INSTITUTIONAL RESEARCH

HSIE Results Daily

Contents

Results Reviews

- **Astral:** We maintain REDUCE on Astral, as we believe its valuation is expensive, and we revise the target price to INR 1,480/sh (30x its Mar-25E consolidated EBITDA; implied P/E 50x Mar-25E). We believe Astral's foray into new businesses (paints and bath ware) will reduce its valuation premium. In Q4FY23, its consolidated revenue rose 8/19% YoY/QoQ (strong growth across both plumbing and adhesives), while EBITDA/APAT grew by 43/47%, as margin expanded across plumbing/paints and adhesives (P&A) segments by 600/410bps YoY. Astral's Bhubaneswar plumbing plant has become operational, and it will drive volume growth in the east. The adhesive plant in Dahej is under a trial run. Astral is adding plumbing plants in Guwahati (15K MT) and Hyderabad (70K MT).
- **Oberoi Realty:** Oberoi Realty (ORL) registered presales of INR 25.5bn (including 360W INR 18.7bn under Oasis, +176% YoY). ORL has a strong launch pipeline for FY24, with a new tower expected to open up in Goregaon and a project launch in Thane (Pokhran and Kolshet) that is expected by Q3/Q4FY24 (3-4msf in Phase 1). Commerz 3 and Borivali Mall are expected to start operation by Mar/Jun'24 resp., with rental potential of INR c.5bn in Commerz 3 and INR c.3.5bn in the mall. The gross debt inched up to INR 39bn (INR 30bn in Dec'22), mainly to finance the unit sale transaction with Oasis Realty. Whilst the results seemed a bit tepid, we believe ORL will generate robust cash flows from ready-to-move-in inventory in the 360W and Mulund projects. Besides new business development outside MMR shall aid further rerating. We remain constructive on ORL and maintain BUY, with an unchanged NAV-based TP of INR 1,158/sh.
- **Jubilant FoodWorks:** Jubilant reported an operationally in-line Q4 performance. Revenue growth of 8% was largely store addition-led as LFL growth was at -0.6% (four-year CAGR improved to 4%). Pressure on margins sustained, given dual headwinds of a firm RM basket (milk and cheese) and soft consumption trend. While GM fell by 160/20bps YoY/QoQ, the impact of negative oplev was more profound on the EBITDA margin, which fell by 490/190bps YoY/QoQ to 20.1% (the lowest of the last 11 quarters). Given lower discretionary spending, we expect the margin to remain under pressure for QSR companies in the near term. On a relative basis, we prefer Jubilant and expect it to recover the fastest, given management's focus on (1) driving LFL growth by strengthening value offering; (2) improving cost efficiency and productivity (project Vijay); (3) elevating customer experience (particularly dine-in); (4) long-term strategic initiatives (commissary); and (5) calibrated network expansion. All the same, near-term weakness will sustain. We maintain our EPS estimates and value Jubilant at 55x P/E on Jun'25 EPS to arrive at a TP of INR 475. Maintain ADD.
- **Devyani International:** Mirroring its sister franchisee, Devyani reported an operationally weak Q4FY23 performance on moderating SSSG. Revenue growth of 28% YoY was led by 33% store addition. SSSG was weak for both KFC/PH at +2/-3% (Sapphire: +2/-4%) due to a tough demand environment. Negative oplev due to weak SSSG led to margin pressure across the business. Devyani's KFC/PH ROM fell 220/490bps QoQ to 17.5/9.3% (Sapphire 110/530bps to 19/8.6%; JUBI 230bps to c.18%). Management has maintained its medium-term guidance of mid-single-digit SSSG growth and 300 stores

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addition. In the near term, we expect decelerating trend to continue with sustained pressure on operating margin. We maintain our EPS estimates and value Devyani at 50x P/E on Jun'25 EPS to arrive at a TP of INR 115. Maintain REDUCE.

- **LIC Housing Finance:** LICHF reported a mixed set of results with sharp reflation in margins driving a beat on our earnings estimates, partly offset by muted disbursals in individual home loans and a rise in early delinquencies. NIMs reflated sharply (50bps QoQ) to 2.93% (FY23: 2.41%), primarily driven by improving spreads (210bps loan repricing benefit during FY23). While the GS-III declined sequentially by ~40bps, early delinquencies shot up, and are likely to stabilise by Q1FY24, as guided by the management. Disbursals were muted (-17% YoY, -0.5% QoQ), as weakness in individual home loans (-24% YoY) was offset by strong traction in project loan disbursals. LICHF is likely to continue facing a trade-off between growth and margins in an elevated competitive intensity environment. We marginally revise our FY24E earnings estimates upwards to factor in stronger margins and maintain REDUCE, with a revised RI-based TP of INR360 (0.8x Mar-25 ABVPS).

- **Kajaria Ceramics:** We maintain BUY on Kajaria Ceramics (KJC) with an unchanged target price of INR 1,310/share (21x its Mar'25E consolidated EBITDA, 35x implied PE). We believe KJC will continue to get a premium valuation, driven by its strong brand positioning and distribution, which are driving its market share gain. Gas price cool-off should also lead to a margin rebound in FY24E. In Q4FY23, KJC delivered a healthy 8% YoY tiles volume growth (5-year CAGR: +7%). Gas price correction drove 240bps EBITDA margin recovery QoQ to 14.6%.

- **Teamlease Services:** Teamlease reported revenue growth of 0.9% QoQ (-0.8% vs estimate), with margin growing ~9bps QoQ (+16bps vs estimate). The closure of the NEEM program in Dec-22 impacted the NETAP trainee headcount, the full impact of which will be visible by Q2FY24. The general staffing volume growth (net addition of ~29k in FY23) was led by a strong hiring uptick in the consumer goods and financial services sectors, a trend that is likely to continue in FY24E. General staffing PAPM has been under pressure (Q4FY23: INR 680, a decline of 4% YoY) due to the fixed markup model. However, we expect PAPM to stabilise at current levels. Specialised staffing is impacted by the hiring freeze in the IT sector and the HR services margin is in a recovery mode. The company will rationalise its core headcount and realign the cost structure to offset the NETAP impact. We cut our EPS estimates by ~4/3% for FY24/25E, but have raised the multiple, given continued volume growth (ex-NETAP), margin stability and buyback support. We maintain ADD, with a TP of INR 2,400, based on 25x Dec-24E EPS (vs. 23x earlier).

Astral

Strong show; valuation remains expensive

We maintain REDUCE on Astral, as we believe its valuation is expensive, and we revise the target price to INR 1,480/sh (30x its Mar-25E consolidated EBITDA; implied P/E 50x Mar-25E). We believe Astral's foray into new businesses (paints and bath ware) will reduce its valuation premium. In Q4FY23, its consolidated revenue rose 8/19% YoY/QoQ (strong growth across both plumbing and adhesives), while EBITDA/APAT grew by 43/47%, as margin expanded across plumbing/paints and adhesives (P&A) segments by 600/410bps YoY. Astral's Bhubaneswar plumbing plant has become operational, and it will drive volume growth in the east. The adhesive plant in Dahej is under a trial run. Astral is adding plumbing plants in Guwahati (15K MT) and Hyderabad (70K MT).

- **Q4FY23 performance:** Net sales rose 8% YoY to INR 15bn, driven by strong traction in both plumbing and P&A segments. Plumbing volume rose 15/19% YoY/QoQ. Even P&A segment revenue soared 27/14% YoY/QoQ. Margin expanded across both segments by 600/410bps YoY respectively. These led to consolidated EBITDA growth of 43% YoY. Plumbing/P&A segments' EBITDA margins rose to eight/six quarter high levels.
- **Con call KTAs and outlook:** Astral expects to deliver 12-15% volume growth in pipes; 20% revenue growth in adhesives with at least 15% EBITDA margin in FY24E. It expects to grow its topline by 15% CAGR for the next 4-5 years. The Bhubaneswar plant is fully operational. The trial run has started for the adhesives plant at Dahej. Its Guwahati plumbing plant (15K MT) is expected to get commissioned in H1FY24. It is setting up a greenfield plant at Hyderabad with a 70K MT capacity (30/40K MT by H2FY25/ H2FY26). Factoring in strong Q4 performance, we upgrade our FY24/25E EBITDA estimates by 7/6% respectively. However, we maintain our REDUCE rating, owing to its expensive valuation, which leaves little room for earnings disappointments.

Quarterly/annual financial summary (consolidated)

YE Mar (INR bn)	Q4 FY23	Q4 FY22	*YoY (%)*	Q3 FY23	*QoQ (%)*	FY21	FY22	FY23	FY24E	FY25E
Pipes sales (K MT)	54.4	47.2	*15.3*	45.9	*18.7*	136.6	149.6	177.6	202.5	228.8
EBITDA (INR/kg)	47.0	39.5	*19.1*	31.3	*50.4*	39.1	42.2	36.6	38.2	38.6
Adhesives* Rev (INR mn)	3.83	3.00	*27.4*	3.36	*13.9*	7.35	10.28	13.91	16.91	19.67
Adhesives EBITDAM (%)	15.1	11.0		12.2	15.0	15.5	13.1	13.4	14.5	14.2
Net Sales	*15.06*	*13.91*	8.3	*12.68*	18.8	*31.76*	*43.94*	*51.59*	*62.33*	*74.19*
EBITDA	3.09	2.17	*42.5*	1.86	*65.7*	6.45	7.55	8.10	10.67	12.68
EBITDAM (%)	20.5	15.6		14.7		20.3	17.2	15.7	17.1	17.1
APAT	2.08	1.41	*46.7*	0.93	*123.1*	4.04	4.84	4.58	6.48	7.89
Diluted EPS (Rs)	*7.7*	*5.3*	46.7	*3.5*	123.1	*15.1*	*18.1*	*17.0*	*24.1*	*29.3*
EV / EBITDA (x)						71.3	60.7	56.8	42.6	35.6
P/E (x)						*114.4*	95.6	100.9	71.4	58.6
RoE (%)						23.6	22.6	17.2	20.2	21.1

Source: Company, HSIE Research, * Adhesives includes paints FY23 onwards

Estimates revision summary (consolidated)

INR bn	FY24E Old	FY24E Revised	*Change %*	FY25E Old	FY25E Revised	*Change %*
Net Sales	62.04	62.33	*0.5*	73.43	74.19	*1.0*
EBITDA	9.98	10.67	*6.9*	11.95	12.68	*6.1*
APAT	5.87	6.48	*10.3*	7.26	7.89	*8.7*

Source: Company, HSIE Research

REDUCE

CMP *(as on 17 May 23)*	INR 1,720
Target Price	INR 1,480
NIFTY	18,182

KEY CHANGES	NEW	OLD
Rating	REDUCE	REDUCE
Price Target	INR 1,480	INR 1,390
EBITDA revision %	FY24E *6.9*	FY25E *6.1*

KEY STOCK DATA	
Bloomberg code	ASTRA IN
No. of Shares (mn)	269
MCap (INR bn) / ($ mn)	462/5,649
6m avg traded value (INR mn)	843
52 Week high / low	INR 1,991/1,186

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	19.8	21.6	30.8
Relative (%)	18.9	21.9	17.5

SHAREHOLDING PATTERN (%)	Dec-22	Mar-23
Promoters	55.85	55.85
FIs & Local MFs	15.23	16.50
FPIs	14.88	13.86
Public & Others	14.05	13.80
Pledged Shares	-	-
Source : BSE		

Pledged shares as % of total shares

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Oberoi Realty

New launches to drive rerating

Oberoi Realty (ORL) registered presales of INR 25.5bn (including 360W INR 18.7bn under Oasis, +176% YoY). ORL has a strong launch pipeline for FY24, with a new tower expected to open up in Goregaon and a project launch in Thane (Pokhran and Kolshet) that is expected by Q3/Q4FY24 (3-4msf in Phase 1). Commerz 3 and Borivali Mall are expected to start operation by Mar/Jun'24 resp., with rental potential of INR c.5bn in Commerz 3 and INR c.3.5bn in the mall. The gross debt inched up to INR 39bn (INR 30bn in Dec'22), mainly to finance the unit sale transaction with Oasis Realty. Whilst the results seemed a bit tepid, we believe ORL will generate robust cash flows from ready-to-move-in inventory in the 360W and Mulund projects. Besides new business development outside MMR shall aid further rerating. We remain constructive on ORL and maintain BUY, with an unchanged NAV-based TP of INR 1,158/sh.

- **Financial highlights**: Revenue: INR 9.6bn (+17%/-41% YoY/QoQ, miss by 17%). EBITDA: INR 3.7bn (+4.8%/-61% YoY/QoQ, miss by 41%). EBITDA margin: 38.3% (-437bps/-1936bps YoY/QoQ) vs our estimate of 53.8%. PBT: INR 3.3bn (+0.2%/-64% YoY/QoQ). RPAT: INR 4.8bn (+107%/-32%, YoY/QoQ). Subsequent to the retirement of Oasis JV, ORL eliminated its share of profit of INR 7bn on unsold inventory. As a result, ORL recognized a deferred tax asset of INR 1.7bn. APAT after adjusting for deferred tax asset: INR 3bn (+32%/-56%, YoY/QoQ, a miss of 30%).
- **Decent presales; Thane project launch in FY24:** For Q4FY23/FY23, ORL registered robust presales of INR 25.5/INR 51bn. Whilst the leads pipeline is strong, the management bandwidth will incrementally be used for new business development and launches. With the acquisition of Blue Star land, the ORL Pokhran, Thane RERA carpet area is now c.15msf (100% economic interest) while the Kolshet, Thane land has a RERA carpet of 2.5msf (77% economic interest). These launches are expected by Q3FY24. The initial phase launch for Pokhran will see 3-4msf of the parallel launch of a residential, international school and a five-star hotel. Apart from these, one high-end sports club and a small 0.1-0.2msf high street retail are also expected. Commerz 3 under its commercial portfolio will be operational by Mar'24 (INR 5bn annual rental expected at maximum occupancy) and the Borivali mall is expected to start by Jun'24 (INR 3.5bn annual rental expected at maximum occupancy).
- **Balance sheet position comfortable**: The consolidated gross/net debt stood at INR 39.1/30.5bn vs. INR 30.5/24.6bn as of Dec'22, with net D/E at 0.25x (vs. 0.21x as of Dec'22). This increase in debt was on account of unit purchases from Oasis Realty in the 360W project. For this transaction, ORL paid INR 36bn (incl. stamp duty). CFO was negative INR 24bn for FY23. Trade receivables were high at INR 11bn, mainly on account of pending collection from both Mulund projects, which received part OC in Dec'22.

Consolidated financial summary (INR mn)

Particulars	Q4FY23	Q4FY22	YoY(%)	Q3FY23	QoQ(%)	FY22	FY23	FY24E	FY25E
Net Sales	9,614	8,235	16.8	16,295	(41.0)	26,940	41,926	44,200	47,868
EBITDA	3,687	3,518	4.8	9,404	(60.8)	11,813	21,117	24,287	27,336
APAT	3,075	2,324	32.3	7,026	(56.2)	10,471	19,045	16,304	18,056
Diluted EPS (INR)	8.5	6.4	32.3	19.3	(56.2)	28.8	51.3	44.8	49.7
P/E (x)						31.8	17.8	20.4	18.4
EV / EBITDA (x)						29.6	16.1	13.5	12.2
RoE (%)						8.2	14.9	12.6	12.3

Source: Company, HSIE Research

BUY

CMP *(as on 17 May 23)*	INR 915
Target Price	INR 1,158
NIFTY	18,182

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,158	INR 1,158
EPS Change (%)	FY24E -	FY25E -

KEY STOCK DATA	
Bloomberg code	OBER IN
No. of Shares (mn)	364
MCap (INR bn) / ($ mn)	333/4,068
6m avg traded value (INR mn)	499
52 Week high / low	INR 1,089/726

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	6.3	3.0	9.7
Relative (%)	5.3	3.3	(3.6)

SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	67.70	67.70
FIs & Local MFs	12.46	12.10
FPIs	17.33	17.76
Public & Others	2.51	2.44
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Jubilant FoodWorks

Consumption pressure visible, in-line EBITDA

Jubilant reported an operationally in-line Q4 performance. Revenue growth of 8% was largely store addition-led as LFL growth was at -0.6% (four-year CAGR improved to 4%). Pressure on margins sustained, given dual headwinds of a firm RM basket (milk and cheese) and soft consumption trend. While GM fell by 160/20bps YoY/QoQ, the impact of negative oplev was more profound on the EBITDA margin, which fell by 490/190bps YoY/QoQ to 20.1% (the lowest of the last 11 quarters). Given lower discretionary spending, we expect the margin to remain under pressure for QSR companies in the near term. On a relative basis, we prefer Jubilant and expect it to recover the fastest, given management's focus on (1) driving LFL growth by strengthening value offering; (2) improving cost efficiency and productivity (project Vijay); (3) elevating customer experience (particularly dine-in); (4) long-term strategic initiatives (commissary); and (5) calibrated network expansion. All the same, near-term weakness will sustain. We maintain our EPS estimates and value Jubilant at 55x P/E on Jun'25 EPS to arrive at a TP of INR 475. Maintain ADD.

- **SSSG pressure was visible; a similar trend in peers:** Net revenue grew by 8% YoY (3% HSIE) to INR 12.5bn. LFL growth turned negative to 0.6% (+5.8% in Q4FY22, +0.3% in Q3FY23), while the four-year CAGR improved to 4%. Reported SSSG for Jubilant was similar to its peers in the pizza category (Sapphire/Devyani SSSG: -3/-4%). Dine-in/delivery revenue grew 12/6% YoY. Delivery mix stood at 64%, which is expected to go down as Jubilant is taking several initiatives to drive the dine-in business. We model LFL growth of 4.5%/ 7.5%/ 5.5% over FY24-26 and expect revenue to grow at 14% CAGR.
- **Store opening momentum continues:** Jubilant opened 56/249 Domino's net stores in Q4/FY23 vs. 207 stores in FY22 and 25 in FY21, a strong opening during the last 18-24 months. Domino's stores in India stand at 1,816 across 387 cities (50 cities added in FY23). Dunkin added three new coffee first stores while it closed six stores, with the total store count now at 21. Hong's Kitchen added one store (at 13 stores). Popeye's added one as well, to reach a total of 13 stores. Jubilant is looking to add 200-225 stores in FY24.
- **PBT contracted by 40% YoY:** GM contracted by 160/20bps YoY to 75.3% as milk and cheese prices remained elevated. With no planned pricing action in the near term due to demand softness, GM recovery will depend on RM normalisation. Employee/other expenses were up 9/18% YoY. EBITDA margin dipped by 490bps/190bps YoY/QoQ to 20.1% vs. HSIE's 21%. EBITDA contracted by 13%. PBT (better metric post-IND AS) declined by 40% YoY.
- **Con call and BS/CF takeaways:** (1) Demand environment is more stable (more importantly, not deteriorating). (2) Order growth remained positive. (3) No pricing action is likely in the near term. (4) Of the total stores opened, 44% were in existing cities. The split store count for FY23 stood at 83 (370 stores since FY18). (5) Bengaluru (20-min delivery) and Gurugram (store reimagining) exhibited positive LFL growth. (6) To incur a capex of INR 7-8bn in FY24. (7) In FY23, FCF stood at INR 2.4bn vs INR 5.5bn YoY.

Quarterly/annual financial summary

(INR mn)	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	12,523	11,579	8.2	13,166	(4.9)	43,961	51,582	58,367	67,481	76,653
EBITDA	2,522	2,897	(12.9)	2,900	(13.0)	11,088	11,516	12,909	15,382	17,682
APAT	745	1,237	(39.8)	976	(23.7)	4,586	4,324	4,361	5,538	6,529
EPS (INR)	1.13	1.88	(39.8)	1.48	(23.7)	7.0	6.6	6.6	8.4	9.9
P/E (x)						69.6	73.9	73.2	57.7	48.9
EV / EBITDA						38.6	37.7	35.3	28.8	24.6
RoCE (%)						23.5	16.4	16.1	18.6	21.1

Source: Company, HSIE Research

ADD

CMP *(as on 17 May 23)*	INR 481
Target Price	INR 475
NIFTY	18,182

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 475	INR 475
	FY24E	FY25E
EPS %	0%	0%

KEY STOCK DATA	
Bloomberg code	JUBI IN
No. of Shares (mn)	660
MCap (INR bn) / ($ mn)	317/3,882
6m avg traded value (INR mn)	1,090
52 Week high / low	INR 652/412

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	5.3	(12.9)	(2.9)
Relative (%)	4.4	(12.6)	(16.2)

SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	41.94	41.94
FIs & Local MFs	20.89	21.86
FPIs	26.77	25.39
Public & Others	10.40	10.81
Pledged Shares	0.70	0.70

Source : BSE

Pledged shares as % of total shares

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Devyani International

Operationally weak

Mirroring its sister franchisee, Devyani reported an operationally weak Q4FY23 performance on moderating SSSG. Revenue growth of 28% YoY was led by 33% store addition. SSSG was weak for both KFC/PH at +2/-3% (Sapphire: +2/-4%) due to a tough demand environment. Negative oplev due to weak SSSG led to margin pressure across the business. Devyani's KFC/PH ROM fell 220/490bps QoQ to 17.5/9.3% (Sapphire 110/530bps to 19/8.6%; JUBI 230bps to c.18%). Management has maintained its medium-term guidance of mid-single-digit SSSG growth and 300 stores addition. In the near term, we expect decelerating trend to continue with sustained pressure on operating margin. We maintain our EPS estimates and value Devyani at 50x P/E on Jun'25 EPS to arrive at a TP of INR 115. Maintain REDUCE.

- **Store expansion led revenue growth; weak SSSG continues:** Consolidated revenue grew by 28% YoY (21% HSIE) to INR 7.6bn. India revenue grew by 29%, which was supported by 33% store addition as SSSG was weak. KFC/PH revenue grew by 26/16% YoY (Sapphire: 24/18%) while SSSG weakened to 2/-3% (Sapphire: 2/-4%) due to demand softness. ADS declined by 6/5% YoY (down 9/9% QoQ) for KFC/PH (Sapphire: 4/9% YoY; 7/14% QoQ). Dine-in continued to do well for KFC, whereas PH saw a similar trend across both channels. Costa Coffee revenue grew 2.4x (store growth 2x; SSSG +43%) on a low base. Notwithstanding near-term pressure, management remains optimistic of mid-single digit SSSG (5-6% for KFC/ 7-8% PH) in the medium to long term. However, given the deceleration seen in discretionary demand, we bake in SSSG of 2/8/5% for KFC and 1/7/5% for PH over FY24-26. We estimate that consolidated revenue will grow at 20% CAGR over FY23-26E.
- **Store addition of +300 stores in FY24:** Devyani opened 29/126 KFC & 23/93 PH stores in Q4/FY23 (Sapphire: 16/78 KFC; 12/67 PH stores). Management aims to open 300 stores in FY24, led by KFC (>100), PH (<100) & Costa Coffee (60-70). We are building 345/225/120 KFC/PH/Costa addition over FY24-26.
- **Sharp margin contraction:** GM saw QoQ improvement on a consolidated level on softening RM basket. However, with weak SSSG, the consolidated ROM/EBITDA margin contracted by 480/190bps YoY (Sapphire: 230/260bps YoY). While KFC ROM fell by 430/220bps YoY/QoQ (Sapphire: +10/-100bps), the contraction was steep for the weaker PH brand, which saw a decline of 830/490bps YoY/QoQ (Sapphire: 290/530bps; Dominos: 490/230bps). We note that margins also had an impact of 100bps due to employee bonuses.
- **Call and BS/CF takeaways:** (1) With initial signs of stable inflation, the company hopes for a consumer demand rebound in H2FY24. (2) Store mix moving towards non-metro. Strongly believe upcoming towns will be growth drivers in the next decade. (3) In KFC, a 3.5% price was hiked in April'23 after a gap of 12 months. (4) KFC GM to revert back to 69-69.5% over the next few quarters. (5) In PH, the company conducted a menu refresh and launched 10 new pizzas and sides. No pricing action is in the offing. (6) In FY23, FCF stood at INR 2.1bn vs INR 1.4bn YoY.

Quarterly/annual financial summary

(INR mn)	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	7,550	5,907	27.8	7,906	(4.5)	20,840	29,977	36,210	43,854	51,592
EBITDA	1,513	1,433	5.6	1,739	(13.0)	4,760	6,551	7,320	9,234	11,077
APAT	606	796	(23.9)	710	(14.7)	1,715	2,770	2,036	2,513	3,244
EPS (INR)	0.50	0.66	(23.9)	0.59	(14.7)	1.4	2.3	1.7	2.1	2.7
P/E (x)						122.3	75.7	103.0	83.4	64.6
EV / EBITDA						70.2	48.2	44.5	33.6	27.1
RoCE (%)						19.4	19.3	13.4	14.1	16.3

Source: Company, HSIE Research

REDUCE

CMP *(as on 17 May 23)*	INR 174
Target Price	INR 115
NIFTY	18,182

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 115	INR 115
EPS %	FY24E	FY25E
	0%	0%

KEY STOCK DATA	
Bloomberg code	DEVYANI IN
No. of Shares (mn)	1,205
MCap (INR bn) / ($ mn)	210/2,569
6m avg traded value (INR mn)	358
52 Week high / low	INR 215/134

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	13.6	(5.1)	8.7
Relative (%)	12.7	(4.8)	(4.6)

SHAREHOLDING PATTERN (%)	Dec-22	Mar-23
Promoters	62.80	62.80
FIs & Local MFs	7.88	9.67
FPIs	14.70	18.46
Public & Others	14.62	9.07
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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LIC Housing Finance

One step forward, three steps back; running in circles

LICHF reported a mixed set of results with sharp reflation in margins driving a beat on our earnings estimates, partly offset by muted disbursals in individual home loans and a rise in early delinquencies. NIMs reflated sharply (50bps QoQ) to 2.93% (FY23: 2.41%), primarily driven by improving spreads (210bps loan repricing benefit during FY23). While the GS-III declined sequentially by ~40bps, early delinquencies shot up, and are likely to stabilise by Q1FY24, as guided by the management. Disbursals were muted (-17% YoY, -0.5% QoQ), as weakness in individual home loans (-24% YoY) was offset by strong traction in project loan disbursals. LICHF is likely to continue facing a trade-off between growth and margins in an elevated competitive intensity environment. We marginally revise our FY24E earnings estimates upwards to factor in stronger margins and maintain REDUCE, with a revised RI-based TP of INR360 (0.8x Mar-25 ABVPS).

- **Sharp improvement in P&L outcomes:** LICHF reported healthy NII/PPoP growth of 16%/15% YoY, driven by a sharp reflation in NIMs. While the reflation in assets yields was driven by transmission in benchmark rates, the marginal funding cost spiked but appears to have peaked, as per management. Credit costs were approaching steady-state levels at 50bps.
- **GNPAs moderate further; early delinquencies rise:** GS-III declined QoQ to 4.37% (Q3FY23: 4.75%) on the back of strong recoveries and write-offs (~50bps annualised). GNPA for the non-housing commercial and project loans stayed elevated at 22%/40%. The sharp spike in project loan disbursals remains a key monitorable, especially given LICHF's delinquency history in this segment.
- **Sustained growth-profitability trade-off in core business:** LICHF's core mortgage business remains highly competitive with peers growing at a faster clip, which is incrementally reflecting in muted disbursal traction. Case in point: while margins improved during the Mar-23 quarter, growth slowed considerably; we expect this trade-off to sustain, leaving limited room for earnings and valuation upgrades.

Financial Summary

(INR bn)	Q4FY23	Q4FY22	YoY(%)	Q3FY23	QoQ(%)	FY22	FY23	FY24E	FY25E
NII	19.9	16.4	*21.5*	16.1	*23.9*	55.3	63.3	66.7	72.2
PPOP	17.5	14.9	*17.4*	13.6	*29.2*	47.7	55.0	57.8	62.2
PAT	11.8	11.2	*5.9*	4.8	*147.6*	22.9	28.9	35.0	39.5
EPS (INR)	21.5	21.1	*1.7*	8.7	*145.8*	41.6	52.6	63.6	71.9
ROAE (%)						10.1%	11.2%	12.3%	12.5%
ROAA (%)						0.9%	1.1%	1.2%	1.2%
ABVPS (INR)						328.6	372.0	419.0	472.1
P/ABV (x)						1.1	1.0	0.9	0.8
P/E (x)						8.9	7.0	5.8	5.1

Change in estimates

(INR bn)	FY24E			FY25E		
	Old	New	Δ	Old	New	Δ
AUM	3,076	3,030	-1.5%	3,388	3,338	-1.5%
NIM (%)	2.1	2.2	13 bps	2.1	2.2	9 bps
NII	64.6	66.7	3.2%	71.4	72.2	1.2%
PPOP	56.2	57.8	2.8%	62.0	62.2	0.4%
PAT	34.1	35.0	2.7%	39.4	39.5	0.3%
Adj. BVPS (INR)	435	419	-3.7%	504	472	-6.3%

Source: Company, HSIE Research

REDUCE

CMP *(as on 17 May 23)*	**INR 370**
Target Price	**INR 360**
NIFTY	**18,182**

KEY CHANGES	**OLD**	**NEW**
Rating	REDUCE	REDUCE
Price Target	INR 345	INR 360
EPS %	FY24E	FY25E
	2.7%	0.3%

KEY STOCK DATA	
Bloomberg code	LICHF IN
No. of Shares (mn)	550
MCap (INR bn) / ($ mn)	204/2,492
6m avg traded value (INR mn)	674
52 Week high / low	INR 444/292

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	1.1	(1.5)	4.2
Relative (%)	0.2	(1.2)	(9.1)

SHAREHOLDING PATTERN (%)	**Dec-22**	**Mar-23**
Promoters	45.2	45.2
FIs & Local MFs	22.7	24.2
FPIs	19.3	17.7
Public & Others	12.7	12.9
Pledged Shares		0.0

Source : BSE

Pledged shares as % of total shares

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Kajaria Ceramics

Healthy demand and margin outlook

We maintain BUY on Kajaria Ceramics (KJC) with an unchanged target price of INR 1,310/share (21x its Mar'25E consolidated EBITDA, 35x implied PE). We believe KJC will continue to get a premium valuation, driven by its strong brand positioning and distribution, which are driving its market share gain. Gas price cool-off should also lead to a margin rebound in FY24E. In Q4FY23, KJC delivered a healthy 8% YoY tiles volume growth (5-year CAGR: +7%). Gas price correction drove 240bps EBITDA margin recovery QoQ to 14.6%.

- **Q4FY23 performance:** KJC reported in-line performance. Consolidated revenue/EBITDA/APAT grew 9/6/17% YoY. Tiles volume/revenue rose 8/9% YoY (5-year CAGRs: 7/10%). Non-tiles revenue (bath ware/ply/adhesives: 10% revenue share) grew 12% YoY (5-year CAGR 20%). Owing to the continued cool-off in gas prices, the consolidated EBITDA margin recovered 240bps QoQ to 14.6% (50 bps lower YoY).
- **FY23 performance:** KJC reported double-digit volume growth for the second consecutive year (+11% YoY), which buoyed the 5-year CAGR to 7%. Consolidated EBITDA fell 3% YoY to INR 5.9bn on account of elevated gas prices, which could not be passed on fully. EBITDA margin fell to 13.5% (lowest in past 16 years). Lower EBITDA and increased working capital pulled down OCF by 31% YoY to INR 2.96bn. The company spent INR 2.5bn on the ongoing expansion.
- **Con call KTAs and outlook** KJC remains confident of gaining market share by delivering 13-15% tiles volume growth in FY24. It will be adding ~150 dealers each year for the next 2-3 years. The company noted that Indian tiles exports surged to INR 175bn in FY23 and it expects them to further increase to INR 200bn in FY24 (+14% YoY). Gas prices continue to fall further, down ~10% QoQ in Q1FY24. Therefore, it is confident of delivering a 14-16% EBITDA margin in FY24. During FY24E, it will be modernizing its Rajasthan plant and expanding its capacity in UP. KJC will also produce more valued added tiles from these plants. At the start of FY25E, it is expected to commission a 5.1MSM plant in Nepal (50% KJC share). It is targeting to double its consolidated revenue in the next 5-6 years. It would invest ~INR 2.5bn in annual Capex every year to drive this growth. We broadly maintain our earnings estimates.

Quarterly/annual financial summary (consolidated)

YE Mar (INR mn)	Q4 FY23	Q4 FY22	YoY (%)	Q3 FY23	QoQ (%)	FY21	FY22	FY23	FY24E	FY25E
Tiles sales (MSM)	28.0	26.0	7.9	25.5	10.1	75.4	91.7	101.7	115.4	127.7
NSR (Rs/Kg)	387	383	1.1	387	0.1	369	404	431	442	455
Tiles Revenue	10,841	9,937	9.1	9,839	10.2	25,328	33,432	39,511	45,633	51,354
Other Revenue	1,207	1,080	11.7	1,072	12.6	2,481	3,620	4,308	5,422	6,719
Net Sales	12,048	11,018	9.4	10,911	10.4	27,809	37,052	43,819	51,055	58,073
EBITDA	1,759	1,659	6.0	1,331	32.2	5,088	6,107	5,920	8,446	9,610
EBITDAM (%)	*14.6*	*15.1*		*12.2*		*18.3*	*16.5*	*13.5*	*16.5*	*16.5*
APAT	1,123	958	17.2	743	51.1	3,081	3,770	3,524	5,292	6,079
Diluted EPS (Rs)	7.1	6.0	17.2	4.7	51.1	19.4	23.7	22.1	33.2	38.2
EV / EBITDA (x)						36.5	30.5	31.7	22.1	19.1
P/E (x)						61.1	49.9	53.4	35.6	31.0
RoE (%)						*16.6*	*18.3*	*15.4*	*20.5*	*20.6*

Source: Company, HSIE Research, Other revenues comprise bathware, ply and adhesives

BUY

CMP *(as on 17 May 23)*	**INR 1,185**
Target Price	**INR 1,310**
NIFTY	**18,182**

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,310	INR 1,310
EBITDA revision %	FY24E *2.1*	FY25E *(0.5)*

KEY STOCK DATA	
Bloomberg code	KJC IN
No. of Shares (mn)	159
MCap (INR bn) / ($ mn)	189/2,307
6m avg traded value (INR mn)	190
52 Week high / low	INR 1,283/898

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	11.0	15.0	25.7
Relative (%)	10.1	15.3	12.3

SHAREHOLDING PATTERN (%)	Dec-22	Mar-23
Promoters	47.49	47.49
FIs & Local MFs	24.50	26.24
FPIs	18.57	16.90
Public & Others	9.43	9.37
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Teamlease Services

Margin risk bottoming out

Teamlease reported revenue growth of 0.9% QoQ (-0.8% vs estimate), with margin growing ~9bps QoQ (+16bps vs estimate). The closure of the NEEM program in Dec-22 impacted the NETAP trainee headcount, the full impact of which will be visible by Q2FY24. The general staffing volume growth (net addition of ~29k in FY23) was led by a strong hiring uptick in the consumer goods and financial services sectors, a trend that is likely to continue in FY24E. General staffing PAPM has been under pressure (Q4FY23: INR 680, a decline of 4% YoY) due to the fixed markup model. However, we expect PAPM to stabilise at current levels. Specialised staffing is impacted by the hiring freeze in the IT sector and the HR services margin is in a recovery mode. The company will rationalise its core headcount and realign the cost structure to offset the NETAP impact. We cut our EPS estimates by ~4/3% for FY24/25E, but have raised the multiple, given continued volume growth (ex-NETAP), margin stability and buyback support. We maintain ADD, with a TP of INR 2,400, based on 25x Dec-24E EPS (vs. 23x earlier).

- **Q4FY23 highlights**: Revenue was at INR 20.27bn, up 11.5/0.9% YoY/QoQ, (-0.8% vs estimate). Core staffing/HR tech were up 1/16% QoQ, while specialised staffing fell 0.6% QoQ. The markup declined by INR 15 to INR 680, while the associate/core ratio grew to 351. EBITDA margin for core staffing/specialised staffing/HR services stood at 1.6/6.4/11.9% (-17/+4/+842bps QoQ). The non-recruiter channel is now ~52% of associate hiring. The focus is on new client acquisitions as 31 new logos have been added in the quarter. The revenue impact of NETAP decline for Q4 was INR 50mn. Net cash stands at INR 3.7bn (ITR refund of INR 720mn in Q4). The company also announced buyback worth INR 1bn (~12% of net worth) at INR 3,050/share, which is at a 32% premium vs the CMP.
- **Outlook:** We expect revenue growth of 9/18% in FY24/25E and an EBITDA margin of 1.7/1.9% respectively, leading to revenue and EPS CAGRs of 13% and 26% over FY23-25E.

Quarterly financial summary

YE March (INR bn)	Q4 FY23	Q4 FY22	YoY (%)	Q3 FY23	QoQ (%)	FY21	FY22	FY23	FY24E	FY25E
Net Revenue	20.27	18.17	*11.5*	20.08	*0.9*	48.81	64.80	78.70	85.53	101.21
EBITDA	0.34	0.41	*(17.9)*	0.32	*6.5*	0.98	1.42	1.22	1.46	1.94
APAT	0.27	0.31	*(13.8)*	0.29	*(8.0)*	0.78	1.11	1.14	1.27	1.76
Diluted EPS (INR)	15.6	18.1	*(13.8)*	17.0	*(8.0)*	47.6	65.1	66.6	74.4	103.0
P/E (x)						48.6	35.6	34.8	31.1	22.5
EV / EBITDA (x)						36.7	25.7	29.1	24.9	17.9
RoE (%)						12.8	16.5	15.2	14.6	17.2

Source: Company, HSIE Research

Change in estimates

INR bn	FY24E Old	FY24E Revised	Change %	FY25E Old	FY25E Revised	Change %
Revenue	86.84	85.53	*(1.5)*	103.64	101.21	*(2.3)*
EBITDA	1.48	1.46	*(1.5)*	1.96	1.94	*(1.0)*
EBITDA margin (%)	1.7	1.7	0bps	1.9	1.9	3bps
APAT	1.33	1.27	*(4.1)*	1.81	1.76	*(2.8)*
EPS (INR)	77.6	74.4	*(4.1)*	106.0	103.0	*(2.8)*

Source: Company, HSIE Research

ADD

CMP *(as on 17 May 23)*	**INR 2,317**
Target Price	**INR 2,400**
NIFTY	**18,182**

KEY CHANGES	**OLD**	**NEW**
Rating	ADD	ADD
Price Target	INR 2,270	INR 2,400
	FY24E	FY25E
EPS %	-4.1	-2.8

KEY STOCK DATA	
Bloomberg code	TEAM IN
No. of Shares (mn)	17
MCap (INR bn) / ($ mn)	40/484
6m avg traded value (INR mn)	74
52 Week high / low	INR 4,000/2,007

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	(8.0)	(10.1)	(33.5)
Relative (%)	(8.9)	(9.8)	(46.8)

SHAREHOLDING PATTERN (%)	**Dec-22**	**Mar-23**
Promoters	31.51	31.51
FIs & Local MFs	23.82	24.84
FPIs	37.25	36.48
Public & Others	7.37	7.12
Pledged Shares	1.56	1.56

Source : BSE

Pledged shares as % of total shares

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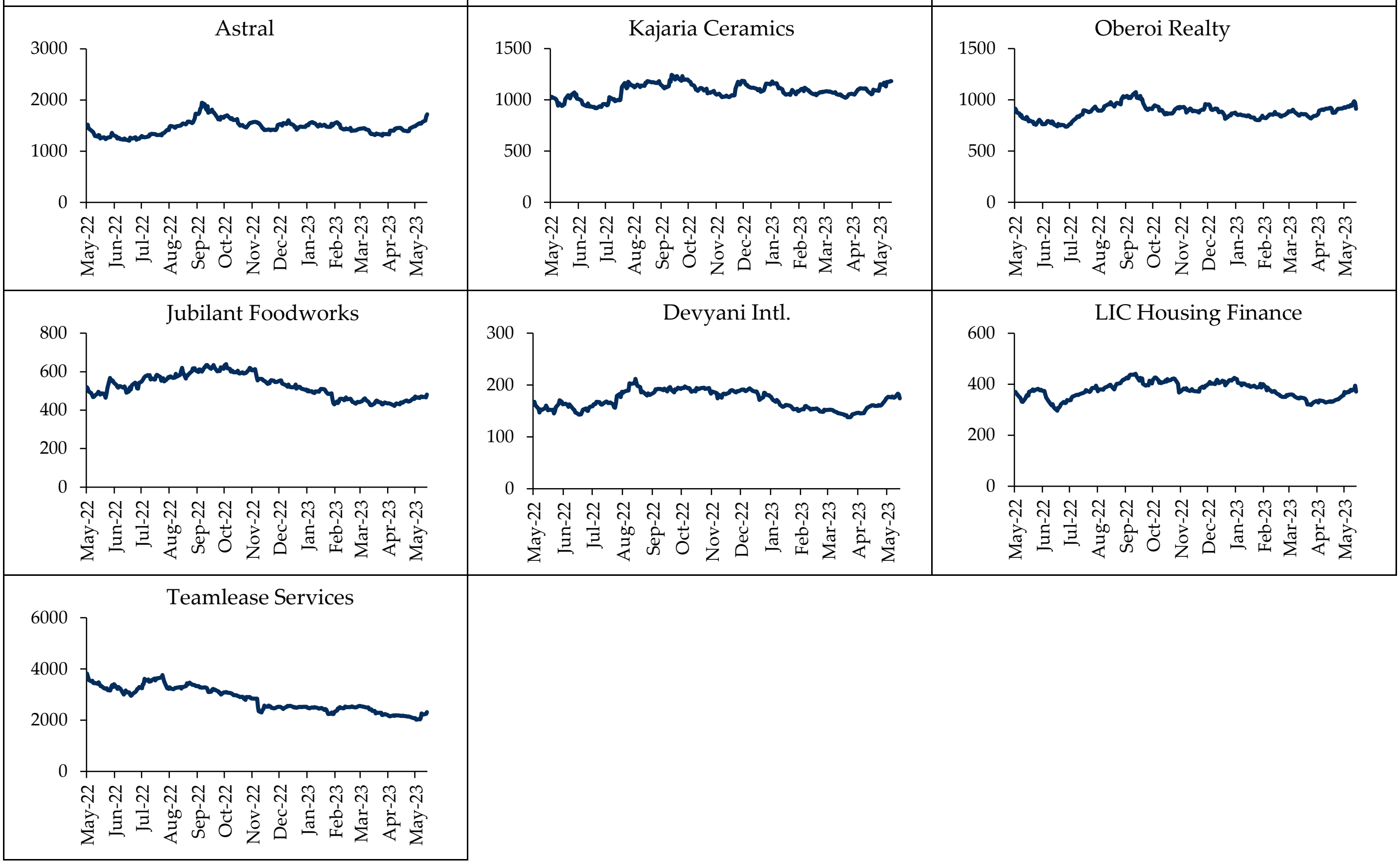
Rating Criteria

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	Astral, Kajaria Ceramics	MBA	NO
Keshav Lahoti	Astral, Kajaria Ceramics	CA	NO
Parikshit Kandpal	Oberoi Realty	CFA	NO
Manoj Rawat	Oberoi Realty	MBA	NO
Nikhil Kanodia	Oberoi Realty	MBA	NO
Naveen Trivedi	Jubilant FoodWorks, Devyani International	MBA	NO
Varun Lohchab	Jubilant FoodWorks, Devyani International	PGDM	NO
Paarth Gala	Jubilant FoodWorks, Devyani International	BCom	NO
Krishnan ASV	LIC Housing Finance	PGDM	NO
Deepak Shinde	LIC Housing Finance	PGDM	NO
Neelam Bhatia	LIC Housing Finance	PGDM	NO
Amit Chandra	Teamlease Services	MBA	NO
Vivek Sethia	Teamlease Services	CA	NO

1 Yr Price Movement



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