INSTITUTIONAL RESEARCH

HSIE Results Daily

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Results Reviews

- **PGCIL:** PGCIL's asset capitalisation in Q3FY22 came in at ~INR52.4bn (+647% YoY), while Capex increased 19% YoY to INR34.9bn. Capitalisation/Capex for 9MFY22 stood at INR185.1bn/71.9bn, compared to INR125.7bn/INR79.4bn in 9MFY21. Revenue increased 3.4% YoY, led by moderate growth in the transmission segment. EBITDA also grew 3% YoY, in line with sales. PAT came in marginally below our estimate, at INR33.5bn (+1% YoY), due to unfavourable movement in regulatory deferral account in the quarter. The company declared an interim dividend of INR5.5/share, taking the overall pay-out for the year to INR12.5/share (~6% yield). It is well-poised to benefit from the transmission investment opportunity, and we expect a capitalisation of INR212bn/168bn for FY22/23. It is also eyeing new avenues like smart metering and distribution network strengthening and plans to invest ~INR250bn in it over the next four years. We have marginally revised our earnings estimates to factor in better capitalisation in FY22 and retain our ADD rating with a revised TP of INR233 (vs INR224 earlier).
- **Tata Power:** Tata Power's consolidated revenue increased 44% YoY to INR109.1bn in Q3, led by the acquisition of Odisha discoms and strong execution in the solar EPC segment. EBITDA, however, declined 7% YoY due to a steep rise in Mundra under-recovery. Margin, thus, was impacted by ~806 bps YoY and came in at 15%. Losses at Mundra widened to INR4.6bn in Q3FY22 vs a loss of INR950mn YoY, as it operated at low PAF of 40% vs 75% YoY. However, higher profit in the Indonesian coal business, lower AT&C in Odisha discoms, and improved margin in the EPC segment caused APAT to rise 19.4% YoY to INR4.3bn. The company plans to incur INR34bn in Capex towards enhancing its cell and module manufacturing capacities by 4GW each. Further, its solar EPC order book stands at INR100bn vs INR92.6bn QoQ. We raise our earnings estimates for FY23 by 8%, factoring in increased profit at Bumi mines, falling AT&C losses in Odisha, and partial fixed cost recovery at Mundra through power sale to Gujarat under the new resolution. Accordingly, we revise our TP upwards to INR258 (INR215 earlier) and upgrade our rating to ADD, from REDUCE.
- **Aurobindo Pharma:** Aurobindo's Q3 revenue/EBITDA missed estimates by 6%/21%, owing to lackluster performance across businesses (ex-APIs) and lower GM as EBITDA margin missed our estimates by ~307bps. We expect the margin pressure to normalise over 2-3 quarters. Bottoming out of margins (as per management guidance) along with robust pipeline in the US provide good growth visibility in injectables, biosimilars, and OTC drugs in the medium term. The potential of injectables business value unlocking and the FDA's resolution of facilities remain key near-term triggers. We cut our FY22/23/24e estimates by 14%/9%/3% to factor in the Q3 miss/revised outlook and arrive at an SOTP TP of INR925, based on 15x Sep-23e EPS and NPV of INR40/30 for the PLI/gRevlimid opportunities. Maintain BUY.
- **Petronet LNG:** Our REDUCE recommendation on Petronet LNG (PLNG) with a TP of INR 230 is based on: (1) the adverse impact of seasonally-adjusted high spot LNG price of over USD 25/mmbtu and (2) rising domestic gas production on spot LNG demand in the medium term. Q3 reported revenue/EBITDA/PAT was 14/85/100% above our estimate, driven

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by higher marketing margins, Use or Pay charges of INR 3.5bn, and lower employee costs and other expenses.

- **Prestige Estates:** Prestige Estates (PEPL) registered the highest-ever quarterly presales at INR 42.7bn (+2.1x/2x YoY/QoQ), with collections at INR 24.3bn (+70%/+57% YoY/QoQ) in Q3FY22. Volume-wise, gross sales were at 5.6msf (+87%/+57% YoY/QoQ). Given robust booking and enquiry traction, PEPL expects to cross INR 100bn of presales in FY22. While net D/E rose to 0.57x due to land acquisitions and Capex, PEPL is committed to maintaining it below 0.35x. It will utilise proceeds from Blackstone deal and divestment of its stake in StarTech to deleverage the company. Also, PEPL wants to set up an alternate investment fund to finance future land acquisitions so as to not bloat up balance sheet debt and keep growing sales further. We maintain ADD, with an unchanged SOTP of INR 540/sh.

- **Gujarat State Petronet:** Our ADD rating on Gujarat State Petronet with a TP of INR 340 is premised on (1) transmission volume growing at +6% CAGR over FY21-23E to 41mmscmd, with increase in gas supply from domestic sources, which should drive volumes and translate to growth in standalone EBITDA at 11% and APAT at 15% CAGR to INR 18bn and INR 12bn in FY23E and (2) compelling valuation at 7.8x FY23E EPS, considering high RoE of 23% in FY23E and combined FCF of INR 50bn over FY22-24E.

- **Nuvoco Vistas:** We maintain our BUY rating on Nuvoco Vistas with a reduced TP of INR 677/share (11x its consolidated Dec-23E EBITDA). We continue to like it for its leadership presence in the east, large retail focus, and various margin initiatives. Nuvoco is also working to reduce leverage on books. Q3FY22 performance was adversely impacted by the double whammy of poor demand and sharp fuel cost spike. The impact, however, was moderated by the rising contribution from synergy benefits and ongoing cost reduction. Consolidated revenue/EBITDA fell 3/50% YoY to INR 21.7/2.3bn, leading to a net loss of INR 855mn (amid high capital charges). Nuvoco, however, sees margin recovering in Q4 on better demand and pricing and stable fuel cost QoQ.

- **Heidelberg Cement:** We downgrade our rating on Heidelberg Cement (HEIM) to REDUCE from ADD, with a lower target price of INR 205/share (8.5x Dec-23E EBITDA). In the absence of any major expansion in the next three years, we expect HEIM's volume growth to be subdued and it could lose market share to other players that are expanding in its core markets. In Q3FY22, HEIM reported weak performance as its sales volume fell 11% YoY. EBITDA fell 43% YoY, given sharp cost inflation that could not be passed on.

PGCIL

Strong capitalisation in Q3FY22

PGCIL's asset capitalisation in Q3FY22 came in at ~INR52.4bn (+647% YoY), while Capex increased 19% YoY to INR34.9bn. Capitalisation/Capex for 9MFY22 stood at INR185.1bn/71.9bn, compared to INR125.7bn/INR79.4bn in 9MFY21. Revenue increased 3.4% YoY, led by moderate growth in the transmission segment. EBITDA also grew 3% YoY, in line with sales. PAT came in marginally below our estimate, at INR33.5bn (+1% YoY), due to unfavourable movement in regulatory deferral account in the quarter. The company declared an interim dividend of INR5.5/share, taking the overall pay-out for the year to INR12.5/share (~6% yield). It is well-poised to benefit from the transmission investment opportunity, and we expect a capitalisation of INR212bn/168bn for FY22/23. It is also eyeing new avenues like smart metering and distribution network strengthening and plans to invest ~INR250bn in it over the next four years. We have marginally revised our earnings estimates to factor in better capitalisation in FY22 and retain our ADD rating with a revised TP of INR233 (vs INR224 earlier).

- **Muted quarterly performance:** PGCIL's revenue grew 3.4% YoY to INR100.0bn, led by 2.6%/39.7% YoY growth in its transmission/consulting segments. Telecom revenue declined 10.5% YoY to INR1.9bn. EBITDA grew 2.7% YoY to INR86.9bn, while the margin remained flat YoY at 86.9%. Interest expenses declined 13.9% YoY to INR18.5bn, while depreciation rose 6.7% YoY to INR31.9bn. PAT came in slightly below our estimate, at INR33.5bn (+1% YoY), due to unfavourable movement in regulatory deferral account and higher staff expenses in the quarter.
- **Expect ~INR212bn capitalisation in FY22**: In Q3, capitalisation/Capex stood at INR52.4bn/INR34.9bn, up 647.2%/19.0% YoY. Capitalisation also rose 47.2% YoY to INR185.1bn in 9MFY22. The total projects in hand now stand at INR245bn (CWIP, new, and TBCB stood at INR71bn, INR42bn, and INR132bn respectively), expected to be capitalised over the next two years. Further, transmission projects worth INR258bn are expected to be tendered out in the next 1-1.5 years. We expect INR212bn/168bn capitalisation for FY22/23.
- **Maintain ADD**: PGCIL is well-poised to gain from the transmission opportunity, apart from new tendering opportunities, and it has been awarded the Leh transmission project worth INR260bn. Further, it is also venturing into the smart metering and discom network infrastructure segment and is in advanced stages of discussions with states like Gujarat, MP, and Karnataka. We maintain our ADD rating, with a revised TP of INR233 (vs INR224 earlier), factoring in strong capitalisation in FY22.

Financial summary

(INR mn, Mar YE)	3Q FY22	3Q FY21	*YoY (%)*	2Q FY22	*QoQ (%)*	FY22E	FY23E	FY24E
Net Revenues	1,00,010	96,766	*3.4*	99,292	*0.7*	4,13,367	4,29,047	4,42,876
EBITDA	86,883	84,605	*2.7*	87,851	*-1.1*	3,61,264	3,73,280	3,83,681
APAT	33,494	33,239	*0.8*	33,383	*0.3*	1,34,510	1,45,659	1,53,769
Diluted EPS (INR)	6.4	6.4	*0.8*	6.4	*0.3*	19.3	20.9	22.0
P/E (x)						11.0	10.2	9.6
P/BV (x)						1.9	1.7	1.6
RoE (%)						17.6	17.6	17.3

Source: Company, HSIE Research

ADD

CMP *(as on 10 Feb 2022)*	**INR 212**
Target Price	**INR 233**
NIFTY	**17,606**

KEY CHANGES	**OLD**	**NEW**
Rating	ADD	ADD
Price Target	INR224	INR233
EPS Change %	FY22E	FY23E
	0.4%	*0.4%*

KEY STOCK DATA	
Bloomberg code	PWGR IN
No. of Shares (mn)	6,975
MCap (INR bn) / ($ mn)	1,479/19,877
6m avg traded value (INR mn)	2,586
52 Week high / low	INR 221/147

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	16.7	24.7	36.4
Relative (%)	19.1	16.7	21.5

SHAREHOLDING PATTERN (%)	**Dec-21**	**Sep-21**
Promoters	51.3	51.3
FIs & Local MFs	8.4	8.34
FPIs	28.2	27.9
Public & Others	12.1	12.5
Pledged Shares	-	-

Source : BSE

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Tata Power

High realisation in coal business boosts PAT

Tata Power's consolidated revenue increased 44% YoY to INR109.1bn in Q3, led by the acquisition of Odisha discoms and strong execution in the solar EPC segment. EBITDA, however, declined 7% YoY due to a steep rise in Mundra under-recovery. Margin, thus, was impacted by ~806 bps YoY and came in at 15%. Losses at Mundra widened to INR4.6bn in Q3FY22 vs a loss of INR950mn YoY, as it operated at low PAF of 40% vs 75% YoY. However, higher profit in the Indonesian coal business, lower AT&C in Odisha discoms, and improved margin in the EPC segment caused APAT to rise 19.4% YoY to INR4.3bn. The company plans to incur INR34bn in Capex towards enhancing its cell and module manufacturing capacities by 4GW each. Further, its solar EPC order book stands at INR100bn vs INR92.6bn QoQ. We raise our earnings estimates for FY23 by 8%, factoring in increased profit at Bumi mines, falling AT&C losses in Odisha, and partial fixed cost recovery at Mundra through power sale to Gujarat under the new resolution. Accordingly, we revise our TP upwards to INR258 (INR215 earlier) and upgrade our rating to ADD, from REDUCE.

- **High share of JV profit boosts PAT:** Consolidated revenue grew by 43.6% YoY to INR109.1bn, led by strong performance in standalone business (+30.5% YoY), inclusion of Odisha business, and healthy growth in solar EPC (+69% YoY). EBITDA, however, declined 6.6% YoY to INR16.3bn due to a steep rise in Mundra under-recovery (EBITDA loss of INR1.2bn in Q3FY22 vs profit of INR3bn YoY), which led to a ~806 bps YoY fall in margin to 15%. APAT, though, rose 19.4% YoY to INR4.3bn, driven by higher profit share from the Indonesian coal business and improved profit in the EPC segment.
- **Expansion in cells and modules**: Tata Power's transition into the green segment is gaining strong momentum, and the company now plans to incur a Capex INR34bn over the next 18 months to enhance its cell and module manufacturing capacity by 4GW each. The company has also participated in the PLI Scheme floated by the government to boost domestic solar manufacturing and, thus, expects an incentive of ~INR15bn against this Capex. It is also strengthening its EV charging segment by signing MoUs with TVS Motors and Apollo Tyres to deploy charging stations.
- **Upgrade to ADD**: We raise our FY23 earnings estimate by 8% and revise TP upwards to INR258/share (+from INR215/share), factoring in increased profit at Bumi, falling AT&C losses in Odisha, strong execution and order wins in the solar business, and partial fixed cost recovery at Mundra through power sale to Gujarat under the new resolution. We upgrade our rating on Tata Power to ADD, from REDUCE.

Financial summary

(INR mn, Mar YE)	3Q FY22	3Q FY21	YoY (%)	2Q FY22	QoQ (%)	FY22E	FY23E	FY24E
Net Revenues	1,09,131	75,979	*43.6*	98,102	*11.2*	3,91,360	4,20,775	4,46,621
EBITDA	16,339	17,496	*-6.6*	16,636	*-1.8*	74,820	89,546	93,737
APAT	4,269	3,575	*19.4*	4,215	*1.3*	18,871	25,161	26,057
Diluted EPS (INR)	1.34	1.12	*19.4*	1.32	*1.3*	5.9	7.9	8.2
P/E (x)						40.5	30.4	29.3
Price/BV (x)						3.3	3.0	2.8
RoE (%)						7.0	9.1	8.8

Source: Company, HSIE Research

ADD

CMP *(as on 9 Feb 2022)*	INR 238
Target Price	INR 258
NIFTY	17,464

KEY CHANGES	OLD	NEW
Rating	REDUCE	ADD
Price Target	INR215	INR258
EPS Change %	FY22E	FY23E
	-	*8*

KEY STOCK DATA	
Bloomberg code	TPWR IN
No. of Shares (mn)	3,195
MCap (INR bn) / ($ mn)	760/10,219
6m avg traded value (INR mn)	12,263
52 Week high / low	INR 270/86

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(1.6)	80.2	173.1
Relative (%)	1.6	72.8	159.2

SHAREHOLDING PATTERN (%)	Dec-21	Sep-21
Promoters	46.9	46.86
FIs & Local MFs	15.57	19.77
FPIs	10.84	11.06
Public & Others	26.73	22.31
Pledged Shares	-	-

Source : BSE

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Aurobindo Pharma

All-round miss; outlook intact

Aurobindo's Q3 revenue/EBITDA missed estimates by 6%/21%, owing to lackluster performance across businesses (ex-APIs) and lower GM as EBITDA margin missed our estimates by ~307bps. We expect the margin pressure to normalise over 2-3 quarters. Bottoming out of margins (as per management guidance) along with robust pipeline in the US provide good growth visibility in injectables, biosimilars, and OTC drugs in the medium term. The potential of injectables business value unlocking and the FDA's resolution of facilities remain key near-term triggers. We cut our FY22/23/24e estimates by 14%/9%/3% to factor in the Q3 miss/revised outlook and arrive at an SOTP TP of INR925, based on 15x Sep-23e EPS and NPV of INR40/30 for the PLI/gRevlimid opportunities. Maintain BUY.

- **Disappointing quarter**: Revenue, at INR60bn (-1% YoY, adj. for Natrol), was below estimate as strong growth in betalactam APIs (+77% YoY, improved demand) was offset by subdued performance in the ARV (-65% YoY, high base) and the US business (-6% YoY, -8% QoQ, price erosion). EBITDA margin collapsed to ~17% (-304bps QoQ), primarily due to lower gross margin (-328bps QoQ, cost inflation, product mix, price erosion).
- **US business faces the heat:** US revenue declined ~8% QoQ to USD367mn, mainly due to elevated price erosion and high base of Q2. In view of current market conditions, management believes that the worst of pricing pressure is over and expects it to normalise gradually in the next 1-2 quarters.
- **Con call highlights:** (a) Global general inj. - reiterates its goal to reach USD650-700mn (current quarterly run-rate of USD100-110mn) by FY24; company expects significant launches (10-15 products) from FY23, which can drive double-digit growth in the segment; (b) Biosimilars – second onco biosimilar filed with EMA in Jan, three more in the pipeline, including a MAB (can be filed by next year); (c) Vaccines – hoping to make advances in key vaccines over 2-3 years; (d) gRevlimid - litigation settled (FY24 launch expected); (e) India – aims to enter into the domestic market and reach ~INR10bn topline in ~3 years through organic or inorganic route; (f) PLI – going ahead with only the Pen-G facility (spent INR4-5bn, expected Capex stands at ~INR18.5bn with PLI benefit of INR14bn); to start production by FY24-end; (g) aim to rationalise WC by another ~USD100-150mn; (h) Plants – Unit-1: discussions ongoing with the FDA on repeat observations (aim to resolve in a year), Unit-5: audit ongoing in this sterile API plant, all plants are due for inspection and ready, Vizag plant: almost complete – expect filing/commercialisation from FY23/24.

Financial summary

YE Mar (INR mn)	3Q FY22	3Q FY21	YoY (%)	2Q FY22	QoQ (%)	FY21	FY22E	FY23E	FY24E
Net Sales	60,022	60,648	(1.0)	59,419	1.0	2,47,746	2,35,981	2,50,430	2,70,852
EBITDA	10,163	12,807	(20.6)	11,867	(14.4)	53,334	44,986	52,308	59,587
EBITDA Margin	16.9	21.1	-417bps	20.0	-304bps	21.5	19.1	20.9	22.0
APAT	5,638	NA	NA	6,956	(18.9)	32,921	26,284	30,981	35,890
Adj. EPS (INR)	9.6	NA	NA	11.9	(18.9)	56.2	44.9	52.9	61.3
P/E (x)						10.9	13.7	11.6	10.0
EV/ EBITDA (x)						6.7	7.5	6.2	5.2
RoCE (%)						10.1	9.6	10.8	11.7

Source: Company, HSIE Research, ratios adj. for NPV of PLI scheme and gRevlimid

BUY

CMP *(as on 10 Feb 2022)*	INR 684
Target Price	INR 925
NIFTY	17,606

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 990	INR 925
EPS %	FY23E	FY24E
	-9%	-3%

KEY STOCK DATA	
Bloomberg code	ARBP IN
No. of Shares (mn)	586
MCap (INR bn) / ($ mn)	401/5,389
6m avg traded value (INR mn)	2,058
52 Week high / low	INR 1,064/590

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(2.2)	(22.2)	(29.3)
Relative (%)	0.2	(30.2)	(44.1)

SHAREHOLDING PATTERN (%)	Dec-21	Sep-21
Promoters	51.83	51.83
FIs & Local MFs	16.49	15.52
FPIs	21.37	21.71
Public & Others	10.31	10.94
Pledged Shares	11.91	11.91

Source : BSE

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Petronet LNG

Marketing margin drives earnings

Our REDUCE recommendation on Petronet LNG (PLNG) with a TP of INR 230 is based on: (1) the adverse impact of seasonally-adjusted high spot LNG price of over USD 25/mmbtu and (2) rising domestic gas production on spot LNG demand in the medium term. Q3 reported revenue/EBITDA/PAT was 14/85/100% above our estimate, driven by higher marketing margins, Use or Pay charges of INR 3.5bn, and lower employee costs and other expenses.

- **Financial performance:** In Q3, Use or Pay charges of INR 3.5bn have been recognised in P&L on account of lower utilisation by one of its customers. Adjusting for the same, revenue/EBITDA/PAT stood at INR 122.5/13.8/8bn, +67/+4/-9.4% YoY. EBITDA margin was at 11% (-692bps YoY, -69bps QoQ). Higher marketing margin of USD 6.8/mmbtu vs USD 6.1/mmbtu in Q2 also led to an improvement in EBITDA.
- **Terminal-wise Q3 performance:** Utilisation was 88% at Dahej and 19% at Kochi. Volumes at Dahej and Kochi were 196tbtu and 12tbtu with total volume at 208tbtu (HSIE 212tbtu; -11% YoY, -13% QoQ). Dahej's services volume was 76tbtu (-27% YoY, -35% QoQ). Overall volume declined due to high spot LNG prices seen in Q3. Management believes moderation in spot LNG prices, completion of connectivity to Bengaluru and expansion of CGD network in the adjoining cities would improve Kochi terminal utilisation.
- **Con call takeaways**: (1) Management has guided Capex of INR 15bn for FY23. (2) Current project updates: (a) construction ongoing for two LNG tanks at Dahej at a cost of INR 12.5bn, (b) third jetty at Dahej approved by the Board at a cost of INR 16.5bn, (c) capacity expansion at Dahej from 17.5 to 22.5MTPA along with two LNG tanks to be completed over the next three years, (d) Capex of INR 16bn is estimated for the east coast FSRU terminal with a capacity of 4MTPA. (3) PLNG's current gas sourcing contract with Qatar Gas expires in 2028 and it is considering extending the contract; Dec-23 is the deadline for contract extension.
- **DCF valuation: Our TP of INR 230 is based on Mar-23E cash flow (WACC 10%, terminal growth rate 3%). The stock is trading at 14.2x FY23E EPS.**

Financial summary

YE March (INR bn)	Q3 FY22	Q2 FY22	QoQ (%)	Q3 FY21	YoY (%)	FY20	FY21	FY22E	FY23E	FY24E
Revenues	126	108	16.5	73	71.9	355	260	434	448	483
EBITDA	17	13	33.6	13	29.7	40	47	45	38	40
APAT	11	8	38.9	9	30.2	28	29	28	23	24
AEPS (INR)	7.6	5.5	38.9	5.9	30.2	18.3	19.7	18.7	15.5	16.0
P/E (x)						12.0	11.2	11.7	14.2	13.7
EV/EBITDA (x)						8.0	6.5	6.9	8.1	7.6
RoE (%)						26.2	26.1	23.7	18.9	19.0

Source: Company, HSIE Research

Change in estimates

	FY22E			FY23E			FY24E		
	Old	New	Ch%	Old	New	Ch%	Old	New	Ch%
EBITDA (INR bn)	42	45	4.9	39	38	(3.5)	41	40	(1.2)
AEPS (INR/sh)	18	19	5.9	16	15	(4.2)	16	16	(1.5)

Source: Company, HSIE Research

REDUCE

CMP *(as on 10 Feb 2022)*	INR 220
Target Price	INR 230
NIFTY	17,606

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 240	INR 230
EPS %	FY22E	FY23E
	+5.9	-4.2

KEY STOCK DATA	
Bloomberg code	PLNG IN
No. of Shares (mn)	1,500
MCap (INR bn) / ($ mn)	329/4,425
6m avg traded value (INR mn)	708
52 Week high / low	INR 253/205

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(3.7)	5.9	(6.1)
Relative (%)	(1.3)	(2.1)	(20.9)

SHAREHOLDING PATTERN (%)	Sept-21	Dec-21
Promoters	50.00	50.00
FIs & Local MFs	4.65	3.23
FPIs	32.13	34.06
Public & Others	13.22	12.71
Pledged Shares	0.00	0.00

Source: BSE

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Prestige Estates

Robust performance

Prestige Estates (PEPL) registered the highest-ever quarterly presales at INR 42.7bn (+2.1x/2x YoY/QoQ), with collections at INR 24.3bn (+70%/+57% YoY/QoQ) in Q3FY22. Volume-wise, gross sales were at 5.6msf (+87%/+57% YoY/QoQ). Given robust booking and enquiry traction, PEPL expects to cross INR 100bn of presales in FY22. While net D/E rose to 0.57x due to land acquisitions and Capex, PEPL is committed to maintaining it below 0.35x. It will utilise proceeds from Blackstone deal and divestment of its stake in StarTech to deleverage the company. Also, PEPL wants to set up an alternate investment fund to finance future land acquisitions so as to not bloat up balance sheet debt and keep growing sales further. We maintain ADD, with an unchanged SOTP of INR 540/sh.

- **Financial highlights:** Revenue: INR 13.7bn (-25.4%/+2.5% YoY/QoQ, 3.8% beat). EBITDA margin: 29.3% (+508/+16bps YoY/QoQ, vs 24.6% est.) EBITDA: INR 4bn (-9.8%/+3% YoY/QoQ, 3% beat, because of lower-than-expected overhead costs). Depreciation: INR 1.13bn (-19.6%/-1.3% YoY/QoQ). Interest cost: INR 1.58bn (-34.5%/-12.4% YoY/QoQ). Other income: INR 184mn (-77.2%/-61.5% YoY/QoQ). Share of associates: INR -42mn (INR -112/-29mn Q3FY21/Q2FY22). RPAT/APAT: INR 933mn (+58.9%/+22.9% YoY/QoQ, 78% beat).
- **Strong presales; robust launch pipeline:** PEPL registered the highest-ever quarterly gross sales at INR 42.7bn (+2.1x/+2x YoY/QoQ), with collections at INR 24.3bn (+70%/+57% YoY/QoQ) in Q3. Volume-wise, gross sales were at 5.6msf (+87%/+57% YoY/QoQ). With this, the 9MFY22 sales stand at INR 71.1bn, collections at INR 50.1bn, and volume at 10.2msf up +97%/+51%/+2x YoY. PEPL launched 8.27msf in the quarter. Over the next few quarters, it has a robust launch pipeline of ~30msf in Mumbai, NCR, Bengaluru, Hyderabad, and Chennai. This augurs well for presales growth.
- **Contributions from Mumbai projects to start flowing in:** PEPL plans to launch three projects, viz., Prestige City Mulund, Prestige Daffodils at Pali Hill and Prestige Ocean Towers at Marine Lines in Apr-22. The sale potential of Mumbai projects (including the upcoming residential and commercial ones) is ~INR 409bn, of which PEPL's share is INR 234bn. The net book value of investments made in Mumbai projects stands at INR 25bn (including INR 5bn paid for FSI).
- **Proceeds from divestment to reduce leverage:** Net debt increased from INR 30.8bn in Sep-21 to INR 41.7bn (net D/E at 0.57x) in Dec-21, as PEPL incurred INR 11.3bn/INR 13.6bn cost towards construction, land acquisition and FSI premium (this includes INR 10bn paid for Mumbai land). The company plans to reduce net debt to INR ~28bn by Mar-22, aided by inflow of INR 6.8bn from the Blackstone deal, INR 5bn from the divestment of stake in StarTech and derecognition of Blackstone debt of INR 6.8bn at a consolidated level. Also, PEPL plans to draw down INR 5bn for Capex/land acquisition.

Consolidated Financial Summary

(INR in mn)	3QFY22	3QFY21	YoY (%)	2QFY22	QoQ (%)	FY21	FY22E	FY23E	FY24E
Net Sales	13,776	18,476	*(25.4)*	13,445	*2.5*	72,644	59,821	71,376	85,622
EBITDA	4,037	4,476	*(9.8)*	3,918	*3.0*	19,722	15,560	19,653	22,844
APAT	933	587	*58.9*	759	*22.9*	3,539	3,961	5,963	7,063
EPS (INR)	9.8	6.2	*58.9*	8.0	*22.9*	8.8	9.9	14.9	17.6
P/E (x)						52.2	46.7	31.0	26.2
EV/EBITDA (x)						10.2	12.9	10.5	9.2
RoE (%)						5.9	5.8	8.2	9.1

Source: Company, HSIE Research

ADD

CMP *(as on 10 Feb 2022)*	INR 461
Target Price	INR 540
NIFTY	17,606

KEY CHANGES		OLD	NEW
Rating		ADD	ADD
Price Target		INR 540	INR 540
EPS Change %	FY22E	FY23E	FY24E
	-	-	-

KEY STOCK DATA	
Bloomberg code	PEPL IN
No. of Shares (mn)	401
MCap (INR bn) / ($ mn)	185/2,483
6m avg traded value (INR mn)	719
52 Week high / low	INR 555/260

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(10.4)	30.8	58.0
Relative (%)	(8.1)	22.8	43.2

SHAREHOLDING PATTERN (%)	Sep-21	Dec-21
Promoters	65.48	65.48
FIs & Local MFs	5.68	6.37
FPIs	25.31	24.67
Public & Others	3.53	3.48
Pledged Shares	-	-

Source: BSE

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Gujarat State Petronet

Earnings impacted by lower volume

Our ADD rating on Gujarat State Petronet with a TP of INR 340 is premised on (1) transmission volume growing at +6% CAGR over FY21-23E to 41mmscmd, with increase in gas supply from domestic sources, which should drive volumes and translate to growth in standalone EBITDA at 11% and APAT at 15% CAGR to INR 18bn and INR 12bn in FY23E and (2) compelling valuation at 7.8x FY23E EPS, considering high RoE of 23% in FY23E and combined FCF of INR 50bn over FY22-24E.

- **View on the result:** Q3FY22 EBITDA/APAT were 9% below our estimates, owing to lower-than-expected volume, higher employee cost, and lower other income. However, it was offset by lower-than-expected operating expenses, gas transmission expenses, depreciation, interest cost, and higher-than-expected blended transmission tariff.
- **Volume:** Gas transmission volume in Q3 was 31.9mmscmd (-19% YoY, -15% QoQ) vs our estimate of 35.6mmscmd. Volume break-up in mmscmd was: refinery 8.5, power 2.1, CGD 13, fertilizers 3.2, and others 5.1.
- **Tariffs:** Calculated blended transmission tariff for Q3 stood at INR 1,343/tscm (+8% YoY, +7% QoQ), 5% above our estimate.
- **Change in estimates:** We reduce our FY22/23/24E consolidated EPS estimates by -7.1/-5.4/-4.6% to INR 31.4/38.4/32.3, to factor in the Q3FY22 performance.
- **DCF-based valuation: We value the transmission business using discounted cash flow (DCF) at INR 102/sh (WACC of 10% and terminal growth rate of 3%). To this, we add INR 238/sh as the value of its investments in Gujarat Gas, Sabarmati Gas, etc. to arrive at a target price of INR 340/sh. The stock is trading at 7.8x FY23E PER.**

Standalone financial summary

YE March (INR bn)	Q3 FY22	Q2 FY22	QoQ (%)	Q3 FY21	YoY (%)	FY20*	FY21*	FY22E*	FY23E*	FY24E*
Revenue	5	6	(19.9)	6	(18.2)	122	115	174	210	231
EBITDA	3	4	(11.6)	4	(15.8)	32	36	40	47	45
APAT	2	3	(35.4)	2	(14.3)	17	16	18	22	18
AEPS (INR)	3.8	5.9	(35.4)	4.4	(14.3)	30.6	28.5	31.4	38.4	32.3
P/E (x)						9.8	10.5	9.5	7.8	9.3
EV / EBITDA (x)						6.2	5.6	4.8	3.7	3.5
RoE (%)						42.3	28.5	24.4	23.4	16.2

Source: Company, HSIE Research | *Consolidated

Change in estimates

	FY22E			FY23E			FY24E		
	Old	New	*Ch%*	Old	New	*Ch%*	Old	New	*Ch%*
EBITDA (INR bn)	42	40	(4.3)	49	47	(3.4)	46	45	(2.6)
EPS (INR/sh)	33.8	31.4	(7.1)	40.6	38.4	(5.4)	33.9	32.3	(4.6)

Source: Company, HSIE Research

ADD

CMP *(as on 10 Feb 2022)*	INR 299
Target Price	**INR 340**
NIFTY	**17,606**

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 370	INR 340
	FY22E	**FY23E**
EPS %	-7.1%	-5.4%

KEY STOCK DATA	
Bloomberg code	GUJS IN
No. of Shares (mn)	564
MCap (INR bn) / ($ mn)	169/2,269
6m avg traded value (INR mn)	343
52 Week high / low	INR 383/216

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(5.6)	(11.5)	32.1
Relative (%)	(3.3)	(19.5)	17.2

SHAREHOLDING PATTERN (%)	Sept-21	Dec-21
Promoters	37.63	37.63
FIs & Local MFs	31.01	32.59
FPIs	17.47	16.61
Public & Others	13.89	13.17
Pledged Shares	0.0	0.0

Source: BSE

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Nuvoco Vistas

Margin falls sharply; rebound expected in Q4

We maintain our BUY rating on Nuvoco Vistas with a reduced TP of INR 677/share (11x its consolidated Dec-23E EBITDA). We continue to like it for its leadership presence in the east, large retail focus, and various margin initiatives. Nuvoco is also working to reduce leverage on books. Q3FY22 performance was adversely impacted by the double whammy of poor demand and sharp fuel cost spike. The impact, however, was moderated by the rising contribution from synergy benefits and ongoing cost reduction. Consolidated revenue/EBITDA fell 3/50% YoY to INR 21.7/2.3bn, leading to a net loss of INR 855mn (amid high capital charges). Nuvoco, however, sees margin recovering in Q4 on better demand and pricing and stable fuel cost QoQ.

- **Q3FY22 performance:** Continued weak demand in the east and transporter strike in Chhattisgarh (early-Oct) caused volume to decline 13% YoY. Weak demand also moderated trade sales to ~75%, from sub-80% in H1FY22. NSR, thus, fell 2% QoQ. The sharp increase in fuel cost and reduced availability of low-cost linkage coal pushed opex 6% QoQ. Unitary EBITDA, thus, fell 37/42% QoQ/YoY to INR 554. Synergy and efficiency efforts moderated the fall. Subsequently, EBITDA halved YoY, leading to a net loss (on high capital charges). Net debt/EBITDA stood at 3.5x in Dec-21 (vs 4.7x in Mar-21).
- **Outlook**: Nuvoco expects demand in the east to normalise in Q4, with prices already starting to firm up. As its coal linkage in the east (low-cost) is restored, it does not expect QoQ energy cost inflation in Q4. Additionally, the full benefit of realised synergies/efficiencies should lead to a rise in margin in Q4. We have cut our EBITDA estimates for FY22/23/24E by 12/12/4%, factoring in lower volumes and cost inflation. To reduce debt on the books, Nuvoco has reduced its Karnataka Capex to INR 15bn (3mn MT IU by late-FY25E). We expect net debt/EBITDA to moderate to 2.3x by FY23.

Quarterly/annual financial summary - consolidated

YE Mar (INR bn)	Q3 FY22	Q3 FY21	YoY (%)	Q2 FY22	QoQ (%)	FY20	FY21	FY22E	FY23E	FY24E
Sales (mn MT)	4.23	4.86	*(12.9)*	3.85	*10.0*	12.24	15.91	17.66	20.31	22.34
NSR (INR/MT)	4,716	4,354	*8.3*	4,810	*(2.0)*	4,625	4,444	4,844	4,989	5,039
Opex (INR/MT)	4,162	3,402	*22.4*	3,925	*6.0*	3,579	3,503	3,962	3,962	3,889
EBITDA(INR/MT)	554	952	*(41.9)*	885	*(37.4)*	1,046	941	882	1,027	1,150
Net Sales	21.65	22.31	*(2.9)*	20.20	*7.2*	67.93	74.89	92.20	109.98	122.96
EBITDA	2.27	4.52	*(49.8)*	3.31	*(31.3)*	12.97	14.61	15.78	21.45	26.40
APAT	(0.86)	0.44		(0.26)		2.49	(0.26)	0.87	5.25	8.76
AEPS (INR)	(2.4)	1.4		(0.7)		10.3	(0.8)	2.4	14.7	24.5
EV/EBITDA (x)						14.8	15.1	12.9	9.4	7.3
EV/MT (INR bn)						13.69	9.88	8.56	8.45	7.57
P/E (x)						60.9	NA	173.5	28.9	17.3
RoE (%)						4.9	NA	1.1	5.7	9.0

Source: Company, HSIE Research. Note: NA – not applicable

Estimates revision summary

INR mn	Current Estimates			Old Estimates			Revisions (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Net Sales	92.20	109.98	122.96	94.87	115.29	130.04	*(2.8)*	*(4.6)*	*(5.4)*
EBITDA	15.78	21.45	26.40	17.85	24.41	27.61	*(11.6)*	*(12.1)*	*(4.4)*
APAT	0.87	5.25	8.76	2.41	8.27	11.23	*(63.7)*	*(36.6)*	*(22.0)*

Source: Company, HSIE Research

BUY

CMP *(as on 10 Feb 2022)*	**INR 427**
Target Price	**INR 677**
NIFTY	**17,606**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR 762	INR 677
EBITDA revision %	FY22E *(11.6)*	FY23E *(12.1)*

KEY STOCK DATA	
Bloomberg code	NUVOCO IN
No. of Shares (mn)	357
MCap (INR bn) / ($ mn)	152/2,048
6m avg traded value (INR mn)	-
52 Week high / low	INR 578/410

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(20.3)	-	-
Relative (%)	(18.0)	-	-

SHAREHOLDING PATTERN (%)

	Sep-21	Dec-21
Promoters	71.03	71.03
FIs & Local MFs	15.9	16.65
FPIs	7.76	7.28
Public & Others	5.31	5.04
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Heidelberg Cement

Weak volumes and margin

We downgrade our rating on Heidelberg Cement (HEIM) to REDUCE from ADD, with a lower target price of INR 205/share (8.5x Dec-23E EBITDA). In the absence of any major expansion in the next three years, we expect HEIM's volume growth to be subdued and it could lose market share to other players that are expanding in its core markets. In Q3FY22, HEIM reported weak performance as its sales volume fell 11% YoY. EBITDA fell 43% YoY, given sharp cost inflation that could not be passed on.

- **Q3FY22 performance:** Sales volume fell 11/8% YoY/QoQ due to weak demand and loss of market share. The share of trade sales fell to 77% (below 80% after many quarters). NSR went up 3/3% QoQ/YoY due to healthy regional pricing. Opex shot up 13% QoQ, mainly due to higher input cost (up ~INR 340/MT QoQ). Freight cost remained stable QoQ. There is a sharp increase in other expenses despite the volume decline, magnifying the op-lev loss. Unitary EBITDA, thus, fell ~37/37% YoY/QoQ to INR 607.
- **Outlook:** HEIM noted that demand is improving in Q4. However, cement price hike is yet to catch up with the sharp fuel price increase. Fuel prices are expected to further increase QoQ in Q4. The increased share of green power usage should moderate energy cost inflation. We cut our EBITDA estimates for FY22/23/24E by 15/14/14%, factoring in weak volume and margin pressure. In the absence of any major planned expansion over the next few years and significant capacity additions by other players in the central market, we expect HEIM to lose market share to them and, thus, expect its margin to be under pressure. Thus, we downgrade to REDUCE (from ADD) with a lower target price of INR 205 (8.5x the Dec-23E EBITDA).

Quarterly/annual financial summary

YE Mar (INR bn)	Q3 FY22	Q3 FY21	*YoY (%)*	Q2 FY21	*QoQ (%)*	FY20	FY21	FY22E	FY23E	FY24E
Sales (mn MT)	1.13	1.27	*(11.1)*	1.23	*(8.4)*	4.71	4.49	4.70	5.08	5.33
NSR (INR/MT)	4,827	4,691	*2.9*	4,683	*3.1*	4,611	4,718	4,766	4,861	4,958
Opex (INR/MT)	4,221	3,744	*12.7*	3,737	*12.9*	3,490	3,589	3,873	3,899	3,927
EBITDA(INR/MT)	607	947	*(35.9)*	946	*(35.9)*	1,122	1,129	892	962	1,031
Net Sales	5.45	5.95	*(8.5)*	5.76	*(5.5)*	21.70	21.17	22.40	24.67	26.43
EBITDA	0.68	1.20	*(43.1)*	1.16	*(41.2)*	5.28	5.07	4.19	4.88	5.49
APAT	0.30	0.64	*(52.2)*	0.60	*(48.9)*	2.68	3.15	2.00	2.41	3.28
AEPS (INR)	1.3	2.8	*(52.2)*	2.6	*(48.9)*	11.8	13.9	8.8	10.6	14.5
EV/EBITDA (x)						8.3	8.5	11.1	9.7	9.2
EV/MT (INR bn)						7.00	6.86	7.45	7.57	7.50
P/E (x)						16.3	13.9	24.3	20.2	14.8
RoE (%)						21.6	22.4	13.0	14.9	18.9

Source: Company, HSIE Research

Estimates revision summary

INR Bn	FY22E Old	FY22E Revised	*Change %*	FY23E Old	FY23E Revised	*Change %*	FY24E Old	FY24E Revised	*Change %*
Net Sales	24.1	22.4	*(6.9)*	26.1	24.7	*(5.6)*	28.5	26.4	*(7.4)*
EBITDA	5.0	4.2	*(15.4)*	5.7	4.9	*(13.9)*	6.4	5.5	*(13.9)*
APAT	2.6	2.0	*(21.9)*	3.0	2.4	*(18.5)*	3.7	3.3	*(11.6)*

Source: Company, HSIE Research

REDUCE

CMP *(as on 10 Feb 2022)*	**INR 215**
Target Price	**INR 205**
NIFTY	**17,606**

KEY CHANGES	**OLD**	**NEW**
Rating	ADD	REDUCE
Price Target	INR 247	INR 205
EBITDA revision %	FY22E *(15.4)*	FY23E *(13.9)*

KEY STOCK DATA

Bloomberg code	HEIM IN
No. of Shares (mn)	227
MCap (INR bn) / ($ mn)	49/654
6m avg traded value (INR mn)	44
52 Week high / low	INR 285/210

STOCK PERFORMANCE (%)

	3M	**6M**	**12M**
Absolute (%)	(14.3)	(19.3)	(7.6)
Relative (%)	(12.0)	(27.3)	(22.5)

SHAREHOLDING PATTERN (%)

	Sep-21	**Dec-21**
Promoters	69.39	69.39
FIs & Local MFs	10.94	10.91
FPIs	5.81	5.47
Public & Others	13.86	14.23
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Rating Criteria

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

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Anuj Upadhyay	PGCIL, Tata Power	MBA	NO
Hinal Choudhary	PGCIL, Tata Power	CA	NO
Karan Vora	Aurobindo Pharma	CA	NO
Harshad Katkar	Petronet LNG, Gujarat State Petronet	MBA	NO
Nilesh Ghuge	Petronet LNG, Gujarat State Petronet	MMS	NO
Rutvi Chokshi	Petronet LNG, Gujarat State Petronet	CA	NO
Akshay Mane	Petronet LNG, Gujarat State Petronet	PGDM	NO
Parikshit Kandpal	Prestige Estates	CFA	NO
Manoj Rawat	Prestige Estates	MBA	NO
Nikhil Kanodia	Prestige Estates	MBA	NO
Rajesh Ravi	Nuvoco Vistas, Heidelberg Cement	MBA	NO
Keshav Lahoti	Nuvoco Vistas, Heidelberg Cement	CA	NO

Disclosure:
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