INSTITUTIONAL RESEARCH

HSIE Results Daily

Contents

Results Reviews

- **Aditya Birla Capital:** Aditya Birla Capital (ABCL) continued its credible makeover journey to drive consolidated return ratios closer to franchise potential over the next three years. ABCL is steadily repositioning its lending business mix towards retail and granular loans (59% of NBFC AUM towards Retail + SME + HNI; 33% of HF AUM skewed towards affordable housing), likely to reflect in sustained improvement in franchise earnings. Both risk (insurance) businesses saw strong growth although prior period claims (spill-over from Q1FY22) dented profitability. Both the risk businesses are steadily building their profitability trajectory - VNB margin clocked in at 7.6% during H1FY22, up 600bps YoY, on the back of mix change and improving loss ratios (ex. COVID impact).
- **Indian Oil Corporation:** Our ADD rating on Indian Oil Corporation (IOC) with a price target of INR 145 is premised on (1) recovery in domestic demand for petroleum products in FY22 and FY23, (2) improvement in refining margins in FY22/23, and (3) sustainability of auto fuel gross margins over INR 3/lit.
- **Bharat Petroleum Corporation:** Our ADD rating on Bharat Petroleum (BPCL) with a price target of INR 475 is premised on (1) recovery in domestic demand for petroleum products in FY22 and FY23, (2) improvement in refining margins over the coming 18 months, and (3) sustainability of auto fuel gross margin over INR 4.5/lit. Q2FY22 EBITDA/APAT were 6/26% above our estimates, owing to higher-than-anticipated GRM at USD 6.04/bbl, higher-than-expected refining throughput, higher-than-expected other income and lower-than-expected finance cost.
- **Cholamandalam Investment and Finance Company:** Chola's Q2 earnings beat estimates despite muted operating performance, aided by lower-than-anticipated provisioning (0.3% of AUM). The aggregate stressed portfolio (GS-II + GS-III) moderated marginally by 200bps to 19% (Q1FY22: 21%) as borrower income levels were yet to fully recover enough to clear the past arrears completely. Lower provisions dragged coverage to 36.5% (in line with historic trends), although GS-II coverage was high at 13%. While YoY AUM growth softened further to 4.2%, disbursals witnessed an uptick (+35% YoY) and are expected to gain further momentum with a pick-up in economic activity. We believe that these impairment levels, although elevated and likely to normalise by Q4FY22, do not disturb our medium-term thesis on Chola as a formidable franchise likely to consistently deliver 18-20% RoE. We trim our FY22 earnings by 5% to factor in higher credit costs and maintain BUY with a revised target price of INR646 (3.9x Sep'23 ABVPS).
- **Voltas:** Voltas saw beat in UCP revenue; however, slowdown in project execution led to miss in EMPS revenue. UCP revenue grew 34% YoY (+9% in Q2FY21, 13% HSIE) to INR 10.1bn (even higher than Q1 revenue of INR 9.6bn). UCP volume was up 24% YoY, maintaining its YTD market leadership at 25.9% (26.8% in Q2FY21). Trade channel has stocked up on inventory due to supply chain uncertainties. Price hike was taken in October and raw material secured; however, margin may see near-term pressure.

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Project business continued to face execution issues, with EMPS revenue down 28/22% YoY/QoQ (+13% HSIE). Recovery in project business is likely in H2FY22, both in terms of orders and execution. JV (Beko) losses were in line at INR 189mn (INR 71mn in Q2FY21, INR 306mn in Q1FY22), given continued brand investments and input cost pressures. We cut our FY22/23/24 EPS estimate by 5/1/1%. We value the stock on SoTP (UCP/EMPS/EPS P/E at 50/9/15x and Volt-Beko P/S of 4x) on FY24 to derive a TP of INR 1,400, arriving at an implied PE of 43x. Maintain ADD.

- **Aarti Industries:** We maintain our BUY recommendation on Aarti Industries (AIL) with a target price of INR 1,330/share. We expect the company's PAT to grow at a 31% CAGR over FY22-24E. AIL's constant focus on Capex and R&D will enable it to remain competitive and expand its customer base. The toluene segment in India is mainly untapped and catered to through imports; AIL will benefit in the long term by entering this segment. Q2 EBITDA/APAT were 4/2% below our estimates, attributable to significantly higher-than-expected raw material cost, higher-than-expected opex, offset by a 16% rise in revenue, lower-than-expected depreciation, and finance cost.

- **Oberoi Realty:** Oberoi Realty (ORL) registered strong Q2FY22 performance with presales volume of 0.4msf (+3.4x/+4.8x YoY/QoQ) for a value of INR 8.3bn (+2.5x/+4.9x YoY/QoQ) due to strong demand across all projects. Revenue recognition for Three Sixty West (TSW) is expected from Q3FY22 with OC expected in 30-45 days. To pass on the elevated input cost, ORL has taken price hikes on its Goregoan Elysian Phase-2 project by INR 500-1000psf with plans to hike prices for TSW after OC. For its non-MMR strategy, ORL will be cautiously taking 2-3msf project via land acquisition with total investment of less than INR 10bn. We believe recent share price rally factors in much of its growth story, namely, (1) foray into new markets outside the Mumbai Metropolitan Region; (2) focus on short cycle redevelopment projects; (3) strong brand pull; (4) preferred developer of first choice in MMR markets; and (5) a strong balance sheet. Thus, accordingly, we change our rating to ADD (earlier BUY). We have considered calibrated price hikes across projects, reduced cap rate from 10% to 8% for rental assets, and added 10% NAV premium for non MMR foray, leading to an increase in our NAV-based TP to INR 1,060.

- **JK Lakshmi Cement:** We maintain our BUY rating on JK Lakshmi Cement (JKLC) with an unchanged target price of INR 780/share (8x Sep'23E consolidated EBITDA). We estimate healthy cash flows would support its major expansion in Udaipur, without stressing its balance sheet and keeping RoE buoyant at ~19-20%. In Q2FY22, while JKLC's consolidated revenue rose 7% YoY to INR 12.1bn, EBITDA/APAT fell 14/6% YoY to INR 1.94/0.84bn on sales loss and elevated input costs. JKLC is confident of margin recovery in H2. The upcoming 10MW WHRS plants should aid margin FY23E onwards.

- **Kalpataru Power Transmission:** Kalpataru Power (KPTL) reported revenue/EBITDA/APAT miss of 17/23/30% on account of higher commodity prices and freight rate, which led to delayed client dispatches and lower revenue booking. KPTL secured new orders worth INR 20bn in FYTD22, taking the order book (OB) to INR 124bn. Management has reduced revenue guidance from 10-15% FY22 topline growth to 5-10%. It expects to achieve a near net cash status by FY22, with INR 7bn of cumulative cash flows from the transmission asset divestment and Indore real estate project. We have cut EPS estimate to factor in weak inflows and maintain BUY with a reduced SOTP target price to INR 552 (Sep-23E).

- **Neogen Chemicals:** Our BUY recommendation on Neogen Chemicals (NCL) with a target price of INR 1,470/sh is premised on (1) increasing contribution of the high-margin CSM business to the revenue, (2) capacity-led expansion growth opportunity, (3) constant focus on R&D, and (4) improving return ratios and strong balance sheet, going forward. Q2 EBITDA/APAT were 11/39% above our estimates, attributable to a 23% rise in revenue, lower-than-expected finance cost, lower-than-expected tax rate, offset by higher-than-expected raw material cost.
- **Kolte Patil Developers:** Kolte Patil Developers (KPDL) reported strong presales of 0.67msf (+91/+68% YoY/QoQ). In value terms, sales grew by +2.2x/+73% YoY/QoQ to INR 4.3bn. KPDL is well on the path to cross 2.5msf presales guidance for FY22. In value terms, the contribution of non-Pune sales was maintained at ~35%, the same as previous quarter. Contribution to sales from premium inventories was at an all-time high and with price increase of 2-4%, average price realisation was up by 15%/2% YoY/QoQ. Collections were also robust at INR 3.7bn (vs INR 2.8bn in Q1FY22). We increase our FY22/FY23 estimates by 7.4/11.6%. Maintain BUY with a revised TP of INR 377 (Sep-23E), given a comfortable balance sheet, traction in Mumbai, and an accelerated launch pipeline.
- **JMC Projects:** JMC Projects (JMC) reported a loss of INR 2.1bn on account of INR 2.9bn non-cash write-off in its road asset portfolio. We believe that it is more of balance sheet cleaning as (1) KEPL (FY20 loss funding of INR 400mn) saw force majeure termination due to non collection of tolls, (2) WEPL (FY20 loss funding INR 200mn) may get restructured, and (3) VEPL (FY20 loss funding INR 200mn) may be monetised by FY22 as per JMC guidance. The order inflow was robust at INR 44.3bn, taking the order book (OB) to an all-time high of INR 187bn. JMC rerating may continue, given (1) an all-time high OB (~5x FY21 revenue); (2) potentially stronger balance sheet, post restructuring of BOT assets by Q3FY22; and (3) likely growth outperformance on the back of robust order backlog. We upgrade our FY22/FY23/24 EPS by (6.3)/3.8/5.1%. We maintain BUY with target price of INR 155 (11x Sep-23E EPS).

Aditya Birla Capital

Incremental strides towards a strong franchise

Aditya Birla Capital (ABCL) continued its credible makeover journey to drive consolidated return ratios closer to franchise potential over the next three years. ABCL is steadily repositioning its lending business mix towards retail and granular loans (59% of NBFC AUM towards Retail + SME + HNI; 33% of HF AUM skewed towards affordable housing), likely to reflect in sustained improvement in franchise earnings. Both risk (insurance) businesses saw strong growth although prior period claims (spill-over from Q1FY22) dented profitability. Both the risk businesses are steadily building their profitability trajectory - VNB margin clocked in at 7.6% during H1FY22, up 600bps YoY, on the back of mix change and improving loss ratios (ex. COVID impact).

- **Flagship NBFC - en route a strong profitable franchise**: ABFL continued on its retailisation strategy to drive margin and RoA accretion. Disbursements picked up pace at INR5bn (+180% YoY), with share of retail + SME at 68% (share of retail + SME + HNI at % of AUM at 59%). NIMs continued to reflate to 6.23% (+9bps QoQ), driven by funding cost tailwinds (-23bps QoQ) and improving retail asset mix. GS-III was sequentially flat at 3.64%, although GS-II was sticky at 7.7% (led by restructuring at 3.9% of AUM). Credit costs moderated to 1.2% with little addition to stressed pool driving RoA to 2.4%.
- **HFC business - awaiting economies of scale:** ABHFL continued its focus on affordable housing with its share in AUM/disbursement at 33%/57%. NIM continued to reflate to 4.3% (+8bps QoQ), led by lower funding costs (18bps). Asset quality deteriorated marginally with GS-III rising to 2.13%, although credit costs were lower (0.6% of AUM). GS-II assets were elevated at 7.7%, comprising nearly entirely restructured loans (7.5% of AUM).
- **Promising trends in life insurance business:** Individual APE growth for Q2FY22 was healthy (+27% YoY); however, share of high-margin protection in the mix witnessed some moderation (-270bps QoQ) on the back of limited medicals growing 16% sequentially. H1 persistencies positively surprised in the 25th and 37th month cohorts (300/700bps YoY). New annuity product launch on NPAR side is seeing good traction, contributing 12% during H1. Driven by mix shift towards high-yielding businesses and better cost efficiencies, net VNB margin stood at 7.6% (+600bps YoY). While net COVID claims, at INR1.3bn, dented profitability, death claims were in line with the industry. ABSLI is carrying additional COVID reserves of INR0.9bn for H2.
- **Health insurance losses narrowing:** ABHI continued to scale as NWP grew 34% YoY despite a strong base quarter, primarily led by group business (NWP: +1.2x YoY). Loss ratios shot up to 62% (+230bps YoY) on the back of COVID claims spill-over. Normalised CORs in H1 (ex. COVID claims) came in line with management guidance at 110% - the management has a line of sight to the health insurance business breaking even by Q4FY22E.

Financial summary

(INR bn)	Q2FY22	Q2FY21	% YoY	Remarks
ABFL	3.9	2.4	*58.6%*	Improvement in NIM drove ROA accretion
ABHFL	0.7	0.5	*46.7%*	NIM reflation driven by lower funding costs
ABSLI	0.5	0.4	*19.0%*	Higher profitability with increasing scale
ABHI	(1.0)	(0.7)	*NM*	COVID provisioning dented profitability
Others	2.7	1.9	*39.2%*	
PBT	6.7	4.6	*46.6%*	
Consolidated PAT	**3.8**	**2.6**	***42.8%***	Strong earnings growth

Source: Company, HSIE Research

NOTE: HDFC Bank, the parent entity of HDFC Securities, is one of the book running lead managers for the Initial Public Offering of Aditya Birla Sun Life AMC Limited, a subsidiary of Aditya Birla Capital Limited

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Indian Oil Corporation

In-line performance

Our ADD rating on Indian Oil Corporation (IOC) with a price target of INR 145 is premised on (1) recovery in domestic demand for petroleum products in FY22 and FY23, (2) improvement in refining margins in FY22/23, and (3) sustainability of auto fuel gross margins over INR 3/lit.

- Reported EBITDA/APAT were 4/7% above our estimates, owing to higher-than-anticipated GRM of USD 6.6/bbl, higher-than-expected other income, offset by lower-than-expected throughputs, and higher-than-anticipated finance cost and depreciation.
- **Refining:** Crude throughput in Q2 stood at 15.3mmt (+9.3% YoY and -8.5% QoQ). Capacity utilisation stood at 87% on an average. Reported GRM stood at USD 6.6/bbl vs USD 6.6/bbl in Q1FY22 and USD 8.6/bbl in Q2FY21. We estimate core GRM at USD 3.2/3.4/bbl in FY22/23E.
- **Marketing:** Domestic marketing sales volume remained flat sequentially at 17.2mmt (+7.2 YoY). We expect blended gross margins of INR 4.8/4.6/lit in FY22/23E.
- **Updates**: (1) Board declared an interim dividend at 50% i.e., INR 5 per equity share of face value of INR 10 each for FY22. (2) Borrowings, as at Sep'21-end, stood at INR 840bn. (3) Forex gain of INR 2bn was reported in Q2.
- **Our SOTP target, at INR 145/sh, is based on (5.0x Mar-23E EV/e for standalone refining and petchem businesses, 5.5x Mar-23E EV/e for marketing business, 6.0x Mar-23E EV/e for pipeline business, and INR 34/sh for other investments). The stock is currently trading at 8.3x on FY23E EPS. Maintain ADD.**

Standalone financial summary

YE March (INR bn)	Q2 FY22	Q1 FY22	QoQ (%)	Q2 FY21	YoY (%)	FY20*	FY21*	FY22E*	FY23E*	FY24E*
Revenue	1,354	1,187	*14.1*	856	*58.2*	4,838	3,639	4,040	4,317	4,512
EBITDA	106	111	*(4.5)*	94	*12.7*	162	417	299	318	318
APAT	64	59	*7.0*	62	*2.1*	(159)	228	135	146	139
AEPS (INR)	6.9	6.5	*7.0*	6.8	*2.1*	(5.0)	23.6	14.7	15.9	15.1
P/E (x)						(26.6)	5.6	9.0	8.3	8.7
EV / EBITDA (x)						14.6	5.2	5.9	5.7	5.8
RoE (%)						(15.3)	22.0	11.6	11.7	10.5

Source: Company, HSIE Research | *Consolidated

ADD

CMP *(as on 1 Nov 2021)*	**INR 131**
Target Price	**INR 145**
NIFTY	**17,930**

KEY CHANGES	**OLD**	**NEW**
Rating	ADD	ADD
Price Target	INR 145	INR 145
	FY22E	**FY23E**
EPS %	-	-

KEY STOCK DATA	
Bloomberg code	IOCL IN
No. of Shares (mn)	9,414
MCap (INR bn) / ($ mn)	1,237/16,629
6m avg traded value (INR mn)	1,889
52 Week high / low	INR 140/77

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	27.4	44.7	65.2
Relative (%)	13.1	21.4	13.4

SHAREHOLDING PATTERN (%)	**Jun-21**	**Sept-21**
Promoters	51.50	51.50
FIs & Local MFs	12.48	4.68
FPIs	6.70	7.21
Public & Others	29.32	36.61
Pledged Shares	0.0	0.0

Source : BSE

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Bharat Petroleum Corporation

Demand recovery supporting growth

Our ADD rating on Bharat Petroleum (BPCL) with a price target of INR 475 is premised on (1) recovery in domestic demand for petroleum products in FY22 and FY23, (2) improvement in refining margins over the coming 18 months, and (3) sustainability of auto fuel gross margin over INR 4.5/lit. Q2FY22 EBITDA/APAT were 6/26% above our estimates, owing to higher-than-anticipated GRM at USD 6.04/bbl, higher-than-expected refining throughput, higher-than-expected other income and lower-than-expected finance cost.

- **Refining:** Crude throughput in Q2 stood at 7.2mmt (+27% YoY, +5% QoQ). GRM stood at USD 6.0/bbl vs. USD 5.8/bbl YoY, USD 4.1/bbl QoQ. With the bounce-back in demand post the second wave of COVID-19, the refinery is working at full capacity now and refining margins have improved.
- **Marketing:** Domestic marketing sales volume was 9.9mmt (+11% YoY, +3% QoQ). Blended gross margin stood at INR 5.4/lit (+4% YoY, +13% QoQ), owing to a better demand scenario. We expect blended gross margin at INR 4.8/lit in FY22E and INR 5.0/lit in FY23E.
- **Con call takeaways:** (1) Capex guidance for FY22/23 is of INR 100/100bn. (2) Debt at the end of Q2 was INR 210bn, with a D/E ratio of 0.4x. (3) The Propylene Derivatives Petrochemical Project (PDPP) at Kochi is to be commissioned by Dec-21. Production from the PDPP will be ramped up in Q4FY22. On a full-year basis, this project shall contribute a GRM of USD 1/bbl. (4) 485 retail outlets were added in the quarter. (5) BPCL has gained market share in Q2 and holds ~30% retail market share in MS and HSD segments.
- **Change in estimates:** We adjust our FY23/24E EPS estimates by -5.5/-7.8% to INR 55.7/63.2, post incorporating the Q2FY22 results.
- **SOTP-based valuation: Our price target comes to INR 475/sh (5x Mar-23E EV/e for the standalone refining business, 5.5x Mar-23E EV/e for the marketing business, 6x Mar-23E EV/e for the pipeline business, and INR 176/sh for other investments). The stock is currently trading at 7.6x on FY23E EPS.**

Standalone financial summary

YE March (INR bn)	2Q FY22	1Q FY22	QoQ (%)	2Q FY21	YoY (%)	FY20*	FY21*	FY22E*	FY23E*	FY24E*
Revenues	815	709	*15.0*	501	*62.6*	2,846	2,302	3,408	3,690	3,958
EBITDA	45	33	*37.7*	39	*16.3*	89	213	176	202	224
APAT	27	16	*70.6*	24	*13.6*	31	162	99	116	132
AEPS (INR)	12.7	7.4	*70.6*	11.3	*11.6*	14.6	77.2	47.3	55.7	63.2
P/E (x)						29.0	5.5	8.9	7.6	6.7
EV/EBITDA (x)						16.3	5.7	7.2	6.1	5.2
RoE (%)						8.1	35.9	18.1	19.8	20.2

Source: Company, HSIE Research | *Consolidated

Change in estimates (consolidated)

	FY22E			FY23E			FY24E		
	Old	New	Ch%	Old	New	Ch%	Old	New	Ch%
EBITDA (INR bn)	176	176	-	211	202	(4.1)	239	224	(6.0)
AEPS (INR/sh)	47.3	47.3	-	58.9	55.7	(5.5)	68.5	63.2	(7.8)

Source: Company, HSIE Research

ADD

CMP *(as on 1 Nov 2021)*	**INR 422**
Target Price	**INR 475**
NIFTY	**17,930**

KEY CHANGES	**OLD**	**NEW**
Rating	ADD	ADD
Price Target	INR 500	INR 475
EPS %	**FY22E**	**FY23E**
	-	-5.5%

KEY STOCK DATA	
Bloomberg code	BPCL IN
No. of Shares (mn)	2,169
MCap (INR bn) / ($ mn)	915/12,291
6m avg traded value (INR mn)	3,125
52 Week high / low	INR 470/318

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	2.3	8.1	28.6
Relative (%)	(12.0)	(15.2)	(23.2)

SHAREHOLDING PATTERN (%)	**Jun-21**	**Sept-21**
Promoters	52.98	52.98
FIs & Local MFs	23.21	22.90
FPIs	12.63	11.97
Public & Others	11.18	12.15
Pledged Shares	0.00	0.00

Source: BSE

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Cholamandalam Investment and Finance Company

Stress book likely to moderate sharply in H2FY22

Chola's Q2 earnings beat estimates despite muted operating performance, aided by lower-than-anticipated provisioning (0.3% of AUM). The aggregate stressed portfolio (GS-II + GS-III) moderated marginally by 200bps to 19% (Q1FY22: 21%) as borrower income levels were yet to fully recover enough to clear the past arrears completely. Lower provisions dragged coverage to 36.5% (in line with historic trends), although GS-II coverage was high at 13%. While YoY AUM growth softened further to 4.2%, disbursals witnessed an uptick (+35% YoY) and are expected to gain further momentum with a pick-up in economic activity. We believe that these impairment levels, although elevated and likely to normalise by Q4FY22, do not disturb our medium-term thesis on Chola as a formidable franchise likely to consistently deliver 18-20% RoE. We trim our FY22 earnings by 5% to factor in higher credit costs and maintain BUY with a revised target price of INR646 (3.9x Sep'23 ABVPS).

- **Stressed pool sticky during Q2; moderation likely in H2:** GS-II + GS-III at 19% improved by ~200bps sequentially, although ~50% of GS-II assets are restructured with short-tenure moratorium. As per management, although most borrowers resumed making repayments, the past arrears are not yet completely cleared, thereby delaying reclassification as standard assets. While asset quality was sticky during the quarter, we expect substantial moderation in impairment ratios during H2. With higher provisioning in early delinquency buckets and an improving macro environment, we expect credit costs to normalise further during H2 as well.
- **Muted operating performance:** Chola reported muted NII/PPOP growth of 8%/-3% YoY on the back of moderate AUM growth (+4% YoY) and higher opex. NIMs were steady at 7.7% as tailwinds from funding costs continued to accrue (100bps/20bps decline YoY/QoQ). The spike in opex was driven by higher wage costs and normalised collection and recovery efforts. Disbursals grew 35% YoY across segments - the management indicated that home loans and LAP are likely to grow faster than vehicle finance over the next few years. We factor in AUM CAGR of 13% during FY21-FY24E.

Financial summary

(INR bn)	Q2FY22	Q2FY21	*YoY (%)*	Q1FY22	*QoQ (%)*	FY21	FY22E	FY23E	FY24E
NII	12.7	11.7	*8.2*	12.7	*0.1*	46.5	52.0	59.1	68.5
PPOP	8.7	9.0	*(2.7)*	9.9	*(11.9)*	33.6	38.5	44.9	52.0
PAT	6.1	4.3	*40.4*	3.3	*85.6*	15.1	20.6	24.9	30.1
EPS (INR)	7.4	5.3	*40.0*	4.0	*85.4*	18.5	25.1	30.3	36.7
ROAE (%)						17.1	19.7	19.9	20.0
ROAA (%)						2.2	2.7	2.9	3.1
ABVPS (INR)						98.2	118.2	148.1	181.3
P/ABV (x)						6.0	5.0	4.0	3.2
P/E (x)						31.8	23.4	19.4	16.0

Change in estimates

(INR bn)	FY22E			FY23E			FY24E		
	Old	New	Change	Old	New	Change	Old	New	Change
AUM	785.2	762.2	-2.9%	891.8	865.6	-2.9%	1,042.8	1,014.0	-2.8%
NIM (%)	7.12	7.11	-1 bps	6.98	7.26	28 bps	7.06	7.29	23 bps
NII	52.9	52.0	-1.6%	58.5	59.1	1.0%	68.3	68.5	0.3%
PPOP	39.9	38.5	-3.6%	44.2	44.9	1.6%	52.1	52.0	-0.1%
PAT	21.7	20.6	-5.0%	25.8	24.9	-3.8%	30.7	30.1	-2.1%
Adj. BVPS (INR)	123.5	118.4	-4.1%	150.7	148.4	-1.5%	181.9	181.6	-0.1%

Source: Company, HSIE Research

BUY

CMP ***(as on 1 Nov 2021)***	**INR 589**
Target Price	**INR 646**
NIFTY	**17,930**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR 652	INR 646
EPS %	FY22E	FY23E
	-5%	1%

KEY STOCK DATA	
Bloomberg code	CIFC IN
No. of Shares (mn)	820
MCap (INR bn) / ($ mn)	483/6,489
6m avg traded value (INR mn)	2,066
52 Week high / low	INR 634/269

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	23.7	3.0	115.4
Relative (%)	9.4	(20.3)	63.6

SHAREHOLDING PATTERN (%)	**Jun-21**	**Sep-21**
Promoters	51.6	51.6
FIs & Local MFs	21.2	22.4
FPIs	18.9	17.9
Public & Others	8.3	8.1
Pledged Shares	0.0	0.0

Source : BSE

Pledged shares as % of total shares

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Voltas

UCP drives the show, EMPS disappoints

Voltas saw beat in UCP revenue; however, slowdown in project execution led to miss in EMPS revenue. UCP revenue grew 34% YoY (+9% in Q2FY21, 13% HSIE) to INR 10.1bn (even higher than Q1 revenue of INR 9.6bn). UCP volume was up 24% YoY, maintaining its YTD market leadership at 25.9% (26.8% in Q2FY21). Trade channel has stocked up on inventory due to supply chain uncertainties. Price hike was taken in October and raw material secured; however, margin may see near-term pressure. Project business continued to face execution issues, with EMPS revenue down 28/22% YoY/QoQ (+13% HSIE). Recovery in project business is likely in H2FY22, both in terms of orders and execution. JV (Beko) losses were in line at INR 189mn (INR 71mn in Q2FY21, INR 306mn in Q1FY22), given continued brand investments and input cost pressures. We cut our FY22/23/24 EPS estimate by 5/1/1%. We value the stock on SoTP (UCP/EMPS/EPS P/E at 50/9/15x and Volt-Beko P/S of 4x) on FY24 to derive a TP of INR 1,400, arriving at an implied PE of 43x. Maintain ADD.

- **UCP surprises; EMPS a drag:** Revenue grew 5% YoY (+13% in Q2FY21, +38% in Q1FY22), below our estimate of 14% growth. UCP revenue was up 34% YoY (+9% in Q2FY21 like to like, +19% in Q1FY22), a beat on our estimate of 13%. UCP volume growth was at 24% YoY and the company maintained its market leadership with 25.9% market share. In Q2FY22, the channel stocked up on inventory due to supply chain issues. EMPS declined 28% YoY (+15% in Q2FY21 like to like, +67% in Q1FY22), HSIE +13%. EPS segment revenue was up 35% vs. 25% expected.
- **Margin pressure seen:** Gross profit was up 7% YoY (+4% in Q2FY21 and 28% in Q1FY22, 24% HSIE). GPM expanded 51bps YoY (-236bps in Q2FY21 and -210bps in Q1FY22) to 26.6% (28.5% HSIE). Employee expenses/other expenses were up by 9/10% YoY. EBITDA was up by 32% YoY (-7% in Q2FY21, +103% in Q1FY22, +67% HSIE). EBITDA margin was at 7.6% (8.9% HSIE). UCP EBIT grew 19% YoY (+36% in Q2FY21, +4% in Q1FY22), HSIE 13%. EMPS EBIT margin was at 2.1% (HSIE 4.5%). EPS segment EBIT grew 36% YoY (+14% in Q2FY21, +93% in Q1FY22).
- **Con call takeaways:** (1) The company expects the RAC industry volume to be up 10-11% YoY and flat over FY20. (2) It has taken YTD price hikes in the range of 13-15% including 3-5% hikes in October. (3) It continues to see input cost pressure; however, pricing decisions will be taken depending on the competitive landscape. (4) In Voltas-Beko, the company is expanding its footprint and expects costs to come down only when it achieves larger scale. (5) In its domestic projects business, it continues to cautiously select projects and expects rebound in H2FY22. (6) It plans to integrate 50% of its coils and plastic component requirements under the PLI scheme. (7) Voltas plans to take its refrigerator capacity to 1.1mn units in the near future.

Quarterly/annual financial summary

YE Mar (Rs mn)	Q2FY22	Q2FY21	YoY (%)	Q1FY22	QoQ (%)	FY21	FY22E	FY23E	FY24E
Net Sales	16,891	16,125	4.7	17,852	(5.4)	75,558	85,767	104,815	119,185
EBITDA	1,291	980	31.8	1,358	(4.9)	6,414	7,997	10,910	12,334
APAT	1,043	797	30.9	1,224	(14.8)	5,289	6,838	9,273	10,759
Diluted EPS (Rs)	3.2	2.4	30.9	3.7	(14.8)	16.0	20.7	28.0	32.5
P/E (x)						78.1	60.4	44.5	38.4
EV / EBITDA (x)						64.6	51.4	37.5	32.8
RoCE (%)						21.0	26.0	31.6	30.9

Source: Company, HSIE Research

ADD

CMP *(as on 1 Nov 2021)*	**INR 1,245**
Target Price	**INR 1,400**
NIFTY	**17,930**

KEY CHANGES	**OLD**	**NEW**
Rating	ADD	ADD
Price Target	INR 1,400	INR 1,400
EPS %	FY22E	FY23E
	-5%	-1%

KEY STOCK DATA	
Bloomberg code	VOLT IN
No. of Shares (mn)	331
MCap (INR bn) / ($ mn)	412/5,538
6m avg traded value (INR mn)	1,763
52 Week high / low	INR 1,357/696

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	17.6	30.1	76.5
Relative (%)	3.2	6.8	24.7

SHAREHOLDING PATTERN (%)	**Jun-21**	**Sep-21**
Promoters	30.30	30.30
FIs & Local MFs	33.87	31.61
FPIs	17.24	22.31
Public & Others	18.59	15.78
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Aarti Industries

Highest-ever topline and bottomline!

We maintain our BUY recommendation on Aarti Industries (AIL) with a target price of INR 1,330/share. We expect the company's PAT to grow at a 31% CAGR over FY22-24E. AIL's constant focus on Capex and R&D will enable it to remain competitive and expand its customer base. The toluene segment in India is mainly untapped and catered to through imports; AIL will benefit in the long term by entering this segment. Q2 EBITDA/APAT were 4/2% below our estimates, attributable to significantly higher-than-expected raw material cost, higher-than-expected opex, offset by a 16% rise in revenue, lower-than-expected depreciation, and finance cost.

- **Financial performance:** Revenue grew 32/18% YoY/ QoQ to INR 15.5bn, with revenue growth driven by volume expansion in the quarter. Value-added products contributed 74% to the revenue during Q2FY22. EBITDA grew by 22% YoY and remained flat sequentially at INR 3.1bn, with EBITDA margin deteriorating by 172/387bps YoY/QoQ to 20%, owing to the late pass-through of higher raw material prices, elevated freight, and power costs.
- **Speciality chemicals:** Revenue/EBIT grew 34/27% YoY to INR 14.8/2.4bn, owing to a 7% volume growth, and over 90% utilisation across all facilities in Q2. EBIT margin for the segment was reported at 16%, driven by return of demand from established markets.
- **Pharma**: Revenue grew 26% YoY to INR 2.8bn, owing to the pass-through of higher costs to the customers. EBIT came at 0.4bn with EBIT margin falling by 1,069/502bps YoY/QoQ to 15%, owing to lower sales towards the end of Q2 resulting in higher inventory and reduced conversion to profits.
- **Con call takeaways:** (1) Capex in Q2/H1FY22 was INR 3/6bn. Total Capex of INR 15bn would be spent in FY22. (2) Growth guidance of 25-35% YoY was given for APAT for FY22. (3) Additional capacities for APIs and intermediates are expected to come on stream in H2FY22.
- **Change in estimates:** We cut our FY22/23/24 EPS estimates by 3.8/2.3/0.6% to INR 18.9/25.0/32.5 to account for the overall performance in H1FY22.
- **DCF-based valuation: Our target price is INR 1,330 (WACC 10%, terminal growth 4%). The stock is currently trading at 30.4x FY24E EPS.**

Financial summary (consolidated)

INR mn	Q2 FY22	Q1 FY22	QoQ (%)	Q2 FY21	YoY (%)	FY20	FY21	FY22E	FY23E	FY24E
Net Sales	15,516	13,168	*17.8*	11,726	*32.3*	41,863	45,061	56,239	66,004	81,074
EBITDA	3,098	3,138	*(1.3)*	2,543	*21.8*	9,773	9,815	12,700	15,937	19,882
APAT	1,761	1,649	*6.8*	1,402	*25.6*	5,361	5,235	6,834	9,045	11,795
AEPS (INR)	4.9	4.5	*6.8*	3.9	*25.6*	14.8	14.4	18.9	25.0	32.5
P/E (x)						66.9	68.5	52.5	39.6	30.4
EV/EBITDA(x)						38.6	39.0	30.3	23.9	19.1
RoE (%)						19.1	16.2	18.1	20.5	22.4

Source: Company, HSIE Research

Change in estimates (Consolidated)

Y/E Mar	FY22E Old	FY22E New	% Ch	FY23E Old	FY23E New	% Ch	FY24E Old	FY24E New	% Ch
EBITDA (INR mn)	12,997	12,700	*(2.3)*	16,222	15,937	*(1.8)*	19,994	19,882	*(0.6)*
Adj. EPS (INR/sh)	19.6	18.9	*(3.8)*	25.5	25.0	*(2.3)*	32.7	32.5	*(0.6)*

Source: Company, HSIE Research

BUY

CMP *(as on 1 Nov 2021)*	**INR 988**
Target Price	**INR 1,330**
NIFTY	**17,930**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR 1,320	INR 1,330
EPS %	FY22E	FY23E
	-3.8%	-2.3%

KEY STOCK DATA	
Bloomberg code	ARTO IN
No. of Shares (mn)	363
MCap (INR bn) / ($ mn)	358/4,813
6m avg traded value (INR mn)	1,362
52 Week high / low	INR 1,168/495

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	5.7	23.1	97.5
Relative (%)	(8.7)	(0.2)	45.7

SHAREHOLDING PATTERN (%)	**Jun-21**	**Sept-21**
Promoters	44.90	44.21
FIs & Local MFs	13.62	14.76
FPIs	11.90	11.86
Public & Others	29.58	29.17
Pledged Shares	0.00	0.00

Source: BSE

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Oberoi Realty

Positives in the price

Oberoi Realty (ORL) registered strong Q2FY22 performance with presales volume of 0.4msf (+3.4x/+4.8x YoY/QoQ) for a value of INR 8.3bn (+2.5x/+4.9x YoY/QoQ) due to strong demand across all projects. Revenue recognition for Three Sixty West (TSW) is expected from Q3FY22 with OC expected in 30-45 days. To pass on the elevated input cost, ORL has taken price hikes on its Goregaon Elysian Phase-2 project by INR 500-1000psf with plans to hike prices for TSW after OC. For its non-MMR strategy, ORL will be cautiously taking 2-3msf project via land acquisition with total investment of less than INR 10bn. We believe recent share price rally factors in much of its growth story, namely, (1) foray into new markets outside the Mumbai Metropolitan Region; (2) focus on short cycle redevelopment projects; (3) strong brand pull; (4) preferred developer of first choice in MMR markets; and (5) a strong balance sheet. Thus, accordingly, we change our rating to ADD (earlier BUY). We have considered calibrated price hikes across projects, reduced cap rate from 10% to 8% for rental assets, and added 10% NAV premium for non MMR foray, leading to an increase in our NAV-based TP to INR 1,060.

- **Financial highlights**: ORL reported revenue/EBITDA at INR 7.5/3.7bn, 6%/17% beat on our estimate. EBITDA margin was 49.5% (est. 45.1%). APAT came in at INR 2.7bn (13% beat). Revenue in Q3 is expected to be strong, given continuing momentum for Borivali, Mulund and Goregoan projects seen in this quarter. We expect ORL to clock FY22/23E presales of INR 45/46bn vs. FY21 presales of INR 32.9bn.
- **Strong presales momentum:** Oberoi registered strong sustenance sales with third highest ever quarterly sales. For Q2FY22, area booked was at 0.4msf (3.4x/4.8x YoY/QoQ) for a value of INR 8.3bn (2.5x/4.9x YoY/QoQ). The Tower B launch in Elysian project, Goregoan, on 28 Oct 2021 saw robust presales of INR 7.9bn (~40% sales by area, 0.39msf). In terms of pricing, projects price in Borivali and Mulund are retained; however, prices in Worli project will be pushed once ORL has OC. Thane project is expected to be launched before Dec'21.
- **Three Sixty West OC awaited:** ORL is expecting OC in another 30-45 days, post which the presales momentum may pick up. Our channel checks suggest a strong leads pipeline, along with bunching of sales, in Q3FY22. We estimate ORL would book about INR 8-10bn, post OC.
- **Balance sheet position comfortable**: The consolidated net debt stood at INR 19.5bn (vs INR 15.1bn on Jun-21) with net D/E at 0.20x (vs 0.16x on Jun-21). With collections of INR 5.3bn, ORL generated a positive CFO of INR 377mn. Strong cash flow generation is expected from Three Sixty West along with Mulund and Borivali projects.

Consolidated financial summary

(INR mn)	Q2FY22	Q2FY21	YoY	Q1FY21	QoQ	FY21	FY22E	FY23E	FY24E
Net Sales	7,543	3,161	138.6	2,843	165.3	20,526	22,716	24,683	27,398
EBITDA	3,731	1,865	100.1	1,249	198.8	10,004	10,903	10,963	12,412
APAT	2,666	1,269	110.2	806	230.6	7,393	11,413	9,600	10,887
Diluted EPS (INR)	7.3	3.5	110.2	2.2	230.6	20.3	31.4	26.4	29.9
P/E (x)						47.5	30.7	36.6	32.2
EV / EBITDA (x)						36.5	32.8	32.5	28.4
RoE (%)						8.2	11.5	8.8	9.2

Source: Company, HSIE Research

ADD

CMP *(as on 01 Nov 2021)*	INR 965
Target Price	INR 1,060
NIFTY	17,930

KEY CHANGES	OLD	NEW
Rating	BUY	ADD
Price Target	INR 800	INR 1,060
	FY22E	FY23E
EPS %	-	-

KEY STOCK DATA	
Bloomberg code	OBER IN
No. of Shares (mn)	364
MCap (INR bn) / ($ mn)	351/4,716
6m avg traded value (INR mn)	1,045
52 Week high / low	INR 1,008/424

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	43.5	76.4	117.8
Relative (%)	29.2	53.1	66.0

SHAREHOLDING PATTERN (%)	Jun-21	Sep-21
Promoters	67.70	67.70
FIs & Local MFs	5.91	7.32
FPIs	23.49	22.21
Public & Others	2.90	2.77
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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JK Lakshmi Cement

Q2 hit by both lower sales and cost inflation

We maintain our BUY rating on JK Lakshmi Cement (JKLC) with an unchanged target price of INR 780/share (8x Sep'23E consolidated EBITDA). We estimate healthy cash flows would support its major expansion in Udaipur, without stressing its balance sheet and keeping RoE buoyant at ~19-20%. In Q2FY22, while JKLC's consolidated revenue rose 7% YoY to INR 12.1bn, EBITDA/APAT fell 14/6% YoY to INR 1.94/0.84bn on sales loss and elevated input costs. JKLC is confident of margin recovery in H2. The upcoming 10MW WHRS plants should aid margin FY23E onwards.

- **Q2FY22 performance:** Transporters strike in Chhattisgarh and delayed monsoon pulled down consolidated cement volume by 13/3% QoQ/YoY. Adjusted for higher non-cement revenue and sharp fall in clinker sales, cement NSR fell ~2% QoQ (against reported NSR rise of 4% QoQ), on seasonal price correction (sharper fall in east). Opex rose 9% QoQ, mainly led by higher energy cost (+20% QoQ), op-lev loss, and impact of rise in non-cement revenue (+18% QoQ). Even on a YoY basis, 25/15% surge in energy/freight costs and higher other expenses could not be covered by healthy pricing gains. Thus, unitary EBITDA fell 11/14% YoY/QoQ to INR 786/MT. Interest expense fell 31% YoY on lower debt.
- **H1FY22 cash flow**: While EBITDA rebound 14% YoY to INR 4.52bn on higher sales, a sharp rise in working capital led to negative OCF of INR 52mn. Capex spend accelerated to INR 1.33bn (towards 10MW WHRS at Sirohi and 2.5mn MT brownfield IU in Udaipur). As JKLC liquidated its investments to fund Capex and interest payments, its gross debt remained unchanged (vs Mar'21) at ~INR 16.6bn. While net debt rose ~17% to ~INR 9.6bn, its consolidated net debt/EBITDA remained stable at 1x.
- **Capex and outlook**: JKLC expects to commission the WHRS at Sirohi and a 5MW solar power plant at Udaipur in Dec'21. These will increase its share of green/renewal power to ~25/40%. It expects to complete Udaipur project by Mar'24E. JKLC expects gradual energy cost inflation in H2 (Q3: +10% QoQ), owing to its large inventory. It is also confident of its unitary EBITDA rebounding to ~INR 900/MT in H2 on cost pass-through. We estimate JKLC's healthy cash flow to buoy its RoE to ~19-20% and keep net debt/EBITDA under 1x. We maintain our earnings estimate for FY22/23/24E.

Quarterly/annual financial summary (consolidated)

YE Mar (INR bn)	Q2 FY22	Q2 FY21	*YoY (%)*	Q1 FY22	*QoQ (%)*	FY20	FY21	FY22E	FY23E	FY24E
Sales (mn MT)	2.47	2.54	*(2.6)*	2.83	*(12.6)*	9.72	10.45	11.72	12.63	13.52
NSR (INR/MT)	4,896	4,464	*9.7*	4,692	*4.3*	4,490	4,524	4,592	4,638	4,708
Opex (INR/MT)	4,110	3,578	*14.9*	3,778	*8.8*	3,669	3,626	3,783	3,732	3,768
EBITDA(INR/MT)	786	886	*(11.3)*	914	*(14.0)*	821	898	810	907	940
Net Sales	12.09	11.32	*6.8*	13.26	*(8.8)*	43.64	47.27	53.81	58.58	63.62
EBITDA	1.94	2.25	*(13.6)*	2.58	*(24.8)*	7.98	9.39	9.49	11.45	12.70
APAT	0.84	0.90	*(5.8)*	1.31	*(35.8)*	2.78	4.43	4.27	5.58	6.38
AEPS (INR)	7.2	7.6	*(5.8)*	11.2	*(35.8)*	23.6	37.7	36.3	47.4	54.2
EV/EBITDA (x)						11.0	8.6	8.6	7.1	6.7
EV/MT (INR bn)						6.58	6.07	5.85	5.81	5.18
P/E (x)						26.0	16.3	16.9	13.0	11.4
RoE (%)						*17.6*	*23.4*	*18.5*	*20.1*	*19.1*

Source: Company, HSIE Research

BUY

CMP *(as on 1 Nov 2021)*	INR 615
Target Price	INR 780
NIFTY	17,930

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 780	INR 780
EBITDA revision %	FY22E -	FY23E -

KEY STOCK DATA	
Bloomberg code	JKLC IN
No. of Shares (mn)	118
MCap (INR bn) / ($ mn)	72/972
6m avg traded value (INR mn)	438
52 Week high / low	INR 816/275

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(11.2)	52.6	111.9
Relative (%)	(25.5)	29.3	60.1

SHAREHOLDING PATTERN (%)

	Jun-21	Sep-21
Promoters	46.21	46.01
FIs & Local MFs	28.42	26.16
FPIs	10.26	12.48
Public & Others	15.11	15.35
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Kalpataru Power Transmission

Muted performance

Kalpataru Power (KPTL) reported revenue/EBITDA/APAT miss of 17/23/30% on account of higher commodity prices and freight rate, which led to delayed client dispatches and lower revenue booking. KPTL secured new orders worth INR 20bn in FYTD22, taking the order book (OB) to INR 124bn. Management has reduced revenue guidance from 10-15% FY22 topline growth to 5-10%. It expects to achieve a near net cash status by FY22, with INR 7bn of cumulative cash flows from the transmission asset divestment and Indore real estate project. We have cut EPS estimate to factor in weak inflows and maintain BUY with a reduced SOTP target price to INR 552 (Sep-23E).

- **Q2 financial highlights:** Revenue: INR 16.2bn (miss by 17%); higher commodity prices and freight rate led to delayed dispatches and loss of USD20mn in revenue. EBITDA: INR 1.5bn (miss by 23%). EBITDA margin, at 9.4% (vs estimate of 10.1%), was affected by higher commodity prices and freight cost. Interest cost: INR 280mn (+21.7/-17.6% YoY/QoQ). Exceptional item was INR 450mn for provision on impairment of investment in Indore real estate project (took ~8% price cut to accelerate sales velocity; no further impairment is expected). Consequently, RPAT was at INR 370mn. APAT, at INR 708mn, missed estimates by 30.5%, given lower execution and margin.
- **World Bank ban on bidding lifted, order bookings to improve:** OB stands at INR 124bn (including Linjemontage, Sweden & Fasttel, and Brazil) with T&D/railways/O&G share at 57/25/18%. L1 order book is at INR 18bn; FYTD22 order received stood at INR 20bn. KPTL has downgraded the order inflow guidance from INR 90bn to INR 70-80bn, while upgrading consolidated order inflows (including JMC) from INR 150bn to INR 180-200bn. For Q3FY22, the consolidated order pipeline is expected at INR 400-500bn.
- **Likely near zero debt by FY22:** Net debt was at INR 11.5bn (vs INR 12.2bn in Jun-21). Net D/E is at 0.29x (vs 0.32x in Jun-21 end). KPTL expects about INR 7bn (by Mar-22) to come in from Kohima transmission asset sale (INR 5.5bn) to CLP India and Indore real estate projects sales (INR 1.5bn). The Kohima deal inflow is likely to realise by Dec-21. KPTL promoters have maintained their commitment of reducing pledged shares to 40% of holding by Dec-21.

Standalone financial summary

(INR mn)	Q2FY22	Q2FY21	YoY (%)	Q1FY22	QoQ (%)	FY21	FY22E	FY23E	FY24E
Net Revenues	16,180	18,820	(14.0)	15,860	2.0	76,710	77,383	85,723	92,874
EBITDA	1,520	2,020	(24.8)	1,620	(6.2)	8,080	7,728	9,196	9,928
APAT	708	1,590	(55.5)	760	(6.9)	4,890	4,343	5,377	5,953
Diluted EPS (INR)	4.8	10.7	(55.5)	5.1	(6.9)	32.8	29.2	36.1	40.0
P/E (x)						12.5	14.1	11.4	10.3
EV/EBITDA (x)						8.5	8.7	7.0	6.2
RoE (%)						13.2	10.8	12.3	12.6

Estimate Change Summary (Standalone)

Particulars (INR mn)	FY22E			FY23E			FY24E		
	New	Old	% Chg.	New	Old	% Chg.	New	Old	% Chg.
Revenues	77,383	85,227	(9.2)	85,723	98,187	(12.7)	92,874	1,07,094	(13.3)
EBITDA	7,728	8,400	(8.0)	9,196	10,546	(12.8)	9,928	11,261	(11.8)
EBITDA (%)	10.0	9.9	13.1	10.7	10.7	(1.3)	10.7	10.5	17.5
APAT	4,343	4,692	(7.4)	5,377	6,242	(13.9)	5,953	6,711	(11.3)

Source: Company, HSIE Research

BUY

CMP *(as on 01 Nov 2021)*	INR 410
Target Price	INR 552
NIFTY	17,930

KEY CHANGES		OLD	NEW
Rating		BUY	BUY
Price Target		INR 608	INR 552
EPS %	FY22E	FY23E	FY24E
	(7.4)	*(13.9)*	*(11.3)*

KEY STOCK DATA	
Bloomberg code	KPP IN
No. of Shares (mn)	149
MCap (INR bn) / ($ mn)	61/820
6m avg traded value (INR mn)	193
52 Week high / low	INR 496/228

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(13.1)	11.1	64.0
Relative (%)	(27.4)	(12.1)	12.2

SHAREHOLDING PATTERN (%)	Jun-21	Sep-21
Promoters	54.55	54.55
FIs & Local MFs	27.62	25.63
FPIs	7.30	7.49
Public & Others	10.53	9.25
Pledged Shares	25.04	24.71

Source : BSE

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Neogen Chemicals

Capacity expansion - a growth lever

Our BUY recommendation on Neogen Chemicals (NCL) with a target price of INR 1,470/sh is premised on (1) increasing contribution of the high-margin CSM business to the revenue, (2) capacity-led expansion growth opportunity, (3) constant focus on R&D, and (4) improving return ratios and strong balance sheet, going forward. Q2 EBITDA/APAT were 11/39% above our estimates, attributable to a 23% rise in revenue, lower-than-expected finance cost, lower-than-expected tax rate, offset by higher-than-expected raw material cost.

- **Financial performance:** Revenue grew 38/34% YoY/QoQ to INR 1,132mn, with revenue growth driven by higher capacity utilisation, led by positive contribution from phase I expansion. Demand from key end-user industries has normalised and returned to pre-COVID levels. EBITDA grew by 33/32% YoY/QoQ to INR 205mn, with EBITDA margin remaining stable at 18% despite facing operational challenges. Operating leverage gains as well as better product mix helped maintain the margin. APAT grew 50/51% YoY/QoQ to INR 111mn. Reduction in effective tax rate due to higher revenue from the SEZ facility positively contributed to the APAT growth.
- **Segmental information:** Organic chemicals (81% of the revenue mix) grew 36% YoY to INR 910mn. Inorganic chemicals (19%) grew 48% YoY to INR 220mn on the back of a higher base.
- **Call takeaways:** (1) Total organic chemicals reactor capacity has increased from 154,000 litres to 407,000 litres after the completion of phase I and II expansion. (2) NCL approved a Capex of INR 350mn at Vadodara to set up a 250 MTPA electrolyte capacity for lithium-ion batteries advanced chemistry cells, and to set up a pilot facility for speciality chemicals. The capacity expansion plans in total shall create a revenue potential of INR 7bn in FY24E.
- **Change in estimates:** We raise our FY22 EPS estimate by 6.3% to INR 16.9, to account for the overall performance in H1FY22.
- **DCF-based valuation: Our target price is INR 1,470 (WACC 10%, terminal growth 5.5%). The stock is currently trading at 36.2x FY24E EPS.**

Financial summary (consolidated)

INR mn	Q2 FY22	Q1 FY22	QoQ (%)	Q2 FY21	YoY (%)	FY20	FY21	FY22E	FY23E	FY24E
Net Sales	1,132	846	*33.7*	820	*38.1*	3,061	3,364	4,275	5,073	6,746
EBITDA	205	156	*31.5*	154	*32.9*	581	644	840	1,082	1,486
APAT	111	74	*50.9*	74	*50.4*	287	313	395	514	797
AEPS (INR)	4.8	3.2	*50.9*	3.2	*50.4*	12.3	13.4	16.9	22.0	34.2
P/E (x)						100.8	92.2	73.1	56.2	36.2
EV/EBITDA(x)						52.1	48.2	37.8	29.2	21.3
RoE (%)						25.3	18.5	19.9	21.9	27.9

Source: Company, HSIE Research

Change in estimates (Consolidated)

Y/E Mar	FY22E Old	FY22E New	% Ch	FY23E Old	FY23E New	% Ch	FY24E Old	FY24E New	% Ch
EBITDA (INR mn)	814	840	*3.2%*	1,086	1,082	*-0.4%*	1,491	1,486	*-0.4%*
Adj. EPS (INR/sh)	15.9	16.9	*6.3%*	22.3	22.0	*-1.4%*	34.5	34.2	*-1.0%*

Source: Company, HSIE Research

BUY

CMP *(as on 1 Nov 2021)*	INR 1,236
Target Price	INR 1,470
NIFTY	17,930

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,480	INR 1,470
EPS %	FY22E	FY23E
	+6.3%	-

KEY STOCK DATA	
Bloomberg code	NEOGEN IN
No. of Shares (mn)	23
MCap (INR bn) / ($ mn)	29/387
6m avg traded value (INR mn)	146
52 Week high / low	INR 1,449/600

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	34.9	42.9	100.0
Relative (%)	20.5	19.6	48.2

SHAREHOLDING PATTERN (%)	Jun-21	Sept-21
Promoters	64.33	64.33
FIs & Local MFs	14.05	14.56
FPIs	4.74	4.79
Public & Others	16.88	16.32
Pledged Shares	0.00	0.00

Source: BSE

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Kolte Patil Developers

Robust recovery

Kolte Patil Developers (KPDL) reported strong presales of 0.67msf (+91/+68% YoY/QoQ). In value terms, sales grew by +2.2x/+73% YoY/QoQ to INR 4.3bn. KPDL is well on the path to cross 2.5msf presales guidance for FY22. In value terms, the contribution of non-Pune sales was maintained at ~35%, the same as previous quarter. Contribution to sales from premium inventories was at an all-time high and with price increase of 2-4%, average price realisation was up by 15%/2% YoY/QoQ. Collections were also robust at INR 3.7bn (vs INR 2.8bn in Q1FY22). We increase our FY22/FY23 estimates by 7.4/11.6%. Maintain BUY with a revised TP of INR 377 (Sep-23E), given a comfortable balance sheet, traction in Mumbai, and an accelerated launch pipeline.

- **Financial highlights:** KPDL reported revenue of INR 3.0bn (47% beat) in Q2FY22. EBITDA came in at INR 528mn (3% beat). EBITDA margin was at 17.4% (24.6% estimated). APAT was at INR 177mn (30% miss). KPDL's under development portfolio of 9msf has revenue potential of INR 50bn realizable evenly between FY22/23/24. For FY22, EBITDA margin is expected to be within the range of 22-25% with PAT margin around 10-15%.
- **Mumbai sales robust; higher contribution from premium projects:** KPDL reported presales of INR 4.3bn (+2.2x/73% YoY/QoQ) with volume of 0.67msf (+91/+68% YoY/QoQ). Demand outside Pune was strong with contribution from Mumbai and Bengaluru, in value terms, around 35%, thus leading to diversification of business risk. Mumbai, in particular, reported sales value of INR 1.1bn (vs INR 155mn in Q2FY21) on the back of Verve and Vaayu projects. As a result, Mumbai sales in H1FY22 have touched its FY21 numbers of INR 1.8bn. For the city, KPDL is targeting to offer inventory with ticket size of INR 15-30mn, i.e., INR 15,000-17,000psf. The average price realisation in Q2 was up at INR 6,370psf (+15%/+2% YoY/QoQ) due to (1) higher contribution from premium inventory in Mumbai and Pune, which is at an all-time high, and (2) in general, price increase across inventories.
- **Balance sheet robust:** Collections were robust at INR 3.7bn (+86%/+34%, YoY/QoQ). Hence, operating cash flow was at INR 1.5bn (vs INR 780mn in Q1FY22). Consolidated net debt reduced by INR 670mn in Q2 to INR 1.84bn, with net D/E at 0.23x.

Consolidated financial summary

YE (INR mn)	Q2FY22	Q2FY21	YoY (%)	Q1FY22	QoQ (%)	FY21	FY22E	FY23E	FY24E
Net Sales	3,038	646	370.4	1,973	54.0	6,917	12,508	13,515	16,448
EBITDA	528	(95)	(654.1)	625	(15.6)	624	2,831	3,583	4,774
APAT	177	(219)	(180.9)	295	(40.0)	(55.2)	1,606	2,134	2,981
EPS (INR)	2.3	(2.9)	(180.9)	3.9	(40.0)	(0.7)	21.2	28.2	39.3
P/E (x)						(442.0)	15.2	11.4	8.2
EV/EBITDA (x)						45.6	10.1	7.9	5.8
RoE (%)						(0.7)	16.4	17.9	20.4

Consolidated estimate change summary

Particulars (INR mn)	FY22E			FY23E			FY24E		
	New	Old	*% Chg.*	New	Old	*% Chg.*	New	Old	*% Chg.*
Revenues	12,508	12,358	*1.2*	13,515	13,215	*2.3*	16,448	15,696	*4.8*
EBITDA	2,831	2,682	*5.6*	3,583	3,284	*9.1*	4,774	4,023	*18.7*
EBITDA (%)	22.6	21.7	*93.8*	26.5	24.8	*166.6*	29.0	25.6	*339.6*
APAT	1,606	1,495	*7.4*	2,134	1,912	*11.6*	2,981	2,425	*22.9*

Source: Company, HSIE Research

BUY

CMP *(as on 01 Nov'21)*	**INR 322**
Target Price	**INR 377**
NIFTY	**17,930**

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 350	INR 377

EPS Change %	FY22E	FY23E	FY24E
	7.4	11.6	22.9

KEY STOCK DATA	
Bloomberg code	KPDL IN
No. of Shares (mn)	76
MCap (INR bn) / ($ mn)	24/329
6m avg traded value (INR mn)	318
52 Week high / low	INR 360/164

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	35.4	51.5	90.2
Relative (%)	21.0	28.3	38.4

SHAREHOLDING PATTERN (%)	Jun-21	Sep-21
Promoters	74.45	74.45
FIs & Local MFs	0.04	2.57
FPIs	5.26	1.58
Public & Others	20.25	21.4
Pledged Shares	0.0	0.0

Source: BSE

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JMC Projects

One-offs impact performance

JMC Projects (JMC) reported a loss of INR 2.1bn on account of INR 2.9bn non-cash write-off in its road asset portfolio. We believe that it is more of balance sheet cleaning as (1) KEPL (FY20 loss funding of INR 400mn) saw force majeure termination due to non collection of tolls, (2) WEPL (FY20 loss funding INR 200mn) may get restructured, and (3) VEPL (FY20 loss funding INR 200mn) may be monetised by FY22 as per JMC guidance. The order inflow was robust at INR 44.3bn, taking the order book (OB) to an all-time high of INR 187bn. JMC rerating may continue, given (1) an all-time high OB (~5x FY21 revenue); (2) potentially stronger balance sheet, post restructuring of BOT assets by Q3FY22; and (3) likely growth outperformance on the back of robust order backlog. We upgrade our FY22/FY23/24 EPS by (6.3)/3.8/5.1%. We maintain BUY with target price of INR 155 (11x Sep-23E EPS).

- **Q2FY22 financial highlights:** Revenue: INR 13.2bn (11% beat). Adjusted EBITDA: INR 865mn (20% miss), owing to higher-than-expected material and overhead cost. EBITDA margin: 6.5% (9.1% est.). Exceptional item: INR 2.9bn (vs INR 2.6bn estimate) on account of (1) INR 1.8bn of provision for expected credit loss against loan given to Kurukshetra Expressway. (2) INR 982 and INR 152mn of provision for impairment of equity in Kurukshetra expressway and Wainganga Expressway respectively. Interest cost: INR 278mn (-8.7%/+3.4% YoY/QoQ). Reported loss was at INR 2,115mn vs expectation of INR 1,101mn loss. APAT: INR 172mn (+2.4x/+5.9% YoY/QoQ, 49% miss, owing to lower EBITDA margin).
- **Robust order inflows and backlog:** JMC received orders of INR 44.3bn in Q2, with OB now at INR 187bn (ex of INR 28bn L1 orders). JMC has increased its FY22 order inflow guidance from INR 75-80bn to INR 120-130bn with INR 79.6bn already booked during H1FY22.
- **BOT assets resolution closer:** Standalone net debt decreased to INR 7bn (net D/E 0.85x) from INR 7.2bn at the end of Jun-21. The Wainganga expressway restructuring is expected to complete by Sep-21 and the sale of Vindhyachal asset would be complete by Dec-21. JMC has written off its investment in the KEPL project, invoking force majeure clause of toll stoppage. The loss funding is expected to reduce from INR 800mn to INR 100-150mn.

Standalone financial summary

YE March	Q2FY22	Q2FY21	YoY (%)	Q1FY22	QoQ (%)	FY21	FY22E	FY23E	FY24E
Net Sales	13,207	8,038	64.3	11,243	17.5	36,888	50,179	57,208	65,632
EBITDA	865	730	18.5	806	7.2	3,315	4,258	5,492	6,563
APAT	172	72	140.1	162	5.9	711	1,248	2,023	2,714
Diluted EPS (INR)	1.0	0.4	140.1	1.0	5.9	4.2	7.4	12.0	16.2
P/E (x)						24.6	14.0	8.6	6.4
EV / EBITDA (x)						7.0	5.9	4.4	3.4
RoE (%)						7.2	13.1	20.8	22.9

Estimate change summary (standalone)

INR mn	FY22E			FY23E			FY24E		
	New	Old	% chg.	New	Old	% chg.	New	Old	% chg.
Revenues	50,179	44,600	12.5	57,208	51,723	10.6	65,632	59,203	10.9
EBIDTA	4,258	4,237	0.5	5,492	5,224	5.1	6,563	6,216	5.6
EBIDTA Margins (%)	8.5	9.5	(101)	9.6	10.1	(50)	10.0	10.5	(50)
APAT	1,248	1,332	(6.3)	2,023	1,949	3.8	2,714	2,583	5.1

Source: Company, HSIE Research

BUY

CMP *(as on 01 Nov' 21)*	INR 104
Target Price	INR 155
NIFTY	17,930

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 160	INR 155

EPS %	FY22E	FY23E	FY24E
	-6.3	*+3.8*	*+5.1*

KEY STOCK DATA	
Bloomberg code	JMCP IN
No. of Shares (mn)	168
MCap (INR bn) / ($ mn)	18/236
6m avg traded value (INR mn)	42
52 Week high / low	INR 130/45

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(16.8)	27.4	124.3
Relative (%)	(31.1)	4.1	72.5

SHAREHOLDING PATTERN (%)

	Jun-21	Sep-21
Promoters	67.75	67.75
FIs & Local MFs	16.21	16.75
FPIs	0.53	0.93
Public & Others	15.51	14.55
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
Krishnan ASV	Aditya Birla Capital, Cholamandalam Investment and Finance Company	PGDM	NO
Sahej Mittal	Aditya Birla Capital	ACA	NO
Deepak Shinde	Cholamandalam Investment and Finance Company	PGDM	YES
Harshad Katkar	Indian Oil Corporation, Bharat Petroleum Corporation, Aarti Industries, Neogen Chemicals	MBA	NO
Nilesh Ghuge	Indian Oil Corporation, Bharat Petroleum Corporation, Aarti Industries, Neogen Chemicals	MMS	NO
Rutvi Chokshi	Indian Oil Corporation, Bharat Petroleum Corporation, Aarti Industries, Neogen Chemicals	CA	NO
Naveen Trivedi	Voltas	MBA	NO
Saras Singh	Voltas	PGDM	NO
Parikshit Kandpal	Oberoi Realty, Kalpataru Power Transmission, Kolte Patil Developers, JMC Projects	CFA	NO
Manoj Rawat	Oberoi Realty, Kalpataru Power Transmission, Kolte Patil Developers, JMC Projects	MBA	NO
Rajesh Ravi	JK Lakshmi Cement	MBA	NO
Keshav Lahoti	JK Lakshmi Cement	CA	NO

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