INSTITUTIONAL RESEARCH

HSIE Results Daily

Contents

Results Reviews

- **State Bank of India:** Despite healthy loan growth (~11% YoY) and stable NIMs (3.1%), State Bank of India's (SBI) earnings missed estimates, with PAT at INR91bn, impacted by higher credit costs at 1.1% (annualised). Slippages were marginally elevated (~0.6%), driven by agri slippages and recognition of a large corporate account (INR12bn) while the restructured book improved to 1.1% (Q3FY22: 1.5%). Revival in economic activity and improving utilisation of corporate credit limits are likely to augment loan growth further although SBI may also need to build its equity buffers. However, the road to 1% RoA remains contingent on whether SBI is able to calibrate its yields in a rising interest rate scenario. We have cut our FY23/FY24 earnings estimates by ~7% each respectively to factor in repricing on both sides of the balance sheet and a higher opex. Maintain BUY with a revised SOTP-based target price of INR600 (core bank at 1.2x Mar-24 ABVPS).
- **Bandhan Bank:** Bandhan Bank's Q4FY22 earnings were significantly ahead of our estimates, driven by strong pick-up in advances (+14% YoY), stronger margin (8.7%), and negligible credit costs. The bank witnessed a sharp ~900bps reduction in its total stress pool (SMA-2+ GNPA+ restructured), albeit still elevated at 17.5% of loans (Q3FY22: 27%). Incremental disbursements continued to be driven by non-EEB businesses, in line with the bank's portfolio diversification objective (Group EEB share of portfolio at 26% by FY26). The management guided for a ~20-25% YoY growth in FY23 on the back of a 2-2.5% credit cost for FY23. We remain watchful of the gradual shift in portfolio mix and its impact on the bank's sustainable RoE profile. We tweak our FY23E/FY24E estimates to build in repricing on both sides of the balance sheet, offset by stubborn credit costs from slower resolution of high-vintage buckets of stressed loans. Maintain BUY with a revised target price of INR404 (2.7x Mar-24 ABVPS).
- **Aditya Birla Capital:** A year since articulating its ambitious FY24 roadmap, ABCL's journey to drive consolidated return ratios closer to franchise potential seems on track, with consistent execution across businesses. The lending businesses have gradually been repositioned towards retail and granular loans (two-third of NBFC AUM is towards Retail + SME + HNI; 38% of the HFC AUM is towards affordable segment), which is reflecting in sustained improvement in franchise earnings. The insurance businesses continued to build their profitability trajectory - the LI business, alongside healthy growth, witnessed better net VNB margin at 15%, while the HI business is expected to break even over the next couple of quarters. We maintain BUY on ABCL with an SOTP-based TP of INR164.
- **APL Apollo:** APL Apollo Tubes' (APL) Q4 revenue increased 63% YoY/31% QoQ to INR42.1bn, led by strong volume growth (+26.7% YoY) and higher realisation (+28.5% YoY). Value-added products contributed to 63% of overall volume in Q4, vs 57% YoY, led by strong growth across Apollo Z rust proof (+47% YoY) and Apollo proof sheet segment (+242% YoY). EBITDA/ton, however, increased marginally by 1.7% YoY to INR4,823, vs INR4,742 YoY. Strong volume and improved realisation led to a 29% YoY rise in EBITDA to INR2.7bn, with margin contracting 167 bps YoY to 6.3% due to higher sale of general structures. PAT increased by 37% YoY to INR1,630mn, which was

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further supported by a fall in interest expenses. Given (1) the Raipur plant is beginning operation on high-value product, (2) increased mix of value-added products (75% in FY25), and (3) enhanced government infrastructure spending, we expect volume and EBITDA/ton to improve, going ahead. We revise our estimates by 11%/7% for FY23E/24E and revise our TP to INR1,142 (34xFY24 EPS), from INR1,113 earlier; retain BUY.

- **CESC:** CESC's consolidated PAT in Q4FY22 increased marginally by 3.7% YoY to INR4.5bn, as higher earnings in the Noida circle (from higher power demand) were offset by increased losses in the distribution franchisee (DF) business (a loss of INR270mn vs a profit of INR270mn YoY), given penalty waiver in Malegaon circle. Dhariwal profitability was lower due to a higher YoY base (from one-offs recovered in Q4FY21), while standalone PAT declined marginally by 4.1% YoY. The Dhariwal project has signed a three-year medium-term PPA for 210 MW with the Railway Energy Management Company (REMCL). CESC expects to receive a letter of intent (LoI) for the Chandigarh discom in Q1FY23. We have tweaked our earnings estimates, based on REMCL PPA with Dhariwal and extending losses in the distribution business. Accordingly, while we retain our BUY rating, we marginally lower our TP to INR113 (vs INR119 earlier). We have not included the Chandigarh discom in our valuation yet as we are waiting for the LoA.

State Bank of India

Too thinly capitalised to leverage growth tailwinds

Despite healthy loan growth (~11% YoY) and stable NIMs (3.1%), State Bank of India's (SBI) earnings missed estimates, with PAT at INR91bn, impacted by higher credit costs at 1.1% (annualised). Slippages were marginally elevated (~0.6%), driven by agri slippages and recognition of a large corporate account (INR12bn) while the restructured book improved to 1.1% (Q3FY22: 1.5%). Revival in economic activity and improving utilisation of corporate credit limits are likely to augment loan growth further although SBI may also need to build its equity buffers. However, the road to 1% RoA remains contingent on whether SBI is able to calibrate its yields in a rising interest rate scenario. We have cut our FY23/FY24 earnings estimates by ~7% each respectively to factor in repricing on both sides of the balance sheet and a higher opex. Maintain BUY with a revised SOTP-based target price of INR600 (core bank at 1.2x Mar-24 ABVPS).

- **PPOP performance in line:** NII growth clocked in at 15% YoY, led by stable NIMs (3.12%) and a strong loan growth (+11% YoY), while PPOP was in line, partly offset by higher opex (+12% QoQ). Corporate loan growth benefitted from better credit limit utilisation, while retail loan growth (+15% YoY) was driven by Xpress credit (+29% YoY) and home loans (+11.5% YoY).
- **Net negative slippages contain stress:** GNPA/NNPA improved sequentially to ~4%/1% (Q3FY22: 4.5%/1.3%), aided by net negative slippages (-50bps), despite lumpy recognition of a corporate loan (INR12bn) as NPA. While SBI witnessed an improvement in asset quality across segments, the bank has prudently made accelerated provisions on restructuring and investments (majorly SR related) in order to protect the balance sheet going into FY23.
- **1% RoA elusive; equity buffers crucial:** With comfortable provision buffers, improving limit utilisation and stable growth in retail portfolio, SBI's path to 1% RoA is contingent on its ability to reflate asset yields on a large underlying floating rate book. We also believe that with its CET1 at sub-10%, SBI may be too thinly capitalised to leverage growth tailwinds.

Financial summary

(INR bn)	Q4FY22	Q4FY21	YoY(%)	Q3FY22	QoQ(%)	FY21	FY22	FY23E	FY24E
NII	312.0	270.7	15.3%	306.9	1.7%	1,107.1	1,207.1	1,271.9	1,426.0
PPOP	197.2	197.0	0.1%	185.2	6.5%	715.5	678.7	813.9	1,006.2
PAT	91.1	64.5	41.3%	84.3	8.1%	204.1	316.8	367.6	464.2
EPS (INR)	10.2	7.2	41.2%	9.5	8.0%	22.9	35.5	41.2	52.0
ROAE (%)						8.4	11.9	12.4	13.9
ROAA (%)						0.5	0.7	0.7	0.8
ABVPS (INR)						228.1	267.4	295.8	333.5
P/ABV (x)						2.1	1.8	1.6	1.4
P/E (x)						20.7	13.3	11.5	9.1

Change in estimates

(INR bn)	FY23E			FY24E		
	Old	New	Δ	Old	New	Δ
Net advances	29,989	30,731	2.5%	33,338	34,634	3.9%
NIM (%)	3.1	2.8	-29bps	3.1	2.9	-26bps
NII	1,367.2	1,271.9	-7.0%	1,513.8	1,426.0	-5.8%
PPOP	897.3	813.9	-9.3%	1,067.3	1,006.2	-5.7%
PAT	395.3	367.6	-7.0%	496.3	464.2	-6.5%
Adj. BVPS (INR)	308.8	295.8	-4.2%	357.2	333.5	-6.6%

Source: Company, HSIE Research

BUY

CMP *(as on 13 May 22)*	INR 445
Target Price	INR 600
NIFTY	15,782

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR625	INR600
EPS %	FY23E	FY24E
	-7%	-6.5%

KEY STOCK DATA	
Bloomberg code	SBIN IN
No. of Shares (mn)	8,925
MCap (INR bn) / ($ mn)	3,968/53,326
6m avg traded value (INR mn)	9,609
52 Week high / low	INR 549/360

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(16.0)	(13.0)	20.9
Relative (%)	(6.8)	(0.0)	12.5

SHAREHOLDING PATTERN (%)	Dec-21	Mar-22
Promoters	57.6	57.6
FIs & Local MFs	23.1	23.4
FPIs	10.4	9.9
Public & Others	8.9	9.1
Pledged Shares	0.0	0.0

Source : BSE

Pledged shares as % of total shares

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Bandhan Bank

Normalising stress; watchful of shifting portfolio mix

Bandhan Bank's Q4FY22 earnings were significantly ahead of our estimates, driven by strong pick-up in advances (+14% YoY), stronger margin (8.7%), and negligible credit costs. The bank witnessed a sharp ~900bps reduction in its total stress pool (SMA-2+ GNPA+ restructured), albeit still elevated at 17.5% of loans (Q3FY22: 27%). Incremental disbursements continued to be driven by non-EEB businesses, in line with the bank's portfolio diversification objective (Group EEB share of portfolio at 26% by FY26). The management guided for a ~20-25% YoY growth in FY23 on the back of a 2-2.5% credit cost for FY23. We remain watchful of the gradual shift in portfolio mix and its impact on the bank's sustainable RoE profile. We tweak our FY23E/FY24E estimates to build in repricing on both sides of the balance sheet, offset by stubborn credit costs from slower resolution of high-vintage buckets of stressed loans. Maintain BUY with a revised target price of INR404 (2.7x Mar-24 ABVPS).

- **Non-MFI book drives disbursements:** MFI-Group disbursals were lower (~14% YoY), in line with the stated diversification strategy while the non-MFI portfolio delivered strong growth (+129% YoY). The share of EEB-individual in the loan book, as a result, inched up to 16% (Q4FY21: 8%).
- **Delinquencies normalising; stress pool sill elevated:** Bandhan reported a sharp improvement in GNPA/NNPA at 6.5%/1.7%, led by strong recoveries and upgrades of INR34bn (EEB contribution at 65%). In a seasonally strong quarter, collection efficiencies improved overall, especially in two key states (West Bengal at 97% and Assam at 93%). The late-stage delinquency buckets witnessed sharp sequential improvement, with MFI SMA-2 + NPA now at 9.7% (Q3FY22: 17%), providing comfort on recovery trends.
- **Diversification a positive catalyst; could impact RoA profile:** As part of its 2025 roadmap, Bandhan has articulated its portfolio diversification strategy by reducing the share of Group EEB business to 30% (FY22: 47%), expanding into other retail and commercial banking businesses. We opine that this strategy, while necessary for greater franchise stability, could drag steady-state return ratios as the mix of high-risk, high-yielding portfolios reduces.

Financial summary

(INR bn)	Q4FY22	Q4FY21	YoY (%)	Q3FY22	QoQ (%)	FY21	FY22	FY23E	FY24E
NII	25.4	17.6	44.6%	21.2	19.5%	75.6	87.1	102.8	117.5
PPOP	25.2	17.3	45.8%	19.5	29.3%	68.6	80.1	89.0	99.0
PAT	19.0	1.0	1746.3%	8.6	121.4%	22.1	1.3	41.3	51.7
EPS (INR)	11.8	0.6	1745.3%	5.3	121.6%	13.7	0.8	25.7	32.1
ROAE (%)						13.5	0.7	21.6	22.2
ROAA (%)						2.1	0.1	2.8	2.9
ABVPS (INR)						90.3	98.2	120.5	147.9
P/ABV (x)						3.5	3.2	2.6	2.1
P/E (x)						23.1	405.9	12.3	9.9

Change in estimates

(INR bn)	FY23E			FY24E		
	Old	New	Change	Old	New	Change
Net advances	1,090	1,123	3.0%	1,316	1,341	1.9%
NIM (%)	7.3	7.5	15 bps	7.4	7.3	-16 bps
NII	96.3	102.8	6.7%	116.7	117.5	0.7%
PPOP	79.3	89.0	12.3%	92.8	99.0	6.6%
PAT	40.2	41.3	2.9%	52.3	51.7	-1.2%
Adj. BVPS (INR)	116.1	120.5	3.8%	143.0	147.9	3.4%

Source: Company, HSIE Research

BUY

CMP (as on 13 May 22)	INR 317
Target Price	INR 404
NIFTY	15,782

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 406	INR 404
EPS %	FY23E	FY24E
	2.9%	-1.2%

KEY STOCK DATA	
Bloomberg code	BANDHAN IN
No. of Shares (mn)	1,611
MCap (INR bn) / ($ mn)	511/6,871
6m avg traded value (INR mn)	2,837
52 Week high / low	INR 354/230

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(0.1)	2.1	10.2
Relative (%)	9.1	15.1	1.7

SHAREHOLDING PATTERN (%)	Dec-21	Mar-22
Promoters	40.0	40.0
FIs & Local MFs	15.5	18.1
FPIs	34.6	34.3
Public & Others	9.9	7.6
Pledged Shares	0.0	0.0

Source : BSE

Pledged shares as % of total shares

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Aditya Birla Capital

NBFC and HI businesses close in on potential

BUY

CMP *(as on 13 May 22)*	INR 100
Target Price	INR 164
NIFTY	15,782

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR157	INR164
EPS %	FY23E	FY24E
	NA	NA

KEY STOCK DATA	
Bloomberg code	ABCAP IN
No. of Shares (mn)	2,416
MCap (INR bn) / ($ mn)	242/3,249
6m avg traded value (INR mn)	647
52 Week high / low	INR 139/96

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(14.6)	(6.1)	(16.2)
Relative (%)	(5.3)	6.9	(24.6)

SHAREHOLDING PATTERN (%)	Dec-21	Mar-22
Promoters	71.0	71.1
FIs & Local MFs	11.5	12.3
FPIs	2.4	2.4
Public & Others	15.0	14.2
Pledged Shares		0.0

Source : BSE

Pledged shares as % of total shares

A year since articulating its ambitious FY24 roadmap, ABCL's journey to drive consolidated return ratios closer to franchise potential seems on track, with consistent execution across businesses. The lending businesses have gradually been repositioned towards retail and granular loans (two-third of NBFC AUM is towards Retail + SME + HNI; 38% of the HFC AUM is towards affordable segment), which is reflecting in sustained improvement in franchise earnings. The insurance businesses continued to build their profitability trajectory - the LI business, alongside healthy growth, witnessed better net VNB margin at 15%, while the HI business is expected to break even over the next couple of quarters. We maintain BUY on ABCL with an SOTP-based TP of INR164.

- **Flagship NBFC maturing towards 2.5% target RoA**: ABFL reported healthy AUM growth (+13.3% YoY) on the back of strong disbursements (+51% YoY). The share of retail in AUM continued to inch up to 32% (FY21: 23%), driving 13bps sequential reflation in NIMs to 6.4% (Q4FY21: 6.0%), led by funding cost tailwinds (-3bps QoQ). Asset quality improved as GS-II/GS-III clocked in at 5.4%/3.1% (Q3FY22: 7.5%/3.9%). ABFL is maturing towards its targeted 2.5% RoA, aided by moderating credit costs (1.2%), as GS-III PCR was steady at 45%, while floating provisions were intact at ~34bps of AUM.
- **HFC business still in investment mode:** ABHFL continued focusing on affordable housing, with its share in AUM increasing to 38% (FY21: 27%). The 31bps sequential reflation in NIM was led by lower funding costs (27bps), partly offset by higher opex (2.1% of loans) as the business remains sub-scale. Asset quality improved with GS-II/GS-III declining to 1.7%/2% (Q3FY22: 5.1%/2.1%), leading to moderation in credit costs (0.4% of loans). The restructured portfolio stands at ~3.4% of loans.
- **Insurance businesses on the mend:** The life insurance business (ABSLI) clocked strong individual APE growth (two-year CAGR at 22%); however, the share of high-margin protection dipped 308bps QoQ to 3.4%, while NPAR savings further improved 121bps to 55% in the mix, driving higher net VNB margin to 15% (+440bps YoY). Despite COVID-induced negative mortality variance, ABSLI reported positive operating variance (led by persistency). ABHI growth was healthy (+26% YoY) despite a high base. Loss ratios were elevated at 69% (+1,800bps YoY) due to spillover of COVID claims.
- **AMC business:** Revenue was in line with estimate at INR3.2bn (-3.2% QoQ) as yields softened further (-1bps QoQ) to 43.8bps despite a rise in the equity mix. Opex shot up 19% QoQ to INR0.57bn dampening profitability and margin (EBITDA margin at 61%), driving APAT 15% lower QoQ to INR1.6bn. IFA network expanded to 72k, demonstrating the company's consistent efforts to improve equity flows.

ABCL valuation - sum of the parts

	ABCL Share (%)	ABCL stake (INR bn)	Value/sh (INR)	Comments
ABFL	100%	197	82	RI-based multiple of 2x Mar-24E ABVPS
ABHFL	100%	28	12	RI-based multiple of 1.5x Mar-24 ABVPS
ABSLI	51%	72	30	1.5x Sep-23E Embedded value
ABHI	51%	6	3	40x Sep-23E EPS
ABSLAMC	50%	104	43	HSIE TP
Others	100%	6	2	
TOTAL				
Hold co. disc.			7.5	10% for non-wholly-owned subsidiaries
SOTP			**164**	

Source: Company, HSIE Research

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APL Apollo

Robust volume growth boosts PAT

APL Apollo Tubes' (APL) Q4 revenue increased 63% YoY/31% QoQ to INR42.1bn, led by strong volume growth (+26.7% YoY) and higher realisation (+28.5% YoY). Value-added products contributed to 63% of overall volume in Q4, vs 57% YoY, led by strong growth across Apollo Z rust proof (+47% YoY) and Apollo proof sheet segment (+242% YoY). EBITDA/ton, however, increased marginally by 1.7% YoY to INR4,823, vs INR4,742 YoY. Strong volume and improved realisation led to a 29% YoY rise in EBITDA to INR2.7bn, with margin contracting 167 bps YoY to 6.3% due to higher sale of general structures. PAT increased by 37% YoY to INR1,630mn, which was further supported by a fall in interest expenses. Given (1) the Raipur plant is beginning operation on high-value product, (2) increased mix of value-added products (75% in FY25), and (3) enhanced government infrastructure spending, we expect volume and EBITDA/ton to improve, going ahead. We revise our estimates by 11%/7% for FY23E/24E and revise our TP to INR1,142 (34xFY24 EPS), from INR1,113 earlier; retain BUY.

- **Healthy volume, higher share of value-added products accelerate PAT:** Overall volumes increased by 26.7% YoY to 551,723MT (+37.0% QoQ) as (1) channel partners destocking in Q3FY22 led to restocking in Q4FY22 and (2) there is strong demand with economy opening up. Within value-added products, heavy structures volume grew strongly by 5.4%YoY to 40,129MT, with its EBITDA/MT growing 56.3% to INR7,835. Volumes grew significantly across Apollo Z Rust proof (+46,7% YoY) and Apollo Z Rust proof sheet (+242% YoY), which was further aided by 28.5% YoY rise in realisation to INR73,957 (price hike taken by management to counter input cost inflation). As a result, revenue went up by 62.9% YoY to INR42.1bn. EBITDA/ton increased 1.7% YoY to INR4,823 (led by better product mix). EBITDA also increased 28.9% YoY to INR2.7bn due to better product mix and higher demand. PAT increased 36.7% YoY to INR1.6bn.
- **Capex and capacity expansion**: APL has planned INR6.5bn Capex for FY23 for backward integration in Hyderabad (2 lakh ton capacity) and Hosur plant (4 lakh ton capacity), a value addition line across other plants, and expansion in Kolkata and Dubai. Further, management expects to achieve 50/100% utilisation at Raipur plant by FY23/FY24. Capex for the same in FY23 would be INR3bn. Management has guided for volume at 2.5MT/3.2MT for FY23/FY24 and an EBITDA/ton of INR6,000 by FY25.
- **Reiterate BUY**: We raise our earnings estimates by 11/7% for FY23/24E and expect revenue/PAT to grow at CAGRs 14%/23% over FY22-24E, led by healthy volume growth, margin expansion, reduced working capital, and lower debt. We raise our TP to INR1,141/share, based on 34x FY24E EPS, which reflects APL's superior performance and a strong positive outlook.

Financial summary

(INR mn, Dec YE)	4Q FY22	4Q FY21	*YoY (%)*	3Q FY22	*QoQ (%)*	FY22	FY23E	FY24E
Net Revenues	42,147	25,870	*62.9*	32,304	*30.5*	1,30,633	1,45,470	1,70,460
EBITDA	2,661	2,065	*28.9*	2,023	*31.6*	9,453	11,280	13,255
APAT	1,630	1,193	*36.7*	1,156	*41.0*	5,573	7,006	8,410
Diluted EPS (INR)	6.5	4.8	*36.4*	4.6	*40.7*	22.3	28.0	33.6
P/E (x)						39.1	31.1	25.9
P/BV (x)						9.6	7.9	6.4
RoE (%)						28.2	27.8	27.2

Source: Company, HSIE Research

BUY

CMP*(as on 13 May 22)*	**INR 871**
Target Price	**INR 1,142**
NIFTY	**15,782**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR1113	INR1142
EPS Change %	FY23E	FY24E
	11%	*7%*

KEY STOCK DATA	
Bloomberg code	APAT IN
No. of Shares (mn)	250
MCap (INR bn) / ($ mn)	218/2,928
6m avg traded value (INR mn)	498
52 Week high / low	INR 1,115/589

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	(3.2)	(5.4)	39.4
Relative (%)	6.1	7.6	31.0

SHAREHOLDING PATTERN (%)	**Dec-21**	**Mar-22**
Promoters	34.5	34.5
FIs & Local MFs	10.7	11.1
FPIs	24.6	23.3
Public & Others	30.2	31.1
Pledged Shares	-	-

Source : BSE

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CESC

Valuation attractive at current level

CESC's consolidated PAT in Q4FY22 increased marginally by 3.7% YoY to INR4.5bn, as higher earnings in the Noida circle (from higher power demand) were offset by increased losses in the distribution franchisee (DF) business (a loss of INR270mn vs a profit of INR270mn YoY), given penalty waiver in Malegaon circle. Dhariwal profitability was lower due to a higher YoY base (from one-offs recovered in Q4FY21), while standalone PAT declined marginally by 4.1% YoY. The Dhariwal project has signed a three-year medium-term PPA for 210 MW with the Railway Energy Management Company (REMCL). CESC expects to receive a letter of intent (LoI) for the Chandigarh discom in Q1FY23. We have tweaked our earnings estimates, based on REMCL PPA with Dhariwal and extending losses in the distribution business. Accordingly, while we retain our BUY rating, we marginally lower our TP to INR113 (vs INR119 earlier). We have not included the Chandigarh discom in our valuation yet as we are waiting for the LoA.

- **Enhanced discom losses and higher YoY base restrict PAT growth:** Sales volume in standalone business declined 5.8% YoY, as demand was impacted by the pandemic's third wave. PAT declined 4.1% YoY to INR2.6bn. Consolidated PAT, however, increased 3.4% YoY to INR4.5bn, led by strong earnings in Noida business (+129% YoY to INR710mn), which was offset by increased losses in the DF (a loss of INR270mn vs PAT of INR270mn YoY), primarily due to penalty waiver in Malegaon. We now expect the franchisee segment to break even in FY23 and gain a marginal profit of INR272mn in FY24. Dhariwal also reported a PAT decline of 9.7% YoY, primarily due to a high YoY base (led by receipt of one-off income).
- **CESC's Dhariwal signs three-year PPA with REMCL:** CESC's wholly-owned subsidiary Dhariwal Infrastructure has signed a three-year medium-term PPA with REMCL at a tariff of INR4.1/unit for a 210-MW capacity. With this arrangement, the project now has more than 83% of its capacity tied up under the PPA, with only ~60MW capacity lying open for merchant markets. The above arrangement will scale up the segment's PAT to INR1.8bn-1.9bn, vs the current run rate of INR1.2-INR1.3bn.
- **Maintain BUY**: We have marginally revised our consolidated earnings estimates by +6.1% for FY23E and -2.2% for FY24E, factoring in REMCL PPA with Dhariwal and extending losses in the DF. Accordingly, we have marginally lowered our TP to INR113 vs INR119 earlier. On a consolidated basis, CESC is valued at an attractive P/BV of 0.8x and PE of 6.5x for FY24. A high dividend yield of ~5-6% is in line with investor expectations. Hence, we retain BUY rating on CESC.

Financial summary (standalone)

(INR mn, Mar YE)	4Q FY22	4Q FY21	*YoY (%)*	3Q FY22	*QoQ (%)*	FY22E	FY23E	FY24E
Net Revenues	16,620	16,880	*-1.5*	16,620	*0.0*	72,940	81,908	86,599
EBITDA	2,120	3,100	*-31.6*	2,120	*0.0*	11,180	16,406	17,333
APAT (Consol)	4,450	4,290	*3.7*	3,400	*30.9*	13,368	15,751	16,081
Diluted Consol EPS (INR)	3.4	3.2	*3.7*	2.6	*30.9*	10.1	11.9	12.1
P/E (x) (Consol)						7.8	6.6	6.5
Price/BV (Consol)						0.9	0.8	0.8
RoE (%)						13.1	14.5	14.4

Source: Company, HSIE Research

BUY

CMP *(as on 13 May 22)*	**INR 79**
Target Price	**INR 113**
NIFTY	**15,782**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR 119	INR 113
EPS Change %	FY22E	FY23E
	6.1	*(2.2)*

KEY STOCK DATA	
Bloomberg code	CESC IN
No. of Shares (mn)	1,326
MCap (INR bn) / ($ mn)	104/1,399
6m avg traded value (INR mn)	248
52 Week high / low	INR 102/66

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	(6.1)	(13.3)	17.2
Relative (%)	3.1	(0.3)	8.8

SHAREHOLDING PATTERN (%)	**Dec-21**	**Mar-22**
Promoters	52.1	52.1
FIs & Local MFs	22.1	20.9
FPIs	13.5	13.8
Public & Others	12.4	13.2
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	State Bank of India, Bandhan Bank, Aditya Birla Capital	PGDM	NO
Deepak Shinde	State Bank of India, Bandhan Bank, Aditya Birla Capital	PGDM	NO
Neelam Bhatia	State Bank of India, Bandhan Bank, Aditya Birla Capital	PGDM	NO
Anuj Upadhyay	APL Apollo, CESC	MBA	NO
Hinal Choudhary	APL Apollo, CESC	CA	NO

Disclosure:

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