INSTITUTIONAL RESEARCH

HSIE Results Daily

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Results Reviews

- **NTPC:** Generation/sales increased 3.0%/2.4% YoY to 79.9/73.9bn units in Q4FY22 on higher YoY base, led by improved demand. Coal PAF improved marginally in Q4 to 89.6%, vs 89.1% YoY, but coal PLF was down at 76.1%, vs 77.1% YoY. Under-recovery came in at INR4.5bn, vs INR6.0bn YoY, while surcharge income declined to INR1.6bn, vs INR6.2bn YoY. Consequently, after adjusting for one-offs, adj PAT increased 19% YoY to INR45.6bn, above our estimate. Overdue reduced to INR42.7bn vs INR56.6bn YoY and INR45bn QoQ. NTPC has 3.4GW of RES capacity under construction and 2.8GW under tendering stage. We have marginally tweaked our earnings estimates, factoring in FY22 numbers, and we expect PAT to grow at a 7.3% CAGR, while generating INR279bn in FCF over FY22-24E. Management plans to monetise its renewable business in FY23, which will enhance the value proposition for stakeholders. We maintain BUY with a TP of INR 174/share, assigning a 1.2x BV to its regulated equity and a 1.5x BV to its equity investment in 8-GW of upcoming solar capacities. The stock is attractively valued at 0.9x/7.2x at consolidated FY24 P/BV and PE.
- **Shree Cement:** We maintain our REDUCE rating on Shree Cement, with a revised SOTP target price of INR 22,200/share. In Q4FY22, Shree's performance disappointed as it missed ours/consensus EBITDA estimates by ~14/11% on lower-than-estimated pricing and higher-than-estimated input costs. While Shree's standalone revenue rose 4% YoY, lower sales and high cost inflation pulled down EBITDA/APAT by 23/16%. Unlike its peers, Shree's unitary EBITDA slid 10% QoQ to INR 1,134 per MT (down 21% YoY).
- **V-Guard Industries:** V-Guard delivered a beat on revenue, with 24% YoY growth (12% three-year CAGR), while EBITDA came in line. Electricals/consumer durable segments each clocked 32% YoY growth, with three year CAGR at 13/18%. Electronics segment (stabilizer, UPS, etc.) was up a mere 2% (three-year CAGR at 6%) despite the strong summer-driven demand. Similar to other cooling products, V-Guard's products have also seen seasonal benefits beginning from the end of the quarter (March onwards). Both south and non-south delivered healthy revenue growth of 25/22% YoY. Gross margin, at 28.7%, remained under pressure (down 268/189bps YoY/QoQ) due to unfavorable segment mix and continued RM inflation. We build in 11/13% revenue CAGR over FY19-24/FY22-24, with EBITDA margin <11% for FY24. We maintain our FY23/24 EPS estimates and value V-Guard at 35x P/E on FY24 EPS to derive a target price of INR 275. Maintain ADD.
- **Sobha:** Sobha (SDL) reported the highest-ever annual presales of 4.9msf (+22% YoY), valued at INR 38.7bn. Bengaluru accounted for 68% of total presales volume (vs 67% in FY23). SDL expects contribution from Bengaluru to come down to 55% over the next few years. The residential launch pipeline stands at 13.2msf, with 61% of launches planned for the Bengaluru market. SDL recorded the best-ever cash inflow of INR 12.9bn (+32%/+22% YoY/QoQ) on the back of best-ever residential cash collection of INR 10.6bn. This resulted in overall net debt reduction by 13% QoQ to INR 23.4bn. In FY22, SDL took an average price hike of 6% YoY and it expects a similar hike in FY23. On the back of this and increasing interest rate, it expects volume to remain flat in FY23, with presales value growth in low double digits. Currently, ~80% of its customers opt for housing loans. We maintain BUY, with a reduced TP of INR 902/sh to factor in rising cost of capital resulting in higher WACC.

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INSTITUTIONAL RESEARCH

NTPC

Capacity addition intact; retain BUY

Generation/sales increased 3.0%/2.4% YoY to 79.9/73.9bn units in Q4FY22 on higher YoY base, led by improved demand. Coal PAF improved marginally in Q4 to 89.6%, vs 89.1% YoY, but coal PLF was down at 76.1%, vs 77.1% YoY. Under-recovery came in at INR4.5bn, vs INR6.0bn YoY, while surcharge income declined to INR1.6bn, vs INR6.2bn YoY. Consequently, after adjusting for one-offs, adj PAT increased 19% YoY to INR45.6bn, above our estimate. Overdue reduced to INR42.7bn vs INR56.6bn YoY and INR45bn QoQ. NTPC has 3.4GW of RES capacity under construction and 2.8GW under tendering stage. We have marginally tweaked our earnings estimates, factoring in FY22 numbers, and we expect PAT to grow at a 7.3% CAGR, while generating INR279bn in FCF over FY22-24E. Management plans to monetise its renewable business in FY23, which will enhance the value proposition for stakeholders. We maintain BUY with a TP of INR 174/share, assigning a 1.2x BV to its regulated equity and a 1.5x BV to its equity investment in 8-GW of upcoming solar capacities. The stock is attractively valued at 0.9x/7.2x at consolidated FY24 P/BV and PE.

- **Earnings above estimate:** Energy sales increased 2.4% YoY to 73.9bn units in Q4FY22; however, realisation was up 10.3% YoY to INR4.2/unit due to rise in fuel prices. Coal PAF improved to 89.6%, vs 89.1% YoY, while gas PAF declined to 88%, vs 98.7% YoY. Coal/gas PLF, however, declined to 76.1%/0.9%, vs 77.1%/6.2% YoY. Accordingly, FY22 under-recovery came in at INR4.5bn, vs INR6.0bn YoY. Surcharge income also declined to INR1.6bn in Q4FY22 vs INR6.2bn YoY. PLF-based incentives came in at INR690mn in Q4FY22, vs INR450mn YoY. After adjusting for one-offs, PAT increased 19% YoY to INR45.6bn, above our estimate.
- **Capacity addition**: For FY23E/FY24E, we expect NTPC to commercialise (CoD) 4.7GW/6.0GW. These projects will increase the regulated equity by 16.7% to INR822bn in FY24E vs. INR709bn in FY22. On the RES front, NTPC has 3.4GW of capacity under construction and 2.8GW under tendering stage with a CoD target of 2.5GW until FY24. Further, factoring in the current power supply crisis, the company has planned to add incremental 6GW of coal capacity for a Capex of INR600bn. Discoms have already provided PPA consent for these projects on regulatory norms.
- **Maintain BUY**: NTPC plans to add 60GW of RES capacity by FY32, and it has ~8GW under development stage. Along with strong Capex on the thermal front, this should drive earnings growth at 7.3% CAGR over FY22-24E and improve the RoE. Further, it plans to monetise its renewable business in FY23. We maintain BUY with a TP of INR 174/share (1.2x BV to regulated equity and a 1.5x BV to equity investment in 8GW of upcoming solar capacities). The stock is trading at consolidated P/BV at 0.9x and PE at 6.8x.

Financial summary

(INR mn, Mar YE)	4Q FY22	4Q FY21	*YoY (%)*	3Q FY22	*QoQ (%)*	FY22	FY23E	FY24E
Net Revenues	3,15,285	2,73,579	*15.2*	2,81,885	*11.8*	11,41,993	11,83,094	12,68,771
EBITDA	88,338	79,205	*11.5*	84,475	*4.6*	3,21,367	3,74,362	4,34,411
APAT	45,600	38,310	*19.0*	36,249	*25.8*	1,47,955	1,63,398	1,78,273
Diluted EPS (INR)	5.5	4.6	*19.0*	4.4	*25.8*	15.2	16.9	18.4
Consol P/E (x)						9.0	7.6	7.2
Consol Price/BV (x)						1.0	0.9	0.9
RoE (%)						12.9	13.3	13.4

Source: Company, HSIE Research

BUY

CMP *(as on 20 May 22)*	INR 150
Target Price	INR 174
NIFTY	16,266

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR173	INR174
EPS Change %	FY22E	FY23E
	-1.5%	*2.1%*

KEY STOCK DATA	
Bloomberg code	NTPC IN
No. of Shares (mn)	9,697
MCap (INR bn) / ($ mn)	1,451/19,493
6m avg traded value (INR mn)	2,251
52 Week high / low	INR 166/108

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	13.0	10.6	33.9
Relative (%)	19.1	19.5	24.3

SHAREHOLDING PATTERN (%)

	Mar-22	Dec-21
Promoters	51.1	51.1
FIs & Local MFs	30.8	30.9
FPIs	14.7	14.5
Public & Others	3.4	3.5
Pledged Shares	-	-

Source : BSE

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Shree Cement

Margin contraction continues

We maintain our REDUCE rating on Shree Cement, with a revised SOTP target price of INR 22,200/share. In Q4FY22, Shree's performance disappointed as it missed ours/consensus EBITDA estimates by ~14/11% on lower-than-estimated pricing and higher-than-estimated input costs. While Shree's standalone revenue rose 4% YoY, lower sales and high cost inflation pulled down EBITDA/APAT by 23/16%. Unlike its peers, Shree's unitary EBITDA slid 10% QoQ to INR 1,134 per MT (down 21% YoY).

- **Q4FY22 performance:** Sales volume fell 2% YoY, despite 23% QoQ recovery. Even NSR fell 1% QoQ, muting YoY gains at 6%. Trade sales share inched up to 80%, vs 78% QoQ. Input costs spiked 16% QoQ on ~18% rise in fuel costs. Op-lev gains drove unitary fixed costs down QoQ, moderating opex inflation to 3% QoQ. Thus, unitary EBITDA fell 10/21% QoQ/YoY to INR 1,134 per MT (vs our estimate of INR 1,330 per MT). Depreciation rose 20% QoQ on commissioning of 3/4mn MT SGU/clinker line-3 in Pune/Raipur in Q4 respectively. Even UAE subsidiary's revenue/ EBITDA slumped 4/91% YoY.
- **FY22 performance:** One month transporters' strike (Sep/Oct-21) in Chhattisgarh muted FY22 volume growth to 3% YoY. High inflation pulled down unitary EBITDA by 11% YoY to INR 1,315 per MT and EBITDA fell 8% YoY. Further, OCF fell 33% YoY to INR 36.5bn on inventory rise. Shree's Capex doubled YoY to INR 22.4bn. Net cash rose ~4% YoY to ~INR 66.5bn
- **Capex update and outlook**: During FY23/24E, Shree will incur annual Capex of INR 25-30bn each towards 3.5mn MT SGU in West Bengal (Jun-23E) and 4mn MT IU in Rajasthan (Mar-24E). It expects to deliver 7-8% volume growth in FY23E. Factoring in soaring fuel price impact, we trim our FY23/24E EBITDA estimates by ~4/7% respectively, leading to a 7% cut in our SOTP TP to INR 22,200/sh. We value its standalone cement business at 16.5x Mar-24E EBITDA and the UAE business at 1x BV.

Quarterly/annual financial summary (standalone)

YE Mar (INR bn)	Q4 FY22	Q4 FY21	YoY (%)	Q3 FY22	QoQ (%)	FY20	FY21	FY22P	FY23E	FY24E
Sales Vol (mn MT)	8.03	8.21	*(2.2)*	6.55	*22.6*	24.93	26.84	27.74	30.09	32.51
NSR (INR/MT)	5,105	4,820	*5.9*	5,132	*(0.5)*	4,775	4,720	5,089	5,484	5,473
EBITDA (INR/MT)	1,134	1,440	*(21.2)*	1,260	*(10.0)*	1,474	1,483	1,315	1,144	1,326
Net Sales	40.99	39.58	*3.6*	33.62	*21.9*	119.04	126.69	143.06	165.05	177.94
EBITDA	9.11	11.82	*(23.0)*	8.26	*10.3*	36.75	39.80	38.38	34.44	43.10
APAT	6.45	7.68	*(15.9)*	4.92	*31.1*	15.70	23.12	25.67	17.17	21.29
AEPS (INR)	178.8	212.8	*(15.9)*	136.4	*31.1*	435.2	640.8	711.4	475.8	590.0
EV/EBITDA (x)						20.7	18.4	19.0	21.4	17.2
EV/MT (INR bn)						18.06	16.92	14.92	14.80	13.21
P/E (x)						50.6	34.4	31.0	46.3	37.4
RoE (%)						*13.9*	*16.4*	*15.8*	*9.6*	*10.9*

Source: Company, HSIE Research

Estimates revision summary

INR bn	FY23E Old	FY23E Revised	*Change %*	FY24E Old	FY24E Revised	*Change %*
Net Sales	169.0	165.0	-2.4	188.8	177.9	-5.8
EBITDA	35.9	34.4	-4.1	46.4	43.1	-7.1
APAT	18.0	17.2	-4.5	23.2	21.3	-8.3

Source: Company, HSIE Research

REDUCE

CMP *(as on 20 May 22)*	INR 22,001
Target Price	INR 22,200
NIFTY	16,266

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 23,900	INR 22,200
EBITDA revision %	FY23E *(4.1)*	FY24E *(7.1)*

KEY STOCK DATA	
Bloomberg code	SRCM IN
No. of Shares (mn)	36
MCap (INR bn) / ($ mn)	794/10,667
6m avg traded value (INR mn)	1,049
52 Week high / low	INR 31,470/21,650

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(9.6)	(19.0)	(20.0)
Relative (%)	(3.6)	(10.1)	(29.6)

SHAREHOLDING PATTERN (%)	Dec-21	Mar-22
Promoters	62.55	62.55
FIs & Local MFs	10.50	11.16
FPIs	13.05	12.2
Public & Others	13.90	14.09
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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V-Guard Industries

Beat on revenue; seasonal benefits delayed

V-Guard delivered a beat on revenue, with 24% YoY growth (12% three-year CAGR), while EBITDA came in line. Electricals/consumer durable segments each clocked 32% YoY growth, with three year CAGR at 13/18%. Electronics segment (stabilizer, UPS, etc.) was up a mere 2% (three-year CAGR at 6%) despite the strong summer-driven demand. Similar to other cooling products, V-Guard's products have also seen seasonal benefits beginning from the end of the quarter (March onwards). Both south and non-south delivered healthy revenue growth of 25/22% YoY. Gross margin, at 28.7%, remained under pressure (down 268/189bps YoY/QoQ) due to unfavorable segment mix and continued RM inflation. We build in 11/13% revenue CAGR over FY19-24/FY22-24, with EBITDA margin <11% for FY24. We maintain our FY23/24 EPS estimates and value V-Guard at 35x P/E on FY24 EPS to derive a target price of INR 275. Maintain ADD.

- **Sustaining double-digit revenue CAGR:** Net revenue grew by 24% YoY (+58% in Q4FY21 and +16% in Q3FY22, 18% HSIE). Electronics (stabilizer, UPS, etc.), electrical (wires, pump, etc.), and consumer durables (fan, water heater, KEA, etc.) registered 2/33/32% YoY growth. The south region grew 25% YoY (20%, a three-year CAGR) while the non-south region registered 11% YoY growth (30%, a three-year CAGR). South: non-south mix was at 57:43, vs. 56:44 in Q4FY21. We model 13% revenue CAGR for FY22-24E.

- **Miss on margin due to unfavorable mix:** Gross margin contracted 268bps YoY (-191bps in Q4FY21, -201bps in Q3FY22), a miss on our expectation of a 93bps contraction. A&P expenses, as a percentage of revenue, stood at 1.2% vs. 1.7% YoY. Employee costs were up by 11% YoY (+32% in Q4FY21, +20% in Q3FY22). EBITDA margin was down by 240bps YoY (+453bps in Q4FY21, -494bps in Q3FY22) to 10.6%. EBITDA was up 1% vs. our expectation of 2%. EBIT margin for the electronics, electricals and consumer durable segment contracted by 399/49/231bps YoY (+772/+330/+152bps in Q4FY21) to 18/11/2%. APAT was at INR 906mn. We model EBITDA margin of 10.8% in FY24 (a tad below 11.4% in FY21).

- **Con call takeaways:** (1) Consumer durables performed well due to the high growth in the water heater category on an impacted base. (2) Electronics demand in Jan/Feb was weak due to COVID-related trades concerns. (3) Trade inventory for electronics was lower than usual for most part of Q4. (4) Electronics demand picked up in March with strong performance in April, while May was strong in north India. (5) Consumer durables margin is low despite high margin in water heater category, as it keeps expanding with new products. (6) The company was holding high inventory, which will be reduced over the next few months. (7) ETR will be 25.2% for FY23. (8) Capex will be INR 2bn over the next three years.

Quarterly/annual financial summary

YE Mar (INR mn)	Q4FY22	Q4FY21	YoY (%)	Q3FY22	QoQ (%)	FY21	FY22P	FY23E	FY24E
Net Sales	10,503	8,491	23.7	9,607	9.3	26,990	34,747	39,960	44,452
EBITDA	1,108	1,099	0.8	844	31.3	3,065	3,321	4,161	4,780
APAT	906	683	32.6	525	72.7	1,970	2,268	2,876	3,430
Diluted EPS (INR)	2.10	1.59	32.2	1.22	72.4	4.58	5.26	6.67	7.95
P/E (x)						48.9	42.6	33.6	28.2
EV / EBITDA (x)						30.6	28.8	22.2	19.0
RoCE (%)						19.7	18.5	21.3	25.9

Source: Company, HSIE Research

ADD

CMP *(as on 20 May 22)*	INR 225
Target Price	INR 275
NIFTY	16,266

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 275	INR 275
EPS %	FY23E	FY24E
	0%	0%

KEY STOCK DATA	
Bloomberg code	VGRD IN
No. of Shares (mn)	432
MCap (INR bn) / ($ mn)	97/1,304
6m avg traded value (INR mn)	104
52 Week high / low	INR 285/181

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	6.8	(9.9)	(7.2)
Relative (%)	12.8	(1.0)	(16.8)

SHAREHOLDING PATTERN (%)	Dec-21	Mar-22
Promoters	55.96	55.88
FIs & Local MFs	15.99	17.31
FPIs	14.32	12.67
Public & Others	13.73	14.14
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Sobha

Deleveraging bodes well

Sobha (SDL) reported the highest-ever annual presales of 4.9msf (+22% YoY), valued at INR 38.7bn. Bengaluru accounted for 68% of total presales volume (vs 67% in FY23). SDL expects contribution from Bengaluru to come down to 55% over the next few years. The residential launch pipeline stands at 13.2msf, with 61% of launches planned for the Bengaluru market. SDL recorded the best-ever cash inflow of INR 12.9bn (+32%/+22% YoY/QoQ) on the back of best-ever residential cash collection of INR 10.6bn. This resulted in overall net debt reduction by 13% QoQ to INR 23.4bn. In FY22, SDL took an average price hike of 6% YoY and it expects a similar hike in FY23. On the back of this and increasing interest rate, it expects volume to remain flat in FY23, with presales value growth in low double digits. Currently, ~80% of its customers opt for housing loans. We maintain BUY, with a reduced TP of INR 902/sh to factor in rising cost of capital resulting in higher WACC.

- **Financial highlights:** Sobha reported revenue of INR 7.3bn (+32.1%/+9.4% YoY/QoQ, a 3% beat), with real estate (RE) contributing 70% of the total revenue. Under the completed contract method, SDL has INR 80.8bn in revenue to be recognised from cumulative sales made until Mar-22. EBITDA came in at INR 0.9bn (-13%/-21.9% YoY/QoQ, 25.7% miss). EBITDA margin fell to 12.3% (-640/-495bps YoY/QoQ, vs. estimate of 17.1%). RPAT/APAT was INR 250mn (+39.7%/-23.5% YoY/QoQ, a 31% miss). In FY22, to counter the higher cost of construction, SDL took a price hike of around 6% YoY on an average across the portfolio. Similar price hikes are expected in FY23.
- **Strong presales; robust launch pipeline:** SDL registered strong quarterly presales of 1.3msf (+0.4%/+1.5% YoY/QoQ), valued at INR 11.1bn (+3.5%/+5.9% YoY/QoQ), with Sobha's share at INR 9.4bn, the best-ever since inception. Non-Bengaluru sales accounted for 31% of total volume (vs. 28% in Q3FY22), with Gurugram/Kochi/GIFT city/Chennai contributing 17.4/4.3/3.2/3.1% resp. The average realisation of INR 8,265 psf was up by 4.4% QoQ. SDL has a residential launch pipeline of 13.2msf, with 8.1msf planned for Bengaluru. In Q4, SDL launched Sobha Brooklyn Towers Wing 3 in Bengaluru, with a saleable area of 0.2msf. The total inventory for future sale is 27.3msf (vs. 27.5msf, as of Dec-21).
- **Highest-ever collection leads to debt reduction:** SDL achieved the highest-ever cash inflow of INR 12.9bn in Q4FY22 (+32%/+22% YoY/QoQ) on the back of the highest-ever residential cash collection of INR 10.6bn. The consolidated net debt, as a result, reduced to INR 23.4bn (vs INR 26.5bn, as of Dec-21), with net D/E at 0.93x (1.07x, as of Dec-21). The construction activity is expected to increase in FY23, with expected construction outflow expected to increase by 60% YoY and collection inflow expected to increase by 20% YoY. As a result, the overall cash inflow in FY23 will be lower than that of FY22 (INR 5bn).

Consolidated financial summary (INR mn)

(INR mn)	Q4FY22	Q4FY21	YoY (%)	Q3FY22	QoQ (%)	FY21	FY22	FY23E	FY24E
Net Sales	7,313	5,534	*32.1*	6,682	*9.4*	21,098	27,309	32,299	35,831
EBITDA	900	1,035	*(13.0)*	1,153	*(21.9)*	4,102	4,617	6,395	7,095
APAT	250	179	*39.7*	327	*(23.5)*	623	1,168	2,288	2,705
EPS	2.6	1.9	*39.7*	3.4	*(23.5)*	6.6	12.3	24.1	28.5
P/E (x)						82.8	44.2	22.6	19.1
EV/EBITDA (x)						19.5	16.1	12.3	10.9
RoE (%)						2.6	4.7	8.7	9.4

Source: Company, HSIE Research

BUY

CMP *(as on 20 May 22)*	INR 544
Target Price	INR 902
NIFTY	16,266

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,000	INR 902
EPS Change %	FY23E -	FY24E -

KEY STOCK DATA	
Bloomberg code	SOBHA IN
No. of Shares (mn)	95
MCap (INR bn) / ($ mn)	52/693
6m avg traded value (INR mn)	390
52 Week high / low	INR 1,045/449

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(28.3)	(37.9)	20.2
Relative (%)	(22.2)	(29.0)	10.6

SHAREHOLDING PATTERN (%)	Dec-21	Mar-22
Promoters	51.99	51.99
FIs & Local MFs	12.65	13.38
FPIs	18.06	16.16
Public & Others	17.30	18.47
Pledged Shares	10.54	7.12

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
Anuj Upadhyay	NTPC	MBA	NO
Hinal Choudhary	NTPC	CA	NO
Rajesh Ravi	Shree Cement	MBA	NO
Keshav Lahoti	Shree Cement	MBA	NO
Naveen Trivedi	V-Guard Industries	MBA	NO
Saras Singh	V-Guard Industries	PGDM	NO
Parikshit Kandpal	Sobha	CFA	NO
Manoj Rawat	Sobha	MBA	NO
Nikhil Kanodia	Sobha	MBA	NO

Disclosure:

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