MEHTA
REWARDING RELATIONSHIPS

January 2023 Edition | Volume: 15 | Issue: 15

MCONNECT
A MAGAZINE

VOLATILITY = OPPORTUNITY

"For the investor who knows what he is doing, volatility creates opportunity."

FUND EXPERT :
Mr. Rahul Singh
CIO, Equities Tata Mutual Fund

INDUSTRY EXPERT :
Ms. Meghna Pandit
CIO, India Grid Trust

PRODUCT EXPERT :
Mr. Naveen Gogia
Head Marketing
HDFC Asset Management Company

STOCK OF THE QUARTER:
Kovai Medical Centre & Hospital

FUND OF THE QUARTER:
Nippon India Large Cap Fund

Life At Mehta...


DUBAI TRIP


SECRET SANTA


TATA MARATHON


ANNUAL TRIP


MOVIE TIME


HEALTH CARE CAMP


YOGA DAY


FESTIVAL CELEBRATIONS


CRICKET TOURNAMENT

Many more to come...

Dear Readers,

CA RAKESH MEHTA
Chairman, MEHTA GROUP

On behalf of the Mehta Equities Family, I wish you all a very Happy & Prosperous New Year 2023!

2022 ended up being an eventful year for the whole world with constant volatility, talks of economic gloom, alarms of funding winter across VC/PE segment and uncontrollable global inflation. I think we know start to truly see the true meaning of a VUCA world! As an eternal optimist even with the odds that we were stacked up against us investors, India and domestic investors has shown resilience! We have entered 2023 with a hope that the worst should be over shortly! Commodity prices cooling down and Inflation being checked seem to be good indicators!

Fundamentaly, when compared with rest of the world India is poised to clearly outperform! Domestic consumption, travel/tourism and entrepreneurial zeal backed with China plus one and now the Europe energy crisis has led to great opportunities opening for India. Government show use it fiscal and monetary policies to drive demand and keep economy in this growth gear and work hard to allow smooth FDI, FII and FPI inflows! A golden decade is clearly in sight and money flow into India will be unprecedented and beyond our imaginations! Listed and unlisted markets will see true impact of long term bull sentiment in India shortly! Sales in real estate across tier 1 markets is a sign of what's to follow!

For Investors, we continue to lean defensively and advise our clients to invest in companies with solid balance sheets, durable cash flows and high dividends. What we believe is that navigating markets in 2023 would require more systematic skill set to build an all-weather portfolio and certainly require a dynamic approach to review the portfolio. Any assumed global recessions are likely to be short-lived, but they will not be painless as we may see combination of lower growth and lingering inflation.

Why am I bullish on India for Long term?

- A strong and self-reliant India.
- Political stability and democratic policies.
- Rise in GST collections month-on-month.
- India is better placed than other emerging markets.
- Stronger Domestic inflow of funds to sustain FII pressure.
- India is one of the world's fastest growing major economies.
- Promising business environment with Govt Support, Reforms and Policies.
- Strong growth in direct and indirect tax collection suggests that India is doing well.
- India has world's youngest populations where more than 65% are under the age of 35.
- India better placed to reap benefits from China +one and Europe +one business opportunity.

We are completing 3 decades of serving and helping millions of investors understanding their financial goals and creating wealth in the long run. We remain committed to offer the best of our services, skills and expertise to all our valued clients. With 3 decades of cumulative experience, today we are a well-diversified traditional full service financial firm offering a wide range of financial products and services such as Equity, Commodity and Currency Broking, Wealth Management, Portfolio Management Services, Alternative Investment Funds, Private Equity, Start-up funding and Investment banking. We have a diversified client base pan India having headquartered in Mumbai and the network spreading across 100+ cities and these Business Locations operated by our dynamic business partners. **I truly believe our success can be attributed to our team at Mehta, personal touch and high integrity allows us to deliver a "Rewarding Relationship"!** I hope that you will find this quarterly magazine useful and informative and look forward for your valuable suggestions to improve it further, and make it more educational for the reader

I wish you a successful investing year

STRONG INSIDE, SOFT OUTSIDE

Mr. Rahul Singh
Chief Investment Officer (CIO), Equities

Like we said at the beginning of 2022, this newsletter is no different and does not provide easy and catchy predictions like "Nifty 50 at end-2023 will be xyz". All predictions in equity markets are some combination of the moving averages of what has happened in the last 12 months (trailing twelve months in the market parlance) and what is expected to happen in the coming 12 months (forward 12 months) or longer. Equity market predictions are a moving target and impressions change, for macros, sectors and investment styles. We therefore devote this newsletter to analysing these changes in (i) sectoral views apart from the (ii) impact of macro scenarios (esp. in Developed markets/China) on Indian equities.

First, let us recap the current sector outlook in brief, which remains critical for generating alpha, more so in 2023. And all our past editions have carried these views at various points of time. Our portfolio actions mirror the below with the broadbased nature of the sectoral trends being reflected in more diversified portfolios across our schemes than 12 months ago.

Capital goods and manufacturing delivered on its promise and looks good for more especially in mid/small caps as India continues to emerge as the sourcing hub across segments. This trend has a lot of tailwinds (China + 1, geopolitics, government policy, domestic capex recovery) and can become the driver of GDP and earnings growth over the medium although one leg of valuation re-rating has happened here too.

Banking sector has started to get its due with all the three levers of profit growth firing i.e. credit growth, margin expansion and lower credit costs. Significant re-rating has happened too in 2022 but there can be more to go in the second tier, mid-size and/or PSU banks if the trends sustain. Risk on margins and credit growth from global slowdown are key risks in 2023 while credit costs may remain under control; a new NPL cycle takes time to develop (assuming no external shocks) and generally happens after 2-3 years of strong growth.

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GUEST COLUMN

Urban consumption in general has sustained very well, much beyond the "revenge buying" that was supposed to create a peak in consumption some time in the middle of 2022. Impact of inflation and interest rates needs to be watched though. Rural consumption, in contrast has relatively low visibility of a demand recovery but could surprise as the e ects of urban activity slowly trickles down.

IT services growth looks set to slowdown from the heady 15-20% growth to 5-10% in next fiscal year*. Margin pressures will ease but the present valuations still imply some caution barring as IT budgets for 2023 gets scaled down across Hi-tech, retail and EU regions. Trends from IT budgets and full year guidance for FY24 will be key even though profits might be protected somewhat by better margins.

Real estate became a consensus positive view in 2022 but any demand destruction from higher interest rates needs to be watched although history of a similar rate cycle (2003-08) suggests that might be some time away

Slew of services sectors like Travel, Leisure/Hospitality and Healthcare (esp. hospitals) continue to do well and have resumed their secular growth trendline which was disrupted during Covid. There is also a return of pricing power in these segments, a trend which was expected to play out in 2020 before the pandemic hit.

Pharma sector spent another year weathering the price pressures and remains a stock specific sector for now.

There were two other major trends that defined equity markets in 2022 and likely to sustain in 2023

GARP vs. Value vs. Growth

High interest rates have finally started to seep in equity valuations (less so for India) and the investment decision making. Valuation consciousness has returned as evident in the relative performance of value stocks (PSU, utilities, banks) vs. growth (Internet, Consumer). With Fed insisting on interest rate "Plateau" instead of "Pivot", this behaviour change can last longer.

ESG vs. non- ESG

The relative need for energy security in the wake of geopolitical uncertainty has somewhat dampened the ESG phenomena which had pushed certain sectors (fossil fuel, defence) in value category. While ESG and green energy as a long-term trend is here to stay, there is a growing realisation to balance it with investments in the legacy energy assets.

RELATIVELY STABLE INDIA IN AN UNSTABLE WORLD

Stable macro parameters (esp. fiscal deficit, less entrenched inflation), lower interlinkages with the global economy, revival of the investment cycle (including real estate) and India's gradual emergence as a new sourcing hub are important factors which can drive above-par GDP growth (~6.0%) and earnings growth (~15%) over next 2-3 years*. The investment cycle revival is spread across traditional corporate sector

import substitution and real estate and comes after a long period of under-investment and balance sheet repair in corporate as well as banking sector. The building blocks are in place in terms of tax cuts and production linked incentive scheme which together with the changing geopolitical landscape provides India the opportunity to establish its manufacturing & export base vs. its Asian neighbours. It is therefore not entirely surprising that these factors have led India's valuation premium over other emerging markets to reach historical highs

At current valuation premium, India's relative performance in short term and in 2023 becomes a function of what happens to the rest of the world i.e. shallow vs. deep recession in US/UK/EU and the pace of recovery in China post-reopening. A shallow recession in US/UK/EU combined with slow recovery in China may be the best-case scenario for India as it can

	Slow Recovery in China	Sharp Recovery in China
Deep Recession in US/UK/EU	**Earnings:** Impact likely, especially in slightly by lower input costs **Valuation** - off will reduce absolute valuations	**Earnings:** Impact on global sectors, cushion in lower input prices **Valuation:** Premium can reduce
Shallow Recession in US/UK/EU	**Earnings:** Limited impact on India's GDP/Profit Growth **Valuation**	**Earnings:** from higher input prices **Valuation**

valuation premium with limited impact on corporate profits. A deep recession can have follow through impact on Indian economic growth even though it will reduce the inflationary pressures from input costs. In contrast, a global rebound led by China would reduce India's valuation premium irrespective of strong domestic fundamentals. A simplified view of these scenarios is summarised in the schematic below.

How are we placed

The above discussion and framework also brings us back to our inaugural newsletter from November 2018 which compared equity investing to swimming which has more elements (read valuation rigour, portfolio balance) than just running (read growth..at any price). In the current macro-economic backdrop, Tata AMC's investment framework of Growth at reasonable price – GARP, which relies on risk-reward criteria and defined segments makes it well placed for the current investment climate. This cannot be emphasised enough in the light of what has happened in 2022 and what looks likely in 2023 given the various moving parts as explained in the previous section.

Here's Why

1 Valuation rigour akin to full body exercise

It is no longer enough to count on earnings growth and ascribe a higher PE multiple. The recent valuation history at the sector and company level will have to be weighed against the longer-term averages and adjusted for a higher interest rate environment vs. last 10 years. In other words, the valuation exercise will become more rigorous, a bit like the full body exercise that swimming requires vs. running.

2 Breathing

Getting the discipline, coordination and breathing right will be key and not just moving the hands and legs faster. There will always be periods when running faster would deliver better results like in 2021 or 2017, but chances of that appear less in 2023 as we enter higher interest rate regime.

3 Variety

Our approach is primarily that of bottom-up stock selection with a combination of

(i) Earnings upgrade cycle leading to re-rating
(ii) Value with triggers
(iii) Exposure to emerging macro themes

A bit of variety will therefore help the portfolio construct like the different strokes of swimming.

4 Float

Lastly, despite best efforts, short term moves in the portfolio stocks may not always make sense as risks arising out of global macros (extent and nature of recession, geopolitics) are inherently unpredictable. The portfolio construction therefore will have to make sure that it stays afloat in an uncertain period ahead of us.

In summary, our advise to investors in 2023 would be to:

i) Maintain a healthy mix of debt & equity,
ii) Keep core allocation in Balanced Advantage Funds,
iii) Look for alpha in funds that are based on GARP/Value
iv) Exposure to schemes benefiting from broad-based economic growth & investment cycle

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IndiGrid

OF LATE, INVITS ARE INCREASINGLY BECOMING POPULAR AS LOW RISKS & HIGH YIELD INVESTMENT

Ms. Meghana Pandit
Chief Investment Officer,
India Grid Trust

Securities and Exchange Board of India (SEBI) came out with draft regulations on an investment vehicle called Infrastructure Investment Trust (InvIT)/Real Estate Investment Trust (REIT) in 2014 and finalized these regulations in 2016. After the regulations were finalized, there were listing of two public InvITs in 2017 – IRB Infrastructure InvIT and India Grid Trust.

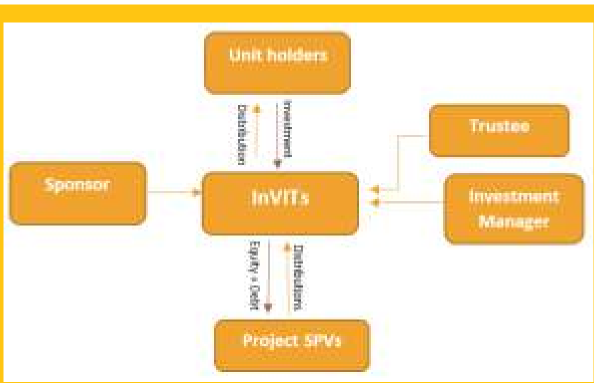
In around six years, since the first InvIT was listed, total assets under management (AUM) of InvITs and REITs have grown to over Rs. 3.5 trillion ($43 billion) across 19 InvITs and 4 REITs. The asset class has seen accelerated adoption as almost half of the InvITs/REITs were listed in the past two years. While in FY2020, the capital raised through initial offer, preferential issue, institutional placement and rights issue, was only Rs. 115 billion, it surged to around Rs. 550 billion in FY2021 and Rs. 220 billion in FY2022 implying the growth potential in these platforms. An encouraging and bullish participation from the capital markets has catapulted the listed InvITs/REITs to command a market capitalization of over Rs. 1.5 trillion presently.

An InvIT, simply put, is a pooled investment vehicle similar to a mutual fund where instead of the funds invested in financial securities, are invested in real infrastructure assets like roads, power plants, transmission lines, gas pipelines etc. InvITs are a true win-win-win for investors-developers-India as they provide investors with a good long-term stable investment opportunity, opportunities for developers to deleverage and release locked-in capital to grow, and India to have incremental investment in underdevelopment infrastructure projects.

The operating framework behind InvITs and REITs builds on the experience of similar instruments (i.e. Yield Cos, Master Limited Partnerships ("MLP"), Business Trusts, etc.) that have been around for many decades in developed financial markets like the USA, the UK, Australia, Singapore and Hong Kong. There have been ~70 listings of similar platforms in the neighbouring countries like Singapore, Hong Kong and Malaysia, where these platforms have been prevalent for the last 10-15 years. Globally, there are over 400 listings of similar instruments accounting for more than US$ 1 trillion of investments. Recently, China has also introduced the asset class and has seen encouraging response in one year of its existence.

While the basic operating framework has been structured around global similar instruments, SEBI has designed InvITs/REITs in a way which minimizes applicable inherent risks. As per the regulations, InvITs have to invest at least 80% of their assets in completed and revenue-generating projects, and not more than 10% of their assets in under-construction projects. This ensures that InvITs exposure to some of the key risks inherent in the infrastructure sector such as financial closure, construction, regulatory approvals, time and cost overruns, etc. is minimised. SEBI also mandates InvITs to distribute a minimum of 90% of their cash earnings to investors at least semi-annually. This provides clear visibility to investors on cash flows and earn frequent distributions. In addition to it, SEBI has allowed a Net Debt/AUM (leverage) limit of 70% for InvITs/REITs, cognizant of the leverage issues that infrastructural players have experienced historically. InvITs have a robust corporate governance framework and are managed by an independent trustee and investment managers, whose board comprises at least 50% independent directors.

GUEST COLUMN



However, the performance and the associated risks of an InvIT is largely dependent on the underlying assets, the industry it is operating in, business risks of that particular infrastructure sub-sector and stability/predictability of that InvIT's cash flows. For eg. Risks associated with toll roads projects which is higher compared to those of transmission assets where revenues are largely visible and stable.

All the listed InvITs have a 'AAA' investment grade rating by Indian rating agencies. These factors can make them a compelling investment alternative in today's uncertain times beset with high volatility. For instance, IndiGrid, since its listing has delivered 22 quarterly distributions with sustainable growth each year and over the period of 5+ years, have generated a total returns[1] of 14% CAGR with minimal volatility. Beta, which depicts the risk and volatility, has stayed close to zero (0.08) translating to superior risk-adjusted returns to comparable equity and debt instruments. Overall, the returns delivered by IndiGrid have been substantially higher than the government securities as well as comparable equity indices.

Basis the industry an InvIT is operating in, cashflow visibility with lower risks, InvITs are ideally suited for long-term patient capital providers like insurance companies, pension funds, foreign portfolio investors, mutual funds and corporate treasuries. InvITs are also suitable for non-institutional investors like HNIs and retail investors as they also provide a regulated platform to invest in income yielding infrastructure assets, which is otherwise not available due to the scale and sophistication required for such direct investments. InvITs have witnessed diversified unitholding across foreign, domestic institutions and retail participants.

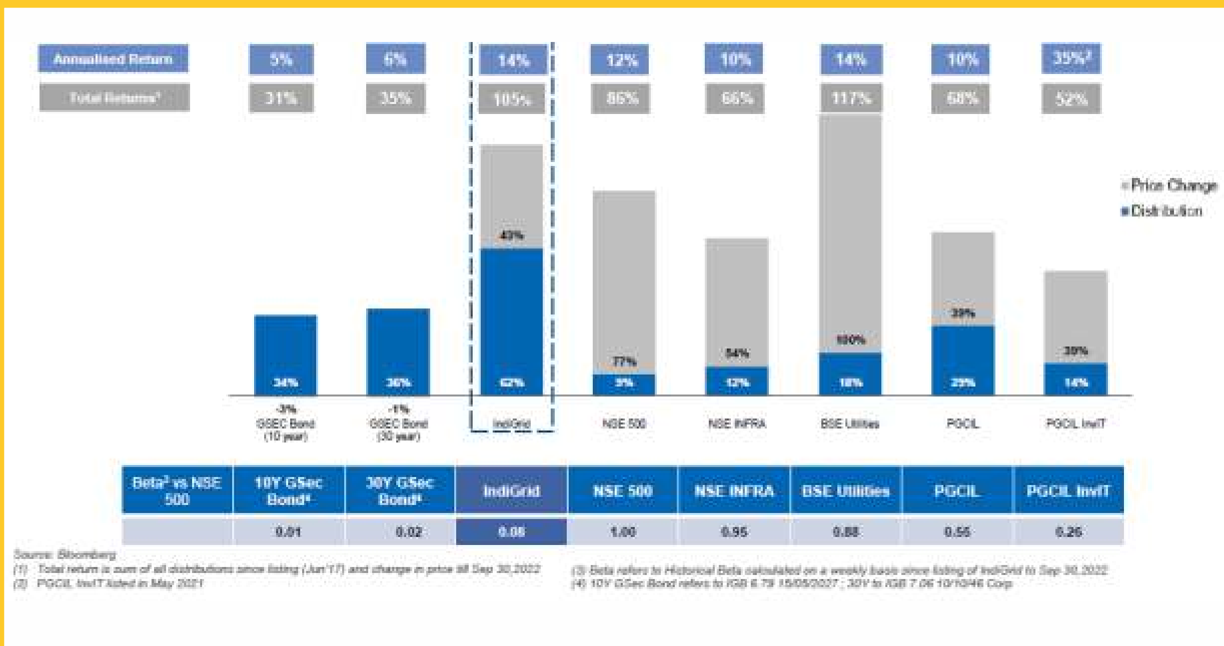


Chart showcases the superior risk-adjusted returns delivered by IndiGrid vis-à-vis government securities and comparable equity indices/players over the past 5+ years (Source: Bloomberg)

GUEST COLUMN

IndiGrid, India's first power transmission InvIT, has a diversified, strong investor base backed by KKR as a sponsor, having 23% of unitholding. Almost 24% of the unitholding is held by domestic institutional investors (DIIs) including insurance companies, mutual funds, pension funds and corporates. Over the years, the retail unitholding has quadrupled in value since IPO, now stands at ~21% with over 14,000 retail shareholders (~88% in nos.). Even the loan book is well diversified across public and private bank loans and NCDs.

India has seen quite a lot of infrastructural development in the past few years with government's policies and allocations themed around infrastructure development. There is a need for systematic investments across all infrastructure sectors like roads, energy, railways, logistics to achieve an ambitious target of US$ 5 trillion economy, amounting to a ~9% growth for the next five years consistently. National Infrastructure Pipeline (NIP), a mega policy intervention, was announced by the Government of India (GoI), envisaging an investment of Rs. 111 trillion in the infrastructure sector over the 2020-25 period. It aims to showcase investment opportunities in India's infrastructure sector, improve project penetration and attracting investments into India. Additionally, GoI has also brought in National Monetization Pipeline (NMP) to monetize Rs. 6 trillion worth of assets in the infrastructure space from 2020-25 which shall boost the funding requirements in the infrastructure space. This large-scale investment in the infrastructure space will in turn create employment opportunities, spurring demand and leading to increased consumption in the process.

SEBI along with Ministry of Finance and other regulators have played a monumental role in making InvITs a reality and with further evolution in regulatory environment, InvITs are expected to play a key role in the mega-infrastructural development plan for India. A successful InvIT market will enable inflow of billions of dollars in the country by global investors providing the much-needed fillip for the development of the infrastructure sector of India. InvITs, as per estimates, can acquire over Rs. 4 trillion of infrastructure assets in the next 5 years which will channelize significant long-term capital and domestic savings into the infrastructure sector. With superior returns and adoption of the investment class by institutional and non-institutional investors alike, it bodes well for its significance in the infrastructure space.

A stable and friendly regulatory environment, efficient taxation regime can accelerate in establishing InvITs as a preferred vehicle for infrastructure financing as well as result in further adoption by foreign and domestic investors. With an inherently strong operating and governance structure and frequent distributions, InvITs, with a high return history complemented with minimal volatility, are likely to further gain popularity as a low risk, high yield investment option in the Indian capital market.

FUND OF THE QUARTER

Nippon india Mutual Fund
Wealth sets you free

NIPPON INDIA LARGE CAP FUND
(AN OPEN ENDED SCHEME)

Investment Objective

The primary investment objective of the scheme is to seek to generate long-term capital appreciation by investing in equity and equity-related instruments of companies whose market capitalization is within the range of the highest and lowest market capitalization of the BSE 200 Index. The secondary objective is to generate consistent returns by investing in debt and money market securities

Sch. Type
Open ended

Sch. Benchmark
S&P BSE 100 TRI

NAV (17.01.2023)
₹ 54.73

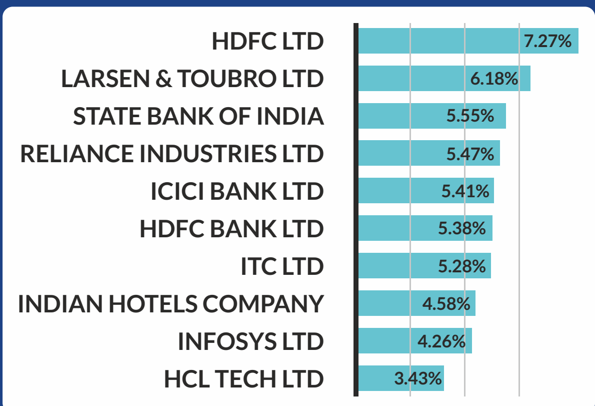
Fund Managers
Sailesh Raj Bhan, Ashutosh Bhargava

Sch. Category
Equity - Large Cap

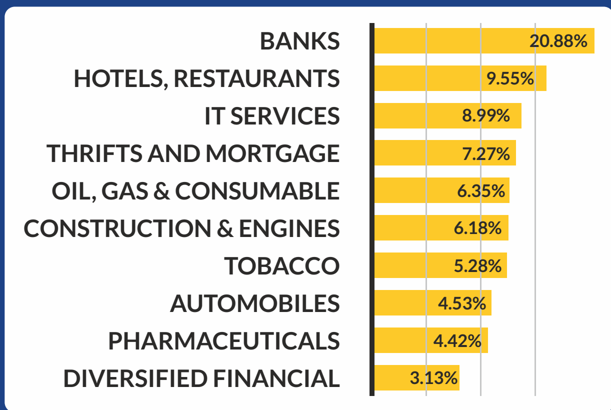
AUM
₹ 12534 Crores

Exit Load
1.00% if redeemed within 7 days,
Nil if redeemed after 7 days

TOP 10 EQUITY HOLDINGS



TOP 10 SECTOR HOLDINGS



PAST PERFORMANCE

Scheme Name	6M Abs (Rtn %)	1 Year XIRR (%)	3 Year XIRR (%)	5 Year XIRR (%)	SI XIRR (%)
Nippon India Large Cap	18.03	12.53	15.74	10.45	11.68
S & P BSE Sensex	7.38	14.34	7.04	10.00	13.81

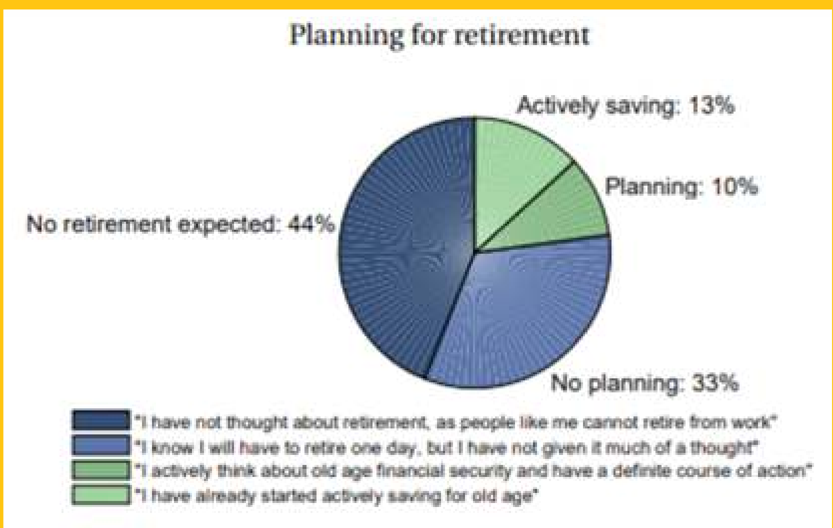
For more info, please contact : Mr Vinay Tiwari (+91-9967794884 | vinaytiwari@mehtagroup.in)

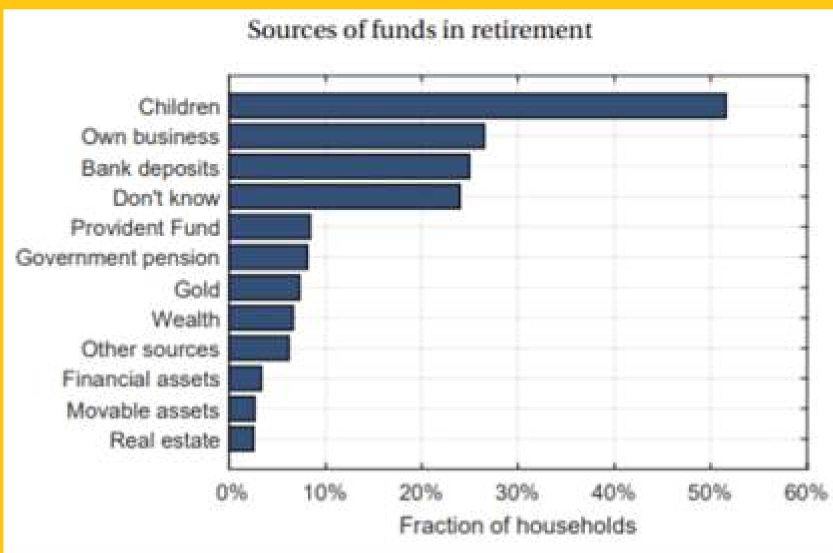
HDFC ASSET MANAGEMENT COMPANY LIMITED

RETIRED PLANNING
MOST IGNORED LIFE GOAL

Mr. Naveen Gogia
Head Marketing - Hdfc Asset Management Company

Ever wondered, out of all our key life goals like completing education, having a stable career, buying a house, spending time with our loved ones, maintaining a fit body, and so on, most of us often ignore a very important goal i.e. planning for the retired life. RBI in its survey found that only 13% of the people actually save for retirement.





The survey further highlights that more than half of Indian households depend on their children for retirement

Today, most youngsters think retirement is an event expected at a very distant future, so why bother about it now. In the process, saving for this purpose takes a backseat. What they don't realise the risk of living too long i.e. one needs to spend around 1/4th of life without any regular income. That's 20 long years of vulnerable health conditions with rising medical costs and a likelihood of no support from family members. For most of your financial goals one can avail loan but for retirement there are no loans. So, retirement is inevitable and one needs to plan to face it.

Starting Early Makes an Impact

The power of compounding in investing is not a new concept to us. The formula for compounding has three variables, money invested regularly, the rate of compounding and time period. The first variable of regular investing can be brought about by the simple tool of SIP. The second variable of rate of compounding depends where the money is invested, the selection of which depends on the risk appetite of the investor. The third, but the most crucial variable of time for which the money is invested lies in the hands of the investor. Here only one rule applies, the earlier the better. The below illustration is to showcase cost of delaying to plan for retirement. There are three assumed scenarios, an investor starting a monthly SIP from age 25, age 35 and age 45.

	Start @ 25 Yrs	Start @ 35 Yrs	Start @ 45 Yrs
Investment amount per month	5000	7,000	11,667
Amount invested	21,00,000	21,00,000	21,00,000
Value of Retirement Corpus @ 60 Years of age	3,21,54,797	1,31,51,926	58,28,436
Delay by 10 years would reduce your corpus by		59.10%	55.68%

As you delay your retirement saving you need to invest larger sums and this costs you in the long run. The % change is reflected over the previous start age. The calculations are done assuming a rate of return of 12% p.a. A delay in 10 years cuts your retirement corpus by more than 50% at every step even though you may invest the same amount over time.

Note: Calculations are based on assumed rates of return, and actual returns on your investment may be more, or less. This illustration is not intended to be indicative of the performance of any specific investment and does not represent a guarantee of returns in the Scheme(s) of Mutual Fund. The above is only a tool that may help you to know benefit of early investment to reach your goal of retirement saving but it should not be construed as providing any kind of investment advice or as a substitute for any kind of

The Need for Dedicated Retirement Savings Funds

Our experience with goal-oriented products suggest that investors tend to hold on to their investments for a long period of time, and do not give in to temptations of spending the money allocated for a particular goal on other material things like buying a car or a going for a vacation, etc. Committing to save for a goal brings in an inherent discipline along with it. When we attach a goal with an investment, the concept of “Mental Accounting” kicks in. For an investor with a goal, that money simply does not exist for spending on 'nicer things' now. This is especially true for Retirement Savings Funds. Considering the investor behavioural psyche, withdrawing from a normal Equity Diversified Fund for spending on a vacation may not trigger any kind of guilt in the mind of an investor. On the other hand, if the money is invested in a Retirement Savings Fund, it is too 'sacred' to be touched for any other purpose.

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HDFC Retirement Savings Fund – What does it offer?

HDFC Retirement Savings Fund is a mutual fund vehicle targeting to build retirement corpus for an investor. The Fund offers 3 different investment plans suitable for investors of different age groups and risk profile. They are:

Equity Plan

Suitable for younger investors with a relatively higher risk appetite having equity exposure between 80% to 100%.

Hybrid Equity Plan

Suitable for middle-aged investors with moderate risk appetite having equity exposure between 65% to 80% and the rest invested in debt and money market instruments.

Hybrid Debt Plan

Suitable for investors nearing retirement or investors with relatively low risk appetite. The exposure to debt and money market instruments is expected to be 70% to 95% and the equity exposure is expected to be between 5% to 30%.

The fund has a lock-in period of 5 years or till retirement age (whichever is earlier). The investments are eligible for tax benefits under section 80C of the Income-tax Act, 1961. For further details, refer to the Scheme Information Document of the Scheme.

A Lot More Than Just Tax Savings

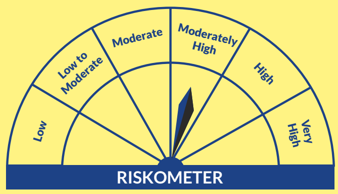
HDFC Retirement Savings Fund is a notified tax saving pension scheme and investments in the scheme shall be eligible for tax benefits under section 80C of the income-tax act which make them an even more attractive proposition. But one needs to remember that the tax savings is just an additional benefit. The main reason why one should invest in retirement savings funds is to build a sizeable corpus at the time of retirement. The amount invested every month into these funds should not be decided on the basis of tax savings. One needs to make sure the standard of living is either maintained or improved post retirement and save accordingly.

To Conclude

An encouraging trend that we have witnessed over the past three years has been the acceptance of SIP as a primary way of investment savings by a large number of investors. In light of this, one needs to decide which is better, "SIP with no goal" or "SIP for retirement". With a clear goal of saving for retirement, even a small progress towards it would reward the investor with a kind of satisfaction motivating enough to stay on course for long term.

HDFC Retirement Savings Fund

A Notified Tax Saving Pension Scheme
(An open -ended Retirement Solution Oriented Scheme having A Lock-in of 5 Years or till Retirement Age, Whichever is earlier)

Name of Scheme/ Investment Plan	This product is suitable for investors who are seeking*	Riskometer of the scheme (S)#
HDFC Retirement Savings Fund - Equity Plan	A corpus to provide for pension in the form of income to the extent of the redemption value of their holding after the age of 60 years. Investment predominantly in equity and equity related instruments.	 Investors understand that their principal will be at very high risk
HDFC Retirement Savings Fund - Hybrid Equity Plan	A corpus to provide for pension in the form of income to the extent of the redemption value of their holding after the age of 60 years. Investment predominantly in equity and equity related instruments & balance in debt and money market instruments.	 Investors understand that their principal will be at very high risk
HDFC Retirement Savings Fund - Hybrid Debt Plan	A corpus to provide for pension in the form of income to the extent of the redemption value of their holding after the age of 60 years. Investment predominantly in debt and money market instruments & balance in equity and equity related instruments.	 Investors understand that their principal will be at moderately high risk

*Investors should consult their financial advisers if in doubt about whether the product is suitable for them
#For latest Riskometer, investors may refer to the Monthly Portfolios disclosed on the website of the Fund viz.

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.

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STOCK OF THE QUARTER

Kovai Medical Center & Hospital

Industry	Hospital
CMP	Rs.1735
Recommendation	Buy

Report Dated : 9th Jan 2023

KEY DATA

BSE Code	523323
NSE Code	KOVAI
52 Week High (Rs)	1924
52 Week Low (Rs)	1311
Market Cap (Rs Cr)	1900
Face Value	10

INDUSTRY SNAPSHOT

Customers	Open
Market Presence	Domestic
Govt Regulations	Medium
Msearch View	Positive

SHAREHOLDING SEPT 2022

Promoters	55.76%
Public	44.24%

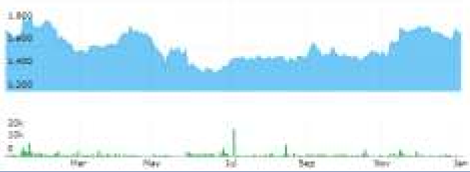
PROMOTERS/ MANAGEMENT

Mr Nalla G Palaniswami	ED & MD
Mrs Thavamani Palaniswami	ED & MD
Mr Arun N Palaniswami	ED & MD
Mr PK Gopikrishnan	CFO

KEY RATIOS

PE	19
PB	2.86
EPS	90.4
ROE	15.07%
ROCE	16.86

PRICE CHART



RESEARCH ANALYST

Yash Kukreja
022-61507197
yash.k@mehtagroup.in

ABOUT THE COMPANY

Kovai Medical Center and Hospital Limited (KMCH) started its commercial operation in June 1990, with a capacity of 200 Bed Hospital in the outskirts of Coimbatore. It is in the business of advanced healthcare services and has also forayed into education services in 2019 with the commencement of its new Medical College in Coimbatore. Currently, it has grown into a 2,250 bed multi-locational, multi-disciplinary Super specialty hospital and is most trusted in Southern India. It has 24 operation theatres, 300 internationally renowned full-time clinicians and over 350 postgraduate medical professionals assisting them. Entering into the education service foray gives KMCH the advantage of hiring qualified professionals and to maintain the current margin levels.

INVESTMENT RATIONALE

1) Track record of over three decades and healthy scale of operations– KMCH is well supported by an experienced and qualified operational and management team with professionals who have rich experience in the healthcare industry. Due to its strong brand equity and superior quality of service, it is known as a health care provider of western approach with an Indian touch.

2) Diversified revenue sources from multiple segments like hospitals and medical college - KMCH had commenced Medical College in FY2019 and in FY2022, medical college contributed to 4% of the total revenue. This strategic move will help company to hire scarcely available doctors and nurses and also it is a high margin segment which will company to sustain and increase their margins. It has also integrated 750-bed KMCH Medical College General Hospital on the campus of the medical college in FY22 and we expect it to be operational by FY2024.

3) Comfortable capital structure and adequate operating efficiency – The company has sound operational parameters such as occupancy level at 48% in FY22 and we expect it to go up to 50% and the presence of highly qualified professionals enables a low ALOS (4.2 days in FY22). The company has a net debt of INR 300 Crore and debt/equity stood at 1.05 and a healthy interest coverage Ratio at 4.05 which shows the stability of the company to comfortably repay the debt.

4) Positive outlook for the sector in long run- Positive demand outlook for healthcare services in the country, due to growing awareness of healthcare issues, under-served nature of the sector, better affordability through increasing per capita income, and widening medical insurance coverage. As per reports, industry is expected to grow at a 15% CAGR for next two years.

Risk:

1) Dependency on single locality – KMCH has presence only in Coimbatore.
2) Reliance on scarcely available qualified medical professionals: The healthcare industry is highly dependent on the scarcely available, qualified medical professionals. The doctors are paid a variable fee depending on the number of surgeries performed and patients treated. Given the constraints of individual practice and associated costs, the doctors are incentivised to be associated with the hospital and work with latest technology.
3) Increase in insurance penetration – Higher than the expected increase in insurance penetration would affect the margins of the hospital as a whole.
4) Exposure to regulatory risk - Any policy change that may negatively impact the credit risk profile will be closely monitored.

INVESTMENT RATIONALE

We initiate coverage on KMCH with a buy rating at CMP as it is well positioned to benefit from the tailwinds in the hospital industry. It has strong brand presence in the Coimbatore, and aggressive focus on educational services segment as well. This foray aids to the margins and it helps the company to hire qualified professionals as well. We expect revenue and EBITDA CAGRs of 13% and 15% over FY23E-FY24E for KMCH. However, EBITDA margins would likely remain stable at ~28% with declining contribution of covid-led revenues, largely offset by constant growth in the hospital business, regaining in non-covid business, operating leverage and cost rationalisation. As per valuation per se the company is trading at a PE of 19 and EV/EBITDA of 8.51. We believe with the tailwinds in the hospital the stock can deliver a 25 % CAGR over the next 2 years.

KMCH

FINANCIALS

Income Statement

Particulars	2020	2021	2022	2023E	2024E
Net Sales/Income from operations	710	688	901	1003	1160
Revenue Growth %	13	-3	31	11	16
EBITDA	166	191	253	281	336
EBITDA Margin %	23	28	28	28	29
EBITDA Growth %	26	15	32	11	20
Depreciation, amortization and depletion expense	52	68	85	90	95
EBIT	114	123	167	191	241
EBIT Margin %	16	18	19	19	21
Other Operating Income	2	2	5	8	7
Other Income	11	12	12	14	15
Finance Costs	15	31	43	40	40
PBT	112	106	141	173	223
Tax	17	28	36	43	55
PAT	95	78	104	130	168
PAT Margin %	13	11	12	13	15
PAT Growth %	57	-18	34	24	30
EPS	87	71	96	119	154

Cashflow Statement

Particulars	FY2020	FY2021	FY2022	FY2023E	FY2024E
Cash at the Beginning of the Year	**102**	**111**	**155**	**199**	**306**
Net Cash from Operating Activities	152	186	263	303	358
Net Cash Used in Investing Activities	-256	-180	-99	-100	-100
Net Cash Used in Financing Activities	113	38	-120	-95	-95
Cash at the End of the year	**111**	**155**	**199**	**306**	**470**

Balance Sheet

Particulars	FY2020	FY2021	FY2022	FY2023E	FY2024E
EQUITY					
Share Capital	11	11	11	11	11
Reserves and Surplus	420	499	598	723	884
Total Shareholder's Fund	**431**	**510**	**609**	**734**	**906**
LIABILITIES					
Borrowings	509	583	511	460	415
Lease Liabilities	30	40	39	37	35
Trade Payables	26	15	14	30	32
Deferred Tax Liabilities (Net)	28	33	34	35	37
Provisions	13	15	22	22	24
Other Liabilities	71	85	113	136	81
TOTAL EQUITY AND LIABILITIES	**1107**	**1281**	**1343**	**1447**	**1614**
ASSETS					
Tangible Assets	614	994	1048	1020	1050
Intangible Assets	1	3	3	33	25
Capital Work-in-Progress	300	45	5	9	9
Right-of-Use Assets	28	36	34	32	33
Inventories	13	10	13	14	13
Trade Receivables	8	14	19	21	23
Cash and Cash Equivalents	111	155	199	306	470
Loans and Advances	27	17	18	17	23
Other Assets	5	6	4	42	51
TOTAL ASSETS	**1107**	**1281**	**1343**	**1447**	**1614**

Samvat 2079 Portfolio Review

Our team curated an extensive portfolio after thorough research & analysis. The performance so far has been phenomenal, beating the market indices, having an **average peak return of 22.76%.**

Stay invested for further Gains!

Sr. No.	Company Name	Reco price as on 19th Oct 2022	CMP as on 17th Jan 2023	Return as on (%)	Peak Attained	Peak % Return
1	ITC Ltd.	346	331	-4.34%	361	4.34%
2	Tata Motors	402	418	3.98%	441	9.70%
3	Bharat Electronic Ltd	105	102	-2.86%	112	6.67%
4	UPL Ltd	676	720	6.51%	807	19.38%
5	Bosch Ltd	15717	17045	8.45%	17897	13.87%
6	Concor	770	697	-9.48%	828	7.53%
7	HFCL Ltd	75	72	-4.00%	88	17.33%
8	Usha Martin	133	185	39.10%	199	49.62%
9	Dodla Dairy Ltd	497	514	3.42%	527	6.04%
10	Karnataka Bank Ltd	87	151	73.56%	168	93.10%
			Portfolio AVG	11.43%		22.76%

Nifty Index

As on 19th Oct 2022	17512
As on Date	18000
Index Return	**2.79%**

Sensex

As on 19th Oct 2022	59131
As on Date	60496
Index Return	**2.31%**

PLANNING YOUR TAXES?

DON'T BURRY YOUR FUNDS IN THE LAST-MINUTE HURRY

DO'S

- Be the early bird
- Think Long term
- Look beyond Section 80C
- Factor your Financial Goals
- Diversify your Tax-Saving Investments

DON'TS

- Follow the herd
- Club Insurance & Investments
- Choose wrong product
- Invest using borrowed funds
- Invest more than what's required

For more info, please contact :
Mr Vinay Tiwari (+91-9967794884 | vinaytiwari@mehtagroup.in)

MEHTA

REWARDING RELATIONSHIPS

OUR SERVICES

BROKING

- **EQUITIES** - BSE, NSE & MSEI
- **DERIVATIVES** - NSE
- **COMMODITIES** - MCX & NCDEX
- **CURRENCY** - NSE

WEALTH MANAGEMENT

- **DEMAT SERVICES** - CDSL
- **PMS & AIF**
- **LOAN AGAINST SHARES**
- **RESEARCH ADVISORY**
- **DISTRIBUTION** - MUTUAL FUNDS/IPO/BONDS

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Msearch's Recommendation (Absolute Performance) Buy: > 20% within the next 12 Months Accumulate: 5% to 20% within the next 12 Months Sell : < -20% within the next 12 Months

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MEHTA EQUITIES LIMITED,
903, 9th Floor, Lodha Supremus, Dr.E.Moses Road, Worli Naka, Worli,Mumbai 400 018, India
Tel: +91 22 6150 7101, Fax: +91 22 6150 7102
Email: info@mehtagroup.in, Website: www.mehtagroup.in