INSTITUTIONAL RESEARCH

HSIE Results Daily

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Result Reviews

- **DLF:** DLF reported revenue of Rs 5.5bn (-59%/-68% YoY/QoQ, 12% miss). Issuance of the possession letters got adversely affected during the lockdown and, hence, impacted revenue recognition. Rental business was impacted owing to the retail malls remaining shut due to lockdown and waivers given by DLF to tenants. Construction has recommenced at all sites, and DLF is operating at ~ 65% of pre-COVID levels. The company has not availed interest moratorium. Office segment remains robust with longer-term drivers in place and robust collections of 95%. We do believe that rental escalation may remain soft. Retail recovery will be much more protracted as its worst hit. Balance sheet remains comfortable with net D/E of ~0.1x.
- **Hindustan Petroleum Corporation:** We maintain ADD on Hindustan Petroleum (HPCL) with a price target of INR 228, owing to an expected recovery in demand for petroleum products and, subsequently, refining margins. 1Q EBITDA and APAT were 3% and 9% above estimates owing to higher-than-anticipated other income. EBITDA came to INR 44bn (vs. EBITDA of INR 16bn in 1QFY20 and an operating loss of INR 17bn in 4QFY20). Refining business' inventory gains were INR 2bn, and marketing inventory gains were INR 4bn. Forex gains stood at INR 490mn. Adjusting for these, core EBITDA stood at INR 37bn (+85/9% YoY/QoQ).

HSIE Research Team
hdfcsec-research@hdfcsec.com

HDFC securities 20 YEARS

DLF

Stable performance

DLF reported revenue of Rs 5.5bn (-59%/-68% YoY/QoQ, 12% miss). Issuance of the possession letters got adversely affected during the lockdown and, hence, impacted revenue recognition. Rental business was impacted owing to the retail malls remaining shut due to lockdown and waivers given by DLF to tenants. Construction has recommenced at all sites, and DLF is operating at ~ 65% of pre-COVID levels. The company has not availed interest moratorium. Office segment remains robust with longer-term drivers in place and robust collections of 95%. We do believe that rental escalation may remain soft. Retail recovery will be much more protracted as its worst hit. Balance sheet remains comfortable with net D/E of ~0.1x.

- **1QFY21 Highlights:** Consolidated revenue/EBITDA/PAT stood at Rs 5,486/17/(707)mn. EBITDA margin slumped to 0.3% (-1769/-1838bps YoY/QoQ). Quarterly fixed cash outgo as part of other expenses has come down by 33% to Rs 1bn vis-à-vis Rs ~1.5bn earlier run-rate, partially offsetting negative oplev. Net debt is stable at Rs 52bn, and is expected to remain at current levels till FY21; deleveraging is expected post that. Office rental collection efficiency is at ~95%. 100% rental waivers were extended to retail tenants for 1QFY21. It will come down to ~50% for 2QFY21. Retail rentals would come down to ~Rs 2.3bn in FY21 vs ~Rs 6.5bn in FY20. DLF wants to bring down debt/NOI to <4x by FY23, from ~5.3x currently.

- **Under-construction portfolio:** 95% pre-leasing has been achieved for 2.5msf Cyber Park, with ~85% fit-outs in final stages; rent commencement from 4QFY21. The focus is to complete Phase 1 of Downtown Gurgaon & Chennai, 2msf, over the next 2 years with a combined rental potential of Rs ~4bn. Development for the 1st phase of Noida IT Park has commenced. The strategy will be to pre-lease and then organise the strata sale of the leased portfolio. Chennai Block 11/12 rentals to commence from Aug-20/Apr-21.

- **Ready inventory to see delayed monetisation, new launches on track:** In a tough environment, DLF has unsold and nearing-completion inventory of Rs 89bn (vs. Rs 91bn QoQ). About ~53% high-value inventory is in DLF Phase V and, hence, it will be challenging to monetise. DLF remains committed to new launches of mid-income housing and plotted independent floors; launches of 10mn sqft being planned by FY21. DCCDL annual capex and dividend run-rate (Rs ~8-10bn each) will halve in FY21.

Financial summary

YE Mar (Rs mn)	1Q FY21	1Q FY20	YoY (%)	4Q FY20	QoQ (%)	FY19	FY20	FY21E	FY22E
Net Sales	5,486	13,312	*(58.8)*	16,942	*(67.6)*	83,661	60,828	40,289	36,260
EBITDA	17	2,397	*(99.3)*	3,167	*(99.5)*	21,415	11,351	7,273	6,428
APAT	(707)	1,183	*(159.7)*	3,889	*(118.2)*	11,911	9,928	7,774	10,990
Diluted EPS (Rs)	(0.3)	0.5	*(159.7)*	1.6	*(118.2)*	4.8	4.0	3.1	4.4
P/E (x)						29.7	35.7	45.5	32.2
EV / EBITDA (x)						22.5	34.6	56.3	63.2
RoE (%)						3.5	2.9	2.2	3.1

Source: Company, HSIE Research

BUY

CMP *(as on 06 Aug 2020)*	Rs 143
Target Price	Rs 219
NIFTY	11,200

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 224	Rs 219
EPS Change %	FY21E	FY22E
	-	-

KEY STOCK DATA	
Bloomberg code	DLFU IN
No. of Shares (mn)	2,475
MCap (Rs bn) / ($ mn)	353/4,712
6m avg traded value (Rs mn)	1,724
52 Week high / low	Rs 267/115

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	9.8	(42.1)	(15.2)
Relative (%)	(10.2)	(34.1)	(18.1)

SHAREHOLDING PATTERN (%)	Mar-20	Jun-20
Promoters	74.95	74.95
FIs & Local MFs	1.76	1.76
FPIs	18.33	18.54
Public & Others	4.96	4.75
Pledged Shares	-	-

Source : BSE

Parikshit D Kandpal, CFA
parikshitd.kandpal@hdfcsec.com
+91-22-6171-7317

Rohan Rustagi
rohan.rustagi@hdfcsec.com
+91-22-6171-7355

Chintan Parikh
chintan.parikh@hdfcsec.com
+91-22-6171-7330

Hindustan Petroleum Corporation

High marketing margins lead the way

We maintain ADD on Hindustan Petroleum (HPCL) with a price target of INR 228, owing to an expected recovery in demand for petroleum products and, subsequently, refining margins. 1Q EBITDA and APAT were 3% and 9% above estimates owing to higher-than-anticipated other income. EBITDA came to INR 44bn (vs. EBITDA of INR 16bn in 1QFY20 and an operating loss of INR 17bn in 4QFY20). Refining business' inventory gains were INR 2bn, and marketing inventory gains were INR 4bn. Forex gains stood at INR 490mn. Adjusting for these, core EBITDA stood at INR 37bn (+85/9% YoY/QoQ).

- **Refining**: Crude throughput in 1Q stood at 4.0mmt (+1/-13% YoY and QoQ). Lower utilisation at the Mumbai refinery amid the lockdown led to lower throughput. Core GRM stood at USD (0.8)/bbl vs. USD 3.3/9.3 in 1QFY20/4QFY20. GRMs declined sequentially with fall in naphtha, gas oil, gasoline and jet kero cracks. We expect crude throughput of 15.5/24.0mmt and core GRM of USD 3.5/4.0 per bbl in FY21/22E.

- **Marketing:** Domestic marketing sales volume was 7.6mmt (-25/-20% YoY/QoQ). India's petroleum product consumption contracted by 26/23% YoY/QoQ, thus demonstrating that HPCL gained market share both on an annual and sequential basis. Blended gross margin stood at INR 7.5/lit (+96/80% YoY/QoQ), but these do not seem sustainable in the near term. We expect blended gross margins to correct to INR ~4.5 per litre in FY21/22E.

- **Standalone debt**: Gross debt declined 15% sequentially and jumped 79% YoY to INR 367bn as on Jun 2020. A higher debt was taken as on Mar 2020, considering the liquidity needs amid low demand for petroleum products in 1QFY21.

- **Our SOTP target comes to INR 228/sh (5.0x Mar-22E EV/e for standalone refining, marketing and petchem businesses and 5.5x Mar-22E EV/e for pipeline business and INR 35/sh for other investments)**. The stock is currently trading at 5.0x on FY22E EPS.

Standalone financial summary

YE March (INR bn)	1Q FY21	4Q FY20	QoQ (%)	1Q FY20	YoY (%)	FY19*	FY20P*	FY21E*	FY22E*
Revenues	377	662	*(43.0)*	710	*(46.9)*	2,755	2,691	1,916	2,223
EBITDA	44	(17)	*NA*	16	*164.8*	116	47	75	121
APAT	28	0	*NA*	8	*247.0*	67	3	36	66
AEPS (INR)	18.5	(13.5)	*NA*	5.3	*247.0*	43.9	2.0	23.3	43.2
P/E (x)						4.9	107.3	9.3	5.0
EV/EBITDA (x)						4.6	14.3	9.3	5.7
RoE (%)						23.9	8.6	11.0	18.4

Source: Company, HSIE Research | *Consolidated

Consolidated change in estimates

	FY21E			FY22E		
	Old	New	*% Ch*	Old	New	*% Ch*
EBIDTA (INR bn)	75.5	75.5	-	120.7	120.7	-
AEPS (INR/sh)	23.3	23.3	-	43.2	43.2	-

Source: Company, HSIE Research

ADD

CMP *(as on 6 Aug 2020)*	**INR 216**
Target Price	**INR 228**
NIFTY	**11,200**

KEY CHANGES	**OLD**	**NEW**
Rating	ADD	ADD
Price Target	INR 229	INR 228
EPS %	**FY21E**	**FY22E**
	+0.0%	0.0%

KEY STOCK DATA	
Bloomberg code	HPCL IN
No. of Shares (mn)	1,524
MCap (Rs bn) / ($ mn)	329/4,394
6m avg traded value (Rs mn)	1,613
52 Week high / low	Rs 329/150

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	6.7	(11.2)	(14.8)
Relative (%)	(13.3)	(3.3)	(17.6)

SHAREHOLDING PATTERN (%)	**Mar-20**	**Jun-20**
Promoters	51.11	51.11
FIs & Local MFs	21.66	23.61
FPIs	17.72	16.07
Public & Others	9.51	9.21
Pledged Shares	0.00	0.00

Source : BSE

Harshad Katkar
harshad.katkar@hdfcsec.com
+91-22-6171-7319

Nilesh Ghuge
nilesh.ghuge@hdfcsec.com
+91-22-6171-7342

Divya Singhal
divya.singhal@hdfcsec.com
+91-22-6171-7348

Rutvi Chokshi
rutvi.chokshi@hdfcsec.com
+91-22-6171-7356

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
Parikshit Kandpal, CFA	DLF	CFA	NO
Rohan Rustagi	DLF	MBA	NO
Chintan Parikh	DLF	MBA	NO
Harshad Katkar	HPCL	MBA	NO
Nilesh Ghuge	HPCL	MMS	NO
Divya Singhal	HPCL	CA	NO
Rutvi Chokshi	HPCL	CA	NO

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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066 Compliance Officer: Binkle R. Oza Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600
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HDFC securities
Institutional Equities
Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,
Senapati Bapat Marg, Lower Parel, Mumbai - 400 013
Board: +91-22-6171-7330 www.hdfcsec.com