INSTITUTIONAL RESEARCH

HSIE Results Daily

Contents

Results Reviews

- **Mphasis:** We maintain BUY on Mphasis (MPHL) and reiterate it as our preferred pick in mid-tier IT, given the strong growth in the direct business (+9.9% QoQ) and high visibility on delivering industry-leading growth. MPHL's growth is expected to be driven by (1) growth in the direct business, based on deal wins; (2) continuity of strong growth in large accounts (market share gains in BFSI accounts); (3) increased focus on new client acquisition; (4) healthy deal pipeline (68% of the deals are in new-gen services); (5) steady operating profile (margin guidance maintained); and (6) healthy pipeline in Europe. The DXC decline was steep (-25%) in the quarter and is now contributing only 6.5% to revenue. There will be a convergence of the company's growth with direct core growth (25% CAGR over FY21-24E) supported by healthy deal wins (fifth consecutive quarter with TCV of more than USD 240mn). The integration of Blink and the ongoing supply-side challenges will have an impact on margins; the target EBIT margin range is 15.5-17%. Our target price of INR 3,450 values MPHL at 30x Dec-23E EPS.
- **Container Corporation:** CONCOR's Q2FY22 volumes of 980,757 TEUs (+11% YoY, -1% QoQ) were driven by the domestic segment (+34% YoY) while EXIM growth was a modest 6% YoY (-3% QoQ). In the medium term, Concor targets to increase its domestic contribution to 40% of revenue (up from 20% currently), which comes as a surprise – given the modal shift to rail that is expected on EXIM traffic, with the commencement of the DFC. The management has raised its FY22E volume guidance to 15% (vs. 12% earlier), which is in line with our forecasts. We await the finalisation of the land policy by the government as well as clarity on the proposed privatisation timeline (as it is now pushed to next year). We maintain our ADD rating on the stock with a target price of INR 760 at 28x Sep-23E EPS.
- **Supreme Industries:** We maintain ADD on Supreme Industries (SIL), keeping the TP unchanged at INR 2,630/share (SOTP-based). In Q2FY22, SIL's consolidated revenue rose +40% YoY to INR 19.3bn on healthy demand and higher realisation. However, amid soaring RM cost, the gross margin moderated YoY, slowing EBITDA/APAT growth to 22/31% YoY, which came in at INR 3.11/2.29bn respectively. On a two-year CAGR basis, all segments posted volume growth, with industrials and packaging showing higher rebound. The sharp rise in inventories led to a negative OCF in H1. We remain positive on the company, owing to healthy demand outlook across all its business segments.
- **IndiaMART InterMESH:** IndiaMART posted a flattish quarter with revenue of INR 1.82bn (+0.4% QoQ), lower than our estimate of INR 1.87bn. EBITDA margin stood at 45.6%, missing our estimate by 159bps. The paying suppliers increased by 2.7% QoQ (+4k vs. our estimate of 8k) as high churn was witnessed at the lower end of the pyramid (monthly packages); however, the top suppliers continue to hold ground. We maintain our positive stance, based on (1) higher visibility, given the 20% YoY growth in deferred revenue; (2) strong cash collections of INR 2.2bn, an increase of 31.3/36.2% QoQ/YoY; (3) gradual economic recovery leading to improving business conditions; (4) expected margin expansion on account of growth and cost savings; (5) healthy cash reserves of INR 24.7bn that can be leveraged for further investments; and (6) expected boost to growth from adjacent offerings in accounting, logistics, and SaaS-based solutions. Our TP of INR 9,500 is based on 50x FY24 EV/EBITDA (DCF implied), supported by revenue/EPS CAGRs of +19/14% over FY21-24E. Maintain BUY.

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- **LIC Housing Finance:** LICHF disappointed, driven by elevated provisioning (1.1% of loans, annualised) and interest reversals (INR1.35bn). While asset quality improved across buckets, aggregate stressed pool (GS-II + GS-III + restructured) still remains elevated (12.6% vs. 13.6% in Jun'21), indicating that the path to normalisation is likely to be prolonged. The company shored up its GS-III provisions significantly to 43%, driving credit costs higher, although GS-II provisioning coverage continues to be subdued (0.2% PCR). Disbursements gathered momentum post the second wave (+29% YoY, +86% QoQ), largely from the core mortgage segment. We downgrade our FY22E earnings by 7% to reflect sub-optimal yields and higher-than-expected credit costs. We maintain REDUCE with a revised TP of INR401 (earlier TP of INR421), 1.0x Sep'23 ABVPS, underpinned by low provisioning buffer, prolonged stress in the portfolio, and increasing competitive intensity in the core mortgage portfolio.
- **Federal Bank:** Federal Bank (FB)'s Q2FY22 earnings were 20% higher than our forecasts due to a strong operating performance and lower-than-expected provisions. On the back of a granular wholesale portfolio and its secured retail franchise, FB reported an impressive asset quality with slippages at 1.1% and steady early-stage delinquencies (restructured book inched up to 2.6% of loans). The bank continued to showcase strong traction in low-cost deposits (CASA at 36%) and core fee income. FB's partnerships with FinTechs (with neo-banks, payments firms, and merchant acquirers) offer medium-term catalysts for higher productivity (business growth) and greater efficiencies (profitability), early evidence of which is reflected in the pace of new account additions. We revise our FY22E earnings marginally downwards to account for an increase in credit costs and maintain BUY with a revised TP of INR120 (1.2x Sep-23 ABVPS).
- **Gateway Distriparks:** Gateway Distriparks' (GDL) railway volumes, at 82,083 units in Q2 (+8% QoQ), were at a record high; the higher loading was driven by the commissioning of time-tabled trains by GDL (turnaround time down to as low as 27 hours vs. 72 hours earlier), DFC enhanced train capacity of up to 15%, and market share gains in the NCR region. We now build in FY22E rail-based TEU volumes of 311k units (+25% YoY). We maintain BUY with an SOTP-based TP of INR 375 (rail business valued at 14x Sep-23E EV/EBITDA).

Mphasis

Growth continuity

We maintain BUY on Mphasis (MPHL) and reiterate it as our preferred pick in mid-tier IT, given the strong growth in the direct business (+9.9% QoQ) and high visibility on delivering industry-leading growth. MPHL's growth is expected to be driven by (1) growth in the direct business, based on deal wins; (2) continuity of strong growth in large accounts (market share gains in BFSI accounts); (3) increased focus on new client acquisition; (4) healthy deal pipeline (68% of the deals are in new-gen services); (5) steady operating profile (margin guidance maintained); and (6) healthy pipeline in Europe. The DXC decline was steep (-25%) in the quarter and is now contributing only 6.5% to revenue. There will be a convergence of the company's growth with direct core growth (25% CAGR over FY21-24E) supported by healthy deal wins (fifth consecutive quarter with TCV of more than USD 240mn). The integration of Blink and the ongoing supply-side challenges will have an impact on margins; the target EBIT margin range is 15.5-17%. Our target price of INR 3,450 values MPHL at 30x Dec-23E EPS.

- **Q2FY22 highlights:** (1) Revenue came in at USD 385mn, +6.6/+17.2% QoQ/YoY (CC terms), led by growth of +9.9/+31.5% QoQ/YoY (CC terms) in the direct business (92% of revenue), offset by DXC-HP (6% of revenue) de-growth of -24.5/-53.4% QoQ/YoY (CC terms); (2) EBIT margin stood at 15.1% (in line with our estimates at 15.3%), -81/-105bps QoQ/YoY, impacted by M&A related charges. Adjusting the same, EBIT margin declined -10bps QoQ; (3) management has maintained its operating margin guidance of 15.5-17%; (4) deal wins in direct international, at USD 241mn, declined 52% QoQ (excluding large deal growth was 21% YoY), while new deal TCV and the pipeline remained strong; (5) the company added a billable headcount of 2,816 in H1FY22, compared to 2,888 in FY21; (6) top client grew 6.6% QoQ while the top 6-10 clients witnessed a healthy growth of 23% QoQ during the quarter.
- **Outlook:** We have factored in 22/19/16% growth in revenue, based on the growth in the direct business at 36/23/17% and DXC-HP at -49/-32/-13% for FY22/23/24E respectively, and factored in the EBIT margin at 15.6/16/17% for FY22/23/24E, resulting in an EPS CAGR of 23% over FY21-24E.

Quarterly Financial summary

YE Mar (INR bn)	Q2 FY22	Q2 FY21	YoY (%)	Q1 FY22	QoQ (%)	FY20	FY21	FY22E	FY23E	FY24E
Revenue (USD mn)	385	327	*17.7*	363	*6.1*	1,240	1,309	1,601	1,902	2,199
Net Sales	24.74	22.77	*8.7*	24.35	*1.6*	88.44	97.22	118.72	142.62	167.16
EBIT	4.05	3.69	*9.6*	3.92	*3.2*	14.19	15.61	18.49	22.85	28.40
APAT	3.26	2.94	*10.9*	2.99	*8.8*	11.42	12.17	14.59	18.12	22.58
Diluted EPS (INR)	17.5	15.8	*10.9*	16.1	*8.8*	61.3	65.3	78.3	97.2	121.2
P/E (x)						53.1	49.9	41.6	33.5	26.9
EV / EBITDA (x)						35.7	32.4	27.1	21.8	17.5
RoE (%)						20.6	19.7	21.2	23.4	25.6

Source: Company, HSIE Research, Consolidated Financials

Change in Estimates

YE Mar (INR bn)	FY22E Old	FY22E Revised	Change %	FY23E Old	FY23E Revised	Change %	FY24E Old	FY24E Revised	Change %
Revenue (USD mn)	1,573	1,601	*1.8*	1,868	1,902	*1.8*	2,159	2,199	*1.9*
Revenue	116.47	118.72	*1.9*	140.07	142.62	*1.8*	164.10	167.16	*1.9*
EBIT	17.91	18.49	*3.3*	22.91	22.85	*(0.3)*	28.61	28.40	*(0.7)*
EBIT margin (%)	15.4	15.6	20bps	16.4	16.0	-33bps	17.4	17.0	-45bps
APAT	14.14	14.59	*3.1*	18.16	18.12	*(0.2)*	22.74	22.58	*(0.7)*
EPS (INR)	75.9	78.3	*3.1*	97.4	97.2	*(0.2)*	122.0	121.2	*(0.7)*

Source: Company, HSIE Research

BUY

CMP *(as on 22 Oct 2021)*	**INR 3,255**
Target Price	**INR 3,450**
NIFTY	**18,115**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR 3,475	INR 3,450
EPS %	FY22E	FY23E
	+3.1	-0.2

KEY STOCK DATA	
Bloomberg code	MPHL IN
No. of Shares (mn)	187
MCap (INR bn) / ($ mn)	609/8,186
6m avg traded value (INR mn)	2,170
52 Week high / low	INR 3,660/1,269

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	37.0	100.0	143.3
Relative (%)	21.9	73.5	93.4

SHAREHOLDING PATTERN (%)	**Jun-21**	**Sep-21**
Promoters	55.99	55.95
FIs & Local MFs	18.42	17.88
FPIs	20.80	20.85
Public & Others	4.79	5.32
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Container Corporation

Domestic volumes drive growth in Q2

CONCOR's Q2FY22 volumes of 980,757 TEUs (+11% YoY, -1% QoQ) were driven by the domestic segment (+34% YoY) while EXIM growth was a modest 6% YoY (-3% QoQ). In the medium term, Concor targets to increase its domestic contribution to 40% of revenue (up from 20% currently), which comes as a surprise – given the modal shift to rail that is expected on EXIM traffic, with the commencement of the DFC. The management has raised its FY22E volume guidance to 15% (vs. 12% earlier), which is in line with our forecasts. We await the finalisation of the land policy by the government as well as clarity on the proposed privatisation timeline (as it is now pushed to next year). We maintain our ADD rating on the stock with a target price of INR 760 at 28x Sep-23E EPS.

- **Q2FY22 financials:** Volume, at 981K TEUs, declined 1% QoQ. The average realisation was higher 2% QoQ to ~INR 18,600k. Revenue came in at INR 18.2bn (flattish QoQ). EBITDA margin, at 23.4% (-60bps QoQ), held steady, despite higher domestic volumes in the mix. The company has paid INR 2.25bn towards LLF in H1FY22. CONCOR reported a profit of INR 2.6bn (+41% YoY, +4% QoQ).

  Key takeaways: (1) volume outlook: Management has guided towards 15% volume growth in FY22E. Concor expects an additional 10% volume benefit from phase I of DFC and an additional 15% as JNPT is connected in phase II. **Dedicated Freight Corridor**: As the freight corridor has commenced, the Mundra Dadri route has witnessed time savings of ~25%, with the guaranteed transit time of 60 hours. Thus, the rail coefficient is up from 25% to 27% at Mundra and from 62% to 68% at Pipavav. **Domestic segment**: Concor has increased the capacity of domestic rakes to 68T carrying capacity and has procured containers that can carry higher payload. This is leading to market share gains from road. **Steady margin outlook:** Margins have held up in Q2 at 23.4%, led by reduced EXIM-related empty running charges of INR 240mn as well as higher double stacked trains (1,597 trains in H1 vs. ~1,000 trains YoY). The company has also taken a price hike of INR 1,000 per TEU to offset rising inflationary pressures.

Financial summary (standalone)

YE March (INR mn)	Q2 FY22	Q2 FY21	*YoY (%)*	Q1 FY22	*QoQ (%)*	FY20	FY21	FY22E	FY23E	FY24E
Net sales	18,239	15,027	*21*	18,075	*1*	64,738	63,850	76,252	95,818	1,19,189
Adj. EBITDA	4,275	3,130	*37*	4,335	*(1)*	16,749	10,329	18,407	23,380	29,082
APAT	2,649	1,876	*41*	2,549	*4*	10,282	5,867	10,296	14,347	18,709
Adj. EPS (Rs)	4.3	3.1	*41*	4.2	*4*	16.9	9.6	16.9	23.5	30.7
P/E (x)						40.3	70.6	40.2	28.9	22.1
EV / EBITDA (x)						23.0	37.0	23.7	18.4	14.5
RoE (%)						10.1	5.8	9.8	13.0	15.8

Change in estimates

INR mn	New			Old			Change (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Net Revenue	76,252	95,818	1,19,189	76,199	95,751	1,19,145	0	0	0
EBITDA	18,407	23,380	29,082	18,394	23,363	29,071	0	0	0
EBITDA margin (%)	24.1	24.4	24.4	24.1	24.4	24.4	0 bps	0 bps	0 bps
PAT	10,296	14,347	18,709	10,113	14,561	18,997	2	(1)	(2)
EPS	16.9	23.5	30.7	16.6	23.9	31.2	2	(1)	(2)

Source: Company, HSIE Research

ADD

CMP *(as on 22 Oct 2021)*	**INR 680**
Target Price	**INR 760**
NIFTY	**18,115**

KEY CHANGES	**OLD**	**NEW**
Rating	ADD	ADD
Price Target	INR 720	INR 760
EPS %	FY22E	FY23E
	2%	-1%

KEY STOCK DATA	
Bloomberg code	CCRI IN
No. of Shares (mn)	609
MCap (INR bn) / ($ mn)	414/5,570
6m avg traded value (INR mn)	1,841
52 Week high / low	INR 754/365

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	1.8	23.5	71.8
Relative (%)	(13.3)	(3.0)	21.8

SHAREHOLDING PATTERN (%)	**Jun-21**	**Sep-21**
Promoters	54.8	54.8
FIs & Local MFs	16.3	15.5
FPIs	24.9	25.5
Public & Others	4.0	4.2
Pledged Shares	0.0	0.0

Source : BSE

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Supreme Industries

Strong demand uptick across all segments

We maintain ADD on Supreme Industries (SIL), keeping the TP unchanged at INR 2,630/share (SOTP-based). In Q2FY22, SIL's consolidated revenue rose +40% YoY to INR 19.3bn on healthy demand and higher realisation. However, amid soaring RM cost, the gross margin moderated YoY, slowing EBITDA/APAT growth to 22/31% YoY, which came in at INR 3.11/2.29bn respectively. On a two-year CAGR basis, all segments posted volume growth, with industrials and packaging showing higher rebound. The sharp rise in inventories led to a negative OCF in H1. We remain positive on the company, owing to healthy demand outlook across all its business segments.

- **Q2FY22 performance**: SIL posted healthy volume growth across all segments. Pipes division: strong housing/plumbing demand drove up volume by 9% YoY (two-year CAGR 3%). However, segmental EBITDAM cooled off to ~18% vs 21/21% YoY/QoQ, owing to sharp RM inflation. The industrial division's volume rebound 10% YoY (2-year CAGR 12%) due to strong demand for industrial and material-handling products. This helped the company sustain segmental EBITDAM at ~11% vs 11/12% QoQ/YoY. Packaging division: healthy demand for its performance and protective films drove up volume by 5% YoY (2-year CAGR 8%). EBITDAM stood at 13% vs 12/17% QoQ/YoY. The furniture division volume grew 4% YoY (2-year CAGR 2%). EBITDAM rebound to ~20% vs 10% QoQ (20% YoY).
- **Cash flows and Capex progress:** A sharp increase in finished good/resin inventories by ~INR 4bn led to a negative INR 0.4bn OCF. Capex is going on as per plans across Guwahati, Cuttack, and Erode towards pipes and fittings expansions, which are expected to be operational in H1CY22. During FY22E, SIL plans to incur a Capex of INR 5.2bn (INR 2.1bn spent in H1).
- **Outlook:** SIL expects demand to continue to be healthy in H2FY22. The industry has been passing on the raw material inflation with a lag of 15 days. SIL is undertaking capacity expansion by 8% (mainly across pipes and industrial product) to 751K MT by Q1FY23. These factors can potentially add ~INR 9.5bn to its revenue (FY23 onwards). We remain positive on its growth prospects, owing to healthy demand and margin outlook. We value SIL at 21x its Sep'23E consolidated EBITDA and value its 30.8% holding in its associate Supreme Petrochem at a 30% discount to its current market cap.

Consolidated quarterly/annual financial summary

YE Mar (INR mn)	Q2 FY22	Q2 FY21	*YoY (%)*	Q1 FY22	*QoQ (%)*	FY20	FY21	FY22E	FY23E	FY24E
Sales (K MT)	102.7	94.8	8.3	71.3	44.1	411.5	409.1	456.9	495.6	551.7
NSR (INR/Kg)	188	145	29.6	188	-0.3	133	153	147	148	150
EBITDA (INR/Kg)	30	26	15.0	32	-5.0	21	32	28	27	28
Net Sales	19,285	13,748	*40.3*	13,421	*43.7*	55,115	63,571	68,308	74,425	84,177
EBITDA	3,108	2,559	*21.5*	2,220	*40.0*	8,346	12,843	12,831	13,558	15,423
EBITDAM (%)	*16.1*	*18.6*	*(249)bps*	*16.5*	*(43)bps*	*15.1*	*20.2*	*18.8*	*18.2*	*18.3*
APAT	2,287	1,750	*30.7*	1,702	*34.4*	4,674	9,781	8,019	8,207	9,283
AEPS (INR)	18.0	13.8	*30.7*	13.4	*34.4*	36.8	77.0	63.1	64.6	73.1
EV/EBITDA (x)						36.2	22.8	22.7	21.2	18.4
P/E (x)						64.2	30.7	37.4	36.6	32.3
RoE (%)						*21.2*	*36.0*	*23.6*	*21.2*	*21.1*

Source: Company, HSIE Research, Consolidated financials

ADD

CMP *(as on 22 Oct 2021)*	**INR 2,362**
Target Price	**INR 2,630**
NIFTY	**18,115**

KEY CHANGES	**OLD**	**NEW**
Rating	ADD	ADD
Price Target	INR 2,630	INR 2,630
EBITDA %	FY22E	FY23E
	0.0	*0.0*

KEY STOCK DATA	
Bloomberg code	SI IN
No. of Shares (mn)	127
MCap (INR bn) / ($ mn)	300/4,031
6m avg traded value (INR mn)	270
52 Week high / low	INR 2,694/1,379

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	12.5	19.5	61.7
Relative (%)	(2.6)	(7.0)	11.8

SHAREHOLDING PATTERN (%)	**Jun-21**	**Sep-21**
Promoters	48.85	48.85
FIs & Local MFs	24.66	25.30
FPIs	10.82	10.38
Public & Others	15.67	15.47
Pledged Shares	-	

Source : BSE

Pledged shares as % of total shares

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IndiaMART InterMESH

Strong cash collection provides visibility

IndiaMART posted a flattish quarter with revenue of INR 1.82bn (+0.4% QoQ), lower than our estimate of INR 1.87bn. EBITDA margin stood at 45.6%, missing our estimate by 159bps. The paying suppliers increased by 2.7% QoQ (+4k vs. our estimate of 8k) as high churn was witnessed at the lower end of the pyramid (monthly packages); however, the top suppliers continue to hold ground. We maintain our positive stance, based on (1) higher visibility, given the 20% YoY growth in deferred revenue; (2) strong cash collections of INR 2.2bn, an increase of 31.3/36.2% QoQ/YoY; (3) gradual economic recovery leading to improving business conditions; (4) expected margin expansion on account of growth and cost savings; (5) healthy cash reserves of INR 24.7bn that can be leveraged for further investments; and (6) expected boost to growth from adjacent offerings in accounting, logistics, and SaaS-based solutions. Our TP of INR 9,500 is based on 50x FY24 EV/EBITDA (DCF implied), supported by revenue/EPS CAGRs of +19/14% over FY21-24E. Maintain BUY.

- **Q2FY22 highlights**: (1) IndiaMart revenue stood at INR 1.82bn (vs. estimate of INR 1.88bn), registering 0.4% growth QoQ, driven by +2.7/-2.6% QoQ growth in paid suppliers/ARPU; (2) cash collections from customers/deferred revenue increased by +31.3/+5.7% QoQ; (3) business enquiries were down -6.8/-13.7% QoQ/YoY and unique business enquiries per paying supplier were down -2.7/-12.7% QoQ/YoY; (4) EBITDA margin was down 317bps QoQ to 45.6% (vs. our estimate of 47.2%) due to +9.4/+5.1% QoQ increase in manpower/outsourced cost; (5) paying suppliers increased by ~4k vs. our estimate of ~8k; the normalised rate will be ~5-6k/quarter; (6) churn in the monthly users improved but higher than pre-COVID level; (7) the proportion of yearly suppliers stands increased to ~75%; (8) the total expenses per quarter are expected to increase to INR 1.1bn (~90% of pre-COVID level) by Q4FY22E.
- **Outlook**: We expect revenue growth of +22.4/21.8%, based on paid supplier growth of +17.1/15.6% and ARPU growth of 4.5/5.4% for FY23/24E respectively. EBITDA margin estimate stands at 44.5/45.2% for FY23/24E, leading to an EPS CAGR of 14% over FY21-24E.

Quarterly financial summary

YE March (INR mn)	Q2 FY22	Q2 FY21	YoY (%)	Q1 FY22	QoQ (%)	FY20	FY21	FY22E	FY23E	FY24E
Net Sales	1,824	1,632	*11.8*	1,816	*0.4*	6,389	6,696	7,608	9,314	11,348
EBITDA	832	817	*1.8*	886	*-6.1*	1,689	3,282	3,501	4,144	5,125
APAT	822	698	*17.8*	879	*-6.5*	1,474	2,798	3,220	3,641	4,182
EPS	27.1	24.2	*11.9*	29.0	*-6.7*	47.9	91.0	104.8	118.4	136.1
P/E (x)						165.0	86.9	75.5	66.8	58.2
EV / EBITDA (x)						138.7	67.1	62.2	51.5	40.6
RoE* (%)						67.8	50.1	46.8	37.8	32.8

Source: Company, HSIE Research, Consolidated Financials, *ROE excludes QIP issuance cash

Change in estimates

YE March (INR mn)	FY22E Old	FY22E Revised	Change %	FY23E Old	FY23E Revised	Change %	FY24E Old	FY24E Revised	Change %
Revenue	7,760	7,608	*-2.0*	9,516	9,314	*-2.1*	11,561	11,348	*-1.8*
EBITDA	3,577	3,501	*-2.1*	4,210	4,144	*-1.6*	5,086	5,125	*0.8*
EBITDA margin (%)	46.1	46.0	-7 bps	44.2	44.5	25 bps	44.0	45.2	117 bps
APAT	3,266	3,220	*-1.4*	3,689	3,641	*-1.3*	4,152	4,182	*0.7*
EPS (INR)	106.3	104.8	*-1.4*	120.1	118.4	*-1.4*	135.1	136.1	*0.7*

Source: Company, HSIE Research

BUY

CMP *(as on 22 Oct 2021)*	**INR 7,912**
Target Price	**INR 9,500**
NIFTY	**18,115**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR 9,650	INR 9,500
EPS %	FY23E	FY24E
	-1.4	+0.7

KEY STOCK DATA	
Bloomberg code	INMART IN
No. of Shares (mn)	31
MCap (INR bn) / ($ mn)	242/3,250
6m avg traded value (INR mn)	1,307
52 Week high / low	INR 9,952/4,515

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	12.8	(1.0)	62.2
Relative (%)	(2.3)	(27.5)	12.3

SHAREHOLDING PATTERN (%)

	June-21	Sep-21
Promoters	49.82	49.52
FIs & Local MFs	4.70	4.68
FPIs	26.68	27.91
Public & Others	18.80	17.89
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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LIC Housing Finance

A tortuous road to normalisation

LICHF disappointed, driven by elevated provisioning (1.1% of loans, annualised) and interest reversals (INR1.35bn). While asset quality improved across buckets, aggregate stressed pool (GS-II + GS-III + restructured) still remains elevated (12.6% vs. 13.6% in Jun'21), indicating that the path to normalisation is likely to be prolonged. The company shored up its GS-III provisions significantly to 43%, driving credit costs higher, although GS-II provisioning coverage continues to be subdued (0.2% PCR). Disbursements gathered momentum post the second wave (+29% YoY, +86% QoQ), largely from the core mortgage segment. We downgrade our FY22E earnings by 7% to reflect sub-optimal yields and higher-than-expected credit costs. We maintain REDUCE with a revised TP of INR401 (earlier TP of INR421), 1.0x Sep'23 ABVPS, underpinned by low provisioning buffer, prolonged stress in the portfolio, and increasing competitive intensity in the core mortgage portfolio.

- **Asset quality improves but impairment elevated:** LICHF's GS-II/GS-III improved sequentially to 4.4%/5.1% (Q1FY22: 5.4%/5.9%), while the restructured book rose to 3.1% of loans (Q1FY22: 2.3%). While there is an optical improvement in delinquencies and a sharp improvement in GS-III PCR (43% vs. 34% in Q1FY22), portfolio normalisation towards steady-state has been slower than expected. Retail home loans GS-III improved to 2.25% (Q1: 2.6%), while the developer book GS-III remained elevated at ~24%.
- **Rising competitive intensity reflecting in subdued yields:** Margin contracted 20bps sequentially to 2% from interest reversals (INR1.4bn) on account of restructured advances. LICHF's NIMs have witnessed over 40bps compression over the past couple of quarters despite significant funding cost tailwinds (incremental COF at 4.9% vs. weighted average COF of 6.8%). This is likely on account of the rising competitive intensity and consequent aggressive pricing by LICHF in the core mortgage segment. In fact, our REDUCE stance is largely underpinned on such lopsided risk management.

Financial summary

(INR bn)	2QFY22	2QFY21	YoY (%)	1QFY22	QoQ (%)	FY21	FY22E	FY23E	FY24E
NII	11.7	12.4	*(5.7)*	12.8	*(8.5)*	52.4	57.0	63.5	70.2
PPOP	9.3	11.1	*(16.7)*	10.2	*(9.5)*	46.7	49.2	56.7	62.3
PAT	2.3	7.9	*(70.6)*	1.6	*48.2*	27.3	22.9	28.8	32.6
EPS (INR)	4.5	15.7	*(71.2)*	3.0	*48.4*	54.2	41.6	52.3	59.2
ROAE (%)						14.1%	10.0%	10.9%	11.1%
ROAA (%)						1.2%	0.9%	1.0%	1.0%
ABVPS (INR)						289.4	331.7	373.0	424.1
P/ABV (x)						1.4	1.2	1.1	1.0
P/E (x)						7.6	9.8	7.8	6.9

Change in estimates

INR bn	FY22E			FY23E			FY24E		
	Old	New	Old	Old	New	Chg	Old	New	Chg
AUM	2,533.4	2,533.8	*0.0%*	2,828.2	2,828.3	0.0%	3,160.0	3,160.4	*0.0%*
NIM (%)	2.4	2.4	*0 bps*	2.3	2.4	3 bps	2.3	2.3	*0 bps*
NII	56.9	57.0	*0.1%*	62.8	63.5	1.2%	70.2	70.2	*0.0%*
PPOP	49.8	49.2	*-1.2%*	55.9	56.7	1.5%	62.3	62.3	*0.0%*
PAT	24.7	22.9	*-7.3%*	28.7	28.8	0.4%	33.0	32.6	*-1.2%*
ABVPS (INR)	339.1	331.7	*-2.2%*	378.9	373.0	-1.5%	428.4	424.1	*-1.0%*

Source: Company, HSIE Research

REDUCE

CMP *(as on 22 Oct 2021)*	**INR 409**
Target Price	**INR 401**
NIFTY	**18,115**

KEY CHANGES	**OLD**	**NEW**
Rating	REDUCE	REDUCE
Price Target	INR421	INR401
EPS %	FY22E	FY23E
	-7.3%	0.4%

KEY STOCK DATA	
Bloomberg code	LICHF IN
No. of Shares (mn)	550
MCap (INR bn) / ($ mn)	225/3,019
6m avg traded value (INR mn)	1,778
52 Week high / low	INR 542/281

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	(10.7)	5.6	32.4
Relative (%)	(25.8)	(20.9)	(17.6)

SHAREHOLDING PATTERN (%)	**Jun-21**	**Sep-21**
Promoters	40.3	45.2
FIs & Local MFs	15.6	14.8
FPIs	28.8	24.1
Public & Others	15.3	15.7
Pledged Shares	0.0	0.0

Source : BSE

Pledged shares as % of total shares

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Federal Bank

Refreshing confidence meets impressive all-round beat

Federal Bank (FB)'s Q2FY22 earnings were 20% higher than our forecasts due to a strong operating performance and lower-than-expected provisions. On the back of a granular wholesale portfolio and its secured retail franchise, FB reported an impressive asset quality with slippages at 1.1% and steady early-stage delinquencies (restructured book inched up to 2.6% of loans). The bank continued to showcase strong traction in low-cost deposits (CASA at 36%) and core fee income. FB's partnerships with FinTechs (with neo-banks, payments firms, and merchant acquirers) offer medium-term catalysts for higher productivity (business growth) and greater efficiencies (profitability), early evidence of which is reflected in the pace of new account additions. We revise our FY22E earnings marginally downwards to account for an increase in credit costs and maintain BUY with a revised TP of INR120 (1.2x Sep-23 ABVPS).

- **Strong operating performance led by fee income, lower provisions**: FB reported healthy PAT growth (+50% YoY) on the back of strong fee traction (+30% YoY) and lower provisions (0.8% of loans). Funding cost tailwinds (13 bps QoQ) and steady asset yields continued to reflate NIMs (3.2%). Loan growth (+9.4%) was driven by retail (+11.6%) and agri (+19.9%) segments.
- **Asset quality improves; restructured portfolio increases:** GNPA moderated to 3.24% from 3.5% sequentially, led by healthy recoveries/upgrades (1.3%) and low slippages (1.1%). Incremental slippages were largely from the non-corporate portfolio (SME: 2.2%; agri: 2.4%). The restructured book, however, increased 70bps sequentially to 2.6% of loans and comprises secured retail (home loans and LAP) and SME loans, lending comfort on the likely eventual LGDs in the portfolio.
- **FinTech partnerships help build new growth engines**: FB is among the early adopters using FinTech partnerships to build new growth avenues in its effort to boost its profitability, as reflected in recent productivity gains (daily account opening and deployment run rate).

Financial summary

(INR bn)	2QFY22	2QFY21	YoY (%)	1QFY22	QoQ (%)	FY21	FY22E	FY23E	FY24E
NII	14.8	13.8	*7.2%*	14.2	*4.3%*	55.3	62.0	71.6	82.3
PPOP	8.6	10.1	*-14.1%*	11.4	*-23.8%*	37.9	42.0	47.1	54.5
PAT	4.6	3.1	*49.8%*	3.7	*25.3%*	15.9	19.8	24.7	30.0
EPS (INR)	2.2	1.5	*44.2%*	1.8	*21.3%*	8.0	9.4	11.8	14.3
ROAE (%)						10.4	11.4	12.5	13.6
ROAA (%)						0.8	0.9	1.0	1.1
ABVPS (INR)						72.7	81.1	91.9	103.2
P/ABV (x)						1.4	1.3	1.1	1.0
P/E (x)						12.9	10.9	8.8	7.2

Change in estimates

INR bn	FY22E			FY23E			FY24E		
	Old	New	Old	Old	New	Chg	Old	New	Chg
Net advances	1,478	1,464	-1.0%	1,672	1,665	-0.4%	1,905	1,899	-0.3%
NIM (%)	3.3	3.3	-3 bps	3.3	3.4	2 bps	3.4	3.4	2 bps
NII	62.9	62.0	-1.4%	71.5	71.6	0.2%	82.2	82.3	0.2%
PPOP	42.9	42.0	-2.0%	46.9	47.1	0.3%	53.6	54.5	1.8%
PAT	20.8	19.8	-4.8%	24.7	24.7	0.0%	29.8	30.0	0.7%
ABVPS (INR)	82.5	81.1	-1.7%	93.7	91.9	-2.0%	104.1	103.2	-1.0%

Source: Company, HSIE Research

BUY

CMP *(as on 22 Oct 2021)*	**INR 104**
Target Price	**INR 120**
NIFTY	**18,115**

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 109	INR 120
	FY22E	FY23E
EPS %	-4.8%	0%

KEY STOCK DATA	
Bloomberg code	FB IN
No. of Shares (mn)	2,101
MCap (INR bn) / ($ mn)	218/2,934
6m avg traded value (INR mn)	1,776
52 Week high / low	INR 106/50

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	23.3	44.8	83.9
Relative (%)	8.2	18.3	33.9

SHAREHOLDING PATTERN (%)

	Jun-21	Sep-21
Promoters	0.0	0.0
FIs & Local MFs	43.9	42.5
FPIs	24.1	25.9
Public & Others	32.1	31.6
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Gateway Distriparks

FY22E rail volumes to exceed 300k (+25% YoY)

Gateway Distriparks' (GDL) railway volumes, at 82,083 units in Q2 (+8% QoQ), were at a record high; the higher loading was driven by the commissioning of time-tabled trains by GDL (turnaround time down to as low as 27 hours vs. 72 hours earlier), DFC enhanced train capacity of up to 15%, and market share gains in the NCR region. We now build in FY22E rail-based TEU volumes of 311k units (+25% YoY). We maintain BUY with an SOTP-based TP of INR 375 (rail business valued at 14x Sep-23E EV/EBITDA).

- **Q2 financials:** GDL's revenue, at INR 3.36bn, grew 2% QoQ (+28% YoY), driven by record rail volumes, while CFS volumes were flat QoQ (+22% YoY) at 95,306 TEUs. EBITDA margin, at 27.1% (+230bps/flat YoY/QoQ), was healthy due to the benefits from improved volumes. Interest cost is down 24% YoY (flat QoQ) as the company is steadily deleveraging. APAT was up 8% QoQ to INR 469mn, aided by low tax payout on deferred tax benefits.
- **Call takeaways: (1) market share gains:** GDL has outpaced industry growth as it gained market share in the NCR region, with volume growing 55% vs. 18% for the broader market. The assured transit scheme has led to the same. **Margin outlook**: GDL has raised its prices by INR 1,000 per TEU (c.3%) to cover rising costs; this will cushion margins. **DFC update**: with the gradual commissioning of the DFC, the turnaround time has reduced to 27 hours/33 hours for exports/imports. Further, the Pipavav Rail Corporation has electrified the feeder lines to Surendranagar, which has provided last mile connectivity. **CFS business:** The CFS segment EBITDA was ~INR 2,100/TEU (-7% QoQ), which has been declining steadily over the year. This continues to be affected by higher fuel prices as well as higher discounting. **Snowman Logistics:** The company plans to increase its capacity to 200k pallets (up from 120k currently) in the medium term. It will add 2-3 new warehouses every year for e-commerce clients. **Restructuring timeline**: The approval for the reverse merger of GDL with Gateway Rail is expected by the year end (Dec'21), which will simplify the corporate structure.

Financial summary (consolidated)

YE March (INR mn)	2Q FY22	2Q FY21	YoY (%)	1Q FY22	QoQ (%)	FY20	FY21	FY22E	FY23E	FY24E
Net Sales	3,357	2,625	28	3,296	2	12,372	11,794	13,179	15,177	17,923
EBITDA	910	652	40	892	2	2,586	3,130	3,473	3,824	4,443
APAT	469	42	1,010	436	8	983	943	1,350	1,587	2,101
Adj. EPS (Rs)	3.8	0.3	1,010	3.5	8	9.0	7.6	10.8	12.7	16.8
P/E (x)						29.0	34.7	24.2	20.6	15.6
EV/EBITDA (x)						14.4	12.4	10.8	9.4	7.7
RoE (%)						29.0	34.7	24.2	20.6	15.6

Source: Company, HSIE Research

Change in estimates

INR mn	New			Old			Change (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Net Revenue	13,179	15,177	17,923	13,348	15,525	18,404	(1)	(2)	(3)
EBITDA	3,473	3,824	4,443	3,447	3,858	4,556	1	(1)	(2)
EBITDA margin (%)	26.4	25.2	24.8	25.8	24.9	24.8	53 bps	35 bps	4 bps
PAT	1,350	1,587	2,101	1,310	1,583	2,150	3	0	(2)
EPS	10.8	12.7	16.8	10.5	12.7	17.2	3	0	(2)

Source: Company, HSIE Research

BUY

CMP *(as on 22 Oct 2021)*	INR 262
Target Price	INR 375
NIFTY	18,115

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 360	INR 375
EPS %	FY22E	FY23E
	3%	Flat

KEY STOCK DATA	
Bloomberg code	GDPL IN
No. of Shares (mn)	125
MCap (INR bn) / ($ mn)	33/439
6m avg traded value (INR mn)	109
52 Week high / low	INR 325/87

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(6.1)	52.3	178.9
Relative (%)	(21.2)	25.8	128.9

SHAREHOLDING PATTERN (%)	Jun-21	Sep-21
Promoters	32.1	32.1
FIs & Local MFs	26.6	27.4
FPIs	24.7	24.8
Public & Others	16.5	15.8
Pledged Shares	3.1	-

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
Amit Chandra	Mphasis, IndiaMART InterMESH	MBA	NO
Vinesh Vala	Mphasis	MBA	NO
Mohit Motwani	IndiaMART InterMESH	MBA	NO
Aditya Makharia	Container Corporation, Gateway Distriparks	CA	YES
Rajesh Ravi	Supreme Industries	MBA	NO
Keshav Lahoti	Supreme Industries	CA	NO
Krishnan ASV	LIC Housing Finance, Federal Bank	PGDM	NO
Deepak Shinde	LIC Housing Finance, Federal Bank	PGDM	NO

Disclosure:

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