

HSIE Results Daily

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Results Reviews

- Tata Elxsi:** Tata Elxsi (TELX) delivered an in-line quarter both on revenue and margin. While the growth print was resilient despite the Q3 seasonality/furlough impact, the growth deceleration has been steep in TELX's EPD business (from 35%/24% growth in FY22/23 to 9% YoY in 9MFY24). TELX has lost market share in the transportation vertical (39% of revenue) to peers on account of a lower mix of OEM customers vs Tier-1s, increased captive intensity by Tier-1s and delays in program ramp-up. The media & communication vertical (32% of revenue) recovery remains protracted, impacted by lower discretionary spending and revenue/cost pressure on enterprise clients (TELX's revenue run-rate nearly unchanged in the last seven quarters). Medical devices and healthcare, however, are likely to recover ahead based on de-risking the portfolio from a skew towards MDR programs. The industrial design and visualization segment (12% of revenue) continues to grow well but has historically been cyclical. TELX's ER&D credentials/niche remain strong but the hyper-accelerated growth trajectory (both revenue/margin) is behind. We factor 20% EPS CAGR over FY24-26E following single-digit EPS growth in FY24E and doubling of earnings over FY21-23. Maintain SELL on TELX, based on 38x FY26E EPS; TELX is trading at 54x and 44x FY25/26E.
- Oberoi Realty:** Oberoi Realty (ORL) registered muted presales of INR 7.9bn (+25.2%/-18% YoY/QoQ); the new Kolshet Launch Forestville contributed INR 2.1bn. Muted presales were on the back of weak sales in the 360W project (1 vs 4 units QoQ) as well as the Mulund and Borivali projects. 360W partner inventory is exhausted and ORL expects to sell out the entire INR 65bn own inventory over the next 18-24 months. On 19th Jan 2024, ORL opened a new Elysian Tower and recorded INR 8.8bn of sales. Pokhran launch timeline shifts to Q3FY24, and construction is in full swing. Commerz 3 and Borivali Mall are expected to start operation by Apr /Jun 2024, with a rental potential of INR c.7bn in Commerz 3 and INR c.3.5bn in the mall. ORL expects all assets including hospitality to clock INR 18bn of NOI from FY26/27E. In terms of Business Development (BD), ORL has announced the closure of 14.8 acres of land in Sec-58 Gurugram from IREO, marking its foray into the NCR market. We expect INR 90bn+ GDV. In MMR, it expects to close a large land transaction by early FY25. Given the expected robust cash flows from ready-to-move-in inventory in the 360W and Mulund projects along with new business development, we remain constructive on ORL and maintain BUY, with an unchanged TP of INR 1,533/sh.
- JK Cement:** We maintain our REDUCE rating on JK Cement (JKCE), with a revised TP of INR 3,765 (12x Mar-26E consolidated EBITDA), owing to its expensive valuation. In Q3FY24, JKCE's consolidated volumes rose 17% YoY and NSR improved by 3% QoQ. Further, lower fuel costs, increasing green power share and Panna cost stabilisation buoyed blended unit EBITDA to industry-leading INR 1,334/MT (+INR 300/MT QoQ, +720/MT YoY). Consolidated revenue/EBITDA/APAT rose 21/153/628% YoY. We estimate JKCE's grey cement profitability will continue to benefit from its healthy ramp-up and accelerated expansion (targeting 30mn MT grey cement capacity by FY26 end), cool-off in fuel cost, large incentive accruals FY24

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onwards and increasing share of low-cost green power. JKCE guided its paint business will turn EBITDA positive in FY26.

- **Route Mobile:** Route reported a muted revenue growth of 1% in a seasonally strong quarter due to a slowdown in ILD volumes and a delay in deal ramp-up. The ILD billable transaction was impacted for two months in the quarter due to cost-saving initiatives by large e-commerce and OTT players. The VI firewall deal rollout timeline has shifted by one quarter to April 2024. The management has cut the growth guidance for FY24E to 15-20% from 20-25% due to the ILD slowdown and shift in VI deal timelines. This implies ~7% QoQ growth for the lower end of the band. The VI A2P SMS firewall deal has a revenue potential of ~USD 100mn. The revival in ILD volume (e-commerce deal in Europe), new wins in the domestic market and contribution from VI will aid growth for FY25E. The deal with Proximus Group is expected to close in Q1CY24. The combined entity will bring synergies of USD 100mn and the target is to reach USD 1bn revenue with a 15% EBITDA margin to become the third largest CPaaS player globally. We cut our revenue/EPS estimate for FY26E by ~4% due to a delay in deal ramp-up. We maintain our BUY rating with a TP of INR 1,950, based on 22x FY26E EPS. The stock is trading at 22/18x FY25/26E EPS.
- **Can Fin Homes:** Can Fin Homes (CANF) reported a mixed set of results with sub-par loan growth (+13% YoY), offset by sustained NIM deflation (3.9%), driving ~10% beat on earnings. Disbursals continued to disappoint (-23% YoY) due to moderation in demand, greater competitive intensity, and process tweaks. The management has reduced its loan growth guidance to ~12% for FY24 and expects a pick-up from FY25 onwards. Investments in branches (five branches opened in Q3) and widening of the customer funnel (digital sourcing, APF etc.) are likely to augment loan growth. As highlighted in our recent Company Update, the new management is looking to strengthen its governance framework and adding new pillars for the next leg of sustainable and profitable growth. We tweak our FY24/FY25 earnings estimates for lower loan growth, offset by higher margins; maintain BUY with revised RI-based TP of INR900 (2.2x Sep-25 ABVPS).

Tata Elxsi

In-line quarter; challenges in media & communication

Tata Elxsi (TELX) delivered an in-line quarter both on revenue and margin. While the growth print was resilient despite the Q3 seasonality/furlough impact, the growth deceleration has been steep in TELX's EPD business (from 35%/24% growth in FY22/23 to 9% YoY in 9MFY24). TELX has lost market share in the transportation vertical (39% of revenue) to peers on account of a lower mix of OEM customers vs Tier-1s, increased captive intensity by Tier-1s and delays in program ramp-up. The media & communication vertical (32% of revenue) recovery remains protracted, impacted by lower discretionary spending and revenue/cost pressure on enterprise clients (TELX's revenue run-rate nearly unchanged in the last seven quarters). Medical devices and healthcare, however, are likely to recover ahead based on de-risking the portfolio from a skew towards MDR programs. The industrial design and visualization segment (12% of revenue) continues to grow well but has historically been cyclical. TELX's ER&D credentials/niche remain strong but the hyper-accelerated growth trajectory (both revenue/margin) is behind. We factor 20% EPS CAGR over FY24-26E following single-digit EPS growth in FY24E and doubling of earnings over FY21-23. Maintain SELL on TELX, based on 38x FY26E EPS; TELX is trading at 54x and 44x FY25/26E.

- Q3FY24 highlights:** (1) TELX's revenue print came at USD 110mn, +3% QoQ and +9.4% YoY CC (HSIE est. USD 109mn), led by EPD growth (85% of revenue) at 1.5% QoQ CC, and IDV (12% of revenue) growth at 11.7% QoQ CC. (2) Within the EPD segment, the transportation vertical grew 1.9% QoQ, the media & communication vertical was flat, and the healthcare & medical devices vertical grew 3.9% QoQ. (3) Growth in T10 decelerated to 1.6% QoQ, following strong growth in prior quarters (5.5% CQGR). (4) Headcount increased by 2.7% QoQ to 13.2k even as gross hiring was lower. (5) EBITM came in at 26.8%, down 29bps QoQ (HSIE at 27%), impacted by higher travel & visa costs (-75bps), investment in building AI capabilities (-40bps), higher employee cost (-10bps), offset by cost optimisation (+55bps), and FX tailwind (+40bps).
- Outlook:** We expect TELX's revenue growth at 17% CAGR over FY24-26E, factoring transportation vertical growth at 19% CAGR, media & communication vertical growth at 13% CAGR and medical & healthcare vertical growth at 16% CAGR, IDV growth at 20% CAGR. Factored EBITDAM in the range of ~30%, resulting in EPS CAGR of 20% over FY24-26E. The current valuation implies USD revenue growth of 18% CAGR over FY23-33E.

Quarterly Financial summary

YE Mar (INR bn)	Q3 FY24	Q3 FY23	YoY (%)	Q2 FY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Revenue (USD mn)	110	100	10.1	107	2.9	331	390	434	506	595
Net Sales	9.14	8.18	11.8	8.82	3.7	24.71	31.45	35.93	42.53	50.59
EBIT	2.45	2.25	8.5	2.39	2.6	7.10	8.80	9.74	11.49	13.92
APAT	2.06	1.95	6.0	2.00	3.2	5.50	7.55	8.00	9.49	11.52
Diluted EPS (INR)	33.1	31.3	6.0	32.1	3.2	88.3	121.3	128.5	152.4	184.9
P/E (x)						92.9	67.6	63.8	53.8	44.3
EV / EBITDA (x)						65.2	51.8	46.1	38.9	32.1
RoE (%)						37.2	41.0	35.0	34.9	35.5

Source: Company, HSIE Research, Consolidated Financials

Change in Estimates

YE March (INR bn)	FY24E Old	FY24E Revised	Change %	FY25E Old	FY25E Revised	Change %	FY26E Old	FY26E Revised	Change %
Revenue (USD mn)	434	434	(0.1)	512	506	(1.1)	601	595	(1.0)
Revenue	35.95	35.93	(0.1)	43.02	42.53	(1.1)	51.10	50.59	(1.0)
EBIT	9.77	9.74	(0.3)	11.53	11.49	(0.3)	13.96	13.92	(0.3)
EBIT margin (%)	27.2	27.1	-7bps	26.8	27.0	23bps	27.3	27.5	20bps
APAT	7.98	8.00	0.3	9.48	9.49	0.2	11.50	11.52	0.1
EPS (INR)	128.1	128.5	0.3	152.2	152.4	0.2	184.7	184.9	0.1

Source: Company, HSIE Research

SELL

CMP (as on 23 Jan 2024) INR 8,196

Target Price INR 7,025

NIFTY 21,239

KEY CHANGES	OLD	NEW
Rating	SELL	SELL
Price Target	INR 7,020	INR 7,025
	FY25E	FY26E
EPS %	+0.2	+0.1

KEY STOCK DATA

Bloomberg code	TELX IN
No. of Shares (mn)	62
MCap (INR bn) / (\$ mn)	510/6,241
6m avg traded value (INR mn)	1,055
52 Week high / low	INR 9,200/5,883

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	11.7	12.1	23.1
Relative (%)	4.1	6.6	7.1

SHAREHOLDING PATTERN (%)

	Sep-23	Dec-23
Promoters	43.92	43.92
FIs & Local MFs	4.80	5.71
FPIs	13.80	15.02
Public & Others	37.48	35.35
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Oberoi Realty

Muted performance

Oberoi Realty (ORL) registered muted presales of INR 7.9bn (+25.2%/-18% YoY/QoQ); the new Kolshet Launch Forestville contributed INR 2.1bn. Muted presales were on the back of weak sales in the 360W project (1 vs 4 units QoQ) as well as the Mulund and Borivali projects. 360W partner inventory is exhausted and ORL expects to sell out the entire INR 65bn own inventory over the next 18-24 months. On 19th Jan 2024, ORL opened a new Elysian Tower and recorded INR 8.8bn of sales. Pokhran launch timeline shifts to Q3FY24, and construction is in full swing. Commerz 3 and Borivali Mall are expected to start operation by Apr /Jun 2024, with a rental potential of INR c.7bn in Commerz 3 and INR c.3.5bn in the mall. ORL expects all assets including hospitality to clock INR 18bn of NOI from FY26/27E. In terms of Business Development (BD), ORL has announced the closure of 14.8 acres of land in Sec-58 Gurugram from IREO, marking its foray into the NCR market. We expect INR 90bn+ GDV. In MMR, it expects to close a large land transaction by early FY25. Given the expected robust cash flows from ready-to-move-in inventory in the 360W and Mulund projects along with new business development, we remain constructive on ORL and maintain BUY, with an unchanged TP of INR 1,533/sh.

- Q3FY24 Financial highlights:** Revenue: INR 10.5bn (-35.3%/-13.5% YoY/QoQ, a miss of 25%). EBITDA was INR 5.1bn (-45.8%/-22.5% YoY/QoQ). EBITDA margin was 48.3% (-937bps/-565bps YoY/QoQ) vs our estimate of 57%. PBT: INR 4.8bn (-47.8%/-22.5% YoY/QoQ). RPAT was INR 3.6bn (-48.7%/-21.2%, YoY/QoQ). Muted sales in completed/nearing completion projects, viz. Mulund, 360W and Skycity, impacted revenue and profitability.
- Thane Pokhran launch now targeted for Q3FY25:** Oberoi registered presales of INR 7.9bn (+25.2%/-18% YoY/QoQ) and saleable area of 0.26msf (+17.6%/+18%, YoY/QoQ). New Kolshet Launch Forestville contributed INR 2.1bn vs INR 22bn GDV. The response was muted given the new location and ~40% upfront payment. Since it's an end-user market, buyers are taking longer to close. ORL expects INR 7-8bn of annual presales from Kolshet. The ORL Pokhran Thane's RERA carpet area is c.15msf (100% economic interest) while the Kolshet Thane land has a RERA carpet area of 2.5msf (77% economic interest); Pokhran launch is now expected in Q3FY25, post-Diwali. The initial phase launch for Pokhran will see 3-4msf of the parallel launch of a residential area, an international school, and a five-star hotel. Apart from these, one high-end sports club and a small 0.1-0.2msf high street retail are also expected. Commerz 3 is expected to be completed by Mar'24 with operations expected to start from Q1FY25 (INR 6-7bn annual rental expected at maximum occupancy) and the Borivali mall is expected to start by Jun'24 (INR 3.5bn annual rental expected at maximum occupancy).
- Balance sheet position comfortable:** The consolidated gross/net debt stood at INR 29.6/20.3bn vs. INR 33.6/22.9bn as of Sep'23, with net D/E at 0.15x (vs. 0.18x as of Sep'23). Net debt was lower on the back of a robust operating cash flow of INR 4.5.0bn, resulting in a cash balance of INR 9.3bn (INR 10.6bn in Q2FY24).

Consolidated financial summary (INR mn)

YE Mar (INR mn)	3QFY24	3QFY23	YoY	2QFY24	QoQ	FY23	FY24E	FY25E	FY26E
Net Sales	10,536	16,295	(35.3)	12,174	(13.5)	41,926	42,354	51,492	55,033
EBITDA	5,094	9,404	(45.8)	6,574	(22.5)	21,117	23,416	28,722	30,752
APAT	3,602	7,026	(48.7)	4,568	(21.2)	19,045	15,653	19,088	19,895
Diluted EPS (INR)	9.9	19.3	(48.7)	12.6	(21.2)	52.4	43.0	52.5	54.7
P/E (x)						26.2	31.8	26.1	25.0
EV / EBITDA (x)						25.1	21.7	17.8	16.7
RoE (%)						14.9	12.0	13.0	11.9

Source: Company, HSIE Research

BUY

CMP (as on 23 Jan 2024)	INR 1,370
Target Price	INR 1,533
NIFTY	21,239

KEY CHANGES	OLD	NEW	
Rating	BUY	BUY	
Price Target	INR 1,533	INR 1,533	
EPS Change (%)	FY24E	FY25E	FY26E
	-	-	-

KEY STOCK DATA

Bloomberg code	OBER IN
No. of Shares (mn)	364
MCap (INR bn) / (\$ mn)	498/6,090
6m avg traded value (INR mn)	968
52 Week high / low	INR 1,586/790

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	26.3	29.7	65.2
Relative (%)	18.7	24.2	49.1

SHAREHOLDING PATTERN (%)

	Sep-23	Dec-23
Promoters	67.71	67.71
FIs & Local MFs	11.61	12.05
FPIs	17.83	17.41
Public & Others	2.84	2.84

Pledged Shares - -

Source : BSE

Pledged shares as % of total shares

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JK Cement

Strong volume and margin performance continues

We maintain our REDUCE rating on JK Cement (JKCE), with a revised TP of INR 3,765 (12x Mar-26E consolidated EBITDA), owing to its expensive valuation. In Q3FY24, JKCE's consolidated volumes rose 17% YoY and NSR improved by 3% QoQ. Further, lower fuel costs, increasing green power share and Panna cost stabilisation buoyed blended unit EBITDA to industry-leading INR 1,334/MT (+INR 300/MT QoQ, +720/MT YoY). Consolidated revenue/EBITDA/APAT rose 21/153/628% YoY. We estimate JKCE's grey cement profitability will continue to benefit from its healthy ramp-up and accelerated expansion (targeting 30mn MT grey cement capacity by FY26 end), cool-off in fuel cost, large incentive accruals FY24 onwards and increasing share of low-cost green power. JKCE guided its paint business will turn EBITDA positive in FY26.

- Q3FY24 performance:** Grey cement sales volume rose 17% YoY (+6% QoQ) to 4.2mn MT (75% total utilisation), on continued healthy ramp-up of its central India capacities. NSR further improved 3% QoQ (+4% YoY). Unit opex further cooled off 3% QoQ (-13% YoY, our view) on lower fuel costs, a rising share of low-cost green power consumption (>50% in Q3), and improved market mix. Thus, unit EBITDA soared to INR 1230/MT (+300/MT QoQ: among the industry's best in Q3), in our view. Incentives accounted for ~INR 180/MT during Q3/9MFY24. Segmental EBITDA rose ~225% YoY (+40% QoQ) to ~INR 5bn (80% EBITDA share). White/Putty: sales volume rose 13% YoY (-7% QoQ) to 0.53mn MT. Segmental EBITDA in our view, rose ~35% YoY to INR 1.2bn. The paint business reported a revenue/EBITDA loss of ~INR 460mn/80mn.
- Con call KTAs and outlook:** JKCE announced another 6mn MT expansions by FY26 end, leading to 30mn MT grey cement capacity (overtaking Nuvoco). It guided a total Capex of ~INR 12/22/18bn for FY24/25/26E towards ongoing and new projects announced. Management expects the paint business to EBITDA break-even in FY26E. JKCE is targeting to increase green power share to 60/75% in FY26/30 vs 50% in 9MFY24. We estimate 17% consolidated volume growth in FY24E on a strong ramp-up of central plants. Fuel cost savings, incentive accrual (~INR 180/MT), and op-lev gains should drive unit EBITDA (consolidated) by INR 345/MT YoY to INR 1,157/MT in FY24. We build on the same to further expand to INR 1,235/MT in FY26E on rising green energy consumption. We increase our consolidated EBITDA estimates for FY24/25/26E by 7/3/7%, factoring in strong grey cement margin and volume traction. We raise the valuation multiple to 12x (11x earlier) factoring in its robust margin and expansion-led volume traction.

Consolidated quarterly/annual financial summary

YE Mar (INR bn)	Q3 FY24	Q3 FY23	YoY (%)	Q2 FY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Sales (mn MT)	4.7	4.0	16.6	4.5	3.9	14.0	16.2	18.9	20.6	22.5
NSR (INR/MT)	6,263	6,060	3.4	6,106	2.6	5,718	6,013	6,141	6,109	6,148
EBITDA (INR/MT)	1,334	615	116.8	1,036	28.8	1,079	813	1,157	1,188	1,235
Net Sales	29.35	24.36	20.5	27.53	6.6	79.91	97.20	115.92	125.86	138.27
EBITDA	6.25	2.47	152.7	4.67	33.9	15.08	13.14	21.84	24.47	27.78
APAT	2.84	0.39	628.0	1.75	61.9	7.13	4.26	8.87	11.25	12.08
AEPS (INR)	24.8	6.3	267.2	33.0	(24.7)	92.3	55.2	114.8	145.6	156.3
EV/EBITDA(x)						21.8	25.8	15.6	13.9	12.5
EV/MT (INR bn)						16.9	12.9	12.2	11.4	9.7
P/E (x)						43.0	71.9	34.5	27.2	25.4
RoE (%)						17.8	9.5	17.7	19.2	17.7

Source: Company, HSIE Research; Operating trends are on a blended basis (grey cement+ white/putty)

REDUCE

CMP (as on 23 Jan 2024) INR 3,948

Target Price INR 3,765

NIFTY 21,239

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 3,330	INR 3,765
EBITDA revision %	FY24E 7.0	FY25E 3.1

KEY STOCK DATA

Bloomberg code	JKCE IN
No. of Shares (mn)	77
MCap (INR bn) / (\$ mn)	305/3,730
6m avg traded value (INR mn)	443
52 Week high / low	INR 4,211/2,540

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	24.3	23.9	43.2
Relative (%)	16.7	18.4	27.1

SHAREHOLDING PATTERN (%)

	Sep-23	Dec-23
Promoters	45.80	45.70
FIs & Local MFs	24.26	24.03
FPIs	14.40	15.26
Public & Others	15.54	15.01
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Route Mobile

ILD impacts growth; revival on the cards

Route reported a muted revenue growth of 1% in a seasonally strong quarter due to a slowdown in ILD volumes and a delay in deal ramp-up. The ILD billable transaction was impacted for two months in the quarter due to cost-saving initiatives by large e-commerce and OTT players. The VI firewall deal rollout timeline has shifted by one quarter to April 2024. The management has cut the growth guidance for FY24E to 15-20% from 20-25% due to the ILD slowdown and shift in VI deal timelines. This implies ~7% QoQ growth for the lower end of the band. The VI A2P SMS firewall deal has a revenue potential of ~USD 100mn. The revival in ILD volume (e-commerce deal in Europe), new wins in the domestic market and contribution from VI will aid growth for FY25E. The deal with Proximus Group is expected to close in Q1CY24. The combined entity will bring synergies of USD 100mn and the target is to reach USD 1bn revenue with a 15% EBITDA margin to become the third largest CPaaS player globally. We cut our revenue/EPS estimate for FY26E by ~4% due to a delay in deal ramp-up. We maintain our BUY rating with a TP of INR 1,950, based on 22x FY26E EPS. The stock is trading at 22/18x FY25/26E EPS.

- Q3FY24 highlights:** Revenue grew +1/3.9% QoQ/YoY to INR 10.24bn, led by volume/realisation growth of -0.3/1.3% QoQ. New product sales grew 14.3% QoQ to INR 673mn, powered by WhatsApp and RCS. Gross profit was up 0.9% INR 2.17bn, while GP margin was flat at 21.2%. Reported EBITDA declined 2.3% QoQ to INR 1.25bn and the margin stood at 12.2%, down 41bps QoQ. Adjusted for one-off (50bps) and consultancy fees (30bps), the margin was at 13%. India terminations (~48% of revenue) were up 5.1% QoQ while Africa (4% of revenue) and Europe (~8% of revenue) were down 48/31% QoQ. The top client revenue was down 33% QoQ due to the ILD slowdown and growth was driven by Top 6-10 and Top-11-50 clients.
- Outlook:** We estimate +10/20% revenue/EPS CAGR for FY23-26E, led by +15.7/25.4/15.8% revenue growth and 12.6/12.8/12.9% EBITDA margin for FY24/25/26E respectively.

Quarterly financial summary

YE March (INR bn)	Q3 FY24	Q3 FY23	YoY (%)	Q2 FY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	10.24	9.86	3.9	10.15	1.0	20.02	35.69	41.29	51.78	59.97
Gross Profit	2.17	2.20	-1.6	2.15	0.9	4.20	7.87	8.78	11.08	12.95
EBITDA	1.25	1.25	0.5	1.28	-2.3	2.19	4.44	5.19	6.61	7.74
APAT	0.91	0.82	10.0	0.89	2.1	1.62	3.19	3.76	4.72	5.55
EPS (INR)	14.5	13.2	10.0	14.2	2.1	25.9	50.9	60.1	75.4	88.6
P/E (x)						62.6	31.9	27.0	21.5	18.3
EV / EBITDA (x)						41.7	21.1	17.5	13.3	10.8
RoE (%)						14.0	18.3	19.0	20.1	20.0

Source: Company, HSIE Research, Consolidated Financials

Change in estimates

INR bn	FY24E Old	FY24E Revised	Change %	FY25E Old	FY25E Revised	Change %	FY26E Old	FY26E Revised	Change %
Revenue	43.25	41.29	-4.5	53.72	51.78	-3.6	62.47	59.97	-4.0
EBITDA	5.49	5.19	-5.6	6.89	6.61	-4.1	8.05	7.74	-3.8
EBITDA	12.7	12.6	-14bps	12.8	12.8	-7bps	12.9	12.9	3bps
APAT	3.72	3.76	1.1	4.95	4.72	-4.6	5.79	5.55	-4.2
EPS (INR)	59.4	60.1	1.1	79.1	75.4	-4.6	92.4	88.6	-4.2

Source: Company, HSIE Research

BUY

CMP (as on 23 Jan 2024) INR 1,624

Target Price INR 1,950

NIFTY 21,239

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,975	INR 1,950
EPS %	FY25E -4.6	FY26E -4.2

KEY STOCK DATA

Bloomberg code	ROUTE IN
No. of Shares (mn)	63
MCap (INR bn) / (\$ mn)	102/1,243
6m avg traded value (INR mn)	283
52 Week high / low	INR 1,760/1,131

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	4.2	8.9	42.2
Relative (%)	(3.4)	3.4	26.1

SHAREHOLDING PATTERN (%)

	Sep-23	Dec-23
Promoters	58.15	58.15
FIs & Local MFs	5.50	5.99
FPIs	21.76	21.59
Public & Others	14.59	14.27
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Can Fin Homes

Growth fix remains elusive

Can Fin Homes (CANF) reported a mixed set of results with sub-par loan growth (+13% YoY), offset by sustained NIM reflation (3.9%), driving ~10% beat on earnings. Disbursals continued to disappoint (-23% YoY) due to moderation in demand, greater competitive intensity, and process tweaks. The management has reduced its loan growth guidance to ~12% for FY24 and expects a pick-up from FY25 onwards. Investments in branches (five branches opened in Q3) and widening of the customer funnel (digital sourcing, APF etc.) are likely to augment loan growth. As highlighted in our recent [Company Update](#), the new management is looking to strengthen its governance framework and adding new pillars for the next leg of sustainable and profitable growth. We tweak our FY24/FY25 earnings estimates for lower loan growth, offset by higher margins; maintain BUY with revised RI-based TP of INR900 (2.2x Sep-25 ABVPS).

- **Strong P&L outcomes despite muted balance sheet growth:** CANF reported healthy spread/NIM of 2.6%/3.9% (Q2FY24: 2.7%/3.8%), largely due to lagged asset re-pricing, driving robust NII growth (+31% YoY). While the company continued to optimise its cost of borrowings (share of bank borrowings rose 300bps QoQ to ~60%), incremental NIMs are likely to moderate.
- **Asset quality on expected lines:** GNPA/NNPA deteriorated to 0.91%/0.5% (H1FY24: 0.76%/0.43%), largely on account of slippages from the restructured book, along expected lines (~14% of the restructured book). With sufficient provision buffer (PCR of 46%, and adequate management overlay), we expect normalised credit costs from Q4FY24.
- **Investments to drive loan growth:** CANF's near-term growth outlook is lukewarm after muted disbursements growth during 9MFY23 (-8.5% YoY). However, CANF is making key investments in branches, people, and additional sourcing channels, alongside debottlenecking of branches to drive higher throughput. These investments, along with tech transformation, are likely to translate into higher opex intensity (~18% C/I for FY25-FY26). Sufficient headroom in non-housing (~11% of AUM) and self-employed (~28%), concomitant with higher ticket sizes, are likely to further augment loan growth.

Financial summary

(INR bn)	Q3FY24	Q3FY23	YoY (%)	Q2FY24	QoQ (%)	FY23	FY24E	FY25E	FY26E
NII	3.3	2.5	30.6	3.2	3.8	10.1	12.3	13.6	15.9
PPOP	2.9	2.1	37.4	2.7	8.3	8.7	10.6	11.2	13.1
PAT	2.1	1.5	36.2	1.6	30.5	6.2	7.2	8.2	9.6
EPS (INR)	15.0	11.4	32.1	11.9	26.6	46.7	54.4	61.2	71.7
ROAE (%)						18.5	18.1	17.3	17.2
ROAA (%)						2.0	2.0	2.0	2.0
ABVPS (INR)						267.7	315.6	371.7	437.2
P/ABV (x)						2.7	2.3	2.0	1.7
P/E (x)						15.5	13.3	11.8	10.1

Change in estimates

INR bn	FY24E			FY25E			FY26E		
	Old	New	Chg	Old	New	Chg	Old	New	Chg
AUM	364	355	-2.5%	428	411	-4.0%	505	486	-3.9%
NIM (%)	3.3	3.4	13bps	3.3	3.3	2bps	3.2	3.3	6bps
NII	11.9	12.3	2.6%	14.0	13.6	-2.6%	16.2	15.9	-2.2%
PPOP	10.1	10.6	5.0%	11.7	11.2	-4.2%	13.5	13.1	-3.1%
PAT	6.9	7.2	5.5%	8.5	8.2	-4.0%	9.7	9.6	-1.8%
ABVPS (INR)	313.5	315.6	0.7%	371.1	371.7	0.2%	436.5	437.2	0.2%

Source: Company, HSIE Research

BUY

CMP (as on 23 Jan 2024)	INR 725
Target Price	INR 900
NIFTY	21,239

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 908	INR 900
	FY24E	FY25E
EPS %	5.5%	-4.0%

KEY STOCK DATA

Bloomberg code	CANF IN
No. of Shares (mn)	133
MCap (INR bn) / (\$ mn)	97/1,181
6m avg traded value (INR mn)	780
52 Week high / low	INR 910/509

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(1.5)	(13.4)	31.4
Relative (%)	(9.1)	(18.9)	15.4

SHAREHOLDING PATTERN (%)

	Sep-23	Dec-23
Promoters	30.0	30.0
FIs & Local MFs	27.4	28.5
FPIs	10.6	11.0
Public & Others	31.2	30.5

Pledged Shares

Source: BSE

Pledged shares as % of total shares

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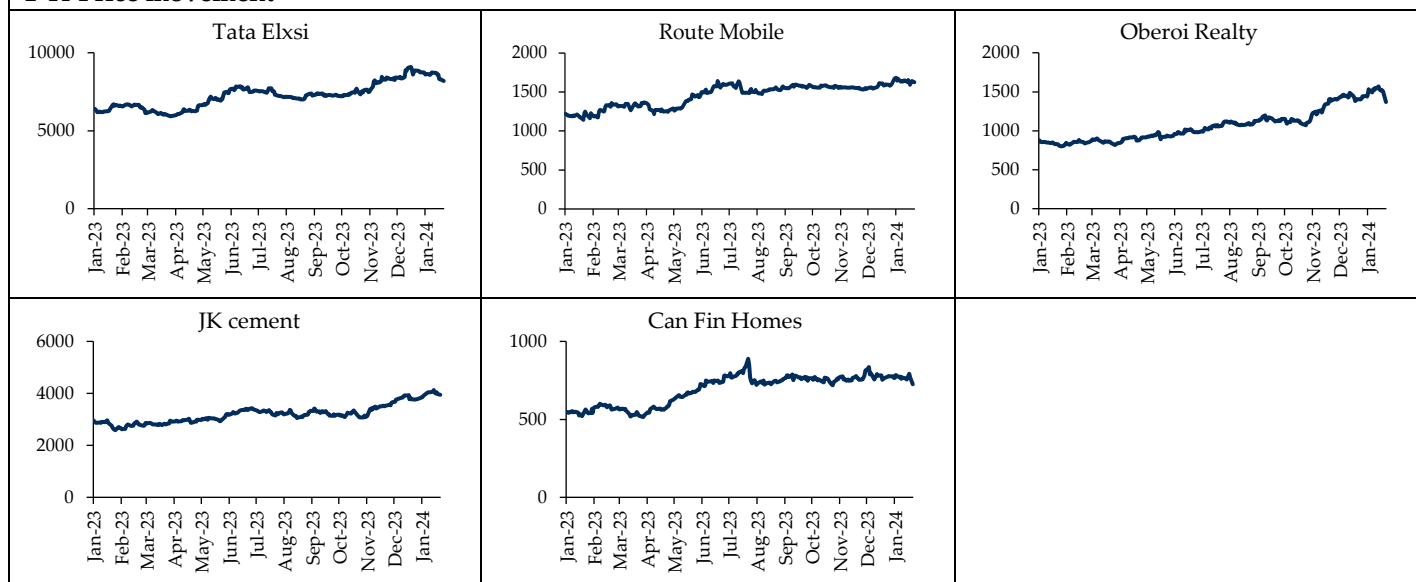
Rating Criteria

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

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Apurva Prasad	Tata Elxsi	MBA	NO
Amit Chandra	Tata Elxsi, Route Mobile	MBA	NO
Vinesh Vala	Tata Elxsi	MBA	NO
Parikshit Kandpal	Oberoi Realty	CFA	NO
Rajesh Ravi	JK Cement	MBA	NO
Keshav Lahoti	JK Cement	CA	NO
Krishnan ASV	Can Fin Homes	PGDM	NO
Deepak Shinde	Can Fin Homes	PGDM	NO
Akshay Badlani	Can Fin Homes	CA	NO

1 Yr Price movement



Disclosure:

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