INSTITUTIONAL RESEARCH

HSIE Results Daily

Contents

Results Reviews

- **Dabur:** Dabur delivered consolidated revenue/domestic volume growth of 6/1% YoY vs. the expectation of 7/1%. The domestic business grew by 4.7% while the international business posted a 1% growth (10% cc growth). While primary sales were impacted by trade destocking, secondary sales grew in double digits. Dabur's healthcare/HPC/F&B grew -5/-4/+29% YoY. The healthcare segment was impacted by the high base of the previous year (omicron-led); homecare continued to lead growth in the HPC segment. F&B continued to grow at a fast clip with management aiming to double the business over the next 4-5 years. GM contracted by 160bps YoY (+30bps QoQ) to 45.8% (HSIE 46%), owing to RM inflation and product mix. Although A&P spending remained flat YoY, one-off expenses (INR 200-250mn) led to 270bps YoY EBITDA margin compression to 15.3% (HSIE 15.8%). EBITDA declined by 10% YoY (HSIE -6%). The rural market continues to witness downtrading and is still in the recovery phase, although early signs of green shoots are visible. We cut our FY24 EPS by 2% to reflect higher marketing spending while keeping FY25 EPS unchanged. We value the stock at 42x P/E on Mar-25EPS to derive a target price of INR 560. Maintain ADD.
- **Tata Power:** In Q4FY23, Tata Power's consolidated revenue increased 4.1% YoY to INR124bn, below the consensus estimate of INR130bn (-5.0%). Strong operational performance across its regulated, standalone (including Mundra), coal SPV and renewable businesses were the key underpinnings. EBITDA grew materially by 45.5% YoY on the back of higher availability at Mundra, capacity addition in renewables, and higher efficiencies in the distribution business. Profit improved significantly in the Indonesian coal business (+40.5% YoY), led by high coal prices. Accordingly, adjusted PAT increased 54.5% YoY to INR7.7bn. Odisha discoms' AT&C losses reduced to 30% in Q4FY23 and it reported a PAT of INR2.5bn for FY23. We have maintained our estimates and SoTP of INR243, factoring in margin restoration in its EPC business, healthy demand in its distribution circles, lower AT&C losses across Odisha circle and the growing renewable business. Accordingly, we maintain our ADD rating.
- **Cholamandalam Investment and Finance Company:** Chola reported a stellar quarter with P&L outcomes significantly ahead of our estimates on the back of an extraordinary surge in AUM growth (+38.5% YoY), 20bps reflation in NIMs (7.8%), and improving asset quality. It maintained its strong disbursal momentum (+65% YoY; +20% QoQ), led by a contribution from across product segments. The management remains upbeat about growth prospects despite a high base with increased portfolio diversification (share of vehicle finance at 63%) and increasing penetration of non-vehicle segments in existing branches. While the management has indicated maintaining stringent credit filters in its new businesses (target pre-tax RoA of ~3.5%), we continue to monitor potential segmental profitability from these businesses. We increase our FY24/FY25 earnings estimates by 9% to factor in higher AUM CAGR, offset by higher opex intensity from new businesses; maintain BUY with a revised TP of INR1,055 (4.5x Mar-25 ABVPS).

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- **TVS Motor:** TVS Motors' Q4 adjusted PAT at INR 3.64bn came ahead of our estimate of INR 3.3bn, led by the better-than-expected margin. TVS was able to improve margin QoQ despite the ramp-up of iQube in the quarter and that is commendable. TVS continued to outperform peers even in FY23: (1) it gained a 100bps market share in motorcycles to touch a record-high level of 8.9%; (2) in scooters, it is the biggest gainer and its market share is up 220bps to 23.6%; (3) even in 2W EVs, TVS has now emerged as the second-largest player and sold 97k units of iQube in FY23. With supply challenges now largely over, we expect TVS' outperformance to continue on the back of the ramp-up of its launches, including the new Ronin and Raider. Even in EVs, it seems to be ahead of its listed peers with a strong product pipeline in place for the next 24 months; it has signed up with industry experts and JV partners to emerge as a leading player in EVs. We maintain BUY with a revised TP of INR 1,342/sh (earlier INR 1275), as we roll forward to FY25 EPS (target multiple unchanged at 28x).
- **KEC International:** KEC reported Q4FY23 numbers with a slight recovery in the consolidated margins. However, the standalone margin continues to be at multi-year low levels. With FY23 order inflow (OI) of INR 223.8bn (vs. revised guidance of INR 180-190bn) and L1 on INR 35bn, the order book (OB) as of Mar'23 stood at INR 340bn (~2x FY23 revenue). There has been movement in collections from Afghanistan as KEC received INR 500mn in Q4FY24 and it expects another INR 2bn by May-23 end. The consolidated net debt, including the interest-bearing acceptances, stood at INR 49.9bn, a decrease of INR 6.3bn from INR 56.2bn, as of Dec'22. The interest cost for FY23 came in at 3.12% (vs. 2.3% YoY) of revenue. KEC expects the interest cost to reduce from Q1FY24 onwards. KEC guided for FY24 revenue to grow by 15% YoY with the EBITDA margin at ~7% and OI of INR 250bn. Given the debt-heavy balance sheet, elevated working capital, and weak profitability, we maintain REDUCE with a TP of INR 400/share (13x Mar-25E EPS). Rerating depends on debt reduction and margin recovery.

Dabur

Expect better growth and margin print in FY24

Dabur delivered consolidated revenue/domestic volume growth of 6/1% YoY vs. the expectation of 7/1%. The domestic business grew by 4.7% while the international business posted a 1% growth (10% cc growth). While primary sales were impacted by trade destocking, secondary sales grew in double digits. Dabur's healthcare/HPC/F&B grew -5/-4/+29% YoY. The healthcare segment was impacted by the high base of the previous year (omicron-led); homecare continued to lead growth in the HPC segment. F&B continued to grow at a fast clip with management aiming to double the business over the next 4-5 years. GM contracted by 160bps YoY (+30bps QoQ) to 45.8% (HSIE 46%), owing to RM inflation and product mix. Although A&P spending remained flat YoY, one-off expenses (INR 200-250mn) led to 270bps YoY EBITDA margin compression to 15.3% (HSIE 15.8%). EBITDA declined by 10% YoY (HSIE -6%). The rural market continues to witness downtrading and is still in the recovery phase, although early signs of green shoots are visible. We cut our FY24 EPS by 2% to reflect higher marketing spending while keeping FY25 EPS unchanged. We value the stock at 42x P/E on Mar-25EPS to derive a target price of INR 560. Maintain ADD.

- **F&B growth sustains; consolidated revenue up 6% YoY:** Revenue grew by 6% YoY (+8% in Q4FY22 and +3% in Q3FY23). The pick-up was seen on the secondary side; primary sales were impacted due to trade destocking and unseasonal rains. Moreover, currency impact on international impacted revenue growth. Dabur's flagship oral care business dipped 3% (toothpaste up 5%); skin care was down 2% while hair care was flat. On a high base, health supplements declined by 3%. Home care is sustaining a healthy trend and posted 10% growth. F&B was up by 29%, with the beverage up by 29%. Food jumped 22% YoY. We model a 10% revenue CAGR in FY23-25E.
- **GM improves QoQ; one-off expenses impact EBITDA:** GM contracted by 160bps YoY and was up 30bps QoQ at 45.8% (47.4% in Q4FY22, 45.5% in Q3FY23). Employee/other expenses grew by 3.5/21% YoY while A&P spends were flat YoY (6% of sales). Other expenses included one-off items of INR 200-250mn (forex impact on Sri Lanka, CSR expense, distribution restricting in MENA), which led to EBITDA margin contraction of 270bps YoY to 15.3% (18% in Q4FY22 and 20% in Q3FY23) vs. HSIE 15.8%. EBITDA fell by 10% YoY (HSIE 6% decline). We model 19.5/20.5% EBITDA margin FY24/FY25.
- **Con call and BS/CF takeaways**: (1) FMCG volumes declined in Q4. Some positive growth was witnessed towards the end, led by the food segment. (2) Rural continues to lag behind urban in recovery. (3) Restructured healthcare business by creating a therapeutic division which shall aim to increase advocacy in allopathy channels. (4) Badshah will continue to focus on Gujarat, Maharashtra, and Andhra Pradesh markets in the near term. (5) Dabur's reliance is more in North India. Central and South India have been weak. The west and east markets continue to do well. (6) In FY23, FCF stood at INR 9.8bn vs INR 14bn in the previous year.

Quarterly/annual financial summary

YE Mar (INR mn)	Q4FY23	Q4FY22	YoY (%)	Q3FY22	QoQ (%)	FY22	FY23	FY24E	FY25E
Net Sales	26,778	25,178	6.4	30,432	(12.0)	1,08,887	1,15,299	1,27,628	1,40,054
EBITDA	4,098	4,536	(9.6)	6,099	(32.8)	22,538	21,641	25,015	28,851
APAT	2,928	3,581	(18.2)	4,766	(38.6)	17,393	17,013	20,599	23,371
Diluted EPS (INR)	1.7	2.0	(18.5)	2.7	(38.7)	9.8	9.6	11.6	13.2
P/E (x)	26,778	25,178	6.4	30,432	(12.0)	53.9	55.2	45.6	40.2
EV / EBITDA (x)						39.4	41.2	35.4	30.4
RoCE (%)						57.0	46.5	46.5	52.6

Source: HSIE Research Note: Model Badshah Masala from Q4FY23

ADD

CMP *(as on 4 May 2023)*	INR 530
Target Price	INR 560
NIFTY	18,256

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 560	INR 560
EPS %	FY24E	FY25E
	-2%	0%

KEY STOCK DATA	
Bloomberg code	DABUR IN
No. of Shares (mn)	1,772
MCap (INR bn) / ($ mn)	940/11,491
6m avg traded value (INR mn)	1,197
52 Week high / low	INR 611/482

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(0.6)	(4.9)	(1.4)
Relative (%)	(2.1)	(6.2)	(12.3)

SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	66.24	66.24
FIs & Local MFs	7.61	8.43
FPIs	20.47	19.73
Public & Others	5.68	5.60
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Tata Power

Continues to deliver strong performance

In Q4FY23, Tata Power's consolidated revenue increased 4.1% YoY to INR124bn, below the consensus estimate of INR130bn (-5.0%). Strong operational performance across its regulated, standalone (including Mundra), coal SPV and renewable businesses were the key underpinnings. EBITDA grew materially by 45.5% YoY on the back of higher availability at Mundra, capacity addition in renewables, and higher efficiencies in the distribution business. Profit improved significantly in the Indonesian coal business (+40.5% YoY), led by high coal prices. Accordingly, adjusted PAT increased 54.5% YoY to INR7.7bn. Odisha discoms' AT&C losses reduced to 30% in Q4FY23 and it reported a PAT of INR2.5bn for FY23. We have maintained our estimates and SoTP of INR243, factoring in margin restoration in its EPC business, healthy demand in its distribution circles, lower AT&C losses across Odisha circle and the growing renewable business. Accordingly, we maintain our ADD rating.

- **Q4FY23 highlights:** Revenue grew 4.1% YoY to INR124bn, 5% below consensus. EBITDA increased significantly to INR24bn, (+45.5% YoY) and 30% above consensus. The economics of the company remains good due to lower under-recovery in Mundra, higher sales across distribution companies, capacity addition in renewables and growing execution of solar EPC projects. Adjusted PAT went up 54.5% YoY to INR7.7bn, which included INR1.8bn from profits from JV and associates.
- **Reiterate ADD**: The company's planned 4GW of the extended module and cell capacity is expected to be rolled out in September 2023 and December 2023 respectively. Its EPC order book remains strong at INR174bn (4GW) and is gaining traction. Renewable energy capacity increased to 6.6GW in Q4FY23 with an installed capacity of 3.9GW and 2.7GW under various stages of implementation. The company is operating 4 units out of 5 in Mundra for which Sec 11 is extended till June. It reduced debt by nearly INR28bn in Q4 and has planned INR120bn in capex for FY24, which will be funded through internal cash flows. We maintain ADD rating with SoTP of INR243, factoring in margin restoration in its EPC business, healthy demand in its distribution circles, lower AT&C losses across the Odisha circle, and growing renewable business.

Financial Summary

(INR mn, Mar YE)	4Q FY23	4Q FY22	YoY (%)	3Q FY23	QoQ (%)	FY22	FY23E	FY24E	FY25E
Net Revenues	1,24,538	1,19,600	4.1	1,41,291	-11.9	4,28,157	5,51,091	5,81,140	6,19,843
EBITDA	23,817	18,686	27.5	23,348	2.0	75,113	77,063	1,03,059	1,41,883
APAT	7,766	5,031	54.4	9,450	-17.8	17,416	33,364	35,380	41,302
Diluted Consol EPS (INR)	2.43	1.57	54.4	2.96	-17.8	5.4	10.4	11.1	12.9
P/E (x)						37.6	19.6	18.5	15.9
EV/EBITDA						2.9	2.3	2.1	2.0
RoE (%)						10.5	24.3	9.9	10.7

Source: Company, HSIE Research

ADD

CMP *(as on 4 May 2023)*	**INR 204**
Target Price	**INR 243**
NIFTY	**18,256**

KEY CHANGES	**OLD**	**NEW**
Rating	ADD	ADD
Price Target	INR243	INR243
EPS Change %	FY24E	FY25E
	-	-

KEY STOCK DATA	
Bloomberg code	TPWR IN
No. of Shares (mn)	3,195
MCap (INR bn) / ($ mn)	651/7,965
6m avg traded value (INR mn)	1,999
52 Week high / low	INR 254/182

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	(0.7)	(10.7)	(16.8)
Relative (%)	(2.2)	(12.0)	(27.7)

SHAREHOLDING PATTERN (%)	**Dec-22**	**Mar-23**
Promoters	46.9	46.9
FIs & Local MFs	14.6	14.5
FPIs	9.6	9.5
Public & Others	28.9	29.1
Pledged Shares	0.7	0.7

Source : BSE

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Cholamandalam Investment and Finance Company

Spectacular execution raises the bar

Chola reported a stellar quarter with P&L outcomes significantly ahead of our estimates on the back of an extraordinary surge in AUM growth (+38.5% YoY), 20bps reflation in NIMs (7.8%), and improving asset quality. It maintained its strong disbursal momentum (+65% YoY; +20% QoQ), led by a contribution from across product segments. The management remains upbeat about growth prospects despite a high base with increased portfolio diversification (share of vehicle finance at 63%) and increasing penetration of non-vehicle segments in existing branches. While the management has indicated maintaining stringent credit filters in its new businesses (target pre-tax RoA of ~3.5%), we continue to monitor potential segmental profitability from these businesses. We increase our FY24/FY25 earnings estimates by 9% to factor in higher AUM CAGR, offset by higher opex intensity from new businesses; maintain BUY with a revised TP of INR1,055 (4.5x Mar-25 ABVPS).

- **Beat on P&L; asset quality improves further:** Chola posted strong NII/PPoP growth of 29%/40% YoY on the back of strong AUM growth (+38.5% YoY) and reflating NIM (7.8%). C/I ratio was broadly steady at 38% (opex-to-AUM at 3.4%) on the back of sustained investments in people, business sourcing and collections and is expected to stay elevated in the near term. GS-III/NS-III improved further to 3%/1.7% with GS-II at 3.7%.
- **Strong growth across segments; transitioning to a diversified NBFC:** Chola is gradually transitioning from a vehicle financing (VF) NBFC to a diversified NBFC with an increasing share of non-VF businesses at 37% (FY19: 25% and a medium-term target of 50%) to reduce cyclicality in its growth and earnings profile. Penetration of non-VF loans (LAP, home loans, and new businesses) in its branch network is still at sub-50%, and it is likely to be a positive catalyst for portfolio growth.
- **New business build-out key monitorable for further rerating:** While the increasing share of new businesses at 9% (FY22: 2%) offers a fillip to AUM growth, we are watchful of potential segmental profitability, especially given rising competitive intensity and limited vintage of its FinTech partnerships.

Financial summary

(INR bn)	Q4FY23	Q4FY22	*YoY (%)*	Q3FY23	*QoQ(%)*	FY22	FY23	FY24E	FY25E
NII	17.6	13.7	*29.0*	16.0	*10.4*	52.7	63.3	79.9	96.8
PPOP	12.7	9.1	*39.6*	10.8	*17.9*	37.7	44.5	56.6	69.9
PAT	8.5	6.9	*23.7*	6.8	*24.6*	21.5	26.7	34.7	42.3
EPS (INR)	10.4	8.4	*23.6*	8.3	*24.7*	26.1	32.4	42.1	51.4
ROAE (%)						20.2	20.5	21.7	21.7
ROAA (%)						2.7	2.7	2.8	2.8
ABVPS (INR)						117.9	152.7	191.4	235.3
P/ABV (x)						8.1	6.2	5.0	4.0
P/E (x)						36.4	29.3	22.5	18.5

Change in estimates

(INR bn)	FY24E			FY25E		
	Old	New	Δ	Old	New	Δ
AUM	1,153	1,262	9.5%	1,362	1,497	9.9%
NIM (%)	7.0	6.9	-9 bps	6.9	7.0	12 bps
NII	74.1	79.9	7.9%	86.7	96.8	11.6%
PPOP	53.8	56.6	5.3%	63.9	69.9	9.4%
PAT	31.9	34.7	8.7%	38.9	42.3	8.7%
Adj. BVPS (INR)	182	191	5.4%	216	235	9.0%

Source: Company, HSIE Research

BUY

CMP *(as on 4 May 2023)*	INR 950
Target Price	INR 1,055
NIFTY	18,256

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 885	INR 1055
EPS %	FY24E	FY25E
	8.7%	8.7%

KEY STOCK DATA	
Bloomberg code	CIFC IN
No. of Shares (mn)	822
MCap (INR bn) / ($ mn)	781/9,551
6m avg traded value (INR mn)	1,158
52 Week high / low	INR 970/594

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	21.6	24.4	33.4
Relative (%)	20.1	23.1	22.5

SHAREHOLDING PATTERN (%)	Dec-22	Mar-23
Promoters	51.5	51.5
FIs & Local MFs	21.2	21.5
FPIs	19.4	19.6
Public & Others	7.9	7.4
Pledged Shares	0.0	

Source : BSE

Pledged shares as % of total shares

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TVS Motor

Margin maintained despite EV ramp-up

TVS Motors' Q4 adjusted PAT at INR 3.64bn came ahead of our estimate of INR 3.3bn, led by the better-than-expected margin. TVS was able to improve margin QoQ despite the ramp-up of iQube in the quarter and that is commendable. TVS continued to outperform peers even in FY23: (1) it gained a 100bps market share in motorcycles to touch a record-high level of 8.9%; (2) in scooters, it is the biggest gainer and its market share is up 220bps to 23.6%; (3) even in 2W EVs, TVS has now emerged as the second-largest player and sold 97k units of iQube in FY23. With supply challenges now largely over, we expect TVS' outperformance to continue on the back of the ramp-up of its launches, including the new Ronin and Raider. Even in EVs, it seems to be ahead of its listed peers with a strong product pipeline in place for the next 24 months; it has signed up with industry experts and JV partners to emerge as a leading player in EVs. We maintain BUY with a revised TP of INR 1,342/sh (earlier INR 1275), as we roll forward to FY25 EPS (target multiple unchanged at 28x).

- **Q4 earnings beat our estimates:** TVS Motors' Q4 adjusted PAT at INR 3.64bn came ahead of our estimate of INR 3.3bn, led by the better-than-expected margin. EBITDA margin grew by 20bps QoQ to 10.3% and was ahead of our estimate of 9.7%. TVS was able to improve margin despite the ramp-up of iQube in Q4 and we believe that is commendable. This is likely to have been led by improved mix and price hikes taken in Q4. Other income was sharply higher at INR705 mn and included a gain in fair value of investment worth INR617mn. Adjusted for the one-off gain, PAT grew 33% YoY to INR3.64bn.

- **Call takeaways:** (1) While the export demand has remained weak, TVS has ensured that it reduced channel inventory in order to reduce the burden on its dealer partners. (2) Export revenue for Q4 stood at INR 13.7bn while spare part revenue stood at INR 6.7bn. (3) TVS has taken a 0.5% price hike in Q4 and another 1% price hike towards Q4-end to pass on the cost increase of OBD-phase 2 norms. Apart from this, the benefit from softening input costs was 90bps for Q4. (4) **EV update**: TVS has sold 97k units of iQube in FY23, up from 11k sold in FY22. It has transitioned to AIS 156 phase-2 successfully, although it experienced supply hiccups in April. Management expects to ramp up supplies from May onwards to honour its order backlog, which has now increased to 30k units. iQube is now present at 235 touchpoints across 135 cities. (5) **Performance of subsidiaries/associates**: TVS Credit performance has been very encouraging and it has delivered a PBT of INR 5.1bn for FY23 vs INR 1.5bn YoY. Its book size has increased to INR205bn and collection remains strong; hence, provisions are under control. Further, PBT of PT TVS has also improved to USD5mn in FY23 from USD3mn YoY. (6) Capex guidance stands at INR 9-10 bn and another INR 7 bn for investments in subsidiaries and associates.

Quarterly/annual financial summary

YE Mar (INR mn)	Q4 FY23	Q4 FY22	YoY (%)	Q3 FY23	QoQ (%)	FY22	FY23	FY24E	FY25E
Net Sales	66,048	55,303	19.4	65,454	0.9	2,08,392	2,63,781	3,08,512	3,45,395
EBITDA	6,798	5,568	22.1	6,589	3.2	20,105	26,747	34,137	38,504
APAT	3,640	2,734	33.1	3,527	3.2	9,725	14,074	19,534	22,762
Diluted EPS (INR)	7.7	5.8	33.1	7.4	3.2	20.5	29.6	41.1	47.9
P/E (x)						57.2	39.5	28.5	24.4
EV / EBITDA (x)						25.9	19.4	14.8	12.7
RoCE (%)						21.4	24.3	28.5	29.0

Source: Company, HSIE Research

BUY

CMP *(as on 4 May 2023)*	INR 1,170
Target Price	INR 1,342
NIFTY	18,256

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1275	INR 1342
EPS %	FY24E	FY25E
	0%	0%

KEY STOCK DATA	
Bloomberg code	TVSL IN
No. of Shares (mn)	475
MCap (INR bn) / ($ mn)	555/6,791
6m avg traded value (INR mn)	1,849
52 Week high / low	INR 1,184/589

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	12.9	4.9	86.3
Relative (%)	11.4	3.6	75.4

SHAREHOLDING PATTERN (%)	Dec-22	Mar-23
Promoters	50.27	50.27
FIs & Local MFs	25.26	24.40
FPIs	14.45	17.02
Public & Others	10.02	8.31
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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KEC International

Rerating contingent on margin recovery

KEC reported Q4FY23 numbers with a slight recovery in the consolidated margins. However, the standalone margin continues to be at multi-year low levels. With FY23 order inflow (OI) of INR 223.8bn (vs. revised guidance of INR 180-190bn) and L1 on INR 35bn, the order book (OB) as of Mar'23 stood at INR 340bn (~2x FY23 revenue). There has been movement in collections from Afghanistan as KEC received INR 500mn in Q4FY24 and it expects another INR 2bn by May-23 end. The consolidated net debt, including the interest-bearing acceptances, stood at INR 49.9bn, a decrease of INR 6.3bn from INR 56.2bn, as of Dec'22. The interest cost for FY23 came in at 3.12% (vs. 2.3% YoY) of revenue. KEC expects the interest cost to reduce from Q1FY24 onwards. KEC guided for FY24 revenue to grow by 15% YoY with the EBITDA margin at ~7% and OI of INR 250bn. Given the debt-heavy balance sheet, elevated working capital, and weak profitability, we maintain REDUCE with a TP of INR 400/share (13x Mar-25E EPS). Rerating depends on debt reduction and margin recovery.

- **Q4FY23 financial snapshot; margin continues to disappoint:** Revenue: INR 55.3bn (+29.2/+26.3% YoY/QoQ, a beat of 6.1%); while execution in the non-T&D segment like railways (INR 12.4bn) and cables (INR 4.4bn) declined 7/2% YoY, revenue growth was driven by the T&D segment with T&D (KEC) at INR 23.8bn (+40% YoY), SAE Towers at INR 3.9bn (+55% YoY), and Civil in the non-T&D segment at INR 11.4bn (+71% YoY). EBITDA: INR 2.8bn (+12.6/+41.8% YoY/QoQ, a beat of 8.6%, owing to lower input prices and employee benefit expenses; partly offset by higher absorption of overheads). EBITDA margin: 5.1% (-76/+56bps YoY/QoQ, vs. our estimate of 5.0%). APAT came in at INR 722mn (-35.6%/+4.1x YoY/QoQ, a beat of 49.4%). Standalone EBITDA margin: 4.2% (vs. 7.3/4.7% Q4FY22/Q3FY23; at multi-year lowest point).
- **FY23 financial snapshot:** FY23 Revenue: INR 172.8bn (+25.8% YoY), EBITDA: INR 8.3bn (-8.2% YoY), EBITDA margin: 4.8% (vs. 6.6% FY22), APAT: INR 1.8bn (-53.1% YoY). Standalone EBITDA margin: 5.5% (vs. 9.0% FY22). It guided FY24 revenue will grow at 15% YoY with the margin at ~7%.
- **Revenue visibility over the near term backed by strong OB:** KECI received INR 223.8bn of orders in FY23 vs. revised guidance of INR 180-190bn for FY23, taking the order book to INR 305.5bn as of Mar'23 (~1.8x FY23 revenue). Including L1 of INR 35bn, the order book stood at INR 340bn. It guided for order intake of INR 250bn in FY24. The focus will be more on the quality of order bookings.
- **Debt reduction; albeit high debt level continues to be a pain point:** The consolidated net debt, including the interest-bearing acceptances, stood at INR 49.9bn, a decrease of INR 6.3bn from INR 56.2bn as of Dec'22. The interest cost for FY23 came in at 3.12% (vs. 2.3% YoY) of revenue. KEC expects the interest cost to reduce from Q1FY24 onwards, owing to debt refinancing in SAE, which may result in savings of INR 400-500mn in finance costs.

Consolidated financial summary (INR mn)

Particulars	4QFY23	4QFY22	YoY (%)	3QFY23	QoQ (%)	FY22	FY23	FY24E	FY25E
Revenues	55,250	42,748	29.2	43,746	26.3	1,37,423	1,72,817	1,87,014	2,10,213
EBITDA	2,835	2,517	12.6	1,999	41.8	9,035	8,297	12,933	18,487
APAT	722	1,120	(35.6)	176	310.2	3,757	1,761	3,784	7,902
EPS (INR)	2.8	4.4	(35.6)	0.7	310.2	12.9	6.8	14.7	30.7
P/E (x)						39.8	75.1	34.9	16.7
EV/EBITDA (x)						20.0	19.4	14.2	9.9
RoE (%)						9.5	4.8	9.6	17.8

Source: Company, HSIE Research

REDUCE

CMP (*as on 4 May 2023*)	INR 514
Target Price	INR 400
NIFTY	18,256

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 400	INR 400
	FY24E	FY25E
EPS Change %	-	-

KEY STOCK DATA	
Bloomberg code	KECI IN
No. of Shares (mn)	257
MCap (INR bn) / ($ mn)	132/1,616
6m avg traded value (INR mn)	223
52 Week high / low	INR 526/345

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	9.7	19.7	37.2
Relative (%)	8.3	18.3	26.2

SHAREHOLDING PATTERN (%)	Dec-22	Mar-23
Promoters	51.88	51.88
FIs & Local MFs	25.56	25.79
FPIs	12.62	12.60
Public & Others	9.94	9.73
Pledged Shares	-	-

Source: BSE

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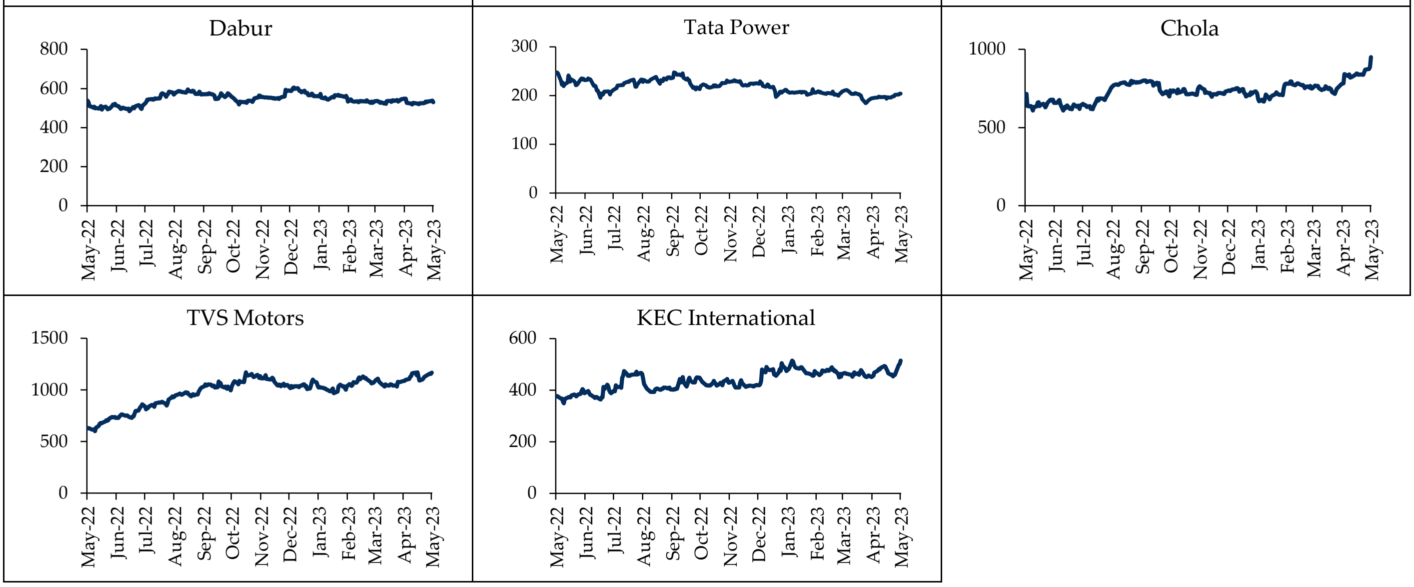
Rating Criteria
BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Varun Lohchab	Dabur	PGDM	NO
Naveen Trivedi	Dabur	MBA	NO
Paarth Gala	Dabur	BCom	NO
Riddhi Shah	Dabur	MBA	NO
Hinal Choudhary	Tata Power	CA	NO
Deepak Shinde	Cholamandalam Investment and Finance Company	PGDM	YES
Krishnan ASV	Cholamandalam Investment and Finance Company	PGDM	NO
Neelam Bhatia	Cholamandalam Investment and Finance Company	PGDM	NO
Aniket Mhatre	TVS Motor	MBA	NO
Sonaal Sharma	TVS Motor	MBA	NO
Parikshit Kandpal	KEC International	CFA	NO
Nikhil Kanodia	KEC International	MBA	NO
Manoj Rawat	KEC International	MBA	NO

1 Yr Price Movement



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