taking expected market returns as cost of equity and actual interest rate as cost of debt in FY18; truncated axis for visualisation

Exhibit 3: …and in FY21…



Source: Ambit capital research, ACE Equity; all values taken for computing EV/IC pertain to 31 Mar 21; mcap is taken as at 30 June 21; universe is BSE500 (ex-BFSI); ROIC is calculated as net operating profit after tax for FY21/invested capital as at 31 Mar 21, WACC is calculated by taking expected market returns as cost of equity and actual interest rate as cost of debt in FY21; truncated axis for visualisation

Exhibit 4: ...and even recently in FY23



Source: Ambit capital research, ACE Equity; all values taken for computing EV/IC pertain to 31 Mar 23; mcap is taken as at 6 Dec 23; universe is BSE500 (ex-BFSI); ROIC is calculated as net operating profit after tax for FY23/invested capital as at 31 Mar 23, WACC is calculated by taking expected market returns as cost of equity and actual interest rate as cost of debt in FY23; truncated axis for visualisation

Correspondingly, one can also note that companies that had higher growth in ROIC-WACC spreads along with high revenue growth generate maximum shareholder return over the next two-year period.

We have bifurcated companies on the basis of:

Revenue growth – We have classified companies in five quintiles – Q1 to Q5. Companies in Q1 are those which showed the highest growth in revenue on a 2-year forward basis and Q5 are those which showed relatively lowest growth or negative return on a 2-year forward basis.

Improvement in ROIC-WACC spreads - We have classified companies in five quintiles – A1 to E5. Companies in A1 are those which showed highest growth in ROIC-WACC spreads (basis ppt) on a 2-year forward basis and E5 are companies which showed the lowest/negative ROIC-WACC spread (basis ppt) growth on a 2-year forward basis.

A company witnessing higher revenue growth does not necessarily give higher returns. For instance, companies in Q1 (which are those companies which have shown highest growth in revenue on a 2-year forward basis) have given returns in the range of 3-43%. Similarly, companies with higher ROIC-WACC spreads do not necessarily lead to higher returns. It is only when a company is growing with a positive ROIC-WACC spread that it provides maximum shareholder's return.

Exhibit 5: Maximum shareholder returns on a median and average basis are generated...

2 yr. Revenue improvement vs ROIC-WACC spread (Median CAGR shareholders return over 2 yrs.)					
Revenue/VA Spread	**A1**	**B2**	**C3**	**D4**	**E5**
Q1	24%	19%	10%	8%	0%
Q2	26%	20%	10%	3%	1%
Q3	25%	11%	6%	7%	4%
Q4	17%	17%	1%	0%	-8%
Q5	6%	3%	1%	-9%	-19%

Source: Company, Ambit Capital research, Bloomberg; to compute CAGR returns, we have considered multiple time horizons. For instance, 24% is the median of returns generated by companies falling under Q1&A1 for multiple time horizons since FY03-21; universe taken is BSE500 (ex. BFSI) as at 31-Mar for their respective years

Exhibit 6: ... when a company is showing revenue growth with a positive ROIC-WACC spread

2 yr. Revenue improvement vs ROIC-WACC spread (Average CAGR shareholders return over 2 yrs.)					
Revenue/VA Spread	**A1**	**B2**	**C3**	**D4**	**E5**
Q1	34%	35%	17%	17%	9%
Q2	26%	22%	15%	11%	2%
Q3	28%	18%	13%	13%	5%
Q4	22%	19%	13%	5%	-2%
Q5	12%	18%	21%	3%	-10%

Source: Company, Ambit Capital research, Bloomberg; to compute CAGR returns, we have considered multiple time horizons. For instance, 34% is the average of returns generated by companies falling under Q1&A1 for multiple time horizons since FY03-21; universe taken is BSE500 (ex. BFSI) as at 31-Mar for their respective years

Exhibit 7: List of key companies witnessing high revenue growth (Q1) and high growth in ROIC-WACC spreads (A1) over FY21-23

Company	Mcap ($mn)	2 yr. CAGR Returns (FY21-23)
Titan Co	37,780	21%
Varun Beverages	16,734	22%
Tube Investments	7,734	26%
Gujarat Fluorochemicals	3,738	29%
Timken India	2,863	29%
Mangalore Refinery & Petrochemicals	2,637	43%
Rhi Magnesita India	1,831	22%
Fine Organic Industries	1,644	29%
Gujarat Narmada Valley Fertilizers	1,375	23%
Raymond	1,337	46%
Chennai Petroleum Corp	1,198	104%
HEG	792	20%
India Tourism Development Corp	440	21%
NSE100 (ex. BFSI) returns		**7%**

Source: Company, Ambit Capital research; CAGR returns are calculated from 30 Sep 21 to 30 Sep 23

But one should note that persistence in ROIC (or spreads) is a rare phenomenon. A look at data from 2003 suggests that over a two-year period, companies find it difficult to maintain or improve ROIC. Over 40% of the companies witness drop in the ROIC in the next two years. On the other hand, less than 15% companies (out of Q4 and Q5 quintiles) make significant shift to top quintiles Q1 and Q2.

Exhibit 8: About 40% of firms fall from the ROIC peak over the next two years

		Median ROIC at (X +2) years					
		Q1 (High ROIC)	Q2	Q3	Q4	Q5 (Low ROIC)	Out o BSE50
Median ROIC X yr.	Q1	59%	21%	7%	2%	4%	7%
	Q2	15%	35%	24%	11%	6%	10%
	Q3	4%	14%	29%	25%	11%	17%
	Q4	2%	7%	14%	33%	23%	19%
	Q5	2%	2%	6%	15%	39%	30%

Source: Company, Ambit Capital research, ACE Equity; universe is BSE500 (ex. BFSI); we have evaluated persistence of a company in two year periods. Number calculated is the median of median of multiple time horizons since FY03-21. For instance. 59%, is the median calculated over FY03-23, of proportion of companies which remained in Q1 even after two years

Exhibit 9: Over FY21-23, there was a higher proportion of companies that witnessed movement from Q5 to Q1

		Median ROIC FY23					
		Q1 (High ROIC)	Q2	Q3	Q4	Q5 (Low ROIC)	Out of BSE500
Median ROIC FY21	Q1	53%	15%	8%	5%	4%	15%
	Q2	10%	36%	24%	16%	6%	8%
	Q3	7%	21%	21%	17%	15%	18%
	Q4	0%	7%	18%	32%	18%	25%
	Q5	5%	6%	10%	15%	33%	31%

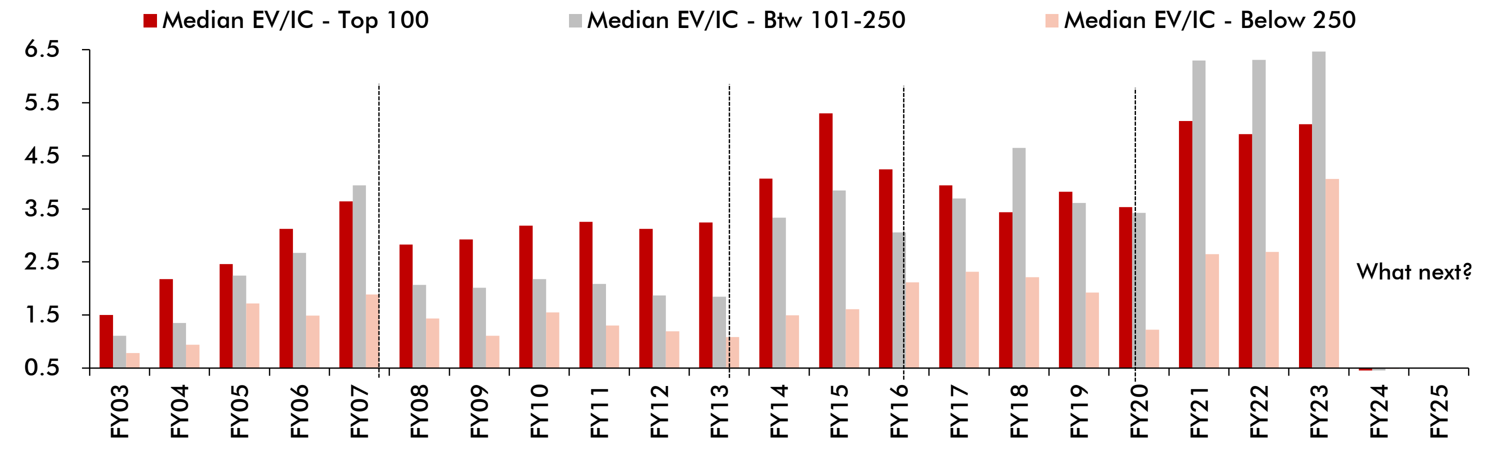
Source: Company, Ambit Capital research, ACE Equity; universe is BSE500 (ex. BFSI); we have evaluated persistence of a company in over FY21-23 For instance, 53%, is the proportion of companies which remained in Q1 over FY21-23

More companies witnessing increasing spreads

Enterprise value (EV) is the sum of market value of net debt and equity. EV/IC number indicates premium to the amount of IC, i.e., a company is valued at x times of IC. EV/IC is at its all-time high, signalling that investors' optimism is at its peak. EV/IC for mid-caps is higher than large-caps for the consecutive third year in a row. However, the sharp increase in EV/IC of small-caps has been the key highlight of FY23.

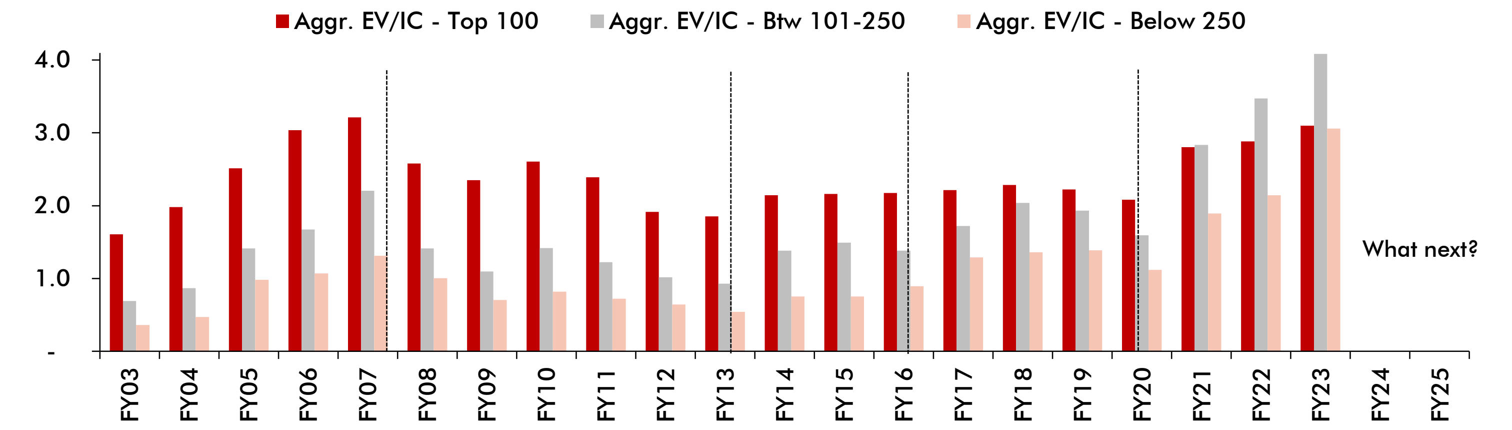
- Stronger revenue growth and stable/better EBIT margins led to better ROIC (or spreads), which in turn pushed EV/IC levels up for small-caps.
- Moreover, revenue growth and EBIT margins are possibly normalizing for small-caps.
- There are no significant investments happening across large/mid or small-caps.
- For the first time in the last 20 years, the aggregate EV/IC of small-caps is at par with aggregate EV/IC of large-caps, suggesting excitement in small-caps is extending to a much larger universe of small-caps.

Exhibit 10: EV/IC for mid and small-caps remain high. Highlight of FY23 is the sharp rise in EV/IC of small-caps leading to lowest discount vs EV/IC of large-caps on a historical basis



Source: Ambit Capital research, ACE Equity; EV is calculated as mcap + total debt – cash – current investment; invested capital is calculated as total assets – cash – current investment – current liabilities – other non-current assets; all values taken for computing EV/IC pertain to 31-March of each year; mcap is taken as at 30 June every year except FY23 where mcap is taken as at 6 Dec 23; universe is BSE500 (ex-BFSI); risk free rate is yield of 10yr government bonds

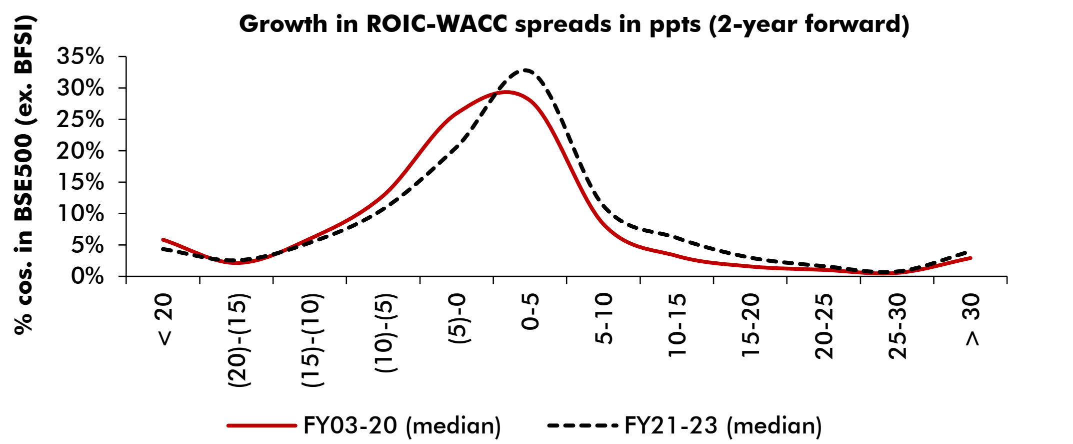
Exhibit 11: Aggregate EV/IC is higher for mid-caps and small-caps vs large-caps; lowest gap between median and aggregate EV/IC is in case of small-caps (only 26%), suggesting interest in small-caps extend to larger universe



Source: Ambit Capital research, ACE Equity; EV is calculated as mcap + total debt – cash – current investment; invested capital is calculated as total assets – cash – current investment – current liabilities – other non-current assets; all values taken for computing EV/IC pertain to 31-March of each year; mcap is taken as at 30 June every year except FY23 where mcap is taken as at 6 Dec 23; universe is BSE500 (ex-BFSI); risk free rate is yield of 10yr government bonds

Using hindsight, if we look at the end of any financial year from FY03-20, we note that ~45% of companies in the BSE500 universe must have witnessed some increase in spreads. But over FY21-23, ~60% of companies witnessed such increase in spreads.

Exhibit 12: A higher number of companies in recent years witnessed improvement in spreads from their existing levels

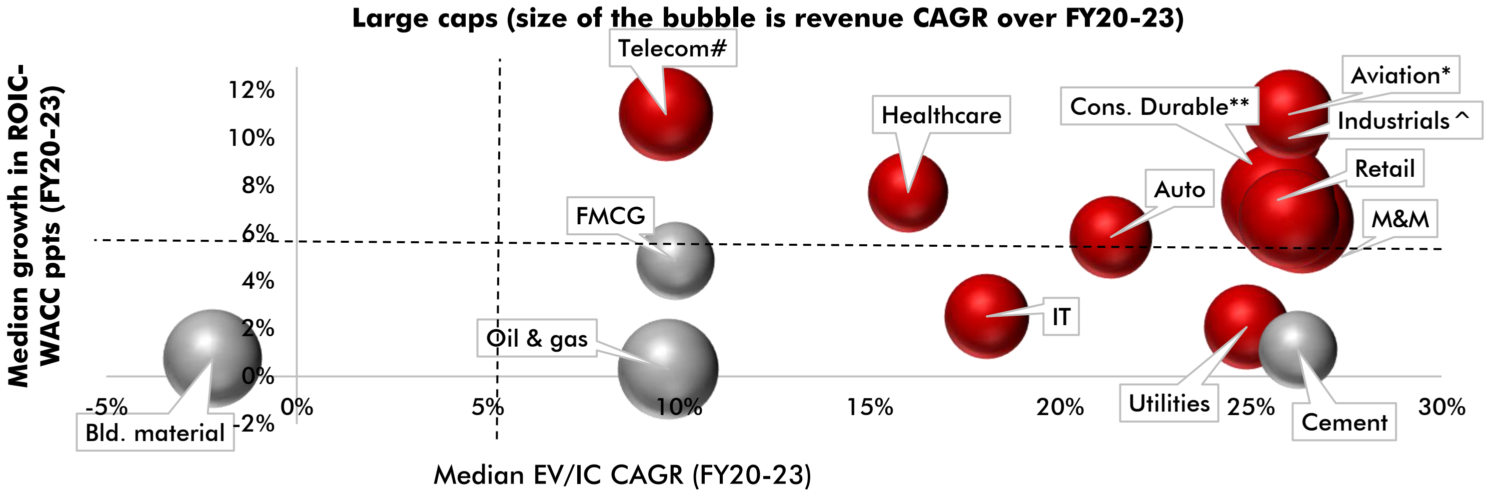


Source: Company, Ambit Capital research, ACE Equity; universe is BSE500 (ex. BFSI) as at 31 Mar of each year; Growth in ROIC-WACC (spreads) for each year is calculated as 'spreads in X year' - 'spreads in X-2 year'

Revenue growth spurts across firms

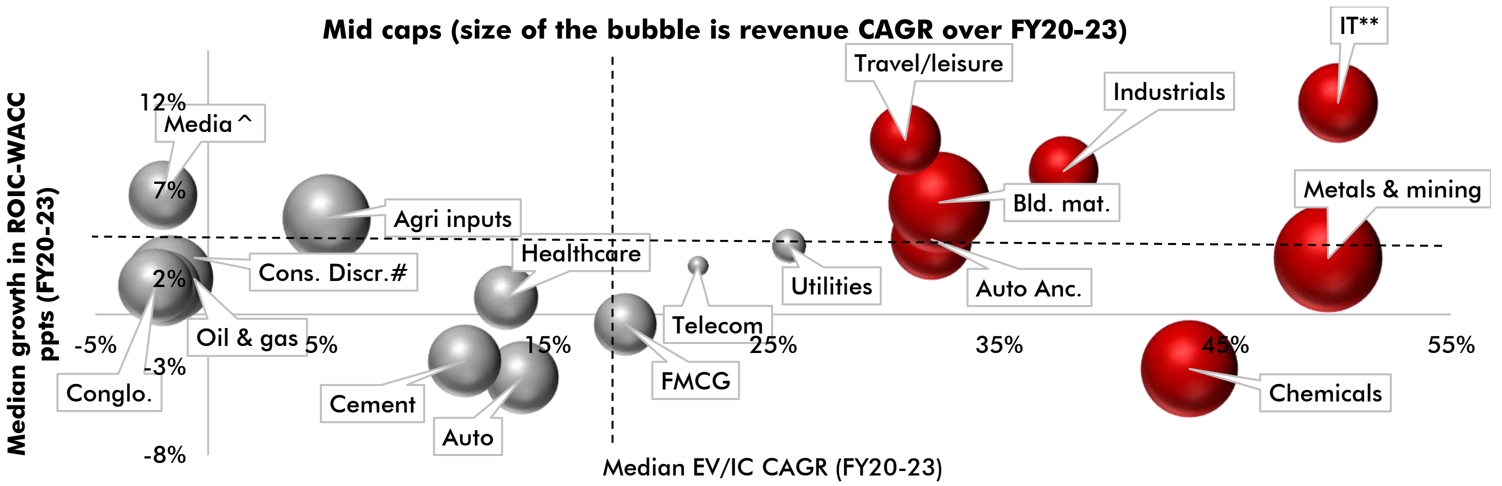
FY20-23 revenue CAGR for BSE500 firms was 15% vs 6% on a median basis over FY16-20 YoY. The sharp increase in revenue led to better ROIC and hence better spreads. Whilst most sectors within large-caps have a positive median spread, several sectors within mid and small-caps have close to zero or less than zero ROIC-WACC spread. Oil & gas, FMCG and agri-inputs have relatively underperformed. Despite good revenue growth for consumer discretionary and consumer durables, spreads have been very low. Smaller auto ancillaries and building material companies have done very well over FY20-23.

Exhibit 13: Excluding oil & gas, FMCG and building material, most sectors witnessed impressive expansion in EV; there is positive ROIC-WACC spread (>0%) for most of the sectors within large-caps



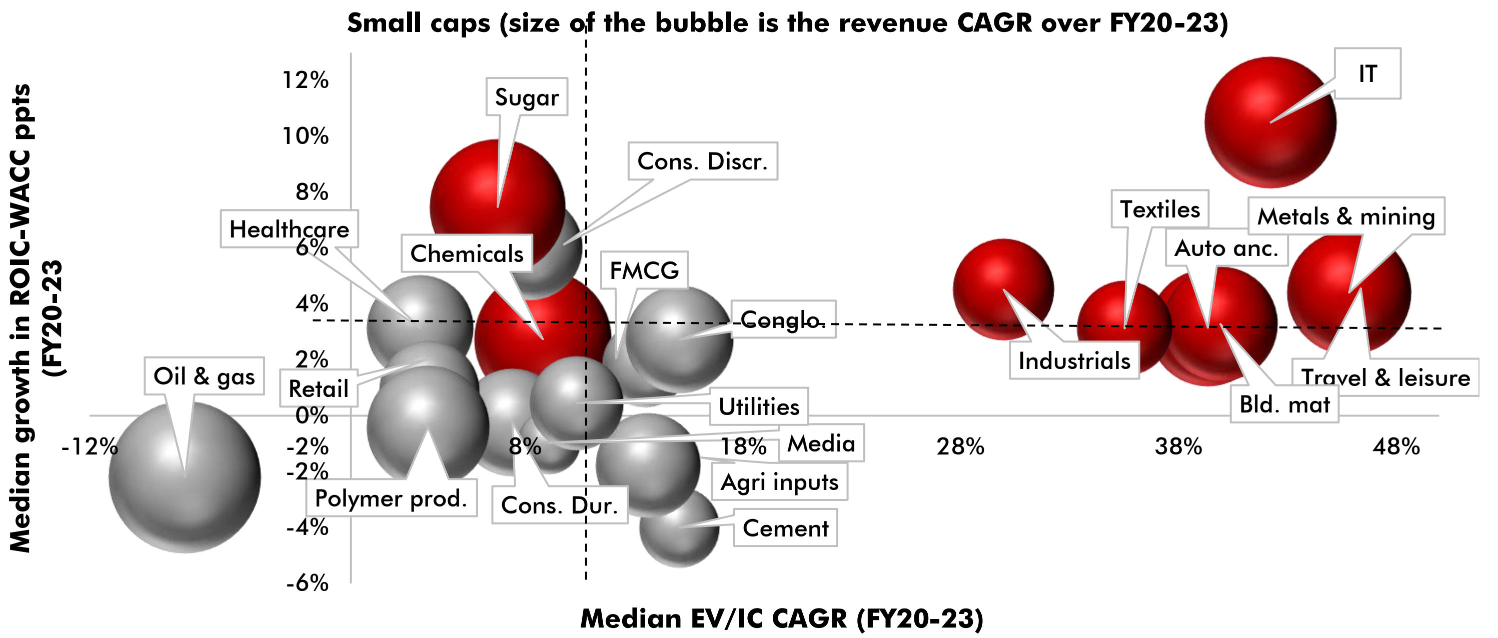
*Source: Company, Ambit Capital research. EV is calculated as mcap + total debt – cash – current investment; invested capital is calculated as total assets – cash – current investment – current liabilities – other non-current assets; all values taken for computing EV/IC pertain to 31-March of each year; mcap is taken as at 30 June every year except FY23 where mcap is taken as at 6 Dec 23; ^ restricted for presentation purpose, actual EV/IC CAGR (FY20-23) is 84% and ROIC-WACC spread growth is 11ppts; **restricted for presentation purposes actual EV/IC CAGR (FY20-23) is 46%, #restricted for presentation purposes, actual ROIC-WACC spread growth is 26ppts, Classification among large, mid and small cap is done on the basis of Mcap as at 31 Mar 23; * restricted for presentation purposes actual EV/IC CAGR (FY20-23) is 33% and actual ROIC-WACC spread growth is 20ppts*

Exhibit 14: High consumer spends (travel & leisure, building material), positive cycle (utilities, M&M) and industry tailwinds (IT, chemicals, industrials) led to EV expansion in mid-caps



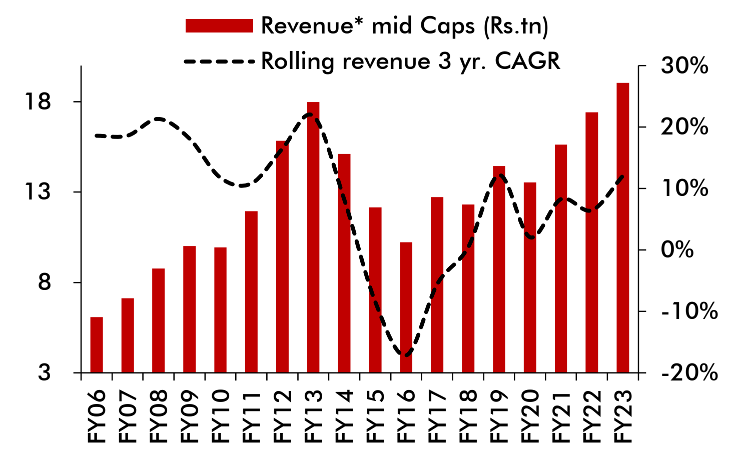
*Source: Company, Ambit Capital research. EV is calculated as mcap + total debt – cash – current investment; invested capital is calculated as total assets – cash – current investment – current liabilities – other non-current assets; all values taken for computing EV/IC pertain to 31-March of each year; mcap is taken as at 30 June every year except FY23 where mcap is taken as at 6 Dec 23; ^ restricted for presentation purpose, actual EV/IC CAGR (FY20-23) is (19%), **restricted for presentation purposes, Classification among large, mid and small-cap is done on the basis of Mcap as at 31 Mar 23*

Exhibit 15: Similar to mid-caps, small-caps too witnessed increase in spreads and EV/IC for several sectors; however, for several sectors, ROIC – WACC spreads are near 0%



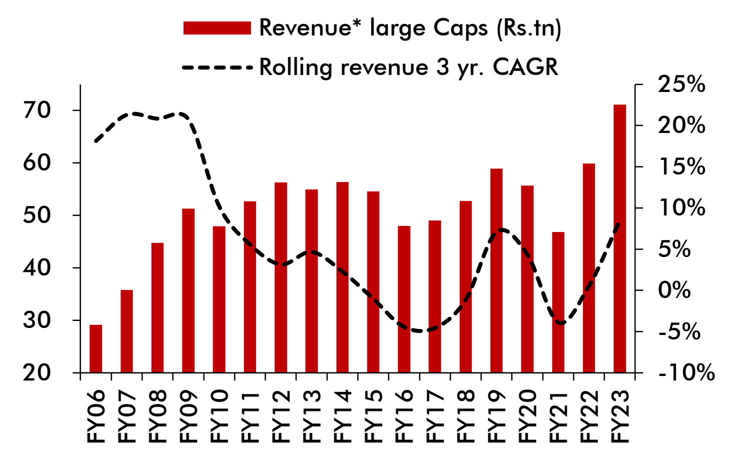
Source: Company, Ambit Capital research. Universe is BSE500 (ex BFSI), EV is calculated as mcap + total debt – cash – current investment; invested capital is calculated as total assets – cash – current investment – current liabilities – other non-current assets; all values taken for computing EV/IC pertain to 31-March of each year; mcap is taken as at 30 June every year except FY23 where mcap is taken as at 6 Dec 23; Classification among large, mid and small-cap is done on the basis of Mcap as at 31 Mar 23

Exhibit 16: Adjusted for inflation, revenue growth seems to be highest for mid-caps…



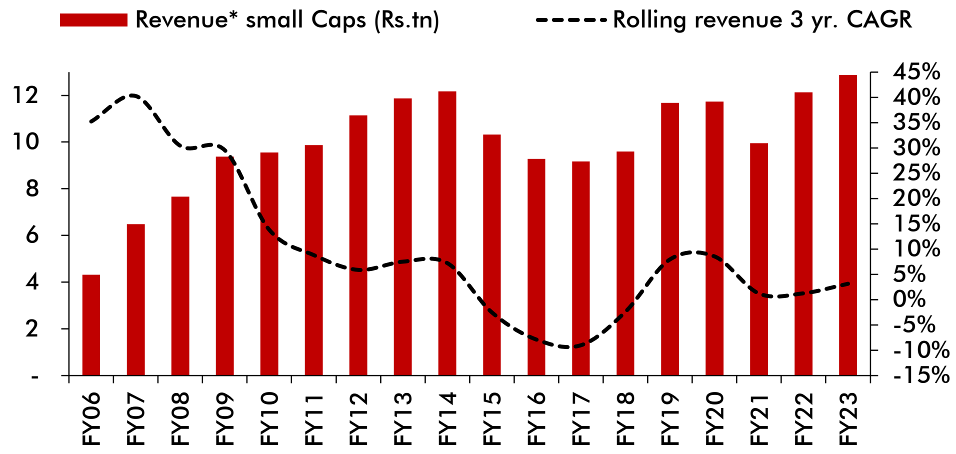
*Source: Company, Ambit Capital research, ACE Equity; universe is BSE500 (ex. BFSI) taken every year from FY03 to FY23 as at 31 Mar of each year. * We have shown numbers in terms of FY23 rupee using CPI inflation %*

Exhibit 17: …followed by large-caps and…



*Source: Company, Ambit Capital research, ACE Equity; universe is BSE500 (ex. BFSI) taken every year from FY03 to FY23 as at 31 Mar of each year. * We have shown numbers in terms of FY23 rupee using CPI inflation %*

Exhibit 18: ...small-caps



*Source: Company, Ambit Capital research, ACE Equity; universe is BSE500 (ex. BFSI) taken every year from FY03 to FY23 as at 31 Mar of each year. * We have shown numbers in terms of FY23 rupee using CPI inflation %*

Exhibit 19: Churn in the last three years (FY20-23) among large, mid and small cap...

Median FY20-23	Large caps	Mid-caps	Small caps	Cos. outside BSE500
Large caps	85%	14%	0%	1%
Mid-caps	7%	72%	16%	1%
Small caps	0%	6%	78%	15%
New cos. in BSE500	2	10	26	

Source: Company, Ambit Capital research; we have calculated YoY churn of companies in BSE500 (ex. BFSI) universe as at 31 Mar for FY21 to FY23 and taken median of the same

Exhibit 20: ...was largely similar to the churn witnessed over the last two decades by BSE500 (ex. BFSI) cos.

Median FY03-20	Large caps	Mid-caps	Small caps	Cos. outside BSE500
Large caps	88%	12%	0%	0%
Mid-caps	5%	72%	20%	2%
Small caps	0%	7%	75%	18%
New cos. in BSE500	1	8	32	

Source: Company, Ambit Capital research; we have calculated YoY churn of companies in BSE500 (ex. BFSI) universe as at 31 Mar for F03 to FY20 and taken median of the same

Worrying trends of economic profit

The other way to look at ROIC-WACC spreads is to compute absolute economic profits. Essentials the ROIC-WACC spread multiplied to invested capital will help us to know the economic profits generated by the company.

Economic profits = ROIC – WACC spreads * Invested capital

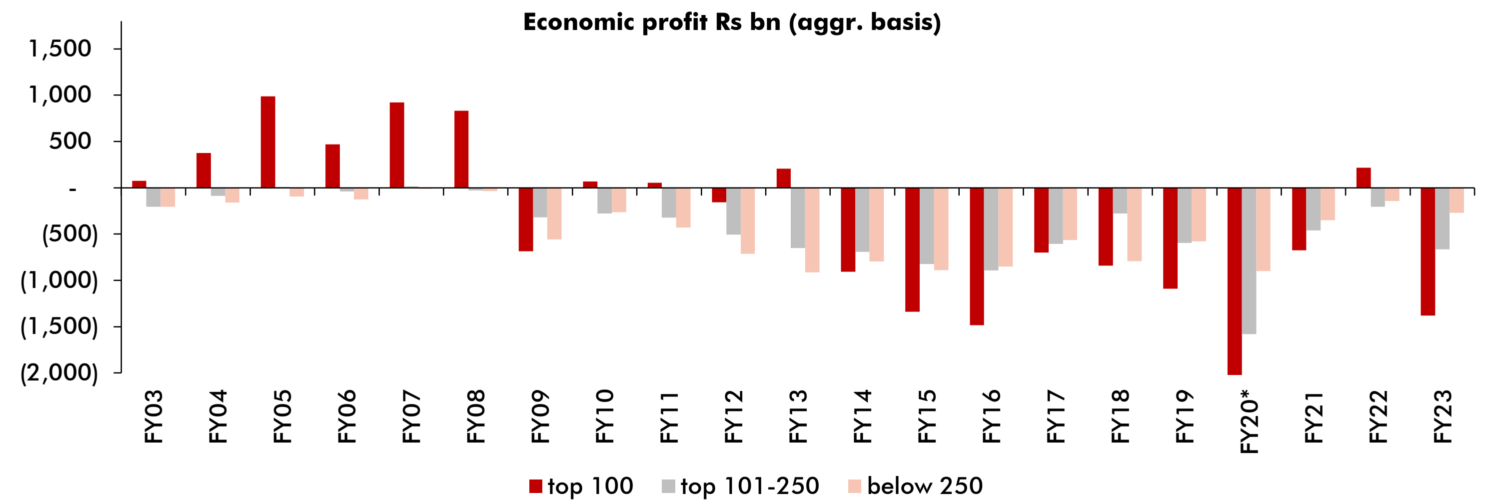
Economic profit is a better measure than ROCE or ROIC alone. When looked along with ROIC-WACC spreads, it essentially highlights the amount of capital the company can further invest into at the given level of spreads. Two companies may have similar percentage point spread between ROIC and WACC, but the company that can invest more at that spread will create greater value.

Adjustment made for inflation – In various exhibits we have converted historical numbers to FY23 rupee by adjusting for inflation. To adjust inflation, we have used YoY CPI inflation percentage for India. For instance, to convert FY21 number (let's say 100), we have adjusted that number with FY21 inflation rate (6.2%) and FY22 inflation rate (5.5%). Therefore, ₹100 of FY21 will be ₹112.041 in FY23. (100*1.062*1.055). Likewise, we have done adjustments for numbers since FY03.

Key takeaways from the analysis of the trend of economic profits generated by companies over the last two decades (FY03-23) are:

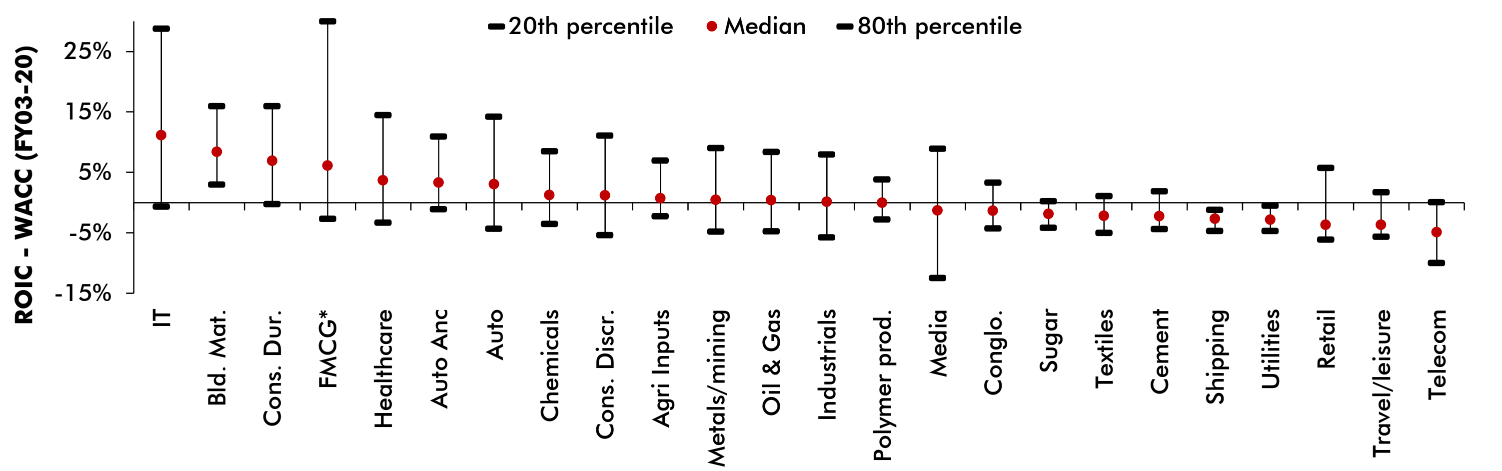
- At an aggregate, BSE500 (ex. BFSI) firms generated negative economic profit.
- FY23 witnessed sharp rise in economic loss across large, mid and small-caps.
- The economic losses in FY23 could be attributed to lower spreads.

Exhibit 21: On an aggregate basis, large, mid and small-caps have always generated net economic loss



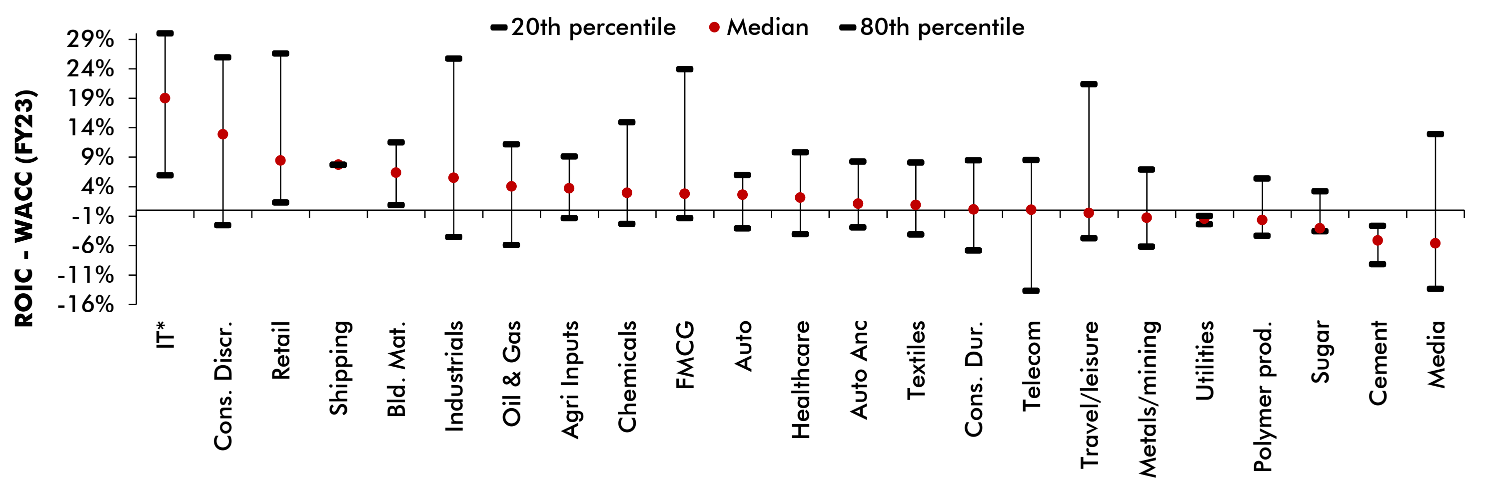
*Source: Company, Ambit Capital research; universe is BSE500 (ex. BFSI) taken as at 31 March each year, economic profit (aggr.) is calculated as total invested capital (*multiplied by) aggr. ROIC-WACC spread; we have shown numbers in terms of FY23 rupee using CPI inflation %. * Economic loss of FY20 is restricted for presentation purposes, actual value is (₹3,640bn)*

Exhibit 22: Several sectors had a very little room to slip on ROIC-WACC spreads over FY03-20



*Source: Company, Ambit Capital research, ACE Equity; universe is BSE500 (ex.BFSI), values are calculated taking median of all values for the year FY03-20; for instance, 20th percentile of IT sector is calculated as median of 20th percentile values for all the years over FY03-20; *restricted 80th percentile value for presentation purposes, actual 80th percentile value is 42%*

Exhibit 23: Even in FY23, several sectors sit on very low spreads; consumer discr., retail and industrials have moved up



*Source: Company, Ambit Capital research, ACE Equity; universe is BSE500 (ex.BFSI), values are calculated taking median of all values for FY23; for instance, 20th percentile of IT sector is 20th percentile values of FY23; * restricted 80th percentile value for presentation purposes, actual 80th percentile value is 36%*

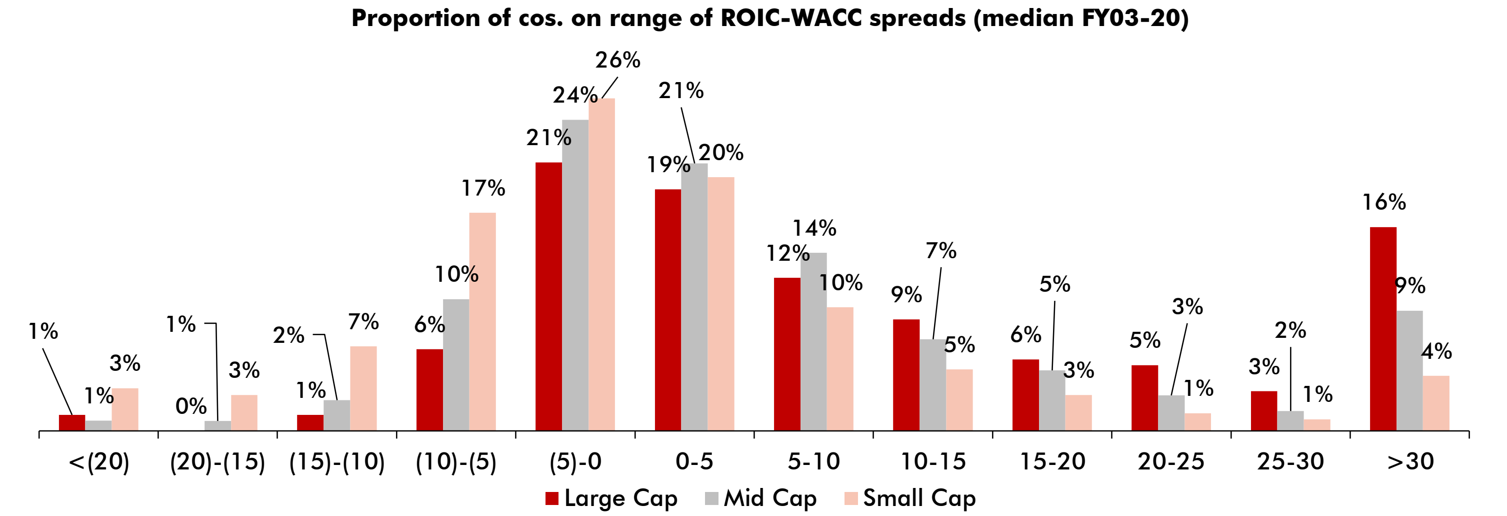
Exhibit 24: Economic losses at the aggregate level could be attributable to sectors with high invested capital (IC) and low spreads like utilities, M&M, conglomerates etc.

Sector	FY18		FY21		FY23	
	IC Prop.	Median ROIC-WACC	IC Prop.	Median ROIC-WACC	IC Prop.	Median ROIC-WACC
Agri Inputs	1%	4%	1%	9%	1%	4%
Auto	6%	5%	6%	(2%)	6%	3%
Auto Anc	2%	3%	2%	(1%)	2%	1%
Aviation	0%	59%	0%	(34%)	0%	(16%)
Building Mat.	0%	6%	1%	7%	1%	6%
Cement	2%	(2%)	2%	3%	3%	(5%)
Chemicals	1%	2%	1%	5%	2%	3%
Conglo.	5%	(4%)	4%	(2%)	5%	(3%)
Cons. Discr.	0%	12%	0%	12%	0%	13%
Cons. Dur.	0%	10%	0%	8%	1%	0%
FMCG	2%	6%	3%	11%	3%	2%
Healthcare	4%	1%	4%	7%	4%	2%
Industrials	8%	0%	7%	2%	6%	5%
IT	3%	12%	3%	19%	4%	19%
Logistics	0%	3%	0%	2%	0%	7%
Media	1%	(1%)	1%	(2%)	0%	(6%)
Metals/mining	12%	1%	12%	1%	11%	(1%)
Oil & Gas	24%	4%	28%	7%	28%	4%
Polymer prod.	0%	1%	0%	2%	0%	(2%)
Retail	1%	8%	1%	(15%)	1%	8%
Shipping	1%	(7%)	0%	(3%)	0%	8%
Sugar	0%	(4%)	0%	3%	0%	(3%)
Telecom	6%	(3%)	6%	(9%)	6%	0%
Textiles	1%	(2%)	1%	(5%)	1%	1%
Travel/ Leisure	0%	(2%)	1%	(15%)	1%	0%
Utilities	15%	(3%)	14%	(2%)	13%	(1%)

Source: Company, Ambit Capital research

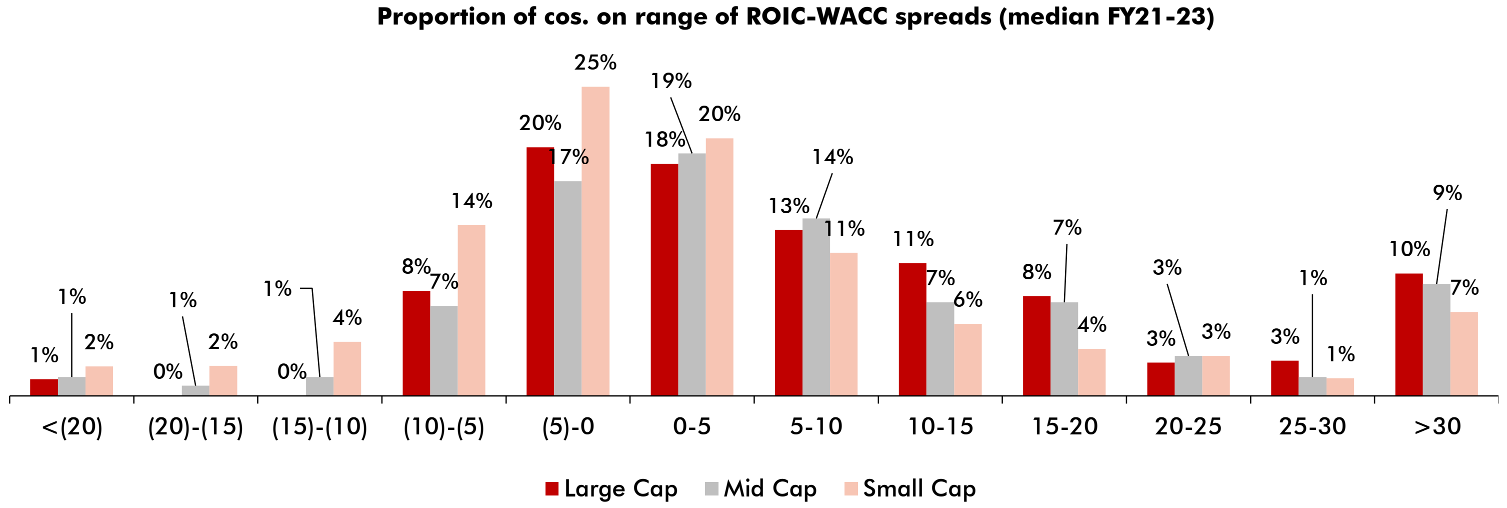
Whilst the proportion of companies that witnessed rise in spreads increased in the last few years, there is no change in the overall distribution of these companies across different spreads. About 45% of the companies in the BSE500 universe must have witnessed some increase in spreads. However, over FY21-23, ~60% of the companies witnessed such increase in spreads.

Exhibit 25: Usually 29%/38%/55% of large/mid/small-cap firms witnessed negative spreads



Source: Company, Ambit Capital research, ACE Equity; universe is BSE500 (ex. BFSI) taken as at 31 March each year; for instance, 1% value of bucket of <(20) for large-caps is calculated as median of proportion of large-cap companies in BSE500 (ex. BFSI) having ROIC-WACC spread<20% in each year over FY03-20

Exhibit 26: There is no significant change in distribution of companies basis the level of spreads generated even in the recent years too; i.e. a new level of growth is not necessarily creating a higher level of spreads



Source: Company, Ambit Capital research; universe is BSE500 (ex. BFSI) taken as at 31 March each year; for instance, 1% value of bucket of <(20) for large-caps is calculated as median of proportion of large-cap companies in BSE500 (ex. BFSI) having ROIC-WACC spread<20% in each year over FY21-23

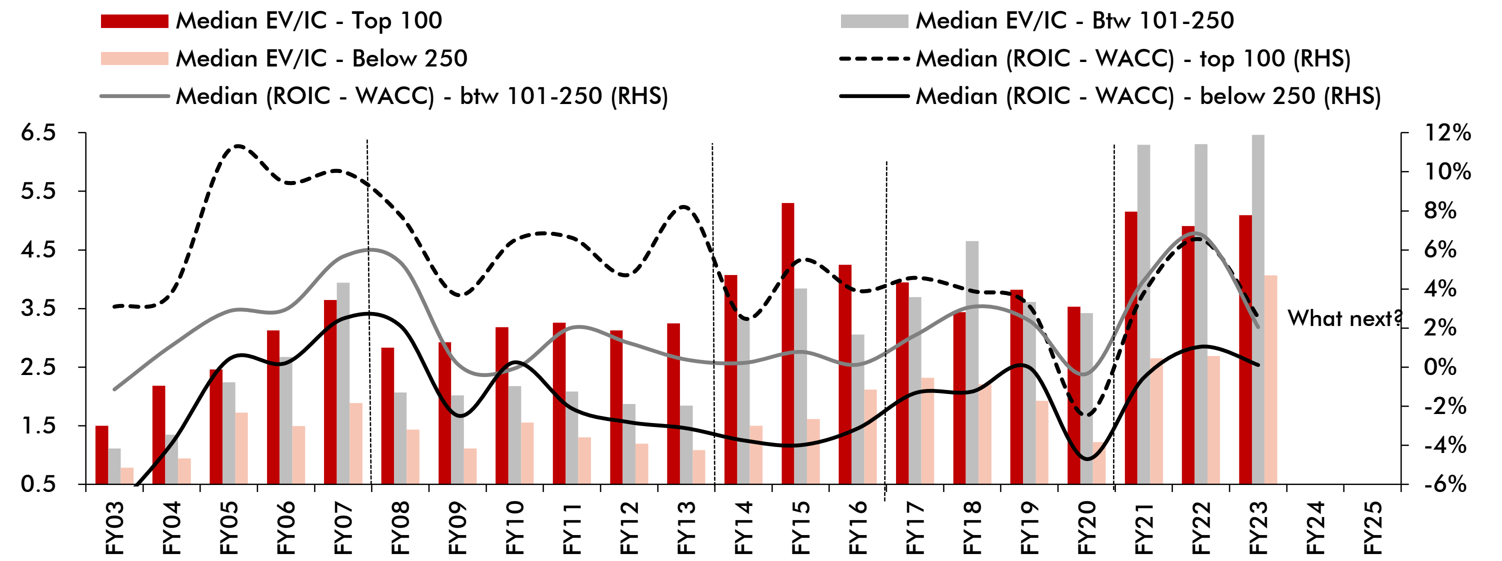
Whammy of low spreads and re-investments

On a time scale basis, large-caps' EV/IC ratio is not significantly higher than the past compared to mid/small-caps. ROIC of large-caps was 14% in FY23 vs median 15% over FY16-20. FY23 ROIC of mid/small-caps (14%/12%) is only higher by 1ppt from FY16-20 levels yet is higher vs the past. Mid/small-caps already saw some normalisation of ROIC in FY23 vs FY22. ROIC drop for mid/small-caps is attributable to lowering EBIT margin. EBIT margin of mid/small-caps over FY16-20 (pre-Covid) moved in a very tight range of 8-13% vs 10-14% over FY20-23 for small/mid-caps. The median YoY Invested Capital (IC) growth over FY11-20 for large/mid/small-caps was 14%/11%/9% vs 10%/12%/13% at FY23 (vs FY22) which is not substantially higher to explain the spike in EV/IC. Also, total cumulative inflation-adjusted capex for small/mid-caps over FY21-23 was ₹4tn which is marginally lower than (₹4.2tn) to pre-Covid period (FY18-20).

Small/mid-caps face more risk w.r.t. EV/IC

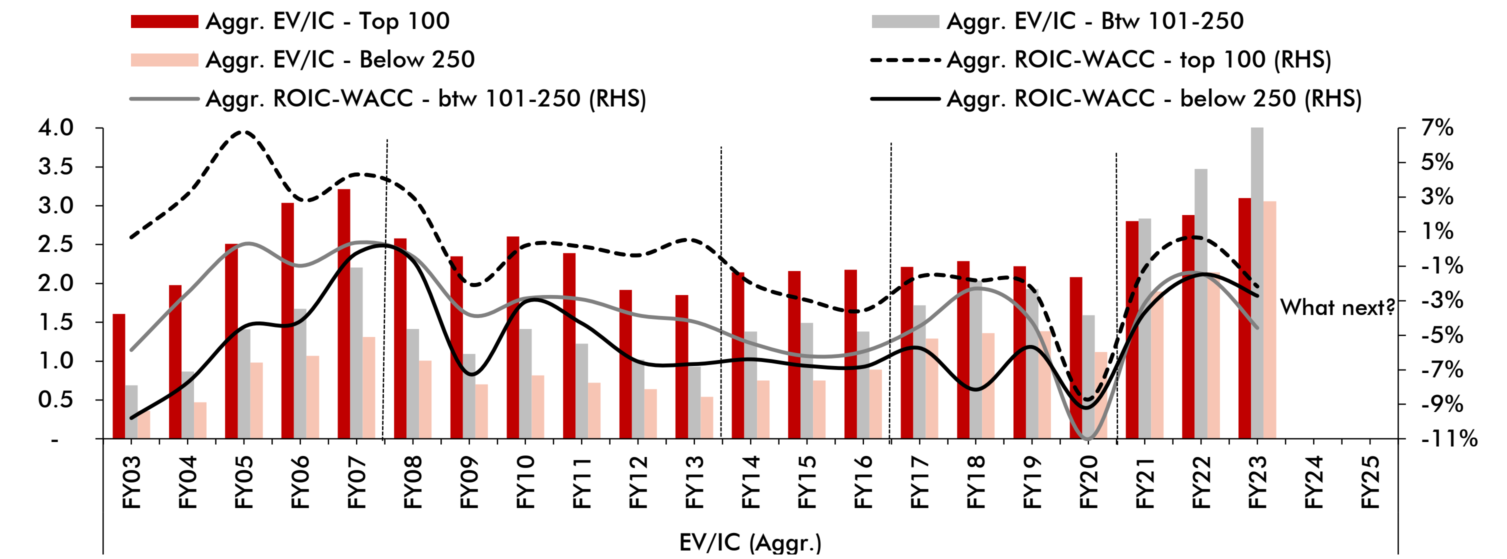
ROIC-WACC spreads have decreased across large/mid and small-caps. Whilst there was no major change in the median EV/IC levels of large and mid-caps, the EV/IC levels of small-caps in fact increased. Given the current levels of EV/IC and corresponding spreads, large-caps appear better placed than small and mid-caps.

Exhibit 27: The spreads for mid and small-caps are probably normalising, but spread for small-caps are still at a higher range vs historical levels and closest to large-caps



Source: Ambit Capital research, ACE Equity; EV is calculated as mcap + total debt – cash – current investment; invested capital is calculated as total assets – cash – current investment – current liabilities – other non-current assets; all values taken for computing EV/IC pertain to 31-March of each year; mcap is taken as at 30 June every year except FY23 where mcap is taken as at 6 Dec 23; universe is BSE500 (ex-BFSI); ROIC is calculated as net operating profit after tax/invested capital, WACC is calculated by taking expected market returns as cost of equity and actual interest rate as cost of debt

Exhibit 28: Even on an aggregate basis, lowering spreads had no impact on EV/IC; for the first time aggregate EV/IC for small-caps is similar to large-caps

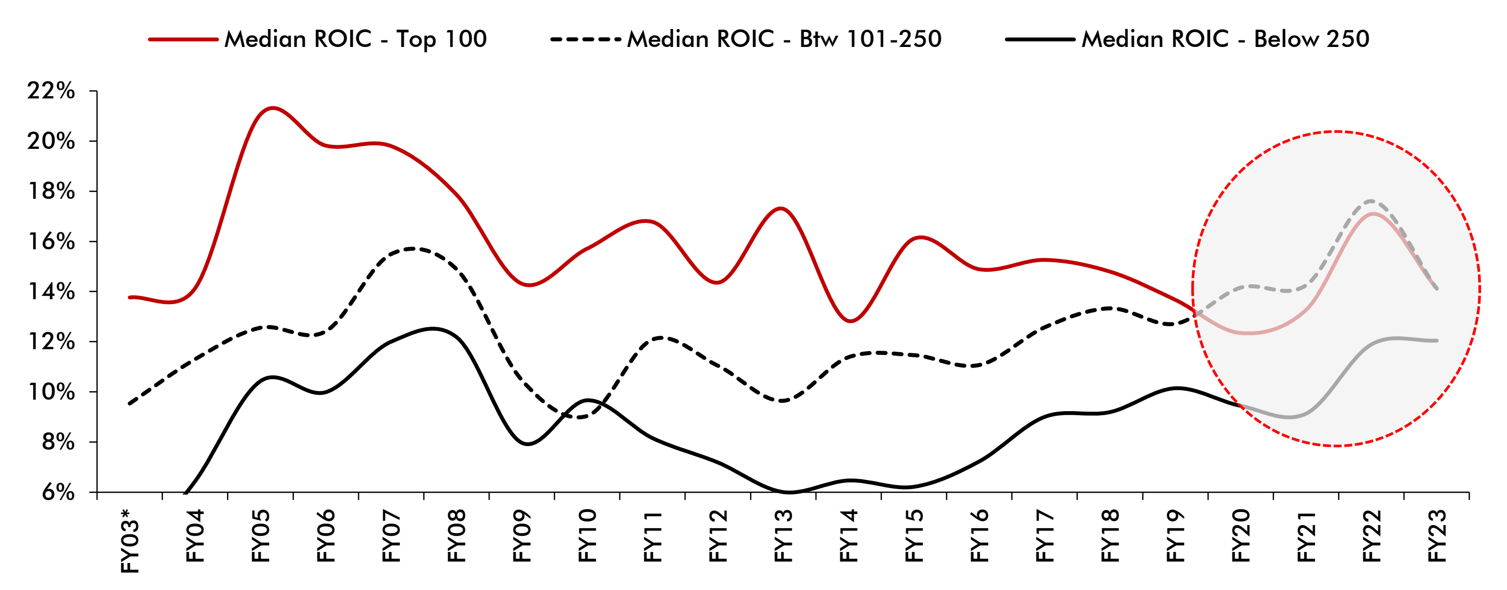


Source: Ambit Capital research; Ambit Capital research, ACE Equity; EV is calculated as mcap + total debt – cash – current investment; invested capital is calculated as total assets – cash – current investment – current liabilities – other non-current assets; all values taken for computing EV/IC pertain to 31-March of each year; mcap is taken as at 30 June every year except FY23 where mcap is taken as at 6 Dec 23; universe is BSE500 (ex-BFSI); ROIC is calculated as net operating profit after tax/invested capital, WACC is calculated by taking expected market returns as cost of equity and actual interest rate as cost of debt

ROIC gap for mid/small-cap companies vs large-caps won't hold for long

For the first time over the last two decades, the gap between ROIC of large-caps vs mid/small-caps narrowed significantly after FY20. Historically, median large-cap ROIC was always substantially higher vs that of small/mid-caps. Median ROIC of large/mid/small-caps declined by 3/4/0 ppt in FY23 vs FY22. Whilst ROIC of mid/small-caps is still higher than in the last two decades, interestingly, ROIC of large-caps is at lower levels. This suggests that it will be more appropriate to expect expansion in large-cap ROIC going forward.

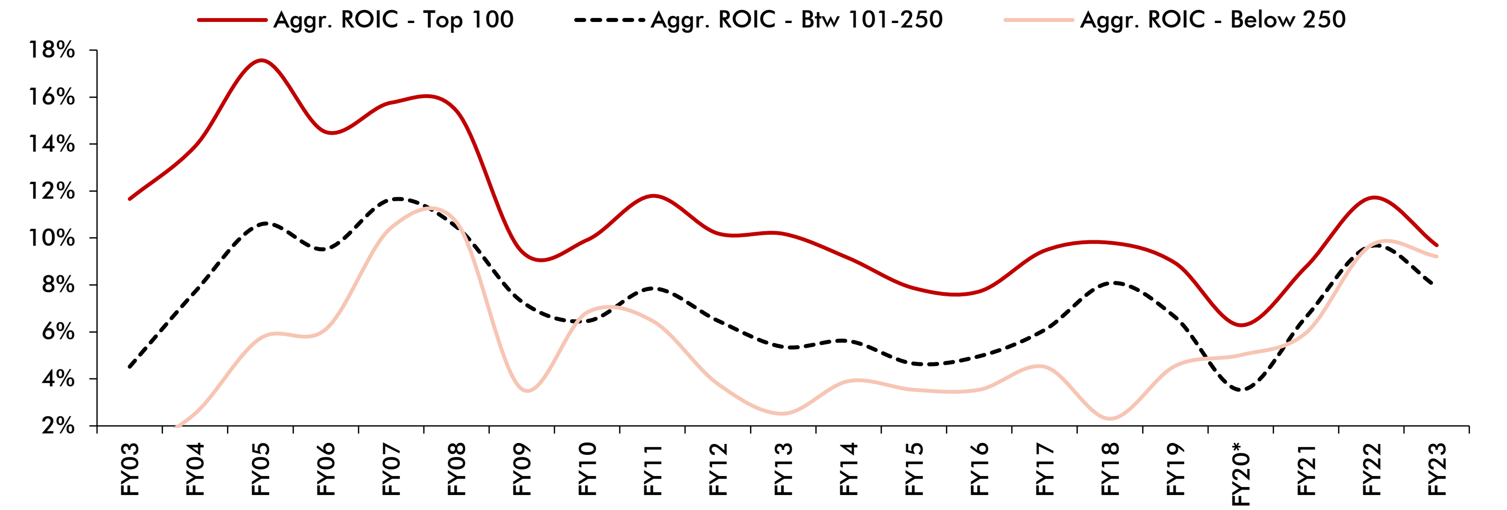
Exhibit 29: ROICs of mid and small-caps seem to be normalising, but they are still higher vs last decade; ROIC of large-caps is in fact at lower levels



*Source: Ambit Capital research. Universe is BSE500 (ex-BFSI); ACE Equity; ROIC is calculated as net operating profit after tax/invested capital; invested capital is calculated as total assets – cash – current investment – current liabilities – other non-current assets; *Median ROIC for below 250 have been restricted to 6% in FY03 for presentation purpose, actual number is 3%*

On an aggregate basis too, the gap between ROIC of large-caps and small/mid-caps has reduced significantly.

Exhibit 30: Significant revenue growth over recent years led to improved turns, improving ROIC for small/mid-caps

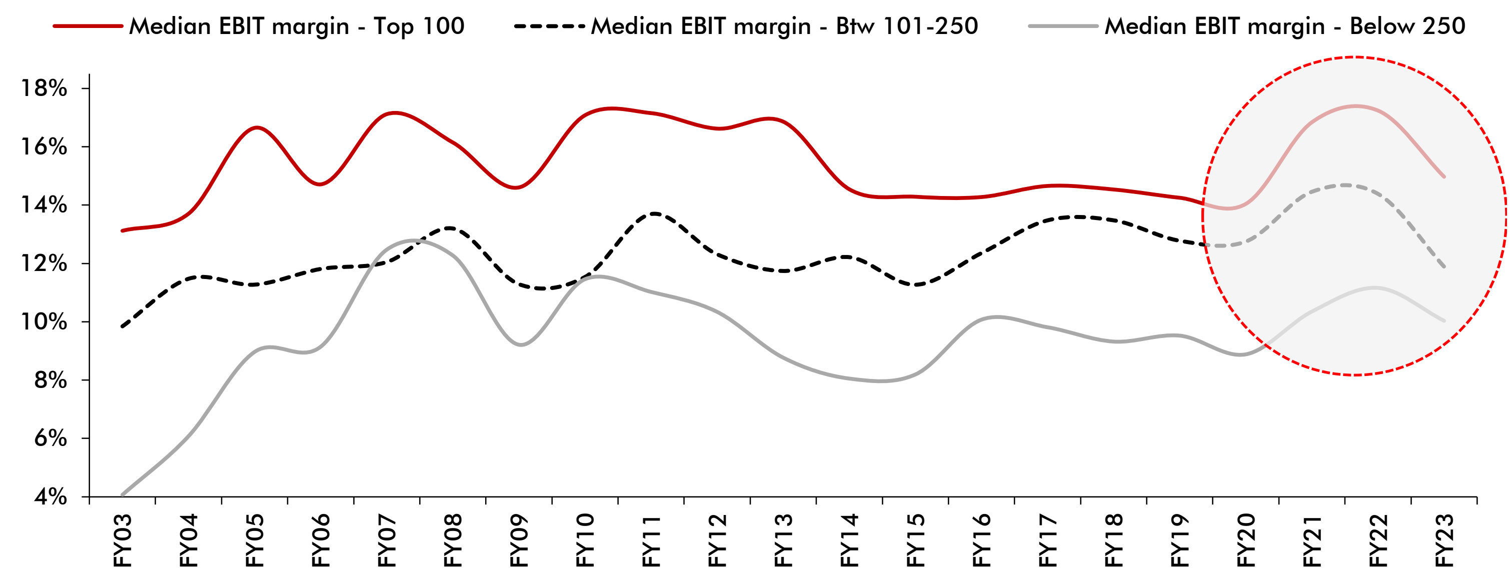


*Source: Ambit Capital research; universe is BSE500 (ex-BFSI); ACE Equity; ROIC is calculated as net operating profit after tax/invested capital; invested capital is calculated as total assets – cash – current investment – current liabilities – other non-current assets; *Aggr. ROIC in FY03 is restricted to 0%, actual value is -1%*

Drop in op-ex suggests there were no significant investments like brand-ex

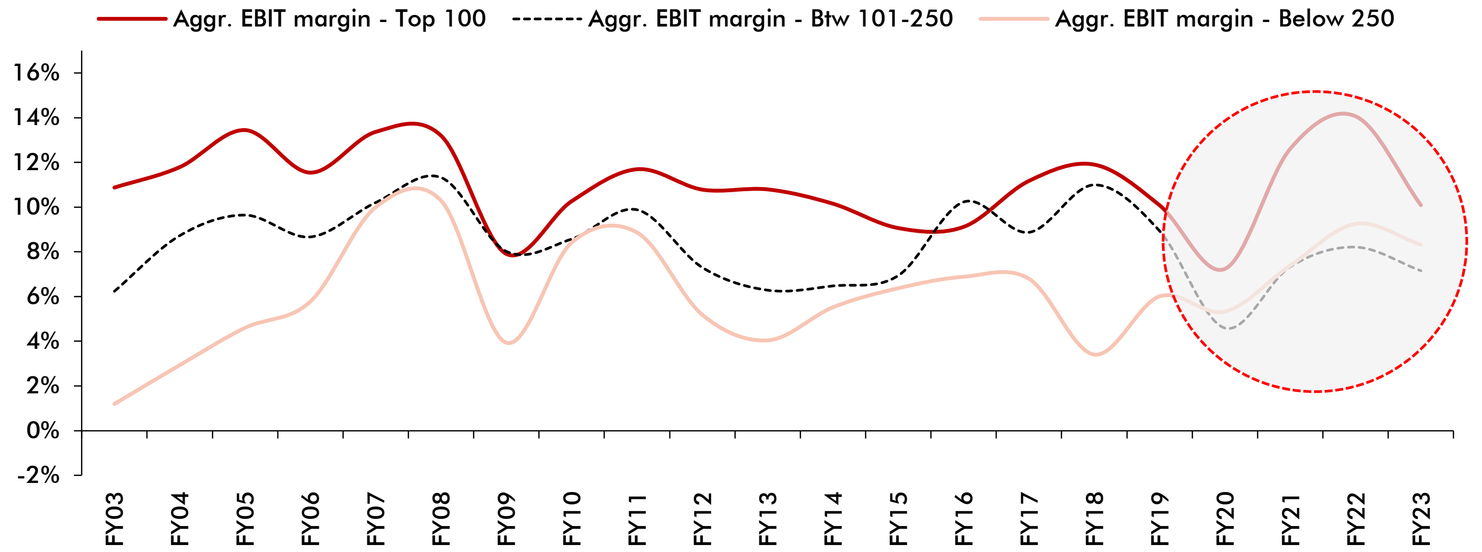
Median operating profit margins across large, mid and small-caps reduced by 2/2/1 ppt for large/mid/small-cap companies. Over the last decade, median EBIT margins for large-caps remained in the range of 14-17%, mid-caps in the range of 11-14% and small-caps 8-11%. On an aggregate level, large-caps witnessed a decline of 4ppt as sectors like metals, cement and utilities witnessed a fall in margins. Aggregate EBIT margin for mid and small-caps reduced marginally by 1 ppt. In FY23, the drop in EBIT margins was largely led by a drop in gross profit margins as a result of inflationary pressure. Operating expenses as a % of sales dropped from 13% in FY22 to 11% in FY23 for BSE500 (ex. BFSI), suggesting that companies have not spend significantly in new investments or intangible assets like brandex, advertisements, R&D etc.

Exhibit 31: EBIT margins reduced in FY23 largely owing to inflationary pressure; looking at history, the probability of small/mid-caps witnessing significant increase in margins appears low



Source: Ambit Capital research; universe is BSE500 (ex-BFSI), ACE Equity; EBIT used to calculate EBIT margin is adjusted to eliminate exceptional and non-operating gains/losses

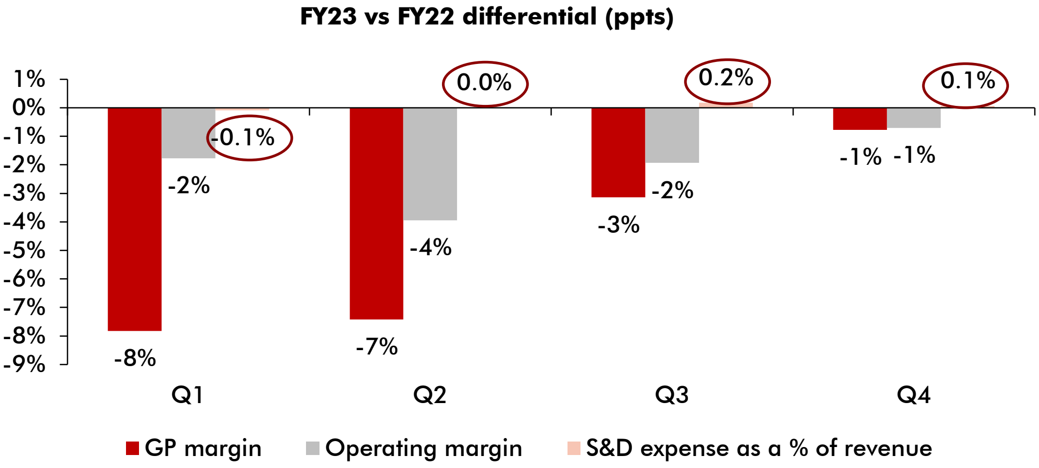
Exhibit 32: On an aggregate basis, sectors like cement, metals and utilities dragged down EBIT margins of large-caps; mid and small-caps witnessed a marginal reduction at the aggregate EBIT margin level



Source: Ambit Capital research; universe is BSE500 (ex-BFSI), ACE Equity; EBIT used to calculate EBIT margin is adjusted to eliminate exceptional and non-operating gains/losses

As highlighted by our Strategy team, aggregate gross margins of BSE500 companies (ex-BFSI) declined >5% in FY23. This was due to inflationary pressure in the first half of FY23. This was compensated by reduction in operating expenses by >2%. The second half of FY23 saw a recovery in gross margins to FY22 levels. Amidst inflationary pressure, selling and distribution expenses as a % of revenue were almost identical, which indicates that companies didn't invest significantly in intangibles like advertisement, brandex, R&D etc.

Exhibit 33: There were no major investments in intangibles such as advertisements, brandex and R&D in FY23; EBIT margin drop was due to inflationary pressure

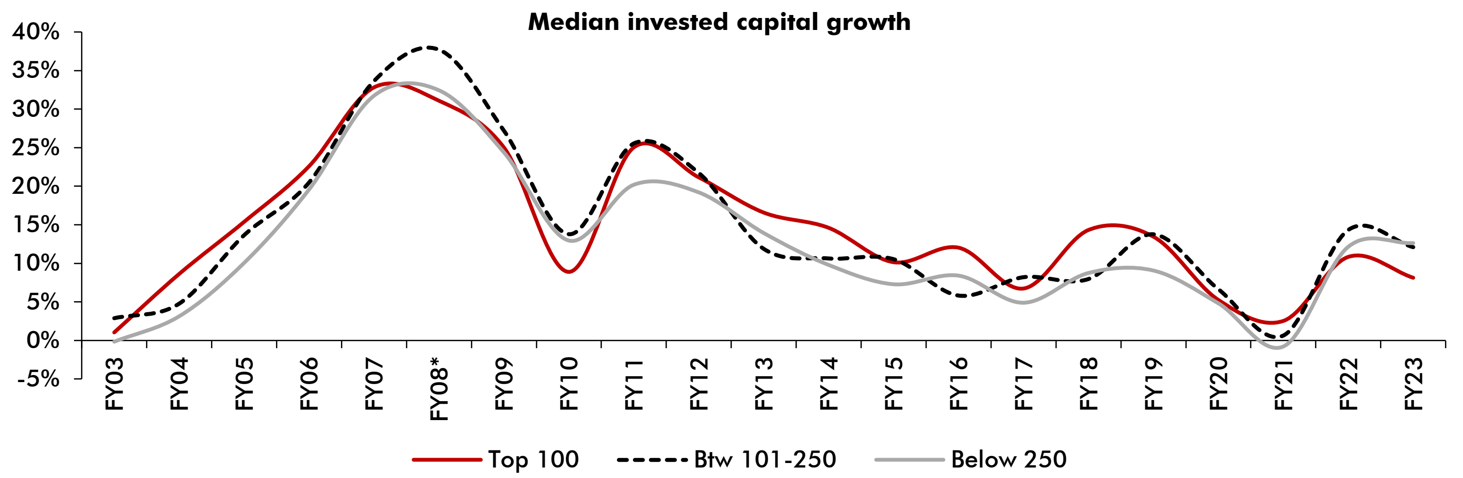


Source: Company, Ambit Capital research, ACE Equity; universe is BSE500 (ex. BFSI), differential is calculated as FY23 number - FY22 number, for instance, GP margin in Q1FY22 was 53% and Q1FY23 was 45% and thus the differential of -8% in Q1; above calculations are done on aggregate basis

No indicators to suggest big tangible investments

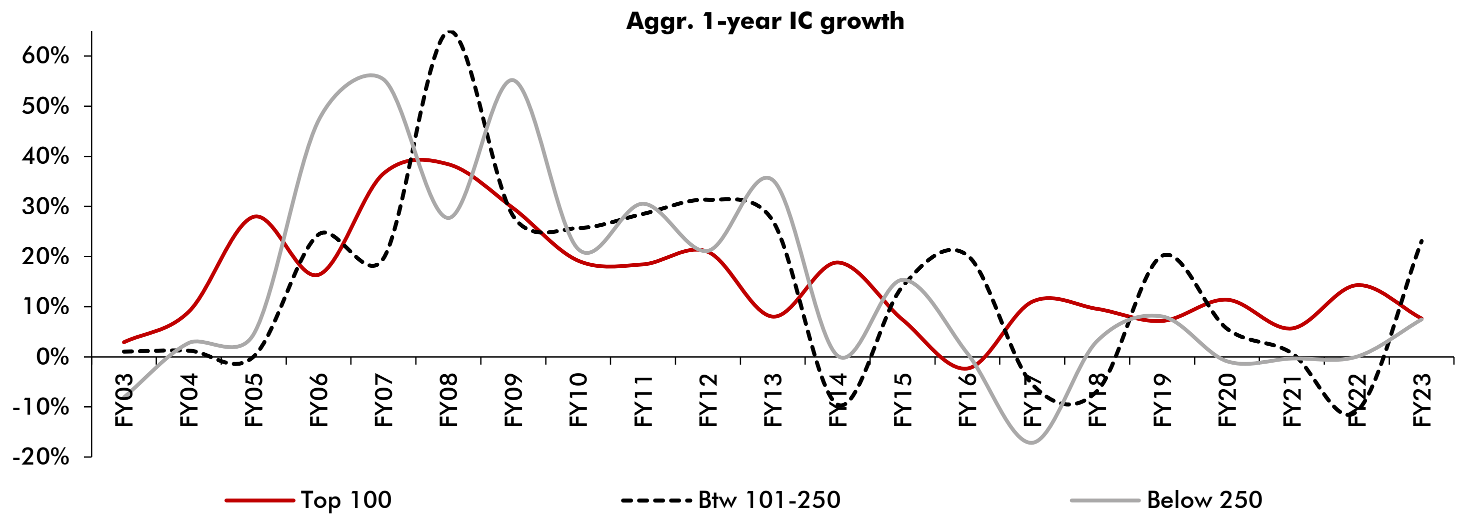
The second factor that is core to value creation is the ability of a company to consistently invest in value creating opportunities. However, both aggregate and median invested capital growth rates have been declining. Invested capital growth has remained below 15% on both aggregate and median basis. The growth rate in invested capital (fixed assets + working capital) does not seem significant enough to explain the sharp rise in the EV/IC section explained earlier.

Exhibit 34: Increase in invested capital (IC) growth is not sufficient to explain significant spike in EV/IC of mid/small-caps



Source: Ambit Capital research, universe is BSE500 (ex-BFSI); ACE Equity; invested capital is calculated as total assets – cash – current investment – current liabilities – other non-current assets

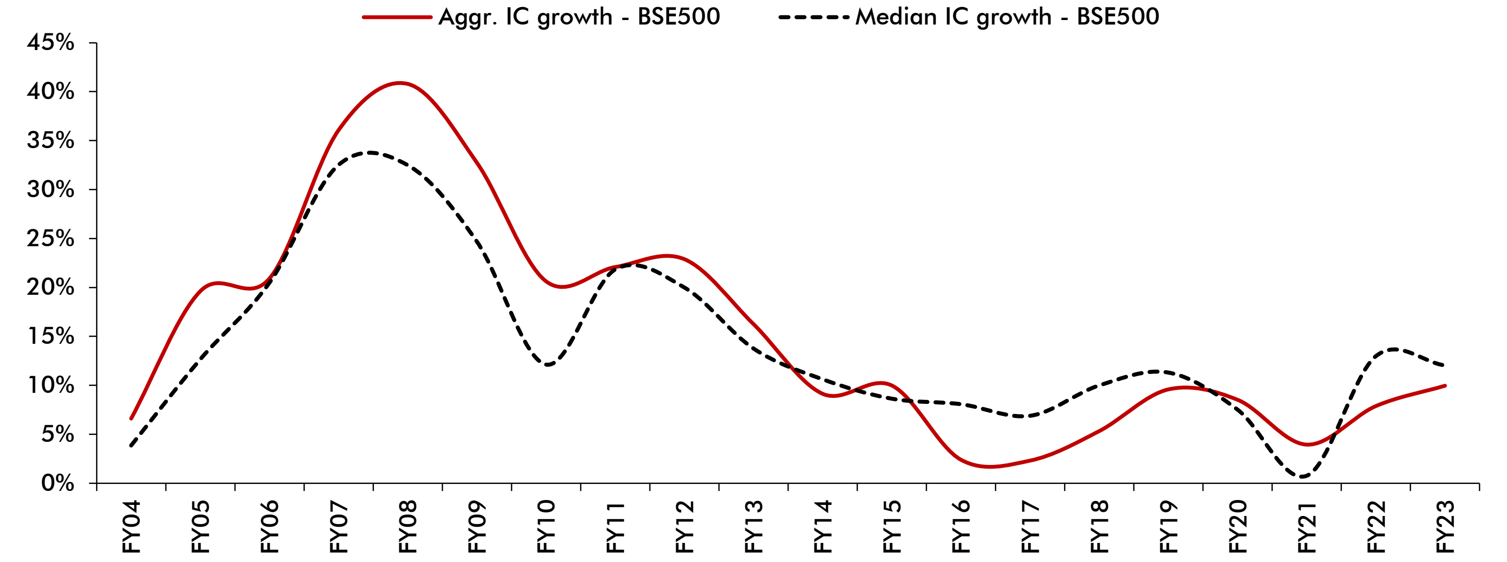
Exhibit 35: Aggregate invested capital growth too remains stable; mid-caps showed significant IC growth in FY23



Source: Ambit Capital research, universe is BSE500 (ex-BFSI); ACE Equity; invested capital is calculated as total assets – cash – current investment – current liabilities – other non-current assets

The volatility in IC growth, seen in the above chart, is on account of reclassification of companies within top 100, between 100 and 250, and below 250. On an overall basis, invested capital growth has been declining over the years. FY22/23 witnessed invested capital growth on aggregate and median basis of less than 15% on a YoY basis.

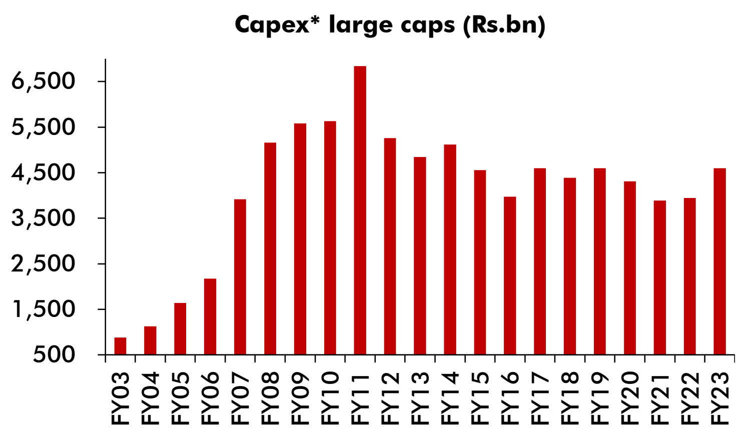
Exhibit 36: At the overall BSE500 (ex-BFSI) level too there is no extraordinarily high invested capital growth



Source: Company, Ambit Capital research

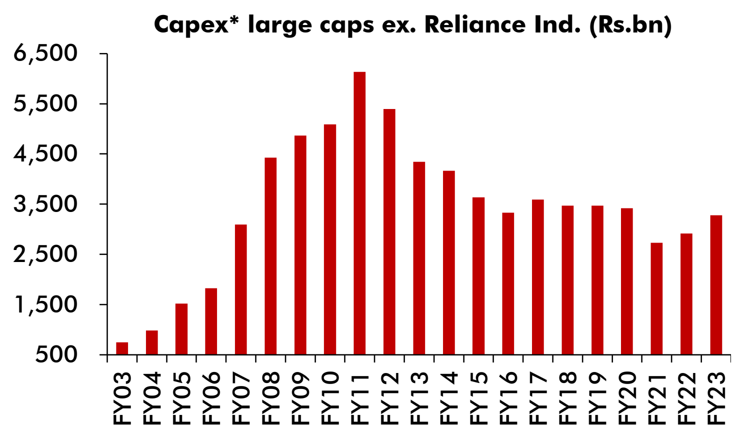
To validate a further breakdown in invested capital growth, we notice that companies have been lowering investments in fixed assets. Therefore, majority of IC growth was a result of increase in net working capital, which was fuelled by revenue growth in the last two years. If we look for capex number over the last two decade adjusted for inflation, we note that overall capex spends have only been decreasing. In FY23, there was a slight increase in capex spends.

Exhibit 37: Capex levels have...



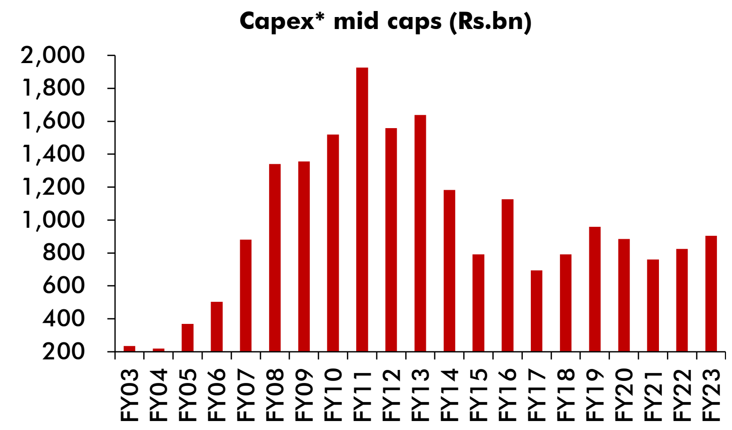
*Source: Company, Ambit Capital research, ACE Equity; universe is BSE500 (ex. BFSI) taken every year from FY03 to FY23 as at 31 Mar of each year. * We have shown numbers in terms of FY23 rupee using CPI inflation %*

Exhibit 38: ...slightly increased across large-caps...



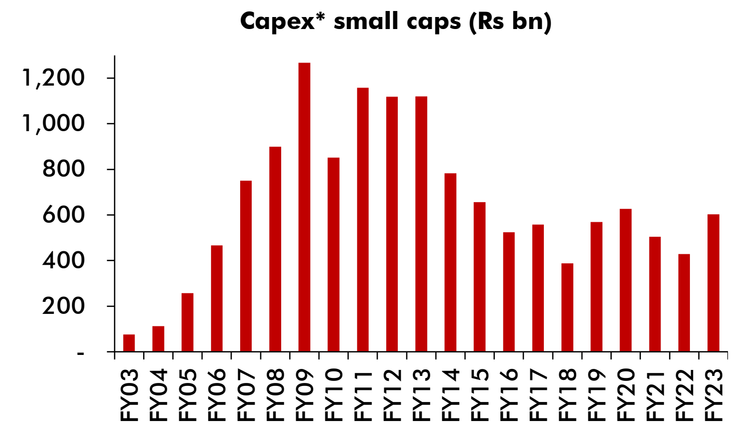
*Source: Company, Ambit Capital research, ACE Equity; universe is BSE500 (ex. BFSI) taken every year from FY03 to FY23 as at 31 Mar of each year. * We have shown numbers in terms of FY23 rupee using CPI inflation %*

Exhibit 39: …mid-caps…



*Source: Company, Ambit Capital research, ACE Equity; universe is BSE500 (ex. BFSI) taken every year from FY03 to FY23 as at 31 Mar of each year. * We have shown numbers in terms of FY23 rupee using CPI inflation %*

Exhibit 40: …and small-caps; this could also be from the lag owing to low capex in FY21-22



*Source: Company, Ambit Capital research, ACE Equity; universe is BSE500 (ex. BFSI) taken every year from FY03 to FY23 as at 31 Mar of each year. * We have shown numbers in terms of FY23 rupee using CPI inflation %*

Exhibit 41: Top sectors witnessing high capex among large-caps in FY23

Sector	Contribution in Capex incr.
Oil & Gas	48%
Metals & Mining	28%
Auto	10%
Conglomerate	8%
Industrials	8%
Cement	3%

Source: Company, Ambit Capital research;

Exhibit 42: Top sectors witnessing high capex among mid-caps in FY23

Sector	Contribution in Capex incr.
Healthcare	47%
Utilities	42%
Auto Anc	34%
Cement	26%
Chemicals	21%
Metals & Mining	14%

Source: Company, Ambit Capital research;

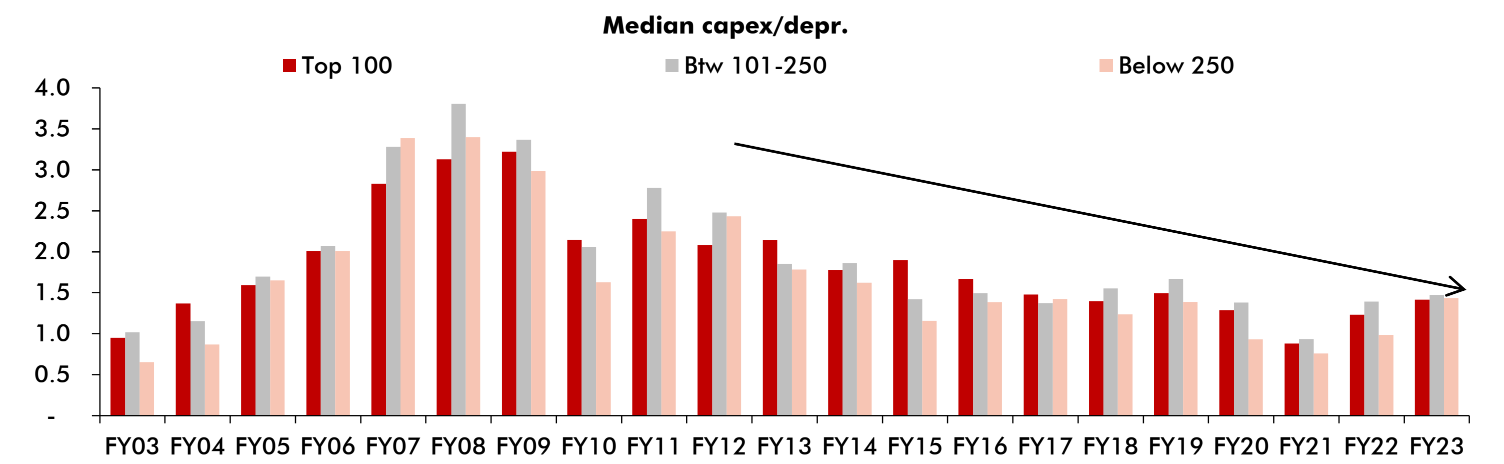
Exhibit 43: Top sectors witnessing high capex among small-caps in FY23

Sector	Contr. in Capex incr.
Utilities	10%
Healthcare	8%
Travel & Leisure	8%
Media	7%
Metals & Mining	7%
Chemicals	6%
Sugar	5%
FMCG	5%
Others	44%

Source: Company, Ambit Capital research

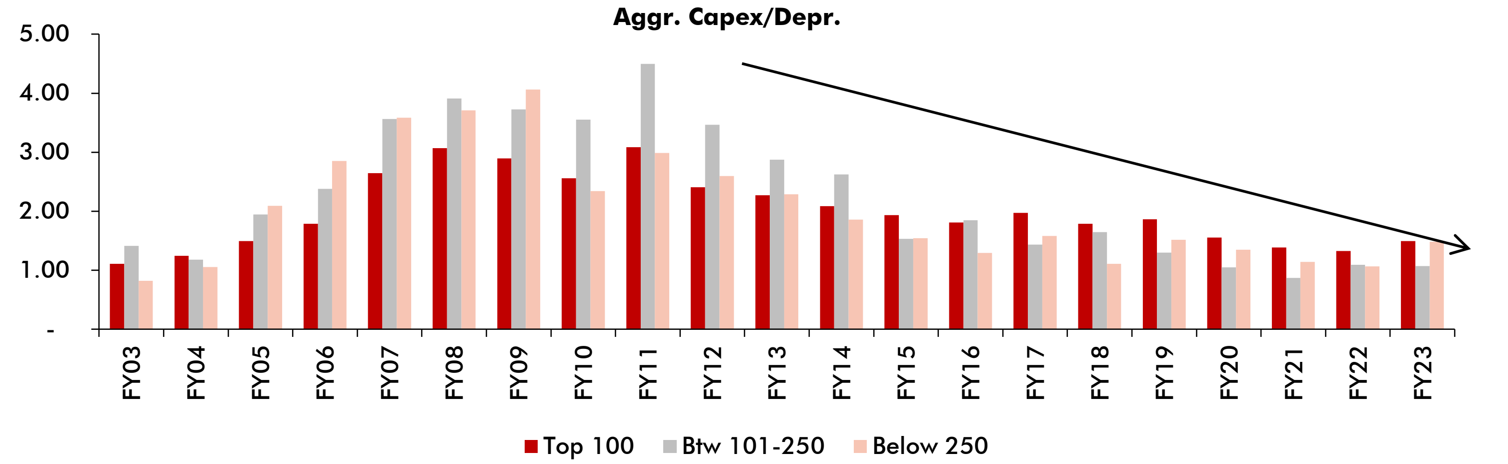
A capex to depreciation ratio of 1x or <1x suggests that most of the depreciation would be in the form of maintenance capex rather than new capex. In FY23, the capex to depreciation particularly increased for small-caps from 1x in FY22 to 1.4x in FY23. As can be seen in the above exhibits, majority of the incremental capex in small-caps was contributed by utilities, healthcare, travel & leisure, metals and mining, IT and chemicals companies.

Exhibit 44: There was some new capex in maintenance; but the capex to depreciation was not significantly higher than 1



Source: Ambit Capital research, ACE Equity. Universe is BSE500 (ex. BFSI), capex is calculated as net addition/deduction made to gross block

Exhibit 45: On an aggregate basis too, there was a marginal increase in capex/depreciation



Source: Ambit Capital research, ACE Equity. Universe is BSE500 (ex. BFSI), capex is calculated as net addition/deduction made to gross block

Exhibit 46: Some sectors across large/mid/small-caps witnessed higher levels of capex

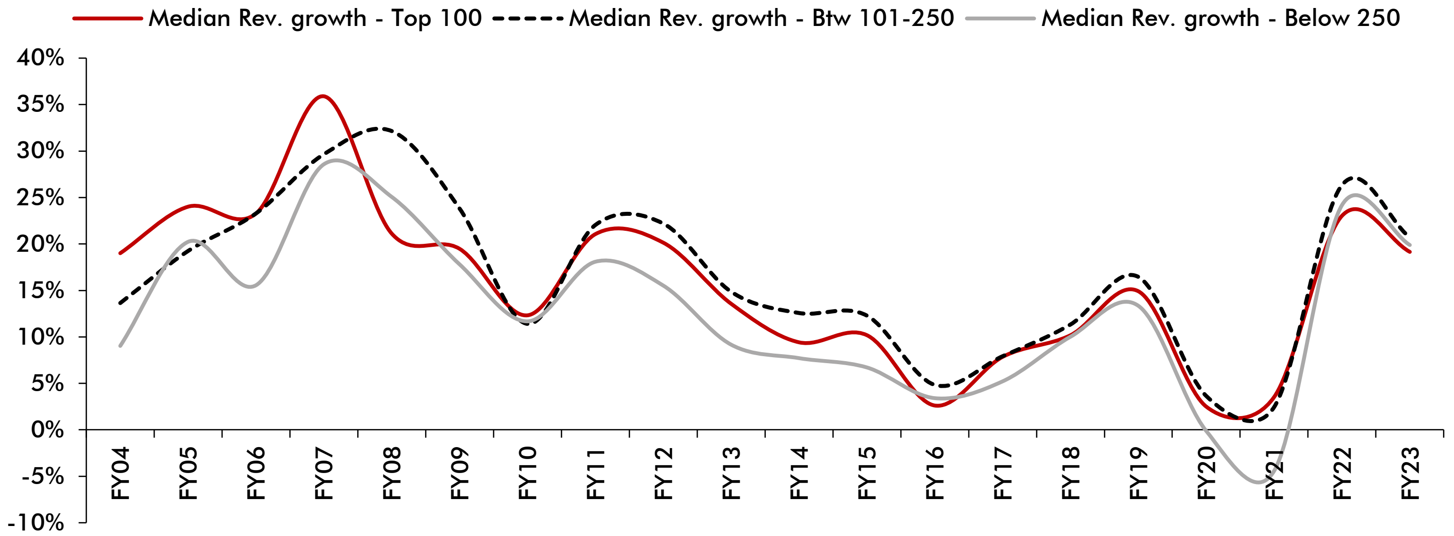
	Median capex/depreciation								
	Large-cap			Mid-cap			Small-cap		
	FY21	FY22	FY23	FY21	FY22	FY23	FY21	FY22	FY23
Agri Inputs	95%	109%	N/A	111%	117%	117%	110%	243%	204%
Auto	88%	141%	148%	125%	129%	120%	151%	9%	73%
Auto Anc	57%	N/A	70%	105%	132%	158%	81%	125%	175%
Aviation	-31%	-5%	-2%	N/A	N/A	N/A	4%	2%	N/A
Building Materials	88%	156%	185%	121%	272%	174%	37%	240%	157%
Cement	89%	199%	211%	165%	319%	292%	64%	138%	106%
Chemicals	N/A	351%	496%	184%	287%	216%	94%	201%	247%
Conglomerate	88%	204%	432%	55%	183%	346%	79%	42%	215%
Consumer Discr.	65%	149%	N/A	66%	119%	162%	226%	334%	101%
Consumer Durable	62%	N/A	N/A	118%	259%	N/A	73%	90%	110%
FMCG	105%	106%	134%	69%	143%	66%	92%	157%	161%
Healthcare	89%	88%	138%	112%	136%	141%	96%	156%	140%
Industrials	97%	126%	139%	96%	137%	109%	83%	93%	115%
IT	66%	64%	50%	47%	57%	75%	46%	52%	58%
Media	18%	426%	N/A	61%	231%	120%	53%	103%	583%
Metals & Mining	96%	116%	148%	86%	116%	228%	104%	123%	165%
Oil & Gas	220%	287%	148%	177%	328%	229%	100%	223%	206%
Polymer products	N/A	N/A	N/A	104%	203%	160%	138%	154%	175%
Retail	263%	267%	95%	26%	50%	35%	5%	77%	94%
Shipping	N/A	N/A	N/A	N/A	N/A	N/A	53%	68%	28%
Sugar	N/A	N/A	N/A	N/A	N/A	N/A	91%	239%	193%
Telecom	80%	66%	73%	19%	65%	62%	N/A	111%	139%
Textiles	N/A	N/A	N/A	N/A	367%	202%	77%	68%	91%
Travel & Leisure	N/A	43%	23%	106%	70%	114%	42%	39%	151%
Utilities	242%	203%	221%	101%	221%	311%	147%	67%	110%

Source: Company, Ambit Capital research

Rise in asset turns is a double-edged sword

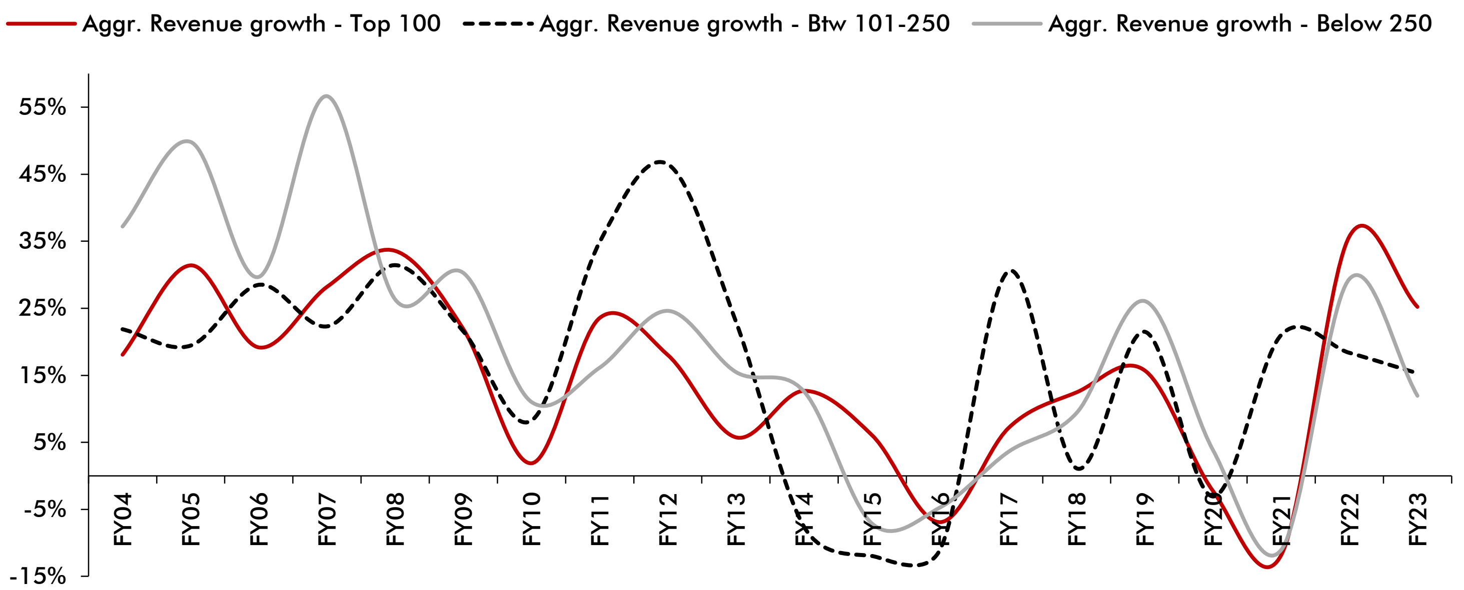
Improved asset turns are a positive, but it should be seen in light of trends w.r.t new capital investments. Adjusted for inflation, revenue growth seems to be highest for large-caps followed by mid-caps and small-caps. The sharp rise in revenue in FY22/23 led to improved invested capital turns. Whilst this reflects efficiencies in sweating assets, it should be seen in light of the fact that there were no new material investments made to trigger similar revenue growth in the coming years. Also, high revenue growth was a result of low base in the most recent prior years.

Exhibit 47: Companies witnessed significant revenue growth in FY22/23



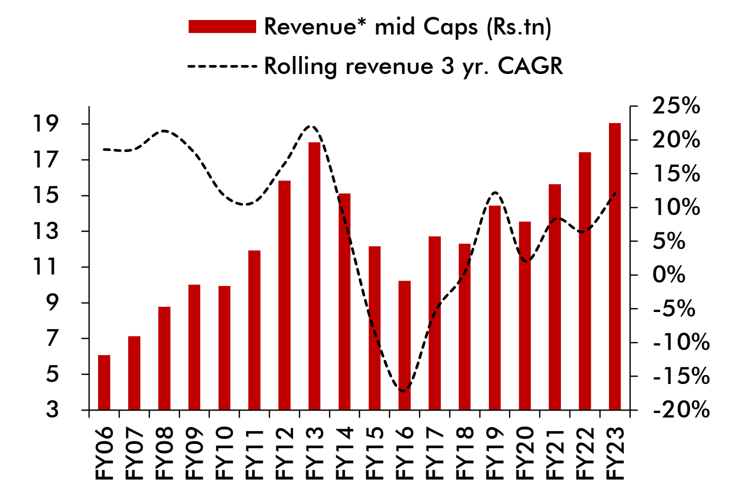
Source: Ambit Capital research, ACE Equity. Universe is BSE500 (ex-BFSI)

Exhibit 48: On aggregate basis, revenue growth for large, mid and small-caps reduced in FY23 vs FY22



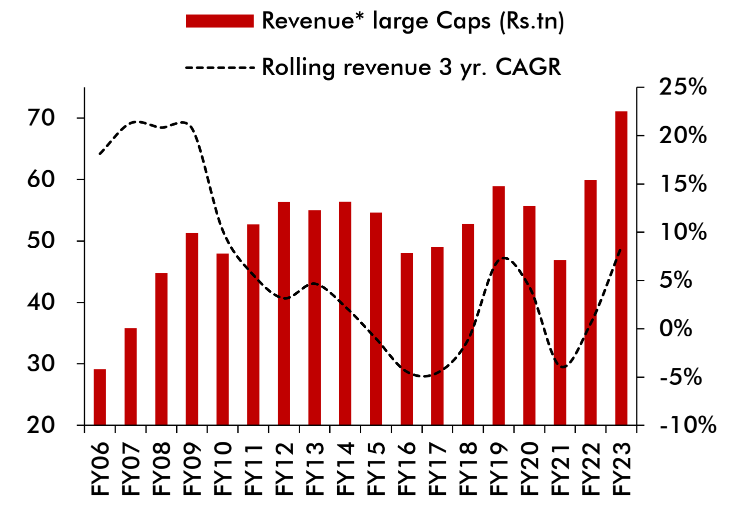
Source: Ambit Capital research, ACE Equity. Universe is BSE500 (ex-BFSI)

Exhibit 49: Adjusted for inflation, revenue growth seems to be highest for mid-caps....



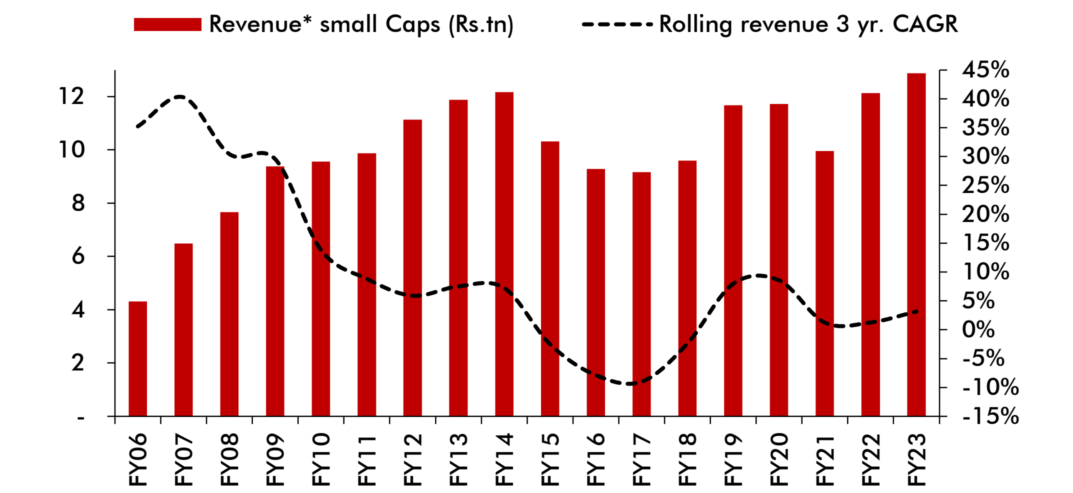
*Source: Company, Ambit Capital research, ACE Equity; universe is BSE500 (ex. BFSI) taken every year from FY03 to FY23 as at 31 Mar of each year. * We have shown numbers in terms of FY23 rupee using CPI inflation %*

Exhibit 50: ....followed by large-caps and...



*Source: Company, Ambit Capital research, ACE Equity; universe is BSE500 (ex. BFSI) taken every year from FY03 to FY23 as at 31 Mar of each year. * We have shown numbers in terms of FY23 rupee using CPI inflation %*

Exhibit 51: ...small-caps



*Source: Company, Ambit Capital research, ACE Equity; universe is BSE500 (ex. BFSI) taken every year from FY03 to FY23 as at 31 Mar of each year. * We have shown numbers in terms of FY23 rupee using CPI inflation %*

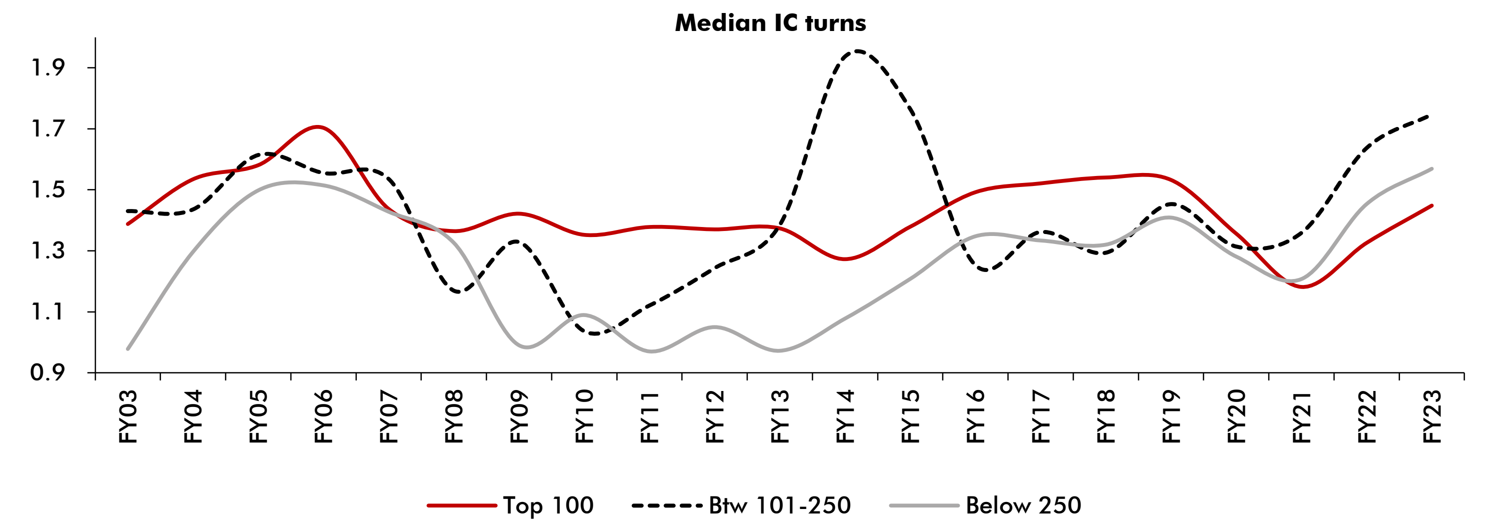
Exhibit 52: Some sectors across large/mid/small-caps witnessed higher levels of revenue growth

Sector	Median revenue growth											
	Large-caps				Mid-caps				Small-caps			
	FY16-20 Median	FY20-23 CAGR	FY22	FY23	FY16-20 Median	FY20-23 CAGR	FY22	FY23	FY16-20 Median	FY20-23 CAGR	FY22	FY23
Agri inputs	N/A	N/A	N/A	N/A	5%	19%	21%	19%	11%	15%	19%	25%
Auto	5%	6%	18%	32%	11%	9%	15%	16%	12%	3%	547%	11%
Auto anc	(1%)	(3%)	N/A	23%	12%	11%	37%	22%	5%	9%	23%	28%
Building mat.	6%	13%	34%	19%	8%	11%	38%	18%	10%	9%	27%	19%
Cement	19%	11%	18%	19%	11%	10%	15%	21%	6%	6%	11%	16%
Chemicals	N/A	N/A	N/A	N/A	4%	19%	40%	33%	7%	9%	40%	15%
Cons. discr.	N/A	N/A	N/A	N/A	15%	13%	25%	21%	10%	24%	53%	38%
Consumer dur.	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	9%	10%	27%	19%
FMCG	4%	11%	11%	13%	3%	12%	14%	11%	8%	7%	7%	13%
Healthcare	10%	12%	15%	13%	10%	10%	15%	10%	9%	12%	13%	16%
Industrials	5%	6%	9%	17%	9%	10%	23%	23%	4%	10%	31%	17%
IT	9%	14%	22%	19%	12%	18%	37%	25%	10%	15%	25%	27%
Logistics	N/A	N/A	N/A	N/A	9%	4%	34%	5%	15%	16%	24%	17%
Media	N/A	N/A	N/A	N/A	8%	4%	9%	26%	9%	11%	23%	17%
Metals/mining	13%	11%	45%	13%	13%	16%	54%	5%	15%	(2%)	26%	1%
Oil & gas	4%	17%	60%	40%	15%	35%	56%	39%	6%	20%	65%	56%
Polymer prod.	N/A	N/A	N/A	N/A	11%	17%	22%	18%	6%	13%	30%	14%
Retail	18%	23%	31%	41%	15%	25%	64%	30%	(2%)	17%	41%	48%
Shipping	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	(3%)	15%	20%	62%
Sugar	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	7%	10%	13%	40%
Textiles	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4%	2%	49%	5%
Travel & Leisure	N/A	N/A	N/A	N/A	5%	47%	94%	89%	18%	34%	69%	105%
Utilities	8%	17%	18%	29%	4%	5%	6%	22%	1%	2%	8%	24%

Source: Company, Ambit Capital research, ACE Equity

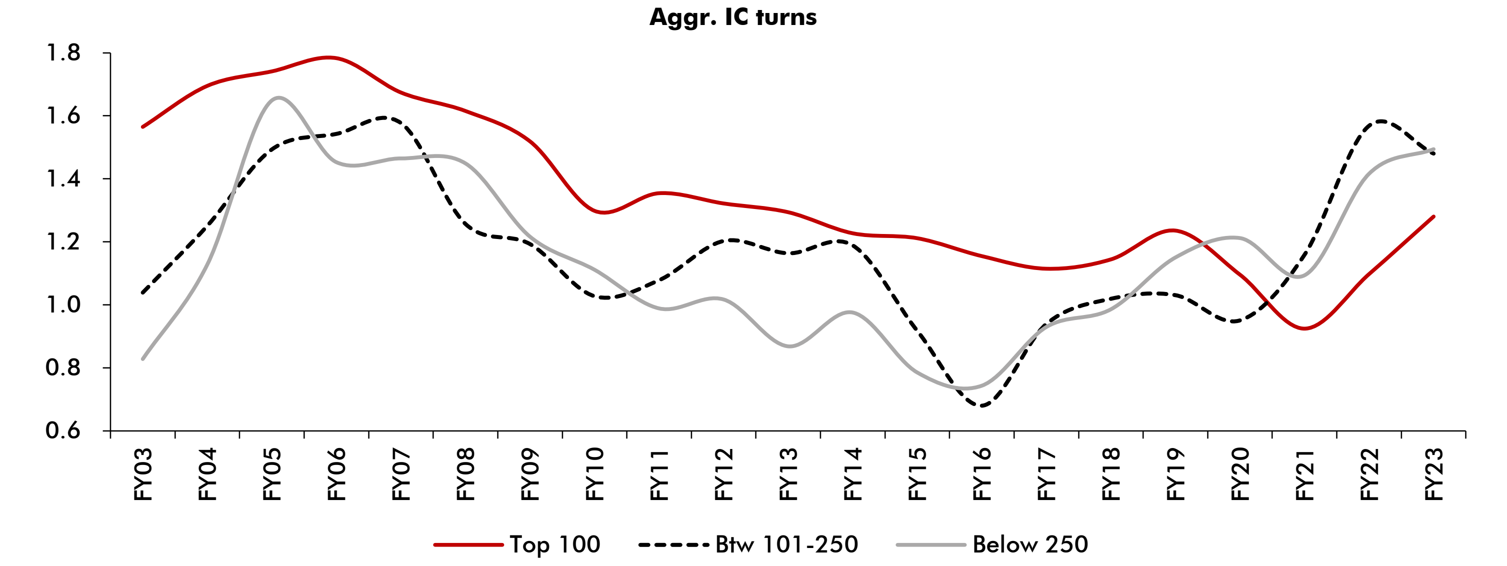
Invested capital (IC) turns have been largely lowering since FY14 due to decline in revenue growth. IC turns reached their peak for large, mid and small-caps in 2014-15. But they have been going down since then due to weakening revenue growth. However, in the last two years, India Inc. companies witnessed significant revenue growth which resulted in improving IC turns.

Exhibit 53: IC turns showed some improvement in FY22/23 largely owing to significant growth in revenue



Source: Ambit Capital research, ACE Equity. Universe is BSE500 (ex. BFSI), invested capital is calculated as total assets – cash – current investment – current liabilities – other non-current assets

Exhibit 54: On aggregate basis too, IC turns have improved across large, mid and small-caps



Source: Ambit Capital research, ACE Equity, universe is BSE500 (ex. BFSI), invested capital is calculated as total assets – cash – current investment – current liabilities – other non-current assets

Exhibit 55: A few key companies that witnessed significant increase in IC turns in the past three years

		Invested Capital turnover		
Company	**Mcap ($mn)**	**FY16-20 median**	**FY22**	**FY23**
Tata Steel	19,454	0.9	1.3	1.3
Trent	12,232	1.2	2.4	3.9
Tube Investments	7,734	2.6	3.9	3.7
Coromandel Int.	4,354	2.2	4.2	5.3
Exide Industries	2,967	0.9	0.8	1.4
Blue Dart	2,064	2.2	3.4	3.6
IRCON Int.	1,940	2.4	10.7	10.2
Fine Organic	1,644	2.1	3.0	3.5
GE Shipping	1,521	0.4	0.4	0.6
Bajaj Electricals	1,408	3.2	2.8	3.6
Deepak Fertilisers	1,017	1.4	1.5	1.7

Source: Company, Ambit Capital research

A sectoral deep-dive

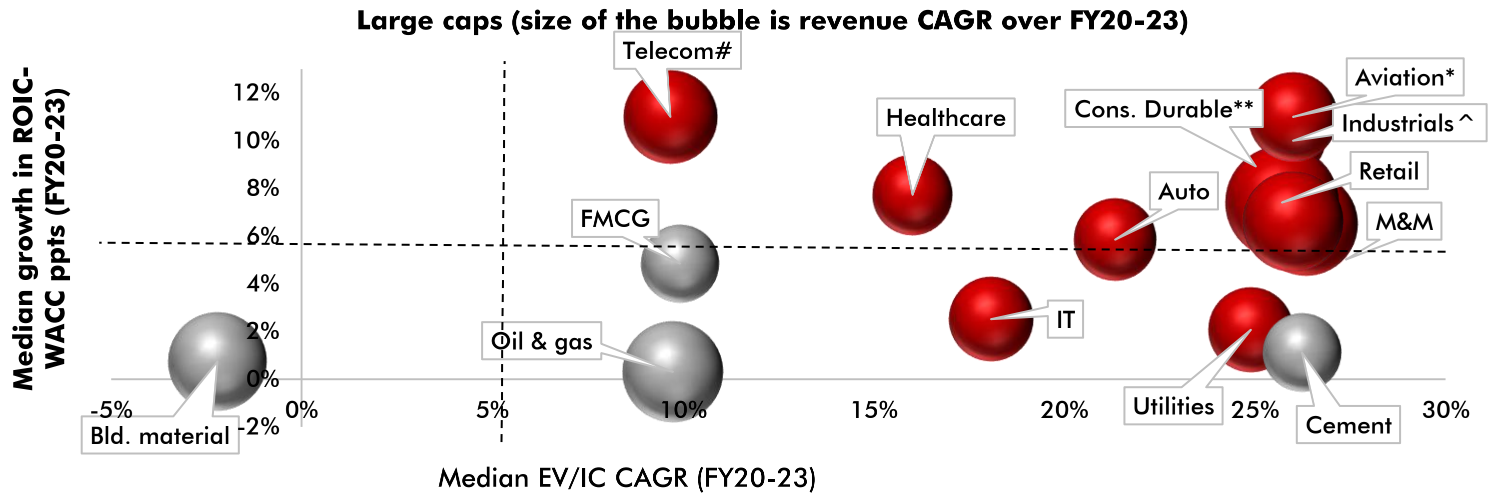
Large/mid and small-caps witnessed median revenue CAGR at 14%/15%/15% over FY20-23 vs 8%/9%/7% over median FY16-20 YoY growth. Perhaps the excitement w.r.t. topline led to expansion of median EV/IC by 20%/20%/15% CAGR over FY20-23. Nonetheless, the expansion in spreads was not equally encouraging. For large/mid and small-caps, the median ROIC moved to 13%/14%/11% in FY23 vs median 13%/13%/9% over FY16-20. Moreover, the level of re-investments were also similar to pre-Covid levels. Median capex to deprecation ratio over FY21-23 for large/mid and small-caps was 123%/139%/98%, which is almost similar to FY16-20 levels of 150%/153%/140%. Perhaps, recoup of demand lost during Covid, positive cycle, industry tailwinds and inflation were all at play across sectors within large/mid and small-caps. Increase in consumer spends is visible in revenue growth at retail, building materials, travel, auto etc. Cyclicals like M&M and utilities did well too. Technology, industrials, chemicals and sugar benefitted from industry tailwinds.

Large-caps - affluent spends, tech, cyclicals on rise

On a median basis, large-caps witnessed EV/IC expansion of 20% over FY20-23 vs 20%/15% for mid and small-caps. Lower expansion in EV/IC vs mid/small-caps could be attributable to higher initial valuation. Below are the key takeaways from sector analysis within large-caps:

- Industrials, consumer durables, aviation, M&M and retail witnessed maximum expansion in EV/IC followed by IT, auto, utilities and healthcare.
- After witnessing significant improvement in EV/IC, building materials, IT and cement showed moderation in spreads in FY23.
- Aviation, auto, healthcare and retail continued to show improvement in key fundamental parameters essential for value creation.
- Industrials have done well on revenue growth, margins and ROIC but are currently at their peaks on these parameters and hence need caution.
- Despite high revenue growth, oil & gas witnessed lowest growth in terms of EV/IC probably due to low spreads.

Exhibit 56: Ex oil & gas, FMCG and building material, most sectors witnessed impressive expansion in EV; there is a positive ROIC-WACC spread (>0%) for most of the sectors within large-caps



*Source: Company, Ambit Capital research. EV is calculated as mcap + total debt – cash – current investment; invested capital is calculated as total assets – cash – current investment – current liabilities – other non-current assets; all values taken for computing EV/IC pertain to 31-March of each year; mcap is taken as at 30 June every year except FY23 where mcap is taken as at 6 Dec 23; ^restricted for presentation purpose, actual EV/IC CAGR (FY20-23) is 84% and ROIC-WACC spread growth is 11ppts; **restricted for presentation purposes actual EV/IC CAGR (FY20-23) is 46%, #restricted for presentation purposes, actual ROIC-WACC spread growth is 26ppts, Classification among large, mid and small cap is done on the basis of Mcap as at 31 Mar 23; * restricted for presentation purposes actual EV/IC CAGR (FY20-23) is 33% and actual ROIC-WACC spread growth is 20ppts3*

Exhibit 57: Auto, retail, healthcare and aviation witnessed solid revenue growth and margin/ROIC expansion in FY23; IT and building materials are witnessing normalisation on key parameters; industrials are sitting on peak ROIC

Sector	Median EV/IC			Median ROIC			Median Rev. growth				Median EBIT margin			Median capex/depr.			
	FY16-20	FY23	FY20-23 CAGR	FY16-20	FY22	FY23	FY16-20	FY20-23 (CAGR)	FY22	FY23	FY16-20	FY22	FY23	FY16-20	FY21	FY22	FY23
Auto	4.2	4.6	21%	16%	8%	11%	5%	13%	18%	32%	12%	15%	13%	156%	88%	141%	148%
Aviation	33.6	5.4	26%	47%	(38%)	(8%)	24%	15%	77%	110%	9%	(21%)	(3%)	49%	(31%)	(5%)	(2%)
Bld. mat.	14.7	17.6	(2%)	26%	18%	18%	6%	18%	34%	19%	17%	13%	14%	197%	88%	156%	185%
Cement	3.0	4.2	26%	9%	15%	8%	19%	12%	18%	19%	11%	17%	10%	92%	89%	199%	211%
Cons. Dur.	14.7	16.2	46%	29%	27%	24%	2%	19%	18%	33%	11%	11%	8%	200%	100%	99%	200%
FMCG	18.2	13.5	10%	30%	31%	20%	4%	11%	11%	13%	18%	18%	17%	137%	105%	106%	134%
Healthcare	3.7	5.9	16%	9%	14%	15%	10%	12%	15%	13%	13%	15%	19%	175%	89%	88%	138%
Industrials	3.9	11.0	93%	9%	12%	22%	5%	8%	9%	17%	15%	18%	18%	182%	97%	126%	137%
IT	5.6	9.0	18%	35%	44%	36%	9%	14%	22%	19%	22%	18%	17%	94%	66%	64%	50%
Metals/ mining	1.3	1.4	26%	10%	22%	8%	13%	20%	45%	13%	11%	22%	11%	161%	96%	116%	148%
Oil & gas	1.2	1.2	10%	9%	10%	4%	4%	19%	60%	40%	7%	10%	4%	223%	220%	287%	148%
Retail	14.4	20.8	26%	17%	17%	22%	18%	24%	31%	41%	8%	8%	8%	277%	263%	267%	95%
Telecom	1.5	3.0	10%	7%	22%	12%	0%	17%	56%	19%	15%	29%	25%	102%	80%	66%	73%
Utilities	1.1	2.3	25%	5%	6%	6%	8%	14%	18%	29%	31%	25%	22%	237%	242%	203%	221%
Median	**3.7**	**4.6**	**20%**	**13%**	**16%**	**13%**	**8%**	**14%**	**22%**	**19%**	**14%**	**15%**	**17%**	**150%**	**88%**	**123%**	**141%**

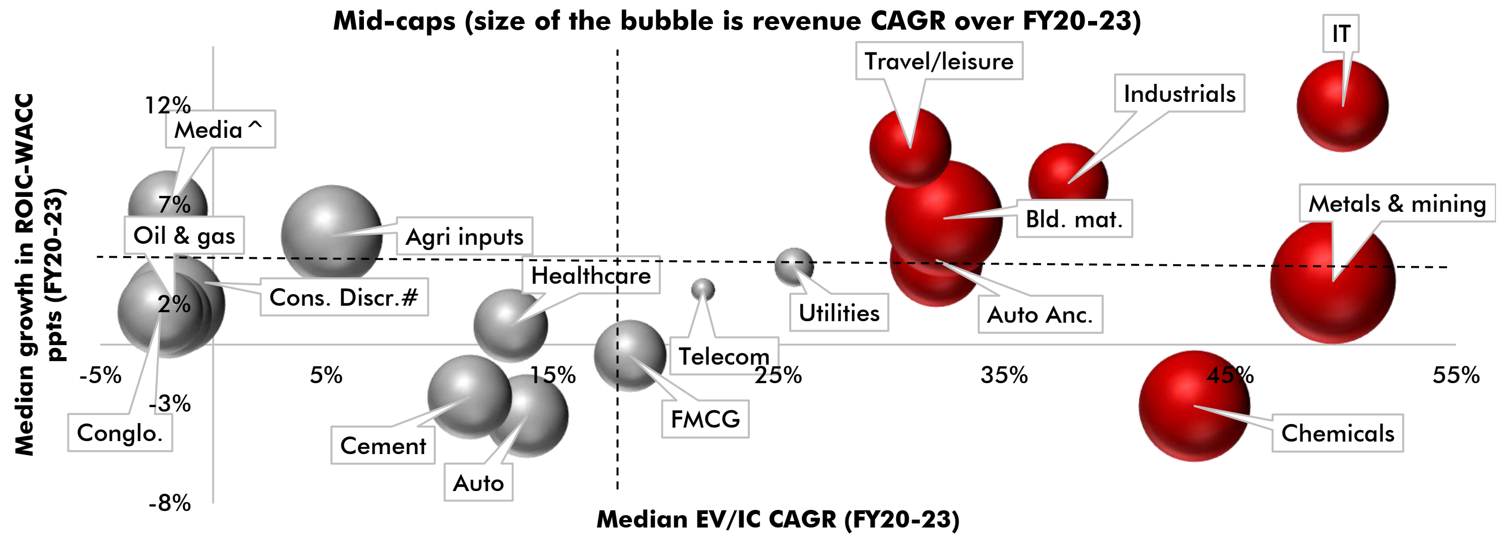
Source: Company, Ambit Capital research, ACE Equity. EV is calculated as mcap + total debt – cash – current investment; invested capital is calculated as total assets – cash – current investment – current liabilities – other non-current assets; all values taken for computing EV/IC pertain to 31-March of each year; mcap is taken as at 30 June every year except FY23 where mcap is taken as at 6 Dec 23; universe is BSE500 (ex-BFSI); EBIT used to calculate EBIT margin is adjusted to eliminate exceptional and non-operating gains/losses; capex is calculated as net addition/deduction made to gross block; #we have not made the lease liability adjustment

Mid-caps - no massive improvements in spreads

On a median basis, mid-caps witnessed EV/IC expansion of 20% over FY20-23 vs 20%/15% for large and small-caps. Below are the key takeaways from sector analysis within mid-caps:

- M&M, building materials, chemicals, agri-inputs, oil & gas and auto ancillaries witnessed higher revenue growth over FY20-23.
- IT, industrials, travel and leisure, building materials, agri-inputs, auto-ancillaries and utilities witnessed higher increase in ROIC-WACC spreads vs other sectors.
- In consumption-driven sectors like travel & leisure, retail and consumer discretionary too there was impressive revenue growth vs FY16-20.
- Chemicals, utilities, oil & gas, building materials, auto ancillaries and consumer discretionary companies also incurred higher level of incremental capex.
- It is now critical to now see that, if revenue growth moderates how these companies will continue improving or maintaining spreads to expand economic value.

Exhibit 58: Several sectors within mid-caps witnessed increase in EV/IC; industrials, travel & leisure and building materials witnessed maximum expansion in spreads



Source: Company, Ambit Capital research. EV is calculated as mcap + total debt – cash – current investment; invested capital is calculated as total assets – cash – current investment – current liabilities – other non-current assets; all values taken for computing EV/IC pertain to 31-March of each year; mcap is taken as at 30 June every year except FY23 where mcap is taken as at 6 Dec 23; ^ restricted for presentation purposes, actual EV/IC CAGR (FY20-23) is (1%) Classification among large, mid and small-cap is done on the basis of Mcap as at 31 Mar 23

Exhibit 59: Despite revenue growth, median ROICs have increased by only 1ppt

Sector	Median EV/IC			Median ROIC			Median Rev. growth				Median EBIT margin			Median capex/depr.			
	FY16-20	FY23	FY20-23 CAGR	FY16-20	FY22	FY23	FY16-20	FY20-23 (CAGR)	FY22	FY23	FY16-20	FY22	FY23	FY16-20	FY21	FY22	FY23
Agri Inputs	5.6	5.1	5%	13%	17%	19%	5%	19%	21%	19%	15%	15%	15%	162%	111%	117%	117%
Auto	3.4	4.8	14%	14%	13%	9%	11%	13%	15%	16%	9%	8%	10%	175%	125%	112%	98%
Auto Anc	4.2	6.9	32%	16%	13%	13%	12%	16%	37%	22%	11%	12%	10%	162%	105%	134%	159%
Bld. Mat.	9.4	11.4	32%	16%	22%	19%	8%	26%	38%	18%	13%	13%	8%	175%	121%	272%	174%
Cement	2.9	2.7	11%	10%	8%	6%	11%	13%	15%	21%	15%	14%	9%	168%	165%	319%	292%
Chemicals	2.6	7.7	43%	12%	17%	20%	4%	24%	40%	33%	14%	21%	17%	205%	184%	287%	216%
Conglo.	1.3	1.3	(2%)	5%	11%	5%	6%	14%	34%	18%	5%	11%	10%	234%	300%	240%	243%
Cons. discr.	11.1	11.7	(3%)	31%	23%	36%	15%	14%	25%	21%	12%	10%	12%	124%	66%	119%	162%
FMCG	5.4	9.7	18%	11%	13%	10%	3%	10%	14%	11%	12%	13%	5%	167%	69%	143%	66%
Healthcare	4.6	5.9	13%	13%	19%	13%	10%	10%	15%	10%	18%	19%	16%	214%	112%	136%	141%
Industrials	5.1	12.3	36%	18%	19%	21%	9%	12%	23%	23%	15%	13%	12%	159%	87%	137%	109%
IT	5.9	13.2	54%	32%	74%	46%	12%	16%	37%	25%	15%	20%	15%	79%	47%	57%	75%
Logistics	7.5	3.5	NA	13%	33%	(17%)	9%	37%	34%	5%	8%	13%	(18%)	115%	37%	43%	71%
Media	5.3	4.3	0%	18%	24%	15%	8%	12%	9%	26%	24%	34%	20%	93%	61%	231%	120%
Metals/ mining	0.7	2.9	50%	4%	21%	8%	13%	30%	54%	5%	6%	21%	5%	117%	86%	116%	228%
Oil & Gas	2.1	2.0	(2%)	12%	20%	21%	15%	19%	56%	39%	20%	10%	12%	165%	177%	328%	229%
Polymer prod.	6.5	15.1	40%	19%	30%	22%	11%	19%	22%	18%	12%	15%	12%	136%	104%	203%	160%
Retail	4.8	22.4	NA	8%	7%	39%	15%	14%	64%	30%	5%	4%	23%	176%	26%	50%	35%
Telecom	1.4	3.4	18%	(1%)	14%	5%	(5%)	0%	(2%)	5%	(11%)	12%	(1%)	81%	19%	65%	62%
Travel & Leisure	2.4	49.0	24%	5%	0%	138%	5%	13%	94%	89%	11%	0%	30%	110%	106%	70%	114%
Utilities	0.9	1.8	26%	6%	3%	7%	4%	3%	6%	22%	18%	16%	42%	137%	101%	221%	311%
Median	**4.2**	**5.8**	**20%**	**13%**	**17%**	**14%**	**9%**	**15%**	**26%**	**21%**	**13%**	**14%**	**12%**	**153%**	**93%**	**139%**	**147%**

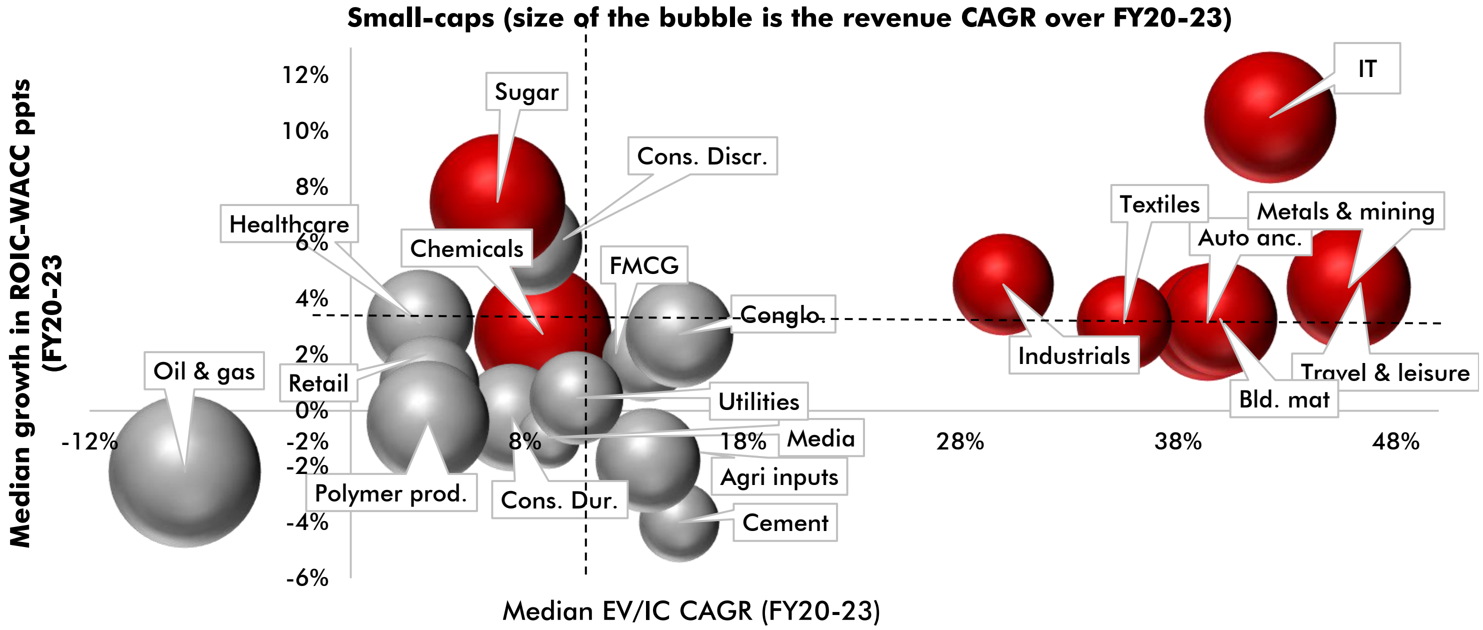
Source: Company, Ambit Capital research; ACE Equity; EV is calculated as mcap + total debt – cash – current investment; invested capital is calculated as total assets – cash – current investment – current liabilities – other non-current assets; all values taken for computing EV/IC pertain to 31-March of each year; mcap is taken as at 30 June every year except FY23 where mcap is taken as at 6 Dec 23; universe is BSE500 (ex-BFSI); EBIT used to calculate EBIT margin is adjusted to eliminate exceptional and non-operating gains/losses; capex is calculated as net addition/deduction made to gross block

Small-caps - exercise caution given higher WACC

On a median basis, small-caps witnessed EV/IC expansion of 15% over FY20-23 vs 20% for large and mid-caps. Below are the key takeaways from sector analysis within small-caps:

- Oil & gas, chemicals, sugar, technology, M&M and auto ancillaries witnessed higher revenue CAGR over FY20-23.
- Technology, sugar, travel & leisure, M&M, building material and auto ancillaries witnessed higher expansion in spreads. Chemicals saw some drop in margins and EV/IC in FY23 and hence ROIC-WACC spreads.
- Travel & leisure, Building materials, M&M, textiles, auto ancillaries and industrials saw the highest jump in EV/IC levels. Textiles and industrials also benefitted from low initial EV/IC valuation. Sugar, oil & gas posted lower growth on EV/IC given their strong performance on spreads.
- Median ROIC moved from 9% over FY16-20 to 11% in FY23. Given small-caps have higher WACC/COE, it is critical to evaluate impact on spreads.
- Overall median capex/depreciation is similar to pre-Covid levels. Logistics witnessed highest capex to depreciation ratio.

Exhibit 60: imilar to mid-caps, small-caps too witnessed increase in spreads and EV/IC in several sectors; however, for several sectors, ROIC-WACC spreads are nearly 0%



Source: Company, Ambit Capital research. Universe is BSE500 (ex.BFSI), EV is calculated as mcap + total debt – cash – current investment; invested capital is calculated as total assets – cash – current investment – current liabilities – other non-current assets; all values taken for computing EV/IC pertain to 31-March of each year; mcap is taken as at 30 June every year except FY23 where mcap is taken as at 6 Dec 23; Classification among large, mid and small-cap is done on the basis of Mcap as at 31 Mar 23

Exhibit 61: Small-caps – high chance that a small-cap company could be generating negative spreads

Sector	Median EV/IC			Median ROIC			Median Rev. growth				Median EBIT margin			Median capex/depr.			
	FY16-20	FY23	FY20-23 CAGR	FY16-20	FY22	FY23	FY16-20	FY20-23 CAGR	FY22	FY23	FY16-20	FY22	FY23	FY16-20	FY21	FY22	FY23
Agri inputs	1.9	1.7	14%	10%	14%	11%	11%	14%	19%	25%	9%	13%	7%	240%	107%	233%	289%
Auto	0.3	NA	NA	6%	1%	1%	12%	15%	970%	11%	4%	89%	89%	256%	151%	9%	73%
Auto anc	2.8	4.2	39%	11%	7%	11%	5%	16%	23%	28%	9%	7%	9%	159%	81%	125%	175%
Building mat.	3.0	8.5	40%	13%	22%	18%	10%	18%	27%	19%	10%	12%	12%	308%	37%	240%	157%
Cement	1.7	2.6	15%	5%	8%	2%	6%	12%	11%	16%	8%	10%	3%	95%	64%	138%	106%
Chemicals	2.3	4.7	9%	14%	17%	13%	7%	24%	40%	15%	15%	15%	13%	214%	94%	201%	247%
Conglomerate	1.4	1.9	15%	6%	6%	2%	2%	14%	30%	20%	9%	5%	10%	225%	95%	153%	676%
Consumer discr.	6.1	8.9	8%	18%	19%	8%	10%	14%	53%	38%	11%	9%	7%	142%	226%	334%	123%
Consumer dur.	5.1	6.6	7%	14%	16%	11%	9%	15%	27%	19%	6%	7%	6%	125%	73%	90%	97%
FMCG	3.5	4.1	14%	11%	11%	11%	8%	10%	7%	13%	12%	14%	13%	117%	92%	157%	161%
Healthcare	2.6	6.8	3%	11%	10%	13%	9%	12%	13%	16%	14%	12%	17%	195%	96%	156%	144%
Industrials	1.8	3.6	30%	9%	15%	12%	4%	12%	31%	17%	8%	9%	10%	100%	80%	90%	125%
IT	2.8	9.4	42%	16%	22%	23%	10%	18%	25%	27%	11%	12%	13%	104%	46%	59%	69%
Logistics	5.7	9.5	5%	17%	23%	16%	15%	12%	24%	17%	6%	13%	10%	360%	559%	649%	428%
Media	1.7	1.4	9%	7%	11%	1%	9%	5%	23%	17%	11%	17%	2%	74%	53%	129%	573%
Metals & mining	1.2	3.3	46%	8%	16%	11%	15%	20%	26%	1%	9%	13%	11%	125%	104%	123%	165%
Oil & gas	1.0	1.4	(8%)	9%	19%	18%	6%	19%	65%	56%	3%	16%	15%	291%	100%	223%	206%
Polymer products	1.5	1.4	4%	9%	9%	8%	6%	14%	30%	14%	9%	9%	8%	151%	138%	154%	175%
Retail	3.1	4.0	4%	6%	6%	13%	-2%	16%	41%	48%	4%	5%	8%	133%	5%	77%	94%
Shipping	0.6	1.2	33%	1%	6%	18%	-3%	23%	20%	62%	4%	19%	39%	49%	53%	68%	28%
Sugar	1.0	1.9	7%	7%	15%	5%	7%	1%	13%	40%	6%	10%	7%	56%	91%	239%	193%
Textiles	1.4	3.1	36%	7%	6%	7%	4%	11%	49%	5%	10%	8%	9%	123%	71%	51%	55%
Travel & Leisure	3.2	3.5	46%	9%	(2%)	8%	18%	9%	69%	105%	11%	(4%)	30%	190%	42%	39%	146%
Utilities	0.8	1.0	10%	1%	6%	5%	1%	11%	8%	24%	16%	25%	15%	106%	147%	67%	110%
Median	**1.7**	**3.4**	**15%**	**9%**	**12%**	**11%**	**7%**	**14%**	**22%**	**20%**	**10%**	**11%**	**10%**	**140%**	**76%**	**98%**	**144%**

Source: Company, Ambit Capital research; ACE Equity; EV is calculated as mcap + total debt – cash – current investment; invested capital is calculated as total assets – cash – current investment – current liabilities – other non-current assets; all values taken for computing EV/IC pertain to 31-March of each year; mcap is taken as at 30 June every year except FY23 where mcap is taken as at 6 Dec 23; universe is BSE500 (ex-BFSI); EBIT used to calculate EBIT margin is adjusted to eliminate exceptional and non-operating gains/losses; capex is calculated as net addition/deduction made to gross block

Identifying the mispriced ones

As companies witness a change in their business momentum, it is critical to evaluate impact on spreads. Significant revenue growth along with expansion in ROIC-WACC spreads can lead to significant value creation which is rightfully captured in EV/IC ratio. We highlight 18 companies from our coverage universe which our analysts believe should witness expansion in spreads or higher revenue growth/re-investments over the next 2-3 years. Kirloskar Pneumatic, Mold-tek, Wonderla Holidays, Indraprastha Gas and Tata Steel are the key ones where our analysts also have highest upside within coverage. We highlight 11 companies from our coverage universe which our analysts believe should witness contraction in EV/IC ratio over the next 2-3 years. Key ones include ABB India, Supreme Inds, Gland Pharma, Dalmia Bharat and Persistent Systems. Moreover, we highlight 15/16 names which could be potential buy/sell ideas from outside our coverage universe.

Applying EV/IC lens to our coverage companies

We asked our sector leads which are the strongest candidates for expansion or contraction in ROIC-WACC spreads. For instance, a company could be sitting on less/more than ideal spreads but forward looking outlook suggests meaningful expansion or contraction in spreads. The EV/IC multiple of these companies could witness expansion or contraction in the coming years.

For important financial parameters on these coverage companies please refer to **Appendix 1**

Exhibit 62: Some BUY ideas from our coverage universe where our analysts expect expansion in EV/IC

Company	Mcap ($mn)	EV/IC		ROIC-WACC				Analyst comments
		FY16-20 median	FY23	FY23	FY24E	FY25E	FY26E	
IOCL	20,212	1.0	0.9	(7%)	6%	2%	2%	In our view, normalization in energy market would revive profitability in FY24-26E and IOCL would be able to earn 12% cross-cycle RoCE. Revival in petchem, strong pipeline portfolio, and significant refinery capacity expansion would be other positives. These along with dividend cover of above 100% and attractive valuations lead us to remain BUYers.
Tata Steel	19,454	0.8	1.1	(4%)	(4%)	0%	2%	There is a real possibility that, if everything goes as per plan, loss funding by India for TSE would stop structurally. TS India has a lot of brownfield potential in India. If TSUK deal goes through as is, and the company is able to strike a reasonable deal in Netherlands as well, that could mean Tata Steel incremental RoCE >= peers in future, something not seen in the past 10 years.
BRIT	14,458	18.4	26.5	38%	51%	81%	174%	Bulk of BRIT's capex is likely to end by FY24E, thus growth in incremental capital employed will slow down. This coupled with 120bps EBITM expansion over FY23-26 will drive RoIC increase.
Tech M	14,347	3.7	4.6	9%	0%	10%	14%	Stays a BUY on margin recovery driven by aggressive cost control and possible greater operational focus under the new CEO. This could help close inefficiencies across higher than peer group sub-con, lower pyramiding and offshoring. Growth improvement is not our base case and any surprises here could drive a re-rating. Valuations building 6% USD revenue CAGR over FY24-33E are more reasonable in a relative context. Also, ~4% dividend yield will provide downside support.
Hindalco	14,101	0.8	1.0	(1%)	(1%)	2%	4%	We believe downstream aluminium industry is in a greenfield pricing regime. This industry now has pricing power courtesy supply discipline exhibited all these years. Therefore, Novelis (world's largest downstream player, accounts for 60% of HNDL's EBITDA) margins should structurally improve in another couple of years once existing contracts reset and new capacity comes online.
GCPL	12,746	7.7	8.9	4%	6%	10%	13%	GCPL should see 330bps EBITM expansion over FY23-26 since FY23 was marred by RM inflation-led GM compression of ~500bps vs pre-Covid period. This along with improving working capital and de-leveraging will improve RoIC.
BPCL	12,306	1.5	1.3	(6%)	20%	5%	3%	Due to the Bina refinery and CGD infrastructure expansion, capex intensity is expected to increase from FY25E, which would put pressure on FCF & leverage. Still, debt/equity won't cross 0.7x. We expect favourable macros to drive strong earnings in FY24-26E. BPCL would be able to earn ~12% cross-cycle RoCE.
Dr. Reddy	11,467	3.1	5.0	20%	24%	28%	24%	Falling share of commoditized US generics business (~45% in FY19 to ~33% in FY23) in favour of branded generics is margin/RoCE accretive. Windfall cash flow from gRevlimid is being reinvested in Horizon-2 initiatives that should diversify business away from traditional generics.

Company	Mcap ($mn)	EV/IC FY16-20 median	EV/IC FY23	ROIC-WACC FY23	ROIC-WACC FY24E	ROIC-WACC FY25E	ROIC-WACC FY26E	Analyst comments
HPCL	6,540	1.1	1.2	(25%)	9%	4%	1%	Normalization in energy market would revive profitability in FY24-26E and HPCL's would be able to earn 15% cross-cycle RoCE. Also, bottom upgradation at Vizag, commissioning of HRRL, and foray into new energy would be other positives.
Indraprastha Gas	3,365	6.7	4.7	22%	27%	26%	26%	We remain confident of long-term CNG demand growth due to expansion in new geographical areas and new vehicle categories; our FY23-33 volume CAGR is 6%. We also estimate an above historical average EBITDA/scm on the expected fall in spot LNG price and allocation of HPHT gas for shortfall related to priority segments (CNG and PNG –D). Due to higher volumes and improvement in margins, we expect EPS CAGR of 14% in FY23-26E.
Narayana	2,913	2.8	9.2	23%	19%	17%	18%	The company is entering another bed expansion phase; to add 25-30% of FY23 capacity over FY24-27. Addition is almost entirely in higher-growth India market and should drive share of India up from ~64% to ~70% by FY26. This will drive a re-rating.
Poly medicure	1,903	7.9	14.2	6%	10%	14%	19%	22% revenue CAGR over FY23-26E will be driven by 25%+ growth in India business amid continued thrust on import substitution (PLI) and regulatory consolidation and over 20% growth in the exports business. With successful commissioning of 4 new capacities by end-FY24, Poly Medicure would double its production capacities, which will drive next leg of growth. Favourable OL and RM pass-on led margin improvement to drive over 30% earnings CAGR.
GE Shipping	1,521	0.7	1.2	25%	23%	14%	NA	We remain confident that rates will remain elevated across all ship categories. Capital discipline will ensure RoICs remain elevated at ~30%. Offshore business improvement means it will further boost cons. RoCE profile.
Amber Enter	1,256	3.1	4.0	(2%)	0%	2%	5%	We believe RoCE for Amber will improve by ~8ppt over FY23-26E driven by improving mix of non-AC business and RAC components business. This coupled with improving utilisation bode well for Amber's RoIC
Safari	1,166	4.2	4.7	26%	34%	33%	42%	23% revenue CAGR over FY23-26E will be driven by continued market share gains, healthy underlying demand growth in value segment, and 2x HL capacity expansion over the next 2 years. Expect margins to improve on account of favourable OL and increasing foray into premium segment.
Wonderla	609	3.9	5.0	8%	8%	3%	9%	Commissioning of new parks in Odisha/Chennai in CY25 will drive 19%/19%/18% revenue/EBITDA/EPS CAGR over FY23-28E led by 9% ARPU/footfall CAGR.
Kirloskar Pneumatic	453	2.1	6.1	3%	4%	10%	16%	Kirloskar Pneumatic (KKPC) is adding new products to address gaps vs MNC peers and benefits from cost leadership owing to in-house foundry, manufacturing, engineering and design compared to assembled products by MNC peers. Helped by referrals, efforts to break into stringent Mid-East markets are now delivering as exports now form 12-14% of revenue vs <3% earlier. At 20x FY25E P/E, KKPC is among the cheapest in the industrial universe despite better growth outlook.
Mold-Tek	344	3.6	5.0	3%	1%	5%	8%	21% EBITDA CAGR over FY23-26E will be driven by 16% volume CAGR supported by ~40% capacity expansion over FY23-25E. Volume growth and EBITDAM expansion will be led by capacity expansion in bulk packs, continued high growth in F&F segment and successful foray into pharma packaging.

Source: Company, Ambit Capital research

Exhibit 63: Some SELL ideas from our coverage universe where our analysts expect contraction in EV/IC ratio

Company	Mcap ($mn)	EV/IC FY16-20 median	EV/IC FY23	ROIC-WACC FY23	ROIC-WACC FY24E	ROIC-WACC FY25E	ROIC-WACC FY26E	Analyst comments
TCS	158,224	16.1	34.2	74%	76%	82%	85%	Higher skew towards segments where we are cautious (BFSI/Retail/Hitech/Europe), elevated street growth expectations, slowing headcount growth indicative of possible revenue moderation and elevated street margin expectations coupled with expensive valuations keep us cautious. With margin threshold at peers falling, TCS might have to take a call on whether it will prefer slightly lower growth at higher margins or lower margins to drive higher growth.
LTI	20,023	11.9	16.3	32%	29%	28%	30%	We remain concerned over high dependence on short-cycle deal flow and ~75% exposure to BFSI/CMT/Retail, which are areas of demand caution. Our belief that signing large deal flows will require relaxation of optimised operating parameters like offshoring, need more investments in sales and could bring depression from asset/people takeovers. Expensive valuations and weak cash conversion also remain concerns.
Siemens	16,458	4.6	14.0	39%	32%	33%	NA	Siemens is still an energy and project-heavy company while railways, despite 30% revenue CAGR over FY22-25E, contributes <8% of FY22 revenues. Uptick in transmission capacity for renewables will only substitute decline in traditional capacity for thermal and is still pegged to 6-7% generation capex growth. Expensive valuation of 59x FY24E EPS keeps us SELLers.
ABB	12,047	12.3	88.2	63%	40%	31%	NA	Order inflow growth is now moderating with the gap over revenue at its lowest since Mar-22, thus adding little to order book. As demand moderates, margins will also compress from current highs. We expect order inflow growth to further moderate on the back of decline in new project announcements in manufacturing sectors. Expensive valuation of 71x CY24E P/E on top of peak margins and growth keep us SELLers.
Supreme Inds	1,260	6.5	15.1	12%	17%	18%	21%	Whilst Supreme continues to be a high RoCE generator, the key issue remains inability to reinvest capital in higher TAM categories, which implies cash build-up is unlikely to be deployed in a big way.
Alkem	6,779	4.9	8.0	8%	17%	21%	25%	Incremental capital allocation is in the commoditized US generics business. Lack of complex pipeline products implies continued RoCE dilution.
Persistent	5,848	3.9	13.9	26%	22%	23%	27%	While near-term visibility is high driven by deal wins, multiple growth risks remain: 1) 80% exposure to BFSI/Hitech (slowdown prone segments), 2) partners (contributing 45% of revenue) halving on growth over CY22-25 (versus CY19-22), and 3) short-cycle deal flow exposure (1.4-year duration). Margin guidance of 200-300bps increase over 2-3 years is aggressive, with limited levers excluding utilization and soft FCF post acquisition with more acquisitions planned are areas of caution. Highest growth ask rates in current valuations drive our SELL call.
Dalmia	5,313	NA	2.5	(7%)	(5%)	(7%)	(6%)	Post-election demand moderation, lagged impact of weak monsoon on rural demand and capacity commissioning in FY25 suggest that current pricing power might be temporary. While other companies are expected to continue to witness additional fuel cost moderation in 3Q, that may not be the case for Dalmia. Dalmia has one of the most acute limestone risks in the cement industry; that should drive low terminal growth for valuation.
Dixon	4,291	10.4	23.5	21%	37%	39%	44%	Dixon's growth in the near term will be driven by scale-up in PLI-driven mobile phone/laptop business. Capex for those businesses is over and hence the RoIC-WACC spread is likely to rise. However, we continue to believe the risk of competitive pressure cannot be ruled out (already seen in a few categories).
Gland	3,493	15.4	5.9	14%	10%	7%	8%	Growth is being led by non-US markets where margins are lower relative to the US. Recent investment in Cenexi (EU CMO) is also margin/RoCE dilutive.
ABFRL	2,706	4.5	4.0	(13%)	(18%)	(10%)	(6%)	The company does not fare well on capital allocation given acquisition/expansion in various apparel categories (ethnic, innerwear etc.) without focusing on scalability and profitability.

Source: Company, Ambit Capital research

A handful of bets from outside our coverage universe

We look at the movement in ROIC-WACC spreads and EV/IC multiple of BSE500 companies outside our coverage universe. The idea is to capture companies where any noticeable upward or downward movement in spreads was not followed up with a corresponding ideal movement in EV/IC.

Exhibit 64: Some companies which witnessed stable or improving spreads in recent years, but still appear attractive on EV/IC

Company	Mcap ($mn)	ROIC-WACC					EV/IC				
		Median (FY16-20)	FY21	FY22	FY23	Sector median (FY23)	Median (FY16-20)	FY21	FY22	FY23	Sector median (FY23)
ITC	69,325	16%	17%	20%	25%	3%	9.0	5.3	8.2	11.6	9.5
Tata Motors	31,732	(1%)	(11%)	(8%)	(3%)	3%	1.2	1.3	1.6	2.6	4.5
Coal India	26,038	22%	6%	10%	22%	(1%)	3.7	1.0	1.5	2.4	2.4
Interglobe Aviation#	13,299	NA	(58%)	(43%)	(19%)	(19%)	N/A	5.0	5.1	5.4	5.4
Tata Power	11,277	(2%)	(3%)	(2%)	(1%)	(1%)	1.0	1.1	1.4	1.5	1.7
SRF	8,721	2%	6%	8%	6%	3%	1.9	4.6	6.3	5.2	4.8
TVS Motor	10,766	4%	2%	2%	3%	3%	4.8	2.7	3.3	4.2	4.5
Oil India	4,162	(3%)	1%	4%	7%	4%	0.7	0.7	0.6	0.8	1.3
Coromandel Int.	4,354	1%	16%	20%	22%	4%	2.4	5.6	5.8	5.2	2.8
Apollo Tyres	3,524	2%	(4%)	(5%)	(3%)	1%	1.2	1.0	1.2	1.7	5.6
CIE Automotive	2,238	NA	(6%)	(2%)	(1%)	1%	N/A	N/A	N/A	2.8	5.6
EIH	1,949	(7%)	(21%)	(14%)	(3%)	0%	2.7	2.1	3.6	4.9	3.6
Godfrey Phillips	1,320	(3%)	4%	5%	7%	3%	2.2	2.0	2.1	3.0	9.5
PNC Infratech	1,083	NA	2%	2%	1%	6%	N/A	1.5	1.3	1.4	6.6
E.I.D. – Parry	1,204	0%	3%	8%	7%	(3%)	1.0	1.0	1.2	1.0	1.9

Source: Company, Ambit Capital research, ACE Equity; #for indigo, we have included lease liabilities in invested capital

Exhibit 65: #Companies which stood out as buy ideas and recently witnessed improvement in critical parameters essential for value creation

Company	Mcap ($mn)	Revenue growth (YoY)		EBIT margins		Capex/Depr.		Invested capital turns		EBIT CAGR (FY20-23)
		FY22	FY23	FY22	FY23	FY22	FY23	FY22	FY23	
ITC	69,325	23%	17%	31%	34%	116%	149%	1.3	1.5	11%
Tata Motors	31,732	11%	24%	(1%)	2%	60%	76%	2.1	2.7	NA^
Coal India	26,038	22%	26%	18%	23%	271%	325%	1.6	2.0	21%
Interglobe Aviation#	13,299	77%	110%	(21%)	(3%)	(5%)	(2%)	2.5	3.9	2%
Tata Power	11,277	31%	29%	13%	15%	232%	221%	0.6	0.7	21%
TVS Motor	10,766	25%	31%	8%	10%	129%	154%	1.4	1.4	24%
SRF	8,721	48%	20%	21%	19%	351%	496%	1.1	1.1	46%
Coromandel Int.	4,354	34%	55%	10%	9%	160%	312%	4.2	5.3	21%
Oil India	4,162	47%	39%	33%	35%	N/A	N/A	0.5	0.6	65%
Apollo Tyres	3,524	20%	17%	6%	8%	130%	54%	1.1	1.3	33%
CIE Automotive	2,238	12%	29%	10%	10%	175%	150%	1.0	1.3	NA
EIH	1,949	98%	105%	(12%)	20%	-26%	109%	0.3	0.6	47%
Godfrey Phillips	1,320	6%	33%	18%	21%	51%	0%	1.2	1.2	20%
E.I.D. - Parry	1,204	26%	50%	8%	7%	130%	193%	3.1	4.0	19%
PNC Infratech	1,083	21%	12%	16%	17%	15%	22%	0.9	0.8	11%

Source: Company, Ambit Capital research; ACE Equity; ^has turned profitable in FY23, earlier in FY20, company had made a loss and therefore CAGR cannot be computed; #for indigo, we have included lease liabilities in invested capital

Exhibit 66: Some companies which recently witnessed decrease in spreads but might still have room for correction in EV/IC

Company	Mcap ($mn)	ROIC-WACC					EV/IC				
		Median (FY16-20)	FY21	FY22	FY23	Sector median (FY23)	Median (FY16-20)	FY21	FY22	FY23	Sector median (FY23)
Pidilite Industries	15,720	23%	13%	7%	5%	6%	17.4	18.3	19.7	17.6	10.8
Havells India	9,958	17%	15%	16%	10%	0%	13.6	14.5	20.2	16.4	6.9
Linde India	6,018	(6%)	(4%)	8%	2%	3%	1.7	6.1	10.2	17.4	4.8
Balkrishna Ind.	5,990	NA	8%	6%	0%	1%	NA	6.5	4.3	5.1	5.6
Syngene Int.	3,479	NA	5%	2%	3%	2%	NA	8.9	7.6	9.8	6.8
SKF India	2,742	8%	4%	1%	1%	1%	7.6	4.6	6.9	6.4	5.6
JK Cement	3,505	(2%)	5%	1%	(3%)	(5%)	1.7	3.5	2.6	3.3	2.9
Endurance Tech.	2,853	NA	8%	3%	1%	1%	NA	7.0	5.7	5.7	5.6
Atul	2,419	5%	10%	4%	(3%)	3%	3.3	8.4	6.3	4.3	4.8
Finolex Cables	1,928	7%	8%	5%	0%	6%	4.1	2.4	1.9	4.5	6.6
KEC International	1,921	2%	5%	(2%)	(5%)	6%	2.5	2.7	2.3	2.9	6.6
Zensar Technologies	1,443	9%	7%	11%	3%	19%	3.0	4.7	2.2	6.3	11.7
Mishra Dhatu Nigam	1,091	NA	(1%)	(2%)	(4%)	(1%)	NA	2.1	1.9	3.3	2.4
Sterling and Wilson	1,000	NA	(35%)	(117%)	(81%)	6%	NA	4.7	7.6	5.8	6.6
Prism Johnson	888	-5%	(1%)	(5%)	(12%)	(5%)	2.2	2.5	2.3	3.2	2.9
Varroc Engineering	884	NA	(13%)	(6%)	(8%)	1%	NA	1.3	0.7	4.2	5.6

Source: Company, Ambit Capital research; NA - not available as these companies were either not listed or were not in BSE500 universe then

Exhibit 67: Companies which stood out as SELL ideas witnessed deterioration in key parameters essential for value creation

Name	Mcap ($mn)	Revenue growth (YoY)		EBIT margins		Invested capital turns		Capex/Depr.		EBIT CAGR (FY20-23)
		FY22	FY23	FY22	FY22	FY22	FY23	FY22	FY23	
Pidilite Inds	15,720	36%	19%	16%	1.5	1.5	1.6	156%	185%	8%
Havells	9,958	33%	21%	11%	3.4	3.4	3.8	99%	198%	17%
Linde India	6,018	44%	19%	31%	0.9	0.9	0.9	(62%)	136%	-22%
Balkrishna Ind.	5,990	43%	18%	19%	1.1	1.1	1.0	349%	307%	20%
Syngene Int.	3,479	19%	23%	15%	1.0	1.0	1.1	N/A	N/A	4%
SKF India	2,742	37%	17%	13%	1.2	1.2	1.3	159%	158%	32%
JK Cement	3,505	21%	22%	14%	1.0	1.0	1.0	446%	350%	-2%
Endurance Tech.	2,853	15%	17%	7%	2.3	2.3	2.3	136%	147%	-6%
Atul	2,419	36%	7%	15%	1.4	1.4	1.2	334%	442%	-11%
Finolex Cables	1,928	36%	19%	19%	1.2	1.2	1.4	172%	67%	18%
KEC International	1,921	5%	26%	5%	2.5	2.5	2.7	90%	101%	-11%
Zensar Technologies	1,443	12%	14%	10%	3.0	3.0	3.0	N/A	18%	7%
Prism Johnson	1,091	13%	17%	3%	2.0	2.0	2.3	114%	90%	NA^
Varroc Engineering	1,000	(48%)	17%	1%	0.8	0.8	1.2	277%	169%	32%
Mishra Dhatu Nigam	888	6%	1%	27%	0.4	0.4	0.4	N/A	N/A	6%
Sterling and Wilson	884	2%	(61%)	(19%)	6.9	6.9	1.7	69%	62%	NA^

Source: Company, Ambit Capital research; NA^ has turned profitable in FY23, earlier in FY20, company had made a loss and therefore CAGR cannot be computed

Analysing spreads in the past five years

We look at last five years (FY18-23) and divide the companies into quintiles. Q1 companies have the highest spreads, while Q5 companies have the lowest spreads. Further, we look at consistency, i.e. companies mentioned in appendix 1, consistently featured in Q1 in the last decade.

Limitations of our analysis

Four key limitations of our analysis:

- The analysis may not be strictly applicable to asset-light companies. For instance, an asset-light company may appear very expensive on EV/IC due to low investments in fixed assets or working capital or both at any time during the year. Nonetheless, it could be important for such companies to still incur substantial costs towards brandex, sales promotion, R&D etc. (e.g. Vedant Fashions). A case by case approach is suitable for such instances.

- Several companies charge certain costs which are actually of capital nature through the profit and loss statement. For e.g. customer acquisition costs. This leads to understatement of profits and investment in fixed assets (intangible assets). It would not be perfectly right to evaluate these companies on the ROIC-WACC and EV/IC framework. Some adjustments in P&L and balance sheet are required in such cases.

- Ind-AS 116 requires companies to capitalise lease on the balance sheet. Essentially, the rent cost is now split into depreciation and interest element. This prohibits a time series analysis. Capitalisation of lease since FY20 had a huge bearing on invested capital. While running the analysis of the entire BSE500 (ex. BFSI) companies, we have adjusted the invested capital (IC) number with lease liabilities for companies where leases are significant; i.e. our IC numbers are net of lease liabilities but we could not make similar adjustments to EBIT due to data constraints.

- Our analysis is based on historical results vs forward-looking. The EV/IC number ideally represents future opportunities or risks with regard to a specific company. These opportunities and risks could have a bearing on different aspects like revenue growth, ROIC-WACC spreads, re-investments rates etc. Whilst we are only looking at the past trajectory, it will not be totally right to avoid these future considerations.

Appendix

Appendix 1: List of companies consistently making higher spreads in the last five years

Company	3 yr. rolling median ROIC-WACC					3 yr. rolling revenue CAGR					3 yr. rolling median EBIT %					3 yr. rolling IC growth CAGR					3 yr. rolling median IC turns				
	FY19	FY20	FY21	FY22	FY23	FY19	FY20	FY21	FY22	FY23	FY19	FY20	FY21	FY22	FY23	FY19	FY20	FY21	FY22	FY23	FY19	FY20	FY21	FY22	FY23
Tata Consultancy Services	24%	24%	24%	28%	28%	10%	10%	13%	14%	17%	24%	22%	22%	23%	23%	10%	5%	10%	11%	10%	2.1	2.2	2.2	2.3	2.4
Infosys	16%	16%	16%	17%	20%	7%	5%	4%	8%	13%	35%	35%	35%	31%	31%	11%	7%	2%	4%	4%	1.2	1.2	1.2	1.2	1.3
ITC	24%	39%	56%	65%	65%	11%	11%	10%	9%	11%	17%	20%	21%	21%	20%	-5%	-8%	-3%	5%	9%	3.2	4.0	4.7	5.0	5.0
Nestle India	422%	218%	210%	210%	210%	6%	5%	-6%	2%	7%	27%	27%	26%	24%	23%	-235%	54%	-17%	-9%	17%	13.7	13.7	12.2	12.2	12.2
Britannia Industries	20%	20%	24%	30%	30%	5%	4%	5%	5%	5%	23%	23%	25%	27%	27%	32%	-8%	0%	1%	30%	2.0	2.0	2.3	2.3	2.0
Marico	24%	23%	23%	27%	30%	10%	9%	10%	9%	12%	14%	14%	14%	14%	18%	29%	25%	17%	5%	-2%	3.9	3.6	2.9	2.9	3.5
Colgate-Palmolive India	20%	20%	22%	27%	29%	1%	3%	4%	8%	4%	22%	22%	24%	27%	28%	-4%	10%	11%	9%	4%	2.2	2.2	1.9	1.9	1.9
Tata Elxsi	55%	58%	108%	183%	450%	12%	12%	9%	10%	9%	15%	16%	17%	20%	21%	0%	10%	-31%	-36%	-37%	6.8	6.8	10.0	13.0	30.3
L&T Technology Services	27%	26%	26%	41%	41%	7%	7%	8%	9%	10%	17%	17%	18%	18%	17%	15%	10%	-3%	3%	12%	3.2	3.1	3.2	3.6	3.6
Abbott India	50%	50%	55%	72%	90%	14%	9%	10%	16%	25%	23%	23%	24%	26%	28%	7%	10%	4%	7%	25%	4.1	4.1	4.1	4.3	4.5
Page Industries	NA	NA	35%	35%	45%	9%	15%	NA	3%	6%	NA	NA	12%	12%	11%	8%	-7%	NA	-3%	0%	NA	NA	5.3	5.4	5.7
Larsen & Toubro Infotech	56%	56%	38%	38%	43%	15%	16%	20%	23%	26%	9%	9%	9%	8%	7%	4%	18%	44%	-22%	44%	8.7	8.7	8.1	8.1	9.6
Jubilant Foodworks	88%	54%	54%	57%	57%	6%	3%	3%	2%	5%	38%	41%	43%	46%	46%	4%	129%	5%	5%	1%	4.0	2.4	2.1	2.1	2.2
Oracle Financial Services Software	17%	18%	19%	19%	19%	16%	19%	3%	10%	30%	21%	20%	20%	23%	23%	6%	17%	18%	22%	15%	2.0	2.1	2.1	1.7	1.7
Indraprastha Gas	46%	49%	53%	60%	79%	10%	10%	10%	9%	13%	26%	25%	25%	25%	25%	5%	4%	2%	-9%	-6%	3.0	3.3	3.4	3.7	4.8
Sonata Software	19%	41%	64%	64%	48%	13%	15%	3%	7%	10%	9%	12%	12%	13%	12%	-5%	-32%	3%	27%	95%	5.1	6.5	8.5	8.5	5.1
Pfizer	39%	39%	40%	52%	52%	17%	11%	4%	12%	19%	20%	20%	16%	16%	16%	10%	1%	-14%	-2%	30%	3.8	3.8	3.9	5.0	5.0
Castrol India	29%	19%	19%	31%	36%	3%	3%	5%	15%	23%	25%	18%	18%	23%	23%	5%	-5%	7%	10%	24%	2.2	2.2	2.4	2.5	2.6
eClerx Services	54%	35%	21%	20%	20%	27%	29%	25%	25%	19%	32%	32%	27%	27%	27%	79%	71%	42%	32%	20%	2.6	1.9	1.5	1.4	1.4
AstraZeneca Pharma India	39%	37%	45%	56%	56%	NA	19%	19%	40%	45%	16%	16%	18%	18%	18%	NA	19%	8%	45%	56%	4.0	4.1	4.3	4.7	4.7
Caplin Point Laboratories	22%	18%	18%	18%	36%	NA	20%	13%	9%	13%	15%	16%	16%	16%	18%	NA	25%	1%	6%	-4%	3.0	2.8	2.8	2.8	3.7

Source: Company, Ambit Capital research

Appendix 2: Key fundamentals of BUY ideas from our coverage

Company	Mcap ($mn)	Revenue growth (YoY)				EBIT margins				Invested capital (IC) turns				Capex/Depr.				IC growth %			
		FY23	FY24 TYD	FY25E	FY26E	FY23	FY24 TYD	FY25E	FY26E	FY23	FY24 TYD	FY25E	FY26E	FY23	FY24 TYD	FY25E	FY26E	FY23	FY24 TYD	FY25E	FY26E
IOCL	20,212	40%	-13%	1%	-3%	1%	6%	5%	6%	3.2	2.7	2.6	2.4	286%	231%	207%	188%	38%	12%	-5%	2%
Tata Steel	19,454	0%	0%	7%	6%	10%	7%	10%	11%	0.7	0.7	0.7	0.7	148%	174%	163%	NA	18%	10%	0%	6%
BRIT	14,458	15%	4%	9%	11%	16%	17%	17%	17%	3.6	3.6	4.0	4.4	281%	216%	216%	208%	10%	7%	2%	(2%)
Tech M	14,347	19%	-3%	4%	9%	11%	7%	12%	14%	2.3	2.3	2.3	2.5	113%	64%	97%	NA	13%	36%	26%	46%
Hindalco	14,101	14%	-13%	4%	15%	8%	9%	11%	12%	0.6	0.7	0.6	0.5	137%	276%	272%	NA	10%	7%	1%	-1%
GCPL	12,746	8%	11%	11%	10%	16%	18%	20%	20%	1.2	1.3	1.5	1.6	93%	103%	96%	61%	6%	2%	1%	2%
BPCL	12,306	36%	-2%	4%	-9%	1%	6%	3%	3%	4.9	5.0	5.0	4.1	155%	199%	237%	210%	9%	13%	22%	8%
Dr.Reddy	11,467	15%	14%	10%	11%	23%	24%	24%	20%	1.4	1.5	1.7	1.8	141%	52%	67%	71%	2%	1%	2%	4%
HPCL	6,540	26%	-10%	-3%	-10%	-3%	5%	4%	4%	5.2	4.0	3.4	2.8	208%	283%	253%	230%	35%	83%	-2%	8%
Indraprastha Gas	3,365	83%	-1%	7%	0%	12%	15%	15%	17%	2.7	2.4	2.3	2.0	309%	324%	295%	292%	23%	35%	34%	7%
Narayana	2,913	22%	13%	15%	12%	18%	19%	18%	18%	1.8	1.5	1.6	1.7	249%	426%	201%	177%	35%	34%	9%	7%
Poly Medicure	1,903	21%	24%	21%	21%	19%	21%	23%	25%	1.0	1.1	1.2	1.3	418%	305%	172%	186%	27%	18%	19%	10%
GE Shipping	1,521	1,352	71%	(6%)	(9%)	47%	38%	34%	35%	0.7	0.7	0.7	0.7	82%	43%	71%	72%	(3%)	(8%)	(2%)	(2%)
Amber Enter	1,256	65%	13%	20%	16%	4%	5%	5%	6%	2.9	2.8	3.1	3.3	476%	200%	157%	NA	28%	19%	14%	8%
Safari	1,166	72%	30%	20%	20%	13%	14%	15%	16%	3.0	3.4	3.2	3.5	144%	145%	201%	40%	58%	18%	27%	8%
Wonderla	609	234%	21%	18%	27%	41%	36%	42%	43%	0.6	0.5	0.5	0.6	125%	596%	442%	254%	2%	28%	18%	8%
Kirloskar Pneumatic	453	21%	12%	21%	23%	11%	12%	13%	14%	2.1	2.1	2.4	2.8	125%	117%	117%	NA	14%	27%	14%	2%
Mold-Tek	344	16%	1%	23%	21%	14%	13%	16%	17%	1.2	1.0	1.1	1.3	480%	324%	143%	98%	24%	18%	8%	6%

Source: Company, Ambit Capital research

Appendix 3: Key fundamentals of SELL ideas from our coverage

Company	Mcap ($mn)	Revenue growth (YoY)				EBIT margins				Invested capital (IC) turns				Capex/Depr.				IC growth %			
		FY23	FY24TYD	FY25E	FY26E	FY23	FY24TYD	FY25E	FY26E	FY23	FY24TYD	FY25E	FY26E	FY23	FY24TYD	FY25E	FY26E	FY23	FY24TYD	FY25E	FY26E
TCS	158,224	18%	8%	8%	8%	24%	24%	23%	23%	4.4	5.1	5.3	5.5	90%	78%	78%		-5%	19%	-7%	2%
LTI	20,023	27%	8%	10%	14%	16%	17%	16%	16%	3.2	3.1	3.2	3.4	184%	145%	126%		42%	25%	14%	4%
Siemens	16,458	21%	17%	16%	NA	14%	11%	11%	NA	5.1	5.4	5.8	NA	74%	81%	87%	NA	(6%)	12%	9%	NA
ABB	12,047	24%	16%	15%	NA	13%	11%	11%	NA	5.6	4.9	4.6	NA	207%	194%	184%	NA	32%	5%	33%	NA
Supreme Inds	1,260	18%	14%	11%	10%	10%	12%	12%	13%	2.5	2.5	2.5	2.6	160%	167%	166%	164%	18%	13%	12%	11%
Alkem	6,779	9%	12%	11%	9%	13%	16%	18%	19%	1.4	1.5	1.6	1.6	75%	110%	111%	237%	(8%)	6%	5%	7%
Persistent	5,848	46%	17%	14%	15%	15%	15%	15%	15%	2.9	2.9	3.1	3.3	138%	94%	92%		152%	38%	20%	7%
Dalmia	5,313	21%	7%	7%	8%	7%	10%	8%	9%	1.2	1.2	1.2	1.2	207%	182%	166%		13%	6%	5%	7%
Dixon	4,291	14%	63%	33%	17%	3%	3%	3%	3%	10.6	15.3	16.9	17.1	393%	336%	203%	173%	38%	3%	22%	18%
Gland	3,493	-18%	60%	12%	10%	37%	31%	23%	23%	0.5	0.8	0.7	0.7	151%	322%	152%	90%	19%	6%	12%	13%
ABFRL	2,706	53%	15%	16%	12%	0%	-2%	2%	3%	2.8	2.1	2.0	2.5	56%	44%	32%	29%	19%	54%	22%	0%

Source: Company, Ambit Capital research

Institutional Equities Team

Research Analysts			
Name	**Industry Sectors**	**Desk-Phone**	**E-mail**
Nitin Bhasin – Head of Equities	Strategy / Accounting	(022) 66233241	nitin.bhasin@ambit.co
Ashwin Mehta, CFA - Head of Research	Technology	(022) 66233295	ashwin.mehta@ambit.co
Alok Shah, CFA	Consumer Staples / Consumer Discretionary	(022) 66233259	alok.shah@ambit.co
Amar Kedia	Capital Goods / Infrastructure / QSR	(022) 66233212	amar.kedia@ambit.co
Bharat Arora, CFA	Strategy	(022) 66233278	bharat.arora@ambit.co
Dhruv Jain	Mid-Caps / Home Building / Consumer Durables	(022) 66233177	dhruv.jain@ambit.co
Eashaan Nair	Economy / Strategy	(022) 66233033	eashaan.nair@ambit.co
Gaurav Jhunjhunuwala	Media / Telecom / Oil & Gas	(022) 66233227	gaurav.jhunjhunuwala@ambit.co
Ishita Lodha	Strategy / Forensic Accounting	(022) 66233149	ishita.lodha@ambit.co
Jaiveer Shekhawat	Mid/Small-Caps	(022) 66233021	jaiveer.shekhawat@ambit.co
Karan Khanna, CFA	Mid/Small-Caps / Hotels / Real Estate / Aviation	(022) 66233251	karan.khanna@ambit.co
Kumar Saumya	Chemicals	(022) 66233242	kumar.saumya@ambit.co
Moez Chandani	Technology	(022) 66233295	moez.chandani@ambit.co
Moksh Mehta	Technology	(022) 66233027	moksh.mehta@ambit.co
Pankaj Agarwal, CFA	Banking / Financial Services	(022) 66233206	pankaj.agarwal@ambit.co
Parth Majithia	Strategy / Forensic Accounting	(022) 66233149	parth.majithia@ambit.co
Prabal Gandhi	Banking / Financial Services	(022) 66233206	prabal.gandhi@ambit.co
Prakhar Porwal	Metals & Mining / Cement	(022) 66233246	prakhar.porwal@ambit.co
Pratik Matkar	Banking / Financial Services	(022) 66233252	pratik.matkar@ambit.co
Prashant Nair, CFA	Healthcare	(022) 66233041	prashant.nair@ambit.co
Raghav Garg, CFA	Banking / Financial Services	(022) 66233206	raghav.garg@ambit.co
Rajat Sonika	Banking / Insurance	(022) 66233050	rajat.sonika@ambit.co
Sanil Jain	Chemicals	(022) 66233242	sanil.jain@ambit.co
Satyadeep Jain, CFA	Metals & Mining / Cement / Power / Utilities	(022) 66233246	satyadeep.jain@ambit.co
Sumit Shekhar	Economy / Strategy	(022) 66233229	sumit.shekhar@ambit.co
Supratim Datta	Banking / Insurance	(022) 66233252	supratim.datta@ambit.co
Videesha Sheth	Consumer Discretionary	(022) 66233264	videesha.sheth@ambit.co
Vinit Powle	Strategy / Forensic Accounting	(022) 66233149	vinit.powle@ambit.co
Viraj Sanghvi	Capital Goods / Infrastructure / QSR	(022) 66233212	viraj.sanghvi@ambit.co
Vivekanand Subbaraman, CFA	Media / Telecom / Oil & Gas	(022) 66233261	vivekanand.s@ambit.co
Yash Jain	Mid-Caps / Home Building / Consumer Durables	(022) 66233053	yash.jain@ambit.co
Sales			
Name	**Regions**	**Desk-Phone**	**E-mail**
Sujay Kamath – MD / Head of Sales	India / APAC / ME	(022) 66233127	sujay.kamath@ambit.co
Bhavin Shah	India	(022) 66233186	bhavin.shah@ambit.co
Dharmen Shah	India / Asia	(022) 66233289	dharmen.shah@ambit.co
Abhishek Raichura	UK / Europe	(022) 66233287	abhishek.raichura@ambit.co
Pranav Verma	Asia	(022) 66233214	pranav.verma@ambit.co
Shiva Kartik	India	(022) 66233299	shiva.kartik@ambit.co
Stuti Ahuja	India	(022) 66233289	stuti.ahuja@ambit.co
USA / Canada			
Abhishek Raichura	UK / Europe	(022) 66233287	abhishek.raichura@ambit.co
Sean Rodrigues	Americas	(022) 66233211	sean.rodrigues@ambit.co
Singapore			
Sundeep Parate	Singapore	+65 6536 1918	sundeep.parate@ambit.co
Pooja Narayanan	Singapore	+65 9800 3170	pooja.narayanan@ambit.co
Production			
Sajid Merchant	Production	(022) 66233247	sajid.merchant@ambit.co
Sharoz G Hussain	Production	(022) 66233183	sharoz.hussain@ambit.co
Jestin George	Editor	(022) 66233272	jestin.george@ambit.co
Richard Mugutmal	Editor	(022) 66233273	richard.mugutmal@ambit.co
Nikhil Pillai	Database	(022) 66233265	nikhil.pillai@ambit.co
Amit Tembhurnikar	Database	(022) 66233265	amit.tembhurnikar@ambit.co

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Registered Office Address: Ambit Capital Private Limited, 449, Ambit House, Senapati Bapat Marg, Lower Parel, Mumbai-400013

Compliance Officer & Grievance Officer Details: Sanjay Shah, Email id: compliance@ambit.co, Contact Number: 91 22 68601965. In case you require any clarification or have any query/concern, kindly write to us at compliance@ambit.co

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