INSTITUTIONAL RESEARCH

HSIE Results Daily

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Results Reviews

- **Shree Cement:** We upgrade our rating on Shree Cement to ADD from REDUCE earlier with a revised TP of INR 26,600/share as the company delivered strong margin despite both demand and cost headwinds. Shree's Q3FY22 standalone volume/EBITDA/APAT fell 9/24/21% YoY on account of weak demand, supply disruption from the Chhattisgarh plant, and elevated power costs. Unitary EBITDA moderated 17/11% YoY/QoQ to INR 1260/MT.
- **Siemens:** Siemens India Ltd (SIL) delivered Q1FY22 revenue of INR 32.4bn (beat of 4.4%), impacted marginally by COVID-19 and disruption in supply chain caused by global semi-conductor shortage. EBITDA/APAT missed the estimate by 11.3/10.9% respectively, on account of higher commodity prices and lower forex gains. Consequently, EBIT margins across all segments shrunk both sequentially and annually. On a YoY basis, all businesses saw growth, with mobility growing the maximum (50%). Overall, order inflow for the quarter was strong at INR 53bn, +65% YoY, taking the order book to an all-time high of INR 155.8bn. SIL won a large INR 9bn worth of Pune Metro Line 3 Corridor order for electrical and mechanical systems to be executed as part of a consortium, together with Siemens AG, Siemens Mobility GmbH, and Alstom Transport India Ltd. Given punchy valuations, we maintain REDUCE on SIL, with an increased TP of INR 2,120 (38x Dec-23 EPS; earlier INR 2,000, rollover to Dec-23). Key risks: earnings upsides on account of potential expansion in margin owing to (1) rise in digitalisation and new age technology, (2) increasing share of private sector in the order mix, (3) abating supply chain issue and (4) hardening of commodity prices.
- **Alkem Labs:** Alkem's Q3 revenue/EBITDA beat our estimates by 2%/18%, led by good growth in India and international markets. It expects to outperform the IPM in the medium term. Despite heightened price pressure in the quarter, it remains confident of achieving double-digit growth in the US from FY23. Though the company has guided for a potentially subdued Q4 (2-3% margin impact due to higher API prices), we believe the near-term headwinds are transitory and remain confident on company's execution capabilities over the medium term. We raise our EPS estimates by 9%/4% for FY22/23e to factor in the Q3 beat and lower taxes and arrive at a TP of INR 4,200/sh, based on 24x Sep-23e EPS. Maintain BUY.
- **Godrej Properties:** Godrej Properties Ltd (GPL) reported muted presales of 2.2msf (-7.5%/-38.7% YoY/QoQ), valued at INR 15.4bn (+3.6%/-40% YoY/QoQ), with launch of three new projects/phases contributing INR 6.2bn to sales. Delay in regulatory approvals led to planned launch slipping to Q4FY22. GPL has revisited its earlier decision of entering a 50:50 partnership with DB Realty (DB) and forming an SPV to undertake slum rehabilitation and MHADA redevelopment projects in MMR, for an investment of INR 7bn, with likely presales potential of INR 150bn. Given concerns raised by various stakeholders, analysts, and minority investors on this arrangement, GPL has decided not to proceed with this investment in DB or associated platform, whilst keeping options open for projects with DB on a case-to-case basis. We believe this may assuage investor concerns to a large extent. We maintain REDUCE with an SOTP valuation of INR 1,800.

HSIE Research Team
hdfcsec-research@hdfcsec.com

- **Lupin:** Lupin's Q3 revenue/EBITDA missed our estimates by 1%/22%, primarily due to pressure on gross margin and higher R&D spends. Adj. EBITDA margin dipped to 12.7% (-80bps QoQ, -595bps YoY), the lowest in the past seven quarters. After revising its margin guidance (in Q2), down from 17-18% to 16%+ for H2FY22, Lupin has now again revised it downward to ~14% for the next 2-3 quarters, despite savings in specialty burn (Solosec write-off). While material opportunities like gSpiriva, gSuprep, Peg-F (US) and gFostair (UK) in its complex pipeline are expected to fuel growth in the medium term, its ability to generate significant operating leverage remains elusive. We cut our FY23/24 estimates by 23%/4% to factor in the revised outlook and revise our TP to INR765/sh, based on 20x Sep-23e (vs 21x Sep-23e earlier). Downgrade to SELL.

- **Torrent Power:** Torrent Power (TPW) reported strong Q3FY22 result, surpassing consensus estimate. Consolidated revenue increased 27.6% YoY to INR 37.7bn, largely led by higher merchant sales, lower T&D losses, and gain from sale of LNG. This led to EBITDA rising 7.3% YoY to INR9.3bn. Deleveraging and a fall in interest rates have led to lower interest expenses. PAT increased by 14.8% YoY to INR3.7bn, surpassing ours and consensus estimates. While PLF across its gas-based stations has declined due to rise in LNG prices, TPW has managed to maintain its PAF, ensuring recovery of fixed charges. We maintain our TP of INR555 as well as the REDUCE rating, since the stock, having risen steeply recently, is looking less attractive at the current CMP.

- **Brigade Enterprises:** BRGD reported presales of 1.1msf (-29%/-17% YoY/QoQ), valued at INR 6.8bn (-26%/-18% YoY/QoQ). In retail segment, consumption recovered to 100% of pre-COVID level in Q3FY20. However, 15% of the tenants will still get COVID relief in Q4FY22, specifically the impacted sectors. BRGD expects to book 70-75% of pre-COVID rentals in FY22. Hospitality segment witnessed strong demand revival and became GOP positive, with occupancy at 59% in Q3FY22, which is the pre-COVID level vs 45% in Q2; the ARR touched 70% of the pre-COVID level. Given BEL's strong cash position of INR 13.1bn, strong business development pipeline, and healthy balance sheet, we remain constructive. We maintain ADD, with an unchanged TP of INR 530. We have cut our FY23/24 estimates to factor in higher input costs/interest/depreciation.

- **Birla Corporation:** We maintain our BUY rating on Birla Corporation (BCORP), with a revised TP of INR 1,718/share (9x Dec-23E consolidated EBITDA). Poor demand and pricing mainly in the east along with rising fuel prices led to a consolidated decline of 6/2/39/64% YoY in volume/revenue/EBITDA/APAT. Demand picked up in Q4, also aiding cost-pass thorough capabilities. BCORP's 4mn MT integrated plant in Maharashtra will get operational by Mar-22E, thus raising its capacity to 20mn MT. We continue to like BCORP for its large retail presence in the lucrative north/central regions and various cost-cutting initiatives. We expect leverage ratio to cool off FY23E onwards on healthy cash flows and lower Capex outgo in the next two years. These should drive valuation rerating.

- **V-Guard Industries:** V-Guard delivered a beat on revenue, but its EBITDA margin saw a sharp decline, resulting in lower-than-expected EBITDA. Revenue grew by 16% YoY (HSIE 12%), with the two-year CAGR at 24%. Volume grew 11% YoY for 9MFY22. Electronics, electrical, and consumer durables segments were up -4/19/28% YoY. South and non-south delivered 15/18% YoY growth. The key highlight of the quarter was a miss in EBITDA margin despite an in-line gross margin. EBITDA declined 26% vs. the expectation of an 8% decline. Higher overhead cost and unfavorable mix resulted in weaker margin. As summer approaches, expectations for cooling products and their derivatives (stabilizer for V-Guard) are high, after the washout of the previous two summers. All eyes are on the upcoming season's demand traction, with the possibility of some seasonal benefits shifting from Q4 to Q1. Seasonal product traction will determine margin recovery. We reduce our FY22/23/24 EPS estimates by 9/3/3%. We value V-Guard at 35x PE on FY24 EPS to derive a target price of INR 275. Maintain ADD.

- **HG Infra:** HG Infra (HG) reported revenue/EBITDA/APAT of INR 9.2/1.5/0.9bn, a miss of 3.6/6/6.7%. The order book (OB) stands at INR 79.5bn (~3.15x FY21 revenue). With 9MFYTD revenue of INR 25.8bn and INR 10bn expected in Q4FY22, HG will most likely surpass its FY22 revenue guidance of INR 34bn. 9MFYTD order inflow stood at INR 43.2bn. The appointed date of five HAM projects are expected in H1FY23, with an in-principle financial closure already in place. The net debt remained flat at INR 1.6bn (similar level as in Sep-21). HG has pushed back monetisation of three HAM projects (COD by Q4FY22), from Jun-22 to Mar-23, in order to get a better valuation. Given robust order inflows and strong execution, we increase our EPS estimate. We maintain BUY with an increased SOTP-based TP of INR 988 (14x Dec-23E EPS, HAM 1x P/BV).

- **Somany Ceramics:** We maintain BUY on Somany Ceramics with an unchanged target price of INR 1,130/share (13x Dec-23E consolidated EBITDA). We continue to like SOMC for its strong retail distribution, improving product mix, and tightened working capital (WC). In Q3, Somany reported 19% YoY consolidated revenue growth, driven by similar growth across both tiles and bathware businesses. However, EBITDA fell 2% YoY, owing to the elevated gas price impact. The company continues to keep a tight leash on its debtors. Timely capacity expansion in Q4FY22 should bolster its volume and market share growth.

Shree Cement

Weak demand, cost headwinds moderate margin

We upgrade our rating on Shree Cement to ADD from REDUCE earlier with a revised TP of INR 26,600/share as the company delivered strong margin despite both demand and cost headwinds. Shree's Q3FY22 standalone volume/EBITDA/APAT fell 9/24/21% YoY on account of weak demand, supply disruption from the Chhattisgarh plant, and elevated power costs. Unitary EBITDA moderated 17/11% YoY/QoQ to INR 1260/MT.

- **Q3FY22 performance:** Cement sales volume fell 9% YoY (+4% QoQ), hit by transporters' strike in Chhattisgarh, and weak demand (mainly in east). Shree bought coal shipment, which it later sold to its UAE subsidiary for ~INR 1.9bn. Adjusted for it, cement NSR rose 1% QoQ. Adjusted opex rose 6% QoQ, mainly led by ~13% QoQ fuel inflation and external clinker purchase (amid transporter strike in Chhattisgarh). Thus, unitary EBITDA fell 17/11% YoY/QoQ to INR 1,260/MT. While the UAE subsidiary's revenue rose 17% YoY to INR 2.77bn, EBITDA fell 47% YoY to INR 0.2bn.
- **Capex update and outlook**: Shree's 3mn MT SGU in Patas (Maharashtra) got commissioned on 1 Feb. In FY23E, its 4mn MT brownfield clinker plant in Chhattisgarh, 3mn MT SGU in West Bengal, and 106MW captive solar power plants would get operational. Thereafter, its Rajasthan plant is expected by commissioned by FY24E, leading to clinker/cement capacities of 33/53mn MT. Shree's Capex will accelerate FY23E onwards, all of which will be funded through internal accruals. The company noted that its fuel cost has peaked out in Q3 and demand is picking up in Q4. We marginally trim our EBITDA estimates, factoring in elevated fuel costs, leading to a 2% cut in our SOTP-based TP to INR 26,600/sh. We value its standalone cement business at 16.5x Dec-23E EBITDA and the UAE business at 1x BV. Given its robust margin (despite cost and demand headwinds) and the recent correction in the stock price, we upgrade the stock to ADD.

Quarterly/annual financial summary (standalone)

YE Mar (INR bn)	Q3 FY22	Q3 FY21	YoY (%)	Q2 FY22	QoQ (%)	FY20	FY21	FY22E	FY23E	FY24E
Sales Vol (mn MT)	6.55	7.17	*(8.6)*	6.32	*3.7*	24.93	26.84	28.16	31.55	35.35
NSR (INR/MT)	5,132	4,640	*10.6*	5,076	*1.1*	4,775	4,690	5,068	5,215	5,293
EBITDA (INR/MT)	1,260	1,520	*(17.1)*	1,422	*(11.4)*	1,474	1,473	1,418	1,499	1,500
Net Sales	33.62	33.25	*1.1*	32.06	*4.9*	119.04	125.88	142.71	164.55	187.12
EBITDA	8.26	10.89	*(24.2)*	8.98	*(8.1)*	36.75	39.55	39.93	47.29	53.03
APAT	4.92	6.26	*(21.4)*	5.78	*(14.8)*	15.70	23.12	23.27	25.80	28.09
AEPS (INR)	136.4	173.6	*(21.4)*	160.1	*(14.8)*	435.2	640.8	645.1	715.0	778.6
EV/EBITDA (x)						23.4	20.9	20.7	17.5	15.6
EV/MT (INR bn)						20.43	19.23	18.86	16.73	15.04
P/E (x)						56.8	38.6	38.3	34.6	31.7
RoE (%)						*13.9*	*16.4*	*14.4*	*14.2*	*13.8*

Source: Company, HSIE Research

Estimates revision summary

INR bn	Current Estimates			Old Estimates			Revisions (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Net Sales	142.71	164.55	187.12	137.45	155.50	176.81	*3.8*	*5.8*	*5.8*
EBITDA	39.93	47.29	53.03	41.13	48.28	54.11	*(2.9)*	*(2.0)*	*(2.0)*
APAT	23.27	25.80	28.09	23.92	27.17	29.24	*(2.7)*	*(5.0)*	*(3.9)*

Source: Company, HSIE Research

ADD

CMP *(as on 4 Feb 2022)*	**INR 24,724**
Target Price	**INR 26,600**
NIFTY	**17,516**

KEY CHANGES	**OLD**	**NEW**
Rating	REDUCE	ADD
Price Target	INR 27,100	INR 26,600
EBITDA revision %	FY22E *(2.9)*	FY23E *(2.0)*

KEY STOCK DATA	
Bloomberg code	SRCM IN
No. of Shares (mn)	36
MCap (INR bn) / ($ mn)	892/11,987
6m avg traded value (INR mn)	1,168
52 Week high / low	INR 32,050/23,500

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	(14.9)	(15.1)	(8.7)
Relative (%)	(12.4)	(22.9)	(24.5)

SHAREHOLDING PATTERN (%)	**Sep-21**	**Dec-21**
Promoters	62.55	62.55
FIs & Local MFs	10.11	10.50
FPIs	13.53	13.05
Public & Others	13.81	13.90
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

Rajesh Ravi
rajesh.ravi@hdfcsec.com
+91-22-6171-7352

Keshav Lahoti
keshav.lahoti@hdfcsec.com
+91-22-6171-7353

Siemens

Miss on margins

Siemens India Ltd (SIL) delivered Q1FY22 revenue of INR 32.4bn (beat of 4.4%), impacted marginally by COVID-19 and disruption in supply chain caused by global semi-conductor shortage. EBITDA/APAT missed the estimate by 11.3/10.9% respectively, on account of higher commodity prices and lower forex gains. Consequently, EBIT margins across all segments shrunk both sequentially and annually. On a YoY basis, all businesses saw growth, with mobility growing the maximum (50%). Overall, order inflow for the quarter was strong at INR 53bn, +65% YoY, taking the order book to an all-time high of INR 155.8bn. SIL won a large INR 9bn worth of Pune Metro Line 3 Corridor order for electrical and mechanical systems to be executed as part of a consortium, together with Siemens AG, Siemens Mobility GmbH, and Alstom Transport India Ltd. Given punchy valuations, we maintain REDUCE on SIL, with an increased TP of INR 2,120 (38x Dec-23 EPS; earlier INR 2,000, rollover to Dec-23). Key risks: earnings upsides on account of potential expansion in margin owing to (1) rise in digitalisation and new age technology, (2) increasing share of private sector in the order mix, (3) abating supply chain issue and (4) hardening of commodity prices.

- **Financial highlights:** Revenue: INR 32.4bn (+11.7/-19.0% YoY/QoQ, 4.4% beat). EBITDA: INR 3.3bn (-8.1/-22.6% YoY/QoQ, miss of 11.3%). EBITDA margin: 10.2% (-220/-47bps YoY/QoQ) vs estimate of 12.1%. Consequently, APAT came in at INR 2.5bn (-8.9/-24.1% YoY/QoQ, 10.9% miss). Whilst gross margin improved QoQ by 84bps, under absorption of overheads led to the EBITDA margin miss. Order inflow stood at INR 53bn (+57/+65% YoY/QoQ) and order backlog was at an all-time high of INR 155.8bn (+15% QoQ), driven by a large INR 9bn worth of Pune Metro Line 3 Corridor order for electrical and mechanical systems.
- **Segment-wise performance:** Gas & power (33% revenue contribution): revenue at INR 10.9bn (+7.1/-30.7% YoY/QoQ) and EBIT margin at 11.3% (-125/-188 bps YoY/QoQ). Smart infrastructure (30%): revenue at INR 9.9bn (+13/-21% YoY/QoQ) and margin at 6.2% (-135/-103bps YoY/QoQ). Mobility (8%): revenue at INR 2.8bn (+50.5/-0.2% YoY/QoQ) and margin at 8.2% (-81.3/-104.6bps YoY/QoQ). Digital industries (24%): revenue at INR 7.9bn (+2.7/+0.9% YoY/QoQ) and margin at 8.42% (-200/+170bps YoY/QoQ). Portfolio of companies (4%): revenue at INR 1.3bn (+39/+5.5% YoY/QoQ) and margin at 2.3% (-303/-167bps YoY/QoQ). Gas & power and smart infrastructure were mainly responsible for the quarterly underperformance.

Standalone Financial summary

(INR mn, Sep YE)	Q1FY22	Q1FY21	*YoY (%)*	Q4FY21	*QoQ (%)*	FY21	FY22E	FY23E	FY24E
Net Revenues	32,399	29,011	11.7	39,997	(19.0)	129,631	154,697	184,407	211,789
EBITDA	3,319	3,611	(8.1)	4,287	(22.6)	145,94	19,868	24,949	29,427
APAT	2,453	2,692	(8.9)	3,230	(24.1)	106,27	14,841	19073	22,265
Diluted EPS (INR)	6.9	7.6	(8.9)	9.1	(24.1)	29.8	41.7	53.6	62.5
P/E (x)						81.2	58.1	45.2	38.8
EV / EBITDA (x)						55.6	40.5	32.1	26.8
RoE (%)						10.7	13.6	15.7	16.2

Source: Company, HSIE Research

REDUCE

CMP *(as on 4 Feb 2022)*	INR 2,416
Target Price	INR 2,120
NIFTY	17,516

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 2,000	INR 2,120

EPS change %	FY22E	FY23E	FY24E
	-	-	-

KEY STOCK DATA	
Bloomberg code	SIEM IN
No. of Shares (mn)	356
MCap (INR bn) / ($ mn)	860/11,562
6m avg traded value (INR mn)	1,050
52 Week high / low	INR 2,577/1,718

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	4.8	18.2	30.6
Relative (%)	7.2	10.5	14.9

SHAREHOLDING PATTERN (%)	Sep-21	Dec-21
Promoters	75.00	75.00
FIs & Local MFs	9.92	9.67
FPIs	5.21	5.40
Public & Others	9.87	9.93
Pledged Shares	-	-

Source : BSE

Parikshit D Kandpal, CFA
parikshitd.kandpal@hdfcsec.com
+91-22-6171-7317

Manoj Rawat
manoj.rawat@hdfcsec.com
+91-22-6171-7358

Nikhil Kanodia
nikhil.kanodia@hdfcsec.com
+91-22-6171-7335

Alkem Labs

Decent quarter; outlook upbeat

Alkem's Q3 revenue/EBITDA beat our estimates by 2%/18%, led by good growth in India and international markets. It expects to outperform the IPM in the medium term. Despite heightened price pressure in the quarter, it remains confident of achieving double-digit growth in the US from FY23. Though the company has guided for a potentially subdued Q4 (2-3% margin impact due to higher API prices), we believe the near-term headwinds are transitory and remain confident on company's execution capabilities over the medium term. We raise our EPS estimates by 9%/4% for FY22/23e to factor in the Q3 beat and lower taxes and arrive at a TP of INR 4,200/sh, based on 24x Sep-23e EPS. Maintain BUY.

- **Revenue broadly in line, EBITDA beat:** Revenue grew INR26bn (+13% YoY) as robust growth in India (+20% YoY) and RoW markets (+25% YoY, Australia, Chile, Philippines and Kazakhstan) offset subdued performance in the US (-7% YoY, -6% QoQ). EBITDA margin moderated to ~19% (-327bps QoQ), primarily due to lower gross margin (-29bps QoQ, cost inflation) and higher other expenses (+215bps QoQ, normalisation of marketing spends).
- **India business going strong; outperformance to continue:** India business grew by 20% YoY to INR18bn. This was driven by strong volume growth in key therapies (especially in the acute segment). The company also outperformed the market in key chronic therapies, while its trade Gx business (~20% share in India business) continues to outperform its Rx business. Alkem expects IPM to grow at ~8-9% in FY23 and remains confident of outperforming the market in the medium term.
- **US business faces heightened pressure:** Revenue declined ~6% QoQ to ~USD77mn due to market share loss in some products and elevated price erosion on the base business. Alkem aims to file 12-15 ANDAs annually, which will aid the company in achieving its intended target of double-digit growth in the medium term. In the long term, it aspires to change its product mix from simple generics to a higher share of more complex ones in an attempt to derisk the portfolio from the highly competitive generic space.
- **Con call takeaways:** (a) India – aims to take chronic contribution from 15% to 21-22% by FY24-25; (b) Biosimilars – agreement with Theramex for Tocilizumab in the EU, the UK, Switzerland and AU; with filing expected in 2024-25 and commercialisation in 2026, this business might require a further ~INR1bn investment before it starts generating positive returns; (c) Guidance – GM: ~59-60% in Q4FY22, R&D: ~6% of sales, EBITDA margin: ~20% in FY22, ETR: ~4% in FY22, 10-12% in FY23; Capex: INR4-4.5bn in FY23, INR4.5-5bn in FY24; (d) Indore plant: awaiting PAI by the FDA.

Financial summary

YE Mar (INR mn)	3Q FY22	3Q FY21	YoY (%)	2Q FY22	QoQ (%)	FY21	FY22E	FY23E	FY24E
Net Sales	26,190	23,181	*13.0*	28,000	*(6.5)*	88,650	1,06,789	1,18,151	1,34,249
EBITDA	4,985	5,291	*(5.8)*	6,244	*(20.2)*	20,224	21,736	23,936	28,528
EBITDA Margin	19.0	22.8	*-379bps*	22.3	*-327bps*	22.8	20.4	20.3	21.3
APAT	5,257	4,159	*26.4*	5,443	*(3.4)*	16,299	18,871	19,335	22,503
Adj. EPS (INR)	44.0	34.8	*26.4*	45.5	*(3.4)*	136.3	157.8	161.7	188.2
P/E (x)						25.8	22.3	21.7	18.7
EV/ EBITDA (x)						21.6	19.8	17.6	14.4
RoCE (%)						19.8	19.9	18.2	18.8

Source: Company, HSIE Research

BUY

CMP *(as on 4 Feb 2022)*	**INR 3,514**
Target Price	**INR 4,200**
NIFTY	**17,516**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR 4,110	INR 4,200
	FY23E	FY24E
EPS %	+4%	-

KEY STOCK DATA	
Bloomberg code	ALKEM IN
No. of Shares (mn)	120
MCap (INR bn) / ($ mn)	420/5,646
6m avg traded value (INR mn)	597
52 Week high / low	INR 4,070/2,540

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	(3.7)	3.4	18.0
Relative (%)	(1.2)	(4.4)	2.3

SHAREHOLDING PATTERN (%)	**Dec-21**	**Sep-21**
Promoters	57.13	58.84
FIs & Local MFs	13.94	13.99
FPIs	5.40	5.33
Public & Others	23.53	21.84
Pledged Shares	0.00	0.00

Source : BSE

Karan Vora
karan.vora@hdfcsec.com
+91-22-6171-7359

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INSTITUTIONAL RESEARCH

Godrej Properties

Subdued presales

Godrej Properties Ltd (GPL) reported muted presales of 2.2msf (-7.5%/-38.7% YoY/QoQ), valued at INR 15.4bn (+3.6%/-40% YoY/QoQ), with launch of three new projects/phases contributing INR 6.2bn to sales. Delay in regulatory approvals led to planned launch slipping to Q4FY22. GPL has revisited its earlier decision of entering a 50:50 partnership with DB Realty (DB) and forming an SPV to undertake slum rehabilitation and MHADA redevelopment projects in MMR, for an investment of INR 7bn, with likely presales potential of INR 150bn. Given concerns raised by various stakeholders, analysts, and minority investors on this arrangement, GPL has decided not to proceed with this investment in DB or associated platform, whilst keeping options open for projects with DB on a case-to-case basis. We believe this may assuage investor concerns to a large extent. We maintain REDUCE with an SOTP valuation of INR 1,800.

- **Financial highlights:** Revenue came in at INR 2.8bn (+64%/+2.2x YoY/QoQ a beat of 2x. EBITDA: INR (51) mn (vs INR (543) mn/(562) mn YoY/QoQ, INR (471) mn est.). Other income: INR 1.9bn (+33.6%/-8.2% YoY/QoQ). RPAT/APAT was at INR 390mn (+2.7x/+9% YoY/QoQ, 16% beat). GPL has taken price hikes across projects to hedge the increased construction cost. Net debt was at INR 3.1bn (INR 160mn in Sep-21).
- **Strong launch pipeline for Q4FY22:** Premium projects launch timeline: GPL expects to launch Ashok Vihar and Wadala project by Q4FY22/Q1FY23, Worli project in FY23, and Bandra project in FY24. The company has guided for the highest-ever quarterly presales booking for Q4FY22 (Q4FY21 – INR 26.3bn) and it has already launched three projects in Pune, one in Bengaluru, two in NCR and one in Kolkatta. GPL maintained its FY23 presales guidance of INR 100bn.
- **New strategic partnership with DB Realty in abeyance:** GPL had earlier announced investment in DB Realty and a joint SPV platform for slum rehabilitation and MHADA redevelopment projects in MMR with a sales potential of INR 150bn. The total investment in the SPV was earmarked at INR 6bn (INR 3bn in SPV and INR 4bn as warrants in DB for a 10% stake, of which INR 3bn was to be invested in the JV by DB). GPL expected to leverage from the complementary skills, handing over business development and site clearances to DB while taking responsibility for construction and marketing of the project. However, given concerns raised by shareholders, it decided not to proceed with any financial investment in the platform.

Consolidated financial summary (INR mn)

YE March (INR mn)	Q3FY22	Q3FY21	YoY (%)	Q2FY22	QoQ (%)	FY21	FY22E	FY23E	FY24E
Net Sales	2,788	1,705	64	1,293	116	7,649	12,552	15,690	17,259
EBITDA	(51)	(543)	(91)	(562)	(91)	-3,336	627	2,381	3,248
APAT	390	146	168	357	9	393	4,568	7,443	7,918
Diluted EPS (INR)	1.4	0.5	167.7	1.3	9.0	1.4	16.4	26.8	28.5
P/E (x)						1,065.3	91.7	56.3	52.9
EV / EBITDA (x)						(125.9)	679.3	179.2	125.2
RoE (%)						0.6	5.3	8.0	7.8

Consolidated estimate change summary (INR mn)

Particulars (INR mn)	FY22E			FY23E			FY24E		
	New	Old	*Chg. (%)*	New	Old	*Chg. (%)*	New	Old	*Chg. (%)*
Revenues	12,552	15,504	(19)	15,690	20,536	(24)	17,259	19,501	(11)
EBITDA	627	1,666	(62)	2,381	6,010	(60)	3,248	6,098	(47)
EBITDA margin (%)	5.0	10.7	(576)	15.2	29.3	(1409)	18.8	31.3	(1245)
APAT	4,568	4,984	(8.4)	7,443	8,861	(16.0)	7,918	9,636	(17.8)

Source: Company, HSIE Research

REDUCE

CMP *(as on 4 Feb 2022)*	INR 1,507
Target Price	INR 1,800
NIFTY	17,516

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 1,800	INR 1,800
EPS Change %	FY22E -8.4 / FY23E -16.0	FY24E -17.8

KEY STOCK DATA

Bloomberg code	GPL IN
No. of Shares (mn)	278
MCap (INR bn) / ($ mn)	419/5,629
6m avg traded value (INR mn)	3,247
52 Week high / low	INR 2,598/1,200

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(38.0)	(8.0)	12.4
Relative (%)	(35.5)	(15.7)	(3.4)

SHAREHOLDING PATTERN (%)

	Sep-21	Dec-21
Promoters	58.43	58.43
FIs & Local MFs	4.33	4.08
FPIs	30.02	29.85
Public & Others	7.22	7.64
Pledged Shares	-	-

Source: BSE

Parikshit D Kandpal, CFA
parikshitd.kandpal@hdfcsec.com
+91-22-6171-7317

Manoj Rawat
manoj.rawat@hdfcsec.com
+91-22-6171-7358

Nikhil Kanodia
nikhil.kanodia@hdfcsec.com
+91-22-6171-7335

Lupin

Not out of the woods yet !

Lupin's Q3 revenue/EBITDA missed our estimates by 1%/22%, primarily due to pressure on gross margin and higher R&D spends. Adj. EBITDA margin dipped to 12.7% (-80bps QoQ, -595bps YoY), the lowest in the past seven quarters. After revising its margin guidance (in Q2), down from 17-18% to 16%+ for H2FY22, Lupin has now again revised it downward to ~14% for the next 2-3 quarters, despite savings in specialty burn (Solosec write-off). While material opportunities like gSpiriva, gSuprep, Peg-F (US) and gFostair (UK) in its complex pipeline are expected to fuel growth in the medium term, its ability to generate significant operating leverage remains elusive. We cut our FY23/24 estimates by 23%/4% to factor in the revised outlook and revise our TP to INR765/sh, based on 20x Sep-23e (vs 21x Sep-23e earlier). Downgrade to SELL.

- **In-line revenue; margin miss:** Revenue grew by ~4% to INR41bn as good growth in the US (+7% YoY, +10% QoQ) and India (+8% YoY) offset subdued performance in the API (-25% YoY, lack of demand for cephalosporins) and RoW business (-6% YoY). Adj. EBITDA margin came at 12.7% (-80bps QoQ), as lower gross margin (-87bps QoQ, input costs, product and region mix) and higher R&D spends (+44bps QoQ, included some one-offs) were partially offset by savings in staff cost (-41bps QoQ, specialty restructuring in US). Reported profit of INR5.5bn came on account of tax write-back of INR5.2bn, due to a negative bottomline over 9mFY22.
- **US business resilient, pipeline holds promise:** US revenue rose to ~USD202mn (+10% QoQ) on account of a steady ramp-up of Albuterol (reached ~20% share), despite price erosion in the base business and a weak flu season. Lupin achieved its Q1 guidance to reach a quarterly run-rate of USD200mn from Q3 - sustenance will be the key now. Key products like Albuterol and Brovana AG and new product pipeline with gSpiriva (litigation settled, USD1bn market), gSuprep (FTF, USD200mn, Sep-23), and Pegfilgrastim provide decent growth visibility in the near to medium term.
- **Con call takeaways:** (a) Guidance - EBITDA margin: ~14% over the next 2-3 quarters, 20%+ by FY24, ETR: ~30-32% for FY23, Capex: INR5-6bn normal run-rate; (b) EU – **gFostair**: good progress in contracting with physicians, COVID impact on volume uptick to ease with the UK opening up; (c) US pipeline – aims to launch gSuprep, gSpiriva (TAD date in Aug) and Peg-F in H2FY23; Dulera: aims to respond to the CRL in ~2 months and expects to obtain an approval in FY23; gRevlimid: launch expected in FY25; Injectables: ~7-8 products filed, on track to file ~6 medium complexity products; (d) looking to spin off NCE entity over the coming quarters; (e) Plants - Pithampur and Tarapur: inspection to commence in a few months, Goa: aims to launch ~7 products in FY23, ~20 products pending in total.

Financial summary

	Q3 FY22	Q3 FY21	YoY (%)	Q2 FY21	QoQ (%)	FY21	FY22E	FY23E	FY24E
Net Sales	41,210	39,474	4.4	40,413	2.0	1,50,869	1,60,584	1,70,653	1,89,855
EBITDA	5,240	7,367	-28.9	5,463	-4.1	24,908	21,644	27,372	37,280
EBITDA Margin	12.7	18.7	-595 bps	13.5	-80 bps	16.5	13.5	16.0	19.6
APAT	7,190	3,963	81.4	2,580	178.7	11,405	13,141	13,572	21,185
Adj. EPS (INR)	15.8	8.7	81.2	5.7	178.7	25.1	28.9	29.9	46.7
P/E (x)						34.8	30.1	29.2	18.7
EV/ EBITDA (x)						17.2	20.2	15.7	11.2
RoCE (%)						6.8	9.7	8.6	12.2

Source: Company, HSIE Research

SELL

CMP *(as on 4 Feb 2022)*	INR 872
Target Price	INR 765
NIFTY	17,516

KEY CHANGES	OLD	NEW
Rating	REDUCE	SELL
Price Target	INR 915	INR 765
	FY23E	FY24E
EPS %	-23%	-4%

KEY STOCK DATA	
Bloomberg code	LPC IN
No. of Shares (mn)	454
MCap (INR bn) / ($ mn)	396/5,326
6m avg traded value (INR mn)	1,565
52 Week high / low	INR 1,268/854

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(6.6)	(24.3)	(17.0)
Relative (%)	(4.2)	(32.1)	(32.8)

SHAREHOLDING PATTERN (%)	Dec-21	Sep-21
Promoters	46.81	46.83
FIs & Local MFs	24.83	24.47
FPIs	15.28	15.66
Public & Others	13.08	13.04
Pledged Shares	0.00	0.00

Source : BSE

Karan Vora
karan.vora@hdfcsec.com
+91-22-6171-7359

Torrent Power

Merchant sale, lower losses, LNG trade uplift PAT

Torrent Power (TPW) reported strong Q3FY22 result, surpassing consensus estimate. Consolidated revenue increased 27.6% YoY to INR 37.7bn, largely led by higher merchant sales, lower T&D losses, and gain from sale of LNG. This led to EBITDA rising 7.3% YoY to INR9.3bn. Deleveraging and a fall in interest rates have led to lower interest expenses. PAT increased by 14.8% YoY to INR3.7bn, surpassing ours and consensus estimates. While PLF across its gas-based stations has declined due to rise in LNG prices, TPW has managed to maintain its PAF, ensuring recovery of fixed charges. We maintain our TP of INR555 as well as the REDUCE rating, since the stock, having risen steeply recently, is looking less attractive at the current CMP.

- **PAT above estimate:** In Q3FY22, TPW's merchant sales rose 37.5% YoY to 66 MUs and margin was better due to trading of LNG, compared to its conversion to electricity. This led to a net gain of INR850mn in the quarter. Revenue grew by 27.6% YoY to INR37.7bn. T&D losses in 9MFY22 also declined in Ahmedabad, Surat, Bhiwandi, Agra, and SMK to 3.4%/3.3%/12.3%/11.5%/40.9% from 5.8%/4.1%/ 19.1%/13.2%/41.1%, led by improved demand, consumer mix, and collections. EBITDA also increased 7.3% YoY to INR9.3bn on the back of lower T&D losses, which was partially offset by higher other expenses (due to major maintenance across station). Interest cost declined 17.4% YoY, given the deleveraging exercise and fall in interest rates. Accordingly, PAT increased by 14.8% YoY to INR3.7bn in Q3FY22, which was above ours and consensus estimate of INR3.3bn.
- **High module prices could delay pipeline project**: TPW has slightly delayed the execution of some of its pipeline projects (100MW - GUVNL & 300MW – TPLD) by 3-4 months, factoring in the steep rise in module prices, thus postponing the equipment ordering. The project level IRR could get hampered by a further delay or could lead to cancellation of these projects with a nominal penalty payment. However, management has been making bids for new projects based on high module prices. It expects to scale up its RES capacity to 5GW by FY25-26E, from 2GW now. TPW has a healthy net D/E of 0.6x, net debt/EBITDA of 1.8x, and a sustainable FCFE of ~INR10bn p.a. This gives it enough room to fund the new capacities.
- **Valuation less attractive**: We have maintained our estimate and SoTP target price of INR555. While increasing power demand (post pandemic), fall in T&D losses, healthy net D/E ratio, and sustainable FCFE place TPW among the best power utility companies, its stock price has seen a steep uptick in the recent month, factoring in these moats. At the CMP of INR580, the stock is trading at 2x FY24 P/BV and 14xFY24 P/E, which seems fairly valued. Hence, we retain our REDUCE rating on the stock.

Financial Summary

(INR mn, Dec YE)	3Q FY22	3Q FY21	*YoY (%)*	2Q FY22	*QoQ (%)*	FY22E	FY23E	FY24E
Net Revenues	37,674	29,528	*27.6*	36,476	3.3	1,29,170	1,37,139	1,41,936
EBITDA	9,340	8,703	*7.3*	9,383	*-0.5*	37,742	41,140	42,577
APAT	3,681	3,205	*14.8*	3,674	0.2	16,135	18,378	19,865
Diluted EPS (INR)	7.7	6.7	*14.8*	7.64	0.2	33.6	38.2	41.3
P/E (x)						17.3	15.2	14.0
P/BV (x)						2.5	2.3	2.0
RoE (%)						14.5	15.6	15.2

Source: Company, HSIE Research

REDUCE

CMP *(as on 4 Feb 2022)*	**INR 580**
Target Price	**INR 555**
NIFTY	**17,516**

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR555	INR555
	FY22E	FY23E
EPS Change %	-	-

KEY STOCK DATA	
Bloomberg code	TPW IN
No. of Shares (mn)	481
MCap (INR bn) / ($ mn)	279/3,748
6m avg traded value (INR mn)	606
52 Week high / low	INR 607/315

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	12.6	23.0	80.7
Relative (%)	15.0	15.2	64.9

SHAREHOLDING PATTERN (%)	Dec-21	Sep-21
Promoters	53.57	53.57
FIs & Local MFs	20.68	20.13
FPIs	6.86	7.33
Public & Others	18.89	18.97
Pledged Shares	-	-

Source : BSE

Anuj Upadhyay
anuj.upadhyay@hdfcsec.com
+91-22-6171-7356

Hinal Choudhary
hinal.choudhary@hdfcsec.com
+91-22-6171-7349

Brigade Enterprises

Strong performance

BRGD reported presales of 1.1msf (-29%/-17% YoY/QoQ), valued at INR 6.8bn (-26%/-18% YoY/QoQ). In retail segment, consumption recovered to 100% of pre-COVID level in Q3FY20. However, 15% of the tenants will still get COVID relief in Q4FY22, specifically the impacted sectors. BRGD expects to book 70-75% of pre-COVID rentals in FY22. Hospitality segment witnessed strong demand revival and became GOP positive, with occupancy at 59% in Q3FY22, which is the pre-COVID level vs 45% in Q2; the ARR touched 70% of the pre-COVID level. Given BEL's strong cash position of INR 13.1bn, strong business development pipeline, and healthy balance sheet, we remain constructive. We maintain ADD, with an unchanged TP of INR 530. We have cut our FY23/24 estimates to factor in higher input costs/interest/depreciation.

- **Financial highlights:** Revenue: INR 9.2bn (24% beat); real estate revenue at INR 7.1bn (+32%/+21.4% YoY/QoQ), hospitality at INR 635mn (+2.1x/+54% YoY/QoQ) and leasing at INR 1.6bn (+84%/+17%YoY/QoQ). EBITDA: INR 2.6bn (36% beat). RPAT/APAT was at INR 784mn (+5.6x/+3.2x YoY/QoQ). BRGD is guiding for a 6% price hike across projects in the next few months to counter higher commodities prices.
- **Residential sales strong; robust launch pipeline in coming quarters:** BRGD registered presales of 1.1msf (-29%/-17% YoY/QoQ), valued at INR 6.8bn (-26%/-18% YoY/QoQ), with Hyderabad and Chennai contribution 27% of the area sold and 36% of the value. The average realisation came at INR 6,281/sqft (+4%/-1% YoY/QoQ). BRGD has a strong launch pipeline, with 2.4msf expected in Q4FY22 and Q1FY23. BRGD is in the advanced stages of ~15msf of land bank tie-up planned for the next nine months - ~5 msf in Chennai, 1.5 msf in Hyderabad, and ~8.5msf in Bengaluru. The total capital requirement is INR 5bn, which shall be funded with a combination of QIP inflows, internal accruals, and external debt (if required).
- **Robust collections aid debt reduction: S**trong residential collections, at INR 8.4bn, helped reduce RE debt by INR 523mn to INR 2.9bn. Debt in hospitality/leasing segments stands at INR 6/32bn (-1.8%/+1.2% QoQ). The consolidated gross/net debt stands at INR 41bn/27.9bn (INR 41.3bn/29.6bn as at Sep-21). The average cost of borrowing has also come down to 7.81%, from 7.92% in Q2FY22.

Consolidated Financial Summary (INR mn)

YE March	Q3FY22	Q3FY21	YoY (%)	Q2FY22	QoQ (%)	FY21	FY22E	FY23E	FY24E
Net Sales	9,210	6,446	*42.9*	7,527	*22.4*	19,500	29,942	32,383	34,969
EBITDA	2,575	1,484	*73.5*	1,924	*33.9*	4,719	7,945	8,220	9,674
APAT	784	139	*464.6*	239	*228.6*	300	1,813	1,283	2,326
EPS (INR)	3.8	0.7	*464.6*	1.2	*228.6*	(2.2)	6.3	5.6	10.1
P/E (x)						(230)	80	91	50
EV/EBITDA (x)						31	19	19	16
RoE (%)						(2)	5	4	7

Consolidated Estimate Change Summary

Particulars (INR mn)	FY22E			FY23E			FY24E		
	New	Old	Chg.(%)	New	Old	Chg.(%)	New	Old	Chg.(%)
Revenues	29,942	26,759	11.9	32,383	31,910	1.5	34,969	37,351	(6.4)
EBIDTA	7,945	6,871	15.6	8,220	8,344	(1.5)	9,674	9,984	(3.1)
EBIDTA Margins (%)	26.5	25.7	86	25.4	26.2	(77)	27.7	26.7	93
APAT	1,813	693	161.8	1,283	1,375	(6.6)	2,326	2,696	(13.7)

Source: Company, HSIE Research

ADD

CMP *(as on 4 Feb 2022)*	INR 506
Target Price	INR 530
NIFTY	17,516

KEY CHANGES	OLD		NEW
Rating	ADD		ADD
Price Target	INR 530		INR 530
EPS Change %	FY22E	FY23E	FY24E
	+161.8	*-6.6*	*-13.7*

KEY STOCK DATA	
Bloomberg code	BRGD IN
No. of Shares (mn)	230
MCap (INR bn) / ($ mn)	116/1,565
6m avg traded value (INR mn)	370
52 Week high / low	INR 543/231

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	1.9	49.7	91.1
Relative (%)	4.3	41.9	75.3

SHAREHOLDING PATTERN (%)	Sep-21	Dec-21
Promoters	43.96	43.91
FIs & Local MFs	24.98	23.86
FPIs	13.08	13.93
Public & Others	17.98	18.30
Pledged Shares	-	-

Source: BSE

Pledged shares as % of total shares

Parikshit D Kandpal, CFA
parikshitd.kandpal@hdfcsec.com
+91-22-6171-7317

Manoj Rawat
manoj.rawat@hdfcsec.com
+91-22-6171-7358

Nikhil Kanodia
nikhil.kanodia@hdfcsec.com
+91-22-6171-7335

Birla Corporation

Weak retail demand and cost pressure hit profits

We maintain our BUY rating on Birla Corporation (BCORP), with a revised TP of INR 1,718/share (9x Dec-23E consolidated EBITDA). Poor demand and pricing mainly in the east along with rising fuel prices led to a consolidated decline of 6/2/39/64% YoY in volume/revenue/EBITDA/APAT. Demand picked up in Q4, also aiding cost-pass thorough capabilities. BCORP's 4mn MT integrated plant in Maharashtra will get operational by Mar-22E, thus raising its capacity to 20mn MT. We continue to like BCORP for its large retail presence in the lucrative north/central regions and various cost-cutting initiatives. We expect leverage ratio to cool off FY23E onwards on healthy cash flows and lower Capex outgo in the next two years. These should drive valuation rerating.

- **Q3FY22 performance:** Sales volume fell 6% YoY, owing to weak demand across its markets. Retail sales were hit the maximum (mostly in east), contracting the share of trade sales/blended cement 4/3pp QoQ to 75/88%. Even premium sales share contracted 4pp QoQ. However, NSR rose 1% QoQ on increased share of sales in northern region, as the east market saw sharper demand and price contraction in Q3. Higher fuel prices increased opex 4% QoQ. Thus, unitary EBITDA fell 17/36% QoQ/YoY to INR 637/MT.
- **Capex update and outlook**: The 3.9mn MT integrated plant at Mukutban (Maharashtra) is under trial runs in Q4FY22 (since Jan-22) and should start contributing FY23 onwards. With this, BCORP's capacity has increased to 20 mn MT. We expect ramp-up from this plant and lower Capex in medium term to moderate gearing over the next two years. We marginally trim our EBITDA estimates for FY22/23E 3/2%, factoring in fuel price inflation. We maintain our BUY rating on the stock with a revised TP of INR 1,718/sh (9x its Dec-23E consolidated EBITDA).

Quarterly/annual financial summary (consolidated)

YE Mar (INR bn)	Q3 FY22	Q3 FY21	*YoY (%)*	Q2 FY22	*QoQ (%)*	FY20	FY21	FY22E	FY23E	FY24E
Sales Vol (mn MT)	3.35	3.55	*(5.6)*	3.27	*2.4*	13.64	13.39	14.09	16.72	18.02
NSR (INR/MT)	4,934	4,770	*3.4*	4,878	*1.2*	4,819	4,848	4,935	5,020	5,115
EBITDA(INR/MT)	637	998	*(36.2)*	762	*(16.5)*	962	1,007	849	934	1,020
Net Sales	17.50	17.77	*(1.5)*	16.98	*3.1*	69.16	67.85	73.60	88.76	97.17
EBITDA	2.22	3.62	*(38.6)*	2.67	*(16.8)*	13.36	13.70	12.56	16.10	18.88
APAT	0.53	1.49	*(64.2)*	0.86	*(37.5)*	5.05	6.89	4.43	5.24	7.12
AEPS (INR)	6.9	19.4	*(64.2)*	11.1	*(37.5)*	65.6	89.5	57.5	68.0	92.4
EV/EBITDA (x)						10.4	10.1	11.5	8.8	7.3
EV/MT (INR bn)						8.86	8.85	7.36	7.00	6.82
P/E (x)						20.5	15.0	23.4	19.8	14.6
RoE (%)						*13.2*	*15.9*	*8.4*	*8.6*	*10.9*

Source: Company, HSIE Research

Estimates revision summary

INR bn	Current Estimates			Old Estimates			Revisions (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Net Sales	73.60	88.76	97.17	68.63	82.73	91.93	*7.2*	*7.3*	*5.7*
EBITDA	12.56	16.10	18.88	12.98	16.47	18.89	*(3.2)*	*(2.3)*	*(0.0)*
APAT	4.43	5.24	7.12	3.75	5.26	7.24	*18.1*	*(0.3)*	*(1.7)*

Source: Company, HSIE Research

BUY

CMP *(as on 4 Feb 2022)*	**INR 1,346**
Target Price	**INR 1,718**
NIFTY	**17,516**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR 1,607	INR 1,718
EBITDA revision %	FY22E *(3.2)*	FY23E *(2.3)*

KEY STOCK DATA	
Bloomberg code	BCORP IN
No. of Shares (mn)	77
MCap (INR bn) / ($ mn)	104/1,393
6m avg traded value (INR mn)	206
52 Week high / low	INR 1,650/752

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	(12.8)	(1.4)	64.1
Relative (%)	(10.3)	(9.1)	48.3

SHAREHOLDING PATTERN (%)	**Sep-21**	**Dec-21**
Promoters	62.90	62.90
FIs & Local MFs	13.76	15.35
FPIs	3.96	3.68
Public & Others	19.38	18.07
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

Rajesh Ravi
rajesh.ravi@hdfcsec.com
+91-22-6171-7352

Keshav Lahoti
keshav.lahoti@hdfcsec.com
+91-22-6171-7353

V-Guard Industries

Beat on revenue; margin sees a sharp dip

V-Guard delivered a beat on revenue, but its EBITDA margin saw a sharp decline, resulting in lower-than-expected EBITDA. Revenue grew by 16% YoY (HSIE 12%), with the two-year CAGR at 24%. Volume grew 11% YoY for 9MFY22. Electronics, electrical, and consumer durables segments were up -4/19/28% YoY. South and non-south delivered 15/18% YoY growth. The key highlight of the quarter was a miss in EBITDA margin despite an in-line gross margin. EBITDA declined 26% vs. the expectation of an 8% decline. Higher overhead cost and unfavorable mix resulted in weaker margin. As summer approaches, expectations for cooling products and their derivatives (stabilizer for V-Guard) are high, after the washout of the previous two summers. All eyes are on the upcoming season's demand traction, with the possibility of some seasonal benefits shifting from Q4 to Q1. Seasonal product traction will determine margin recovery. We reduce our FY22/23/24 EPS estimates by 9/3/3%. We value V-Guard at 35x PE on FY24 EPS to derive a target price of INR 275. Maintain ADD.

- **Positive surprise on revenue growth:** Net revenue grew by 16% YoY (+32% in Q3FY21 and +46% in Q2FY22, 12% HSIE). Electronics (stabilizer, UPS, etc.), electrical (wires, pump, etc.), and consumer durables (fan, water heater, KEA, etc.) registered -4/+19/+28% YoY growth (+35/+31/+31% YoY in Q3FY21). The south region grew 15% YoY (20%, a two-year CAGR) while the non-south region registered 18% YoY growth (30%, a two-year CAGR). South: non-south mix was at 58:42 vs. 59:41 in Q3FY21.
- **Miss on margin:** Gross margin contracted 201bps YoY (-55bps in Q3FY21, -64bps in Q2FY22), broadly in line with our expectation of a 215bps contraction. A&P expenses (excl. schemes), as a percentage of revenue, stood at 1.8% vs. 0.9% YoY. Employee costs were up by 20% YoY (+7% in Q3FY21, +41% in Q2FY22). EBITDA margin was down by 494bps YoY (+424bps in Q3FY21, -163bps in Q2FY22) to 8.8%. EBITDA declined 26%, a miss on our expectations (HSIE -8%). EBIT margin for the electronics, electricals and consumer durable segment contracted by 763/88/718bps YoY (+880/+110/+440bps in Q3FY21) to 17/8/3%. APAT was at INR 525mn.
- **Con call takeaways:** (1) Hubli and east have seen a sales slowdown, albeit on a high base. (2) The company expects to get back to 2x GDP growth rates from FY23. (3) V-Guard expects margin to recover due to the curb on hyper-inflation, price hikes by peers, and normalisation of factory startup costs. (4) Pumps were not impacted as the company has negligible exposure to agri pumps, and has large residential pumps. (5) Planned Capex for FY23 is INR 700mn. (6) The share of inhouse manufacturing is at 55%, but it is increasing. (7) A&P should get back to 2.5% to 3% from FY23.

Quarterly/annual financial summary

YE Mar (INR mn)	Q3 FY22	Q3 FY21	YoY (%)	Q2 FY22	QoQ (%)	FY21	FY22E	FY23E	FY24E
Net Sales	9,607	8,274	16.1	9,030	6.4	26,990	34,250	38,465	42,848
EBITDA	844	1,136	(25.7)	936	(9.8)	3,065	3,489	4,212	4,881
APAT	525	770	(31.8)	591	(11.1)	1,970	2,264	2,966	3,508
Diluted EPS (INR)	1.22	1.79	(31.8)	1.38	(11.1)	4.58	5.26	6.90	8.15
P/E (x)						47.0	40.9	31.2	26.4
EV / EBITDA (x)						29.9	25.3	20.7	17.5
RoCE (%)						18.1	20.6	27.6	30.2

Source: Company, HSIE Research

ADD

CMP *(as on 4 Feb 2022)*	INR 215
Target Price	INR 275
NIFTY	17,516

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 285	INR 275
	FY22E	FY23E
EPS %	9%	3%

KEY STOCK DATA	
Bloomberg code	VGRD IN
No. of Shares (mn)	431
MCap (INR bn) / ($ mn)	93/1,245
6m avg traded value (INR mn)	159
52 Week high / low	INR 285/211

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(18.0)	(13.4)	(14.8)
Relative (%)	(15.6)	(21.2)	(30.6)

SHAREHOLDING PATTERN (%)	Sep-21	Dec-21
Promoters	56.05	55.96
FIs & Local MFs	15.64	15.99
FPIs	14.29	14.32
Public & Others	14.02	13.73
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

Naveen Trivedi
naveen.trivedi@hdfcsec.com
+91-22-6171-7324

Saras Singh
saras.singh@hdfcsec.com
+91-22-6171-7336

HG Infra

Marginal miss

HG Infra (HG) reported revenue/EBITDA/APAT of INR 9.2/1.5/0.9bn, a miss of 3.6/6/6.7%. The order book (OB) stands at INR 79.5bn (~3.15x FY21 revenue). With 9MFYTD revenue of INR 25.8bn and INR 10bn expected in Q4FY22, HG will most likely surpass its FY22 revenue guidance of INR 34bn. 9MFYTD order inflow stood at INR 43.2bn. The appointed date of five HAM projects are expected in H1FY23, with an in-principle financial closure already in place. The net debt remained flat at INR 1.6bn (similar level as in Sep-21). HG has pushed back monetisation of three HAM projects (COD by Q4FY22), from Jun-22 to Mar-23, in order to get a better valuation. Given robust order inflows and strong execution, we increase our EPS estimate. We maintain BUY with an increased SOTP-based TP of INR 988 (14x Dec-23E EPS, HAM 1x P/BV).

- **Financial highlights:** HG reported revenue of INR 9.2bn (+25%/+22% YoY/QoQ, 3.6% miss). EBITDA came in at INR 1.5bn (+23/+19% YoY/QoQ, 6% miss). Due to higher commodity prices, especially cement and steel, EBITDA margin came in at 15.9% (-22bps/-39bps YoY/QoQ, vs our est. of 16.3%). RPAT/APAT was INR 889mn (+35.6%/+27.3% YoY/QoQ, 6.7% miss). HG is confident of crossing its FY22 revenue/EBITDA guidance of INR 34bn/5.5bn.
- **Strong OB; focus on expanding HAM portfolio:** The OB stood at INR 79.5bn at the end of Dec-21 (inclusion of one EPC order received in Jan-22 would take the OB to INR 87.9bn). FY22 order inflow guidance of INR 50-60bn seems achievable, with 9MFYTD inflows at INR 43.2bn. HG has a bid pipeline of INR 260bn. It expects some of the bids for railway and water-supply projects submitted earlier to fructify in the near future. The appointed date (AD) for all five new HAMs is expected to be received in H1FY23. HG is evaluating order bookings from existing clients IRB and Adani, which may result in INR 20bn EPC order from each.
- **Balance sheet comfortable:** The standalone net debt remained flat at INR 1.6bn (similar level as in Sep-21). In nine HAM projects, equity invested until date stands at INR 2.9bn, of the total INR 12.6bn required by mid-FY25 and the pending equity requirement is INR 7.5bn (Q4FY22/FY23/24/24 – INR 1.3/3.6/2.1/0.5bn). HG expects to add INR 30bn/15bn of HAM/EPC projects, and another INR 10bn in new segments in its portfolio in FY23. HAM monetisation plans have been pushed to FY23, as HG believes that it is a buyers-market and, with increase in interest rate, it may get better valuation.

Standalone financial summary – INR mn

YE March	Q3FY22	Q3FY21	YoY (%)	Q2FY22	QoQ (%)	FY21	FY22E	FY23E	FY24E
Net Sales	9,156	7,343	*24.7*	7,496	*22.1*	25,275	35,932	41,142	46,285
EBITDA	1,452	1,181	*22.9*	1,218	*19.2*	4,107	5,710	6,313	7,021
APAT	889	655	*35.6*	698	*27.3*	2,110	3,405	3,604	3,965
EPS (INR)	13.6	10.1	*35.6*	10.7	*27.3*	32.4	52.3	55.3	60.8
P/E (x)						19.5	12.1	11.4	10.4
EV/EBITDA (x)						10.4	7.5	7.2	6.4
RoE (%)						22.8	28.3	23.2	20.5

Standalone Estimate Change Summary

Particulars (INR mn)	FY22E			FY23E			FY24E		
	New	Old	% Chg	New	Old	% Chg	New	Old	% Chg
Revenues	35,932	33,502	7.3	41,142	37,949	8.4	46,285	42,579	8.7
EBIDTA	5,710	5,285	8.0	6,313	6,045	4.4	7,021	6,606	6.3
EBIDTA Margins (%)	15.9	15.8	0.7	15.3	15.9	(3.7)	15.2	15.5	(2.2)
APAT	3,405	3,058	11.4	3,604	3,439	4.8	3,965	3,728	6.3

Source: Company, HSIE Research, Standalone financials

BUY

CMP *(as on 4 Feb 2022)*	INR 630
Target Price	INR 988
NIFTY	17,516

KEY CHANGES	OLD		NEW
Rating	BUY		BUY
Price Target	INR 936		INR 988
EPS Change %	FY22E	FY23E	FY24E
	+11.4	*+4.8*	*+6.3*

KEY STOCK DATA	
Bloomberg code	HGINFRA
No. of Shares (mn)	65
MCap (INR bn) / ($ mn)	41/552
6m avg traded value (INR mn)	133
52 Week high / low	INR 831/252

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(19.8)	6.6	125.3
Relative (%)	(17.3)	(1.2)	109.5

SHAREHOLDING PATTERN (%)	Sep-21	Dec-21
Promoters	74.53	74.53
FIs & Local MFs	14.64	13.93
FPIs	2.16	1.26
Public & Others	8.67	10.28
Pledged Shares	-	-

Source: BSE

Parikshit D Kandpal, CFA
parikshitd.kandpal@hdfcsec.com
+91-22-6171-7317

Manoj Rawat
manoj.rawat@hdfcsec.com
+91-22-6171-7358

Nikhil Kandodia
nikhil.kandodia@hdfcsec.com
+91-22-6171-7335

Somany Ceramics

Strong performance and outlook

We maintain BUY on Somany Ceramics with an unchanged target price of INR 1,130/share (13x Dec-23E consolidated EBITDA). We continue to like SOMC for its strong retail distribution, improving product mix, and tightened working capital (WC). In Q3, Somany reported 19% YoY consolidated revenue growth, driven by similar growth across both tiles and bathware businesses. However, EBITDA fell 2% YoY, owing to the elevated gas price impact. The company continues to keep a tight leash on its debtors. Timely capacity expansion in Q4FY22 should bolster its volume and market share growth.

- **Tiles volumes rose 5% YoY:** Tiles sales volume declined 4% QoQ to 15.58 MSM, thus restricting YoY growth to +5%. This YoY volume growth is led by acceleration in outsourced sales, as own capacities are already operating at near-peak utilisation (95% vs 97% YoY). Somany noted that despite demand, it could not source PVT tiles in Morbi (owing to elevated gas price), which impacted its Q3 revenue to the extent of ~5%.
- **Margin hit on sharp gas price increase**: Tiles NSR rose 7% QoQ (+14% YoY), riding on price hikes taken in the quarter to pass on the gas price inflation. However, the company highlighted that it could only pass on ~80-85% of the total inflation (amid spike in gas prices), leading to consolidated EBITDAM compressing by ~220/155bps YoY/QoQ to 10.6%. Gas prices increased ~10% QoQ across Somany's north and south plants, while its plants in Gujarat saw ~50% gas price spike QoQ. Thus, consolidated EBITDA fell 2% YoY to INR 624mn. Despite lower EBITDA, APAT rose 14% YoY on higher other income and lower interest outgo.
- **Bathware segment**: This segment reported 20% YoY revenue growth, maintaining 11% share in the total revenue. The Bath-fittings plant operated at 102% (vs 98% YoY) while the Sanitaryware plant operated at 48% (vs 57% YoY). Overall, bathware revenue growth was led by strong price increase.
- **Capex and outlook**: Somany's ~12MSM tiles capacity expansion (~INR 2.5bn in Capex) across the north, west and south will be commissioned in Q4FY22. It is also setting up another 4MSM slab/large tiles plant in Gujarat (Capex INR 1.7bn) by Q1FY24. It expects to increase GVT share (in the sales mix) to >35%, post the ramp-up of these capacities, from 29% currently. Somany's bathware capacity can be doubled at marginal Capex of ~INR 30-40mn. These expansions should boost its volume growth and market share gain. While gas prices are expected to rise sequentially in Q4, healthy demand would help cost pass-through, in our view. We maintain our estimates and BUY rating on the company, with an unchanged TP of INR 1,130/sh.

Consolidated financial summary

YE Mar (INR mn)	Q3 FY22	Q3 FY21	YoY %	Q2 FY22	QoQ %	FY20	FY21	FY22E	FY23E	FY24E
Net Sales	5,870	4,925	*19.2*	5,607	*4.7*	16,101	16,505	21,920	25,798	28,652
EBITDA	624	633	*(1.5)*	682	*(8.6)*	1,314	1,908	2,371	3,436	4,073
EBITDAM (%)	*10.6*	*12.9*		*12.2*		*8.2*	*11.6*	*10.8*	*13.3*	*14.2*
APAT	322	282	*14.0*	350	*(8.0)*	412	761	1,075	1,661	2,064
AEPS (Rs)	7.6	6.7	*14.0*	8.2	*(8.0)*	9.7	18.0	25.4	39.2	48.7
EV/EBITDA (x)						32.3	20.9	17.5	12.4	10.4
P/E (x)						89.1	48.2	34.2	22.1	17.8
RoE (%)						*5.9*	*10.5*	*13.4*	*17.9*	*18.8*

Source: Company, HSIE Research

BUY

CMP *(as on 3 Feb 2022)*	**INR 865**
Target Price	**INR 1,130**
NIFTY	**17,560**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR 1,130	INR 1,130
EBITDA revision %	FY22E *(2.0)*	FY23E *(0.1)*

KEY STOCK DATA	
Bloomberg code	SOMC IN
No. of Shares (mn)	42
MCap (INR bn) / ($ mn)	37/493
6m avg traded value (INR mn)	31
52 Week high / low	INR 970/366

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	9.5	19.4	108.0
Relative (%)	11.2	10.2	91.0

SHAREHOLDING PATTERN (%)	**Sep-21**	**Dec-21**
Promoters	54.77	54.77
FIs & Local MFs	19.75	20.04
FPIs	2.85	2.48
Public & Others	22.63	22.71
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

Rajesh Ravi
rajesh.ravi@hdfcsec.com
+91-22-6171-7352

Keshav Lahoti
keshav.lahoti@hdfcsec.com
+91-22-6171-7353

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
Rajesh Ravi	Shree Cement, Birla Corporation, Somany Ceramics	MBA	NO
Keshav Lahoti	Shree Cement, Birla Corporation, Somany Ceramics	CA	NO
Parikshit Kandpal	Siemens, Godrej Properties, Brigade Enterprises, HG Infra	CFA	NO
Manoj Rawat	Siemens, Godrej Properties, Brigade Enterprises, HG Infra	MBA	NO
Nikhil Kanodia	Siemens, Godrej Properties, Brigade Enterprises, HG Infra	MBA	NO
Karan Vora	Alkem Labs, Lupin	CA	NO
Anuj Upadhyay	Torrent Power	MBA	NO
Hinal Choudhary	Torrent Power	CA	NO
Naveen Trivedi	V-Guard Industries	MBA	NO
Saras Singh	V-Guard Industries	PGDM	NO

Disclosure:

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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066 Compliance Officer: Binkle R. Oza Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

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HDFC securities
Institutional Equities
Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,
Senapati Bapat Marg, Lower Parel, Mumbai - 400 013
Board: +91-22-6171-7330 www.hdfcsec.com