INSTITUTIONAL RESEARCH

HSIE Results Daily

Contents

Results Review

Reliance Industries:

Our ADD rating on RIL with a price target of INR 2,280 /sh is premised on (1) recovery in the O2C businesses; (2) continued EBITDA growth in the digital business, driven by improvement in ARPU, subscriber addition, and new revenue streams; and (3) potential for further value unlocking in the digital and retail businesses.

ICICI Bank

ICICI Bank's (ICICIBC) improving all-round performance over the past couple of years has been interrupted by the impact of the second wave in terms of asset quality during Q1FY22, a trend witnessed by all lenders. Slippages increased to 4.2% (FY21: 2.3%), driven primarily by higher retail slippages (6%). The bank, however, reported NII/PPOP/PAT in line with our expectations, by dipping into the COVID provisions (INR 10.5bn) during the quarter, to maintain PCR at 78%. Best-in-class liability franchise, risk-calibrated asset book and industry-leading technology initiatives for new-to-bank (NTB) business sourcing are likely to drive ICICI Bank towards above-industry growth and a 15% RoE trajectory. Maintain BUY with a revised SOTP price of INR 775 (earlier INR 770).

ITC

ITC delivered a healthy performance with marginal surprises across most segments. The cigarette segment revenue grew 33% YoY (30% HSIE) while its volume grew 30-31% (HSIE 30%). For this segment, Q4 was at the pre-COVID level, May was weak, and June witnessed week-on-week improvement. Q2FY22 is expected to be a little short of the pre-COVID level as the pandemic continues to cause disruption in certain states. The cigarette EBIT growth was at 37% (HSIE 39%), with margin continuing to expand. The FMCG business registered 10% growth (HSIE 9%), while organic (excluding Sunrise) growth was at ~5% (on a comparable base of 18.8% growth). In other segments, paper was an outlier both in terms of revenue and margin and clocked revenue/EBIT growth of 54/145% YoY (HSIE 40/62%). With normalcy and higher mobility, going forward, demand trends will improve to achieve cigarette recovery and FMCG sustainability. We maintain EPS estimates for FY22/FY23/FY24. We value ITC on an SoTP basis to derive a target price of INR 250 (implied P/E of 18x P/E Jun-23E EPS). Maintain BUY.

Ambuja Cement

We maintain ADD on Ambuja Cements (ACEM) with a revised target price of INR 400/share (SOTP based). In Q2CY21, ACEM delivered its best-ever consolidated EBITDA margin – INR 1,495/MT (+11/5% QoQ/YoY). Robust pricing and continued cost controls moderated the impact of lower sales QoQ. Thus, standalone net sales/EBITDA declined 7/2% QoQ to INR 33.7/9.6bn (+55/61% YoY on a low base)

respectively. APAT grew 9% QoQ on dividend income from ACC. We expect the commissioning of Rajasthan plant in Q3CY21 to accelerate volume growth CY22E onwards.

Mphasis

We maintain BUY on Mphasis (MPHL) and reiterate it as our preferred pick in mid-tier IT, given a stellar Q1 and high visibility on delivering industry-leading growth. MPHL's growth is expected to be driven by (1) the highest-ever deal signings with USD 505mn new total contract value (TCV) wins in the direct international business, (2) continuity of strong growth in large accounts, (3) increased focus on new client acquisition and investments in sales & delivery, (4) positive commentary on deal funnel replenishment and execution milestones, and (5) steady operating profile (margin guidance maintained). The deal trajectory solidifies the direct portfolio, which is expected to post 30% in FY22 (23% CAGR over FY21-24E). MPHL's scalability is becoming more apparent with quadrupling of the USD 100mn+ client bucket and delivering of the strongest growth vs. peers in T10 accounts. DXC contraction is becoming a smaller deterrent to the overall portfolio (than previously). Our target price is INR 2,870, which values MPHL at 28x Jun-23E EPS.

Persistent Systems

We maintain ADD on Persistent Systems (PSYS), following a stellar Q1 and a steady deal momentum. PSYS' growth leadership is premised on (1) strong new deal wins (USD 148mn new win TCV with total book to bill of 1.5x in Q1), driven by healthcare & life-sciences and BFSI verticals; (2) improved client mining reflected in strong scale-up in >USD 5mn+ client bucket as well as T2-10 growth; (3) robust headcount addition (2,000 freshers to be added in FY22E) with headcount ~40% higher in the past three quarters; and (4) Salesforce practice and Azure practice driving growth. Our target price of INR 3,260 values PSYS at 30x Jun-23E, supported by a 28% EPS CAGR over FY21-24E.

IndiaMART InterMESH

We maintain BUY on IndiaMart, following a better-than-expected Q1FY22 both in terms of revenue and margin. The paying suppliers declined 3.9% QoQ (-6K) due to the second wave impact (April and May 21), but the +5.7% QoQ increase in realisation was a surprise. We maintain our positive stance, based on (1) higher visibility, given the 14% YoY growth in deferred revenue; (2) increased activity on the platform despite COVID (registered buyers/unique business enquiries/traffic increased +4.8/8.3/4.3% QoQ); (3) immense growth opportunity in the highly-underpenetrated B2B e-commerce space; (4) margin expansion on account of cost savings led by automation; (5) healthy cash reserves of INR 24.2bn that can be leveraged for further investments; and (6) expected boost to growth from adjacent offerings in accounting, logistics and SaaS based solutions. Our TP of INR 8,500 is based on 56x EV/EBITDA (DCF implied) at 1.3x the average multiple, supported by revenue/EPS CAGRs of +18/14% over FY21-23E.

Federal Bank

Despite a 12% beat on PPOP led by higher other income, Federal Bank (FB) disappointed on earnings (20% below estimates) due to higher-than-expected provisioning. The lack of provisioning buffer reflected in higher provisioning (2%) in Q1FY22 to cushion the second wave impact on the portfolio with

annualised slippages at ~2% and a restructured book at 1.9% (Q4FY21: 1.2%). The COVID-restructured portfolio primarily comprises secured loans (home loans, LAP and gold loans contribute to nearly 2/3rd of the portfolio) and offers comfort on loss given default (LGDs). FB's partnerships with FinTechs in the retail business (with neo-banks, payments firms, and merchant acquirers) offer early-stage, medium-term catalysts for higher productivity (business growth) and greater efficiencies (profitability). We maintain BUY with a TP of INR98.

Heidelberg Cement

We maintain ADD on Heidelberg Cement (HEIM) with an unchanged target price of INR 283/share (8.5x Jun'23E consolidated EBITDA). HEIM Q1FY22 results were a mixed bag. While the company surprised with nominal volume decline QoQ (despite the lockdown impact), the benefits were offset by a flattish NSR (adjusted for one-off gain in Q4FY21). Thus, its net sales/EBITDA/APAT fell 7/14/51% QoQ (up 36/21/40% YoY on a low base) to INR 5.56/1.31/0.69bn respectively.

Reliance Industries

Continues to show promise

Our ADD rating on RIL with a price target of INR 2,280 /sh is premised on (1) recovery in the O2C businesses; (2) continued EBITDA growth in the digital business, driven by improvement in ARPU, subscriber addition, and new revenue streams; and (3) potential for further value unlocking in the digital and retail businesses.

RIL reported standalone revenue/EBITDA of INR 861/115bn, up 82/61% YoY and up 7/12% QoQ (18/15% above our estimates) in Q1. Standalone APAT stood at INR 86bn, -8/+13% YoY/QoQ (HSIE est: INR 58bn).

Standalone oil to chemicals (O2C) segment: Revenue grew 4% QoQ to INR 928bn, on account of higher price realisation across product portfolios. Higher realisation was primarily led by robust global fuel demand and supply management by the OPEC plus countries. EBITDA for Q1 improved by 6% QoQ to INR 119bn, due to improvement in transportation fuels cracks and higher delta for integrated polyester chain, offset by a negative delta for polymers. Crude throughput improved 10/2% YoY/QoQ.

Oil & gas: Revenue grew 97% QoQ to INR 10bn, primarily due to ramp-up of production from R-Cluster and start of production from the Satellite Cluster in KG D6 block. The combined production from the two fields was >18.0mmscmd. EBITDA improved 98% QoQ to INR 7bn, supported by margin expansion, improved production and improved price realisation for CBM and US-shale.

RJio: Revenue improved by 10/4% YoY/QoQ to INR 190bn due to subscriber traction in connectivity platform. ARPU remains stable at INR 138.4, while the gross/net subscriber addition was ~27/14mn.

Reliance Retail (RR): Net revenue grew 19% YoY to INR 335.6bn (HSIE: INR346.7bn). The core retail revenue grew 52% YoY to INR 185.6bn (HSIE: INR189.9bn). Grocery (incl. JioMART)/CE/F&L are estimated to have clocked 23/80/200/18% YoY resp. Adj. EBITDAM expanded 38bp YoY to 4.1% (in-line)

Valuation: We use EV/EBITDA to value downstream at March-23E EV/e, Retail on peer benchmarked EV/e and E&P and Jio on DCF. The stock is currently trading at 10.4x March-23E EV/EBITDA and 20.8x March-23E EPS. Maintain ADD.

Financial Summary – Consolidated

Year Ending March (INR bn)	1Q FY22	4Q FY21	QoQ (%)	1Q FY21	YoY (%)	FY20	FY21	FY22E	FY23E
Net Sales	1,399	1,496	(6.4)	883	58.6	5,975	4,669	7,326	8,712
EBITDA	234	234	0.1	169	38.5	890	807	1,098	1,328
PAT	138	150	(7.6)	129	7.1	427	437	526	683
Diluted EPS (INR)	18.7	19.4	(3.4)	13.1	43.4	67.4	67.8	77.8	101.0
P/E (x)						31.2	31.1	27.1	20.8
EV / EBITDA (x)						18.2	19.3	13.0	10.4
RoE (%)						10.2	7.6	7.1	8.4

Source: Company, HSIE Research

Change in estimates (Consolidated)

	FY22E			FY23E		
	Old	New	Ch%	Old	New	Ch%
EBITDA (INR bn)	1,111	1,098	(1.2)	1,331	1,328	(0.2)
PAT (INR bn)	538	526	(2.3)	691	683	(1.1)
AEPS(INR/sh)	79.6	77.8	(2.3)	102.2	101.0	(1.1)

Source: HSIE Research

ADD

CMP *(as on 23 Jul 2021)*	INR 2,106
Target Price	INR 2,280
NIFTY	15,856

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 2,280	INR 2,280
EPS %	FY22E	FY23E
	(2.3)%	(1.1)%

KEY STOCK DATA	
Bloomberg code	RIL IN
No. of Shares (mn)	6,339
MCap (INR bn) / ($ mn)	13,349/179,398
6m avg traded value (INR mn)	20,444
52 Week high / low	INR 2,375/1,746

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	10.6	8.5	(1.9)
Relative (%)	1.1	(1.1)	(40.8)

SHAREHOLDING PATTERN (%)	Mar-21	Jun-21
Promoters	50.58	50.59
FIs & Local MFs	12.84	13.27
FPIs	25.64	25.09
Public & Others	10.94	11.05
Pledged Shares	0.0	0.0

Source : BSE

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

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

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

Rachael Alva
rachael.alva @hdfcsec.com
+91-22-6171-7330

Rutvi Chokshi
rutvi.chokshi@hdfcsec.com
+91-22-6171-735691-22-6171-7356

ICICI Bank

Negative surprise on asset quality likely to be transient

ICICI Bank's (ICICIBC) improving all-round performance over the past couple of years has been interrupted by the impact of the second wave in terms of asset quality during Q1FY22, a trend witnessed by all lenders. Slippages increased to 4.2% (FY21: 2.3%), driven primarily by higher retail slippages (6%). The bank, however, reported NII/PPOP/PAT in line with our expectations, by dipping into the COVID provisions (INR 10.5bn) during the quarter, to maintain PCR at 78%. Best-in-class liability franchise, risk-calibrated asset book and industry-leading technology initiatives for new-to-bank (NTB) business sourcing are likely to drive ICICI Bank towards above-industry growth and a 15% RoE trajectory. Maintain BUY with a revised SOTP price of INR 775 (earlier INR 770).

- **In-line operating performance:** ICICI Bank delivered a strong operating performance with NII growth at 18% YoY, C/I ratio at 40.4% and credit costs at 1.7%. The bank reported strong loan growth of 17% YoY, driven by retail home loans (24% YoY) and business banking (53% YoY) while an increasingly granular deposit franchise (average CASA up 270bps YoY) drove best-in-class cost of funds (3.82%). During the quarter, the bank wrote back INR 10.5bn of COVID provisions, offset by an incremental INR 11.27bn of provisions towards a further conservative provisioning policy.
- **Retail slippages shoot up, provisioning remains adequate:** ICICI Bank reported elevated gross slippages at 4%, driven by retail (6%, 94% of total slippages). The restructured portfolio increased to 0.7% of loans (Q4FY21: 0.5%), along with a marginal increase in BB & below pool to 1.9% (Q4FY21: 1.8%). The management attributed the bulk of the impairment to a dip in collection efficiency during April and May and expects the stress to normalise in H2 as economic activity resumes. With COVID surplus buffer at 0.9% of loans, along with PCR at 78%, we expect normalisation in slippages and credit costs (in the absence of a third wave).
- **Superior franchise poised for sustained rerating:** ICICI Bank reported RoA/RoE of 1.5%/12.3% during Q1FY22, despite the quarter being marred by elevated slippages and lockdowns. The bank seems to be on track to achieve a 1.8% RoA by FY23 on the back of reflating NIMs (exercising of pricing power) and normalisation of credit costs (in the absence of any subsequent waves of pandemic). Maintain BUY with revised SOTP price of INR 775. The revision in target price is driven by revision in the value of listed subsidiaries.

Financial summary

(INR bn)	1Q FY22	1Q FY21	YoY (%)	4Q FY21	QoQ (%)	FY20	FY21	FY22E	FY23E
NII	109.4	92.8	17.8%	104.3	4.8%	332.7	389.9	446.0	519.8
PPOP	88.9	107.8	-17.5%	85.4	4.2%	281.0	364.0	396.3	453.9
PAT	46.2	26.0	77.6%	44.0	4.8%	79.3	161.9	208.5	261.7
EPS (INR)	6.5	4.0	64.3%	6.3	4.6%	12.3	23.4	30.2	37.8
ROAE (%)						7.1	12.3	13.3	14.8
ROAA (%)						0.8	1.4	1.6	1.8
ABVPS (INR)						155.2	191.3	217.1	248.9
P/ABV (x)						4.4	3.6	3.1	2.7
P/E (x)						56.0	29.0	22.6	18.0

BUY

CMP *(as on 23 July 2021)*	INR 677
Target Price	INR 775
NIFTY	15,856

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR770	INR775
EPS %	FY22E	FY23E
	0%	0%

KEY STOCK DATA	
Bloomberg code	ICICIBC IN
No. of Shares (mn)	6,925
MCap (INR bn) / ($ mn)	4,686/62,972
6m avg traded value (INR mn)	13,113
52 Week high / low	INR 680/334

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	18.7	25.8	77.2
Relative (%)	9.2	16.2	38.3

SHAREHOLDING PATTERN (%)	Mar-21	Jun-21
Promoters	0	0
FIs & Local MFs	42.0	41.8
FPIs	47.8	48.0
Public & Others	10.2	10.2
Pledged Shares	0	0

Source : BSE

Pledged shares as % of total shares

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

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

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

ITC

In-line performance with spurts of surprises

ITC delivered a healthy performance with marginal surprises across most segments. The cigarette segment revenue grew 33% YoY (30% HSIE) while its volume grew 30-31% (HSIE 30%). For this segment, Q4 was at the pre-COVID level, May was weak, and June witnessed week-on-week improvement. Q2FY22 is expected to be a little short of the pre-COVID level as the pandemic continues to cause disruption in certain states. The cigarette EBIT growth was at 37% (HSIE 39%), with margin continuing to expand. The FMCG business registered 10% growth (HSIE 9%), while organic (excluding Sunrise) growth was at ~5% (on a comparable base of 18.8% growth). In other segments, paper was an outlier both in terms of revenue and margin and clocked revenue/EBIT growth of 54/145% YoY (HSIE 40/62%). With normalcy and higher mobility, going forward, demand trends will improve to achieve cigarette recovery and FMCG sustainability. We maintain EPS estimates for FY22/FY23/FY24. We value ITC on an SoTP basis to derive a target price of INR 250 (implied P/E of 18x P/E Jun-23E EPS). Maintain BUY.

- **Beat in revenue, broad-based recovery seen:** cigarettes grew by 33% YoY and volume grew 30-31%, mostly in line with HSIE estimates. Organic FMCG grew ~5% YoY, albeit on a high base (19% YoY). Staples and convenience foods growth was moderate on a high base; it saw a sequential pick-up due to the second wave. However, the impact was lower than in the previous year. A similar trend was seen in discretionary/OOH products. We expect normalised growth in FMCG from Q2FY22 onwards. FMCG sales on e-commerce doubled, accounting for ~8% of revenue. Hotel occupancy was hit at the onset of the second wave, which has seen respite since June 2021. The agri business reported in-line growth, with strong growth in wheat, rice, and leaf tobacco in the exports market and soya in the domestic market. The paper business clocked 54% YoY growth, driven by value-added products.
- **Margin expansion across the board:** The cigarette EBIT margin expanded by 174bps YoY (-970bps in Q1FY21, +65bps in Q4FY21) while EBIT grew by 37% YoY (-39% in Q1FY21, +8% in Q4FY21), vs. HSIE's +39%. The FMCG EBITDA margin was up 39bps YoY in Q1FY22 to 8%, and we expect enough room for further expansion. Hotels saw strong cost control; however, due to negative operating leverage, the hotels category reported an EBIT loss of INR1.5bn (vs 2.4bn in Q1FY21). The agri EBIT margin was flat. The paper margin saw improvement, led by higher realisation due to increase in global pulp prices, for which it in-sources.
- **Other takeaways:** (1) ITC expects to take a price hike in cigarette in H2FY22, will an immediate focus on volume growth. (2) Other FMCG margin improvement continues, with an expected price hike, which would set off the RM inflation. (3) Expect hotels to be EBITDA neutral in Q3FY22. (4) Expect pulp price benefit on realisation to last for around two more quarters.

Quarterly/Annual Financial summary

YE Mar (INR mn)	Q1FY22	Q1FY21	YoY (%)	Q4FY21	QoQ (%)	FY21	FY22E	FY23E	FY24E
Net Sales	129,592	95,018	36.4	141,570	(8.5)	492,728	548,628	593,387	639,396
EBITDA	39,922	26,466	50.8	44,731	(10.8)	170,027	199,015	213,216	229,081
APAT	30,135	23,428	28.6	37,485	(19.6)	133,829	158,232	170,333	182,176
Diluted EPS (INR)	2.4	1.9	28.5	3.0	(19.6)	10.9	12.9	13.8	14.8
P/E (x)						19.5	16.5	15.3	14.3
EV / EBITDA (x)						13.6	11.6	10.7	9.9
Core RoCE (%)						37.7	43.9	47.1	50.2

Source: Company, HSIE Research

BUY

CMP *(as on 23 July 2021)*	**INR 212**
Target Price	**INR 250**
NIFTY	**15,856**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR 250	INR 250
EPS %	FY22E	FY23E
	0%	0%

KEY STOCK DATA	
Bloomberg code	ITC IN
No. of Shares (mn)	12,310
MCap (INR bn) / ($ mn)	2,615/35,119
6m avg traded value (Rs mn)	6,908
52 Week high / low	INR 239/163

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	3.4	2.2	6.4
Relative (%)	(6.0)	(9.1)	(35.2)

SHAREHOLDING PATTERN (%)	**Mar-21**	**Jun-21**
Promoters	0.00	0.00
FIs & Local MFs	42.50	45.86
FPIs	12.79	11.74
Public & Others	44.71	42.40
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

Varun Lohchab
varun.lohchab@hdfcsec.com
+91-22-6171-7334

Naveen Trivedi
naveen.trivedi@hdfcsec.com
+91-22-6171-7324

Saras Singh
saras.singh@hdfcsec.com
+91-22-6171-7336

Ambuja Cement

All-time high EBITDA margin; north expansion in sight

We maintain ADD on Ambuja Cements (ACEM) with a revised target price of INR 400/share (SOTP based). In Q2CY21, ACEM delivered its best-ever consolidated EBITDA margin – INR 1,495/MT (+11/5% QoQ/YoY). Robust pricing and continued cost controls moderated the impact of lower sales QoQ. Thus, standalone net sales/EBITDA declined 7/2% QoQ to INR 33.7/9.6bn (+55/61% YoY on a low base) respectively. APAT grew 9% QoQ on dividend income from ACC. We expect the commissioning of Rajasthan plant in Q3CY21 to accelerate volume growth CY22E onwards.

- **CY21Q2 performance:** ACEM reported an all-time-high operating margin in Q2CY21 of INR 1,495/MT (+11/5% QoQ/YoY). Robust pricing gain (+5% QoQ) and healthy cost controls (opex rose a modest 3% QoQ) buoyed the operating margin. Amidst rising fuel prices and lower utilisation (QoQ), continued cost controls moderated the inflation. During H1CY21, Ambuja spent INR 5bn towards the ongoing expansion. At the end of Jun'21, its working capital increased by ~INR 7bn vs Dec'20, which is seasonal in nature.
- **Outlook**: Ambuja noted that its Rajasthan project (3.0/1.8mn MT clinker/cement) will be operational in Q3CY21. It also announced a 1.5mn MT brownfield SGU in Punjab. Additionally, Ambuja is adding 54MW WHRS across three locations and wet fly-ash dryer across four locations, which will aid opex control, going forward. We upgrade our EBITDA estimates for CY21/22/23E by 7/4/5% respectively, factoring in robust pricing trend and good cost controls. We maintain our ADD rating on the stock with a revised TP of INR 400/share (SOTP based). We value the standalone cement business at 14x its Jun'23E EBITDA and its 50.05% holding in ACC at a 20% discount to our target market capitalisation for ACC.

Consolidated quarterly/annual financial summary

YE Mar (INR bn)	Q2 CY21	Q2 CY20	*YoY (%)*	Q1 CY21	*QoQ (%)*	CY19	CY20	CY21E	CY22E	CY23E
Sales (mn MT)*	6.42	4.19	*53.2*	7.24	*(11.3)*	23.96	22.67	26.61	28.74	30.75
NSR (INR/MT)*	5,251	5,195	*1.1*	5,002	*5.0*	4,870	5,016	5,145	5,219	5,295
Opex (INR/MT)*	3,756	3,775	*(0.5)*	3,653	*2.8*	3,973	3,849	3,903	3,956	4,033
EBITDA(INR/MT)*	1,495	1,421	*5.2*	1,349	*10.8*	897	1,167	1,242	1,263	1,262
Net Sales	33.71	21.77	*54.9*	36.21	*(6.9)*	116.68	113.72	136.90	149.97	162.80
EBITDA	9.60	5.95	*61.2*	9.77	*(1.8)*	21.49	26.47	33.05	36.30	38.80
APAT	7.23	4.53	*59.5*	6.65	*8.8*	14.77	17.90	22.37	24.68	26.73
AEPS (INR)	3.6	2.3	*59.5*	3.3	*8.8*	7.4	9.0	11.3	12.4	13.5
EV/EBITDA (x)						29.5	24.6	19.4	17.2	15.8
EV/MT (INR bn)						21.44	22.05	20.41	19.97	19.53
P/E (x)						54.0	44.6	35.7	32.3	29.9
RoE (%)						6.8	8.4	10.6	10.7	10.7

Source: Company, HSIE Research

Estimates revision

INR Bn	CY21E Old	CY21E Revised	*Change %*	CY22E Old	CY22E Revised	*Change %*	CY23E Old	CY23E Revised	*Change %*
Net Sales	131.2	136.9	*4.4*	145.0	150.0	*3.4*	157.5	162.8	*3.4*
EBITDA	30.9	33.1	*6.8*	34.8	36.3	*4.3*	37.0	38.8	*4.7*
APAT	20.8	22.4	*7.8*	23.5	24.7	*5.2*	25.3	26.7	*5.8*
AEPS (INR)	10.5	11.3	*7.8*	11.8	12.4	*5.2*	12.7	13.5	*5.8*

Source: Company, HSIE Research

ADD

CMP *(as on 23 July 2021)*	INR 402
Target Price	INR 400
NIFTY	15,856

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 371	INR 400
	CY21E	CY22E
EBITDA %	*6.8*	*4.3*

KEY STOCK DATA	
Bloomberg code	ACEM IN
No. of Shares (mn)	1,986
MCap (INR bn) / ($ mn)	799/10,736
6m avg traded value (INR mn)	1,968
52 Week high / low	INR 410/197

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	36.3	56.5	100.2
Relative (%)	26.8	47.0	61.3

SHAREHOLDING PATTERN (%)	Mar-21	Jun-21
Promoters	63.29	63.28
FIs & Local MFs	12.11	12.23
FPIs	17.75	17.69
Public & Others	6.85	6.80
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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

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

HDFC securities
INSTITUTIONAL RESEARCH

Mphasis

Ticking all the boxes

BUY

CMP *(as on 23 July 2021)*	**INR 2,530**
Target Price	**INR 2,870**
NIFTY	**15,856**

KEY CHANGES	OLD	NEW
Rating	Buy	Buy
Price Target	INR 2,680	INR 2,870
EPS %	FY22E	FY23E
	+2.3	+7.1

KEY STOCK DATA	
Bloomberg code	MPHL IN
No. of Shares (mn)	187
MCap (INR bn) / ($ mn)	474/6,364
6m avg traded value (INR mn)	1,215
52 Week high / low	INR 2,692/1,074

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	49.1	59.0	126.5
Relative (%)	39.7	49.4	87.6

SHAREHOLDING PATTERN (%)	Mar-21	Jun-21
Promoters	56.03	55.99
FIs & Local MFs	17.16	18.42
FPIs	21.82	20.80
Public & Others	4.99	4.79
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

Apurva Prasad
apurva.prasad@hdfcsec.com
+91-22-6171-7327

Amit Chandra
amit.chandra@hdfcsec.com
+91-22-6171-7345

Vinesh Vala
vinesh.vala@hdfcsec.com
+91-22-6171-7332

We maintain BUY on Mphasis (MPHL) and reiterate it as our preferred pick in mid-tier IT, given a stellar Q1 and high visibility on delivering industry-leading growth. MPHL's growth is expected to be driven by (1) the highest-ever deal signings with USD 505mn new total contract value (TCV) wins in the direct international business, (2) continuity of strong growth in large accounts, (3) increased focus on new client acquisition and investments in sales & delivery, (4) positive commentary on deal funnel replenishment and execution milestones, and (5) steady operating profile (margin guidance maintained). The deal trajectory solidifies the direct portfolio, which is expected to post 30% in FY22 (23% CAGR over FY21-24E). MPHL's scalability is becoming more apparent with quadrupling of the USD 100mn+ client bucket and delivering of the strongest growth vs. peers in T10 accounts. DXC contraction is becoming a smaller deterrent to the overall portfolio (than previously). Our target price is INR 2,870, which values MPHL at 28x Jun-23E EPS.

- **Q1FY22 highlights:** (1) Revenue came in at USD 363mn, +5.9/+16.3% QoQ/YoY (CC terms), led by growth of +9.8/+32.5% QoQ/YoY (CC terms) in the direct business (89% of revenue), offset by DXC-HP (9% of revenue) de-growth of -18.2/-48.7% QoQ/YoY (CC terms). (2) EBIT margin stood at 15.9%, in line with our estimates, -19/+21bps QoQ/YoY, impacted by lower gross margin (COVID-related expense and higher employee cost). (3) The management has maintained its operating margin guidance of 15.5-17% and expects industry-leading growth in the direct business for FY22E. (4) Deal wins in direct international doubled QoQ to USD 505mn, which included a large deal of TCV USD 250mn in the BFSI vertical (ramp-up expected in Q3FY22). Excluding the large deal in Q1, new TCV remained strong at >USD 250mn, leading to a sustained strong growth outlook for the direct business ahead. (5) MPHL added 1,716 billable headcount in the quarter, compared to 1,360 added in Q4FY21 (2,888 in FY21). (6) The top 5/10 clients witnessed healthy growth of 9.2/10.6% QoQ during the quarter.
- **Outlook:** We have factored in 18/17/16% growth in revenue, based on the growth in the direct business at 30/21/17% and DXC-HP at -44/-29/-13% for FY22/23/24E respectively, and factored in the EBIT margin at 15.8/16.8/18.0% for FY22/23/24E, resulting in an EPS CAGR of 23% over FY21-24E.

Quarterly Financial summary

YE Mar (INR bn)	Q1 FY22	Q1 FY21	*YoY (%)*	Q4 FY21	*QoQ (%)*	FY20	FY21	FY22E	FY23E	FY24E
Revenue (USD mn)	363	305	18.8	342	6.0	1,240	1,309	1,551	1,821	2,104
Net Sales	24.74	22.77	8.7	24.35	1.6	88.44	97.22	114.65	136.55	159.93
EBIT	4.05	3.69	9.6	3.92	3.2	14.19	15.61	18.09	22.96	28.77
APAT	3.26	2.94	10.9	2.99	8.8	11.42	12.17	14.29	18.20	22.86
Diluted EPS (INR)	17.5	15.8	10.9	16.1	8.8	61.3	65.3	76.7	97.6	122.7
P/E (x)						41.3	38.8	33.0	25.9	20.6
EV / EBITDA (x)						27.5	24.9	21.5	16.9	13.3
RoE (%)						20.6	19.7	20.8	23.6	25.9

Change in Estimates

YE Mar (INR bn)	FY22E Old	FY22E Revised	Change %	FY23E Old	FY23E Revised	Change %	FY24E Old	FY24E Revised	Change %
Revenue (USD	1,491	1,551	*4.0*	1,701	1,821	*7.0*	1,949	2,104	*8.0*
Revenue	110.04	114.65	*4.2*	127.59	136.55	*7.0*	148.10	159.93	*8.0*
EBIT	17.65	18.09	*2.5*	21.35	22.96	*7.5*	26.33	28.77	*9.3*
EBIT margin (%)	16.0	15.8	-26bps	16.7	16.8	8bps	17.8	18.0	21bps
APAT	13.97	14.29	*2.3*	16.99	18.20	*7.1*	20.99	22.86	*8.9*
EPS (INR)	75.0	76.7	*2.3*	91.2	97.6	*7.1*	112.6	122.7	*8.9*

Source: Company, HSIE Research

Persistent Systems

Spectacular Q1!

We maintain ADD on Persistent Systems (PSYS), following a stellar Q1 and a steady deal momentum. PSYS' growth leadership is premised on (1) strong new deal wins (USD 148mn new win TCV with total book to bill of 1.5x in Q1), driven by healthcare & life-sciences and BFSI verticals; (2) improved client mining reflected in strong scale-up in >USD 5mn+ client bucket as well as T2-10 growth; (3) robust headcount addition (2,000 freshers to be added in FY22E) with headcount ~40% higher in the past three quarters; and (4) Salesforce practice and Azure practice driving growth. Our target price of INR 3,260 values PSYS at 30x Jun-23E, supported by a 28% EPS CAGR over FY21-24E.

- **Q1FY22 highlights:** (1) PSYS' revenue came in at USD 167mn, +9.2/27.3% QoQ/YoY. (2) Growth in Q1FY22 was broad-based across the verticals, led by healthcare & life-sciences at +15.9% QoQ, followed by the BFSI vertical at 11.7% QoQ and technology & emerging vertical at 5.1% QoQ. (3) Revenue from T1 improved 3.7% QoQ, contributing 17% of the total, while revenue from top 5/10 witnessed robust growth of 9.5/10.1% QoQ respectively. (4) EBIT margin stood at 13.5%, +39bps QoQ, supported by lower depreciation and amortisation cost, which offset the negative impact of visa cost during the quarter. (5) PSYS reported a sequentially flat TCV of USD 245mn, which included new TCV wins of USD 148mn (+7.3% QoQ). (6) PSYS added 1,224 headcount in Q1FY22 (vs. 2,860 in H2FY21) and expects to add ~2,000 freshers in FY22E (400 already added in Q1). (7) PSYS will roll out a wage hike, effective Q2FY22, which will act as a margin headwind.
- **Outlook**: We have factored in USD revenue growth at 28/21/18% and EBITDA margin at 16.5% each over FY22/23/24E, resulting in FY21-24E EPS CAGR at 28%. At CMP, PSYS is trading at 29x FY23E.

Quarterly Financial summary

YE March (INR bn)	Q1 FY22	Q1 FY21	*YoY (%)*	Q4 FY21	*QoQ (%)*	FY20	FY21	FY22E	FY23E	FY24E
Revenue (USD mn)	167	131	*27.3*	153	*9.2*	502	566	723	873	1,031
Net Sales	12.30	9.91	*24.1*	11.13	*10.5*	35.66	41.88	53.40	65.51	78.36
EBIT	1.67	1.03	*61.9*	1.46	*13.7*	3.27	5.07	7.16	8.83	10.59
APAT	1.51	0.90	*68.0*	1.38	*9.8*	3.59	4.51	6.59	7.98	9.44
Diluted EPS (INR)	19.8	11.8	*68.0*	18.0	*9.8*	47.0	59.0	86.3	104.4	123.6
P/E (x)						64.7	51.5	35.2	29.1	24.6
EV / EBITDA (x)						44.3	31.1	23.9	19.2	15.7
RoE (%)						14.4	17.4	21.8	22.5	22.8

Source: Company, HSIE Research, Consolidated Financials

Change in Estimates

YE March (INR bn)	FY22 E Old	FY22E Revised	Change %	FY23 E Old	FY23E Revised	Change %	FY24 E Old	FY24E Revised	Change %
Revenue (USD mn)	692	723	*4.5*	828	873	*5.4*	976	1,031	*5.7*
Revenue	51.09	53.40	*4.5*	62.12	65.51	*5.4*	74.17	78.36	*5.7*
EBIT	6.86	7.16	*4.4*	8.59	8.83	*2.7*	10.16	10.59	*4.2*
EBIT margin (%)	13.4	13.4	-2bps	13.8	13.5	-36bps	13.7	13.5	-18bps
APAT	6.36	6.59	*3.6*	7.75	7.98	*3.0*	9.06	9.44	*4.3*
EPS (INR)	83.3	86.3	*3.6*	101.4	104.4	*3.0*	118.5	123.6	*4.3*

Source: Company, HSIE Research

ADD

CMP *(as on 23 July 2021)*	**INR 3,039**
Target Price	**INR 3,260**
NIFTY	**15,856**

KEY CHANGES	OLD	NEW
Rating	Add	Add
Price Target	INR 3,160	INR 3,260
EPS %	FY22E +3.6	FY23E +3.0

KEY STOCK DATA	
Bloomberg code	PSYS IN
No. of Shares (mn)	76
MCap (INR bn) / ($ mn)	232/3,121
6m avg traded value (INR mn)	463
52 Week high / low	INR 3,130/826

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	62.1	97.5	294.1
Relative (%)	52.6	87.9	255.1

SHAREHOLDING PATTERN (%)

	Mar-21	Jun-21
Promoters	31.29	31.26
FIs & Local MFs	29.58	29.17
FPIs	19.26	19.44
Public & Others	19.87	20.13
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

Apurva Prasad
apurva.prasad@hdfcsec.com
+91-22-6171-7327

Amit Chandra
amit.chandra@hdfcsec.com
+91-22-6171-7345

Vinesh Vala
vinesh.vala@hdfcsec.com
+91-22-6171-7332

IndiaMART InterMESH

Holding its Ground

We maintain BUY on IndiaMart, following a better-than-expected Q1FY22 both in terms of revenue and margin. The paying suppliers declined 3.9% QoQ (-6K) due to the second wave impact (April and May 21), but the +5.7% QoQ increase in realisation was a surprise. We maintain our positive stance, based on (1) higher visibility, given the 14% YoY growth in deferred revenue; (2) increased activity on the platform despite COVID (registered buyers/unique business enquiries/traffic increased +4.8/8.3/4.3% QoQ); (3) immense growth opportunity in the highly-underpenetrated B2B e-commerce space; (4) margin expansion on account of cost savings led by automation; (5) healthy cash reserves of INR 24.2bn that can be leveraged for further investments; and (6) expected boost to growth from adjacent offerings in accounting, logistics and SaaS based solutions. Our TP of INR 8,500 is based on 56x EV/EBITDA (DCF implied) at 1.3x the average multiple, supported by revenue/EPS CAGRs of +18/14% over FY21-23E.

- **1QFY22 highlights**: (1) IndiaMart revenue stood at INR 1.82bn (vs. estimate of INR 1.74bn), registering a growth of 1.1% QoQ, driven by -3.9/+5.7% QoQ growth in paying suppliers/ARPU; (2) cash collections from customers/deferred revenue declined by -37.4/-1.5% QoQ; (3) business enquiries were up 8.0/23.7% QoQ/YoY and business enquiries per paying supplier increased 12/13% QoQ/YoY; (4) EBITDA margin was up 126bps QoQ to 48.8% (better than our estimate of 43.8%) due to -3.5/-11.9% QoQ decline in manpower/outsourced cost; (5) paying suppliers declined by ~6K vs. our estimate of a ~4K decline; (6) 80-90% of the customer decline was from monthly users; (7) renewal rates of top 10% of the suppliers stood at 90% vs. 94-95% pre-pandemic; (8) the unique buyer enquiries fulfilment ratio stood at ~40%.
- **Outlook**: We expect revenue growth of +13.7/23.0%, based on paid supplier growth of +7.9/17.0% and APRU growth of 5.9/5.3% for FY22/23E respectively. EBITDA margin estimates stand at 45.2/43.8% for FY22/23E, leading to an EPS CAGR of 14% over FY21-23E.

Quarterly Financial summary

YE March (INR mn)	1Q FY22	1Q FY21	YoY (%)	4Q FY21	QoQ (%)	FY20	FY21	FY22E	FY23E	FY24E
Net Sales	1,816	1,531	*18.6*	1,797	*1.1*	6,389	6,696	7,614	9,379	11,429
EBITDA	886	733	*20.9*	854	*3.7*	1,689	3,282	3,443	4,110	4,992
APAT	879	741	*18.6*	557	*57.8*	1,474	2,798	3,097	3,615	4,082
EPS	29.0	25.6	*13.1*	18.8	*54.2*	48.0	91.0	100.8	117.6	132.8
P/E (x)						151.2	79.6	71.9	61.6	54.6
EV / EBITDA (x)						126.6	60.9	57.4	46.9	37.6
RoE (%)*						67.8	50.1	45.4	38.0	32.4

Source: Company, HSIE Research, Consolidated Financials, * RoE is excluding QIP money

Change in Estimates

YE March (INR mn)	FY22E Old	FY22E Revised	Change %	FY23E Old	FY23E Revised	Change %	FY24E Old	FY24E Revised	Change %
Revenue	7,608	7,614	*0.1*	9,351	9,379	*0.3*	11,376	11,429	*0.5*
EBITDA	3,253	3,443	*5.8*	4,021	4,110	*2.2*	4,889	4,992	*2.1*
EBITDA margin (%)	42.8	45.2	245 bps	43.0	43.8	82 bps	43.0	43.7	71 bps
APAT	2,910	3,097	*6.4*	3,543	3,615	*2.0*	4,001	4,082	*2.0*
EPS (INR)	94.7	100.8	*6.4*	115.3	117.6	*2.0*	130.2	132.8	*2.0*

Source: Company, HSIE Research

BUY

CMP *(as on 23 July 2021)*	**INR 7,250**
Target Price	**INR 8,500**
NIFTY	**15,856**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR 8,640	INR 8,500
EPS %	FY22E	FY23E
	+6.4	+2.0

KEY STOCK DATA	
Bloomberg code	INMART IN
No. of Shares (mn)	30
MCap (INR bn) / ($ mn)	220/2,961
6m avg traded value (INR mn)	1,223
52 Week high / low	INR 9,952/2,341

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	(12.2)	(7.1)	195.3
Relative (%)	(21.6)	(16.6)	156.4

SHAREHOLDING PATTERN (%)	**Mar-21**	**June-21**
Promoters	49.85	49.82
FIs & Local MFs	4.53	4.70
FPIs	27.53	26.68
Public & Others	18.09	18.80
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

Amit Chandra
amit.chandra@hdfcsec.com
+91-22-6171-7345

Mohit Motwani
mohit.motwani@hdfcsec.com
+91-22-6171-7332

HDFC securities
INSTITUTIONAL RESEARCH

Federal Bank

Benefits of a prudent, solid and secured portfolio

Despite a 12% beat on PPOP led by higher other income, Federal Bank (FB) disappointed on earnings (20% below estimates) due to higher-than-expected provisioning. The lack of provisioning buffer reflected in higher provisioning (2%) in Q1FY22 to cushion the second wave impact on the portfolio with annualised slippages at ~2% and a restructured book at 1.9% (Q4FY21: 1.2%). The COVID-restructured portfolio primarily comprises secured loans (home loans, LAP and gold loans contribute to nearly 2/3rd of the portfolio) and offers comfort on loss given default (LGDs). FB's partnerships with FinTechs in the retail business (with neo-banks, payments firms, and merchant acquirers) offer early-stage, medium-term catalysts for higher productivity (business growth) and greater efficiencies (profitability). We maintain BUY with a TP of INR98.

- **Operating performance driven by treasury income, recoveries**: FB reported strong PPOP growth (+22% YoY) on the back of strong other income growth (+33% YoY), led by treasury gains and recovery from a corporate account. Funding cost tailwinds (25 bps sequentially) partly offset yield compression to support NII growth at 9% YoY, with NIM at 3.15%. The loan book grew +7% YoY, driven by retail (+15% YoY) and agri (+23% YoY) segments.
- **Asset quality stable in adverse times:** FB's asset quality witnessed marginal deterioration and is likely to be mirrored by other lenders in this challenging environment. GNPA inched up marginally to 3.5%, while the restructured portfolio was at 1.9% of loans (+70bps sequentially). Incremental slippages were largely from the non-corporate portfolio (SME: 5%; Agri: 4%), while restructuring was largely centred on housing (3.7%), (LAP: 7.3%) and SME (2.5%). The higher-than-expected provisioning (~2%) kept PCR stable at ~66%, with ~15% provisioning on restructured portfolio. Given the nature of impairment (largely secured) and the existing stock of provisions, we see FB outperforming on eventual loan losses and mean reverting to normalised credit costs relatively quicker than its larger peers.
- **Building new growth avenues; bolstering FinTech partnerships**: On the back of a strong liability franchise and a granular loan book, FB continues to focus on new avenues of growth to boost its profitability. The credit card business (launched for employees and ETB customers) is likely to resume onboarding new customers within 6-8 weeks of integrating with the alternative switch partner. A couple of FB-partnered neo-banks (Jupiter and epifi) have gone live and are expected to scale up. Its other partner BharatPe (~4mn merchants onboarded in tie-up with FB) offers its large customer and merchant base for cross-selling, which would improve profitability, going ahead.

Financial summary

(INR bn)	1QFY22	1QFY21	YoY (%)	4QFY21	QoQ (%)	FY20	FY21	FY22E	FY23E
NII	14.2	13.0	*9.4%*	14.2	*-0.1%*	46.5	55.3	63.1	71.1
PPOP	11.4	9.3	*21.8%*	8.9	*28.3%*	32.0	37.9	43.7	47.4
PAT	3.7	4.0	*-8.3%*	4.8	*-23.1%*	15.4	15.9	22.1	25.3
EPS (INR)	1.8	2.0	*-9.0%*	2.4	*-23.1%*	7.7	8.0	10.5	12.1
ROAE (%)						11.1	10.4	12.6	12.6
ROAA (%)						0.9	0.8	1.0	1.1
ABVPS (INR)						64.8	72.7	82.7	94.0
P/ABV (x)						1.3	1.2	1.0	0.9
P/E (x)						11.0	10.7	8.1	7.1

Source: Company, HSIE Research

BUY

CMP ***(as on 23 July 2021)***	**INR 85**
Target Price	**INR 98**
NIFTY	**15,856**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR 98	INR 98
	FY22E	FY23E
EPS %	0%	0%

KEY STOCK DATA	
Bloomberg code	FB IN
No. of Shares (mn)	1,995
MCap (Rs bn) / ($ mn)	170/2,294
6m avg traded value (Rs mn)	2,115
52 Week high / low	INR 93/45

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	18.5	19.9	48.4
Relative (%)	9.0	10.3	9.5

SHAREHOLDING PATTERN (%)	**Dec-20**	**Mar-21**
Promoters	0	0
FIs & Local MFs	43.3	43.9
FPIs	24.5	24.1
Public & Others	32.2	32.1
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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

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

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

Heidelberg Cement

Mixed bag

We maintain ADD on Heidelberg Cement (HEIM) with an unchanged target price of INR 283/share (8.5x Jun'23E consolidated EBITDA). HEIM Q1FY22 results were a mixed bag. While the company surprised with nominal volume decline QoQ (despite the lockdown impact), the benefits were offset by a flattish NSR (adjusted for one-off gain in Q4FY21). Thus, its net sales/EBITDA/APAT fell 7/14/51% QoQ (up 36/21/40% YoY on a low base) to INR 5.56/1.31/0.69bn respectively.

- **FY22Q1 performance:** HEIM reported a mixed performance in Q1FY22. While its sales volume fell a modest 5% QoQ, despite the lockdown impact, the reported NSR fell 2% QoQ. Adjusted for the large SGST gain in Q4FY21, NSR came in flat QoQ (against our expectations of 3-5% rise). This implies the company focused on volume offtake, amidst rising competition in the central region. Opex remained flat QoQ as the impact of input cost inflation was negated by reduction in all other costs. Thus, unitary EBITDA came in at INR 1,107/MT, down 12% YoY and 2% QoQ (adjusted for SGST gain in Q4). APAT declined at a higher pace QoQ (down 51%) as HEIM had a large deferred tax credit in Q4FY21, leading to a -7% effective tax rate as against 34% in Q1FY22.
- **Outlook**: We keep our estimates unchanged for FY22/23/24E. Subsequently, we maintain our ADD rating on the stock with an unchanged target price of INR 283/share, valuing it at 8.5x the Jun'23E EBITDA.

Quarterly/annual financial summary

YE Mar (INR bn)	Q1 FY22	Q1 FY21	*YoY (%)*	Q4 FY21	*QoQ (%)*	FY20	FY21	FY22E	FY23E	FY24E
Sales (mn MT)*	1.18	0.86	*38.2*	1.25	*(5.4)*	4.71	4.49	5.20	5.57	5.96
NSR (INR/MT)*	4,695	4,757	*(1.3)*	4,792	*(2.0)*	4,611	4,718	4,789	4,861	4,958
Opex (INR/MT)*	3,588	3,493	*2.7*	3,577	*0.3*	3,490	3,589	3,582	3,642	3,699
EBITDA(INR/MT)*	1,107	1,264	*(4.0)*	1,215	*(2.3)*	1,122	1,129	1,207	1,219	1,259
Net Sales	5.56	4.08	*36.4*	6.00	*(7.3)*	21.70	21.17	24.92	27.07	29.54
EBITDA	1.31	1.08	*21.0*	1.52	*(13.8)*	5.28	5.07	6.28	6.79	7.50
APAT	0.69	0.49	*40.3*	1.40	*(50.9)*	2.68	3.15	3.45	3.71	4.54
AEPS (INR)	3.0	2.2	*40.3*	6.2	*(50.9)*	11.8	13.9	15.2	16.4	20.0
EV/EBITDA (x)						8.3	8.4	8.9	8.4	7.7
EV/MT (INR bn)						7.00	6.84	8.91	9.07	9.27
P/E (x)						16.3	13.9	17.1	15.9	13.0
RoE (%)						21.6	22.4	21.7	20.6	22.0

Source: Company, HSIE Research

ADD

CMP *(as on 23 July 2021)*	INR 261
Target Price	INR 283
NIFTY	15,856

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 283	INR 283
	FY22E	FY23E
EBITDA %	-	-

KEY STOCK DATA	
Bloomberg code	HEIM IN
No. of Shares (mn)	227
MCap (INR bn) / ($ mn)	59/793
6m avg traded value (INR mn)	108
52 Week high / low	INR 285/172

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	12.3	17.8	50.3
Relative (%)	2.8	8.2	11.3

SHAREHOLDING PATTERN (%)	Mar-21	Jun-21
Promoters	69.39	69.39
FIs & Local MFs	7.98	10.09
FPIs	8.87	6.59
Public & Others	13.76	13.93
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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

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

Rating Criteria

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

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Harshad Katkar	Reliance Industries	MBA	NO
Nilesh Ghuge	Reliance Industries	MBA	NO
Jay Gandhi	Reliance Industries	MBA	NO
Rachael Alva	Reliance Industries	CA	NO
Rutvi Chokshi	Reliance Industries	CA	NO
Krishnan ASV	ICICI Bank, Federal Bank	PGDM	NO
Deepak Shinde	ICICI Bank, Federal Bank	PGDM	NO
Punit Bahlani	ICICI Bank, Federal Bank	CA	NO
Varun Lohchab	ITC	PGDM	NO
Naveen Trivedi	ITC	MBA	NO
Saras Singh	ITC	PGDM	NO
Rajesh Ravi	Ambuja, Heidelberg Cement	MBA	NO
Saurabh Dugar	Ambuja, Heidelberg Cement	MBA	NO
Apurva Prasad	Mphasis, Persistent	MBA	NO
Amit Chandra	Mphasis, Persistent, IndiaMART InterMESH	PGDM	NO
Vinesh Vala	Mphasis, Persistent	MBA	NO
Mohit Motwani	IndiaMART InterMESH	MBA	NO

Disclosure:

Authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. HSL has no material adverse disciplinary history as on the date of publication of this report. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.
Research Analyst or his/her relative or HDFC Securities Ltd. **does not have** any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate **does not have** any material conflict of interest.

HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

Disclaimer:

This report has been prepared by HDFC Securities Ltd and is solely for information of the recipient only. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite or the particular circumstances of an individual investor; readers are requested to take professional advice before investing. Nothing in this document should be construed as investment advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in securities of the companies referred to in this document (including merits and risks) and should consult their own advisors to determine merits and risks of such investment. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete. HSL is not obliged to update this report for such changes. HSL has the right to make changes and modifications at any time.
This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction.
If this report is inadvertently sent or has reached any person in such country, especially, United States of America, the same should be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published in whole or in part, directly or indirectly, for any purposes or in any manner.
Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk. It should not be considered to be taken as an offer to sell or a solicitation to buy any security.
This document is not, and should not, be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments. This report should not be construed as an invitation or solicitation to do business with HSL. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.
HSL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.
HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.
HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report.
HSL or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.
HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from t date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.
HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.
Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066 Compliance Officer: Binkle R. Oza Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

HDFC Securities Limited, SEBI Reg. No.: NSE, BSE, MSEI, MCX: INZ000186937; AMFI Reg. No. ARN: 13549; PFRDA Reg. No. POP: 11092018; IRDA Corporate Agent License No.: CA0062; SEBI Research Analyst Reg. No.: INH000002475; SEBI Investment Adviser Reg. No.: INA000011538; CIN - U67120MH2000PLC152193

HDFC securities
Institutional Equities
Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,
Senapati Bapat Marg, Lower Parel, Mumbai - 400 013
Board: +91-22-6171-7330 www.hdfcsec.com

HDFC securities
Institutional Equities
Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,
Senapati Bapat Marg, Lower Parel, Mumbai - 400 013
Board: +91-22-6171-7330 www.hdfcsec.com