INSTITUTIONAL RESEARCH

HSIE Results Daily

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Results Reviews

- **Shree Cement:** We maintain our REDUCE rating on Shree Cement (SRCM) with a revised TP of INR 28,700/share, owing to its expensive valuation. SRCM's standalone revenue grew 5% YoY to INR 32.1bn on healthy cement pricing and jump in power sales, while cement volume declined. EBITDA fell 11% YoY to INR 9bn due to higher energy costs and op-lev loss. Unitary EBITDA cooled off 11% YoY to INR 1,378/MT (down 7% QoQ). APAT rose 6% YoY to INR 5.8bn on a large jump in other income and lower capital charges. Working capital increased in H1, pulling down OCF. Capex spends picked up in H1, as SRCM has multiple expansions underway until FY24E.
- **Dr. Reddy's Labs:** Dr. Reddy's Q2 revenue/EBITDA/PAT beat our estimates by 12%/18%/24% due to strong growth in India and EM markets, partially led by its COVID portfolio. US business grew ~8% QoQ, led by ramp-up in existing products and new launches, including gVascepa. We expect US growth to accelerate in H2 with improved launch momentum (company guidance) and further ramp-up in gVascepa and gRevlimid (in Canada). The medium-term outlook for the US remains strong with opportunities such as gRevlimid (settled), gCopaxone, and gNuvaring in the pipeline. The Sputnik V opportunity in India stands reduced, in our view, given the vaccine penetration (booster dose/Sputnik light trials ongoing). We revise our estimates by 4%/-4% for FY22/23E to factor in the Q2 beat/margin moderation and roll forward to Sep'23E EPS to arrive at a TP of INR5,225, based on SOTP of 23x Sep'23E EPS, NPV of INR249 for gRevlimid, and INR27 for Sputnik V. Maintain ADD.
- **Cadila Healthcare:** Cadila's Q2 revenue grew 3% YoY, led by decent growth in India and EMs. EBITDA margin, at 22.7%, was in line, given lower R&D and other expenses. It expects US business to grow 5% in FY23. But we are cautious on the outlook, given potential competition in its key (high-margin) product Asacol HD, which could affect pricing. Moreover, the new launches in the US are contingent on Moraiya resolution. We see limited upside in ZyCov–D vaccine, given the delay and incremental competition in the adolescent segment. We cut our FY22/23E estimates by 1%/10% to factor in the US business' tepid outlook and roll forward to Sep'23E EPS to arrive at a TP of INR525, based on 21x Sep'23 EPS (vs 22x earlier) and NPV of INR11/22 for COVID vaccine/gRevlimid. REDUCE.
- **Shriram Transport Finance Company:** Shriram Transport Finance's (SHTF) Q2FY22 earnings surprised expectations, largely on the back of marginal improvement in asset quality that necessitated lower impairment provisioning. The stressed pool (GS-II + GS-III) tapered off by 200bps sequentially to 20.6% of loans on account of an improvement in the macro environment and a steady rebound in collections and recoveries. SHTF continued its business momentum with disbursals at INR179bn (125% of pre-COVID levels) and the management is confident of achieving double-digit AUM growth by Q4FY22. With the current stock of provisions at 7.6% of AUM (GS-III PCR at 49%), we expect normalised provisioning during H2FY22. We downgrade our FY22 earnings estimates by 11% to factor in sticky credit costs and maintain ADD with a revised target price of INR1,552 (1.5x Sep'23 ABVPS).

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- **Ajanta Pharma:** Ajanta's Q2 revenue/EBITDA came in 8%/9% ahead of our expectations, primarily on account of robust growth in Indian and African businesses. EBITDA margin, at 29.7%, was broadly in line as higher other expenses were offset by savings in staff cost. The company has guided towards higher opex of ~INR2.25bn per quarter vs. the average run-rate of ~INR2bn in preceding quarters, which is likely to offset some benefits on account of operating leverage. However, the growth outlook for the branded generic business, such as the India, Africa (outperformance to continue) and US generics business (new launches led), remains strong. We expect 15%/16% revenue/EPS CAGRs over FY21-24e. We revise our EPS by 4%/-5% for FY22/23 to factor in Q2 beat/ margin moderation and roll forward to Sep'23 EPS to arrive at a TP of INR2,440/sh, based on 23x Sep'23e EPS. ADD.

- **Motilal Oswal Financial Services:** Pure broking revenue along with NII on MTF book beat estimates, driving capital markets APAT to INR1.4bn (+51% QoQ). Additionally, cash market share improved for the first time in six quarters. AMC's (ex-WM) APAT beat was driven by improved EBITDA margin and exit from GR Infra. A significant MTM gain (INR2.7bn) resulted in MOFS (excluding MOHFL) clocking an APAT of INR5.3bn (+1.8x QoQ). We raise our revenue estimates by 25/10% to factor in higher cash market share, funding book, profit from exits in PE segment, FV of PE funds, and strong response on IBEF IV fund. We upgrade the stock to ADD with a revised target price of INR1,000 (15x/25x Sep'23E broking/AMC APAT, + 0.7x/0.5x for Sep'22E treasury/MOHFL).

- **DCB Bank:** DCB Bank's (DCBB) Q2FY22 earnings were ~10% below estimates on account of muted asset growth and lower fee income traction. Asset quality witnessed healthy improvement with ~0.3% net slippages, driven by strong upgrades and recoveries in the quarter. Although the headline numbers indicate a large stressed pool (gross slippages at 6.4%, restructured book at 6.8%), DCBB's granular secured book (~95%) provides comfort on eventual low LGDs from the stressed portfolio (already evidenced in H1FY22). PCR inched up to 45%, alongside a 15% provisioning on the restructured portfolio. While asset quality remains on the mend, we opine that muted asset growth, margin compression and subdued fee income traction will continue to weigh down on return ratios. We hack our FY22/FY23 earnings estimates by 20% and 9% respectively. Maintain ADD with a revised TP of INR132 (1x Sep'23 ABVPS).

Shree Cement

Healthy margin despite weak sales volume

We maintain our REDUCE rating on Shree Cement (SRCM) with a revised TP of INR 28,700/share, owing to its expensive valuation. SRCM's standalone revenue grew 5% YoY to INR 32.1bn on healthy cement pricing and jump in power sales, while cement volume declined. EBITDA fell 11% YoY to INR 9bn due to higher energy costs and op-lev loss. Unitary EBITDA cooled off 11% YoY to INR 1,378/MT (down 7% QoQ). APAT rose 6% YoY to INR 5.8bn on a large jump in other income and lower capital charges. Working capital increased in H1, pulling down OCF. Capex spends picked up in H1, as SRCM has multiple expansions underway until FY24E.

- **Q2FY22 performance:** While cement sales volume fell 3/8% YoY/QoQ, impacted by transporters strike in late-Sep in Chhattisgarh, NSR remained strong (+6% YoY, down ~0.4% QoQ). Rising energy and packing costs and op-lev loss (lower sales despite capacity increase) drove up opex by 15% YoY. Thus, unitary EBITDA cooled off by 11% YoY to INR 1,378/MT. External power sales rebound 26% QoQ to 94mn units and, amidst the surge in spot prices, its contribution to SRCM's total revenue/EBITDA expanded to ~2/3% vs 1/0% QoQ. While revenue of its UAE subsidiary fell 26% YoY to INR 1.7bn, EBITDA rebound 94% YoY to INR 0.22bn.
- **H1FY22 performance**: A 15% volume uptick drove up H1 EBITDA by 12% YoY to INR 19.2bn. However, WC stretch by INR 6.3bn moderated OCF to INR 9.9bn. Of this, SRCM spent ~INR 8.8bn towards Capex and INR 1.5bn to repay debt. SRCM has, so far, utilised INR 8.5bn (and 1.45bn during H1FY22) from its QIP proceeds of INR 24bn (raised in Nov'19).
- **Capex update and outlook**: SRCM's 3mn MT SGU in Patas (Maharashtra) is expected by Q3FY22. In FY23E, its 4mn MT brownfield clinker plant in Chhattisgarh, 3mn MT SGU in West Bengal and 106MW captive solar power plants are expected to get operational. Thereafter, its 4/3.5mn MT clinker/cement IU in Rajasthan is expected by the end of FY24E. These will increase its clinker/cement capacities to 33/53mn MT. We maintain our EBITDA estimates, as we expect healthy demand to support cost pass-through. We increase APAT estimates for FY22/23/24E by 7/2/1% to factor in higher treasury income. Our revised TP of INR 28,700/sh is SOTP based. We value its standalone cement business at 16.5x Sep'23E EBITDA and the UAE business at 1x BV. We maintain REDUCE, owing to the expensive valuation.

Quarterly/annual financial summary (standalone)

YE Mar (INR bn)	Q2 FY22	Q2 FY21	*YoY (%)*	Q1 FY22	*QoQ (%)*	FY20	FY21	FY22E	FY23E	FY24E
Sales Vol (mn MT)	6.32	6.53	*(3.3)*	6.84	*(7.7)*	24.93	26.84	29.07	32.59	36.83
NSR (INR/MT)	4,972	4,674	*6.4*	4,992	*(0.4)*	4,568	4,651	4,722	4,787	4,889
Opex (INR/MT)	3,594	3,132	*14.8*	3,516	*2.2*	3,116	3,182	3,209	3,204	3,274
EBITDA (INR/MT)	1,378	1,542	*(10.7)*	1,476	*(6.6)*	1,452	1,469	1,514	1,574	1,612
Net Sales	32.06	30.53	*5.0*	34.49	*(7.1)*	119.04	125.88	139.37	157.78	181.86
EBITDA	8.98	10.07	*(10.8)*	10.14	*(11.4)*	36.75	39.55	44.65	51.69	59.56
APAT	5.78	5.47	*5.6*	6.62	*(12.7)*	15.70	23.12	26.53	29.69	33.27
AEPS (INR)	160.1	151.7	*5.6*	183.4	*(12.7)*	435.2	640.8	735.2	822.9	922.2
EV/EBITDA (x)						27.2	24.5	21.5	18.5	16.0
EV/MT (INR bn)						23.90	22.62	21.99	19.80	17.86
P/E (x)						65.7	44.6	38.9	34.8	31.0
RoE (%)						*13.9*	*16.4*	*16.2*	*15.9*	*15.6*

Source: Company, HSIE Research

REDUCE

CMP *(as on 29 Oct 2021)*	**INR 28,635**
Target Price	**INR 28,700**
NIFTY	**17,672**

KEY CHANGES	**OLD**	**NEW**
Rating	REDUCE	REDUCE
Price Target	INR 28,400	INR 28,700
EBITDA revision %	FY22E -	FY23E -

KEY STOCK DATA	
Bloomberg code	SRCM IN
No. of Shares (mn)	36
MCap (INR bn) / ($ mn)	1,033/13,884
6m avg traded value (INR mn)	1,409
52 Week high / low	INR 32,050/20,720

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	3.6	0.7	32.1
Relative (%)	(0.9)	(18.5)	(17.1)

SHAREHOLDING PATTERN (%)	**Jun-21**	**Sep21**
Promoters	62.55	62.55
FIs & Local MFs	10.48	10.11
FPIs	13.02	13.53
Public & Others	13.95	13.81
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Dr. Reddy's Labs

All-round beat; outlook intact

Dr. Reddy's Q2 revenue/EBITDA/PAT beat our estimates by 12%/18%/24% due to strong growth in India and EM markets, partially led by its COVID portfolio. US business grew ~8% QoQ, led by ramp-up in existing products and new launches, including gVascepa. We expect US growth to accelerate in H2 with improved launch momentum (company guidance) and further ramp-up in gVascepa and gRevlimid (in Canada). The medium-term outlook for the US remains strong with opportunities such as gRevlimid (settled), gCopaxone, and gNuvaring in the pipeline. The Sputnik V opportunity in India stands reduced, in our view, given the vaccine penetration (booster dose/Sputnik light trials ongoing). We revise our estimates by 4%/-4% for FY22/23E to factor in the Q2 beat/margin moderation and roll forward to Sep'23E EPS to arrive at a TP of INR5,225, based on SOTP of 23x Sep'23E EPS, NPV of INR249 for gRevlimid, and INR27 for Sputnik V. Maintain ADD.

- **Strong beat:** Revenue grew 18% YoY to INR58bn, as strong growth in India (+25% YoY, mid-teens ex-Sputnik vaccine), Russia/CIS (+32% YoY, seasonally strong, bevacizumab launch) and RoW (+93% YoY, volume gains in base, COVID portfolio) offset the subdued performance of PSAI business (-2% YoY, volume/price declines). Adj. EBITDA margin was at ~23% (-235bps YoY) as savings in R&D expense (-101bps YoY) offset the decline in GM (-141bps YoY, price erosion, lower export benefits) and increase in SG&A cost (+205bps QoQ, investments in digitisation, marketing spends).
- **Decent performance in US, pipeline strong:** The US revenue rose to ~USD255mn (+8% QoQ) as new launches and base business volumes offset price erosion. Dr. Reddy's expects launch momentum to improve from H2. The medium-term growth visibility remains strong with key products in the pipeline such as gCopaxone and gNuvaring awaiting approval along with potential launch of gRevlimid (litigation settled).
- **Con call highlights:** (a) US pipeline: 93 pending ANDAs, including 36 Para IVs and 23 FTFs. (b) gCopaxone: addressing FDA queries; gNuvaring: awaiting FDA response; gSuboxone: expects share to improve. (c) Biosimilars: meaningful contribution by CY24; Rituximab in phase-3 trials and 4 products in pipeline, awaiting partner to launch Peg-F upon FDA approval. (e) Facilities: FDA has issued Form 483 with eight observations to the Duvvada plant, which are product specific (PAI audit), along with a few GMP observations. (f) Molnupiravir: clinical trials are likely to conclude in next few weeks in India. (g) gVascepa – API secured for next few quarters. (h) US price erosion higher in the past few quarters than historic levels.

Financial summary

	Q2 FY22	Q2 FY21	YoY (%)	Q1 FY22	QoQ (%)	FY21	FY22E	FY23E	FY24E
Net Sales	56,548	48,967	*15.5*	49,194	*14.9*	1,89,222	2,13,971	2,36,857	2,61,933
EBITDA	12,952	12,364	*4.8*	9,512	*36.2*	45,257	46,429	54,769	61,166
EBITDA Margin	22.9	25.2	*-235bps*	19.3	*357bps*	23.9	21.7	23.1	23.4
Rep. PAT	9,920	7,623	*30.1*	5,708	*73.8*	19,058	29,477	32,959	38,665
EPS (INR)	46.7	50.5	*-7.5*	34.3	*36.2*	103.5	177.1	198.0	232.3
P/E* (x)						42.3	24.8	22.1	18.9
EV/ EBITDA* (x)						22.4	20.8	16.6	13.7
RoCE* (%)						13.2	12.7	13.9	14.5

Source: Company, HSIE Research; *Adjusted for gRevlimid and Sputnik V

ADD

CMP *(as on 29 Oct 2021)*	**INR 4,659**
Target Price	**INR 5,225**
NIFTY	**17,672**

KEY CHANGES	**OLD**	**NEW**
Rating	ADD	ADD
Price Target	INR 5,210	INR 5,225
	FY22E	FY23E
EPS %	+4%	-4%

KEY STOCK DATA	
Bloomberg code	DRRD IN
No. of Shares (mn)	166
MCap (INR bn) / ($ mn)	775/10,415
6m avg traded value (INR mn)	3,599
52 Week high / low	INR 5,650/4,135

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	(0.3)	(8.7)	(5.7)
Relative (%)	(12.9)	(27.9)	(54.9)

SHAREHOLDING PATTERN (%)	**Sep-21**	**Jun-21**
Promoters	26.72	26.73
FIs & Local MFs	21.40	15.74
FPIs	27.76	29.04
Public & Others	24.12	28.49
Pledged Shares	0.00	0.00

Source : BSE

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Cadila Healthcare

US outlook remains challenging

Cadila's Q2 revenue grew 3% YoY, led by decent growth in India and EMs. EBITDA margin, at 22.7%, was in line, given lower R&D and other expenses. It expects US business to grow 5% in FY23. But we are cautious on the outlook, given potential competition in its key (high-margin) product Asacol HD, which could affect pricing. Moreover, the new launches in the US are contingent on Moraiya resolution. We see limited upside in ZyCov–D vaccine, given the delay and incremental competition in the adolescent segment. We cut our FY22/23E estimates by 1%/10% to factor in the US business' tepid outlook and roll forward to Sep'23E EPS to arrive at a TP of INR525, based on 21x Sep'23 EPS (vs 22x earlier) and NPV of INR11/22 for COVID vaccine/gRevlimid. REDUCE.

- **In-line revenue, margins tad higher:** Revenue grew to INR38bn, led by strong India growth in India (+12% YoY, +17% YoY ex-COVID), EMs (+48% YoY, strong demand in base business, institutional sales for COVID), and consumer wellness (+12% YoY, growth across key brands), offsetting muted performance in API business (-16% YoY). EBITDA margin was at 22.7% (-44bps QoQ) as savings in R&D (-140bps QoQ) and other expenses (-280bps QoQ, lower marketing spends for Wellness) offset decline in gross margin (-237bps QoQ, COVID-led inventory provisioning, higher material cost).
- **Near-term US growth to stay tepid:** Revenue was up 3% QoQ and down 12% YoY to USD 202mn in Q2. Its Mesalamine franchise - gAsacol HD (lower Rx) and gLialda (increased competition) - too declined, but was partly offset by volume growth in existing products and new launches. Cadila launched three products, including a complex injectable (Enoxaparin, in-licensed) in the quarter. It expects Q4 sales to be lower (competition in Asacol HD) but guides for FY23 growth at ~5%, given ~50 new launches, subject to Moraiya facility's timely resolution.
- **Con call highlights:** (a) Saroglitazar – to file for PBC and NASH indications by 2023-end and FY26/27 respectively in the US. (b) CUTX 101 - rolling submission to begin from Q3, expect product to break even in the first year of launch; payback period less than 3 years. (c) US - aims to scale generic injectables business to USD250mn in 2-3 years (currently ~USD35mn). (d) Vaccines – ~10mn ZyCov-D doses/month (~25% for private market); Cadila would procure drug substance from Shilpa Medicare, and aims to scale overall vaccine portfolio to USD250mn by FY25. (e) R&D at ~8% of sales; other expenses to normalise at INR9.5bn quarterly run-rate; EBITDA margin to improve by over 80-100bps from FY23, based on certain initiatives. Net debt at INR4bn (vs. 35bn in Mar'21), Capex of INR8-9bn in FY22 (lower in FY23). (e) Moraiya expects an FDA audit in the next 1-2 quarters.

Financial summary

	2Q FY22	2Q FY21	YoY (%)	1Q FY22	QoQ (%)	FY21	FY22E	FY23E	FY24E
Net Sales	37,848	36,589	3.4	40,255	-6.0	1,51,022	1,54,451	1,63,959	1,78,751
EBITDA	8,608	8,138	5.8	9,331	-7.7	33,410	34,350	35,264	38,659
EBITDA Margin	22.7	22.2	50bps	23.2	-44bps	22.1	22.2	21.5	21.6
APAT	6,019	5,713	5.4	5,649	6.5	23,387	22,049	23,037	25,154
Adj. EPS (INR)	4.9	4.3	15.2	5.5	-10.4	22.8	21.5	22.5	24.6
P/E (x)						20.6	21.9	20.9	19.2
EV/ EBITDA (x)						16.1	14.3	13.7	12.2
RoCE (%)						12.8	11.5	11.2	11.4

Source: Company, HSIE Research, ratios adjusted for NPV of INR11/sh. for COVID vaccine and INR22/sh. for gRevlimid

REDUCE

CMP *(as on 29 Oct 2021)*	INR 503
Target Price	INR 525
NIFTY	17,672

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 585	INR 525
EPS %	FY22E	FY23E
	-1%	-10%

KEY STOCK DATA	
Bloomberg code	CDH IN
No. of Shares (mn)	1,024
MCap (INR bn) / ($ mn)	515/6,917
6m avg traded value (INR mn)	2,827
52 Week high / low	INR 674/404

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(12.1)	(10.5)	22.3
Relative (%)	(24.7)	(29.6)	(26.9)

SHAREHOLDING PATTERN (%)	Sep-21	Jun-21
Promoters	74.88	74.88
FIs & Local MFs	11.25	10.50
FPIs	4.11	4.65
Public & Others	9.76	9.97
Pledged Shares	0.00	0.00

Source : BSE

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Shriram Transport Finance Company

Cyclical proxy to favourable macro tailwinds

Shriram Transport Finance's (SHTF) Q2FY22 earnings surprised expectations, largely on the back of marginal improvement in asset quality that necessitated lower impairment provisioning. The stressed pool (GS-II + GS-III) tapered off by 200bps sequentially to 20.6% of loans on account of an improvement in the macro environment and a steady rebound in collections and recoveries. SHTF continued its business momentum with disbursals at INR179bn (125% of pre-COVID levels) and the management is confident of achieving double-digit AUM growth by Q4FY22. With the current stock of provisions at 7.6% of AUM (GS-III PCR at 49%), we expect normalised provisioning during H2FY22. We downgrade our FY22 earnings estimates by 11% to factor in sticky credit costs and maintain ADD with a revised target price of INR1,552 (1.5x Sep'23 ABVPS).

- **Muted P&L performance; CoF tailwinds to gradually accrue:** SHTF reported muted NII growth (+5% YoY), with sequentially flat NIM (6.4%) even as the benign funding environment is belatedly getting reflected in funding cost benefit for SHTF (~36bps decline on YoY basis). The rundown of surplus liquidity (~14% of AUM), combined with the delayed repricing of liabilities, is likely to reflate the margin further by up to ~30bps. The company reported strong other income of INR1.2bn (largely securitisation-driven), driving YoY PPOP growth of 9%.
- **GS-III to taper off; provisions to sustain through FY22:** SHTF reported GS-II/GS-III at 12.8%/7.8% (Q1FY22: 14.5%/8.2%) - the GS-II portfolio included a restructured loan book at ~1% of AUM. The aggregate stress pool of 21% is nearly on par with CIFC (19%) and favourable relative to MMFS (32%). The management has guided for GS-III/NS-III of 7%/4% by Q4FY22 on the back of a visible improvement in collections and recovery efforts.
- **Strong disbursements but sustainability is the key:** SHTF's disbursements in Q2FY22 were at INR148.7bn, reflecting sustained momentum for the fourth successive quarter. While the management has attributed this growth to sanctioned backlogs, price hikes in CVs, and increased demand for used CVs, we believe sustainability is key amidst softer industry growth prints.

Financial summary

(INR bn)	Q2FY22	Q2FY21	YoY (%)	Q1FY22	QoQ (%)	FY21	FY22E	FY23E	FY24E
NII	21.4	20.4	5.2	19.8	8.2	80.7	86.0	97.7	113.1
PPOP	17.2	15.8	8.9	16.7	2.5	64.0	68.4	76.5	89.4
PAT	7.7	6.8	12.7	1.7	353.8	24.9	26.8	37.8	46.9
EPS (INR)	28.7	27.8	3.3	6.6	332.4	98.3	99.8	140.5	173.5
ROAE (%)						12.6	11.2	13.5	14.7
ROAA (%)						2.0	2.0	2.6	2.9
ABVPS (INR)						662.4	795.3	973.0	1,133.0
P/ABV (x)						2.2	1.8	1.5	1.3
P/E (x)						14.6	14.4	10.2	8.3

Change in estimates

(INR bn)	FY22E			FY23E			FY24E		
	Old	New	Change	Old	New	Change	Old	New	Change
AUM	1,276	0.0%	1,397	1,403	0.4%	1,577	1,583	0.4%	1,276
NIM (%)	7.0	-10 bps	7.3	7.3	2 bps	7.6	7.6	1 bps	7.0
NII	86.0	-1.4%	97.2	97.7	0.5%	112.5	113.1	0.6%	86.0
PPOP	68.4	1.5%	74.9	76.5	2.2%	87.7	89.4	2.0%	68.4
PAT	26.8	-10.0%	37.3	36.9	-1.2%	46.2	45.0	-2.6%	26.8
Adj. BVPS (INR)	795	-1.9%	986	939	-4.8%	1,135	1,081	-4.8%	795

Source: Company, HSIE Research

ADD

CMP *(as on 29 Oct 2021)*	INR 1,436
Target Price	INR 1,552
NIFTY	17,672

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR1615	INR1552
EPS %	FY22E	FY23E
	-10%	-2%

KEY STOCK DATA	
Bloomberg code	SHTF IN
No. of Shares (mn)	269
MCap (INR bn) / ($ mn)	386/5,187
6m avg traded value (INR mn)	2,291
52 Week high / low	INR 1,588/670

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	4.8	1.4	105.4
Relative (%)	(7.9)	(17.8)	56.2

SHAREHOLDING PATTERN (%)	Jun-21	Sep-21
Promoters	25.1	25.6
FIs & Local MFs	11.7	14.7
FPIs	57.5	53.7
Public & Others	5.7	5.9
Pledged Shares	0.0	0.0

Source : BSE

Pledged shares as % of total shares

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Ajanta Pharma

Good show; outlook robust

Ajanta's Q2 revenue/EBITDA came in 8%/9% ahead of our expectations, primarily on account of robust growth in Indian and African businesses. EBITDA margin, at 29.7%, was broadly in line as higher other expenses were offset by savings in staff cost. The company has guided towards higher opex of ~INR2.25bn per quarter vs. the average run-rate of ~INR2bn in preceding quarters, which is likely to offset some benefits on account of operating leverage. However, the growth outlook for the branded generic business, such as the India, Africa (outperformance to continue) and US generics business (new launches led), remains strong. We expect 15%/16% revenue/EPS CAGRs over FY21-24e. We revise our EPS by 4%/-5% for FY22/23 to factor in Q2 beat/ margin moderation and roll forward to Sep'23 EPS to arrive at a TP of INR2,440/sh, based on 23x Sep'23e EPS. ADD.

- **Revenue beat, margin in line:** Revenue grew 24% YoY to INR8.8bn as strong growth in India (+23% YoY, outperformance across key therapies), Africa branded (+42% YoY, ~25% YoY excluding pre-order shipments), and the US (+15% QoQ, low base) offset muted growth in Asia (+6% YoY, COVID-led disruptions). EBITDA margin rose to ~30% (+26bps QoQ) as savings in staff costs (-303bps QoQ) offset decline in gross margin (-330ps QoQ, higher API costs, price erosion in the US).
- **Key therapies continue to outperform in India:** India revenue grew by 23% YoY, mainly led by market share gains, new launches, and price increases. As per the AIOCD, cardiac, ophthal, and derma outperformed the therapy growth by 13%, 17% and 13% respectively in Q2. Trade Gx sales grew to INR300mn (+25% YoY) in the quarter. The company launched five products including three first-to-market ones. Although Ajanta expects India growth to moderate in the coming quarters, it is confident of outperforming the industry growth in near to medium term.
- **Africa, US to grow in healthy double digits over next two years:** Africa branded business recovered strongly, growing 42% YoY (~25% growth excluding preorder shipment) due to strong market recovery. However, Asia business grew at a modest 6% YoY as some countries continued to face COVID-led disruptions. Ajanta expects high-teens growth in Africa and expects to outperform in Asia. Its US business grew to ~USD26mn (+15% QoQ, +28% YoY) despite pricing pressure, driven by ramp-up of existing products. It plans to file ~10 ANDAs in FY22 and ~10-15 in FY23. We expect 16%/24% sales CAGRs in Africa branded/US business over FY21-24E.
- **Con call takeaways:** (a) US - gChantix: awaiting approval; Apotex and some other competitor (possibly PAR, in our view) have already entered. (b) Guidance: GM: 74-76%, R&D: ~6% of sales, ETR: ~23% for FY22, Capex: INR2bn in FY22. (c) WC – branded Gx business: inventory days are similar in India and other EMs; receivables are higher in EMs vs. India. US generics have higher inventory and receivables vis-à-vis branded generic business.

Financial summary

	2Q FY22	2Q FY21	*YoY (%)*	1Q FY22	*QoQ (%)*	FY21	FY22E	FY23E	FY24E
Net Sales	8,848	7,159	*23.6*	7,480	*18.3*	28,897	33,635	38,412	43,823
EBITDA	2,628	2,743	*(4.2)*	2,202	*19.3*	9,986	9,763	11,542	13,755
EBITDA Margin	29.7	38.3	*-860*	29.4	*26*	34.6	29.0	30.0	31.4
APAT	1,959	1,702	*15.1*	1,738	*12.8*	6,539	7,262	8,289	10,081
Dil. EPS (INR)	22.6	19.5	*314*	20.1	*12.8*	75.1	83.9	95.8	116.5
P/E (x)						28.2	25.3	22.1	18.2
EV/ EBITDA (x)						18.0	18.0	14.7	12.0
RoCE (ex-cash) %						25.2	23.4	27.7	32.1

Source: Company, HSIE Research

ADD

CMP *(as on 29 Oct 2021)*	**INR 2,120**
Target Price	**INR 2,440**
NIFTY	**17,672**

KEY CHANGES	**OLD**	**NEW**
Rating	ADD	ADD
Price Target	INR 2,520	INR 2,440
EPS %	FY22E	FY23E
	+4%	-5%

KEY STOCK DATA	
Bloomberg code	AJP IN
No. of Shares (mn)	87
MCap (INR bn) / ($ mn)	183/2,465
6m avg traded value (INR mn)	218
52 Week high / low	INR 2,435/1,487

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	(11.5)	12.0	29.5
Relative (%)	(24.1)	(7.1)	(19.7)

SHAREHOLDING PATTERN (%)	**Sep-21**	**Jun-21**
Promoters	70.34	70.34
FIs & Local MFs	12.07	11.81
FPIs	8.72	8.94
Public & Others	8.87	8.91
Pledged Shares	9.66	10.52

Source : BSE

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Motilal Oswal Financial Services

All-round impressive quarter

Pure broking revenue along with NII on MTF book beat estimates, driving capital markets APAT to INR1.4bn (+51% QoQ). Additionally, cash market share improved for the first time in six quarters. AMC's (ex-WM) APAT beat was driven by improved EBITDA margin and exit from GR Infra. A significant MTM gain (INR2.7bn) resulted in MOFS (excluding MOHFL) clocking an APAT of INR5.3bn (+1.8x QoQ). We raise our revenue estimates by 25/10% to factor in higher cash market share, funding book, profit from exits in PE segment, FV of PE funds, and strong response on IBEF IV fund. We upgrade the stock to ADD with a revised target price of INR1,000 (15x/25x Sep'23E broking/AMC APAT, + 0.7x/0.5x for Sep'22E treasury/MOHFL).

- **Core segments: AMC (ex-WM):** Adjusted PAT was spectacular at INR1.2bn (+2x QoQ), largely on account of exit from GR Infra to the tune of INR827mn. MOAMC saw net inflows of INR8.5bn with flow being skewed towards passive schemes (net flows in MF/alternates at INR +8bn/INR 0.5bn). **Capital markets (including WM)** reported a superlative PAT of INR1.4bn (+51% QoQ, 50% beat) on the back of the following: (1) market share gains (6.3%; +67bps QoQ) in high-yielding cash ADTV; (2) strong 21% sequential growth in funding book driving net interest income +81% QoQ and (3) better-than-expected WM performance.
- **Non-core segments:** Treasury reported MTM gain on investments of INR2.7bn (vs. estimated INR0.8bn) as a consequence of fair value of PE/RE funds (INR1.3bn) being one-offs and further improvement in equity markets. **MOHFL** disbursements, at INR1.6bn, picked up (+74% QoQ) on the back of improving macro conditions and NNPA moderated to 1.4% (vs. 3.3% in Q1).
- **Outlook:** We remain positive on AMC and PE business on the back of positive flow environment and IBEF IV (estimated commitments at INR40bn) receiving a strong response. While broking volumes have remained healthy (ex-futures) after the final phase of peak margin norms, we believe that a sharp correction in equity markets can result in drying up of H2 volumes.

Financial summary: MOFS (ex-MOHFL)

(INR bn)	Q2FY22	Q2FY21	YoY(%)	Q1FY22	QoQ(%)	FY21	FY22E	FY23E	FY24E
Revenue	11.56	7.10	62.8	7.08	63.2	29.3	30.3	27.3	31.9
EBITDA	6.86	3.78	81.6	3.08	122.5	14.7	13.6	9.7	11.9
EBITDA Margin (%)	59	NM	NM	44	1581bps	50.2	45.0	35.5	37.4
APAT	5.16	2.69	92.2	2.13	142.8	12.0	10.3	7.5	9.8
P/E (x)						10.9	12.7	17.4	13.4
ROE (%)						34.6	23.2	15.0	17.5

Source: Company, HSIE Research

Estimate change

(INR bn)	FY22E			FY23E			FY24E		
	Revised	Old	*Change % / bps*	Revised	Old	*Change % / bps*	Revised	Old	*Change % / bps*
Revenues	30.28	24.22	25.0	27.34	24.95	9.6	31.88	29.66	7.5
EBITDA	13.64	9.55	42.8	9.71	8.76	10.8	11.93	11.09	7.6
EBITDA margin (%	45.0	39.4	562	35.5	35.1	39	37.4	37.4	3
APAT	10.34	7.07	46.3	7.52	6.77	11.1	9.76	9.09	7.4
RoE (%)	23.2	16.3	696	15.0	14.2	83	17.5	17.2	35

Source: Company, HSIE Research

ADD

CMP *(as on 29 Oct 2021)*	INR 916
Target Price	INR 1,000
NIFTY	17,672

KEY CHANGES	OLD	NEW
Rating	REDUCE	ADD
Price Target	INR 952	INR 1,000
EPS %	FY22E	FY23E
	+46%	+11%

KEY STOCK DATA	
Bloomberg code	MOFS IN
No. of Shares (mn)	147
MCap (INR bn) / ($ mn)	135/1,809
6m avg traded value (INR mn)	728
52 Week high / low	INR 1,188/545

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(13.5)	45.5	64.8
Relative (%)	(26.2)	26.4	15.6

SHAREHOLDING PATTERN (%)	Jun-21	Sep-21
Promoters	70.6	70.5
FIs & Local MFs	3.4	2.1
FPIs	9.7	9.3
Public & Others	16.3	18.1
Pledged Shares	0.0	0.0

Source : BSE

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DCB Bank

Limited line of sight to RoA reflation beyond 1%

DCB Bank's (DCBB) Q2FY22 earnings were ~10% below estimates on account of muted asset growth and lower fee income traction. Asset quality witnessed healthy improvement with ~0.3% net slippages, driven by strong upgrades and recoveries in the quarter. Although the headline numbers indicate a large stressed pool (gross slippages at 6.4%, restructured book at 6.8%), DCBB's granular secured book (~95%) provides comfort on eventual low LGDs from the stressed portfolio (already evidenced in H1FY22). PCR inched up to 45%, alongside a 15% provisioning on the restructured portfolio. While asset quality remains on the mend, we opine that muted asset growth, margin compression and subdued fee income traction will continue to weigh down on return ratios. We hack our FY22/FY23 earnings estimates by 20% and 9% respectively. Maintain ADD with a revised TP of INR132 (1x Sep'23 ABVPS).

- **Asset quality improving**: DCBB's GNPA/NNPA moderated marginally to 4.7%/2.6% (Q1FY22: 4.9%/2.8%). Impairment ratios improved across most segments with collection efficiencies near pre-COVID levels except in the CV segment, where collection efficiencies continue to be inferior. DCBB has witnessed healthy collection & recoveries in H1 (5% of loans) due to its largely secured book and increased focus on collections. With ~95% of loan book secured (and ~99% of restructured portfolio as secured), our forecasts are aligned to management assessment of low LGDs from the stressed pool.
- **Muted operating performance:** DCBB reported an NII decline of 3% YoY, largely due to high interest reversals, pressure on yields, and muted asset growth (+8% YoY). Fee income traction was also soft (0.6% of assets), although stronger than in previous quarters. Loan growth saw an uptick (+8% YoY, +5% QoQ), with disbursements at ~INR38.3bn (14% of loans), although sustainability is yet to be seen; loan growth has been subdued for over nine quarters and is a cause for concern, especially given the scarce deployment opportunities in the bank's core segments (MSMEs) amidst a soft economic environment. Our forecasts build in a 13% loan CAGR over FY21-24E.

Financial summary

(INR bn)	Q2FY22	Q2FY21	YoY (%)	Q1FY22	QoQ (%)	FY21	FY22E	FY23E	FY24E
NII	3.2	3.3	-3.2%	3.1	4.7%	12.9	14.0	16.1	17.8
PPOP	1.8	2.2	-22.1%	2.0	-13.0%	9.0	8.6	10.1	10.9
PAT	0.6	0.8	-21.1%	0.3	92.4%	3.4	3.1	4.5	5.2
EPS (INR)	2.1	2.6	-21.3%	1.1	91.7%	10.8	10.1	14.4	16.9
ROAE (%)						9.4	8.0	10.5	11.1
ROAA (%)						0.9	0.8	1.0	1.0
ABVPS (INR)						101.9	109.6	124.1	141.5
P/ABV (x)						0.9	0.8	0.7	0.6
P/E (x)						8.4	9.0	6.3	5.4

Change in estimates

(INR bn)	FY22E			FY23E			FY24E		
	Old	New	Change	Old	New	Change	Old	New	Change
Net advances	291	291	-0.2%	330	329	-0.2%	373	372	-0.2%
NIM (%)	3.83	3.69	-14 bps	3.95	3.89	-6 bps	3.90	3.87	-3 bps
NII	14.5	14.0	-3.4%	16.3	16.1	-1.1%	17.9	17.8	-0.7%
PPOP	9.5	8.6	-9.2%	10.5	10.1	-3.7%	11.3	10.9	-3.4%
PAT	3.9	3.1	-19.5%	4.9	4.5	-8.5%	5.5	5.2	-5.5%
Adj. BVPS (INR)	118.9	109.6	-7.9%	132.7	124.1	-6.5%	150.9	141.5	-6.2%

Source: Company, HSIE Research

ADD

CMP *(as on 29 Oct 2021)*	**INR 91**
Target Price	**INR 132**
NIFTY	**17,672**

KEY CHANGES	**OLD**	**NEW**
Rating	ADD	ADD
Price Target	INR 143	INR 132
EPS %	FY22E	FY23E
	-20%	-9%

KEY STOCK DATA	
Bloomberg code	DCBB IN
No. of Shares (mn)	311
MCap (INR bn) / ($ mn)	28/379
6m avg traded value (INR mn)	187
52 Week high / low	INR 127/75

STOCK PERFORMANCE (%)

	3M	**6M**	**12M**
Absolute (%)	(13.6)	(0.8)	17.9
Relative (%)	(26.2)	(19.9)	(31.3)

SHAREHOLDING PATTERN (%)

	Jun-21	**Sep-21**
Promoters	14.9	14.9
FIs & Local MFs	38.5	38.3
FPIs	12.2	10.9
Public & Others	34.4	35.9
Pledged Shares	0.0	0.0

Source : BSE

Pledged shares as % of total shares

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Rating Criteria

BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Rajesh Ravi	Shree Cement	MBA	NO
Keshav Lahoti	Shree Cement	CA	NO
Bansi Desai	Dr. Reddy's Labs, Cadila Healthcare, Ajanta Pharma	CFA	NO
Karan Vora	Dr. Reddy's Labs, Cadila Healthcare, Ajanta Pharma	CA	NO
Krishnan ASV	Shriram Transport Finance Company, Motilal Oswal Financial Services, DCB Bank	PGDM	NO
Deepak Shinde	Shriram Transport Finance Company, DCB Bank	PGDM	NO
Sahej Mittal	Motilal Oswal Financial Services	ACA	NO

Disclosure:

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