

HSIE Results Daily

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Results Reviews

- **UltraTech Cement:** UTCEM delivered yet another stellar quarter, as its 4QFY21 consolidated net sales/EBITDA/APAT soared 18/19/15% QoQ (33/51/61% YoY) to INR 144.1/36.9/18.1bn respectively. It is driven by robust 16/30% QoQ/YoY volume growth. UTCEM has further reduced debt, resulting in net debt/EBITDA of 0.55x (vs 1.8x YoY). We continue to like UTCEM for its strong volume focus along with superior margin delivery and WC controls. We maintain BUY with a higher target price of INR 7,425/share (16x Mar'23E consolidated EBITDA).
- **Cholamandalam Investment and Finance Company:** CIFIC's 4QFY21 PPOP growth (35% YoY) was below our expectations due to steep increase in operating expenses (28% YoY). Disbursements witnessed a slowdown (2% QoQ), after registering strong growth in the previous two quarters. Asset quality witnessed marginal deterioration (GNPA up by 21bps to 3.96%), although it is adequately provided for (PCR at 44.3%). We revise our FY22/FY23E earnings estimates downward by 2.6/2.9% on account of higher opex and provisioning due to the second wave of pandemic. Maintain BUY with a revised TP of INR613. CIFIC remains our top pick among NBFCs.
- **Kansai Nerolac:** KNPL's 4Q topline grew 34.7% to INR13.3bn (in-line). Decorative segment is estimated to have clocked volume/value growth of +37/32%. Performance is likely to lag market leader APNT. Industrial Coating is estimated to have clocked 39% (off a low base). GMs contracted ~410bp YoY to 34.4% (HSIE: 36%). GM miss was largely a function of higher-than expected impact of rising commodity prices. Strong cost control cushioned the impact on EBITDAM (15.3%; in-line). We've tapered down FY22/23 EPS expectations (-10/-5% resp) to account for (1) the second wave's impact on demand and (2) lower GMs due to rising RM inflation. While KNPL did take price hikes in Mar-21, they remain inadequate to cover the RM spike. Our DCF-based TP stands revised to INR625/sh (earlier INR650/sh, implying 50x FY23 P/E). Maintain BUY.
- **Navin Fluorine International:** We retain our ADD rating on NFIL with a TP of INR 3,400 on the back of (1) earnings visibility, given long-term contracts, and (2) tilt in sales mix towards high-margin high-value business. EBITDA/APAT were 13/14% below our estimates, owing to a 15% lower revenue, higher-than-expected tax outgo, offset by lower-than-expected operating expenses.

HSIE Research Team

hdfcsec-research@hdfcsec.com

UltraTech Cement

In-line strong performance; Capex plan retained

UTCEM delivered yet another stellar quarter, as its 4QFY21 consolidated net sales/EBITDA/APAT soared 18/19/15% QoQ (33/51/61% YoY) to INR 144.1/36.9/18.1bn respectively. It is driven by robust 16/30% QoQ/YoY volume growth. UTCEM has further reduced debt, resulting in net debt/EBITDA of 0.55x (vs 1.8x YoY). We continue to like UTCEM for its strong volume focus along with superior margin delivery and WC controls. We maintain BUY with a higher target price of INR 7,425/share (16x Mar'23E consolidated EBITDA).

- **4QFY21:** Grey sales volume/revenue surged 17/19% QoQ on market share gain. Utilisation firmed up to 96% (vs 83/74% QoQ/YoY). Grey NSR firmed up 2/3% QoQ/YoY. Even RMC and white/putty revenues increased 19/33% YoY to INR 6.7/5.6bn respectively. UTCEM has increased usage of imported coal to optimise fuel cost. Further, fixed costs savings led to opex falling by 2% YoY, bolstering unitary EBITDA to INR 1,328/MT (2/7% QoQ/YoY).
- **Outlook:** UTCEM's ongoing 19.5mnMT expansion would be operational by FY23/1QFY24. The company will continue to reduce debt to become a net cash company. It currently has 125MW of WHRS, which it would increase to 304MW by mid-FY24 in order to meet ~25% of its power requirement. UTCEM stands to gain ~INR 2bn from royalty savings due to a revision in the MMDR Act. The company will continue to pay out 15-20% of cash flow as dividend, going forward, with FY21 dividend at INR 37/share. UTCEM has stated that it intends to keep INR 100bn cash liquidity in hand for future inorganic opportunities. WC cycle stood at 15days vs 28days YoY, led by increased creditor days and decreased inventory days. Net debt fell 62% YoY to INR 63bn. OCF grew ~60% to INR 111bn due to increased PBT and WC controls. Capex increased by 9% to INR 18bn. FCF, hence, grew ~70% to INR 92bn. We broadly maintain our earnings estimates for FY22/23E.

Consolidated Quarterly/Annual Financial summary

YE Mar (INR bn)	4Q FY21	4Q FY20	YoY (%)	3Q FY21	QoQ (%)	FY19	FY20	FY21E	FY22E	FY23E
Sales (mn MT)*	27.8	21.4	29.6	23.9	16.3	85.8	82.5	86.4	92.9	100.5
NSR (INR/MT)*	5,186	5,063	2.4	5,135	1.0	4,851	5,142	5,177	5,177	5,280
Opex (INR/MT)*	3,857	3,922	(1.7)	3,836	0.6	3,995	4,005	3,838	3,998	4,026
EBITDA(INR/MT)*	1,328	1,140	16.5	1,299	2.3	857	1,137	1,339	1,179	1,254
Net Sales	144.1	108.5	32.7	122.6	17.5	416.1	424.3	447.3	486.3	536.8
EBITDA	36.9	24.5	50.9	31.0	19.0	73.5	93.8	115.7	114.9	132.0
APAT	18.1	11.3	60.8	15.8	14.5	25.1	38.7	55.8	53.8	67.9
AEPS (INR)	62.8	39.1	60.8	54.9	14.5	91.4	134.0	193.3	186.4	235.1
EV/EBITDA (x)						19.2	14.5	16.5	16.5	13.9
EV/MT (INR bn)						12.5	11.8	16.2	15.5	14.5
P/E (x)						47.6	30.9	33.1	34.3	27.2
RoE (%)						8.3	10.6	13.4	11.6	13.1

Source: Company, HSIE Research, * For combined grey +white/putty operations

Estimates revision

INR Bn	FY22E Old	FY22E Revised	Change %	FY23E Old	FY23E Revised	Change %
Net Sales	482.5	486.3	0.8	532.6	536.8	0.8
EBITDA	114.8	114.9	0.0	131.9	132.0	0.0
APAT	53.6	53.8	0.4	68.3	67.8	(0.7)
AEPS (INR)	185.7	186.4	0.4	236.7	235.1	(0.7)

Source: Company, HSIE Research

BUY

CMP (as on 10 May 2021)	INR 6,406
Target Price	INR 7,425
NIFTY	14,942

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 7,350	INR 7,425
EBITDA %	FY22E	FY23E
	-	-

KEY STOCK DATA

Bloomberg code	UTCEM IN
No. of Shares (mn)	289
MCap (INR bn) / (\$ mn)	1,849/24,847
6m avg traded value (INR mn)	4,336
52 Week high / low	INR 7,056/3,276

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	0.2	35.7	93.8
Relative (%)	3.7	21.3	37.3

SHAREHOLDING PATTERN (%)

	Dec-20	Mar-21
Promoters	59.97	59.96
FIs & Local MFs	14.10	13.74
FPIs	16.80	17.28
Public & Others	9.13	9.02
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

Rajesh Ravi

rajesh.ravi@hdfcsec.com
+91-22-6171-7352

Saurabh Dugar

saurabh.dugar@hdfcsec.com
+91-22-6171-7353

Cholamandalam Investment and Finance Company

A steady quarter

CIFC's 4QFY21 PPOP growth (35% YoY) was below our expectations due to steep increase in operating expenses (28% YoY). Disbursements witnessed a slowdown (2% QoQ), after registering strong growth in the previous two quarters. Asset quality witnessed marginal deterioration (GNPA up by 21bps to 3.96%), although it is adequately provided for (PCR at 44.3%). We revise our FY22/FY23E earnings estimates downward by 2.6/2.9% on account of higher opex and provisioning due to the second wave of pandemic. Maintain BUY with a revised TP of INR613. CIFC remains our top pick among NBFCs.

- **NIM remains steady, higher opex drive lower earnings:** CIFC's NIM during the quarter remained steady at 7.6%, with continued cost of funds tailwinds (~120bps sequentially), offset by interest income reversals. Employee expenses (68% YOY) witnessed a steep increase on account of deferred incentives/salary increases, along with headcount additions in the collections team, as per management.
- **Marginal deterioration in asset quality, provisioning remains elevated:** CIFC's asset quality witnessed marginal deterioration (GNPL at 3.96%) with vehicle finance GNPA inching up from 2.7% to 3% sequentially, while GNPA for home equity segment remained elevated at 7.3%. While the management has indicated improving trends in collection efficiency in its bucket 1 and bucket 2 at 99% and 95% respectively, collections in April and May have been impacted by the second wave of the pandemic. Non-tax provisions remained elevated at 3.1% (annualised) on account of COVID-related provisions (~2%). However, the company has adequately provided for its GS-II/III assets at 16.8/44.3% PCR (including COVID-related provisioning).
- **Disbursements taper off, likely to remain muted in the near term:** Disbursement momentum tapered off sequentially to 2%, after posting strong growth in 2HCY20. Slowdown was evident, particularly in used vehicles (-25% QoQ), tractors (-13% QoQ) and home equity segment (-2% QoQ). The second wave of the pandemic is likely to further slash the disbursements. We expect AUM growth of 15.4% CAGR during FY22-FY23E.

Financial summary

(INR mn)	4Q FY21	4Q FY20	YoY (%)	3Q FY21	QoQ (%)	FY20	FY21P	FY22E	FY23E
NII	12,493	9,107	37.2	12858.6	(2.8)	35,319	46,483	50,751.6	57,040
PPOP	8,279	6,140	34.8	9,956	(16.8)	24,831	33,603	37,648	42,599
PAT	2,432	427	470.1	4,089	(40.5)	10,524	15,149	21,352	24,660
EPS (INR)	3.0	0.5	469.8	5.0	(40.5)	12.1	18.5	26.0	30.1
ROAE (%)						13.8	17.1	20.3	19.5
ROAA (%)						1.63	2.19	2.74	2.84
ABVPS (INR)						84.2	94.9	123.4	150.7
P/ABV (x)						6.58	5.84	4.49	3.68
P/E (x)						45.9	30.0	21.3	18.4

Change in estimates

INR mn	FY22E			FY23E		
	Old	New	Chg	Old	New	Chg
AUM	788,651	785,228	-0.4%	898,466	891,788	-0.7%
NIM	6.98%	6.98%	0 bps	6.80%	6.80%	0 bps
NII	52,021	50,752	-2.4%	57,332	57,040	-0.5%
PPOP	38,894	37,648	-3.2%	42,884	42,599	-0.7%
PAT	21,926	21,352	-2.6%	25,389	24,660	-2.9%
ABVPS (INR)	126.9	123.4	-2.8%	155.1	150.7	-2.9%

Source: Company, HSIE Research

BUY

CMP (as on 10 May 2021)	INR 554
Target Price	INR 613
NIFTY	14,942

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 622	INR 613
EPS %	FY22E	FY23E
	-2.6%	-2.9%

KEY STOCK DATA

Bloomberg code	CIFC IN
No. of Shares (mn)	820
MCap (INR bn) / (\$ mn)	454/6,107
6m avg traded value (INR mn)	2,647
52 Week high / low	INR 601/120

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	18.5	77.3	284.6
Relative (%)	22.0	62.9	228.1

SHAREHOLDING PATTERN (%)

	Dec-20	Mar-21
Promoters	51.6	51.6
FIs & Local MFs	24.8	22.8
FPIs	13.2	16.5
Public & Others	10.4	9.1
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

Krishnan ASV

venkata.krishnan@hdfcsec.com
+91-22-6171-7314

Deepak Shinde

deepak.shinde@hdfcsec.com
+91-22-6171-7323

Punit Bahlani

punit.bahlani@hdfcsec.com
+91-22-6171-7354

Kansai Nerolac

Raw material cost pressure palpable

KNPL's 4Q topline grew 34.7% to INR13.3bn (in-line). Decorative segment is estimated to have clocked volume/value growth of +37/32%. Performance is likely to lag market leader APNT. Industrial Coating is estimated to have clocked 39% (off a low base). GMs contracted ~410bp YoY to 34.4% (HSIE: 36%). GM miss was largely a function of higher-than expected impact of rising commodity prices. Strong cost control cushioned the impact on EBITDAM (15.3%; in-line). We've tapered down FY22/23 EPS expectations (-10/-5% resp) to account for (1) the second wave's impact on demand and (2) lower GMs due to rising RM inflation. While KNPL did take price hikes in Mar-21, they remain inadequate to cover the RM spike. Our DCF-based TP stands revised to INR625/sh (earlier INR650/sh, implying 50x FY23 P/E). Maintain BUY.

- 4QFY21 highlights:** Revenue grew 34.7% YoY to Rs. 13.3bn (in-line). Decorative business grew 37/32% (HSIE) in volume/value terms and industrial business grew by 39% (off a low base). Recovery was strong across price points in decorative segment courtesy strong recovery in metros and healthy rural demand. For FY21, dealer base remained stagnant. While GMs contracted ~410bp YoY to 34.4% (HSIE: 36%), strong cost control cushioned the impact on EBITDAM (15.3%; +235bp; in-line). 2-yr Adj PAT CAGR stands at a reasonable 17% for 4Q. Note: RM pressure is palpable as can be seen in the deteriorating working capital position. CC cycle is up from 83 days (FY20) to 90 days (FY21).
- Outlook:** The double whammy of (1) demand impact, courtesy the second COVID-19 wave and (2) runaway RM inflation is likely impact KNPL the most within the top-tier paint companies, given its industrial-heavy revenue skew. Hence, we have tapered down our FY22/23 EPS expectations (-10/-5% resp). Our DCF-based TP stands revised to INR625/sh (earlier INR650/sh, implying 50x FY23 P/E). Maintain BUY (note that TP change mimics EPS change).

Quarterly financial summary

(INR mn)	4Q FY21	4Q FY20	YoY (%)	3Q FY21	QoQ (%)	FY19	FY20	FY21E	FY22E	FY23E
Net Revenue	14,596	10,801	35.1	15,926	(8.4)	54,243	52,800	50,743	57,090	65,070
EBITDA	2,135	1,342	59.0	3,044	(29.9)	7,525	8,045	8,633	8,991	10,851
APAT	1,243	635	95.7	2,038	(39.0)	4,477	5,158	5,257	5,534	6,703
EPS (Rs)	2.3	1.2	95.7	3.8	(39.0)	8.3	9.6	9.8	10.3	12.4
P/E (x)						66.0	57.3	56.2	53.4	44.1
EV/EBITDA (x)						40.6	37.9	35.4	34.1	28.2
Core RoCE(%)						12.8	13.6	12.6	12.3	13.9

Source: Company, HSIE Research, Standalone Financials

Change in estimates

(INR mn)	FY21E			FY22E			FY23E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	50,743	49,901	1.7	57,090	59,244	(3.6)	65,070	67,144	(3.1)
Gross Profit	19,277	19,695	(2.1)	20,839	23,057	(9.6)	24,484	25,981	(5.8)
Gross Profit Margin(%)	38.0	39.5	(148 bps)	36.5	38.9	(242 bps)	37.6	38.7	(107 bps)
EBITDA	8,633	8,615	0.2	8,991	9,807	(8.3)	10,851	11,301	(4.0)
EBITDA margin (%)	17.0	17.3	(25 bps)	15.7	16.6	(80 bps)	16.7	16.8	(16 bps)
APAT	5,257	5,340	(1.6)	5,534	6,158	(10.1)	6,703	7,087	(5.4)
APAT margin (%)	10.4	10.7	(34 bps)	9.7	10.4	(70 bps)	10.3	10.6	(25 bps)
EPS (Rs)	9.8	9.9	(1.6)	10.3	11.4	(10.1)	12.4	13.2	(5.4)

Source: HSIE Research

BUY

CMP (as on 10 May 2021) INR 566

Target Price INR 625

NIFTY 14,942

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 650	INR 625
	FY22E	FY23E
EPS %	-10.1	-5.4

KEY STOCK DATA

Bloomberg code	KNPL IN
No. of Shares (mn)	539
MCap (INR bn) / (\$ mn)	305/4,100
6m avg traded value (INR mn)	186
52 Week high / low	INR 680/333

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(3.5)	7.8	57.4
Relative (%)	0.1	(6.5)	1.0

SHAREHOLDING PATTERN (%)

	Dec-20	Mar-21
Promoters	74.99	74.99
FIs & Local MFs	8.04	7.73
FPIs	4.17	3.73
Public & Others	12.80	13.55
Pledged Shares	0	0

Source : BSE

Pledged shares as % of total shares

Jay Gandhi
jay.gandhi@hdfcsec.com
+91-22-6171-7320

Navin Fluorine International

High-value business aids growth

We retain our ADD rating on NFIL with a TP of INR 3,400 on the back of (1) earnings visibility, given long-term contracts, and (2) tilt in sales mix towards high-margin high-value business. EBITDA/APAT were 13/14% below our estimates, owing to a 15% lower revenue, higher-than-expected tax outgo, offset by lower-than-expected operating expenses.

- Financial performance:** Revenue/EBITDA grew 22/25% YoY and 9/2% QoQ to INR 3,240/842mn. EBITDA margin increased by 64bps YoY to ~26% in 4Q. Revenue and EBITDA grew on the back of strong momentum in high-value business and the legacy business meeting normalcy in 2HFY21. The contribution of the high-value business to total revenue was 64% in 4QFY21 and 65% in FY21 (vs 60% in 4QFY20 and 54% in FY20).
- Segmental performance:** Specialty Chemicals (40% of revenue mix) and CRAMS (24%) business units (BU) grew 26/41% YoY to INR 1,310mn/760mn. Specialty Chemicals continues to show strong growth, driven by mix of new customers, new products, and market share gain. Strong performance in CRAMS BU was driven by new customer acquisition and repeat business from the existing ones. Although, CRAMS and Specialty Chemicals BU were impacted sequentially, owing to logistical challenges in exports fulfilment. Currently, the company is working on 20-22 new molecules in the Specialty Chemicals BU. The company's focus is on development of molecules in which it has core competencies, rather than on import substituting products.
- Exceptional items adjustment:** The following items have been excluded to arrive at an APAT of INR 540mn in 4Q: (1) marked-to-market gains of INR 8mn; (2) one-off gain of INR 6mn from sale of investments; (3) gain of INR 314mn on account of sale of shares in Convergence Chemicals Private Ltd (JV); and (4) gain of INR 348mn on account of giving up lease rights in land situated at Dahej to Navin Fluorine Advanced Sciences Ltd (100% subsidiary).
- Change in estimates:** We raised our FY22/23 EPS estimates by 1.3/1.2% to INR 61.2/76.6, to account for the overall performance in FY21.
- DCF-based valuation: Our target price is INR 3,400 (WACC 10%, terminal growth 4%). The stock is trading at 42.1x FY23E EPS.**

Financial Summary (Standalone)

INR mn	4Q FY21	3Q FY21	QoQ (%)	4Q FY20	YoY (%)	FY19*	FY20*	FY21P*	FY22E*	FY23E*
Net Sales	3,240	2,966	9.2	2,650	22.3	9,959	10,616	11,794	13,809	17,862
EBITDA	842	823	2.3	672	25.3	2,184	2,635	3,093	3,888	5,096
APAT	540	557	(3.0)	2,679	(79.8)	1,372	3,855	2,216	3,030	3,790
AEPS (INR)	10.9	11.3	(2.9)	54.2	(79.8)	27.7	77.9	44.8	61.2	76.6
P/E (x)						116.2	41.4	72.0	52.7	42.1
EV/EBITDA(x)						72.0	59.2	49.6	39.4	29.8
RoE (%)						13.3	31.0	14.6	17.4	19.2

Source: Company, HSIE Research, *Consolidated

Change in estimates (Consolidated)

YE Mar	FY22E Old	FY22E New	% Ch	FY23E Old	FY23E New	% Ch
EBITDA (INR mn)	4,665	3,888	(16.7)	5,946	5,096	(14.3)
Adj. EPS (INR/sh)	60.5	61.2	1.3	75.7	76.6	1.2

Source: Company, HSIE Research

ADD

CMP (as on 10 May 2021)	INR 3,213
Target Price	INR 3,400
NIFTY	14,942

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 2,720	INR 3,400
EPS %	FY22E	FY23E
	+1.3%	+1.2%

KEY STOCK DATA

Bloomberg code	NFIL IN
No. of Shares (mn)	50
MCap (INR bn) / (\$ mn)	159/2,138
6m avg traded value (INR mn)	634
52 Week high / low	INR 3,659/1,390

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	26.1	29.2	123.9
Relative (%)	29.6	14.8	67.5

SHAREHOLDING PATTERN (%)

	Dec-20	Mar-21
Promoters	30.51	30.22
FIs & Local MFs	16.89	15.83
FPIs	24.53	25.10
Public & Others	28.07	28.85
Pledged Shares	0.91	0.91

Source : BSE

Nilesh Ghuge

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

Harshad Katkar

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

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
Rajesh Ravi	UltraTech Cement	MBA	NO
Saurabh Dugar	UltraTech Cement	MBA	NO
Krishnan ASV	Cholamandalam Investment and Finance Company	PGDM	NO
Deepak Shinde	Cholamandalam Investment and Finance Company	PGDM	NO
Punit Bahlani	Cholamandalam Investment and Finance Company	ACA	NO
Jay Gandhi	Kansai Nerolac	MBA	NO
Nilesh Ghuge	Navin Fluorine International	MMS	NO
Harshad Katkar	Navin Fluorine International	MBA	NO
Rutvi Chokshi	Navin Fluorine International	CA	NO

Disclosure:

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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