INSTITUTIONAL RESEARCH

HSIE Results Daily

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Results Reviews

- **Cummins:** Cummins India Ltd (CIL) delivered a positive surprise with the highest quarterly revenue/EBITDA/PAT at INR 21.8/4.1/3.6bn, beating our estimates by 12/37/34%. Revenue outperformance, pricing action and op-lev resulted in gross and EBITDA margin expansion. CIL maintained its guidance of the returning to historical gross margin range of 35-36% (+300bps) in 18-24months. The demand environment is strong in both domestic and export markets, and CIL expects to grow at 2x the Indian GDP growth. With the transition to stringent CPCB 4+ norms expected to take place in July'23, powergen pre-buying is expected to pick up in Q4FY23/ Q1FY24. CIL has multiple tailwinds, namely, stringent upcoming norms, Capex cycle recovery, adoption of alternative fuels with lesser carbon footprint, revival in industrials and supporting manufacturing policies. CIL highlighted that it continues to evaluate on CTIL merger and will arrive at a solution which is in the best interest of various stakeholders. We have increased our FY23/24/25 EPS by 7.4/3.7/9.8% to factor in strong growth. Maintain BUY, with an increased SOTP of INR 1,818 (35x Dec-FY24E EPS).
- **Astral:** We maintain our REDUCE rating on Astral, with a revised TP of INR 1,880/sh (30x its Mar-25E consolidated EBITDA), owing to its expensive valuation. We believe Astral's foray into new businesses (paints and bath ware) will reduce its valuation premium. During Q3FY23, Astral's consolidated revenue rose 15% YoY (strong growth across both plumbing and adhesives), inventory losses (in pipes) and high chemical prices (in adhesives), and early losses in bath ware pulled down EBITDA/APAT by 6/27% YoY. Astral expects some inventory gain in Q4FY23.
- **Hindustan Petroleum Corporation:** Our ADD rating on Hindustan Petroleum Corporation (HPCL) with a price target of INR 260 is premised on (1) recovery in domestic demand for petroleum products and (2) robust refining margins over the coming 18 months. Q3FY23 EBITDA came in at INR 17bn, marginally below our estimate, owing to lower-than-expected GRM, partially offset by better-than-expected marketing segment performance. Reported GRM stood at USD 9.1/bbl (HSIE: USD 10.6/bbl).
- **Oberoi Realty:** Oberoi Realty (ORL) registered subdued presales of Rs 6.4bn (-68/-45%, YoY/QoQ), largely contributed by the Borivali new tower launch. ORL has settled its dues with its JV Partner in 360W, with the purchase of 63 units for INR 34bn consideration (non-cash, valued at INR 45bn at the last ORL sales price). Focus will now shift to business development and new launches. It has a strong launch pipeline for the next 12 months, with new tower expected to open up in Goregaon and Thane Kolshet/Pokhran launch in Q4FY23/Q1FY24. Decision on Glaxo Worli–retail/office–shall be taken in Q4FY23. ORL has ~INR 75bn of ready inventory and this shall be utilized towards growth capital and new land acquisition. We remain constructive on ORL and maintain BUY, with an increased NAV-based TP of INR 1,158/sh as we roll forward to FY25 estimates.
- **Deepak Nitrite:** We maintain SELL on Deepak Nitrite (DNL), with a price target of INR 1,583 (WACC 12%, terminal growth 4%). The stock is currently trading at 19x FY24E EPS. We believe growth in DPL is capped as the phenol plant is already running at full capacity and margins in advanced intermediates to remain under pressure owing to high input cost.

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EBITDA/APAT were 11/16% below estimates, owing to higher-than-expected raw material costs and lower-than-expected other income.

- **Endurance Technologies:** Endurance Q3 PAT declined 18% QoQ to INR1.1bn due to weak 2W demand in India, input cost pressure and lack of State incentive in Q3. Going ahead, domestic 2W OEMs continue to see weak demand in domestic and export markets and are likely to remain the key concern for Endurance. Further, while supply chain challenges seem to have eased out globally, the demand outlook remains weak in Europe, given the record high inflation and rising interest rates in the region. Further, the rapid EV transition in Europe could emerge as a risk. On the back of a gradual decline in input costs and a reduction in energy costs in Europe, we factor in consolidated margin improvement to 14.5% by FY25E (from 12% in FY23E), still well below its previous peak of 16.3% achieved in FY20. While we have factored in most of the key positives, valuations at 29.1x FY24E earnings, appear expensive. Reiterate REDUCE with an unchanged target of INR 1,340, valued at 25x Sep2024E.
- **Alkyl Amines:** We maintain SELL on Alkyl Amines (AACL) with a price target of INR 2,334 (WACC 12%, terminal growth 5%). The stock is currently trading at 44x FY24E EPS. We believe that the current valuation already factors in positives from potential volume growth, after doubling of the acetonitrile plant capacity and ~40% additional capacities of the aliphatic amines plant. EBITDA/APAT were 26/26% below our estimates, owing to a 15% fall in sales, higher-than-expected other expenses offset by lower-than-expected tax outgo.
- **Century Plyboards India:** We maintain our BUY rating on Century Ply, with an unchanged target price of INR 715/sh (20x its Mar'25E consolidated EBITDA). We like Century for its strong franchise (pan-India distribution, aggressive marketing, and a wide range of SKUs), leadership presence in most wood segments and healthy return ratios. In Q3FY23, its consolidated revenue rose 3% YoY, led by growth in the plywood segment. However, EBITDA/APAT fell 14/13% YoY owing to elevated timber prices, decline in laminate sales and on rising-imports led drag on MDF/particle board sales and margin. Despite the expected margin pressure in MDF and particle boards during FY24/25E, We expect Century to deliver a 15% EBITDA CAGR during FY22-25E.
- **Kalpataru Power Transmission:** Kalpataru Power (KPTL) reported revenue/EBITDA/APAT of INR 35/3/1.1bn, (missing)/beating our estimates by 2.9/4/(11)%. Healthy execution growth was witnessed in Water, B&F, O&G and Urban Infra businesses. KPTL secured new orders worth INR 195bn in FYTD23, taking the order book (OB) to an all-time high of INR 414bn (excluding L1 of INR 52bn). KPTL is eyeing transmission, B&F, Water and Railways as the growth driver. With the merger completed with JMC, KPTL expects a financial synergy in terms of interest cost savings of INR 500-700mn in FY24. The merged entity is well-placed to bid for larger project sizes in both domestic and international markets. Within the domestic market, water and transmission opportunities are huge; KPTL expects a 60-70% opportunity within the water segment is yet to open as other states start opening tender under JJM (mostly carried by UP till now). We have recalibrated our estimates higher to factor in strong order inflows. We roll forward our valuation to Dec 24E and maintain a BUY rating on the stock with an increased SOTP valuation of INR 708/sh.
- **Prince Pipes and Fittings:** We maintain our BUY rating on Prince Pipes, with an unchanged target price of INR 705/sh (18.5x its Mar-25E EBITDA). We like Prince for its large product portfolio, robust pan-India distribution, and low exposure (~30-35%) to price-sensitive agri markets. It reported strong

performance in Q3FY23 due to good demand and channel restocking (volume up 35/14% YoY/QoQ). Despite an INR 6/kg inventory loss in Q3FY23, unitary EBITDA recovered to INR 16/kg (vs the H1FY23 margin of INR 5/kg). With resin prices recovering and demand picking up, we expect volume and margin to rebound.

- **NCC:** NCC's Q3FY23 revenue/EBITDA came in at INR 33/3.5/1.5bn, beating our estimates by 5.6/12/14%. With order inflow (OI) of INR 55bn in Q3FY23, the 9MFY23 OI stands at INR 126bn (vs. the new guidance of INR 200bn), taking the order book (OB) to INR 418bn (~4x FY22 revenue). The order book for the AP project stands at INR 50bn with NCC only adding projects funded by the central government. Sequentially, the EBITDA margin improved and is expected to improve further by 10-20bps on account of better gross margin. In the Sembcorp arbitration, the final hearing is in this month with the final outcome expected by May/Jun'23. The Malad sewage water treatment plant construction is expected to start in 1-2 months with design, licensing, and approvals in process. Given the robust order book, pick-up in execution, stable balance sheet, and commodities price correction, we maintain BUY on NCC, with an increased TP of INR 111 (9x Dec-24E rolled over).
- **HG Infra:** HG Infra (HG) reported revenue/EBITDA/APAT at INR 11/2/1bn (missing)/beating our estimate by (1.9)/2/1.4% resp. It expects FY23 revenue growth of 25% plus (INR 46bn) with an EBITDA margin of 15% plus on the back of a robust OB of INR 110bn. It reported an early completion bonus of INR 160mn in Q3FY23 and expects INR 45mn in Q4FY23. The order inflow (OI) in 9MFY23 was INR 60bn with another INR 30-40bn expected in Q4FY23. It is L1 in its first non-highway project i.e. Delhi Metro project worth INR 4bn with the scope of work including the construction of an elevated viaduct and four elevated stations. It expects a margin of 14% from this project and a margin of 15% plus at the aggregate level, going forward. The company plans to monetise four HAM projects at a ~40% premium to book value of INR 3.5bn invested equity by Sep'23. Given robust order inflow and strong execution, we maintain BUY, with an increased TP of INR 1,017 (14x Dec-24E EPS) to factor in a higher level of execution and better EBITDA margin.

Cummins

Continues to surprise positively

Cummins India Ltd (CIL) delivered a positive surprise with the highest quarterly revenue/EBITDA/PAT at INR 21.8/4.1/3.6bn, beating our estimates by 12/37/34%. Revenue outperformance, pricing action and op-lev resulted in gross and EBITDA margin expansion. CIL maintained its guidance of the returning to historical gross margin range of 35-36% (+300bps) in 18-24months. The demand environment is strong in both domestic and export markets, and CIL expects to grow at 2x the Indian GDP growth. With the transition to stringent CPCB 4+ norms expected to take place in July'23, powergen pre-buying is expected to pick up in Q4FY23/ Q1FY24. CIL has multiple tailwinds, namely, stringent upcoming norms, Capex cycle recovery, adoption of alternative fuels with lesser carbon footprint, revival in industrials and supporting manufacturing policies. CIL highlighted that it continues to evaluate on CTIL merger and will arrive at a solution which is in the best interest of various stakeholders. We have increased our FY23/24/25 EPS by 7.4/3.7/9.8% to factor in strong growth. Maintain BUY, with an increased SOTP of INR 1,818 (35x Dec-FY24E EPS).

- **Financial highlights:** Revenue: INR 21.8bn (+26%/+12% YoY/QoQ, 12% beat), highest-ever quarterly. Domestic sales: INR 16bn (+27%/+15% YoY/QoQ) and export sales of INR 5.4bn (+23%/+2% YoY/QoQ). EBITDA: INR 4.1bn (+52%/+42% YoY/QoQ, 37% beat). EBITDA margin: 18.9% (+331/+401bps YoY/QoQ) vs est. of 15.5%. This outperformance was mainly on account of a higher gross margin at 33.8% (+52bps/+198bps Q3FY22/Q2FY23) and operating leveraging kicking in because of higher-than-expected revenue growth. Other income: INR 1bn (+20%/+21% YoY/QoQ) vs. est. of INR 950mn. RPAT/APAT: INR 3.6bn (+50%/+42% YoY/QoQ 34% beat).
- **Demand outlook stable; CIL targeting 2x GDP growth:** CIL continues to witness strong demand, both in domestic and export markets. Demand is especially strong in the powergen segment where end markets like hospitality, commercial realty, manufacturing and data centres are driving growth. During 9MFY23, CIL did not witness any major pre-buying ahead of the transition to stringent CPCB 4+ norms in July'23. It believes that the impact will kick in as we are now 5 months away from the transition.
- **Price hikes and commodities inflation now balance each other, China recovery, supply chain issues key constraints to margin improvement:** The global supply chain challenges continue to persist, with electronic components and specialist parts like specialised casting still in short supply. CIL factories are currently running at 70-80% utilisation and are good to meet the demand for the next two years. It expects to maintain the annual sustenance Capex of INR c.2-2.5bn largely on CPCB 4+ implementation and improving the green product mix. The China recovery and supply chain issues may result in higher commodity inflation.

Standalone financial summary

(INR in mn)	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	FY22	FY23E	FY24E	FY25E
Net Revenues	21,805	17,350	25.7	19,513	11.8	61,404	76,247	84,763	94,568
EBITDA	4,122	2,705	52.4	2,905	41.9	8,802	12,010	15,072	17,510
APAT	3,601	2,410	49.5	2,524	42.7	7,837	10,752	13,283	15,064
Diluted EPS(INR)	13.0	8.7	49.5	9.1	42.7	28.3	38.8	47.9	54.3
P/E (x)						55.8	40.7	32.9	29.0
EV/EBIDTA (x)						47.9	34.8	27.3	23.1
RoE (%)						16.9	20.9	22.7	22.1

Standalone Estimate Change Summary (INR mn)

Particulars	FY23E			FY24E			FY25E		
	New	Old	Chg.(%)	New	Old	Chg.(%)	New	Old	Chg.(%)
Revenues	76,247	73,148	4.2	84,763	81,363	4.2	94,568	89,978	5.1
EBITDA	12,010	11,022	9.0	15,072	14,405	4.6	17,510	15,846	10.5
EBITDA (%)	15.8	15.1	68.4	17.8	17.7	7.7	18.5	17.6	90.5
APAT	10,752	10,009	7.4	13,283	12,803	3.7	15,064	13,722	9.8

Source: Company, HSIE Research

BUY

CMP *(as on 09 Feb 2023)*	INR 1,578
Target Price	INR 1,818
NIFTY	17,893

KEY CHANGES	OLD		NEW
Rating	BUY		BUY
Price Target	INR 1,597		INR 1,818
EPS change %	FY23E	FY24E	FY25E
	+7.4	+3.7	+9.8

KEY STOCK DATA	
Bloomberg code	KKC IN
No. of Shares (mn)	277
MCap (INR bn) / ($ mn)	438/5,302
6m avg traded value (INR mn)	877
52 Week high / low	INR 1,618/904

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	16.8	32.6	69.3
Relative (%)	17.2	29.3	65.3

SHAREHOLDING PATTERN (%)	Sep-22	Dec-22
Promoters	51.00	51.00
FIs & Local MFs	26.74	25.20
FPIs	10.36	12.20
Public & Others	11.90	11.60
Pledged Shares	-	-

Source: BSE

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Astral

Strong plumbing offtake; margin to firm up

We maintain our REDUCE rating on Astral, with a revised TP of INR 1,880/sh (30x its Mar-25E consolidated EBITDA), owing to its expensive valuation. We believe Astral's foray into new businesses (paints and bath ware) will reduce its valuation premium. During Q3FY23, Astral's consolidated revenue rose 15% YoY (strong growth across both plumbing and adhesives), inventory losses (in pipes) and high chemical prices (in adhesives), and early losses in bath ware pulled down EBITDA/APAT by 6/27% YoY. Astral expects some inventory gain in Q4FY23.

- **Q3FY23 performance:** **Plumbing** volume rose 30/13% YoY/QoQ, led by strong demand and dealer restocking. Astral booked ~INR 0.25bn inventory losses in Q3 (amid falling prices in Oct/Nov), which lowered the plumbing segment margin by ~2%. Segmental EBITDA fell 16% YoY to INR 1.44bn. **Adhesives/paints** revenue was flattish QoQ as overseas business was slow (UK market). Paints' contribution drove up segmental revenue by 29% YoY. Segmental margin declined 40bps QoQ but improved 70bps YoY to 12.2%. While Astral's consolidated revenue rose 15% YoY, EBITDA declined 6% due to inventory loss (pipes) and initial losses in the bath ware segment. Higher capital charges pulled down APAT by 27% YoY.
- **Concall KTAs and outlook:** Astral expects some inventory gain in Q4FY23 (increase in resin prices in Dec-22). Astral will spend INR 2.3bn Capex in FY23E towards its ongoing expansions (excluding INR 1.94bn investment for the Gem Paints acquisition). Astral's adhesives plant in Dahej will start in Q1FY24E. It is also ramping up display centres for the bath ware segment. It expects INR 1bn in FY23 from tank business with 12-13% EBITDA margins. Its valve business is scaling up, and by Q4FY23 all 120 SKUs are expected to be out in the market. Factoring in Q3 performance, we have cut FY23/24/25E EBITDA estimates by 3/7/4% respectively.

Quarterly/annual financial summary (consolidated)

YE Mar (INR bn)	Q3 FY23	Q3 FY22	*YoY (%)*	Q2 FY23	*QoQ (%)*	FY21	FY22	FY23E	FY24E	FY25E
Pipes sales (K MT)	45.9	35.3	*30.1*	40.8	*12.5*	136.6	149.6	178.0	199.3	223.3
EBITDA (INR/kg)	31.3	48.1	*-35.0*	27.6	*13.3*	39.1	42.3	35.5	37.2	37.6
Adhesives* Rev (INR mn)	3.36	2.61	*28.6*	3.36	*0.1*	7.35	10.09	14.07	17.13	19.49
Adhesives EBITDAM (%)	12.2	11.5		12.6	15.0	15.5	12.8	12.7	13.6	13.9
Net Sales	*12.68*	*10.99*	15.4	*11.72*	8.2	*31.76*	*43.94*	*51.89*	*62.29*	*73.30*
EBITDA	1.86	1.98	*-5.7*	1.44	*29.4*	6.45	7.55	7.75	10.16	12.09
EBITDAM (%)	14.7	18.0		12.3		20.3	17.2	14.9	16.3	16.5
APAT	0.93	1.27	*-26.9*	0.69	*34.6*	4.04	4.84	4.16	6.01	7.36
Diluted EPS (Rs)	*4.6*	*6.3*	-26.9	*3.4*	34.6	*20.1*	*24.0*	*20.7*	*29.8*	*36.5*
EV / EBITDA (x)						62.8	53.4	52.1	39.4	32.8
P/E (x)						*101.1*	84.5	98.3	68.1	55.6
RoE (%)						23.6	22.6	15.7	19.0	19.8

Source: Company, HSIE Research, * Adhesives includes paints FY23 onwards

Estimates revision summary (consolidated)

INR bn	FY23E Old	FY23E Revised	*Change %*	FY24E Old	FY24E Revised	*Change %*	FY25E Old	FY25E Revised	*Change %*
Net Sales	55.08	51.89	*(5.8)*	67.08	62.29	*(7.1)*	77.39	73.30	*(5.3)*
EBITDA	8.03	7.75	*(3.4)*	10.87	10.16	*(6.5)*	12.56	12.09	*(3.7)*
APAT	4.96	4.16	*(16.2)*	6.95	6.01	*(13.6)*	8.23	7.36	*(10.6)*

Source: Company, HSIE Research

REDUCE

CMP *(as on 09 Feb 2023)*	**INR 2,030**
Target Price	**INR 1,880**
NIFTY	**17,893**

KEY CHANGES	**NEW**	**OLD**
Rating	REDUCE	REDUCE
Price Target	INR 1,880	INR 1,940
EBITDA revision %	FY23E *(3.4)*	FY24E *(6.5)*

KEY STOCK DATA	
Bloomberg code	ASTRA IN
No. of Shares (mn)	201
MCap (INR bn) / ($ mn)	409/4,956
6m avg traded value (INR mn)	1,085
52 Week high / low	INR 2,655/1,582

STOCK PERFORMANCE (%)

	3M	**6M**	**12M**
Absolute (%)	(3.0)	2.9	(4.9)
Relative (%)	(2.6)	(0.4)	(8.9)

SHAREHOLDING PATTERN (%)

	Sep-22	**Dec-22**
Promoters	55.85	55.85
FIs & Local MFs	14.37	15.23
FPIs	16.26	14.88
Public & Others	13.53	14.05
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Hindustan Petroleum Corporation

Earnings remain muted

Our ADD rating on Hindustan Petroleum Corporation (HPCL) with a price target of INR 260 is premised on (1) recovery in domestic demand for petroleum products and (2) robust refining margins over the coming 18 months. Q3FY23 EBITDA came in at INR 17bn, marginally below our estimate, owing to lower-than-expected GRM, partially offset by better-than-expected marketing segment performance. Reported GRM stood at USD 9.1/bbl (HSIE: USD 10.6/bbl).

- **Refining:** Crude throughput in Q3 stood at 4.8mmt, +14% YoY, +8% QoQ, implying an overall refinery capacity utilisation of 107.9% (up 800bps QoQ). GRM stood at USD 9.1/bbl vs USD 6.4/bbl YoY, USD 8.4/bbl QoQ, though we expect them to remain robust, given strong product cracks, an improved demand environment and lower global inventories. Thus, we estimate standalone GRMs at USD 10.3/9.3/9.6 per bbl for FY23/24/25E.
- **Marketing:** Domestic marketing sales volume was 11mmt (+10% YoY, +11% QoQ). The blended gross marketing margin for the quarter stood at INR 3.8/lit, likely supported by higher margins for petrol and other products. However, we estimate a blended gross margin of INR 2.5/2.8/2.9 per lit over FY23/24/25E.
- **Change in estimates:** We cut our FY23 EPS estimate by 9.5% to INR 30.4 to factor in lower marketing margins; however, we revise upwards our F24/25E EPS by 3.5/4.5% to INR 45.5/55.1, to factor in higher GRM and marketing sales volume, partially offset by lower marketing gross margins, delivering a revised TP of INR 260/sh.
- **Our SOTP TP, at INR 260, is based on 5x Mar-24E EV/e for standalone refining, 6x Mar-24E EV/e for marketing business and pipeline business respectively, and INR 167/sh for other investments. The stock is currently trading at 5.1x on FY24E EPS.**

Standalone financial summary

YE March (INR bn)	Q3 FY23	Q2 FY23	QoQ (%)	Q3 FY22	YoY (%)	FY21*	FY22*	FY23E*	FY24E*	FY25E*
Revenue	1,096	1,084	1.1	966	13.5	2,332	3,499	4,403	4,255	4,529
EBITDA	17	(15)	211.6	19	(10.6)	160	102	75	111	135
APAT	2	(22)	107.9	9	(80.2)	107	73	43	65	78
AEPS (INR)	1.2	(15.3)	107.9	6.1	(80.2)	75.1	51.4	30.4	45.5	55.1
P/E (x)						3.1	4.5	7.7	5.1	4.2
EV / EBITDA (x)						4.4	7.1	9.7	6.9	6.0
RoE (%)						30.9	18.4	10.0	13.9	15.2

Source: Company, HSIE Research | *Consolidated

Change in estimates (consolidated)

	FY23E			FY24E			FY25E		
	Old	New	Ch%	Old	New	Ch%	Old	New	Ch%
EBITDA (INR bn)	83.4	75.2	(9.9)	112.1	110.8	(1.2)	134.9	134.9	0.0
AEPS (INR/sh)	33.5	30.4	(9.5)	44.0	45.5	3.5	52.7	55.1	4.5

Source: Company, HSIE Research

ADD

CMP *(as on 09 Feb 2023)*	INR 232
Target Price	INR 260
NIFTY	17,893

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 253	INR 260
EPS change	**FY23E**	**FY24E**
	-9.5%	+3.5%

KEY STOCK DATA	
Bloomberg code	HPCL IN
No. of Shares (mn)	1,419
MCap (INR bn) / ($ mn)	329/3,989
6m avg traded value (INR mn)	959
52 Week high / low	INR 307/200

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	13.5	(2.9)	(21.6)
Relative (%)	13.8	(6.2)	(25.6)

SHAREHOLDING PATTERN (%)	Sep-22	Dec-22
Promoters	54.90	54.90
FIs & Local MFs	18.00	19.62
FPIs	16.73	15.65
Public & Others	10.37	9.82
Pledged Shares	0.0	0.0

Source : BSE

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Oberoi Realty

Launches, new business development key for rerating

Oberoi Realty (ORL) registered subdued presales of Rs 6.4bn (-68/-45%, YoY/QoQ), largely contributed by the Borivali new tower launch. ORL has settled its dues with its JV Partner in 360W, with the purchase of 63 units for INR 34bn consideration (non-cash, valued at INR 45bn at the last ORL sales price). Focus will now shift to business development and new launches. It has a strong launch pipeline for the next 12 months, with new tower expected to open up in Goregaon and Thane Kolshet/Pokhran launch in Q4FY23/Q1FY24. Decision on Glaxo Worli–retail/office–shall be taken in Q4FY23. ORL has ~INR 75bn of ready inventory and this shall be utilized towards growth capital and new land acquisition. We remain constructive on ORL and maintain BUY, with an increased NAV-based TP of INR 1,158/sh as we roll forward to FY25 estimates.

- **Financial highlights**: Revenue: INR 16.3bn (+96%/+137% YoY/QoQ, +8% beat). EBITDA: INR 9.4bn (+184%/+203% YoY/QoQ, +4% beat). EBITDA margins: 57.7% (+1786bps/+1263bps YoY/QoQ) was below our 60.2% estimate. PBT: INR 9.1bn (+189%/+218% YoY/QoQ, 3% beat). RPAT/APAT: INR 7bn (+50%/+120%, YoY/QoQ, 7% beat). Oberoi registered subdued presales of INR 6.4bn (-68/-45%, YoY/QoQ) and a saleable area of 0.36msf (-65/-3%, YoY/QoQ). The implied realization was INR 17,778 (-6%/-43%, YoY/QoQ). A large contribution in this quarter came from the new Borivali tower and Mulund project which received OC.
- **360W settled, focus back on business development and launches:** ORL has settled its dues with its JV Partner in 360W, with the purchase of 63 units for INR 34bn consideration (valued at INR 45bn at the last ORL sales price). Whilst the leads pipeline is strong, the management bandwidth will incrementally be used for new business development and new launches. With the acquisition of Blue Star land, the ORL Thane saleable area is now ~15mn sqft (vs. 12mn sqft earlier). New launch in Goregaon Garden City, Thane project (Kolshet/Pokhran to be launched by Q4FY23/Q1FY24) and unsold Mulund and Worli inventory lend visibility to a strong sales pipeline for the next 12 months.
- **Balance sheet position comfortable**: The consolidated gross/net debt stood at INR 30.5/24.6bn vs. INR 30/19.8bn as of Sep'22, with net D/E at 0.21x (vs. 0.18x as of Sep'22). ORL generated a negative CFO of INR 1.3bn in 9MFY23. Strong cash flow generation is expected from new projects like Three Sixty West as well as the Mulund and Borivali projects.

Consolidated financial summary (INR mn)

Particulars	Q3FY23	Q3FY22	YoY(%)	Q2FY23	QoQ(%)	FY22	FY23E	FY24E	FY25E
Net Sales	16,295	8,320	95.8	6,886	136.6	26,940	43,842	44,200	47,868
EBITDA	9,404	3,316	183.6	3,104	202.9	11,813	23,643	24,287	27,336
APAT	7,026	4,675	50.3	3,186	120.5	10,471	18,670	16,304	18,056
Diluted EPS (INR)	19.3	12.9	50.3	8.8	120.5	28.8	51.3	44.8	49.7
P/E (x)						29.3	16.5	18.8	17.0
EV / EBITDA (x)						27.4	13.3	12.5	11.2
RoE (%)						8.2	15.1	12.6	12.3

Source: Company, HSIE Research

Consolidated Estimate Change Summary (INR mn)

Particulars (INR mn)	FY23E			FY24E			FY25E		
	New	Old	*Chg.(%)*	New	Old	*Chg. (%)*	New	Old	*Chg.(%)*
Revenues	43,842	33,046	32.7	44,200	38,565	14.6	47,868	45,271	5.7
EBITDA	23,643	16,847	40.3	24,287	18,113	34.1	27,336	23,246	17.6
EBITDA (%)	53.9	51.0	294.6	54.9	47.0	798.1	57.1	51.3	576.0
APAT	18,670	14,770	26.4	16,304	14,419	13.1	18,056	17,592	2.6

Source: Company, HSIE Research

BUY

CMP *(as on 09 Feb 2023)*	INR 845
Target Price	INR 1,158
NIFTY	17,893

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,138	INR 1,158

EPS Change (%)	FY23E	FY24E	FY25E
	+26.4	*+13.1*	*+2.6*

KEY STOCK DATA	
Bloomberg code	OBER IN
No. of Shares (mn)	364
MCap (INR bn) / ($ mn)	307/3,723
6m avg traded value (INR mn)	639
52 Week high / low	INR 1,089/726

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(7.2)	(5.6)	(9.9)
Relative (%)	(6.8)	(8.9)	(13.9)

SHAREHOLDING PATTERN (%)	Sep-22	Dec-22
Promoters	67.70	67.70
FIs & Local MFs	11.79	12.46
FPIs	18.02	17.33
Public & Others	2.49	2.51
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Deepak Nitrite

Muted performance

We maintain SELL on Deepak Nitrite (DNL), with a price target of INR 1,583 (WACC 12%, terminal growth 4%). The stock is currently trading at 19x FY24E EPS. We believe growth in DPL is capped as the phenol plant is already running at full capacity and margins in advanced intermediates to remain under pressure owing to high input cost. EBITDA/APAT were 11/16% below estimates, owing to higher-than-expected raw material costs and lower-than-expected other income.

- **Financial performance:** Revenue grew 16/2% YoY/QoQ to INR 19.9bn in Q3, led by strong volume growth in both segments. EBITDA fell 11% YoY and grew 16% QoQ to INR 2.7bn. Prices of inputs have corrected slightly but they remain elevated compared to last year. Furthermore, certain product margins were unusually high in the corresponding period last year and have normalised now. This has resulted in EBITDA margins to decline by 463 bps YoY, however improving 199 bps QoQ to 16%. Nandesari plant, which was previously impacted by the fire incident has fully resumed production and has contributed to the overall performance. Utilisation is ramping up gradually.
- **Capex update:** Installation of capacity for Spent SAC will be commissioned in Q4FY23. This will be for captive consumption and lead to assured supply as well as reduced procurement from the open market. Engineering and design work for the green-field facility for acetone derivatives (MIBK & MIBC) is underway. Backward integration projects are on track and are expected to be commissioned in H2FY24.
- **Advanced intermediates (AI):** Revenue/EBIT grew 19/0.3% YoY to INR 8.2/1.5bn. The demand for key products remained robust. Margin for the segment was impacted by higher input prices not fully passed on to customers. The Company registered highest-ever production of DASDA and OBA in Q3FY23
- **Deepak Phenolics (DPL):** Revenue grew 14% YoY to INR 11.8bn, led by over 100% capacity utilisation at the plants in Q3. EBIT fell 31% YoY to INR 1.3bn, owing to moderation in prices of products which were higher last year.
- **Change in estimates:** We cut our FY23/24 EPS estimates by 8/7% to INR 62.8/97.2, to factor in subdued margins, owing to the high raw material prices.

Financial summary (consolidated)

INR mn	Q3FY23	Q2FY23	*QoQ(%)*	Q3FY22	*YoY(%)*	FY21	FY22	FY23E	FY24E	FY25E
Net Sales	19,911	19,617	*1.5*	17,223	*15.6*	43,598	68,022	80,500	92,312	1,03,319
EBITDA	3,146	2,709	*16.1*	3,519	*(10.6)*	12,470	16,036	12,959	19,622	24,313
APAT	2,091	1,745	*19.8*	2,425	*(13.8)*	7,758	10,666	8,646	13,259	16,459
AEPS (INR)	15.3	12.8	*19.8*	17.8	*(13.8)*	56.9	78.2	62.8	97.2	120.7
P/E (x)						31.7	23.1	28.7	18.6	15.0
EV/EBITDA(x)						20.2	15.5	19.3	12.4	9.5
RoE (%)						39.6	37.5	23.2	28.1	27.1

Source: Company, HSIE Research

Change in estimates (Consolidated)

Y/E Mar	FY23E Old	FY23E New	% Ch	FY24E Old	FY24E New	% Ch	FY25E Old	FY25E New	% Ch
EBITDA (INR mn)	13,926	12,959	(6.9)	20,583	19,622	(4.7)	24,238	24,313	0.3
Adj. EPS (INR/sh)	68.3	62.8	(8.0)	103.8	97.2	(6.4)	122.7	120.7	(1.6)

Source: Company, HSIE Research

SELL

CMP *(as on 09 Feb 2023)*	INR 1,807
Target Price	INR 1,583
NIFTY	17,893

KEY CHANGES	OLD	NEW
Rating	SELL	SELL
Price Target	INR 1,665	INR 1,583
EPS %	FY23E -8.0%	FY24E -6.4%

KEY STOCK DATA	
Bloomberg code	DN IN
No. of Shares (mn)	136
MCap (INR bn) / ($ mn)	246/2,986
6m avg traded value (INR mn)	1,307
52 Week high / low	INR 2,391/1,681

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(21.4)	(10.1)	(21.7)
Relative (%)	(21.0)	(13.4)	(25.7)

SHAREHOLDING PATTERN (%)	Sept-22	Dec-22
Promoters	45.72	45.72
FIs & Local MFs	12.01	13.76
FPIs	8.45	8.71
Public & Others	33.82	31.82
Pledged Shares	0.00	0.00

Source : BSE

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Endurance Technologies

Demand outlook remains weak across key regions

Endurance Q3 PAT declined 18% QoQ to INR1.1bn due to weak 2W demand in India, input cost pressure and lack of State incentive in Q3. Going ahead, domestic 2W OEMs continue to see weak demand in domestic and export markets and are likely to remain the key concern for Endurance. Further, while supply chain challenges seem to have eased out globally, the demand outlook remains weak in Europe, given the record high inflation and rising interest rates in the region. Further, the rapid EV transition in Europe could emerge as a risk. On the back of a gradual decline in input costs and a reduction in energy costs in Europe, we factor in consolidated margin improvement to 14.5% by FY25E (from 12% in FY23E), still well below its previous peak of 16.3% achieved in FY20. While we have factored in most of the key positives, valuations at 29.1x FY24E earnings, appear expensive. Reiterate REDUCE with an unchanged target of INR 1,340, valued at 25x Sep2024E.

- **Q3 earnings below our estimates:** Endurance Q3 PAT declined 18% QoQ to INR1.1bn due to weak 2W demand in India, input cost pressure and lack of State incentive in Q3. Consolidated EBITDA margin remained flat QoQ as strong improvement in Europe business (margin up 270bps QoQ to 14.3%) was offset by weak performance in India (margin down 110bps QoQ to 11.1%). Maxwell reported a loss of INR 47mn on a revenue of INR 58mn.

- **Call takeaways:** (1) Endurance has won INR8.8bn worth of new orders in 9MFY23 of which 82% are for new business and the balance is replacement. Within this order book, they have won EV orders worth INR1.9bn in FY23. (2) ABS supplies are expected to ramp up to 400k by Feb 2023 and to 600k in another couple of months, of which 200k would be for dual channel ABS, production of which is expected to commence from Q2FY24. It aims to make ABS valves in-house, which would lower the cost of ABS and thereby improve margins. (3) Management has indicated that it would invest in its own BMS facility in India which is expected to substantially lower the cost of assembly of the same. Also, it targets to achieve profitable growth in Maxwell in FY24E. (4) It also intends to set up a paper manufacturing plant, as a part of its backward integration strategy for paper-based clutches, which will help it reduce cost of paper and also reduce dependence on imported paper from the US and China. (5) In Europe, Endurance has won new orders worth EUR67 mn for YTDFY23 of which 62% of orders are towards EVs (including hybrids) for VW and Stellantis. (6) Management has indicated that demand sentiment in Europe remains extremely weak given the double-digit inflation and rising interest rates, although supply chain challenges seem to have eased out.

Quarterly/annual financial summary

YE Mar (INR mn)	Q3 FY23	Q3 FY22	YoY (%)	Q2 FY23	QoQ (%)	FY22	FY23E	FY24E	FY25E
Net Sales	20,952	18,891	10.9	23,606	-11.2	75,491	88,432	98,171	1,10,611
EBITDA	2,395	2,032	17.9	2,716	-11.8	9,646	10,483	13,398	15,915
APAT	1,082	946	14.4	1,315	-17.7	4,922	5,067	6,758	8,321
Diluted EPS (INR)	7.7	6.7	14.4	9.3	-17.7	35.0	36.0	48.0	59.2
P/E (x)						40.0	38.9	29.1	23.7
EV / EBITDA (x)						19.9	18.3	14.0	11.5
RoCE (%)						14.7	14.5	17.7	19.3

Source: Company, HSIE Research

REDUCE

CMP *(as on 09 Feb 2023)*	INR 1,400
Target Price	INR 1,340
NIFTY	17,893

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 1,340	INR 1,340
EPS %	FY23E	FY24E
	0%	0%

KEY STOCK DATA	
Bloomberg code	ENDU IN
No. of Shares (mn)	141
MCap (INR bn) / ($ mn)	197/2,383
6m avg traded value (INR mn)	108
52 Week high / low	INR 1,565/1,047

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	0.2	(4.0)	(4.4)
Relative (%)	0.5	(7.3)	(8.4)

SHAREHOLDING PATTERN (%)	Sep-22	Dec-22
Promoters	75.00	75.00
FIs & Local MFs	16.24	15.48
FPIs	6.87	7.65
Public & Others	1.89	1.87
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Alkyl Amines

Margin pressure continue

We maintain SELL on Alkyl Amines (AACL) with a price target of INR 2,334 (WACC 12%, terminal growth 5%). The stock is currently trading at 44x FY24E EPS. We believe that the current valuation already factors in positives from potential volume growth, after doubling of the acetonitrile plant capacity and ~40% additional capacities of the aliphatic amines plant. EBITDA/APAT were 26/26% below our estimates, owing to a 15% fall in sales, higher-than-expected other expenses offset by lower-than-expected tax outgo.

- **Financial performance**: Revenue fell 5% QoQ and grew 3% YoY to INR 3.9bn. Sequential sales volumes were up marginally but realisation was down. 9MFY23 volumes growth was less than 15% compared to that of in 9MFY22. EBITDA margin was up by 26bps YoY however, declined by 194bps QoQ to ~18% on account of higher fuel (coal) cost. APAT came in at INR 457mn (-0.4/-12.8% YoY/QoQ).
- **Key takeaway**: (1) Share of exports in revenue up from ~20% in FY22 to 22-24% now, owing to change in mix, and falling rupee against USD. Exports of acetonitrile to USA has increased owing to higher realisation (~INR 220/kg) compared to prices in domestic market (INR 180/kg). Acetonitrile prices have fallen in domestic market owing to large supply of Acetonitrile from Chinese manufacturers in India. Share of exports is expected to remain at this level in near term. (2) The company has started manufacturing Diethylketone and dispatched commercial quantity to domestic customer in current month. It is used as an intermediate for agrochemical active ingredients (AI). The domestic market size of this product is ~INR 2bn. The company is planning to launch two more products in H2FY24 and two more in Q1FY25. (2) Ongoing ethyl amines expansion project is on track and the mechanical completion of plant is expected to be completed by June-23 and commercial production shall commence in Q2FY23. (3) Prices of key raw material like Ammonia and methanol have come off from peak but still remain elevated. Near term prices of these key raw materials are expected to remain high.
- **Change in estimates:** We cut our FY23/24/25 EPS estimates by 9.7/9.8/7.0% to INR 47.5/59.6/74.8 per share to factor in softening of product prices and pressure on margins owing to high raw material cost and utility cost.

Financial summary

INR mn	Q3FY23	Q2FY23	QoQ (%)	Q3FY22	YoY (%)	FY21	FY22	FY23E	FY24E	FY25E
Net Sales	3,885	4,089	(5.0)	3,767	3.1	12,424	15,428	16,845	20,347	23,897
EBITDA	697	813	(14.2)	666	4.7	4,291	3,265	3,566	4,585	5,735
APAT	457	524	(12.8)	459	(0.4)	2,953	2,249	2,430	3,046	3,825
AEPS (INR)	8.9	10.3	(12.8)	9.0	(0.4)	57.8	44.0	47.5	59.6	74.8
P/E (x)						45.1	59.2	54.8	43.7	34.8
EV/EBITDA(x)						30.7	40.7	37.6	29.4	23.1
RoE (%)						44.4	25.2	22.4	23.3	24.2

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)	4,004	3,566	(10.9)	5,163	4,585	(11.2)	6,290	5,735	(8.8)
Adj. EPS (INR/sh)	52.7	47.5	(9.7)	66.0	59.6	(9.8)	80.5	74.8	(7.0)

Source: Company, HSIE Research

SELL

CMP *(as on 09 Feb 2023)*	INR 2,607
Target Price	INR 2,334
NIFTY	17,893

KEY CHANGES	OLD	NEW
Rating	SELL	SELL
Price Target	INR 2,472	INR 2,334
EPS %	FY23E -9.7%	FY24E -9.8%

KEY STOCK DATA	
Bloomberg code	AACL IN
No. of Shares (mn)	51
MCap (INR bn) / ($ mn)	133/1,614
6m avg traded value (INR mn)	97
52 Week high / low	INR 3,456/2,506

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(10.2)	(15.1)	(16.2)
Relative (%)	(9.9)	(18.4)	(20.2)

SHAREHOLDING PATTERN (%)	Sept-22	Dec-22
Promoters	71.99	71.99
FIs & Local MFs	1.11	1.12
FPIs	2.32	2.69
Public & Others	24.58	24.20
Pledged Shares	0.00	0.00

Source : BSE

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Century Plyboards India

Cost pressure and imports pull down profitability

We maintain our BUY rating on Century Ply, with an unchanged target price of INR 715/sh (20x its Mar'25E consolidated EBITDA). We like Century for its strong franchise (pan-India distribution, aggressive marketing, and a wide range of SKUs), leadership presence in most wood segments and healthy return ratios. In Q3FY23, its consolidated revenue rose 3% YoY, led by growth in the plywood segment. However, EBITDA/APAT fell 14/13% YoY owing to elevated timber prices, decline in laminate sales and on rising-imports led drag on MDF/particle board sales and margin. Despite the expected margin pressure in MDF and particle boards during FY24/25E, We expect Century to deliver a 15% EBITDA CAGR during FY22-25E.

- **Q3FY23 performance:** Century posted earnings decline weighed down by weak demand across laminates, MDF and particle board segments and inflated timber prices. Plywood volumes grew 6% YoY (3-yr CAGR: +11%). While segmental Q3 EBITDA fell 6% YoY, 3-yr CAGR remained high at 14%. Supply pressure in the domestic market pulled down laminates volume by 3% YoY, muting 3-yr CAGR to 2%. However, EBITDA jumped 28% YoY (3-yr CAGR: 15%). Rising imports led to both MDF/particle board volumes declining by 14/19% YoY, muting 3-yr volume CAGR to +5/-2% respectively. Segmental EBITDA for MDF/particle board fell 30/30% YoY (3-yr EBITDA CAGR: +15/10%).
- **Concall KTAs and outlook:** Management expects timber prices to remain elevated for the next few years while chemical prices are trending down. Century expects the pressure on its laminate sales to continue until Q2FY24E. Rising imports have hit sales volume for both MDF and particle board. OEM-driven particle board witnessed a sharp price fall, pulling down margins, while MDF realisation has remained stable. Century's Capex remains largely on track: Hoshiarpur MDF will become operational in Mar-23, the laminates/MDF plants in AP by Q2/Q4FY24, and the particle board plant in Chennai by FY25-end. We maintain our estimates, as we have already factored in margin correction in the MDF and particle board, owing to rising imports and major upcoming domestic expansions.

Quarterly/annual financial summary (consolidated)

YE Mar (INR mn)	Q3 FY23	Q3 FY22	YoY (%)	Q2 FY23	QoQ (%)	FY21	FY22	FY23E	FY24E	FY25E
Net Sales	8.84	8.55	*3.4*	9.09	*(2.7)*	21.30	30.27	35.73	40.75	48.32
EBITDA	1.29	1.50	*(14.3)*	1.70	*(24.3)*	3.36	5.31	5.74	6.83	8.01
EBITDAM (%)	14.6	17.6		18.7		15.7	17.5	16.1	16.8	16.6
APAT	0.82	0.94	*(12.6)*	1.41	*(41.7)*	2.03	3.13	3.68	4.16	4.65
AEPS (INR)	3.7	4.2	*(12.6)*	6.3	*(41.7)*	9.1	14.1	16.5	18.7	20.9
EV/EBITDA (x)						34.0	21.5	20.1	17.2	14.8
P/E (x)						56.3	36.5	31.1	27.5	24.6
RoE (%)						*17.3*	22.2	22.1	*21.2*	*19.9*

Source: Company, HSIE Research

BUY

CMP *(as on 09 Feb 2023)*	INR 514
Target Price	INR 715
NIFTY	17,893

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 715	INR 715
EBITDA revision %	FY23E *0.0*	FY24E *0.0*

KEY STOCK DATA	
Bloomberg code	CPBI IN
No. of Shares (mn)	222
MCap (INR bn) / ($ mn)	114/1,377
6m avg traded value (INR mn)	96
52 Week high / low	INR 749/476

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(12.8)	(16.3)	(20.0)
Relative (%)	(12.4)	(19.6)	(24.0)

SHAREHOLDING PATTERN (%)	Sep-22	Dec-22
Promoters	73.04	73.04
FIs & Local MFs	12.5	13.33
FPIs	6.95	6.14
Public & Others	7.50	7.49
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Kalpataru Power Transmission

Well-placed

Kalpataru Power (KPTL) reported revenue/EBITDA/APAT of INR 35/3/1.1bn, (missing)/beating our estimates by 2.9/4/(11)%. Healthy execution growth was witnessed in Water, B&F, O&G and Urban Infra businesses. KPTL secured new orders worth INR 195bn in FYTD23, taking the order book (OB) to an all-time high of INR 414bn (excluding L1 of INR 52bn). KPTL is eyeing transmission, B&F, Water and Railways as the growth driver. With the merger completed with JMC, KPTL expects a financial synergy in terms of interest cost savings of INR 500-700mn in FY24. The merged entity is well-placed to bid for larger project sizes in both domestic and international markets. Within the domestic market, water and transmission opportunities are huge; KPTL expects a 60-70% opportunity within the water segment is yet to open as other states start opening tender under JJM (mostly carried by UP till now). We have recalibrated our estimates higher to factor in strong order inflows. We roll forward our valuation to Dec 24E and maintain a BUY rating on the stock with an increased SOTP valuation of INR 708/sh.

- **Q3FY23 financial highlights:** Revenue: INR 35.1bn (+10/+6.6% YoY/QoQ, a 2.9% beat). EBITDA: INR 3bn (+26/+11% YoY/QoQ, a 4% beat). EBITDA margin: 8.69% (+112/+31bps YoY/QoQ, vs. our estimate of 8.57%. RPAT/APAT: INR 1.1bn (-63/+7% YoY/QoQ, an 11% miss, mainly on account of lower other income and higher-than-expected tax. KPTL has guided for 15/20% revenue growth for FY23/FY24 with an EBITDA margin between 8.5-9%.
- **All-time high OB; diversification augurs well:** Total orders received in FYTD23 stood at INR 195bn (domestic 61% and international 39%), taking the OB (including LMG & Fasttel) to an all-time high of INR 414bn (domestic 56% and international 44%) this excludes L1 order of INR 52bn. KPTL has OB visibility of INR 460bn and expects a 20% growth in OB in FY24. KPTL expects FY23 OI to be INR 250bn. Order during the year has been secured mainly by T&D, B&F, Water and Urban Infra business. Shares of T&D/Water/B&F/Railways/Urban Infra/O&G in OB are at 35/24/19/9/9/4%.
- **Robust balance sheet:** The standalone gross/net debt was at INR 27/20.5bn. Net debt increased marginally by INR 70mn from Q2FY23 on account of incremental working capital in a certain project and higher capex for a new order in international business. The total capex for 9MFY23 is at INR 5bn (INR 5.5bn expected by FY23 end). The debt level is expected to be in a similar range in Q4FY23 as well. However, debt will reduce going forward on the back of the monetization of the Indore asset (INR 1/1.5bn expected in FY23/FY24).

Standalone financial summary (INR mn)

Particulars	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	FY22	FY23E	FY24E	FY25E
Net Revenues	35,090	31,960	9.8	32,930	6.6	124,147	144,933	168,664	196,035
EBITDA	3,050	2,420	26.0	2,760	10.5	10,725	12,477	14,796	18,963
APAT	1,110	1,288	(13.8)	1,040	6.7	4,805	5,601	6,839	9,514
EPS (INR)	35,090	31,960	9.8	32,930	6.6	30	34	42	59
P/E (x)						16	14	12	8
EV/EBIDTA (x)						9	7	6	4
RoE (%)						18	19	21	26

Source: Company, HSIE Research

Standalone estimate change summary (INR mn)

Particulars	FY23E			FY24E			FY25E		
	New	Old	Chg.(%)	New	Old	Chg.(%)	New	Old	Chg.(%)
Revenues	144,933	142,952	1.4	168,664	162,448	3.8	196,035	180,410	8.7
EBITDA	12,477	12,516	-0.3	14,796	15,104	-2.0	18,963	17,525	8.2
EBITDA (%)	8.6	8.8	-14.6	8.8	9.3	-52.5	9.7	9.7	-4.1
APAT	5,601	5,976	-6.3	6,839	7,238	-5.5	9,514	8,881	7.1

Source: Company, HSIE Research

BUY

CMP (*as on 09 Feb 2023*)	INR 485
Target Price	INR 708
NIFTY	17,893

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 619	INR 708

	FY23E	FY24E	FY25E
EPS %	*(6.0)*	*(5.5)*	*+7.1*

KEY STOCK DATA	
Bloomberg code	KPP IN
No. of Shares (mn)	162
MCap (INR bn) / ($ mn)	79/955
6m avg traded value (INR mn)	169
52 Week high / low	INR 593/332

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(3.2)	29.3	18.5
Relative (%)	(2.8)	25.9	14.5

SHAREHOLDING PATTERN (%)

	Sep-22	Dec-22
Promoters	51.55	47.24
FIs & Local MFs	36.83	38.75
FPIs	5.08	5.50
Public & Others	6.54	8.51
Pledged Shares	25.98	23.07

Source: BSE

Pledge share as a % of total shares

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Prince Pipes and Fittings

Resin prices stabilise; demand picks up

We maintain our BUY rating on Prince Pipes, with an unchanged target price of INR 705/sh (18.5x its Mar-25E EBITDA). We like Prince for its large product portfolio, robust pan-India distribution, and low exposure (~30-35%) to price-sensitive agri markets. It reported strong performance in Q3FY23 due to good demand and channel restocking (volume up 35/14% YoY/QoQ). Despite an INR 6/kg inventory loss in Q3FY23, unitary EBITDA recovered to INR 16/kg (vs the H1FY23 margin of INR 5/kg). With resin prices recovering and demand picking up, we expect volume and margin to rebound.

- **Q3FY23 performance:** Prince Pipes reported a strong performance in Q3FY23, led by demand pick-up and channel restocking. As resin prices recovered INR 13/kg in Dec-22 (after a sharp fall in the preceding eight months), dealers started restocking. It delivered robust 35/14% volume growth YoY/QoQ. The company also reported double-digit growth in the CPVC segment. The fall in resin prices has also boosted rural/agri sales. Inventory losses (INR 0.25-0.3bn) in Q3 reduced EBITDA by INR 6/kg in Q3, leading to a reported EBITDA of INR 16/kg (down 54% YoY).
- **Outlook:** PVC resins prices are stable from Jan-23 onwards. With the opening up of the Chinese economy, resin prices are expected to go up; hence, inventory losses are now over. Lower prices and continued channel restocking should keep volume buoyant in Q4FY23. Prince noted a normalised EBITDA margin outlook of ~12-15% (on stable resin prices). It intends to capitalise on its distribution reach by entering the bath ware segment in Apr-23. Factoring in strong Q3 numbers and stabilisation of resin prices, we raise our FY23/24/25E EBITDA estimates by 9/7/1% respectively.

Quarterly/annual financial summary

YE Mar (INR mn)	Q3 FY23	Q3 FY22	*YoY (%)*	Q2 FY23	*QoQ (%)*	FY21	FY22	FY23E	FY24E	FY25E
Pipes sales (K MT)	43.7	32.4	*34.7*	38.5	*13.6*	138.3	139.0	161.3	180.6	200.5
NSR (INR/kg)	162	205	*-21.1*	166	*-2.4*	150	191	172	175	178
EBITDA (INR/kg)	16	34	*-53.6*	-3	*-638.7*	26	30	13	20	20
Net Sales	7,059	6,640	*6.3*	6,365	*10.9*	20,715	26,568	27,737	31,687	35,700
EBITDA	695	1,111	*-37.5*	-113		3,616	4,157	2,134	3,583	4,065
EBITDAM (%)	*9.8*	*16.7*		*-1.8*		*17.5*	*15.6*	*7.7*	*11.3*	*11.4*
APAT	354	673	*-47.4*	-241		2,218	2,495	936	1,984	2,285
Diluted EPS (INR)	3.2	6.1	*-47.7*	-2.2		20.2	22.6	8.5	17.9	20.7
EV / EBITDA (x)						17.8	16.1	30.7	18.1	15.6
P/E (x)						29.7	26.5	70.6	33.3	28.9
RoE (%)						*23.6*	*21.6*	*7.2*	*13.9*	*14.2*

Source: Company, HSIE Research

Estimates revision summary

INR bn	FY23E Old	FY23E Revised	*Change %*	FY24E Old	FY24E Revised	*Change %*	FY25E Old	FY25E Revised	*Change %*
Net Sales	23.67	27.74	17.2	25.86	31.69	22.5	30.19	35.70	18.3
EBITDA	1.95	2.13	9.3	3.35	3.58	7.0	4.04	4.07	0.6
APAT	0.80	0.94	17.7	1.81	1.98	9.6	2.27	2.28	0.8

Source: Company, HSIE Research

BUY

CMP *(as on 09 Feb 2023)*	INR 595
Target Price	INR 705
NIFTY	17,893

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 705	INR 705
EBITDA revision %	FY23E *9.3*	FY24E *7.0*

KEY STOCK DATA	
Bloomberg code	PRINCPIP IN
No. of Shares (mn)	111
MCap (INR bn) / ($ mn)	66/797
6m avg traded value (INR mn)	103
52 Week high / low	INR 730/510

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	4.9	(6.3)	(13.7)
Relative (%)	5.2	(9.6)	(17.7)

SHAREHOLDING PATTERN (%)	Sep-22	Dec-22
Promoters	62.94	62.94
FIs & Local MFs	14.58	15.46
FPIs	3.98	4.41
Public & Others	18.50	17.19
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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NCC

Execution drives outperformance

BUY

CMP (*as on 09 Feb 2023*)	INR 93
Target Price	INR 111
NIFTY	17,893

KEY CHANGES		OLD	NEW
Rating		BUY	BUY
Price Target		INR 109	INR 111
EPS Change %	FY23E	FY24E	FY25E
	-	-	-

KEY STOCK DATA	
Bloomberg code	NJCC IN
No. of Shares (mn)	628
MCap (INR bn) / ($ mn)	58/707
6m avg traded value (INR mn)	485
52 Week high / low	INR 98/51

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	28.8	46.0	30.6
Relative (%)	29.2	42.6	26.6

SHAREHOLDING PATTERN (%)	Sep-22	Dec-22
Promoters	21.99	21.99
FIs & Local MFs	13.10	12.35
FPIs	12.80	15.76
Public & Others	52.11	49.90
Pledged Shares	2.45	1.20

Source : BSE

Pledged shares as % of total shares

NCC's Q3FY23 revenue/EBITDA came in at INR 33/3.5/1.5bn, beating our estimates by 5.6/12/14%. With order inflow (OI) of INR 55bn in Q3FY23, the 9MFY23 OI stands at INR 126bn (vs. the new guidance of INR 200bn), taking the order book (OB) to INR 418bn (~4x FY22 revenue). The order book for the AP project stands at INR 50bn with NCC only adding projects funded by the central government. Sequentially, the EBITDA margin improved and is expected to improve further by 10-20bps on account of better gross margin. In the Sembcorp arbitration, the final hearing is in this month with the final outcome expected by May/Jun'23. The Malad sewage water treatment plant construction is expected to start in 1-2 months with design, licensing, and approvals in process. Given the robust order book, pick-up in execution, stable balance sheet, and commodities price correction, we maintain BUY on NCC, with an increased TP of INR 111 (9x Dec-24E rolled over).

- **Q3FY23 financial highlights:** NCC reported revenue of INR 33bn (+23/+10% YoY/QoQ, a 5.6% beat). EBITDA came in at INR 3.5bn (+19/+21% YoY/QoQ, a 12% beat). EBITDA margin was 10.5% (-30/+92bps YoY/QoQ, vs. our estimate of 9.9%). NCC expects a further 10-20bps improvement in margin on account of softened commodity prices. Interest cost came in at INR 1.4bn, (+18/+13% YoY/QoQ). The increase in interest cost was on account of higher borrowing cost reset. Other income came in at INR 574mn (+191/75% YoY/QoQ), mainly on account of a profit of INR 290mn in land sale, INR 170mn from interest income and INR 60mn from dividend income. Consequently, RPAT/APAT came in at INR 1.5bn (+41/+23% YoY/QoQ, a 14% beat). NCC maintained its FY23 revenue growth guidance at 30% YoY with an EBITDA margin of 9.5-10%. Also, it expects the PBT margin to show improvement and expects it to be above 6% going forward.
- **Robust OB; well diversified:** With OI of INR 55bn in Q3FY23, the 9MFY23 OI stands at INR 126bn, taking the OB to INR 418bn (~4x FY22 revenue). NCC has an L1 order of INR 30bn. Earlier it had guided for FY23 OI at 160bn and now expects to close FY23 with OI at INR 200bn. Business-wise the OB is well diversified into building/transportation/water & railways/electrical/ irrigation/mining/others contributing 48/11/21/8/4/7/1%. AP project order book stands at INR 50bn with NCC adding only those projects which are funded by the central government.
- **Balance sheet robust:** Gross standalone debt declined to INR 19.5bn from INR 19.9bn as of Sep'22. NCC expects debt to decline further by INR 3-4bn and by FY23-end outstanding debt is expected at INR 16-17bn. All the group companies are debt free except NCC Urban, which has an outstanding debt of INR 50mn. NCC has incurred a Capex of INR 2.4bn in 9MFY23; INR 300-400mn of Capex is expected in Q4FY23.

Financial summary standalone (INR mn)

Particulars	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	FY22	FY23E	FY24E	FY25E
Net Sales	33,127	27,039	*22.5*	30,037	*10.3*	99,300	126,152	141,310	154,412
EBITDA	3,488	2,928	*19.1*	2,886	*20.9*	9,961	12,174	15,120	16,290
APAT	1,499	1,060	*41.4*	1,216	*23.2*	3,460	4,982	7,042	7,674
Diluted EPS (INR)	2.5	1.7	*41.4*	1.99	*23.2*	5.7	8.2	11.5	12.6
P/E (x)						16.4	11.4	8.0	7.4
EV/EBITDA (x)						6.4	5.1	3.9	3.7
RoE (%)						6.2	8.3	10.7	10.5

Source: Company, HSIE Research

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HG Infra

In-line performance

HG Infra (HG) reported revenue/EBITDA/APAT at INR 11/2/1bn (missing)/beating our estimate by (1.9)/2/1.4% resp. It expects FY23 revenue growth of 25% plus (INR 46bn) with an EBITDA margin of 15% plus on the back of a robust OB of INR 110bn. It reported an early completion bonus of INR 160mn in Q3FY23 and expects INR 45mn in Q4FY23. The order inflow (OI) in 9MFY23 was INR 60bn with another INR 30-40bn expected in Q4FY23. It is L1 in its first non-highway project i.e. Delhi Metro project worth INR 4bn with the scope of work including the construction of an elevated viaduct and four elevated stations. It expects a margin of 14% from this project and a margin of 15% plus at the aggregate level, going forward. The company plans to monetise four HAM projects at a ~40% premium to book value of INR 3.5bn invested equity by Sep'23. Given robust order inflow and strong execution, we maintain BUY, with an increased TP of INR 1,017 (14x Dec-24E EPS) to factor in a higher level of execution and better EBITDA margin.

- **Q3FY23 financial highlights:** HG reported a revenue of INR 11.3bn (+23/+50% YoY/QoQ, a 2% miss), the highest ever on the back of strong execution. EBITDA came in at INR 1.9bn (+25/+57% YoY/QoQ, a beat of 2%). EBITDA margin came in at 16.7% (+25/+68bps YoY/QoQ, vs. our estimate of 16.1%). RPAT/APAT was 1.1bn (+25/+72% YoY/QoQ, a beat of 1.4%). HG received a bonus of INR 160mn in Q3FY23 at the SPV level (90% at the company level) and expects a further bonus of INR 45mn in Q4 for the Rewari Ateli Mandi project. Additional INR 15bn of revenue is expected for Q4FY23, with an EBITDA margin of over 15%.
- **Strong OB; robust bid pipeline:** In 9MFY23, HG has been awarded INR 60bn worth of projects and expects another INR 30-40bn in Q4FY23, with this FY23 OI expected to be around INR 90-100bn. The OB as of Dec'22 stands at INR 110bn (c.3x FY22 revenue). It is L1 in its first non-highway project i.e. Delhi Metro project worth INR 4bn with the scope of work including the construction of an elevated viaduct and four elevated stations. The OB is well-diversified at the client level, with government/private orders contributing toward 60/40%. 61% of the OB consisted of EPC orders, whereas HAM orders formed 39% of it. Geography-wise, 39% of orders were from Uttar Pradesh, followed by Odisha, Telangana, Delhi, and Karnataka at 16%, 11%, 10% and 7%. HG has bid for INR 150bn worth of projects where the financial bid is yet to be opened.
- **Comfortable balance sheet:** The standalone gross/net debt increased to INR 4.7/4.5bn vs. 3.9/3.5bn as of Sep'22. WC days for 9MFY23 stood at 37 days (vs. 31 days in FY22). This increase was mainly on account of an increase in debtor days to 62 days from 49 days in FY22. HG has guided for an FY23 gross debt level of INR 4.3bn. In nine HAM projects, equity invested as of Dec'22 stands at INR 7.2bn, of the total INR 11.4bn required and the pending equity requirement is INR 4bn. HG has incurred INR 2.4bn towards capex (incl. land and equipment) and expects INR 100mn more in Q4FY23. Equipment capex of INR 0.8bn in FY24 and INR 0.8-1bn in FY25 is expected.

Standalone financial summary – INR mn

Particulars	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	FY22	FY23E	FY24E	FY25E
Net Sales	11,312	9,224	*22.6*	7,521	*50.4*	36,152	44,468	49,804	53,789
EBITDA	1,893	1,521	*24.5*	1,208	*56.8*	5,847	6,704	7,560	7,910
APAT	1,114	889	*25.4*	646	*72.4*	3,388	3,897	4,248	4,325
EPS (INR)	17.1	13.6	*25.4*	9.9	*72.4*	52.0	59.8	65.2	66.4
P/E (x)						13.2	11.5	10.6	10.4
EV/EBITDA (x)						8.1	7.3	6.3	5.8
RoE (%)						28.3	25.0	21.6	18.1

Source: Company, HSIE Research

BUY

CMP *(as on 09 Feb 2023)*	INR 688
Target Price	INR 1,017
NIFTY	17,893

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,013	INR 1,017

EPS Change %	FY23E	FY24E	FY25E
	-	-	-

KEY STOCK DATA	
Bloomberg code	HGINFRA
No. of Shares (mn)	65
MCap (INR bn) / ($ mn)	45/543
6m avg traded value (INR mn)	93
52 Week high / low	INR 722/508

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	20.7	16.7	6.6
Relative (%)	21.1	13.4	2.6

SHAREHOLDING PATTERN (%)

	Sep-22	Dec-22
Promoters	74.53	74.53
FIs & Local MFs	13.86	14.03
FPIs	0.62	0.57
Public & Others	10.99	10.87
Pledged Shares	-	-

Source: BSE

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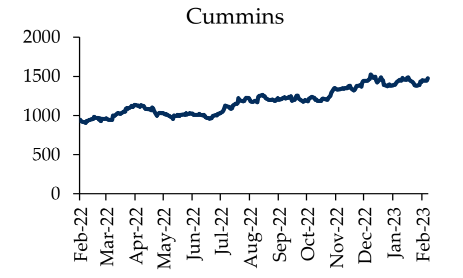
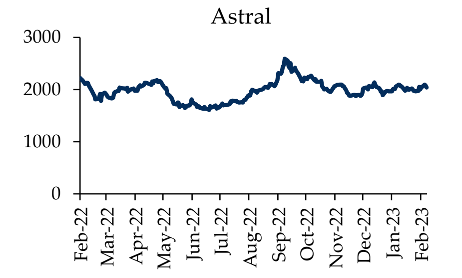
Rating Criteria
BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: > 10% Downside return potential

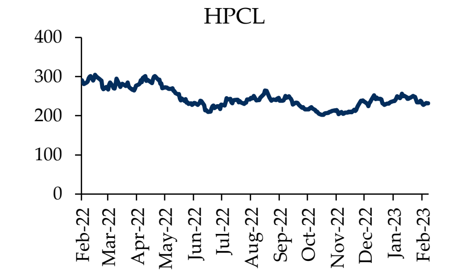
Disclosure:

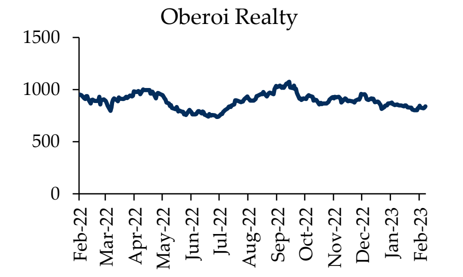
Analyst	Company Covered	Qualification	Any holding in the stock
Parikshit Kandpal	Cummins, Oberoi Realty, Kalpataru Power Transmission, NCC, HG Infra	CFA	NO
Manoj Rawat	Cummins, Oberoi Realty, Kalpataru Power Transmission, NCC, HG Infra	MBA	NO
Nikhil Kanodia	Cummins, Oberoi Realty, Kalpataru Power Transmission, NCC, HG Infra	MBA	NO
Rajesh Ravi	Astral, Century Plyboards India, Prince Pipes and Fittings	MBA	NO
Keshav Lahoti	Astral, Century Plyboards India, Prince Pipes and Fittings	CA	NO
Harshad Katkar	Hindustan Petroleum Corporation, Deepak Nitrite, Alkyl Amines	MBA	NO
Nilesh Ghuge	Hindustan Petroleum Corporation, Deepak Nitrite, Alkyl Amines	MMS	NO
Akshay Mane	Hindustan Petroleum Corporation, Deepak Nitrite, Alkyl Amines	PGDM	NO
Aniket Mhatre	Endurance Technologies	MBA	NO
Sonaal Sharma	Endurance Technologies	MBA	NO

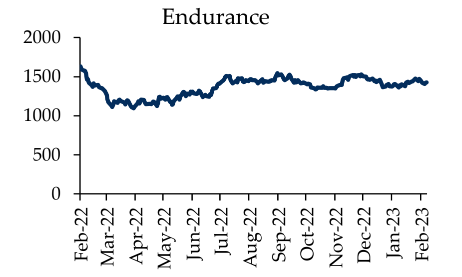
1 Yr Price Movement

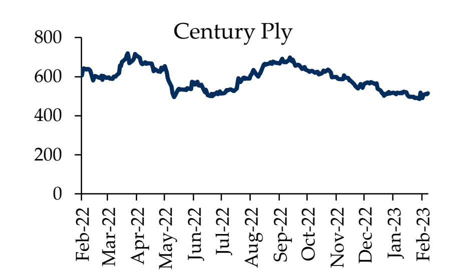


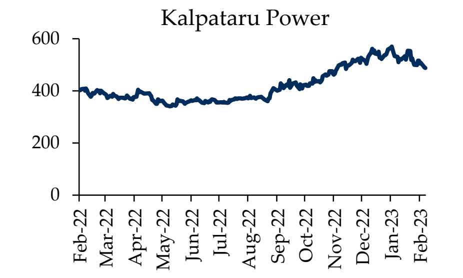


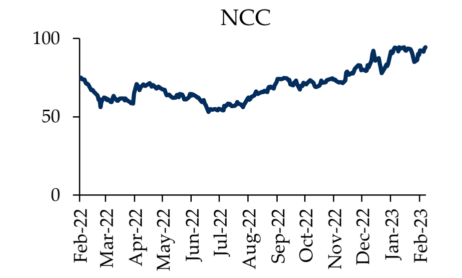


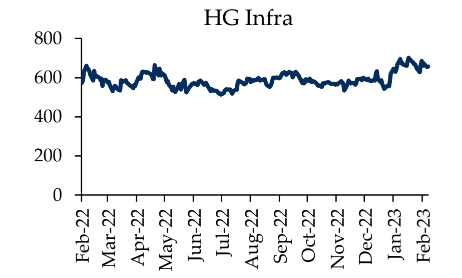


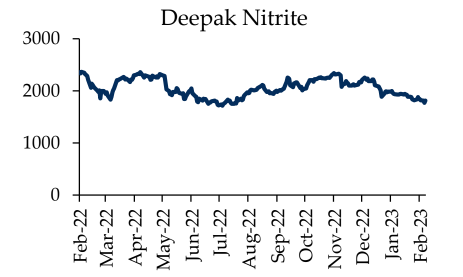


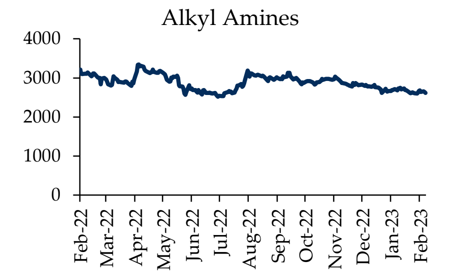












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