INSTITUTIONAL RESEARCH

HSIE Results Daily

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- **Indian Oil Corporation:** Our ADD rating on Indian Oil Corporation (IOCL) with a target price of INR 82 is premised on (1) recovery in domestic demand for petroleum products, (2) improvement in refining margins for FY23/24, and (3) gradual improvement in marketing margins over FY23-24 vis-à-vis FY22 levels.
- **DLF:** During Q1FY23, DLF booked robust presales of INR 20.4bn (+101/-25% YoY/QoQ) and maintained FY23 presales guidance of INR 80bn. During the quarter, it launched 0.7msf, with 7.6msf in pipeline for FY23 (6msf launched in FY22). In value terms, for Q2/Q3/Q4FY22, launches worth INR 20/25/20-25bn are in the pipeline. New products contributed 75% to sales in Q1FY23 and are expected to be EBITDA margin accretive at 50% plus. Collections were subdued at INR 10bn and are expected to improve from Q3FY23, with significant ramp-up in business activity. DCCDL, rental income improved to INR 9.3bn (+20%/+7% YoY/QoQ), with occupancy flat at 88%. The occupancy is expected to increase to mid-90s within the next twelve months, with FY23/24 rental income exit run-rate improving to INR 44bn/49bn. Given that there are (1) price hikes in premium projects; (2) robust launch plans; and (3) expected increase in office occupancy levels, we maintain BUY on DLF, with a TP of INR 450/share.
- **DCB Bank:** DCB Bank's earnings were significantly ahead of our estimates, driven largely by strong traction in loan growth (+17% YoY) and lower credit costs (50bps - annualised), partially offset by elevated opex intensity. While gross slippages surged to ~8.3%, driven by the gold loans and KCC portfolio (Q4FY22: 5.5%), healthy upgrades/recoveries led to a marginal 10bps sequential improvement in GNPA, to 4.2%. Stress pool continues to remain sticky (NNPA + restructured book at ~8% of loans); however, management reiterated credit costs to remain range-bound (~50-60bps) on the back of improving collection efficiency and a granular and secured loan book (~95%). With stubborn stress pool and elevated opex intensity for driving business throughput, we see limited near-term levers to reflation in return ratios. We trim our FY23/FY24 earnings estimates by 7%/5% to factor in NIM moderation and maintain ADD with a revised TP of INR126 (0.9x Mar-24 ABVPS).

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Indian Oil Corporation

Marketing losses erode refining gains

Our ADD rating on Indian Oil Corporation (IOCL) with a target price of INR 82 is premised on (1) recovery in domestic demand for petroleum products, (2) improvement in refining margins for FY23/24, and (3) gradual improvement in marketing margins over FY23-24 vis-à-vis FY22 levels.

- Reported EBITDA stood at INR 17bn (-85% YoY, -86% QoQ), 40% below our estimates, affected by high other expenses. IOCL reported higher-than-expected loss of INR 20bn (HSIE: INR 10bn loss), owing to very weak performance from the marketing segment. Losses were offset by above-estimate GRMs, refinery inventory gains and higher throughput. Reported GRM stood at USD 31.8/bbl (HSIE: USD 23.2/bbl), while core GRM was at USD 25.3/bbl (HSIE: USD 17.8/bbl).
- **Refining:** Crude throughput in Q1 was 1% above estimate at 18.9mmt (+13% YoY and +4% QoQ). Capacity utilisation stood at 108.4%. Reported GRM stood at USD 31.8/bbl vs USD 18.5/bbl in Q4FY22 and USD 6.6/bbl in Q1FY22. Our derived refining EBITDA, at INR 239bn (+9.6x YoY, +2.2x QoQ), improved substantially, driven by higher GRMs and throughput. We estimate core GRMs for IOCL at USD 9.5/8.8 per bbl in FY23/24E.
- **Marketing:** Domestic marketing sales volume stood at 21.3mmt (+23% YoY), while exports were at 1.7mmt (+6% YoY). Derived marketing EBITDA loss stood at INR 254bn, impacted by weak marketing margins and likely higher inventory loss on account of excise duty cut on petrol/diesel. We expect blended gross margins of INR 3/3.5 per liter in FY23/24E.
- **Updates**: (1) IOCL's gross debt, as of Jun-22 end, stood at INR 1,089bn, (+27% YoY, -1.7% QoQ). (2) A forex loss of INR 29bn was reported in Q1.
- **Change in estimates**: We cut our FY23/24 EPS estimates by 6/4% to INR 12.5/14.2 to factor in lower marketing margin estimates; however, the same was offset marginally by higher crude throughput estimates.
- **Our SOTP target, at INR 82/sh, is based on 5x Mar-24E EV/e for standalone refining and petchem businesses, 6x Mar-24E EV/e for marketing business and pipeline business respectively, and INR 23/sh for other investments. The stock is currently trading at 5.1x on FY24E EPS. Maintain ADD.**

Standalone financial summary

YE March (INR bn)	Q1 FY23	Q4 FY22	QoQ (%)	Q1 FY22	YoY (%)	FY20*	FY21*	FY22P*	FY23E*	FY24E*
Revenue	2,243	1,773	26.5	1,187	89.0	4,838	3,639	5,893	6,753	6,337
EBITDA	17	118	(85.9)	111	(85.0)	162	417	475	368	410
APAT	(20)	60	(133.1)	59	(133.5)	(159)	228	250	171	196
AEPS (INR)	(1.4)	4.4	(133.1)	4.3	(133.5)	(3.3)	15.7	18.4	12.5	14.2
P/E (x)						(22.0)	4.6	4.0	5.9	5.1
EV / EBITDA (x)						13.3	4.7	4.7	5.9	5.2
RoE (%)						(15.3)	22.0	20.4	12.2	12.8

Source: Company, HSIE Research | *Consolidated

Change in estimates (consolidated)

	FY23E			FY24E		
	Old	New	Ch%	Old	New	Ch%
EBITDA (INR bn)	382	368	(3.7)	422	410	(2.8)
AEPS (INR/sh)	13.2	12.5	(5.8)	14.9	14.2	(4.3)

Source: Company, HSIE Research

ADD

CMP *(as on 29 Jul 2022)*	INR 73
Target Price	INR 82
NIFTY	17,158

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 90	INR 82
EPS change	FY23E	FY24E
	-5.8%	-4.3%

KEY STOCK DATA	
Bloomberg code	IOCL IN
No. of Shares (mn)	14,121
MCap (INR bn) / ($ mn)	1,030/13,843
6m avg traded value (INR mn)	1,612
52 Week high / low	INR 95/68

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(13.2)	(11.8)	5.3
Relative (%)	(14.0)	(12.5)	(4.0)

SHAREHOLDING PATTERN (%)	Mar-22	Jun-22
Promoters	51.50	51.50
FIs & Local MFs	11.43	11.62
FPIs	8.36	8.17
Public & Others	28.71	28.71
Pledged Shares	0.0	0.0

Source : BSE

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DLF

In-line performance

During Q1FY23, DLF booked robust presales of INR 20.4bn (+101/-25% YoY/QoQ) and maintained FY23 presales guidance of INR 80bn. During the quarter, it launched 0.7msf, with 7.6msf in pipeline for FY23 (6msf launched in FY22). In value terms, for Q2/Q3/Q4FY22, launches worth INR 20/25/20-25bn are in the pipeline. New products contributed 75% to sales in Q1FY23 and are expected to be EBITDA margin accretive at 50% plus. Collections were subdued at INR 10bn and are expected to improve from Q3FY23, with significant ramp-up in business activity. DCCDL, rental income improved to INR 9.3bn (+20%/+7% YoY/QoQ), with occupancy flat at 88%. The occupancy is expected to increase to mid-90s within the next twelve months, with FY23/24 rental income exit run-rate improving to INR 44bn/49bn. Given that there are (1) price hikes in premium projects; (2) robust launch plans; and (3) expected increase in office occupancy levels, we maintain BUY on DLF, with a TP of INR 450/share.

- **Financial highlights:** Revenue was INR 14.4bn (+26.5%/-6.8% YoY/QoQ, a beat of 2.8%). EBITDA was INR 4.1bn (+4.6%/+12.5% YoY/QoQ, a 2.8% beat). EBITDA margin came in at 28.7% (-601 bps/+494 bps YoY/QoQ, in line with est.). The share of profits & associates and JVs: INR 2.1bn (+57%/+16% YoY/QoQ). APAT came in at INR 4.7bn (+39%/+15.7% YoY/QoQ, a 4.3% beat). DCCDL revenue - INR 12.6bn (+21%/+5.8% YoY/QoQ); EBITDA - INR 9bn (+18%/+6.7% YoY/QoQ); and PAT - INR 2.9bn (+60%/+11.4% YoY/QoQ).
- **Robust presales; new products margin accretive:** Presales for Q1FY23, at INR 20.4bn (+101%/-25% YoY/QoQ), were robust, with Camellias bookings at INR 3.5bn (INR 5.9bn in Q4FY22) and One Midtown at INR 5.9bn (INR 12.5bn in Q4FY22). DLF has maintained its residential presales guidance of INR 80bn presales for FY23. The DCCDL office portfolio collection was at 100%, with occupancy flat at 88%. It is expected to reach mid-90s in the next twelve months, with SEZ bill expected in the current monsoon session of Parliament. Downtown Gurugram Ph-1 received OC during the quarter, with rental expected to start in Oct-22. The rental run-rate is expected at INR 180-190mn per month. Downtown Chennai is expected to go live by mid-FY24, with rental expected by Q3FY24. Residential segment EBITDA margin is targeted at 35% plus. EBITDA margin for Floors launched during the quarter was over 55% and new products to be launched in Q3FY23 are expected to be margin accretive, with an EBITDA margin upwards of 60%.
- **Robust balance sheet; collections to ramp up:** DLF generated cash surplus of INR 4.2bn, which helped reduce net debt to INR 22.6bn, as of Jun-22, vs. INR 26.8bn, as of Mar-22; net D/E at 0.06x (vs. 0.07x at Mar-22 end). Net debt at DCCDL level decreased to INR 188bn vs INR 190bn, as of Mar-22. Collection during the quarter was INR 10.7bn (+59%/-18% YoY/QoQ). As construction ramps up, DLF expects collection to show improvement from Q3FY23. Capex in DCCDL is expected at INR 12-15bn in next three-five years.

Consolidated financial summary (INR mn)

Particulars	Q1FY23	Q1FY22	YoY (%)	Q4FY22	QoQ (%)	FY21	FY22	FY23E	FY24E
Net Sales	14,416	11,395	*26.5*	15,473	*(6.8)*	54,141	57,174	66,402	67,383
EBITDA	4,137	3,954	*4.6*	3,675	*12.5*	14,178	17,426	19,956	20,313
APAT	4,692	3,372	*39.2*	4,055	*15.7*	11,538	16,664	20,383	22,035
EPS (INR)	1.9	1.4	*39.2*	1.6	*15.7*	4.4	6.3	8.2	8.9
P/E (x)						87.4	60.9	46.9	43.4
EV/EBITDA (x)						71.1	56.6	49.5	48.1
RoE (%)						3.1	4.2	5.5	5.7

Source: Company, HSIE Research

BUY

CMP *(as on 29 Jul 2022)*	INR 386
Target Price	INR 450
NIFTY	17,158

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 450	INR 450
EPS Change %	FY23E	FY24E
	-	-

KEY STOCK DATA	
Bloomberg code	DLFU IN
No. of Shares (mn)	2,475
MCap (INR bn) / ($ mn)	955/12,838
6m avg traded value (INR mn)	2,350
52 Week high / low	INR 450/295

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	3.8	2.0	13.5
Relative (%)	2.9	1.4	4.2

SHAREHOLDING PATTERN (%)	Mar-22	Jun-22
Promoters	74.95	74.95
FIs & Local MFs	3.14	4.56
FPIs	15.39	14.93
Public & Others	6.52	5.56
Pledged Shares	-	-

Source: BSE

Pledged shares as % of total shares

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DCB Bank

Elevated opex intensity frustrates RoA reflation

DCB Bank's earnings were significantly ahead of our estimates, driven largely by strong traction in loan growth (+17% YoY) and lower credit costs (50bps - annualised), partially offset by elevated opex intensity. While gross slippages surged to ~8.3%, driven by the gold loans and KCC portfolio (Q4FY22: 5.5%), healthy upgrades/recoveries led to a marginal 10bps sequential improvement in GNPA, to 4.2%. Stress pool continues to remain sticky (NNPA + restructured book at ~8% of loans); however, management reiterated credit costs to remain range-bound (~50-60bps) on the back of improving collection efficiency and a granular and secured loan book (~95%). With stubborn stress pool and elevated opex intensity for driving business throughput, we see limited near-term levers to reflation in return ratios. We trim our FY23/FY24 earnings estimates by 7%/5% to factor in NIM moderation and maintain ADD with a revised TP of INR126 (0.9x Mar-24 ABVPS).

- **Strong disbursals drive credit growth; sustainability is key:** DCBB reported healthy NII growth (+21% YoY), led by strong loan growth (+17% YoY), while NIMs (3.6%) were down 32bps QoQ from negative carry. Disbursals clocked in at ~INR36bn (+145% YoY, +2% QoQ), with higher share of mortgages, SME, corporate and gold portfolio. We factor in ~15% loan book CAGR over FY22-24E as we watch out for sustained improvement in disbursement trends.
- **Stressed pool remains sticky:** DCBB reported GNPA/NNPA of 4.2%/1.8% (Q4FY22: 4.3%/2%). While slippages saw a sharp uptick in gold and KCC portfolio (seasonally weak quarter), slippages in mortgage and CV portfolios have reverted to pre-COVID levels.
- **High opex to delay RoA reflation:** Cost-to-income/opex-to-assets ratio was at 64%/2.8%. While the management has guided for opex-to-assets at 2.4% in a few quarters going ahead, we opine that DCBB will need to continue investing in order to drive incremental growth as competitive intensity, particularly for deposit mobilisation, intensifies further. This is likely to prolong ROA reflation, even as credit costs have largely reverted to a steady state.

Financial summary

(INR bn)	Q1FY23	Q1FY22	YoY (%)	Q4FY22	QoQ(%)	FY21	FY22	FY23E	FY24E
NII	3.7	3.1	21.1%	3.8	-1.7%	12.9	13.6	15.8	17.5
PPOP	1.7	2.0	-17.5%	2.2	-24.8%	9.0	8.0	9.0	10.2
PAT	1.0	0.3	187.9%	1.1	-14.3%	3.4	2.9	4.1	4.7
EPS (INR)	3.1	1.1	188.0%	3.6	-14.3%	10.8	9.3	13.0	15.2
ROAE (%)						9.4	7.4	9.6	10.1
ROAA (%)						0.9	0.7	0.9	0.9
ABVPS (INR)						101.9	111.8	127.6	139.2
P/ABV (x)						0.9	0.8	0.7	0.6
P/E (x)						8.2	9.6	6.8	5.9

Change in estimates

(INR bn)	FY23E			FY24E		
	Old	New	Change	Old	New	Change
Net advances	331	333	0.6%	380	383	0.7%
NIM (%)	3.78	3.73	-5 bps	3.79	3.75	-4 bps
NII	16.0	15.8	-1.0%	17.6	17.5	-0.5%
PPOP	9.6	9.0	-5.7%	10.5	10.2	-3.0%
PAT	4.3	4.1	-6.7%	5.0	4.7	-5.0%
Adj. BVPS (INR)	129.1	127.6	-1.2%	141.7	139.2	-1.7%

Source: Company, HSIE Research

ADD

CMP *(as on 29 Jul 2022)*	INR 89
Target Price	INR 126
NIFTY	17,158

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 132	INR 126
	FY23E	FY24E
EPS %	-6.7%	-5.0%

KEY STOCK DATA	
Bloomberg code	DCBB IN
No. of Shares (mn)	311
MCap (INR bn) / ($ mn)	28/372
6m avg traded value (INR mn)	106
52 Week high / low	INR 106/68

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	11.3	5.3	(15.2)
Relative (%)	10.4	4.6	(24.5)

SHAREHOLDING PATTERN (%)

	Mar-22	Jun-22
Promoters	14.9	14.9
FIs & Local MFs	38.9	37.8
FPIs	8.9	12.5
Public & Others	37.2	34.8
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
Harshad Katkar	Indian Oil Corporation	MMS	NO
Nilesh Ghuge	Indian Oil Corporation	MBA	NO
Akshay Mane	Indian Oil Corporation	PGDM	NO
Rutvi Chokshi	Indian Oil Corporation	CA	NO
Parikshit Kandpal	DLF	CFA	NO
Manoj Rawat	DLF	MBA	NO
Manoj Kanodia	DLF	MBA	NO
Krishnan ASV	DCB Bank	PGDM	NO
Deepak Shinde	DCB Bank	PGDM	NO
Neelam Bhatia	DCB Bank	PGDM	NO

Disclosure:

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