INSTITUTIONAL RESEARCH

HSIE Results Daily

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Results Reviews

- **ITC:** ITC delivered an in-line revenue growth with a few positives in key segments. Revenue was up 12% YoY with cigarettes/FMCG/ hotels/agri/paper growing 10/6/260/-7/25% YoY. Cigarette revenue growth was 10% with volume growth of 9.5% (HSIE 8%). Given the positive exit growth rate for cigarette volumes and potential for price hikes, we expect a sustainable cigarette recovery in H2FY22. Cigarette EBIT growth was at 10%. FMCG business registered steady 6% growth (HSIE 8%) and clocked 11% two-year CAGR. FMCG EBITDA margin was at 10% (+30bps YoY, >300bps in Q2FY20) despite commodity headwinds. Paper continued to deliver revenue/EBIT growth of 25/24% YoY (HSIE 13/20%). With resumption of normalcy and higher mobility, we expect demand trends to improve to achieve cigarette recovery and FMCG sustainability. We maintain our EPS estimates for FY23/FY24, while cutting 2% for FY22. With FMCG sustaining healthy performance (growth + margin), we increase our EV/revenue multiple to 4x (earlier 2x). We value ITC on an SoTP basis to derive a target price of INR 280 (implied PE of 20x PE Sep-23E EPS). Maintain BUY.
- **Larsen & Toubro:** Larsen & Toubro's (LT) Q2FY22 financial performance came in line with our estimates. Execution was muted, owing to supply chain bottleneck in international market and cyclone Tauktae affecting projects in the western part of India. Project awarding took a backseat, declining 22% YoY, despite robust tendering (+19% YoY). Hyderabad metro may require further equity infusion of INR 10bn by Mar-22 with LT having the option to either refinance or bring in a new investor or rope in the state government. We maintain BUY on LT with an SOTP-based target price of INR 2,246/sh (Sep-23E), given its (1) strong order book (INR 3.3trn, ~3.7x FY21 core EPC revenue), (2) likely execution ramp-up from Q3FY22, (3) healthy balance sheet, (4) robust services business, and (5) focus on cash generation (INR 270bn of core cash).
- **Maruti Suzuki:** Maruti's Q2 PAT, at INR 4.75bn (-65% YoY, +8% QoQ), was impacted by the ongoing semi conductor shortage. While the supplies will improve from the beaten down levels of Sep-Oct, the pick-up is expected to be gradual. The OEM continues to have a backlog of 200,000 units (production impacted by 116K units in Q2). CNG now accounts for ~18% of industry sales (vs. 11% YoY), with MSIL targeting 300K CNG units in FY22E. We reiterate BUY with a target price of INR 8,420 (at 27x Sep-23E EPS, we roll forward out TP timeframe from Jun'23).
- **SBI Life Insurance:** SBILIFE's total APE was in line with estimates; however, a strong growth in NPAR (+366bps YoY share in the mix) resulted in a 129-bps margin beat. We remain positive on the new product launch in the NPAR segment that has a superior margin profile and competitive features. The company's three growth levers continue to remain in place: (1) mammoth distribution network of the parent SBI (24k+ branches); (2) healthy share of protection; and (3) lowest opex ratio (2QFY22: 8.8%). Following a margin beat, we build in higher margins and raise our FY22E/23E estimates. We expect SBILIFE to deliver a healthy FY21-24E VNB CAGR of 24% and retain our BUY rating on the stock with an increased TP of INR 1,485 (2.9x Sep-23E EV).

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- **IndusInd Bank:** IndusInd Bank's (IIB) Q2 earnings were 8% above our estimates due to lower-than-expected provisioning, while PPOP growth (+12% YoY) was broadly in line. As seen across other lenders, IIB too witnessed strong upgrades and recoveries during the quarter (4.1%); however, its gross and net slippages were amongst the highest (5%/1%), driven by 8% gross slippage in the retail book, indicating that the portfolio has not yet stabilised. Provisioning was elevated (3.2%) as the bank continued to build contingent provisions against its stressed pool (restructured book, telecom exposure, etc.). Strong deposit mobilisation (CASA +26% YoY), alongside muted loan growth (~10% YoY), continues to build up a negative carry for IIB. Prolonged consolidation of the loan book (two-year CAGR at 5.8%) and continued elevated stress (credit costs at >3% for seven straight quarters) reflect a franchise that is yet to stabilise its asset side of the balance sheet. We revise our FY22E/FY23E earnings estimates downward by 3% each to factor in moderately higher credit costs and maintain REDUCE with a revised target price of INR 894 (1.2x Sep-23 ABVPS).
- **Cipla:** Cipla's Q2 results were largely in line with estimates as strong growth trends in India, South Africa, and EM markets were partially offset by lower gross margin (~80-100bps impact, inventory provisioning). EBITDA margin, at 22.2%, largely came in line with company guidance. India business continues to remain on a strong footing (+16% YoY) and is expected to outperform the market growth by 100-200bps over the next few years. The US business witnessed improved traction and grew ~1% QoQ, led by market share gains in Albuterol and Arformoterol. Its respiratory pipeline in the US (Abraxane, gAdvair, and gDulera), along with gRevlimid, offers good growth visibility in the medium term. Maintain BUY.
- **Torrent Pharma:** Torrent's Q2 results were marginally below estimates due to subdued gross margin (~100bps impact), primarily on account of higher acute mix in India, inventory provisioning, and price erosion in the US. Barring Germany (-4% YoY, customer consolidation), most key markets such as India, Brazil and US reported healthy growth. While the US business has largely bottomed out (USD35mn, -3% QoQ), the outlook remains subdued until the key facilities are resolved. Ex-US, we expect Torrent to outperform the industry growth in most key markets. The company repaid debt of INR4.9bn in H1 and is on track to reduce it by ~INR10bn in FY22. We reduce our EBITDA estimates by 4-5% for FY22-23e and roll forward our TP, based on Sep'23e estimates. Our revised TP is INR3,240/sh, based on 16x Sep'23 EV/EBITDA. Maintain ADD.
- **ABB India:** ABB reported strong revenue/EBITDA/APAT at 17.8/1.7/1.2bn (3/32/38% above our estimates), aided by pent-up demand from the previous quarter. Higher commodity prices were neutralised by better price realisation. ABB, over the years, has reduced topline dependency on large projects through participation in different market segments. Along with visibility in private Capex, opportunities in two-wheeler batteries and Hydrogen technology, penetration in tier-2/3 cities via e-Mart, and ordering potential in water, infra and clean energy segment aided by government policies, this augurs well for ABB. However, the risks of inflation in key commodities, supply chain disturbance owing to semi-conductors, plastics and other key material, forex volatility, and a third COVID wave remain. We believe most of the potential upside on cyclical recovery is already priced into the lofty valuation and, thus, maintain REDUCE with revised a TP of INR 1,689/sh (45x Sep-23 EPS).

- **Persistent Systems:** We maintain ADD on Persistent Systems (PSYS), following a robust Q2 and a healthy deal momentum. PSYS' growth leadership is premised on (1) strong new deal wins (USD 149mn new win TCV with total book to bill of 1.4x in Q2), driven by (1) healthcare & life-sciences and hi-tech verticals; (2) improved client mining reflected in strong scale-up in >USD 5mn+ client bucket; (3) robust headcount addition (~2.1K added in H1 and continued freshers' hiring in H2); and (4) traction in Salesforce and Azure practice. The company has converted a large IP contract into T&M, which will be margin accretive; however, margin would be offset by higher ESOP charges (~80% of employees covered under ESOP) and the ongoing war for talent (targeted EBITDA margin is ~16%). We increase the EPS estimates by 4.2/5.3% for FY23/24E and multiple to 35x (from 32x earlier). Our target price of INR 4,350 values PSYS at 35x Dec-23E, supported by a 30% EPS CAGR over FY21-24E.
- **TTK Prestige:** TTK Prestige's Q2FY22 saw beat on revenue and EBITDA margin. Standalone revenue was up 37% YoY (3% in Q2FY21 and 71% in Q1FY22; HSIE 21%), driven by sustaining work from home led demand and trade stocking ahead of festive season (which came in Q3 in the previous year). All the channels, including ecommerce, saw strong traction. Gross margin was a miss with a steep 470bps QoQ fall to 40% (HSIE 42%). Price increase was 5-8% in July, full benefit of which will be visible in H2FY22. Op-lev expanded EBITDA margin by >200bps YoY to 16.8% (-50bps in Q2FY21 and +715bps in Q1FY22; HSIE 14.3%). We expect the company to hold a strong margin in H2FY22. Its market leadership (in five of its six product offerings), wide product range, and strong distribution (aided by a high share of ecommerce) give us confidence that it will sustain healthy growth amidst the demand recovery. We raise our EPS estimates for FY22/23/24 by 9/10/10% and value it at 42x PE (earlier 40x) on FY24E EPS to derive a TP of INR 11,700. Maintain ADD.
- **Zensar Technologies:** We maintain BUY on Zensar, following a better-than-expected revenue performance, aided by healthy organic growth and acceleration in deal wins. Zensar delivered growth of 12.3% QoQ CC (organic growth of 5.4% QoQ), supported by recovery in the retail (+18.9% QoQ CC) and insurance verticals (+13.4% QoQ CC) and modest BFS performance (+2.3% QoQ CC). The TCV stood at USD 187.5mn (book to bill at 1.3x) and includes the large City of San Diego deal (USD 122mn, eight-year duration). Even after excluding the large deal, TCV grew 31% QoQ, which implies an improving deal trajectory and organic growth visibility for H2. The margin was lower than the estimate, impacted by wage hike, higher sub-con cost, and fresher hiring. The management has guided for EBITDA margin in the range of 17-18%, which we believe will be a key monitorable. We increase our EPS estimates by 3.4/3.8% for FY23/24E to factor in better organic growth. Our TP of INR 550 is based on 22x FY23E EPS. The stock is trading at a PE of 22/18.4x FY23/24E EPS, a discount of ~20% to tier-2 IT.
- **Mahanagar Gas:** Our ADD recommendation on Mahanagar Gas (MGL) with a price target of INR 1,135 is premised on its loyal customer base in CNG and commercial establishments, which is less price-sensitive than the industrial customer base and enables the company to maintain higher per-unit margins than peers. Q2FY22 EBITDA, at INR 3.02bn, and APAT, at INR 2.04bn, were 9/10% below our estimates due to higher gas costs and operating expenses, offset by a 64% YoY increase in revenue.

- **Mahindra Lifespaces:** Mahindra Lifespaces Developers Ltd (MLDL) delivered better-than-expected financial performance with INR 65mn of profit vs INR 105mn loss expectation, aided by land sales in MWC. MLDL announced new JDA land bank addition in Dahisar East with an INR 10-bn presales potential, likely to be launched in FY23. The business development pipeline is robust with INR 30bn presales potential (MLDL is in advanced stages of negotiations on one outright land buy and two redevelopment projects) and expected closure over 6-9 months. The launch pipeline is healthy for H2FY22, with MLDL looking to sustain the Q2 presales of INR 3bn in each quarter. The industrial business is witnessing robust inquiries and traction due to a strong manufacturing push. Given the strong growth trajectory, robust balance sheet, trustworthy brand, and tailwinds for organised players, we remain constructive on MLDL and maintain a BUY rating with an unchanged NAV-based TP of INR 349/sh.
- **PSP Projects:** PSP Projects (PSP) reported revenue/EBITDA/APAT at INR 3,904/547/366mn for the quarter, 12/26/32% ahead of our estimates. Its entire order book of INR 35bn (excluding the INR 6bn Bhiwandi order) was under execution, which led to strong revenue booking. Excess provision reversals in near-completion projects led to a strong EBITDA margin of 14%. The bid pipeline is robust at INR 30bn, precast facility is operational and has received INR 300mn of orders, and working capital is under control. We expect PSP to upgrade its revenue growth guidance of 25-30% YoY to 35-40% in Q3FY22 whilst EBITDA margin guidance might stay at 11.5-13%, given high commodity inflation. Bhiwandi project remains a pain point, which the company might terminate, writing off INR 153mn in case the client doesn’t agree for escalation. We maintain BUY on PSP with an unchanged TP of INR 620/sh (13x Sep-23E EPS).

ITC

Steady show continues

ITC delivered an in-line revenue growth with a few positives in key segments. Revenue was up 12% YoY with cigarettes/FMCG/hotels/agri/paper growing 10/6/260/-7/25% YoY. Cigarette revenue growth was 10% with volume growth of 9.5% (HSIE 8%). Given the positive exit growth rate for cigarette volumes and potential for price hikes, we expect a sustainable cigarette recovery in H2FY22. Cigarette EBIT growth was at 10%. FMCG business registered steady 6% growth (HSIE 8%) and clocked 11% two-year CAGR. FMCG EBITDA margin was at 10% (+30bps YoY, >300bps in Q2FY20) despite commodity headwinds. Paper continued to deliver revenue/EBIT growth of 25/24% YoY (HSIE 13/20%). With resumption of normalcy and higher mobility, we expect demand trends to improve to achieve cigarette recovery and FMCG sustainability. We maintain our EPS estimates for FY23/FY24, while cutting 2% for FY22. With FMCG sustaining healthy performance (growth + margin), we increase our EV/revenue multiple to 4x (earlier 2x). We value ITC on an SoTP basis to derive a target price of INR 280 (implied PE of 20x PE Sep-23E EPS). Maintain BUY.

- **In-line revenue, broad-based recovery seen:** The revenue from cigarettes grew 10% YoY and volume grew 9.5%, a marginal beat on HSIE estimates. The discretionary/OOH categories recorded strong YoY and sequential growth due to increased mobility. Staples and convenience foods growth remained moderate on a high base; it saw a sequential pick-up this quarter as well. The company performed well across all channels, including MT, ecommerce (7% revenue share), and rural. **It increased its market coverage/direct outlet servicing by 1.4/1.1x YoY**. Hotel occupancy improved 3x over Q2FY21 and ARRs improved as well. The agri business exports saw strong growth in wheat, rice, leaf tobacco, aqua, and spices. The paper business clocked 25% YoY growth, led by value-added products and demand revival.
- **Margin was under pressure:** The cigarette EBIT grew 10% YoY to INR 35.8bn (7% lower than Q2FY20), but a full EBIT recovery is awaited. The FMCG EBITDA margin was up 32bps YoY in Q2FY22 to 10%. Hotels saw strong cost control; however, due to negative operating leverage, the hotels category reported an EBIT loss of INR 480mn (vs INR 1.8bn in Q2FY21). The agri EBIT grew 16% YoY. The paper margin improved, led by higher realisation, investments in pulp import substitution, and cost-competitive fibre chain. APAT was at INR 36.97bn vs. HSIE INR 37.01bn.
- **Other takeaways:** (1) ITC expects to take a price hike in cigarette in H2FY22. (2) Volume exit growth for cigarette rate is positive. (3) Other FMCG margin may see an impact due to the impact of the raw material inflation despite premiumisation. (4) Hotel business has normalised with improved leisure activities and business travel gaining momentum.

Quarterly/annual financial summary

YE Mar (INR mn)	Q2FY22	Q2FY21	YoY (%)	Q1FY22	QoQ (%)	FY21	FY22E	FY23E	FY24E
Net Sales	135,535	119,768	*13.2*	129,592	*4.6*	492,728	545,692	590,269	635,727
EBITDA	46,150	40,606	*13.7*	39,922	*15.6*	170,027	200,677	215,078	230,962
APAT	36,972	32,324	*14.4*	30,135	*22.7*	133,829	155,548	169,346	182,058
Diluted EPS (INR)	3.0	2.6	*14.3*	2.4	*22.7*	10.9	12.6	13.8	14.8
P/E (x)						22.0	18.9	17.4	16.2
EV / EBITDA (x)						15.6	13.1	12.1	11.2
Core RoCE (%)						37.7	44.3	47.6	50.8

Source: Company, HSIE Research

BUY

CMP *(as on 27 Oct 2021)*	**INR 238**
Target Price	**INR 280**
NIFTY	**18,211**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR 257	INR 280
EPS %	FY22E	FY23E
	-2%	0%

KEY STOCK DATA	
Bloomberg code	ITC IN
No. of Shares (mn)	12,310
MCap (INR bn) / ($ mn)	2,935/39,444
6m avg traded value (INR mn)	5,887
52 Week high / low	INR 265/163

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	14.3	16.1	42.6
Relative (%)	(2.0)	(8.8)	(8.3)

SHAREHOLDING PATTERN (%)	**Jun-21**	**Sep-21**
Promoters	0.00	0.00
FIs & Local MFs	45.86	43.72
FPIs	11.74	10.81
Public & Others	42.40	45.47
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Larsen & Toubro

In-line performance

Larsen & Toubro's (LT) Q2FY22 financial performance came in line with our estimates. Execution was muted, owing to supply chain bottleneck in international market and cyclone Tauktae affecting projects in the western part of India. Project awarding took a backseat, declining 22% YoY, despite robust tendering (+19% YoY). Hyderabad metro may require further equity infusion of INR 10bn by Mar-22 with LT having the option to either refinance or bring in a new investor or rope in the state government. We maintain BUY on LT with an SOTP-based target price of INR 2,246/sh (Sep-23E), given its (1) strong order book (INR 3.3trn, ~3.7x FY21 core EPC revenue), (2) likely execution ramp-up from Q3FY22, (3) healthy balance sheet, (4) robust services business, and (5) focus on cash generation (INR 270bn of core cash).

- **In-line execution:** LT posted revenue of INR 348bn (+12%/+19% YoY/QoQ), in line with estimates. The growth was attributed to execution momentum gained from easing of lockdown and strong growth of IT&TS segment. International sales contributed 35% to revenue. The group level EBITDA, at INR 40bn, was also in line with our estimate. EBITDA margin expanded 74/68bps YoY/QoQ to 11.5% on account of improved overhead recovery. LT recorded an exceptional gain of INR 969mn, which includes a gain of INR 1.4bn from divestment of stake in hydel power plant in Uttarakhand and INR 467mn of tax expense on a business transaction with Mindtree. Consequently, RPAT came in at INR 18bn and APAT at INR 17bn (+50%/+47% YoY/QoQ, 4% below estimate). For FY22, LT is aiming for low to mid-teens growth in execution/order inflows and targeting a core EBITDA margin of 10.3% (the same as FY21).
- **Robust order tendering; delayed awarding:** LT registered an order inflow of INR 421bn in Q2 (+50%/+58% YoY/QoQ) with 48% coming in from the domestic market. OB at the end of Sep-21 stood at INR 3.31trn with infrastructure, at 74%, constituting a major share of it, followed by hydrocarbon at 15%. Geography-wise, domestic orders contribute 77% to OB. Centre/state/PSU/private contribute 10/33/42/15% respectively to OB. The award tendering during the quarter was up 19% YoY at INR 2trn; however, finalisation of project dropped 22% YoY. Management believes H2FY22 will witness healthy ordering and execution, given pick-up in economic activity. The total bottom-up order pipeline for H2FY22 stands at INR 6.8trn vs INR 6.1trn in H2FY21, of which INR 4.66trn is domestic.
- **Marginal improvement in debt:** Net debt reduced to INR 864bn (vs INR 880bn on Mar 21-end), taking net D/E to 0.97x (vs 1.0x in Mar-21 end), mainly on account of lowering liabilities in the financial services business. On the other hand, NWC to sales ratio improved to 22% from 22.3% on Mar 21-end. LT has targeted FY22 NWC to sales at 22.3%.

Consolidated financial summary

(INR mn)	Q2FY22	Q2FY21	YoY (%)	Q1FY22	QoQ (%)	FY21	FY22E	FY23E	FY24E
Revenues	3,47,729	3,10,347	12.0	2,93,347	18.5	13,59,790	15,63,639	18,17,093	20,45,397
EBITDA	39,949	33,348	19.8	31,715	26.0	1,56,241	1,77,404	2,12,954	2,43,713
APAT	17,225	11,515	49.6	11,744	46.7	69,010	88,374	1,12,101	1,32,542
EPS (INR)	12.3	8.2	49.6	8.4	46.7	49.2	63.0	79.9	94.5
P/E (x)						36.2	28.3	22.3	18.9
EV/EBITDA(x)						21.5	19.0	15.7	13.7
RoE (%)						9.7	11.3	13.4	14.7

Source: Company, HSIE Research

BUY

CMP *(as on 27 Oct 2021)*	INR 1,783
Target Price	INR 2,246
NIFTY	18,211

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 2,246	INR 2,246
EPS change %	FY22E -	FY23E -

KEY STOCK DATA	
Bloomberg code	LT IN
No. of Shares (mn)	1,404
MCap (INR bn) / ($ mn)	2,504/33,644
6m avg traded value (INR mn)	4,196
52 Week high / low	INR 1,885/903

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	10.9	29.1	85.1
Relative (%)	(5.4)	4.2	34.2

SHAREHOLDING PATTERN (%)	Jun-21	Sep-21
Promoters	0.0	0.0
FIs & Local MFs	32.30	33.11
FPIs	22.88	22.86
Public & Others	44.82	44.03
Pledged Shares	0.0	0.0

Source: BSE

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Maruti Suzuki

MSIL scaling up CNG; supplies to ease gradually

Maruti's Q2 PAT, at INR 4.75bn (-65% YoY, +8% QoQ), was impacted by the ongoing semi conductor shortage. While the supplies will improve from the beaten down levels of Sep-Oct, the pick-up is expected to be gradual. The OEM continues to have a backlog of 200,000 units (production impacted by 116K units in Q2). CNG now accounts for ~18% of industry sales (vs. 11% YoY), with MSIL targeting 300K CNG units in FY22E. We reiterate BUY with a target price of INR 8,420 (at 27x Sep-23E EPS, we roll forward out TP timeframe from Jun'23).

- **Q2FY22 financials:** Volumes, at 380k units, declined 4% YoY (+7% QoQ), impacted by the chip shortage. Average realisation grew 8% QoQ on the back of price hikes/higher exports. Revenue grew 10% YoY to INR 205.4bn. EBITDA margin remained weak at 4.2% (-40bps QoQ), owing to elevated base metal prices (RM ratio, at 75.8%, was up 580/100bps YoY/QoQ) and negative operating leverage. PAT, at INR 4.75bn, was -65% YoY,+8% QoQ.
- **Key takeaways: demand is encouraging:** The order backlog at 200K units (vs. 170K QoQ) remains elevated due to encouraging demand for CNG variants. The share of first-time buyers remains high at 46% of sales. **Production constraints to ease:** the management expects November production to improve from the lows of Sep-Oct. However, normalisation of supplies will be gradual. **Commodity cost pressures:** margins continue to be impacted by higher RM costs. While precious commodity prices have moderated from peak levels, base metal prices remain firm. **Alternate fuels:** as CAFÉ and RDE norms will be introduced in FY22-23E, the focus on CNG (25% carbon reduction) and hybrids (40% carbon reduction) will increase. Flex fuel vehicles will also be launched in the medium term. MSIL is lobbying with the government to reduce taxes on strong hybrids.

Financial summary

YE March (INR bn)	2Q FY22	2Q FY21	YoY (%)	1Q FY22	QoQ (%)	FY20	FY21	FY22E	FY23E	FY24E
Net Sales	2,05,389	1,87,445	10	1,77,707	16	7,56,106	7,03,325	7,99,375	9,87,046	11,82,456
EBITDA	8,549	19,336	(56)	8,211	4	73,026	53,453	51,160	1,00,185	1,31,253
APAT	4,753	13,716	(65)	4,408	8	56,506	42,297	40,080	80,752	1,07,540
Adj. EPS(Rs)	15.7	45.4	(65)	14.6	8	187.1	140.1	132.7	267.4	356.1
APAT Gr(%)						(24.7)	(25.1)	(5.2)	101.5	33.2
P/E (x)						39.3	52.5	55.4	27.5	20.6
RoE (%)						11.9	8.5	7.6	14.2	16.9

Source: Company, HSIE Research

Change in Estimates

INR bn	New			Old			Change (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Net Sales	7,99,375	9,87,046	11,82,456	8,65,663	10,22,878	12,01,588	(8)	(4)	(2)
EBITDA	51,160	1,00,185	1,31,253	70,638	1,07,709	1,40,586	(28)	(7)	(7)
EBITDA margin (%)	6.4	10.2	11.1	8.2	10.5	11.7	-176 bps	-38 bps	-60 bps
Adj PAT	40,080	80,752	1,07,540	53,478	84,803	1,11,964	(25)	(5)	(4)
Adj EPS(Rs)	132.7	267.4	356.1	177.1	280.8	370.7	(25)	(5)	(4)

Source: Company, HSIE Research

BUY

CMP *(as on 27 Oct 2021)*	INR 7,353
Target Price	INR 8,420
NIFTY	18,211

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 8,190	INR 8,420
EPS %	FY22E	FY23E
	-25%	-5%

KEY STOCK DATA	
Bloomberg code	MSIL IN
No. of Shares (mn)	302
MCap (Rs bn) / ($ mn)	2,221/29,846
6m avg traded value (Rs mn)	5,160
52 Week high / low	Rs 8,400/6,301

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	1.6	11.9	2.7
Relative (%)	(14.7)	(13.0)	(48.2)

SHAREHOLDING PATTERN (%)	Jun-21	Sep-21
Promoters	56.4	56.4
FIs & Local MFs	15.8	16.0
FPIs	22.9	22.5
Public & Others	5.0	5.0
Pledged Shares	0.0	5.1

Source : BSE

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SBI Life Insurance

Encouraging VNB margins

SBILIFE's total APE was in line with estimates; however, a strong growth in NPAR (+366bps YoY share in the mix) resulted in a 129-bps margin beat. We remain positive on the new product launch in the NPAR segment that has a superior margin profile and competitive features. The company's three growth levers continue to remain in place: (1) mammoth distribution network of the parent SBI (24k+ branches); (2) healthy share of protection; and (3) lowest opex ratio (2QFY22: 8.8%). Following a margin beat, we build in higher margins and raise our FY22E/23E estimates. We expect SBILIFE to deliver a healthy FY21-24E VNB CAGR of 24% and retain our BUY rating on the stock with an increased TP of INR 1,485 (2.9x Sep-23E EV).

- **Q2FY22 highlights**: The total APE, at INR 39.8bn (2y CAGR 19%/+47% YoY), was in line with estimates. The protection segment has displayed decent traction (+22% YoY), driven by both retail and group protection. However, the NPAR segment was the eye-catcher with growth at 108% and a share of 12% of business in H1; the management has guided for the share of NPAR business to sustain at this level in FY22E. The annuity segment degrew (-32% YoY) on the back of lumpy group annuity business, while individual annuity witnessed impressive growth, supporting margins. Persistencies improved across cohorts in the range of 70-363bps except for the 13th and 61st months' metrics. Within the channel mix, new corporate partnerships registered an impressive +65% YoY growth. Adj. VNB margin, at 25.8% (on ETR), was ahead of estimates (+169bps), led by (1) strong growth in NPAR and individual annuity segment and (2) better fixed cost absorption, resulting in VNB growth of 88% YoY.
- **COVID reserving and repricing:** During COVID 2.0, claims shot up 1.4x to INR13.4bn (net) against reserves of INR4.5bn as a consequence of a sharp rise in deaths reported; however, the claims softened during Q2FY22 and the closing COVID reserves stood at INR2.66bn. The company launched a **new product "SBI Life e-Shield Next" in its protection bouquet, which offers dynamic pricing and is likely to accrue superior VNB margins compared to its existing bouquet, and it doesn't anticipate any upward price revisions in the next one year.**

Financial summary

(INR mn)	Q2FY22	Q2FY21	YoY (%)	Q1FY22	QoQ (%)	FY21	FY22E	FY23E	FY24E
NBP	81.5	59.5	*37.0*	33.5	*143.3*	206.2	283.5	335.6	407.4
APE	39.8	27.1	*47.2*	16.2	*146.3*	114.5	144.7	166.1	190.6
Adj. VNB	10.3	5.5	*87.5*	3.9	*163.6*	26.6	37.0	43.2	50.3
Adj. VNBM (%)	25.8	20.2	*554bps*	24.1	*169bps*	23.2	25.6	26.0	26.4
EV						350.6	410.0	480.1	560.5
MCap/EV (x)						3.4	2.9	2.5	2.1
P/VNB (x)						34.2	22.6	18.0	14.0
RoEV(%)						27.7	17.5	17.8	17.7

Source: Company, HSIE Research

BUY

CMP *(as on 27 Oct 2021)*	INR 1,186
Target Price	INR 1,485
NIFTY	18,211

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,455	INR 1,485
VNB %	FY21E	FY22E
	+3.1	+2.6

KEY STOCK DATA	
Bloomberg code	SBILIFE IN
No. of Shares (mn)	1,000
MCap (INR bn) / ($ mn)	1,186/15,940
6m avg traded value (INR mn)	2,920
52 Week high / low	INR 1,315/755

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	7.3	27.7	53.1
Relative (%)	(9.0)	2.8	2.3

SHAREHOLDING PATTERN (%)	Jun-21	Sep-21
Promoters	55.7	55.7
FIs & Local MFs	9.6	12.1
FPIs	27.2	24.5
Public & Others	7.4	7.8
Pledged Shares	Nil	Nil

Source : BSE

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IndusInd Bank

Searching for portfolio stability

IndusInd Bank's (IIB) Q2 earnings were 8% above our estimates due to lower-than-expected provisioning, while PPOP growth (+12% YoY) was broadly in line. As seen across other lenders, IIB too witnessed strong upgrades and recoveries during the quarter (4.1%); however, its gross and net slippages were amongst the highest (5%/1%), driven by 8% gross slippage in the retail book, indicating that the portfolio has not yet stabilised. Provisioning was elevated (3.2%) as the bank continued to build contingent provisions against its stressed pool (restructured book, telecom exposure, etc.). Strong deposit mobilisation (CASA +26% YoY), alongside muted loan growth (~10% YoY), continues to build up a negative carry for IIB. Prolonged consolidation of the loan book (two-year CAGR at 5.8%) and continued elevated stress (credit costs at >3% for seven straight quarters) reflect a franchise that is yet to stabilise its asset side of the balance sheet. We revise our FY22E/FY23E earnings estimates downward by 3% each to factor in moderately higher credit costs and maintain REDUCE with a revised target price of INR 894 (1.2x Sep-23 ABVPS).

- **In-line operating performance:** IIB reported NII/PPOP growth of 11.6%/12.1% YoY, broadly in line with our expectations. NIMs remained flat sequentially as funding cost tailwinds were offset by a higher negative carry and interest reversals. Deposit growth continued to remain strong, led by SA balances, bringing the cost of deposits to an all-time low of 4.85%.
- **Retail portfolio impairment yet to moderate:** IIB's retail portfolio continued to report elevated gross slippages (8% of loans), driven by vehicle and MFI (15% of loans), alongside a high restructured pool (5% of loans). While the bank saw strong upgrades and recoveries in the quarter, the absence of moderation in impairment indicates portfolio stress is yet to peak out.
- **Awaiting portfolio stability; maintain REDUCE**: The lack of stability on the asset side of the balance sheet continues to hamper IIB's growth and impact its profitability trajectory. Continued elevated impairment and provisioning are the key stumbling blocks for moderation in credit costs and underpins our REDUCE stance, despite the gradual RoA reflation.

Financial summary

(INR bn)	Q2 FY22	Q2 FY21	*YoY (%)*	Q1 FY22	*QoQ (%)*	FY21	FY22E	FY23E	FY24E
NII	36.6	32.8	*11.6%*	35.6	*2.7%*	135.3	152.0	170.2	189.6
PPOP	31.7	28.3	*12.1%*	31.3	*1.4%*	117.3	125.1	138.2	155.0
PAT	11.1	6.5	*72.1%*	9.7	*14.2%*	28.4	52.8	68.6	78.1
EPS (INR)	14.4	9.1	*58.3%*	12.6	*14.1%*	36.7	67.3	87.3	99.4
ROAE (%)						7.3	11.3	12.8	13.0
ROAA (%)						0.8	1.4	1.6	1.6
ABVPS (INR)						541.6	616.9	693.8	780.9
P/ABV (x)						2.1	1.8	1.6	1.5
P/E (x)						31.0	16.9	13.0	11.4

Change in Estimates

(INR bn)	FY22E			FY23E			FY24E		
	Old	New	Change	Old	New	Change	Old	New	Change
Net advances	2,339	2,341	0.1%	2,640	2,646	0.2%	2,996	2,995	0.0%
NIM (%)	4.5	4.5	0 bps	4.6	4.6	1 bps	4.7	4.7	1 bps
NII	153.7	152.0	-1.1%	172.8	170.2	-1.5%	191.4	189.6	-1.0%
PPOP	126.0	125.1	-0.8%	140.2	138.2	-1.4%	156.0	155.0	-0.6%
PAT	54.7	52.8	-3.4%	70.7	68.6	-3.0%	79.2	78.1	-1.4%
Adj. BVPS (INR)	617.9	616.9	-0.2%	684.2	693.8	1.4%	773.1	780.9	1.0%

Source: Company, HSIE Research

REDUCE

CMP *(as on 27 Oct 2021)*	**INR 1,143**
Target Price	**INR 894**
NIFTY	**18,211**

KEY CHANGES	**OLD**	**NEW**
Rating	REDUCE	REDUCE
Price Target	INR 823	INR 894
EPS %	FY22E	FY23E
	-3.4%	3.0%

KEY STOCK DATA	
Bloomberg code	IIB IN
No. of Shares (mn)	774
MCap (INR bn) / ($ mn)	884/11,882
6m avg traded value (INR mn)	4,833
52 Week high / low	INR 1,240/571

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	17.1	29.5	86.1
Relative (%)	0.8	4.6	35.2

SHAREHOLDING PATTERN (%)	**Jun-21**	**Sep-21**
Promoters	16.5	16.5
FIs & Local MFs	18.6	18.7
FPIs	52.1	51.7
Public & Others	12.8	13.1
Pledged Shares	6.9	6.9

Source : BSE

Pledged shares as % of total shares

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Cipla

In-line quarter; upbeat on outlook

Cipla's Q2 results were largely in line with estimates as strong growth trends in India, South Africa, and EM markets were partially offset by lower gross margin (~80-100bps impact, inventory provisioning). EBITDA margin, at 22.2%, largely came in line with company guidance. India business continues to remain on a strong footing (+16% YoY) and is expected to outperform the market growth by 100-200bps over the next few years. The US business witnessed improved traction and grew ~1% QoQ, led by market share gains in Albuterol and Arformoterol. Its respiratory pipeline in the US (Abraxane, gAdvair, and gDulera), along with gRevlimid, offers good growth visibility in the medium term. Maintain BUY.

- **Revenue beat, EBITDA/PAT in line:** Revenue grew +10% YoY to INR55bn as healthy growth in India (+16% YoY, strong volume), South Africa (+25% YoY) and other international markets (+14% YoY, strong recovery in EMs) offset weak performance in CGA (-20% YoY, order delays in tender business) and API business (-9% YoY). EBITDA margin declined to 22.2% (-224bps QoQ) on the back of lower gross margin (-112bps QoQ, COVID led inventory provision) and increase in other expenses (+133bps QoQ).
- **Strong growth visibility in the US:** US business grew 1% QoQ to USD142mn, largely in line with estimates as steady momentum in core portfolio offset price erosion (mid-single digit). Cipla expects its quarterly run-rate to improve materially from H2FY23 with key launches such as gAbraxane, gRevlimid and gAdvair.
- **Con call takeaways:** (a) gAdvair – under agency review, gAbraxane – TAD in place, market formation TAD and resolution of Goa plant is key; gAlbuterol – 18.2% Gx share and 14.6% share (including brands); gAformoterol - 39% Gx share and 24% share (including brands); (b) India: the company aims to outperform IPM growth of 10-12%, respiratory portfolio to peak in Q3, aims to improve MR productivity; (c) EU – witnessing competition for select products, launched bevacizumab biosimilar in Spain; (d) Guidance - EBITDA margin: 22%+ for FY22, R&D: 6-7% of sales and Capex: INR8-9bn in FY22; (e) Pre-paid USD137.5mn loan during Q2.
- **Maintain BUY:** We tweak our estimates by -2%/-5% for FY22/23e and roll forward our estimates to Sep'23e. Our revised TP of INR1,085/sh. is based on SOTP of 24x Sep'23e EPS, NPV of INR27/sh for gAdvair, and INR43/sh for gRevlimid. **Risks:** delay in key product approval in the US, lower market share gains in Albuterol, delay in resolution of Goa warning letter, and higher price erosion in the US.

Financial summary

YE Mar (INR mn)	2Q FY22	2Q FY21	YoY (%)	1Q FY22	QoQ (%)	FY21	FY22E	FY23E	FY24E
Net Sales	55,198	50,383	*9.6*	55,044	*0.3*	1,91,596	2,18,278	2,36,155	2,58,824
EBITDA	12,262	11,766	*4.2*	13,459	*(8.9)*	42,524	49,022	53,152	58,892
EBITDA Margin	22.2%	23.4%	-114bps	24.5%	-224bps	22.2%	22.5%	22.5%	22.8%
APAT	7,114	6,654	*6.9*	8,044	*(11.6)*	24,049	28,843	32,230	36,126
Dil. EPS (INR)	8.8	8.2	*6.9*	10.0	*(11.6)*	29.8	35.8	40.0	44.8
P/E (x)						28.1	23.4	20.9	18.7
EV/ EBITDA (x)						16.0	13.7	12.1	10.5
RoCE (%)						13.1	14.2	14.1	14.1

Source: Company, HSIE Research, nos. ex-gRevlimid and gAdvair

BUY

CMP *(as on 26 Oct 2021)*	INR 908
Target Price	INR 1,085
NIFTY	18,268

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,080	INR 1,085
EPS %	FY22E	FY23E
	-2%	-5%

KEY STOCK DATA	
Bloomberg code	CIPLA IN
No. of Shares (mn)	807
MCap (INR bn) / ($ mn)	732/9,836
6m avg traded value (INR mn)	3,543
52 Week high / low	INR 1,005/706

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	8.3	21.2	79.4
Relative (%)	(8.1)	(0.3)	67.1

SHAREHOLDING PATTERN (%)	Sep-21	Jun-21
Promoters	35.93	36.66
FIs & Local MFs	20.93	16.22
FPIs	24.66	24.78
Public & Others	18.48	22.34
Pledged Shares	0.00	0.00

Source : BSE

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Torrent Pharma

Tepid quarter; steady outlook

Torrent's Q2 results were marginally below estimates due to subdued gross margin (~100bps impact), primarily on account of higher acute mix in India, inventory provisioning, and price erosion in the US. Barring Germany (-4% YoY, customer consolidation), most key markets such as India, Brazil and US reported healthy growth. While the US business has largely bottomed out (USD35mn, -3% QoQ), the outlook remains subdued until the key facilities are resolved. Ex-US, we expect Torrent to outperform the industry growth in most key markets. The company repaid debt of INR4.9bn in H1 and is on track to reduce it by ~INR10bn in FY22. We reduce our EBITDA estimates by 4-5% for FY22-23e and roll forward our TP, based on Sep'23e estimates. Our revised TP is INR3,240/sh, based on 16x Sep'23 EV/EBITDA. Maintain ADD.

- **Soft quarter:** Revenue increased by 6% to INR21bn as strong growth in India (+16% YoY, adj. for high base) and Brazil (+21% YoY, key brands, new launches, price increase) was offset by muted performance in the US (-3% QoQ, price erosion) and Germany (-4% YoY, customer consolidation leading to inventory normalisation, COVID impact). EBITDA margin moderated to ~31% (-84bps QoQ) on account of decline in gross margin (-29bps QoQ, price erosion, inventory provisioning) and marginal increase in other expenses.
- **India business continues to report healthy growth:** Revenue grew by ~13% YoY (+16% on adj. basis) to INR11bn, led by robust recovery in acute segment and market share gains in the chronic portfolio. Torrent's secondary market sales grew at ~19% vs. ~15% for the IPM. The company managed to maintain its MR productivity at ~INR 1mn per month (vs. 0.85 in FY21) for the second consecutive quarter with attrition rates in mid-single digits vs. ~10-15% for the industry.
- **US business bottoming out:** US revenue declined by 3% QoQ to USD35mn on account of price erosion (~ low double digit) and lack of new launches. Contribution from Levittown facility is expected to begin from Q3. Torrent's pipeline consists of 53 pending ANDAs; however, the approvals hinge on facility clearance from the FDA. It expects to file 10+ ANDAs per year.
- **Key call takeaways:** (a) India growth - volume: 7%, price: 8%, new launches: 4%; (b) Germany – wholesalers have merged, RoICs are decent with negative working capital; (c) Brazil growth - volume: 10%, price: 5%, new launches: 5%, expects ~3 new launches in H2; (d) US –gRevlimid settled, awaiting Dapsone approval (litigations ongoing, TA in place); (e) Guidance - GM expected to improve from current level; Torrent aims to repay INR5bn debt in H2; Capex: INR2.5-3bn in FY22, INR3-3.5bn in FY23, inventory level to normalise by Q4, trade payable reduction due to change in credit period in Germany; (f) the company expects FDA visit in ~3 months.

Financial Summary

	Q2 FY22	Q2 FY21	YoY (%)	Q1 FY22	QoQ (%)	FY21	FY22E	FY23E	FY24E
Net Sales	21,370	20,170	5.9	21,340	0.1	80,048	86,038	96,078	1,07,422
EBITDA	6,600	6,350	3.9	6,770	(2.5)	24,857	26,845	30,745	34,912
EBITDA Margin	30.9	31.5	-60bps	31.7	-84bps	31.1	31.2	32.0	32.5
APAT	3,160	3,100	1.9	3,300	(4.2)	12,523	13,208	16,288	19,304
Adj. EPS (INR)	18.7	18.3	1.9	19.5	(4.2)	74.0	78.0	96.2	114.1
P/E (x)						39.8	37.7	30.6	25.8
EV/ EBITDA (x)						21.2	18.8	15.8	13.3
RoCE (%)						17.2	16.8	19.4	20.6

Source: Company, HSIE Research

ADD

CMP *(as on 26 Oct 2021)*	**INR 2,944**
Target Price	**INR 3,240**
NIFTY	**18,268**

KEY CHANGES	**OLD**	**NEW**
Rating	ADD	ADD
Price Target	INR 3,155	INR 3,240
EBITDA %	FY22E	FY23E
	-4%	-5%

KEY STOCK DATA	
Bloomberg code	TRP IN
No. of Shares (mn)	169
MCap (INR bn) / ($ mn)	498/6,695
6m avg traded value (INR mn)	671
52 Week high / low	INR 3,250/2,311

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	(4.4)	17.2	10.8
Relative (%)	(20.5)	(9.6)	(42.0)

SHAREHOLDING PATTERN (%)	**Sep-21**	**Jun-21**
Promoters	71.25	71.25
FIs & Local MFs	8.72	8.42
FPIs	11.53	11.65
Public & Others	8.50	8.68
Pledged Shares	0.00	0.00

Source : BSE

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ABB India

Robust performance

ABB reported strong revenue/EBITDA/APAT at 17.8/1.7/1.2bn (3/32/38% above our estimates), aided by pent-up demand from the previous quarter. Higher commodity prices were neutralised by better price realisation. ABB, over the years, has reduced topline dependency on large projects through participation in different market segments. Along with visibility in private Capex, opportunities in two-wheeler batteries and Hydrogen technology, penetration in tier-2/3 cities via e-Mart, and ordering potential in water, infra and clean energy segment aided by government policies, this augurs well for ABB. However, the risks of inflation in key commodities, supply chain disturbance owing to semi-conductors, plastics and other key material, forex volatility, and a third COVID wave remain. We believe most of the potential upside on cyclical recovery is already priced into the lofty valuation and, thus, maintain REDUCE with revised a TP of INR 1,689/sh (45x Sep-23 EPS).

- **Strong execution; margin expansion:** ABB reported revenue of INR 17.8bn (in-line). While motion (INR 7bn)/electrification (INR 6.9bn)/process automation (INR 3.4bn) posted YoY growth of 11/17/(8)%, revenue from robotics & discrete automation stood at INR 639mn (+42/-28% YoY/QoQ). Export/services formed 13/16% respectively of revenue mix. EBITDA recorded at INR 1.7bn (32% beat) and margin at 9.5% (210bps beat). Gross margin improved 242/86bps YoY/QoQ, which aided EBITDA expansion. This is the highest level of margins, post the power grid hive-off, helped by better capacity utilisation, revenue mix, operational efficiency, and cost optimisation. Raw material cost is expected to remain ~67% of net revenue range. RPAT/APAT was INR 1.2bn (+40/+75.6% YoY/QoQ; 38% beat).
- **Order inflow strong:** Q3CY21 order inflow stood at INR 19bn (vs INR 13bn YoY), the highest third quarter inflow of the past five years, taking the backlog to INR 47.6bn. Electrification business area witnessed good order inflows across all divisions and was up by 44% at INR 7bn compared to Q3CY20. Motion business area secured order growth of 45%, came in at INR 8bn, supported by strong contribution from channel business, exports, and packaging. The order inflow for robotics & discrete automation was at INR 610mn, showing signs of recovery with the auto sector starting to pick up.

Financial summary

(INR mn, Dec YE)	Q3CY21	Q3CY20	YoY (%)	Q2CY21	QoQ (%)	CY20	CY21E	CY22E	CY23E
Net Revenues	17,784	16,122	10.3	14,250	24.8	58,210	67,172	85,698	99,840
EBITDA	1,689	1,214	39.2	948	78.3	2,759	5,585	8,824	11,154
APAT	1,200	855	40.3	683	75.6	1,717	3,911	6,506	8,435
EPS (INR)	5.7	4.0	40.3	3.2	75.6	8.1	18.5	30.7	39.8
P/E (x)						232.1	101.9	61.2	47.2
EV/EBITDA (x)						136.4	68.4	42.9	33.6
RoE (%)						4.8	10.6	16.2	18.2

Source: Company, HSIE Research

Estimate Change Summary

INR mn	CY21E			CY22E			CY23E		
	New	Old	% Chg.	New	Old	% Chg.	New	Old	% Chg.
Revenue	67,172	72,379	-7.2%	85,698	94,192	-9.0%	99,840	1,07,175	-6.8%
EBITDA	5,585	6,191	-9.8%	8,824	9,378	-5.9%	11,154	11,325	-1.5%
Margin (%)	8.3%	8.6%	-23.84	10.3%	10.0%	33.99	11.2%	10.6%	60.44
APAT	3,911	4,433	-11.8%	6,506	6,943	-6.3%	8,435	8,595	-1.9%

Source: Company, HSIE Research

REDUCE

CMP*(as on 27 Oct 2021)*	INR 1,880
Target Price	INR 1,689
NIFTY	18,211

KEY CHANGES	OLD		NEW
Rating	REDUCE		REDUCE
Price Target	INR 1,738		INR 1,689
EPS Change %	CY21E	CY22E	CY23E
	(11.8)	*(6.3)*	*(1.9)*

KEY STOCK DATA	
Bloomberg code	ABB IN
No. of Shares (mn)	212
MCap (INR bn) / ($ mn)	398/5,353
6m avg traded value (INR mn)	320
52 Week high / low	INR 1,971/869

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	12.6	35.8	102.2
Relative (%)	(3.7)	10.9	51.3

SHAREHOLDING PATTERN (%)	Jun-21	Sep-21
Promoters	75.00	75.00
FIs & Local MFs	6.71	6.58
FPIs	3.73	3.49
Public & Others	14.56	14.93
Pledged Shares	-	-

Source : BSE

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Persistent Systems

Growth flywheel

We maintain ADD on Persistent Systems (PSYS), following a robust Q2 and a healthy deal momentum. PSYS' growth leadership is premised on (1) strong new deal wins (USD 149mn new win TCV with total book to bill of 1.4x in Q2), driven by (1) healthcare & life-sciences and hi-tech verticals; (2) improved client mining reflected in strong scale-up in >USD 5mn+ client bucket; (3) robust headcount addition (~2.1K added in H1 and continued freshers' hiring in H2); and (4) traction in Salesforce and Azure practice. The company has converted a large IP contract into T&M, which will be margin accretive; however, margin would be offset by higher ESOP charges (~80% of employees covered under ESOP) and the ongoing war for talent (targeted EBITDA margin is ~16%). We increase the EPS estimates by 4.2/5.3% for FY23/24E and multiple to 35x (from 32x earlier). Our target price of INR 4,350 values PSYS at 35x Dec-23E, supported by a 30% EPS CAGR over FY21-24E.

- **Q2FY22 highlights:** (1) PSYS' revenue came in at USD 182mn (higher than our estimate of USD 178mn), +9.3/+34% QoQ/YoY, supported by healthy growth in services (+10.1% QoQ) and recovery in IP revenue (+4.2% QoQ). (2) Growth in Q2FY22 was broad-based across the verticals, led by healthcare & life-sciences at +13% QoQ, followed by the BFSI vertical at +8.9% QoQ, and technology & emerging vertical at +7.9% QoQ. (3) Revenue from T1 improved 8.6% QoQ, contributing 16.9% of the total, while revenue from the top 5/10 witnessed robust growth of 7.2/6.2% QoQ respectively. (4) EBIT margin stood at 13.9% (higher than our estimate of 12.8%), +32bps QoQ, supported by operational efficiencies, partially offset by the negative impact of the wage hike. (5) PSYS reported TCV growth of 15% QoQ to USD 283mn, which included new TCV wins of USD 149mn (flat QoQ).
- **Outlook**: We have factored in USD revenue growth at 33/24/18% and EBITDA margin at 16.4/15.5/15.6% over FY22/23/24E, resulting in FY21-24E EPS CAGR at 30%. At CMP, PSYS is trading at a PE of 37.3/31.2x FY23/24E.

Quarterly Financial summary

YE March (INR bn)	Q2 FY22	Q2 FY21	*YoY (%)*	Q1 FY22	*QoQ (%)*	FY20	FY21	FY22E	FY23E	FY24E
Revenue (USD mn)	182	136	*34.0*	167	*9.3*	502	566	754	935	1,108
Net Sales	13.51	10.08	*34.1*	12.30	*9.9*	35.66	41.88	55.80	70.13	84.17
EBIT	1.87	1.22	*53.8*	1.67	*12.5*	3.27	5.07	7.55	9.12	11.08
APAT	1.62	1.02	*58.6*	1.51	*6.9*	3.59	4.51	6.74	8.27	9.90
Diluted EPS (INR)	21.2	13.3	*58.6*	19.8	*6.9*	47.0	59.0	88.3	108.2	129.5
P/E (x)						86.0	68.5	45.8	37.3	31.2
EV / EBITDA (x)						59.7	42.3	31.3	26.2	21.3
RoE (%)						14.4	17.4	22.2	23.2	23.5

Source: Company, HSIE Research, Consolidated Financials

Change in Estimates

YE March (INR bn)	FY22E Old	FY22E Revised	Change %	FY23E Old	FY23E Revised	Change %	FY24E Old	FY24E Revised	Change %
Revenue (USD mn)	739	754	*2.1*	913	935	*2.5*	1,078	1,108	*2.8*
Revenue	54.67	55.80	*2.1*	68.44	70.13	*2.5*	81.89	84.17	*2.8*
EBIT	6.85	7.55	*10.2*	8.72	9.12	*4.6*	10.47	11.08	*5.9*
EBIT margin (%)	12.5	13.5	100bps	12.7	13.0	27bps	12.8	13.2	38bps
APAT	6.37	6.74	*5.8*	7.94	8.27	*4.2*	9.40	9.90	*5.3*
EPS (INR)	83.4	88.3	*5.8*	103.9	108.2	*4.2*	123.0	129.5	*5.3*

Source: Company, HSIE Research

ADD

CMP *(as on 27 Oct 2021)*	**INR 4,038**
Target Price	**INR 4,350**
NIFTY	**18,211**

KEY CHANGES	**OLD**	**NEW**
Rating	ADD	ADD
Price Target	INR 3,785	INR 4,350
	FY22E	FY23E
EPS %	+5.8	+4.2

KEY STOCK DATA	
Bloomberg code	PSYS IN
No. of Shares (mn)	76
MCap (INR bn) / ($ mn)	309/4,147
6m avg traded value (INR mn)	884
52 Week high / low	INR 4,390/1,075

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	27.7	106.9	241.3
Relative (%)	11.4	82.0	190.4

SHAREHOLDING PATTERN (%)	**Jun-21**	**Sep-21**
Promoters	31.26	31.26
FIs & Local MFs	29.17	27.87
FPIs	19.44	19.30
Public & Others	20.13	21.57
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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TTK Prestige

All-round superior performance

TTK Prestige's Q2FY22 saw beat on revenue and EBITDA margin. Standalone revenue was up 37% YoY (3% in Q2FY21 and 71% in Q1FY22; HSIE 21%), driven by sustaining work from home led demand and trade stocking ahead of festive season (which came in Q3 in the previous year). All the channels, including ecommerce, saw strong traction. Gross margin was a miss with a steep 470bps QoQ fall to 40% (HSIE 42%). Price increase was 5-8% in July, full benefit of which will be visible in H2FY22. Op-lev expanded EBITDA margin by >200bps YoY to 16.8% (-50bps in Q2FY21 and +715bps in Q1FY22; HSIE 14.3%). We expect the company to hold a strong margin in H2FY22. Its market leadership (in five of its six product offerings), wide product range, and strong distribution (aided by a high share of ecommerce) give us confidence that it will sustain healthy growth amidst the demand recovery. We raise our EPS estimates for FY22/23/24 by 9/10/10% and value it at 42x PE (earlier 40x) on FY24E EPS to derive a TP of INR 11,700. Maintain ADD.

- **Strong beat on topline:** Revenue grew by 37% YoY (+3% in Q2FY21 and +71% in Q1FY22), driven by festive period restocking demand. All the channels witnessed strong traction. Growth in ecommerce has tapered out from the previous levels. Domestic sales were up 38%, while exports were up 19%. Rural market gained momentum, with revival having started in Q1FY22. TTK introduced 76 new SKUs in Q2 across all categories. PSK network is at 643 stores in 366 towns, and the category contributes 16-17% of revenue. Exports faced disruptions due to logistics issues. Cookers, cookware, and appliances grew +44%, 36%, and 36% YoY (-9/+8/+7% in Q2FY21 and +80/95/62% in Q1FY22).

- **Operating leverage drives margin expansion:** Gross margin expanded by 33bps YoY (-258bps in Q2FY21, 402bps in Q1FY22) to 40%. Gross profit came in at INR 3.2bn (HSIE INR 3.03bn). Employee/other expenses grew by 24/28% YoY. EBITDA margin expanded by 222bps YoY (-50bps in Q2FY21 and +715bps in Q1FY22) to 16.8%. EBITDA grew by 58% YoY (HSIE 19%). PBT was up 60% YoY, while PAT grew 59% YoY to INR 986mn.
- **Con call takeaways:** (1) The company is maintaining a higher inventory to secure itself from future commodity pressures. (2) In Q2FY22, it generated 18-20% revenue from online (ecommerce) and 16-17% from exclusive stores. (3) It took price hikes of 5-8% in July across its product categories with some of the impact coming with a lag. (4) It saw good volume growth across several core categories, with volumes now over pre-COVID levels. (5) The company expects healthy revenue growth in H2FY22 despite a normal base. (6) It is committed to protect the margin from raw material impact.

Quarterly/annual financial summary

YE Mar (INR mn)	Q2FY22	Q2FY21	YoY (%)	Q1FY22	QoQ (%)	FY21	FY22E	FY23E	FY24E
Net Sales	8,086	5,902	37	3,569	127	22,019	27,156	30,878	33,792
EBITDA	1,358	860	58	391	247	3,334	4,209	4,790	5,297
APAT	986	622	59	272	263	2,494	3,024	3,437	3,879
Diluted EPS (INR)	71.2	44.9	59	19.6	263	180.0	218.2	248.0	279.9
P/E (x)						62.1	51.3	45.1	40.0
EV / EBITDA (x)						44.9	35.4	30.8	27.5
RoCE (%)						24.1	28.6	28.4	28.4

Source: Company, HSIE Research

ADD

CMP *(as on 27 Oct 2021)*	INR 11,133
Target Price	INR 11,700
NIFTY	18,211

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 10,000	INR 11,700
EPS %	FY22E	FY23E
	9%	10%

KEY STOCK DATA	
Bloomberg code	TTKPT IN
No. of Shares (mn)	14
MCap (INR bn) / ($ mn)	154/2,074
6m avg traded value (INR mn)	182
52 Week high / low	INR 11,500/5,553

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	21.0	45.7	91.8
Relative (%)	4.7	20.8	40.9

SHAREHOLDING PATTERN (%)	Jun-21	Sep-21
Promoters	70.41	70.41
FIs & Local MFs	12.82	13.12
FPIs	9.88	9.94
Public & Others	6.89	6.53
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Zensar Technologies

Signs of revival; organic growth encouraging

We maintain BUY on Zensar, following a better-than-expected revenue performance, aided by healthy organic growth and acceleration in deal wins. Zensar delivered growth of 12.3% QoQ CC (organic growth of 5.4% QoQ), supported by recovery in the retail (+18.9% QoQ CC) and insurance verticals (+13.4% QoQ CC) and modest BFS performance (+2.3% QoQ CC). The TCV stood at USD 187.5mn (book to bill at 1.3x) and includes the large City of San Diego deal (USD 122mn, eight-year duration). Even after excluding the large deal, TCV grew 31% QoQ, which implies an improving deal trajectory and organic growth visibility for H2. The margin was lower than the estimate, impacted by wage hike, higher sub-con cost, and fresher hiring. The management has guided for EBITDA margin in the range of 17-18%, which we believe will be a key monitorable. We increase our EPS estimates by 3.4/3.8% for FY23/24E to factor in better organic growth. Our TP of INR 550 is based on 22x FY23E EPS. The stock is trading at a PE of 22/18.4x FY23/24E EPS, a discount of ~20% to tier-2 IT.

- **Q2FY22 highlights:** (1) Zensar's revenue came in at USD 141.9mn, +11.6/+12.7% QoQ/YoY (organic growth +5.4% QoQ), higher than our estimate of USD 139.3mn; (2) growth was broad-based across verticals in Q2, led by banking/consumer/insurance verticals, registering a growth of +39.2/+18.9%/+13.4% QoQ CC, followed by manufacturing/hi-tech with the growth of +7.2%/+4.2% QoQ CC; (3) among the geographies, growth was led by the US (+11.9% QoQ), recovery in Europe (+11.6% QoQ), and South Africa (+9.7% QoQ); (4) EBITDA margin contracted 308bps QoQ to 15.3% (vs. our expectation of 17%), impacted by FX headwind (-30bps) and wage hike & cost of delivery (-530bps), partially offset by operational efficiencies (+200bps); (5) attrition inched up to 23.2% (+510bps QoQ) and offshoring improved by 80bps QoQ at 42.5%.
- **Outlook:** We expect USD revenue growth of +16.2/15.3/10.9% and EBIT margin of 12.6/13.3/14.0% for FY22/23/24E, resulting in a revenue/EPS CAGRs of +14.1/+19.5% over FY21-24E.

Quarterly Financial summary

YE March (INR bn)	Q2 FY22	Q2 FY21	YoY (%)	Q1 FY22	QoQ (%)	FY20	FY21	FY22E	FY23E	FY24E
Revenue (USD Mn)	142	126	12.8	127	11.6	566	494	574	662	734
Net Sales	10.51	9.36	*12.2*	9.37	*12.2*	40.10	36.68	42.45	49.65	55.81
EBIT	1.14	1.39	*-17.7*	1.30	*-12.0*	3.47	5.11	5.35	6.60	7.80
APAT	0.94	0.88	*7.5*	1.01	*-6.5*	2.63	3.50	4.17	4.99	5.97
Diluted EPS (INR)	4.2	3.9	*7.5*	4.4	*-6.5*	11.5	15.3	18.2	21.8	26.1
P/E (x)						41.7	31.4	26.3	22.0	18.4
EV / EBITDA (x)						20.4	14.0	13.1	10.5	8.7
RoE (%)						12.7	15.7	16.3	17.7	19.1

Source: Company, HSIE Research, Consolidated Financials

Change in Estimates

YE March (INR bn)	FY22E Old	FY22E Revised	Change %	FY23E Old	FY23E Revised	Change %	FY24E Old	FY24E Revised	Change %
Revenue (USD mn)	562	574	*2.2*	643	662	*3.0*	717	734	*2.4*
Revenue	41.55	42.45	*2.2*	48.22	49.65	*3.0*	54.53	55.81	*2.4*
EBIT	5.75	5.35	*-6.8*	6.44	6.60	*2.4*	7.65	7.80	*2.1*
EBIT margin (%)	13.8	12.6	-122bps	13.4	13.3	-7bps	14.0	14.0	-4bps
APAT	4.33	4.17	*-3.9*	4.83	4.99	*3.4*	5.76	5.97	*3.8*
EPS (INR)	19.0	18.2	*-3.9*	21.1	21.8	*3.4*	25.2	26.1	*3.8*

Source: Company, HSIE Research

BUY

CMP *(as on 27 Oct 2021)*	**INR 480**
Target Price	**INR 550**
NIFTY	**18,211**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR 530	INR 550
EPS %	FY22E	FY23E
	-3.9	+3.4

KEY STOCK DATA	
Bloomberg code	ZENT IN
No. of Shares (mn)	226
MCap (INR bn) / ($ mn)	108/1,456
6m avg traded value (INR mn)	695
52 Week high / low	INR 587/172

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	19.6	80.1	151.4
Relative (%)	3.3	55.2	100.5

SHAREHOLDING PATTERN (%)	**Jun-21**	**Sep-21**
Promoters	49.18	49.12
FIs & Local MFs	9.71	9.54
FPIs	17.10	15.75
Public & Others	24.01	25.59
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Mahanagar Gas

High gas cost dents margin

Our ADD recommendation on Mahanagar Gas (MGL) with a price target of INR 1,135 is premised on its loyal customer base in CNG and commercial establishments, which is less price-sensitive than the industrial customer base and enables the company to maintain higher per-unit margins than peers. Q2FY22 EBITDA, at INR 3.02bn, and APAT, at INR 2.04bn, were 9/10% below our estimates due to higher gas costs and operating expenses, offset by a 64% YoY increase in revenue.

- **Volume and margin:** Blended volume stood at 3.10mmscmd (10% above our estimate). CNG segment's volume came in at 2.23mmscmd (2-yr CAGR: 1%, +44.1% QoQ), given the economic recovery post unlock. PNG segment's volume in Q2 was at 0.86mmscmd. The per-unit gross spread, at INR 15.6/scm, contracted by INR 1.7/scm YoY and INR 3.9/scm QoQ in Q2. Per-unit EBITDA was at INR 10.5/scm vs. INR 11.6per scm YoY and INR 13.9per scm QoQ. Margins were primarily impacted by high gas cost in Q2.
- **Earnings call takeaways**: (1) MGL added three new CNG stations in Q2, taking the count to 277. It also added 77 new industrial/commercial PNG customers, taking the count to 4,219. 10,214 new domestic households were connected in Q2, taking the count to ~1.71mn households. (2) The company has given a Capex guidance of INR 6.0bn for FY22E and FY23E.
- **Change in estimates**: We decrease our FY22 EPS estimate by 4.3% to INR 84.1 and FY23 EPS estimate by 4.4% to INR 91.2 to account for EBITDA margin pressure on near-term rising gas cost.
- **DCF-based valuation:** Our target price is INR 1,135, based on Mar-23E free cash flows (WACC 10%, terminal growth rate 3.0%). The stock is currently trading at 10.9x FY23E EPS.

Financial Summary

YE March (INR bn)	2Q FY22	1Q FY22	QoQ (%)	2Q FY21	YoY (%)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	8	6	34.9	5	63.8	30	25	30	35	37
EBITDA	3	3	(0.7)	2	36.5	11	13	12	13	13
APAT	2	2	0.1	1	41.5	8	10	8	9	9
AEPS (INR)	20.7	20.7	0.1	14.6	41.5	80.3	100.3	84.1	91.2	90.4
P/E (x)						12.4	9.9	11.9	10.9	11.0
EV / EBITDA (x)						8.1	6.4	6.8	6.3	6.2
RoE (%)						29.7	32.0	24.1	23.1	20.4

Source: Company, HSIE Research

Change in estimates

	FY22E			FY23E		
	Old	New	Ch%	Old	New	Ch%
Volume (mmscmd)	2.8	2.8	-	3.1	3.1	-
Per unit EBITDA (INR/scm)	12.5	12.0	(3.9)	12.0	11.5	(4.1)
EBITDA (INR bn)	13	12	(3.9)	13	13	(4.1)
AEPS (INR/sh)	87.8	84.1	(4.3)	95.4	91.2	(4.4)

Source: Company, HSIE Research

ADD

CMP *(as on 27 Oct 2021)*	**INR 997**
Target Price	**INR 1,135**
NIFTY	**18,211**

KEY CHANGES	**OLD**	**NEW**
Rating	ADD	ADD
Price Target	INR 1,200	INR 1,135
EPS %	**FY22E**	**FY23E**
	(4.3)%	(4.4)%

KEY STOCK DATA	
Bloomberg code	MAHGL IN
No. of Shares (mn)	99
MCap (INR bn) / ($ mn)	98/1,323
6m avg traded value (INR mn)	637
52 Week high / low	INR 1,284/807

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	(12.3)	(10.0)	18.4
Relative (%)	(28.6)	(35.0)	(32.5)

SHAREHOLDING PATTERN (%)	**Jun-21**	**Sep-21**
Promoters	32.50	32.50
FIs & Local MFs	28.35	27.39
FPIs	29.59	29.38
Public & Others	9.56	10.73
Pledged Shares	0.0	0.0

Source : BSE

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Mahindra Lifespaces

Back on track

Mahindra Lifespaces Developers Ltd (MLDL) delivered better-than-expected financial performance with INR 65mn of profit vs INR 105mn loss expectation, aided by land sales in MWC. MLDL announced new JDA land bank addition in Dahisar East with an INR 10-bn presales potential, likely to be launched in FY23. The business development pipeline is robust with INR 30bn presales potential (MLDL is in advanced stages of negotiations on one outright land buy and two redevelopment projects) and expected closure over 6-9 months. The launch pipeline is healthy for H2FY22, with MLDL looking to sustain the Q2 presales of INR 3bn in each quarter. The industrial business is witnessing robust inquiries and traction due to a strong manufacturing push. Given the strong growth trajectory, robust balance sheet, trustworthy brand, and tailwinds for organised players, we remain constructive on MLDL and maintain a BUY rating with an unchanged NAV-based TP of INR 349/sh.

- **Q2FY22 financial highlights:** Revenue: INR 592mn (92%/-60% YoY/QoQ, ~63% miss). EBITDA came in at INR 125mn (INR -179/-242mn in Q2FY21/Q1FY22, vs INR -185mn est.). Interest cost: INR 54mn (~2.4x/~4.3x YoY/QoQ). Other income: INR 182mn (INR 103/74mn Q2FY21/Q1FY22). RPAT/APAT: INR 65mn (INR -132/-139mn Q2FY21/Q1FY22) vs estimated loss of INR 104mn). Traction in the industrial business aided profitability.
- **Presales momentum robust:** Presales value for the quarter stood at INR 3.03bn (2.6x/2.1x YoY/QoQ, in line with our estimate of INR 3bn) and volume stood at 0.39msf (2.4x/2.1x YoY/QoQ). Collections came in at INR 1.7bn (+28%/-16% YoY/QoQ). Construction outflow was INR 700mn (INR 450/510mn in Q2FY21/Q1FY22). During the quarter, new launches were at 0.2msf (0.18/0 in Q2FY21/Q1FY22). Within IC&IC, the company leased 27.7acres to three customers for INR 742mn. The company has 4.95msf of projects with INR 23bn of future cash flows.
- **Turnaround in land bank addition:** MLDL announced INR 10bn of gross development value (GDV) addition in Dahisar and highlighted that it is in advanced stages of negotiations on INR 30bn GDV addition over the next 6-9 months. The prospects pipeline beyond nine months is robust. The new land addition has allayed concerns over presales growth.
- **Healthy balance sheet supportive of growth:** MLDL's consolidated net debt stood at INR 166mn with net D/E at 0.01x, which provides ample room for expansion. The Q2FY22 standalone/consolidated borrowing cost stood at 5.7/6.7% vs 5.9/6.95% QoQ, which is the lowest amongst peers. MLDL needs to add ~INR 20bn saleable area annually to achieve the target of INR 25bn in annual sales by FY25. This could increase the net D/E ratio to 0.5x by FY24, which is in a comfortable range and near the upper end of MLDL guidance.

Consolidated financial summary (INR mn)

YE March (INR mn)	Q2FY22	Q2FY21	YoY (%)	Q1FY22	QoQ (%)	FY21	FY22E	FY23E	FY24E
Net Sales	592	308	*92.3*	1,482	*(60.0)*	1,663	3,580	7,663	10,171
EBITDA	125	(179)	-	(242)	-	(935)	(629)	157	416
APAT	65	(132)	-	(139)	-	(717)	(345)	1,433	1,783
Diluted EPS (Rs)	0.4	(0.9)	-	(0.9)	-	(4.7)	(2.2)	9.3	11.6
P/E (x)						(59.5)	(121.8)	29.3	23.9
EV / EBITDA (x)						(46.8)	(75.2)	316.1	124.3
RoE (%)						(4.3)	(2.1)	8.6	9.8

Source: Company, HSIE Research

BUY

CMP *(as on 27 Oct 2021)*	**INR 278**
Target Price	**INR 349**
NIFTY	**18,211**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR 349	INR 349
EPS Change %	FY22E -	FY23E -

KEY STOCK DATA	
Bloomberg code	MLIFE IN
No. of Shares (mn)	154
MCap (INR bn) / ($ mn)	43/575
6m avg traded value (INR mn)	90
52 Week high / low	INR 299/80

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	12.5	67.8	217.1
Relative (%)	(3.8)	42.9	166.2

SHAREHOLDING PATTERN (%)	**Jun-21**	**Sep-21**
Promoters	51.45	51.44
FIs & Local MFs	15.79	15.61
FPIs	12.59	11.60
Public & Others	20.17	20.94
Pledged Shares	-	-

Source: BSE

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PSP Projects

Gaining traction

PSP Projects (PSP) reported revenue/EBITDA/APAT at INR 3,904/547/366mn for the quarter, 12/26/32% ahead of our estimates. Its entire order book of INR 35bn (excluding the INR 6bn Bhiwandi order) was under execution, which led to strong revenue booking. Excess provision reversals in near-completion projects led to a strong EBITDA margin of 14%. The bid pipeline is robust at INR 30bn, precast facility is operational and has received INR 300mn of orders, and working capital is under control. We expect PSP to upgrade its revenue growth guidance of 25-30% YoY to 35-40% in Q3FY22 whilst EBITDA margin guidance might stay at 11.5-13%, given high commodity inflation. Bhiwandi project remains a pain point, which the company might terminate, writing off INR 153mn in case the client doesn't agree for escalation. We maintain BUY on PSP with an unchanged TP of INR 620/sh (13x Sep-23E EPS).

- **Q2 financial highlights:** PSP posted revenue of INR 3.9bn (+61/+23% YoY/QoQ), 12% ahead of our estimate. EBITDA was at INR 547mn (123/39% YoY/QoQ), a beat of 26%. EBITDA margin stood at 14% (+393/+160bps YoY/QoQ, vs 12.5% estimate). APAT came in at INR 366mn (154/46% YoY/QoQ, a beat of 32%). EBITDA margin outperformance was led by reversals of excess provisions in the near-completion Surat Diamond Bourse project and Shri Kashi Vishwanath Dham project. PSP has maintained an EBITDA margin guidance of 11.5-13% in the normal course of business (without impact of any external event), post factoring in commodity impact.
- **Strong bid pipeline, execution to ramp up in H2FY22:** PSP highlighted that its entire order book (INR 35bn), excluding the Bhiwandi PMAY projects worth INR 6bn, is under execution. In the Bhiwandi EWS project, the next court hearing will be on 13 Nov 2021. The Pandharpur project (INR 1.3bn) is still in a slow lane; while local authorities have auctioned the housing units, buyers have not yet paid. PSP shall ramp up execution on receipt of payments. It has started work at six UP hospital projects while the one remaining has received design approval. On the Surat Diamond Bourse, INR 2.1bn worth of work is pending, which will be executed in Q3FY22. The precast facility work has been completed and PSP has received INR 300mn of order from the High Speed Rail project. The bid pipeline is at INR 30bn, with Gujarat accounting for INR 21bn. The order inflow guidance for FY22 is INR 20bn, of which PSP has achieved INR 6.4bn, and is L1 in INR 3.4bn.
- **Comfortable balance sheet:** Standalone gross debt increased to INR 1.9bn (D/E 0.32x), from INR 1.2bn (D/E 0.21x) in Q1FY22. Receivables increased to INR 3.5bn from INR 2.8bn at Q1FY22-end due to major billing in Sep-21. However, PSP has received INR 1.2bn in the early part of Oct-21.

Standalone financial summary (INR mn)

YE March	2QFY22	2QFY21	YoY (%)	1QFY22	QoQ (%)	FY21	FY22E	FY23E	FY24E
Net Sales	3,904	2,431	60.6	3,174	23.0	12,409	16,579	20,179	22,750
EBITDA	547	245	123.1	394	38.9	1,348	1,934	2,456	2,998
APAT	366	144	154.0	251	45.8	835	1,260	1,534	1,902
Diluted EPS (INR)	10.2	4.0	154.0	7.0	45.8	23.2	35.0	42.6	52.8
P/E (x)						22.8	15.1	12.4	10.0
EV / EBITDA (x)						14.3	10.1	8.0	6.3
RoE (%)						16.8	21.4	21.8	22.5

Source: Company, HSIE Research

BUY

CMP *(as on 27 Oct 2021)*	INR 528
Target Price	INR 620
NIFTY	18,211

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 620	INR 620
EPS change %	FY22E -	FY23E -

KEY STOCK DATA	
Bloomberg code	PSPPL IN
No. of Shares (mn)	36
MCap (INR bn) / ($ mn)	19/256
6m avg traded value (INR mn)	135
52 Week high / low	INR 552/375

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	12.5	26.1	35.6
Relative (%)	(3.8)	1.2	(15.3)

SHAREHOLDING PATTERN (%)

	Jun-21	Sep-21
Promoters	74.19	69.88
FIs & Local MFs	3.97	4.94
FPIs	1.29	1.27
Public & Others	20.55	23.91
Pledged Shares	-	

Source: BSE

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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
Varun Lohchab	ITC	PGDM	NO
Naveen Trivedi	ITC, TTK Prestige	MBA	NO
Saras Singh	ITC, TTK Prestige	PGDM	NO
Parikshit Kandpal	Larsen & Toubro, ABB India, PSP Projects	CFA	NO
Parikshit Kandpal	Mahindra Lifespaces	CFA	YES
Manoj Rawat	Larsen & Toubro, ABB India, Mahindra Lifespaces, PSP Projects	MBA	NO
Aditya Makharia	Maruti Suzuki	CA	NO
Krishnan ASV	SBI Life Insurance, IndusInd Bank	PGDM	NO
Sahej Mittal	SBI Life Insurance	ACA	NO
Deepak Shinde	IndusInd Bank	PGDM	NO
Bansi Desai	Cipla, Torrent Pharma	CFA	NO
Karan Vora	Cipla, Torrent Pharma	CA	NO
Amit Chandra	Persistent Systems, Zensar Technologies	MBA	NO
Vinesh Vala	Persistent Systems, Zensar Technologies	MBA	NO
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