INSTITUTIONAL RESEARCH

HSIE Results Daily

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Results Reviews

- **Infoedge:** Infoedge posted a good quarter, with both revenue (+4.8% QoQ) and margin coming ahead of estimates. The growth was led by the core recruitment segment (+8% QoQ) and 99acres (+5.1%) while Jeevansathi continued to drag. The recruitment billings (earlier boosted by strong IT hiring) are showing signs of softness, offset by better hiring in non-IT sectors like BFSI, travel, infra and hospitality. Naukri is an undisputed leader, with ~80% traffic share, and enjoys long-term contracts with pricing power. The real estate portal (99acres) registered 44% YoY growth and will continue to be a focus vertical with higher investments. The strategy reset in the matchmaking business (Jeevansathi) is showing results, traffic and customer engagement has increased on the platform. We expect growth will be led by recruitment and the 99acres segment and the margin for recruitment will remain in the 58-60% range. We reduce the FY24E estimate by ~2% and maintain BUY with a SoTP-based TP of INR 5,100, valuing the flagship recruitment business at 45x EV/EBITDA, assigning 5x EV/sales multiple to 99acres and 3x to Jeevansathi and Shiksha, while Zomato and Policybazaar have been assigned the market value (~15% discount).
- **Bharat Forge:** BHFC Q2 earnings were lower than expected as: (1) standalone EBITDA margin declined 180bps QoQ to 24.3% vs our estimate of 26%; (2) overseas subsidiaries posted an EBITDA loss due to weak utilisation at Al forgings plants, both in Europe and US. We expect margins for both India and overseas subsidiaries to normalise by Q4, given: (1) softening inflation, both in input costs and energy prices; (2) ramp-up of AL forgings facilities, both in Europe and US. Going forward, we expect standalone demand momentum to remain strong for BHFC, led by: (1) sustained recovery in domestic demand, both in auto and non-auto segments; (2) strong export demand in PVs and huge growth opportunities in aerospace and defense segments. Incremental positives include: (1) US Class8 outlook being much better than earlier envisaged; (2) new export order win in defense worth USD155.5mn, which is a testimony of BHFC's capabilities in the segment and is likely to have a rub-off effect for new wins in the segment; (3) new order wins worth INR1bn at JS Auto; we see huge outsourcing opportunities to BHFC in the renewables segment on the back of these recent acquisitions. Given the current adverse macro in Europe, we lower our FY23 estimates by 15%, while maintaining our FY24-25 earnings, given the healthy outlook across key segments. Reiterate BUY with a revised TP of INR 928 (from INR867 earlier) as we roll forward to Sep-24 estimates.
- **JK Cement:** We maintain our REDUCE rating on JK Cement (JKCE) with a revised TP of INR 2,675 (11.5x Sep-24E consolidated EBITDA) on an expensive valuation. In Q2FY23, total volume grew 2% QoQ (+9% YoY) in a seasonally weak quarter. While rising fuel cost dented grey cement margin to ~INR 500/MT (down ~INR 400 QoQ, in our view), the white & putty EBITDAM rebounded ~3pp QoQ to ~23%. Fuel cost is expected to cool off from Q4FY23 onwards. JKCE's central expansion of 4mn MT is on track by the Q3FY23 end. The company will further add 5.5mn MT of grey cement capacity spread across north, central and south and 0.66mn MT clinker across central (Panna) by FY25E to strengthen its distribution reach.

HSIE Research Team
hdfcsec-research@hdfcsec.com

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- **Brigade Enterprises:** Brigade Enterprises Ltd (BEL) reported presales of 1.2msf (-8%/0% YoY/QoQ), valued at INR 7.9bn (-4.3%/-2.3% YoY/QoQ). Of this, 50% of the presales were contributed by new launches and 80% of the overall presales were from the Bengaluru market. The contribution from the non-Bengaluru market will increase, with new launches in Chennai and Hyderabad markets. For FY23, the company expects to clock total presales of INR 40bn on the back of INR 36-39bn worth of new launches planned for H2FY23. The Mount road mixed-use project in Chennai has a developable area of 1msf (~0.5mn sq ft residential with INR 15bn GDV is expected to launch in Q2FY24 and 0.5mn sq ft will be commercial for lease). With the hospitality segment doing well again, the monetisation plan is back and BEL is in the preliminary stages of discussions with investors. The leasing segment, with 1msf of the active pipeline, is expected to get an impetus with the implementation of the DESH bill, which will be tabled in the winter session of the parliament. Given BEL's strong cash position of INR 18bn, a robust business development pipeline, and a healthy balance sheet, we remain constructive. We reiterate BUY, with an increased TP to INR 632/sh (rollover to Sep-24E).

- **Aether Industries:** We retain our BUY rating on Aether Industries, with a target price of INR 1,070 on the back of (1) capacity expansion-led growth, (2) advanced R&D capabilities, (3) technocratic management, (4) market leading position in most of its products, (5) strong product pipeline, and (6) marquee customer base. EBITDA/APAT were 13/13% below our estimates, mainly owing to a 13% fall in revenue.

- **CESC:** CESC's consolidated PAT in Q2FY23 declined by 6.2% YoY to INR3.2bn due to lower profit across the Haldia project (under recovery of O&M and fuel cost) and higher losses across the distribution franchisee (DF) segment. Dhariwal though reported 29% YoY growth in PAT (INR440mn vs INR340mn YoY), it declined 38% QoQ led by lower merchant realisation across its untied capacity. These were partially offset by increased demand and earnings across its standalone (PAT up 3.8% YoY) and Noida business (PAT up 78% YoY). On Chandigarh discom, CESC is yet to receive a LoI and hence we have not included it in our valuation. We have revised our consolidated earnings estimates downward by 5.5%/3.9% for FY23/24, factoring under recovery across Haldia stations and normalcy in future RoE of 20%-22% vs earlier reporting of +30% RoE. Accordingly, we revise our TP downward to INR108 (vs INR113 earlier). However, we retain our BUY rating on CESC as the company continue to trade at an attractive valuation of 6.6xFY25P/E and 0.7xFY25 P/BV.

- **V-MART Retail:** V-MART reported 50% growth YoY (in-line). Organic business (ex-Unlimited acquisition) recovered fully from the pandemic blues in Q2FY23 (INR4bn; 3-year CAGR: 8%; HSIE: 3.8bn). Note: Unit economics has yet some catching up to do. Footfall density is at 69%, while transaction sizes were up 136% from pre-pandemic levels. Profitability beat (10.6% vs HSIE: 7.8%) was a function of (1) 17-18% price hikes in H2FY22 and (2) higher full-price sales. We've cut FY24/25 EBITDA estimates marginally by 1% each to account for a more gradual convergence of Unlimited financials towards the portfolio. But maintain our BUY rating with a DCF-based TP of INR3,300/sh (unchanged, implying 25x Sep-24 EV/EBITDA).

- **TCNS Clothing:** TCNS' journey to pre-pandemic sales remains underwhelming, partly given category-specific idiosyncrasies. Q2 operational performance was broadly in-line overall but lags peers. Revenue grew at 3% CAGR to INR3.5bn over three years (HSIE: INR3.4bn; Trent/Madura clocked 30/11%). Offline channels' sales just about crossed pre-pandemic sales (1.7% CAGR). However, channels' sales densities remain sub-par, unlike peers. Growth continues to demand more channel incentives (contribution margin: 39.6% vs pre-pandemic base of 43.1%, as expected). We largely maintain our FY24/25 EBITDA estimates and our SELL recommendation with a DCF-based TP of INR510/sh, implying 19x Sep-24 EV/EBITDA.

- **Dilip Buildcon:** Dilip Buildcon (DBL) reported revenue/EBITDA/PAT of INR 22.6/2.6/0.3bn; revenue missed our estimate while EBITDA/APAT beat our estimates. EBITDA margin, at 11.6%, exceeded our estimate of 8.9% due to lower revenue contribution from legacy low-margin projects (nearing completion) in the mix. The order book (OB), as of Sep'22, stood at INR 263.4bn (~2.9x FY22 revenue). The standalone net debt reduced further to INR 27.1bn, with net D/E at 0.61x, as of Sep'22. DBL received INR 2bn on the transfer of four projects to Shrem InvIT with INR 2.6/1.6bn receivable as units in Shrem InvIT/on the occurrence of certain events. DBL is targeting FY23 debt to be lower by INR 4-5bn vs FY22. DBL expects to receive INR 3-5bn through monetisation during the rest of H2FY23. The cash component has increased from INR 6.2bn to INR 7-7.5bn in the Shrem InvIT deal. We have recalibrated our EPS estimates higher to factor in margin recovery, robust OB growth, and debt reduction. As we roll over our estimates, we maintain BUY with SOTP-based TP of INR 340/sh (12x Sep-24E EPS).

- **Ashoka Buildcon:** Ashoka Buildcon (ASBL) reported revenue/EBITDA/APAT of INR 12.8/1.1/0.7bn, missing our estimates on all fronts. The Chennai ORR and 5 BOT assets sale deals are expected to be closed by Q4FY23 along with the Jaora BOT asset sale. ASBL has received orders worth ~INR 30bn FYTD23, taking the FYTD23 order book (OB) to INR 149bn (~3.3x FY22 revenue). The standalone gross/net debt increased marginally to INR 8.7/6.5bn, as of Sep'22. The balance equity requirement for HAM assets as of Sep'22 stands at INR 2.5bn, of which INR 1.4bn would be funded in the remaining year FY23 and INR 0.8/0.3bn in FY24/25. ASBL has guided for a capex of INR 240-250mn in H2FY23. It also guided for H2FY23 revenue to grow at 20-25% YoY. We maintain BUY, with a reduced TP of INR 134/sh (9x Sep-24E EPS rollover).

Infoedge

Core driving growth and margin expansion

Infoedge posted a good quarter, with both revenue (+4.8% QoQ) and margin coming ahead of estimates. The growth was led by the core recruitment segment (+8% QoQ) and 99acres (+5.1%) while Jeevansathi continued to drag. The recruitment billings (earlier boosted by strong IT hiring) are showing signs of softness, offset by better hiring in non-IT sectors like BFSI, travel, infra and hospitality. Naukri is an undisputed leader, with ~80% traffic share, and enjoys long-term contracts with pricing power. The real estate portal (99acres) registered 44% YoY growth and will continue to be a focus vertical with higher investments. The strategy reset in the matchmaking business (Jeevansathi) is showing results, traffic and customer engagement has increased on the platform. We expect growth will be led by recruitment and the 99acres segment and the margin for recruitment will remain in the 58-60% range. We reduce the FY24E estimate by ~2% and maintain BUY with a SoTP-based TP of INR 5,100, valuing the flagship recruitment business at 45x EV/EBITDA, assigning 5x EV/sales multiple to 99acres and 3x to Jeevansathi and Shiksha, while Zomato and Policybazaar have been assigned the market value (~15% discount).

- **Q2FY23 highlights**: (1) Infoedge revenue grew 4.8% QoQ to INR 5.31bn (vs. estimate of INR 5.22bn), mainly driven by +8.0/5.1% QoQ growth in recruitment/99acres, partially offset by Jeevansathi (-21%) and Shiksha (-18%); (2) billing growth stood at +41/11/32% YoY for recruitment/99acres/Shiksha offset by Jeevansathi (-30%YoY); (3) EBITDA margin for recruitment/99acres/ Jeevansathi/Shiksha stood at 60.8/-42/-147/-6.9%; (4) EBITDA margin expanded 247bps QoQ to 34.6% vs our estimate of 31.9%, led by recruitment and drop in advertisement spend; (5) Job speak index is down 3% YoY in Oct-22, indicating some slowdown in the IT hiring activity; (6) net cash stands at INR 37bn and Zomato/Policybazaar account for 11/3% in SoTP.
- **Outlook**: We expect revenue CAGR of 20%, led by 23/19/-8/21% CAGRs in recruitment/99acres/Jeevansathi/Shiksha over FY22-25E. EBITDA margin estimates stand at 33.4/37.6% for FY23/24E, leading to an EPS CAGR of 22% over FY22-25E.

Quarterly financial summary

YE March (INR mn)	Q2 FY23	Q2 FY22	YoY (%)	Q1 FY23	QoQ (%)	FY21	FY22	FY23E	FY24E	FY25E
Net Sales	5,318	3,517	51.2	5,077	4.8	11,280	15,625	21,316	24,175	27,276
EBITDA	1,840	1,063	73.1	1,631	12.8	2,881	4,637	7,112	9,095	11,155
APAT	1,681	1,233	36.3	1,484	13.3	2,817	5,205	6,382	7,803	9,453
EPS (INR)	13.0	9.5	*36.8*	11.5	*13.0*	21.9	40.4	49.6	60.6	73.4
P/E (x)						199.2	107.8	87.9	71.9	59.4
EV / EBITDA (x)						182.7	113.1	72.7	56.0	44.8
RoE (%)						17.3	10.3	10.9	12.1	6.9

Source: Company, HSIE Research, Standalone Financials

Change in estimates

INR Mn	FY23E Old	FY23E Revised	Change %	FY24E Old	FY24E Revised	Change %
Revenue	20,857	21,316	2.2	24,329	24,175	(0.6)
EBITDA	6,708	7,112	6.0	9,168	9,095	(0.8)
EBITDA margin (%)	32.2	33.4	120bps	37.7	37.6	-6bps
APAT	6,076	6,382	5.0	7,954	7,803	(1.9)
EPS (INR)	47.2	49.6	5.0	61.8	60.6	(1.9)

Source: Company, HSIE Research

BUY

CMP *(as on 14 Nov 2022)*	**INR 4,361**
Target Price	**INR 5,100**
NIFTY	**18,329**

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 5,000	INR 5,100
EPS %	FY23E	FY24E
	+5.0	-1.9

KEY STOCK DATA	
Bloomberg code	INFOE IN
No. of Shares (mn)	129
MCap (INR bn) / ($ mn)	562/6,924
6m avg traded value (INR mn)	1,816
52 Week high / low	INR 6,696/3,313

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(1.6)	25.8	(31.9)
Relative (%)	(5.3)	9.1	(33.5)

SHAREHOLDING PATTERN (%)

	Jun-22	Sep-22
Promoters	38.11	38.11
FIs & Local MFs	16.37	16.88
FPIs	32.72	31.81
Public & Others	12.59	13.03
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

Amit Chandra
amit.chandra@hdfcsec.com
+91-22-6171-7345

Vivek Sethia
vivek.sethia@hdfcsec.com
+91-22-6171-7339

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Bharat Forge

Weak Q2 but growth story intact

BUY

CMP *(on 14 Nov 2022)*	INR 859
Target Price	INR 928
NIFTY	18,329

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 867	INR 928
EPS %	FY23E	FY24E
	-15%	0%

KEY STOCK DATA	
Bloomberg code	BHFC IN
No. of Shares (mn)	466
MCap (INR bn) / ($ mn)	400/4,925
6m avg traded value (INR mn)	1,256
52 Week high / low	INR 897/595

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	8.7	36.6	10.9
Relative (%)	5.1	19.9	9.3

SHAREHOLDING PATTERN (%)	Jun-22	Sep-22
Promoters	45.25	45.25
FIs & Local MFs	24.33	24.73
FPIs	18.82	19.30
Public & Others	11.6	10.72
Pledged Shares	3.22	3.22

Source : BSE

Pledged shares as % of total shares

BHFC Q2 earnings were lower than expected as: (1) standalone EBITDA margin declined 180bps QoQ to 24.3% vs our estimate of 26%; (2) overseas subsidiaries posted an EBITDA loss due to weak utilisation at Al forgings plants, both in Europe and US. We expect margins for both India and overseas subsidiaries to normalise by Q4, given: (1) softening inflation, both in input costs and energy prices; (2) ramp-up of AL forgings facilities, both in Europe and US. Going forward, we expect standalone demand momentum to remain strong for BHFC, led by: (1) sustained recovery in domestic demand, both in auto and non-auto segments; (2) strong export demand in PVs and huge growth opportunities in aerospace and defense segments. Incremental positives include: (1) US Class8 outlook being much better than earlier envisaged; (2) new export order win in defense worth USD155.5mn, which is a testimony of BHFC's capabilities in the segment and is likely to have a rub-off effect for new wins in the segment; (3) new order wins worth INR1bn at JS Auto; we see huge outsourcing opportunities to BHFC in the renewables segment on the back of these recent acquisitions. Given the current adverse macro in Europe, we lower our FY23 estimates by 15%, while maintaining our FY24-25 earnings, given the healthy outlook across key segments. Reiterate BUY with a revised TP of INR 928 (from INR867 earlier) as we roll forward to Sep-24 estimates.

- **Q2 performance miss estimates:** BHFC standalone earnings, at INR2.7bn, were below our estimate of INR2.9bn due to lower-than-expected EBITDA margin even as revenue was ahead of our estimate. EBITDA margin declined 180bps QoQ to 24.3%, impacted by: (1) lower export mix at 57.2% Vs 59.5% QoQ; (2) one-off impact of INR130mn due to late execution of Kalyani M4 to defense (management has contested this decision); (3) a 40bps impact of input cost inflation. The overseas subsidiaries posted EBITDA loss of INR341mn (from INR495mn) QoQ due to: (1) lower-than-anticipated volumes at European Al forging business with elevated costs; (2) ramp-up costs at new AL forgings plant in the US; (3) high inflation, both input costs and energy.
- **Call takeaways:** (1) The outlook for US Class8 appears much better than earlier envisaged with most of the production slots for 2023 already booked; even CY24 is expected to be a good growth year. (2) Management is currently seeing a lot of outsourcing opportunities from India to China and Europe in the industrial segment as global OEMs look for alternative long-term supply partners. In this context, BHFC is seeing a lot of enquiries in the India business, Sanghvi Forgings and JS Auto, both for forgings and castings. (3) Given the government's focus on increased localisation, BHFC is seeing multiple growth opportunities in the defense segment, both in India and exports. (4) RoCE for defense is better than the company average, given it would not need material incremental investments. (5) Management expects the overseas subsidiary performance to normalise in a couple of quarters.

Quarterly/annual financial summary

YE Mar (INR mn)	Q2 FY23	Q2 FY22	YoY (%)	Q1 FY22	QoQ (%)	FY22	FY23E	FY24E	FY25E
Net Sales	30,764	23,856	29.0	28,515	7.9	1,04,611	1,25,049	1,44,919	1,64,314
EBITDA	4,320	5,099	-15.3	4,278	1.0	19,803	20,258	27,980	34,376
APAT	1,474	2,712	-45.7	1,665	-11.5	9,875	9,469	15,027	19,545
Diluted EPS (INR)	3.2	5.8	-45.7	3.6	-11.5	21.2	20.3	32.3	42.0
P/E (x)						40.2	41.9	26.4	20.3
EV / EBITDA (x)						41.3	40.5	29.1	23.4
RoCE (%)						11.1	9.7	14.7	17.6

Source: Company, HSIE Research

Aniket Mhatre
aniket.mhatre@hdfcsec.com
+91-22-6171-7357

Sonaal Sharma
sonaal.sharma@hdfcsec.com
+91-22-6171-7307

JK Cement

Healthy volume overall; white margin recovers

We maintain our REDUCE rating on JK Cement (JKCE) with a revised TP of INR 2,675 (11.5x Sep-24E consolidated EBITDA) on an expensive valuation. In Q2FY23, total volume grew 2% QoQ (+9% YoY) in a seasonally weak quarter. While rising fuel cost dented grey cement margin to ~INR 500/MT (down ~INR 400 QoQ, in our view), the white & putty EBITDAM rebounded ~3pp QoQ to ~23%. Fuel cost is expected to cool off from Q4FY23 onwards. JKCE's central expansion of 4mn MT is on track by the Q3FY23 end. The company will further add 5.5mn MT of grey cement capacity spread across north, central and south and 0.66mn MT clinker across central (Panna) by FY25E to strengthen its distribution reach.

- **Q2FY23 performance**: Grey cement volume rose 10% YoY (+2% QoQ) to 3.22mn MT. White & putty volume rose 7% YoY (+2% QoQ) at 0.5mn MT. Grey cement NSR fell ~6% QoQ on seasonal fall. However, white & putty NSR improved by ~5% QoQ. Blended opex rose 1.5% QoQ (15% YoY), mainly driven by higher fuel cost (input cost rose ~INR 150/MT QoQ). Lower freight, employee and other expenses QoQ (per tonne basis) cushioned inflation. In our view, the grey margin contracted ~INR 400 QoQ to ~INR 500/MT. However, white and putty EBITDAM rebound ~3pp QoQ to ~23%.
- **Capex update and outlook**: JKCE's 4mn MT IU in the central region is on track to be commissioned by Q3FY23 end. In the next two years, it will increase Panna clinker capacity by 0.66mn MT and grinding capacities across four existing locations by 0.5 mn MT each. It is also setting up two SGUs at Ujjain (MP—1.5mn MT) and Prayagraj (UP—2mn MT). These will increase clinker/cement capacity to 13.7/24.2mn MT by FY25E. The paint plant is expected to be operational by FY24-end. JKCE will incur a total Capex of ~INR 19/14bn in FY23/24E. Factoring in Q2 performance, we upgrade FY23/24/25E consolidated EBITDA estimates by 2/2/2% respectively.

Consolidated quarterly/annual financial summary

YE Mar (INR bn)	Q2 FY23	Q2 FY22	*YoY (%)*	Q1 FY23	*QoQ (%)*	FY21	FY22	FY23E	FY24E	FY25E
Sales (mn MT)	3.7	3.4	*9.2*	3.7	*1.5*	12.0	14.0	15.4	17.8	19.5
NSR (INR/MT)	5,983	5,558	*7.6*	6,189	*(3.3)*	5,485	5,695	6,162	6,100	6,235
EBITDA(INR/MT)	819	1,043	*(21.5)*	1,101	*(25.6)*	1,310	1,075	1,038	1,138	1,207
Net Sales	22.28	18.95	*17.6*	22.70	*(1.8)*	66.06	79.91	94.91	108.67	121.33
EBITDA	3.05	3.56	*(14.2)*	4.04	*(24.4)*	15.78	15.08	15.98	20.27	23.49
APAT	1.12	1.77	*(36.6)*	1.63	*(30.9)*	7.49	7.13	5.96	7.19	10.44
AEPS (INR)	24.8	6.8	*267.2*	33.0	*(24.7)*	96.9	92.3	77.2	93.0	135.1
EV/EBITDA(x)						15.5	16.9	16.6	13.5	11.8
EV/MT (INR bn)						12.6	13.1	13.6	11.6	9.4
P/E (x)						30.3	31.8	38.0	31.5	21.7
RoE (%)						*22.3*	*17.8*	*13.1*	*14.2*	*18.1*

Source: Company, HSIE Research; Operating trends are on a blended basis (grey cement+ white/putty)

Consolidated Estimates revision summary

INR bn	FY23E Old	FY23E Revised	*Change %*	FY24E Old	FY24E Revised	*Change %*	FY25E Old	FY25E Revised	*Change %*
Net Sales	94.91	94.91	-	108.67	108.67	-	118.72	121.33	2.2
EBITDA	15.62	15.98	2.3	19.85	20.27	2.1	23.09	23.49	1.7
APAT	5.90	5.96	1.0	7.28	7.19	-1.2	10.39	10.44	0.5

Source: Company, HSIE Research

REDUCE

CMP *(as on 14 Nov 2022)*	**INR 2,940**
Target Price	**INR 2,675**
NIFTY	**18,329**

KEY CHANGES	**OLD**	**NEW**
Rating	REDUCE	REDUCE
Price Target	INR 2,485	INR 2,675
EBITDA revision %	FY23E 2.3	FY24E 2.1

KEY STOCK DATA	
Bloomberg code	JKCE IN
No. of Shares (mn)	77
MCap (INR bn) / ($ mn)	227/2,796
6m avg traded value (INR mn)	379
52 Week high / low	INR 3,665/2,004

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	11.0	27.7	(20.1)
Relative (%)	7.4	10.9	(21.6)

SHAREHOLDING PATTERN (%)	**Jun-22**	**Sep-22**
Promoters	45.84	45.84
FIs & Local MFs	21.09	21.90
FPIs	16.06	15.63
Public & Others	17.01	16.63
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

Brigade Enterprises

Launch heavy H2 augurs well for presales growth

Brigade Enterprises Ltd (BEL) reported presales of 1.2msf (-8%/0% YoY/QoQ), valued at INR 7.9bn (-4.3%/-2.3% YoY/QoQ). Of this, 50% of the presales were contributed by new launches and 80% of the overall presales were from the Bengaluru market. The contribution from the non-Bengaluru market will increase, with new launches in Chennai and Hyderabad markets. For FY23, the company expects to clock total presales of INR 40bn on the back of INR 36-39bn worth of new launches planned for H2FY23. The Mount road mixed-use project in Chennai has a developable area of 1msf (~0.5mn sq ft residential with INR 15bn GDV is expected to launch in Q2FY24 and 0.5mn sq ft will be commercial for lease). With the hospitality segment doing well again, the monetisation plan is back and BEL is in the preliminary stages of discussions with investors. The leasing segment, with 1msf of the active pipeline, is expected to get an impetus with the implementation of the DESH bill, which will be tabled in the winter session of the parliament. Given BEL's strong cash position of INR 18bn, a robust business development pipeline, and a healthy balance sheet, we remain constructive. We reiterate BUY, with an increased TP to INR 632/sh (rollover to Sep-24E).

- **Q2FY23 financial highlights:** Revenue: INR 8.8bn (+17%/-3% YoY/QoQ, 2.6% beat); revenue from real estate was INR 6.1bn (+4.5%/-6% YoY/QoQ), hospitality INR 917mn (+1.2x/+1.1% YoY/QoQ) and leasing INR 1.9bn (+38%/+9.5%YoY/QoQ). EBITDA: INR 2.16bn (+12.5%/-7% YoY/QoQ, 3% miss). EBITDA margin: 24.6% (-94/-116bps YoY/QoQ, vs 26.1% est.). RPAT: INR 776mn (+6.5x/-12% YoY/QoQ). Exceptional gain of INR 183mn on account of stake sale of its subsidiary in Prestige OMR Ventures to Prestige Real Estates Ltd. Consequently, APAT was INR 639mn (+168%/-21% YoY/QoQ, 7% beat).
- **Robust launch pipeline:** BEL registered presales of 1.2msf (-8%/0% YoY/QoQ), valued at INR 7.9bn (-4.3%/-2.3% YoY/QoQ). The average realisation came in at INR 6,678/sq ft (+5.3%/+1.4% YoY/QoQ). H1FY23 presales stand at INR 16bn and INR 40bn in presales is expected in FY23. During the quarter, BEL launched 1.5msf of the project (0.51msf in Q1FY23). It has a strong launch pipeline of 13.2msf (including 1.9msf of plotted development) for the residential portfolio and another 2msf for the commercial portfolio. For H2FY23, launches with GDV of INR 36-39bn are planned.
- **Balance sheet comfortable:** Residential debt reduced by 28% QoQ to INR 1.5bn on the back of strong residential collections of INR 14bn (+50%/+17.5% YoY/QoQ). The consolidated gross/net debt stood at INR 40/22bn (INR 41/24bn as of Jun-22). The net debt/equity stood at 0.60x (vs. 0.66x as of Jun-22). The total land payment pending is INR 10.1bn, of which 6-7bn is expected to be paid in H2FY23. This shall be funded largely through internal accruals and QIP money. BEL has a strong cash position of INR 17.9bn. The projected net cash inflow from sold/unsold units is INR 21.6bn.

Consolidated Financial Summary (INR mn)

YE March	Q2FY23	Q2FY22	YoY (%)	Q1FY23	QoQ (%)	FY22	FY23E	FY24E	FY25E
Net Sales	8,792	7,527	*16.8*	9,025	*(2.6)*	29,988	32,383	34,969	36,610
EBITDA	2,165	1,924	*12.5*	2,327	*(7.0)*	7,663	8,546	9,120	9,547
APAT	639	238	*168.2*	804	*(20.5)*	(1,157)	611	995	1,201
EPS (INR)	3.1	1.2	*168.2*	3.9	*(20.5)*	3.6	2.7	4.3	5.2
P/E (x)						144	195	120	99
EV/EBITDA (x)						21	19	18	17
RoE (%)						8.8	1.2	2.7	3.4

Consolidated estimate change summary

Particulars	FY23E			FY24E			FY25E		
	New	Old	Chg.(%)	New	Old	Chg.(%)	New	Old	Chg.(%)
Revenues	34,655	32,383	7.0	37,286	34,969	6.6	38,974	38,974	-
EBITDA	8,735	8,546	2.2	9,731	9,120	6.7	10,236	10,236	-
EBITDA (%)	25.2	26.4	(119)	26.1	26.1	2	26.3	26.3	-
APAT	2,394	611	292.1	3,352	995	236.8	3,548	3,548	-

Source: Company, HSIE Research

BUY

CMP *(as on 14 Nov 2022)*	INR 517
Target Price	INR 632
NIFTY	18,329

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 619	INR 632

EPS Change %	FY23E	FY24E	FY25E
	+292	*+237*	-

KEY STOCK DATA	
Bloomberg code	BRGD IN
No. of Shares (mn)	231
MCap (INR bn) / ($ mn)	119/1,468
6m avg traded value (INR mn)	136
52 Week high / low	INR 585/376

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	0.7	26.8	3.0
Relative (%)	(3.0)	10.1	1.4

SHAREHOLDING PATTERN (%)	Jun-22	Sep-22
Promoters	43.85	43.82
FIs & Local MFs	24.70	25.28
FPIs	13.31	13.44
Public & Others	18.14	17.46
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
+91-22-6171-7362

Aether Industries

Pharma slowdown affects the topline

We retain our BUY rating on Aether Industries, with a target price of INR 1,070 on the back of (1) capacity expansion-led growth, (2) advanced R&D capabilities, (3) technocratic management, (4) market leading position in most of its products, (5) strong product pipeline, and (6) marquee customer base. EBITDA/APAT were 13/13% below our estimates, mainly owing to a 13% fall in revenue.

- **Financial performance:** Revenue fell 12/1% QoQ/YoY to INR 1,402mn. CRAMS and contract manufacturing businesses witnessed growth, whereas large-scale manufacturing (LSM) business has shown a decline, primarily due to the downward trend in the global pharma industry. The company is witnessing numerous enquiries from Europe, especially for its CRAMS and contract manufacturing businesses. EBITDA fell 13/9% YoY to INR 369mn in Q2, with EBITDA margin remaining flat sequentially at ~26%. APAT came in at INR 272mn (-11/+8% QoQ/YoY).
- **Key con call takeaways:** (1) Segmental revenue break-up for H1FY23 was: 52% LSM, 13% CRAMS and 33% contract manufacturing. The company is adding major global customers to its CRAMS list and renewing significant annual contracts. (2) The end-user industry mix for H1FY23 of Aether was: pharmaceutical-46%, agrochemical-33%, high performance photography-6%, material sciences-6%, coatings-4% and others-5%. (3) Exports formed 49% of the total revenue, which include export to SEZ and EOU units in India. (4) The company has started the business with 11 new customers in the quarter across all business models. (5) The company's solar power plant has been commissioned since July 2022 and is giving more than 80% output, helping save electricity costs.
- **Change in estimates:** We cut our FY23/24 EPS estimates marginally by 5.8/3.5% to INR 12.4/19.7, to factor in the weak Q2 result and subdued demand in the pharma industry. We expect this demand to bounce back in the next two quarters.
- **DCF-based valuation: Our target price is INR 1,070 (WACC 11%, terminal growth 6%). The stock is trading at 45x FY24E EPS.**

Financial summary

INR mn	Q2 FY23	Q1 FY23	*QoQ (%)*	Q2 FY22	*YoY (%)*	FY21	FY22	FY23E	FY24E	FY25E
Net Sales	1,402	1,600	*(12.4)*	1,412	*(0.8)*	4,498	5,900	7,358	11,210	15,460
EBITDA	369	424	*(13.2)*	405	*(8.9)*	1,122	1,681	2,150	3,522	4,940
APAT	272	306	*(11.2)*	252	*8.0*	711	1,089	1,544	2,451	3,345
AEPS (INR)	2.2	2.5	*(11.2)*	2.0	*8.0*	5.7	8.8	12.4	19.7	26.9
P/E (x)						155.3	101.4	71.5	45.0	33.0
EV/EBITDA(x)						100.3	67.3	49.4	30.6	22.0
RoE (%)						56.3	38.8	18.3	17.3	19.6

Source: Company, HSIE Research

Change in estimates

Y/E Mar	FY23E Old	FY23E New	% Ch	FY24E Old	FY24E New	% Ch	FY25E Old	FY25E New	% Ch
EBITDA (INR mn)	2,278	2,150	(5.6)	3,642	3,522	(3.3)	4,940	4,940	-
Adj. EPS (INR/sh)	13.2	12.4	(5.8)	20.4	19.7	(3.5)	26.9	26.9	-

Source: Company, HSIE Research

BUY

CMP *(as on 14 Nov 2022)*	INR 882
Target Price	INR 1,070
NIFTY	18,329

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,045	INR 1,070
	FY23E	FY24E
EPS %	-5.8%	-3.5%

KEY STOCK DATA	
Bloomberg code	AETHER IN
No. of Shares (mn)	124
MCap (INR bn) / ($ mn)	110/1,352
6m avg traded value (INR mn)	-
52 Week high / low	INR 1,050/700

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	5.7	-	-
Relative (%)	2.0	-	-

SHAREHOLDING PATTERN (%)	Jun-22	Sept-22
Promoters	87.09	87.09
FIs & Local MFs	8.32	8.39
FPIs	1.80	1.49
Public & Others	2.79	3.03
Pledged Shares	0.00	0.00

Source: BSE

Nilesh Ghuge
nilesh.ghuge@hdfcsec.com
+91-22-6171-7342

Harshad Katkar
harshad.katkar@hdfcsec.com
+91-22-6171-7319

Rutvi Chokshi
rutvi.chokshi@hdfcsec.com
+91-22-6171-7356

Akshay Mane
akshay.mane @hdfcsec.com
+91-22-6171-7338

CESC

DF and Haldia underperformances dented PAT

CESC's consolidated PAT in Q2FY23 declined by 6.2% YoY to INR3.2bn due to lower profit across the Haldia project (under recovery of O&M and fuel cost) and higher losses across the distribution franchisee (DF) segment. Dhariwal though reported 29% YoY growth in PAT (INR440mn vs INR340mn YoY), it declined 38% QoQ led by lower merchant realisation across its untied capacity. These were partially offset by increased demand and earnings across its standalone (PAT up 3.8% YoY) and Noida business (PAT up 78% YoY). On Chandigarh discom, CESC is yet to receive a LoI and hence we have not included it in our valuation. We have revised our consolidated earnings estimates downward by 5.5%/3.9% for FY23/24, factoring under recovery across Haldia stations and normalcy in future RoE of 20%-22% vs earlier reporting of +30% RoE. Accordingly, we revise our TP downward to INR108 (vs INR113 earlier). However, we retain our BUY rating on CESC as the company continue to trade at an attractive valuation of 6.6xFY25P/E and 0.7xFY25 P/BV.

- **Power demand declined in DF circle:** While power demand in standalone and Noida business increased 8% YoY and +10% YoY respectively in Q2FY23, it declined across DF segment of Rajasthan and Malegaon. As a result, while standalone PAT, increased 3.8% YoY, PAT in Noida was up 78.3% YoY/20.6% QoQ. Consolidated PAT, however, declined 6.2% YoY to INR3.2bn due to lower profitability across the Haldia (-45.0% YoY to INR550mn) and subdued demand in Rajasthan DF segment (loss of INR240mn vs a loss of INR100mn YoY and PAT of INR60mn QoQ). Malegaon circle also reported loss of INR290mn vs loss of INR190 mn QoQ, due to slow down across the Handloom sector which accounts for major power consumption in Malegaon. However, going ahead we expect demand to normalize and the DF segment will attain breakeven in FY23 and marginal profit of INR272mn in FY24.
- **Haldia RoE to normalize to 20%-22%:** CESC's Haldia project reported a PAT decline of 45% YoY and 16.7% QoQ to INR550mn due to under recovery of fuel and O&M expenses. The tariff order has provided only partial hike leading to its under recovery. The company had deferred O&M expenditure during the pandemic period and was earning healthy incentives due to high PLF resulting in RoE >28%. However, post pandemic, CESC has incurred those expenses but the same is not fully recovered through tariff yet. Management has guided for future normalized RoE of 20%-22% for Haldia
- **TP revised downward; Maintain BUY**: We have revised our consolidated PAT estimate downward for FY23E/FY24E by 5.5%/3.9% YoY respectively, factoring the normalization of Haldia Profitability. Accordingly, we have revised our SoTP TP downward to INR108 vs INR113 earlier. However, we maintain our Buy rating on CESC, factoring its attractive P/BV of 0.7x and PE of 6.6x for FY25. The stock also provides a high dividend yield of ~6-7%.

Financial summary (Consolidated)

(INR mn, Mar YE)	2QFY23	2QFY22	YoY	1QFY23	QoQ (%)	FY22	FY23E	FY24E	FY25E
Net Revenues	22,630	20,910	*8.2*	23,470	*-3.6*	72,940	81,908	86,599	90,353
EBITDA	3,200	4,180	*-23.4*	3,940	*-18.8*	11,180	16,406	17,333	15,677
APAT (Consol)	3,190	3,400	*-6.2*	2,970	*7.4*	13,368	14,618	14,901	15,416
Diluted Consol EPS (INR)	2.4	2.6	*-6.2*	2.2	*7.4*	10.1	11.0	11.2	11.6
P/E (x) (Consol)						7.6	7.0	6.8	6.6
Price/BV (Consol)						0.9	0.8	0.8	0.7
RoE (%)						13.1	14.6	14.5	14.4

Source: Company, HSIE Research

BUY

CMP *(as on 14 Nov 2022)*	INR 76
Target Price	INR 108
NIFTY	18,329

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 113	INR 108
EPS Change %	FY22E	FY23E
	-5.5%	*-3.9%*

KEY STOCK DATA	
Bloomberg code	CESC IN
No. of Shares (mn)	1,326
MCap (INR bn) / ($ mn)	101/1,243
6m avg traded value (INR mn)	161
52 Week high / low	INR 95/68

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(4.2)	(3.1)	(15.9)
Relative (%)	(7.8)	(19.8)	(17.5)

SHAREHOLDING PATTERN (%)	Jun-22	Sep-22
Promoters	52.1	52.1
FIs & Local MFs	21.4	22.1
FPIs	13.9	13.3
Public & Others	12.6	12.5
Pledged Shares	-	-

Source : BSE

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

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

V-MART Retail

Recovery on track

V-MART reported 50% growth YoY (in-line). Organic business (ex-Unlimited acquisition) recovered fully from the pandemic blues in Q2FY23 (INR4bn; 3-year CAGR: 8%; HSIE: 3.8bn). Note: Unit economics has yet some catching up to do. Footfall density is at 69%, while transaction sizes were up 136% from pre-pandemic levels. Profitability beat (10.6% vs HSIE: 7.8%) was a function of (1) 17-18% price hikes in H2FY22 and (2) higher full-price sales. We've cut FY24/25 EBITDA estimates marginally by 1% each to account for a more gradual convergence of Unlimited financials towards the portfolio. But maintain our BUY rating with a DCF-based TP of INR3,300/sh (unchanged, implying 25x Sep-24 EV/EBITDA).

- **Q2FY23 highlights**: V-MART reported 50% growth YoY at INR 5.06bn (HSIE: INR 5.01bn). Organic business (ex-Unlimited acquisition) recovered fully from the pandemic blues in Q2FY23 to INR 4bn. Effective footfalls/store remain significantly lower (69% of Q2FY20 levels). Transaction sizes remain elevated in Q2 (up 136% of Q2FY20 levels). GM surprised positively at 36.3% (up 560bps YoY) as (1) the impact of recent price hikes (17-18% in H2FY22) got absorbed and (2) full-price sales were higher during the end-of-season period. EBITDAM margin beat (10.6% vs HSIE: 7.8%) was a function of the GM beat flowing through. Management reiterated its strategy to reduce prices (5-6%) and regain footfalls as RM pressure continued to subside at the margin. V-MART added 14 stores (net) in Q2. Losses stood at -INR113mn (vs HSIE: 170mn).
- **Outlook**: While V-MART remains among the stronger value fashion retailers within the ecosystem, profitability has been under pressure in the near term, courtesy Unlimited and overall footfall decline. We've marginally cut our FY24/25 EBITDA estimates by 1% each. But maintain our BUY rating with a DCF-based TP of INR3,300/sh (unchanged, implying 25x Sep-24 EV/EBITDA).

Quarterly financial summary

(INR mn)	Q2FY23	Q2FY22	YoY (%)	Q1FY23	QoQ (%)	FY21	FY22	FY23E	FY24E	FY25E
Net Revenue	5,062	3,380	49.8	5,879	(13.9)	10,755	16,662	24,855	31,167	36,058
Adj EBITDA	536	206	159.5	887	(39.6)	368	792	1,587	2,310	2,826
APAT	(113)	(141)	(20.0)	205	(155.3)	224	501	808	1,278	1,630
EPS (Rs)	(5.7)	(7.2)	(20.3)	10.3	(155.3)	11.4	25.4	41.0	64.8	82.7
P/E (x)						243.0	108.7	67.4	42.6	33.4
EV/EBITDA (x)						138.6	66.7	33.1	22.6	18.2
Core RoCE(%)						0.1	6.0	9.7	14.6	17.0

Source: Company, HSIE Research, Standalone Financials

Change in estimates

(INR mn)	FY23E			FY24E			FY25E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	24,855	24,855	-	31,167	31,167	-	36,058	36,058	-
Gross Profit	8,628	8,579	*0.6*	10,726	10,664	*0.6*	12,301	12,229	*0.6*
Gross Profit Margin(%)	34.7	34.5	*20 bps*	34.4	34.2	*20 bps*	34.1	33.9	*20 bps*
EBITDA	1,587	1,662	*(4.5)*	2,310	2,337	*(1.1)*	2,826	2,860	*(1.2)*
EBITDA margin (%)	6.4	6.7	*(30 bps)*	7.4	7.5	*(9 bps)*	7.8	7.9	*(9 bps)*

Source: Company, HSIE Research, Pre IND AS 116 financials

BUY

CMP *(on 14 Nov 2022)*	**INR 2,820**
Target Price	**INR 3,300**
NIFTY	**18,329**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR 3,300	INR 3,300
EBITDA %	FY24E	FY25E
	-1.1	-1.2

KEY STOCK DATA	
Bloomberg code	VMRT IN
No. of Shares (mn)	20
MCap (INR bn) / ($ mn)	56/686
6m avg traded value (INR mn)	158
52 Week high / low	INR 4,380/2,406

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	(5.5)	(5.1)	(35.0)
Relative (%)	(9.2)	(21.8)	(36.6)

SHAREHOLDING PATTERN (%)	**Jun-22**	**Sep-22**
Promoters	46.1	46.1
FIs & Local MFs	25.6	27.7
FPIs	18.2	11.5
Public & Others	10.1	14.7
Pledged Shares	0	0

Source : BSE

Pledged shares as % of total shares

Jay Gandhi
jay.gandhi @hdfcsec.com
+91-22-6171-7320

Premraj Survase
premraj.survase@hdfcsec.com
+91-22-6171-7348

TCNS Clothing

Quality of earnings sub-par

TCNS' journey to pre-pandemic sales remains underwhelming, partly given category-specific idiosyncrasies. Q2 operational performance was broadly in-line overall but lags peers. Revenue grew at 3% CAGR to INR3.5bn over three years (HSIE: INR3.4bn; Trent/Madura clocked 30/11%). Offline channels' sales just about crossed pre-pandemic sales (1.7% CAGR). However, channels' sales densities remain sub-par, unlike peers. Growth continues to demand more channel incentives (contribution margin: 39.6% vs pre-pandemic base of 43.1%, as expected). We largely maintain our FY24/25 EBITDA estimates and our SELL recommendation with a DCF-based TP of INR510/sh, implying 19x Sep-24 EV/EBITDA.

- **Q2FY22 highlights**: Revenue grew 46.5% YoY to INR3.5bn (HSIE: INR3.4bn). Offline sales recovery remains underwhelming. EBO/LFS/MBO sales clocked 1.6/1.5/3.6% CAGR on a three-year basis in Q2. Online salience continues to normalise towards pre-pandemic levels. Sales density across offline channels remains sub-par vs pre-pandemic levels (on a sq. ft basis). Inventory build-up was aggressive, courtesy the festive season. However, the extent was surprising. Management highlighted this is likely to normalise by year-end. Quality of earnings remains inferior in Q2 as growth continues to demand more channel incentives (contribution margin: 39.6% vs pre-pandemic base of 43.1%, as expected). EBITDAM came in at 13.2% (up 53bps YoY, still ~700bps lower than the pre-pandemic base; HSIE: 14.2%). APAT came in at INR76mn (HSIE:INR128mn). The company added 47 EBOs/154 LFS doors in H1.
- **Outlook**: Capital (especially WC) efficiency and increasing competitive intensity from well-capitalised peers remain key concerns for the category. We largely maintain our FY24/25 EBITDA estimates and our SELL recommendation with a DCF-based TP of INR510/sh, implying 19x Sep-24 EV/EBITDA.

Quarterly financial summary

(INR mn)	Q2FY23	Q2FY22	YoY (%)	Q1FY23	QoQ (%)	FY22	FY23E	FY24E	FY25E
Net Revenue	3,505	2,393	46.5	2,764	26.8	8,961	12,961	14,963	17,202
EBITDA	461	302	52.7	313	47.3	800	1,891	2,538	3,045
APAT	76	111	(31.0)	24	213.3	(57)	301	849	1,290
EPS (Rs) (Reported)	1.2	1.7	(31.0)	0.4	213.3	(2.4)	4.3	12.9	19.9
P/E (x)						NM	137.6	48.7	32.1
EV/EBITDA (x)						(393.9)	40.6	25.2	19.5
Core RoCE(%)						(0.6)	5.6	15.6	37.5

Source: Company, HSIE Research, Standalone Financials

Change in estimates

(INR mn)	FY23E			FY24E			FY25E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	12,961	12,584	*3.0*	14,963	14,508	*3.1*	17,202	16,693	*3.0*
Gross Profit	8,677	8,361	*3.8*	9,942	9,568	*3.9*	11,421	11,000	*3.8*
Gross Profit Margin(%)	66.9	66.4	*50 bps*	66.4	65.9	*50 bps*	66.4	65.9	*50 bps*
EBITDA (Reported)	1,891	1,902	*(0.6)*	2,538	2,560	*(0.8)*	3,045	3,068	*(0.7)*
EBITDA margin (%)	14.6	15.1	*(52 bps)*	17.0	17.6	*(68 bps)*	17.7	18.4	*(67 bps)*

Source: Company, HSIE Research

SELL

CMP *(on 14 Nov 2022)*	INR 562
Target Price	INR 510
NIFTY	18,329

KEY CHANGES	OLD	NEW
Rating	SELL	SELL
Price Target	INR 520	510
EBITDA %	FY24E	FY25E
	-0.8	-0.7

KEY STOCK DATA	
Bloomberg code	TCNSBR IN
No. of Shares (mn)	62
MCap (INR bn) / ($ mn)	35/426
6m avg traded value (INR mn)	50
52 Week high / low	INR 933/494

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(12.8)	(18.4)	(31.7)
Relative (%)	(16.4)	(35.1)	(33.2)

SHAREHOLDING PATTERN (%)	Jun-22	Sep-22
Promoters	32.3	32.3
FIs & Local MFs	4.5	3.3
FPIs	16.7	16.8
Public & Others	46.6	47.6
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

Jay Gandhi
jay.gandhi@hdfcsec.com
+91-22-6171-7320

Premraj Survase
premraj.survase@hdfcsec.com
+91-22-6171-7348

Dilip Buildcon

Margin recovery augurs well

Dilip Buildcon (DBL) reported revenue/EBITDA/PAT of INR 22.6/2.6/0.3bn; revenue missed our estimate while EBITDA/APAT beat our estimates. EBITDA margin, at 11.6%, exceeded our estimate of 8.9% due to lower revenue contribution from legacy low-margin projects (nearing completion) in the mix. The order book (OB), as of Sep'22, stood at INR 263.4bn (~2.9x FY22 revenue). The standalone net debt reduced further to INR 27.1bn, with net D/E at 0.61x, as of Sep'22. DBL received INR 2bn on the transfer of four projects to Shrem InvIT with INR 2.6/1.6bn receivable as units in Shrem InvIT/on the occurrence of certain events. DBL is targeting FY23 debt to be lower by INR 4-5bn vs FY22. DBL expects to receive INR 3-5bn through monetisation during the rest of H2FY23. The cash component has increased from INR 6.2bn to INR 7-7.5bn in the Shrem InVIT deal. We have recalibrated our EPS estimates higher to factor in margin recovery, robust OB growth, and debt reduction. As we roll over our estimates, we maintain BUY with SOTP-based TP of INR 340/sh (12x Sep-24E EPS).

- **Financial highlights:** Revenue: INR 22.6bn (+4.9/-13.7% YoY/QoQ, a 9.2% miss); EBITDA: INR 2.6bn (+14.8/+27.2%, YoY/QoQ, an 18.3% beat); EBITDA margin: 11.6% (+100/+372bps YoY/QoQ, exceeded our estimate of 8.9%. Exceptional item: INR 425.1mn profit from transfer of balance 51% stake in its two subsidiary companies to Cube Highways. Consequently, APAT: INR 323mn (+3.1x/+71% YoY/QoQ, a beat of 8.6x). It reiterated its FY23 revenue guidance at INR 100bn, with the EBITDA margin at 12-14%.
- **Robust OB; diversified well:** The OB, as of Sep'22, stood at INR 263.4bn (~2.9x FY22 revenue), with INR 68.2bn worth of order inflow (OI) in H1FY23. Segment-wise, 41.5/20.3/15.3/8.2/14.6% of the OB comprises road & highways/mining /irrigation/tunnel/other projects. Client-wise, the central/state government orders account for 69/31% of the OB.
- **Balance sheet deleveraging augurs well:** The standalone net debt, as of Sep'22, stood at INR 27.1bn vs. INR 28.9bn, as of Jun'22, with net D/E at 0.61x vs. 066x, as of Jun'22. The NWC days as of Sep'22 stood at 79 vs. 82 as of Jun'22. The total equity requirement in all 21 HAMs is INR 29.7bn, of which 15.4bn has been invested until Sep'22. The balance equity infusion guidance stands at INR 4.1/5.4/2.3bn for H2FY23/FY24/25. DBL has divested 100/49% stake in three/one projects to Shrem InvIT and realised INR 2bn in cash. INR 2.6/1.6bn are receivable as units in Shrem InvIT/on the occurrence of certain events. Further, INR 462mn is receivable upon transfer of the balance 51% stake. It reiterated its FY23 Capex guidance of INR 250-300mn.

Standalone financial summary (INR mn)

Particulars	2QFY23	2QFY22	YoY (%)	1QFY23	QoQ (%)	FY22	FY23E	FY24E	FY25E
Net Sales	22,619	21,561	4.9	26,215	(13.7)	90,058	1,00,000	1,08,000	1,18,800
EBITDA	2,613	2,277	14.8	2,054	27.2	7,533	11,323	13,492	14,936
APAT	323	(208)	(255.0)	71	356.2	-1,320	1,908	3,136	3,908
EPS (INR)	2.2	(1.4)	(255.0)	0.5	356.2	-9.0	13.0	21.4	26.7
P/E (x)						-25.5	17.7	10.7	8.6
EV/EBITDA (x)						8.1	5.5	4.7	4.5
RoE (%)						-3.2	4.3	6.7	7.8

Source: Company, HSIE Research

Standalone Estimate Change Summary

Particulars	FY23E			FY24E			FY25E		
	New	Old	Chg.(%)	New	Old	Chg.(%)	New	Old	Chg.(%)
Revenues	1,00,000	95,227	5.0	1,08,000	1,02,373	5.5	1,18,800	-	-
EBITDA	11,023	11,437	(3.6)	13,492	12,813	5.3	14,936	-	-
EBITDA (%)	11.0	12.0	(98.7)	12.5	12.5	(2.4)	12.6	-	-
APAT	1,692	1,634	3.5	3,136	2,573	21.9	3,908	-	-

Source: Company, HSIE Research

BUY

CMP (as on 14 Nov 2022)	INR 230
Target Price	INR 340
NIFTY	18,329

KEY CHANGES	OLD		NEW
Rating	BUY		BUY
Price Target	INR 369		INR 340
EPS Change %	FY23E	FY24E	FY25E
	3.5	21.9	-

KEY STOCK DATA	
Bloomberg code	DBL IN
No. of Shares (mn)	146
MCap (INR bn) / ($ mn)	34/415
6m avg traded value (INR mn)	112
52 Week high / low	INR 658/187

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(7.9)	1.8	(63.3)
Relative (%)	(11.5)	(14.9)	(64.9)

SHAREHOLDING PATTERN (%)	Jun-22	Sep-22
Promoters	70.15	70.15
FIs & Local MFs	9.12	9.25
FPIs	6.35	6.31
Public & Others	14.38	14.29
Pledged Shares	17.53	17.53

Source: BSE

Pledged shares as % of total shares

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

Nikhil Kanodia
nikhil.kanodia@hdfcsec.com
+91-22-6171-7362

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

Ashoka Buildcon

Deal closures awaited

Ashoka Buildcon (ASBL) reported revenue/EBITDA/APAT of INR 12.8/1.1/0.7bn, missing our estimates on all fronts. The Chennai ORR and 5 BOT assets sale deals are expected to be closed by Q4FY23 along with the Jaora BOT asset sale. ASBL has received orders worth ~INR 30bn FYTD23, taking the FYTD23 order book (OB) to INR 149bn (~3.3x FY22 revenue). The standalone gross/net debt increased marginally to INR 8.7/6.5bn, as of Sep'22. The balance equity requirement for HAM assets as of Sep'22 stands at INR 2.5bn, of which INR 1.4bn would be funded in the remaining year FY23 and INR 0.8/0.3bn in FY24/25. ASBL has guided for a capex of INR 240-250mn in H2FY23. It also guided for H2FY23 revenue to grow at 20-25% YoY. We maintain BUY, with a reduced TP of INR 134/sh (9x Sep-24E EPS rollover).

- **Q2FY23 highlights:** Revenue: INR 12.8bn (+39.6/-13.4% YoY/QoQ, a 4.9% miss). EBITDA: INR 1.1bn (+6.1/-22.6% YoY/QoQ, a 19.8% miss). EBITDA margin: 8.7% (-276/-103bps YoY/QoQ, below our estimate of 10.4%, owing to older project bid aggressively moving into revenue recognition). Depreciation: INR 182mn (+10.1/+8.6% YoY/QoQ). Interest cost: INR 361mn (+72/+82.5% YoY/QoQ). Other income: INR 297mn (-49.7/-4.9% YoY/QoQ). APAT: INR 655mn (-31.5/-37.3% YoY/QoQ, a 32.7% miss). ASBL has guided for H2FY23 revenue to grow by 20-25% YoY with EBITDA margin of 9-9.5%.
- **Robust OB, well-diversified:** The OB as of Sep'22 stood at INR 149bn (~3.3x FY22 revenue). The OB is well-diversified with roads/T&D/railways/buildings/others contributing 55.4/15/10/19.2/0.3% of the order backlog. ASBL has received orders worth ~INR 30bn FYTD23. ASBL has a robust bid pipeline of INR 650bn. While ASBL has its clear focus on national and state highways, it is diversifying its portfolio into power T&D, railways, and buildings as well.
- **Balance sheet likely to be asset-light by FY23 end:** With approvals pending only from a few stakeholders, Chennai ORR and 5 BOT assets deals are expected to be completed by Q4FY23. The Jaora BOT asset sale also is expected in FY23. The standalone gross/net debt stood increased marginally to INR 8.7/6.5bn as of Sep'22 vs. INR 8.6/6.4bn as of Jun'22. The balance equity requirement for HAM assets as of Sep'22 stands at INR 2.5bn, of which INR 1.4bn would be funded in the remaining year FY23 and INR 0.8/0.3bn in FY24/25. ASBL has guided for a capex of INR 240-250mn in H2FY23.

Standalone Financial Summary (INR mn)

YE March	2QFY23	2QFY22	YoY (%)	1QFY23	QoQ (%)	FY22	FY23E	FY24E	FY25E
Net Sales	12,803	9,171	39.6	14,790	(13.4)	45,915	57,439	63,757	70,771
EBITDA	1,119	1,055	6.1	1,446	(22.6)	5,025	5,457	6,439	7,360
APAT	655	956	(31.5)	1,043	(37.3)	4,086	2,642	3,096	3,555
EPS (INR)	2.3	3.4	(31.5)	3.7	(37.3)	14.6	9.4	11.0	12.7
P/E (x)						5.0	7.8	6.6	5.8
EV/EBITDA (x)						4.9	4.3	3.2	2.5
RoE (%)						14.3	9.3	9.8	10.0

Source: Company, HSIE Research

Standalone estimate change summary (INR mn)

Particulars	FY23E			FY24E			FY25E		
	New	Old	Chg.(%)	New	Old	Chg.(%)	New	Old	Chg.(%)
Revenues	57,439	52,802	8.8	63,757	58,082	9.8	70,771	-	-
EBITDA	5,457	5,914	(7.7)	6,439	6,563	(1.9)	7,360	-	-
EBITDA (%)	9.5	11.2	(170.0)	10.1	11.3	(120.0)	10.4	-	-
APAT	2,642	2,989	(11.6)	3,096	3,368	(8.1)	3,555	-	-

Source: Company, HSIE Research

BUY

CMP (as on 14 Nov 2022)	INR 73
Target Price	INR 134
NIFTY	18,329

KEY CHANGES	OLD		NEW
Rating	BUY		BUY
Price Target	INR 140		INR 134
EPS Change %	FY23E	FY24E	FY25E
	-11.6	-8.1	-

KEY STOCK DATA	
Bloomberg code	ASBL IN
No. of Shares (mn)	281
MCap (INR bn) / ($ mn)	20/253
6m avg traded value (INR mn)	78
52 Week high / low	INR 109/69

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(5.2)	(0.2)	(32.6)
Relative (%)	(8.9)	(16.9)	(34.1)

SHAREHOLDING PATTERN (%)	Jun-22	Sep-22
Promoters	54.48	54.48
FIs & Local MFs	19.82	19.11
FPIs	2.43	1.93
Public & Others	23.27	24.48
Pledged Shares	-	-

Source : BSE

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

Nikhil Kanodia
nikhil.kanodia@hdfcsec.com
+91-22-6171-7362

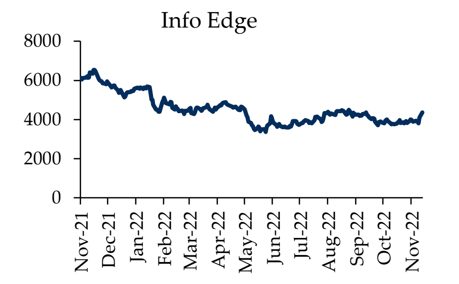
Manoj Rawat
manoj.rawat@hdfcsec.com
+91-22-6171-7358

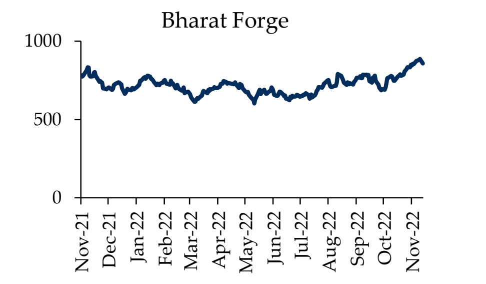
Rating Criteria
BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: > 10% Downside return potential

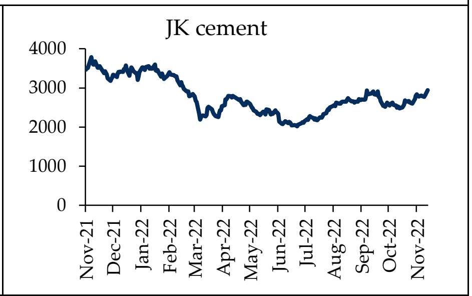
Disclosure:

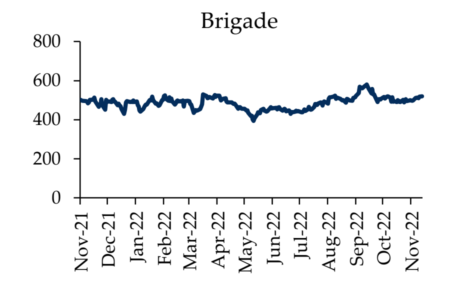
Analyst	Company Covered	Qualification	Any holding in the stock
Amit Chandra	Infoedge	MBA	NO
Vivek Sethia	Infoedge	CA	NO
Aniket Mhatre	Bharat Forge	MBA	NO
Sonaal Sharma	Bharat Forge	MBA	NO
Rajesh Ravi	JK Cement	MBA	NO
Keshav Lahoti	JK Cement	CA	NO
Parikshit Kandpal	Brigade Enterprises, Dilip Buildcon, Ashoka Buildcon	CFA	NO
Manoj Rawat	Brigade Enterprises, Dilip Buildcon, Ashoka Buildcon	MBA	NO
Nikhil Kanodia	Brigade Enterprises, Dilip Buildcon, Ashoka Buildcon	MBA	NO
Nilesh Ghuge	Aether Industries	MMS	NO
Harshad Katkar	Aether Industries	MBA	NO
Rutvi Chokshi	Aether Industries	CA	NO
Akshay Mane	Aether Industries	PGDM	NO
Anuj Upadhyay	CESC	MBA	NO
Hinal Choudhary	CESC	CA	NO
Jay Gandhi	V-MART Retail, TCNS Clothing	MBA	NO
Premraj Survase	V-MART Retail, TCNS Clothing	MBA	NO

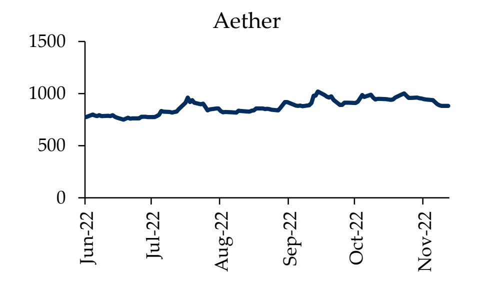
1 Yr Price Movement

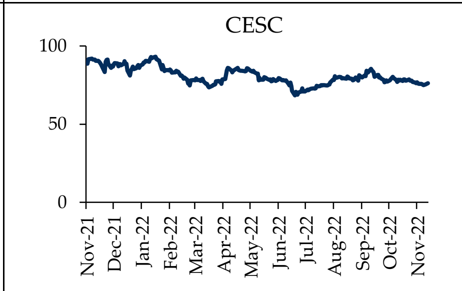


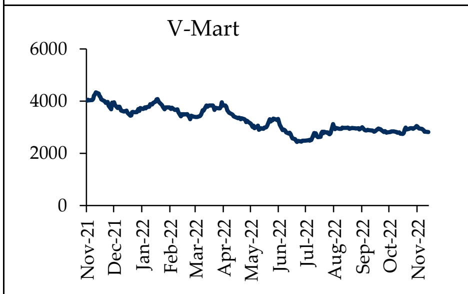


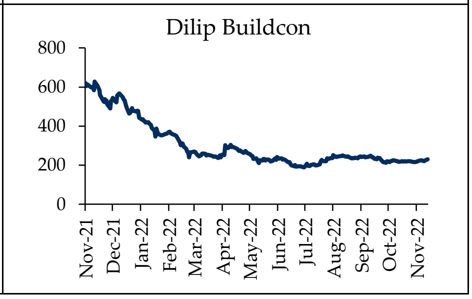


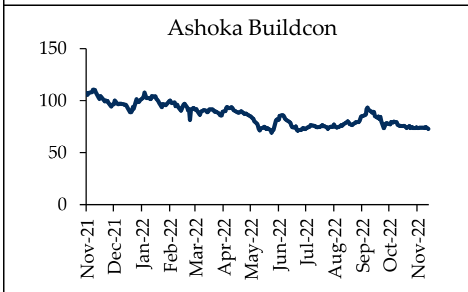












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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066
Compliance Officer: Murli V Karkera 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