

HSIE Results Daily

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Results Reviews

- Asian Paints:** APNT's revenue grew 5.4% in Q3 to INR 91.0bn (HSIE: INR 91.9bn). Decorative clocked 12/5.5% volume/value growth and industrial business grew ~11% YoY in Q3FY24. Luxury and economy products supported growth in the deco segment. Growth was balanced across rural and urban markets. Normalizing input costs coupled with operational, formulation and sourcing efficiencies led to margin expansion. GM/EBITDAM expanded 504/393bps YoY respectively to 43.6/22.6% (HSIE: 43.6/21.4%). We've cut our FY25/26 EPS estimates by 0.9/4.4% to account for lower volume growth in FY25/26. Maintain REDUCE with an unchanged DCF-based TP of INR 3,150/sh, implying 48x Mar-26 P/E.
- LTIMindtree:** LTI Mindtree (LTIM) delivered a soft Q3, impacted by higher-than-usual furlough and weakness in discretionary projects, which is likely to extend into Q4. The bright spots that provide visibility for growth acceleration in FY25E are (1) strong growth in deal bookings with 25% YoY (15% QoQ) in total contract value and (2) deal pipeline at USD 4.6bn, up by 30% YoY including several vendor consolidation and multiple services cost optimization deals, in addition to lower DSO and improved FCF. LTIM's growth deceleration in FY24E is emanating from the erstwhile Mindtree portfolio while the ERP service line is relatively resilient, driven by greater thrust on cost optimization deals. Conversely, the recovery trajectory for the company can be sharper with a pick-up in discretionary services. We continue to expect LTIM to provide a sustainable outperformance as compared to larger peers over the medium term (LTIM- In the big league); however, risks pertaining to a large BFS client and delayed recovery can act as deterrents. Downgrade LTIM to ADD (BUY earlier), valuing the company at 28x FY26E EPS.

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Asian Paints

Broadly in-line performance; not much to cheer about!

APNT's revenue grew 5.4% in Q3 to INR 91.0bn (HSIE: INR 91.9bn). Decorative clocked 12/5.5% volume/value growth and industrial business grew ~11% YoY in Q3FY24. Luxury and economy products supported growth in the deco segment. Growth was balanced across rural and urban markets. Normalizing input costs coupled with operational, formulation and sourcing efficiencies led to margin expansion. GM/EBITDAM expanded 504/393bps YoY respectively to 43.6/22.6% (HSIE: 43.6/21.4%). We've cut our FY25/26 EPS estimates by 0.9/4.4% to account for lower volume growth in FY25/26. Maintain REDUCE with an unchanged DCF-based TP of INR 3,150/sh, implying 48x Mar-26 P/E.

- **Q3FY24 highlights:** Q3 consolidated revenue grew 5.4% YoY to INR 91.0bn (HSIE: INR 91.9bn). The decorative and industrial business collectively clocked +12/6.1% volume/realization growth in Q3. Growth was supported by the extended festive season with some moderation in the later part of Q3. Management intends to clock double-digit volume growth in coming quarters. International business remained flat YoY at INR7.8bn as good growth in the Middle East/Africa cushioned the decline in Asia revenues (courtesy macro-uncertainties in Bangladesh). Within the industrial business, automotive (PPG-AP) and general industrial (AP-PPG) segments grew 12.3/10.1% respectively. PBT margins for PPG-AP/AP-PPG stood at 22.2/11.5% in Q3FY24. Overall, continued RM deflation (-0.2%) along with operational, formulation and sourcing efficiencies led to margin expansion. Consolidated GM/EBITDAM expanded 504/393bps YoY respectively to 43.6/22.6% (HSIE: 43.6/21.4%). Management expects this to continue in Q4. APAT grew 34.5% YoY to INR 14.75bn (HSIE: INR 14.03bn). Note: Management took a 1% price correction in Q3. APNT added 2k touchpoints in Q3. Inorganic expansion at both Khandala and Kasna has been completed (production capacity – 4,00,000/1,00,000 KL p.a. respectively).
- **Outlook:** Weak demand and rising competitive intensity are likely to keep top-line growth in check (~10% CAGR over FY24-26). This is also likely to keep the pricing lever out of play for some time. We've cut our FY25/26 EPS estimates by 0.9/4.4% to account for lower volume growth. Maintain REDUCE with an unchanged DCF-based TP of INR 3,150/sh, implying 48x Mar-26 P/E.

Quarterly financial summary

(Rs mn)	3Q FY24	3Q FY23	YoY (%)	2Q FY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Revenue	91,031	86,367	5.4	84,786	7.4	2,91,013	3,44,886	3,61,886	4,00,533	4,43,057
EBITDA	20,561	16,114	27.6	17,162	19.8	48,036	62,598	78,757	84,430	92,829
APAT	14,752	10,971	34.5	12,054	22.4	29,149	40,576	55,071	57,670	62,369
EPS (Rs)	15.4	11.4	34.5	12.6	22.4	30.4	42.3	57.4	60.1	65.0
P/E (x)						92.1	71.8	53.6	53.9	49.9
EV/EBITDA (x)						64.7	49.1	39.3	36.8	33.3
Core RoCE(%)						25.9	29.4	33.7	29.6	27.5

Source: Company, HSIE Research

Change in estimates

(Rs mn)	FY24E			FY25E			FY26E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	3,61,886	3,61,886	-	4,00,533	4,05,480	(1.2)	4,43,057	4,56,102	(2.9)
Gross Profit	1,55,844	1,55,844	-	1,71,352	1,74,008	(1.5)	1,89,688	1,95,680	(3.1)
Gross Profit Margin (%)	43.1	43.1	-	42.8	42.9	(13 bps)	42.8	42.9	(9 bps)
EBITDA	78,757	78,214	0.7	84,430	84,958	(0.6)	92,829	94,783	(2.1)
EBITDA margin (%)	21.8	21.6	15 bps	21.1	21.0	13 bps	21.0	20.8	17 bps
APAT	55,071	53,859	2.2	57,670	58,180	(0.9)	62,369	65,222	(4.4)
APAT margin (%)	15.2	14.9	33 bps	14.4	14.3	5 bps	14.1	14.3	(22 bps)
EPS (Rs)	57.4	56.2	2.2	60.1	60.7	(0.9)	65.0	68.0	(4.4)

Source: Company, HSIE Research

REDUCE

CMP (as on 17 Jan 2024) INR 3,242

Target Price INR 3,150

NIFTY 21,572

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 3,150	INR 3,150
EPS %	FY25E -0.9	FY26E -4.4

KEY STOCK DATA

Bloomberg code	APNT IN
No. of Shares (mn)	959
MCap (INR bn) / (\$ mn)	3,110/38,028
6m avg traded value (INR mn)	2,843
52 Week high / low	INR 3,568/2,686

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	4.1	(6.3)	10.2
Relative (%)	(3.5)	(13.7)	(7.6)

SHAREHOLDING PATTERN (%)

	Sep-23	Dec-23
Promoters	52.63	52.63
FIs & Local MFs	10.05	10.58
FPIs	17.65	17.32
Public & Others	19.67	19.47
Pledged Shares	3.42	3.46

Source : BSE

Pledged shares as % of total shares,

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LTIMindtree

Recovery pushed out

LTIMindtree (LTIM) delivered a soft Q3, impacted by higher-than-usual furlough and weakness in discretionary projects, which is likely to extend into Q4. The bright spots that provide visibility for growth acceleration in FY25E are (1) strong growth in deal bookings with 25% YoY (15% QoQ) in total contract value and (2) deal pipeline at USD 4.6bn, up by 30% YoY including several vendor consolidation and multiple services cost optimization deals, in addition to lower DSO and improved FCF. LTIM's growth deceleration in FY24E is emanating from the erstwhile Mindtree portfolio while the ERP service line is relatively resilient, driven by greater thrust on cost optimization deals. Conversely, the recovery trajectory for the company can be sharper with a pick-up in discretionary services. We continue to expect LTIM to provide a sustainable outperformance as compared to larger peers over the medium term (*LTIM- In the big league*); however, risks pertaining to a large BFS client and delayed recovery can act as deterrents. Downgrade LTIM to ADD (BUY earlier), valuing the company at 28x FY26E EPS.

- **Q3FY24 highlights:** (1) LTIM's revenue print was USD 1,084mn, +0.7% QoQ CC and 3.1% YoY CC, which has decelerated from mid-teens growth pre-merger. (2) In Q3FY24, within verticals, BFSI declined a 1.7% QoQ, Hi-Tech M&E, Retail & CPG, TTH verticals declined by 3% each. (3) Total contract value of deal bookings during the quarter stood at USD 1.5bn and book-to-bill at an impressive 1.38x as compared to book-to-bill of 1.24x over the prior year. (4) LTIM's EBITM came at 15.4%, -61bps QoQ, impacted by -200bps from furlough, lower billing days, pass-through seasonality and margin outlook of 17-18% by Q4FY24 was relinquished; segmental margins moderated sequentially except Healthcare & Public services vertical. (5) Attrition/headcount dropped to 14.2% and 82,471 employees (-1.3% QoQ) respectively.
- **Outlook:** We have factored LTIM's revenue growth at 5%, 9.5% and 14.4% for FY24/25/26E respectively. Factored EBITM at 16.1/17.5/18.0% for FY24/25/26E, translating into EPS CAGR of 20% over FY24-26E. LTIM is trading at 32x and 27x FY25E and FY26E EPS, following the stocks' recent ~25% move.

Quarterly Financial summary

YE March (INR bn)	Q3 FY24	Q3 FY23	YoY (%)	Q2 FY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Revenue (USD mn)	1,084	1,047	3.5	1,076	0.8	3,502	4,106	4,312	4,723	5,405
Net Sales	90.17	86.20	4.6	89.05	1.2	261.09	331.83	357.06	396.75	459.46
EBIT	13.86	11.97	15.8	14.23	(2.6)	46.52	53.85	57.59	69.44	82.51
APAT	11.69	10.01	16.8	11.62	0.6	39.50	44.10	47.46	58.01	68.53
Diluted EPS (INR)	39.6	33.9	16.8	39.3	0.6	133.5	149.1	160.5	196.1	231.7
P/E (x)						47.0	42.1	39.1	32.0	27.1
EV / EBITDA (x)						34.0	29.2	27.0	22.3	18.6
RoE (%)						30.5	28.6	26.6	28.0	28.3

Source: Company, HSIE Research, Consolidated Financials

Change in Estimates

YE Mar (INR bn)	FY24E Old	FY24E Revised	Change %	FY25E Old	FY25E Revised	Change %	FY26E Old	FY26E Revised	Change %
Revenue (USD mn)	4,352	4,312	(0.9)	4,855	4,723	(2.7)	5,558	5,405	(2.7)
Revenue	360.40	357.06	(0.9)	407.81	396.75	(2.7)	472.41	459.46	(2.7)
EBIT	60.09	57.59	(4.2)	74.62	69.44	(6.9)	87.71	82.51	(5.9)
EBIT margin (%)	16.7	16.1	-55bps	18.3	17.5	-80bps	18.6	18.0	-61bps
APAT	48.84	47.46	(2.8)	60.73	58.01	(4.5)	71.15	68.53	(3.7)
EPS (INR)	165.1	160.5	(2.8)	205.3	196.1	(4.5)	240.5	231.7	(3.7)

Source: Company, HSIE Research

ADD

CMP (as on 17 Jan 2024)	INR 6,276
Target Price	INR 6,490
NIFTY	21,572

KEY CHANGES	OLD	NEW
Rating	BUY	ADD
Price Target	INR 6,735	INR 6,490
EPS %	FY25E -4.5	FY26E -3.7

KEY STOCK DATA

Bloomberg code	LTIM IN
No. of Shares (mn)	296
MCap (INR bn) / (\$ mn)	1,859/22,727
6m avg traded value (INR mn)	2,225
52 Week high / low	INR 6,443/4,120

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	20.4	22.2	46.8
Relative (%)	12.7	14.8	28.9

SHAREHOLDING PATTERN (%)

	Jun-23	Sep-23
Promoters	68.67	68.66
FIs & Local MFs	12.42	12.95
FPIs	8.21	8.11
Public & Others	10.70	10.28
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Rating Criteria

BUY: >+15% return potential

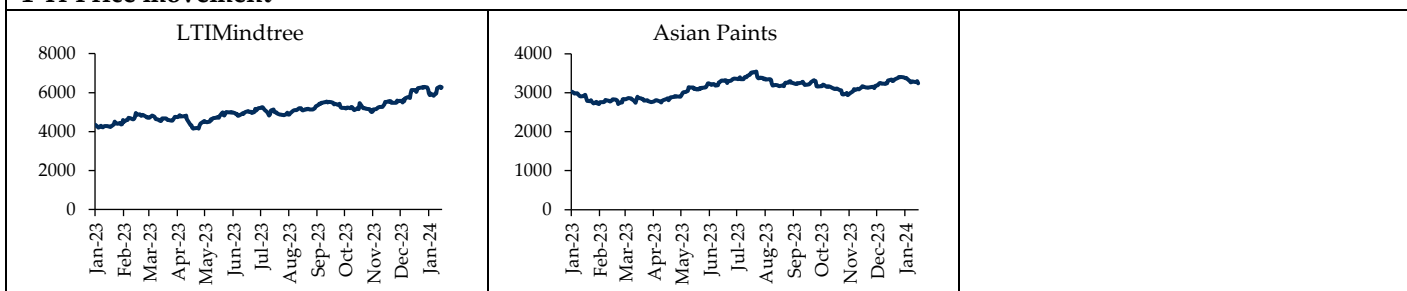
ADD: +5% to +15% return potential

REDUCE: -10% to +5% return potential

SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Apurva Prasad	LTIMindtree	MBA	NO
Amit Chandra	LTIMindtree	MBA	NO
Vinesh Vala	LTIMindtree	MBA	NO
Varun Lohchab	Asian Paints	PGDM	NO
Jay Gandhi	Asian Paints	MBA	NO
Tanuj Pandia	Asian Paints	CA	NO
Riddhi Shah	Asian Paints	MBA	NO

1 Yr Price movement


Disclosure:

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