INSTITUTIONAL RESEARCH

HSIE Results Daily

Contents

Results Reviews

- **Shree Cement:** We maintain our REDUCE rating on Shree Cement, with a revised SOTP target price of INR 24,000/share, owing to its expensive valuation. Cement volume grew 10% YoY in Q2FY24 and its unit EBITDA expanded INR 25/MT QoQ to INR 1024/MT. Margin expanded INR 340/MT on a sharp fall in fuel costs (INR 0.8/mnCal and green power consumption share increased to 59% vs 51% YoY). We estimate its blended unit EBITDA will expand INR 165/MT in FY24E on fuel cost reduction, rising share of green power, and brand premiumization. Ongoing expansions will increase its capacity to 72mn MT by FY26, vs 46mn MT at FY23 end.
- **Cummins:** Cummins India Ltd (CIL) recorded weak revenue of INR 19bn (-3%/14% YoY/QoQ, a miss of 4.6%). This was driven mainly by normalisation of advance pre-buy for CPCB 2 gensets in anticipation of CPCB 4+ implementation which got pushed out to Jul-24. Consequently, the power-gen segment contributed INR 4.9bn (-28%/-44% YoY/QoQ). CIL witnessed a demand drop of 60% in LHP segment, a 70% drop in MHP segment and 2% in HHP segment i.e.500KVa+ products. This skewness of mix towards better-margin HHP power gen, along with lower commodity inflation and retention of prices, contributed towards better gross margin at 36.7% (+488bps/+418bps YoY/QoQ). CIL expects to maintain this at 32-34% level for the near future (2-3 years) before moving to 35%. Industrial segment was robust, contributing INR 3bn (+20%/+27%), mainly on account of strong deliveries in sub-segments such as construction, railways and defence. The export market is still weak contributing INR 5bn (-5%/2%). EU and Americas demand is weak, dropping 50%, while APAC and ME dropped 5-10%. CIL expects export market to worsen before bottoming out in the coming quarters. CIL, however, has multiple tailwinds, namely, stringent emission norms, capex cycle recovery, adoption of alternative fuels with lower carbon footprint, revival in industrials, and support for manufacturing policies. We maintain BUY, with an unchanged SOTP of INR 2,082 (35x Sep-25 EPS).
- **Prestige Estates:** Prestige Estates (PEPL) registered the highest-ever presales in any quarter by value and volume at INR 71bn (+102%/+81% YoY/QoQ) and 6.8msf (+50%/+79% YoY/QoQ) resp. This was mainly on the back of robust presales in Prestige Park Grove in Bengaluru, which clocked INR 46bn. The average price realisation was also the highest ever at INR 10,369psf (+34%/+1% YoY/QoQ). The total launches during the quarter were at 13.1msf. Prestige City in Hyderabad will be launched on 9th Nov’23, which will have a saleable area of 10msf and GDV of INR 70bn. Presales from Mumbai were INR 4bn, contributing 5%. For FY24, it expects to achieve annual presales of around INR 200bn. It expects to achieve this on the back of a strong launch pipeline with a GDV of around INR 494bn. Prestige Ocean Towers (60% economic interest) and Prestige Nautilus in MMR will be launched in H2FY24 with a total GDV potential of INR 90bn. It will launch its first project in NCR, Prestige Bougainvillea Gardens in H2FY24 with a saleable area of 3.1msf. We maintain BUY, with an increased SOTP-based TP of INR 908/sh, to factor in better-than-expected realisation/presales and improving visibility on office assets with the financial closure of the BKC project.

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- **Apollo Tyres:** Apollo Tyres' consolidated earnings at INR 4.8 bn beat our estimate of INR 4.4bn, led by better-than-expected performance both in India and Europe. In India, both OEM and replacement demand outlook continues to be healthy. Further, management believes weak tyre demand in Europe has bottomed out and expects the same to recover in H2. While input costs are expected to inch up in Q2, we expect Apollo's margins to sustain above their target of 15% level, aided by: (1) focus on premiumization and profitable growth both in India and Europe; (2) pricing discipline in India; and (3) gradual ramp-up in utilization levels. Management has reiterated that it would not need incremental capacity for at least a couple of years and its strong cash generation would be utilized to pare down debt. This would help boost RoCE, which, if annualized for H1, stands at 16%+, above its target of 15%. On the back of a strong performance in H1, we have raised our FY24-25 estimates by 16%/5%. Maintain ADD with a revised TP of INR433/sh (from INR 415 earlier)—valued at 12x Sep25 earnings.

- **Alkyl Amines:** We maintain SELL on Alkyl Amines (AACL) with a price target of INR 1,921 (WACC 12%, terminal growth 5%). Demand headwinds and competition from Chinese manufacturers could result in a correction in per kg margins. The stock is currently trading at ~48x FY25E 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 26/33% below our estimates, owing to a 6% lower-than-expected revenue, higher-than-expected other expenses, offset by lower-than-anticipated raw material cost.

- **Prince Pipes and Fittings:** We maintain our ADD rating on Prince Pipes, with an unchanged target price of INR 745/sh (30x its Sep-25E EPS). In Q2FY24, Prince reported sub-par volume growth of 8% YoY in a strong demand environment (peers delivered 20%+ growth). Management is hopeful of arresting its market share loss from Q3 onwards, after benefiting from various corrective actions it has taken so far. The share of high-value fittings in the sales mix stabilised in Q2FY24. This drove up the EBITDA margin back to 14%. Prince is setting up a greenfield pipe plant in Bihar (~40K MT expected in FY25, Capex INR 1.5bn), which will expand its plumbing capacity by 11%. In bathware, Prince targets INR 80mn revenue in Q3. It expects an EBITDA loss of INR 150-200mn in FY24 and an EBITDA break-even in the next two years.

- **HG Infra:** HG Infra (HG) reported a muted quarter, missing our estimates on all fronts by 11.1/12.1/26.4%. The OB as of Sep'23 stood at INR 106.8bn (~2.6x FY23 revenue). Its FY24 revenue guidance stands at INR 50-54bn (~20% YoY) with an EBITDA margin of ~16%. On the order inflow front, it slashed its guidance further from INR 70-80bn to INR 50-60bn, given a truncated ordering period owing to elections and weaker-than-expected NHAI ordering. Equity infusion guidance for H2FY24/FY25/26 stands at INR 4/2.7/1.6bn. The standalone gross/net debt, as of Sep'23, reduced marginally to INR 6/4.8bn vs. INR 6.7/5.5bn, as of Jun'23 as execution remained muted. The company expects to receive monetisation proceeds from three out of four HAM projects by Nov-23 and from the fourth asset by FY24-end. Given robust OB, likely pick-up in project execution and healthy balance sheet , we maintain BUY on HG, with an unchanged TP of INR 1,252 (15x Sep-25E EPS).

- **Dilip Buildcon:** Dilip Buildcon (DBL) reported an EBITDA margin of 12.1% (+54/-74bps YoY/QoQ) in Q2FY24, vs. our estimate of 12.6%, on account of higher input and raw material prices. In H◎FY24, the company won projects worth INR 26.4bn (i.e. ~27% FY24 OI guidance of INR 100-120bn), taking the Sep'23 OB to INR 239.9bn (~2.4x FY23 revenue). The standalone net debt stood at INR 20.7bn, with net D/E at 0.43x. Out of INR 22.6bn total equity requirement in all 18 HAM, INR 10.7bn has been invested until Sep'23. It expects to infuse another INR 4.5/4.3/2.7/0.4bn in H2FY24/FY25/26/27. It is planning to float own InvIT with Alpha Alternatives as a strategic partner and expects INR 20/40bn in cash/InvIT units by FY25-end. It reduced its FY24 revenue guidance to 6-8% YoY growth, with an EBITDA margin of 12-14%. Given lower interest cost on lower debt, we recalibrate our FY24/25/26 EPS higher and maintain ADD with an increased SOTP-based TP of INR 367/sh (10x Sep-25E EPS, 0.8x P/BV HAM equity investment).

- **Teamlease Services:** Teamlease reported revenue growth of 4.7% QoQ (slightly better vs estimate) but the highlight of the quarter was the improvement in margins. The EBITDA margin expansion was led by improvement in PAPM, decline in core employee cost, stability in DA, and profitability in HR services (ed-tech). The general staffing volume growth was strong, led by festive demand and traction in retail, BFSI, industrial and consumer verticals. The degree apprenticeship (DA) headcount (ex of NEEM program) registered growth and the complete exit of the remaining ~10K NEEM headcount will be complete in Q4. Specialised staffing growth was impacted by the slowdown in IT sector hiring and the recovery in IT staffing will be protracted. The growth will be led by (1) continued volume growth in general staffing, (2) new logo additions, (3) recovery in DA volume growth, and (4) stable specialised staffing, led by strong GCCs. The EBITDA margin is expected to improve gradually, led by improving PAPM, reasonable wage inflation for general staffing, stable core cost structure, and change in business mix. We keep our EPS estimates unchanged for FY25/26E and maintain our ADD rating with a TP of INR 2,900, based on 25x Dec-25E EPS. The stock is trading at a P/E of 26/20x FY25/26E.

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INSTITUTIONAL RESEARCH

Shree Cement

Healthy volume and margin; expensive valuation

We maintain our REDUCE rating on Shree Cement, with a revised SOTP target price of INR 24,000/share, owing to its expensive valuation. Cement volume grew 10% YoY in Q2FY24 and its unit EBITDA expanded INR 25/MT QoQ to INR 1024/MT. Margin expanded INR 340/MT on a sharp fall in fuel costs (INR 0.8/mnCal and green power consumption share increased to 59% vs 51% YoY). We estimate its blended unit EBITDA will expand INR 165/MT in FY24E on fuel cost reduction, rising share of green power, and brand premiumization. Ongoing expansions will increase its capacity to 72mn MT by FY26, vs 46mn MT at FY23 end.

- **Q2FY24 performance:** Shree's EBITDA came in line with our/consensus estimates. Cement volumes grew 10% YoY owing to strong demand. Blended reported unit EBITDA inched up INR 20/MT QoQ to INR 1062/MT. NSR (ex-power) improved 2% QoQ on price increases across markets. Unit opex also rose 2% QoQ on high other expenses and raw material costs. The impact is moderated by lower energy costs (fuel prices down INR 165/MT QoQ and green power share increased by 300bps QoQ to 59%) and 3% lower freight costs. Thus, unit EBITDA (ex-power) increased by ~INR 26/MT to INR 1024/MT. The merchant power segment delivered revenue/EBITDA of INR 3.4/0.3bn in Q2FY24.
- **Con call updates and outlook**: Shree guided ~12% volume growth for FY24E. It expects fuel cost to cool off to INR 1.9/mn Cal for the next two quarters (vs INR 2.04 in Q2). It is targeting to expand the share of its premium cement sales to 12/15% by FY24/FY25 end (vs 7% in FY23). Current cement prices are ~3% higher vs Q2FY24 and should aid margin uptick. Its Nawalgarh (Rajasthan) IU 3.5mn MT is expected by Q4FY24 end; Guntur, AP IU by early Q1FY25. The work on the recently announced 7.2/12mn MT clinker/cement capacity by Mar'25 across Rajasthan, Uttar Pradesh and Karnataka (Capex of INR 70bn) is on track. It also announced a 3.4mn MT brownfield SGU in Chhattisgarh (by Sep-25, Capex INR 5.5bn). The board also approved the merger of two of its Indian subsidiaries (Shree Cement East Pvt. Ltd. and Shree Cement North Pvt. Ltd). We have raised our Capex estimates for FY24/FY25E to INR 45/49bn (to factor in new expansions). We have marginally increased our EBITDA estimates by 1/4/3% for FY24/25/26E respectively. Our SOTP-based TP of INR 24,000/sh values its standalone cement business at 16.5x Sep-25E EBITDA and the UAE business at 1x BV.

Quarterly/annual financial summary (standalone)

YE Mar (INR bn)	Q2 FY24	Q2 FY23	*YoY (%)*	Q1 FY24	*QoQ (%)*	FY22	FY23	FY24E	FY25E	FY26E
Sales Vol (mn MT)	8.2	7.5	*9.9*	8.9	*(8.1)*	27.7	31.8	36.3	41.0	45.1
NSR (INR/MT)	5,399	5,071	*6.5*	5,432	*(0.6)*	5,089	5,292	5,345	5,371	5,425
EBITDA (INR/MT)	1,062	701	*51.3*	1,046	*1.5*	1,315	925	1,089	1,125	1,161
Net Sales	44.25	37.81	*17.0*	48.43	*(8.6)*	141.16	168.37	193.87	220.16	244.60
EBITDA	8.70	5.23	*66.3*	9.33	*(6.7)*	36.48	29.42	39.49	46.10	52.37
APAT	4.91	1.90	*159.1*	5.81	*(15.5)*	22.72	11.74	17.48	19.01	17.39
AEPS (INR)	141.0	52.5	*168.4*	161.1	*(12.4)*	629.7	325.3	484.6	526.9	482.0
EV/EBITDA (x)						24.1	29.8	22.5	19.3	18.1
EV/MT (INR bn)						19.0	18.9	16.8	15.8	13.5
P/E (x)						41.7	80.8	54.2	49.9	54.5
RoE (%)						14.0	6.6	*9.2*	*9.3*	*8.0*

Source: Company, HSIE Research, EBITDA (INR/MT) is blended and includes merchant power

REDUCE

CMP *(as on 8 Nov 2023)*	INR 26,271
Target Price	INR 24,000
NIFTY	19,444

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 23,200	INR 24,000
EBITDA revision %	FY24E *0.6*	FY25E *4.3*

KEY STOCK DATA	
Bloomberg code	SRCM IN
No. of Shares (mn)	36
MCap (INR bn) / ($ mn)	948/11,590
6m avg traded value (INR mn)	967
52 Week high / low	INR 27,299/21,410

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	8.2	6.9	12.2
Relative (%)	9.6	1.7	6.0

SHAREHOLDING PATTERN (%)	Jun-23	Sep-23
Promoters	62.55	62.55
FIs & Local MFs	12.00	12.56
FPIs	12.62	12.21
Public & Others	12.82	12.68
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Cummins

Margin outperformance aids beat

Cummins India Ltd (CIL) recorded weak revenue of INR 19bn (-3%/14% YoY/QoQ, a miss of 4.6%). This was driven mainly by normalisation of advance pre-buy for CPCB 2 gensets in anticipation of CPCB 4+ implementation which got pushed out to Jul-24. Consequently, the power-gen segment contributed INR 4.9bn (-28%/-44% YoY/QoQ). CIL witnessed a demand drop of 60% in LHP segment, a 70% drop in MHP segment and 2% in HHP segment i.e.500KVa+ products. This skewness of mix towards better-margin HHP power gen, along with lower commodity inflation and retention of prices, contributed towards better gross margin at 36.7% (+488bps/+418bps YoY/QoQ). CIL expects to maintain this at 32-34% level for the near future (2-3 years) before moving to 35%. Industrial segment was robust, contributing INR 3bn (+20%/+27%), mainly on account of strong deliveries in sub-segments such as construction, railways and defence. The export market is still weak contributing INR 5bn (-5%/2%). EU and Americas demand is weak, dropping 50%, while APAC and ME dropped 5-10%. CIL expects export market to worsen before bottoming out in the coming quarters. CIL, however, has multiple tailwinds, namely, stringent emission norms, capex cycle recovery, adoption of alternative fuels with lower carbon footprint, revival in industrials, and support for manufacturing policies. We maintain BUY, with an unchanged SOTP of INR 2,082 (35x Sep-25 EPS).

- **Q2FY24 financial highlights:** Revenue: INR 19bn (-3%/-14% YoY/QoQ, a miss of 4.6%). Domestic sales: INR 18.7bn (+35%/+12% YoY/QoQ) and export sales of INR 5bn (-5%/+2% YoY/QoQ). EBITDA: INR 3.4bn (+17%/+1% YoY/QoQ, 8% beat) on account of higher gross margin. Gross margin: 36.7% (+488bps/+418bps Q1FY23/Q4FY23) on account of lower material cost and favourable product mix. Consequently, the EBITDA margin was 17.8% (+294/+240bps YoY/QoQ) vs est. of 15.8%. Other income: INR 1.3bn (+55%/+13% YoY/QoQ. APAT: INR 33.3bn (+30%/+4% YoY/QoQ, a 13% beat).
- **Weak performance in power gen on pre-buy normalisation:** Within domestic business, power gen segment contributed INR 4.9bn (-28%/-44% YoY/QoQ). This weak performance was on account of normalization of pre-buy of CPCB2+ power gen as CPCB4+ products implementation has been pushed to Jun'24. CIL expects to witness stable demand for the power gen business for the rest of the year as pre-buy has normalized now. Around 30% plus of sales have come from CPCB 4+ product, demand for which continues to be strong in NCR and other bigger cities. CIL aspires to grow power gen business at a CAGR of 13% for next few years with industry expected to grow at 7-8%.
- **Multiple growth levers:** CIL saw strong growth in its industrial segment, which contributed INR 3bn (+20%/+27% YoY/QoQ). The growth came mainly from construction industry, which bounced back in Q2FY24 (acceleration in road construction to meet target of 12,000km; 4,000km completed). There were lumpy deliveries also in this segment with delivery of Power-car and Diesel Tower Car (DETC) in railways sub-segment, compressor business growing on back of deficit monsoon this year and good growth in the defense segment. Mining segment was subdued, however, with coal deficit in the country, many tenders are coming up. Datacenters is growing at 25% plus CAGR and is one of the top ten market segments for CIL and is expected to remain so for at least three-four years.

Standalone financial summary

(INR in mn)	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)	FY23	FY24E	FY25E	FY26E
Net Revenues	18,997	19,513	(2.6)	22,087	(14.0)	77,444	86,488	98,745	113,584
EBITDA	3,386	2,905	16.5	3,406	(0.6)	12,426	14,292	17,812	21,381
APAT	3,285	2,524	30.2	3,157	4.1	11,405	12,917	15,526	18,178
Diluted EPS(INR)	11.9	9.1	30.2	11.4	4.1	41.1	46.6	56.0	65.6
P/E (x)						42.9	37.9	31.5	26.9
EV/EBITDA (x)						37.7	32.5	25.6	20.8
RoE (%)						22.3	22.4	23.0	22.8

Source: Company, HSIE Research

BUY

CMP *(as on 8 Nov 2023)*	INR 1,767
Target Price	INR 2,082
NIFTY	19,444

KEY CHANGES	OLD	NEW	
Rating	BUY	BUY	
Price Target	INR 2,082	INR 2,082	
EPS change %	FY24E	FY25E	FY26E
	-	-	-

KEY STOCK DATA	
Bloomberg code	KKC IN
No. of Shares (mn)	277
MCap (INR bn) / ($ mn)	490/5,990
6m avg traded value (INR mn)	1,543
52 Week high / low	INR 1,981/1,305

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	1.9	9.2	32.4
Relative (%)	3.3	4.0	26.2

SHAREHOLDING PATTERN (%)	Jun-23	Sep-23
Promoters	51.00	51.00
FIs & Local MFs	23.97	22.18
FPIs	14.37	16.46
Public & Others	10.66	10.36
Pledged Shares	-	-

Source: BSE

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Prestige Estates

Setting growth targets higher

Prestige Estates (PEPL) registered the highest-ever presales in any quarter by value and volume at INR 71bn (+102%/+81% YoY/QoQ) and 6.8msf (+50%/+79% YoY/QoQ) resp. This was mainly on the back of robust presales in Prestige Park Grove in Bengaluru, which clocked INR 46bn. The average price realisation was also the highest ever at INR 10,369psf (+34%/+1% YoY/QoQ). The total launches during the quarter were at 13.1msf. Prestige City in Hyderabad will be launched on 9th Nov'23, which will have a saleable area of 10msf and GDV of INR 70bn. Presales from Mumbai were INR 4bn, contributing 5%. For FY24, it expects to achieve annual presales of around INR 200bn. It expects to achieve this on the back of a strong launch pipeline with a GDV of around INR 494bn. Prestige Ocean Towers (60% economic interest) and Prestige Nautilus in MMR will be launched in H2FY24 with a total GDV potential of INR 90bn. It will launch its first project in NCR, Prestige Bougainvillea Gardens in H2FY24 with a saleable area of 3.1msf. We maintain BUY, with an increased SOTP-based TP of INR 908/sh, to factor in better-than-expected realisation/presales and improving visibility on office assets with the financial closure of the BKC project.

- **Q2FY24 financial highlights:** Revenue reported was INR 22.4bn (+57%/+33% YoY/QoQ, a 29% beat). EBITDA was INR 5.9bn (+61%/+13% YoY/QoQ, a 19% beat). EBITDA margin was 26.5% (+68/-484bps YoY/QoQ, vs. our estimate of 29%). Share of associates: INR (74)mn (INR (19)/(43)mn Q2FY23/Q1FY24). RPAT came in at INR 8.5bn (+504%/+219% YoY/QoQ). APAT was INR 1.7bn (+240%/+200% YoY/QoQ, a 10% beat) after adjusting for estimated gains in DB Realty stake acquisition in BKC and Turf Estate assets.
- **Highest-ever quarterly sales and price realisation:** Q2FY24 presales were the highest ever in any quarter with volume at 6.8msf (+50%/+79% YoY/QoQ) valued INR 71bn (+102%/+81% YoY/QoQ). The average realisation was the highest ever at INR 10,369psf for apartments, villas and commercial sales and INR 6,753psf for plot sales. On a blended basis, it was INR 10,369psf (+34%/+1% YoY/QoQ). In Q2FY24, total sales from Mumbai were INR 4bn, contributing 5% to sales. The presales were supported by 13.1msf of project launches, the largest of which was Prestige Park Grove in Bengaluru with 9.3msf of saleable area contributing INR 46bn to the presales. For FY24, PEPL expects INR 200bn in presales on the back of a robust launch pipeline of 63msf. Prestige City in Hyderabad with a saleable area of 10msf will be launched on 9th Nov'23.
- **Robust collections to support execution:** Net debt increased to INR 69.6bn, from INR 64.8bn in Jun-23. Net D/E is at 0.61x (0.61x in Jun-23). Gross debt is INR 72.7bn (vs INR 75.7bn in Jun'23). PEPL has to incur INR 55bn on the ongoing commercial capex and INR 66bn on the upcoming commercial capex. Towards retail capex, it has to spend INR 3.0bn towards ongoing and INR 12.6bn towards upcoming retail assets. The total exit rental for March 2024 is expected at INR 4.2bn. This includes INR 2.1bn of office rentals and 2.1bn of retail. Total collections were at INR 26.4bn (+1.4/-3.7% YoY/QoQ) with more than INR 120bn expected in FY24.

Consolidated Financial Summary

(INR in mn)	Q1FY24	Q1FY23	YoY (%)	Q4FY23	QoQ (%)	FY23	FY24E	FY25E	FY26E
Net Sales	22,364	14,277	*56.6*	16,809	*33.0*	83,150	89,106	96,567	113,069
EBITDA	5,925	3,686	*60.7*	5,267	*12.5*	20,863	22,245	27,236	34,774
APAT	1,701	499	*240.8*	569	*198.9*	5,592	6,038	8,347	12,107
EPS (INR)	4.2	1.2	*240.8*	1.4	*198.9*	13.9	15.1	20.8	30.2
P/E (x)						59.7	55.3	40.0	27.6
EV/EBITDA (x)						19.0	18.2	15.1	11.8
RoE (%)						5.9	5.9	7.7	10.3

Source: Company, HSIE Research

BUY

CMP *(as on 08 Nov 2023)*	INR 833
Target Price	INR 908
NIFTY	19,444

KEY CHANGES	OLD	NEW	
Rating	BUY	BUY	
Price Target	INR 786	INR 908	
EPS Change %	FY24E	FY25E	FY26E
	-	-	-

KEY STOCK DATA	
Bloomberg code	PEPL IN
No. of Shares (mn)	401
MCap (INR bn) / ($ mn)	334/4,082
6m avg traded value (INR mn)	628
52 Week high / low	INR 853/391

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	38.4	69.3	79.6
Relative (%)	39.8	64.1	73.4

SHAREHOLDING PATTERN (%)

	Jun-23	Sep-23
Promoters	65.48	65.48
FIs & Local MFs	11.27	12.83
FPIs	20.69	19.50
Public & Others	2.56	2.19
Pledged Shares	-	-

Source: BSE

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Apollo Tyres

Yet another quarter of strong operational beat

Apollo Tyres' consolidated earnings at INR 4.8 bn beat our estimate of INR 4.4bn, led by better-than-expected performance both in India and Europe. In India, both OEM and replacement demand outlook continues to be healthy. Further, management believes weak tyre demand in Europe has bottomed out and expects the same to recover in H2. While input costs are expected to inch up in Q2, we expect Apollo's margins to sustain above their target of 15% level, aided by: (1) focus on premiumization and profitable growth both in India and Europe; (2) pricing discipline in India; and (3) gradual ramp-up in utilization levels. Management has reiterated that it would not need incremental capacity for at least a couple of years and its strong cash generation would be utilized to pare down debt. This would help boost RoCE, which, if annualized for H1, stands at 16%+, above its target of 15%. On the back of a strong performance in H1, we have raised our FY24-25 estimates by 16%/5%. Maintain ADD with a revised TP of INR433/sh (from INR 415 earlier)—valued at 12x Sep25 earnings.

- **Q2 performance beats estimates:** Apollo Tyres' consolidated earnings at INR4.8bn beat our estimates of INR 4.4bn, led by better-than-expected performance in both standalone and Europe business. Consolidated EBITDA margin improved 170bps QoQ to 18.5% and was driven by: (1) 130bps improvement in the standalone margin to a record high of 19.1%, aided by a 2% decline in RM basket and price retention across key segments; (2) 70bps QoQ improvement in Europe EBITDA margin to 14.1% due to soft input costs.
- **Call takeaways**: (1) In India, both replacement and OEM volumes grew in double digits but were offset by a decline in exports leading to 5% overall volume growth. (2) **Demand outlook (a) India**: CV replacement continues to see strong growth. PV replacement is also picking up in the festive season. Both PV and CV OEMs continue to post good growth and the outlook remains positive. (b) **Europe**: as per management, Europe demand seems to have bottomed out and it expects it to pick up in coming quarters. (3) RM cost basket is likely to rise 2-3% in Q3. (4) Apart from the price cut in the TBB segment taken by one of its peers and followed by Apollo, pricing has been largely stable in other key segments so far. (5) Consolidated net debt to EBITDA has declined to 1x from 1.4x by March-end and annualized H1 RoCE stands at 16%+. (6) Management has reiterated that it does not need to add capacity for the next couple of years and it would continue to pare down the debt in the near term. (7) In line with its focus on premiumisation, its UUHP mix in Europe stands at 40% from 35% a couple of years back and in India, the mix from 16-inch tyres stands at 5% vs nil earlier. (8) Capacity utilization (India) stands at 75% in TBR and 80% in PCR. (9) Given the sharp improvement in profitability, the H1 tax rate has sharply increased to 30% average and is likely to sustain at current levels.

Quarterly/annual financial summary

YE Mar (INR mn)	Q2 FY24	Q2 FY23	YoY (%)	Q1 FY24	QoQ (%)	FY23	FY24E	FY25E	FY26E
Net Sales	62,796	59,560	5.4	62,446	0.6	2,45,681	2,56,754	2,88,609	3,17,891
EBITDA	11,598	7,120	62.9	10,515	10.3	33,137	45,313	45,600	47,684
APAT	4,828	1,945	148.3	4,061	18.9	10,821	18,793	21,781	24,083
Diluted EPS (INR)	7.6	3.1	148.3	6.4	18.9	17.0	29.6	34.3	37.9
P/E (x)						24.1	13.9	12.0	10.8
EV / EBITDA (x)						9.2	6.4	6.0	5.5
RoCE (%)						9.8	15.4	15.1	15.5

Source: Company, HSIE Research

ADD

CMP *(as on 8 Nov 2023)*	INR 410
Target Price	INR 433
NIFTY	19,444

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 415	INR 433
EPS %	FY24E	FY25E
	16.3%	4.5%

KEY STOCK DATA	
Bloomberg code	APTY IN
No. of a Shares (mn)	635
MCap (INR bn) / ($ mn)	260/3,185
6m avg traded value (INR mn)	977
52 Week high / low	INR 441/ 270

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(6.4)	9.1	36.5
Relative (%)	(5.1)	3.9	30.3

SHAREHOLDING PATTERN (%)	Jun-23	Sep-23
Promoters	37.34	37.34
FIs & Local MFs	17.78	17.74
FPIs	22.27	22.1
Public & Others	22.61	22.75
Pledged Shares	0.0	0.0

Source : BSE

Pledged shares as % of total shares

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Alkyl Amines

Near-term challenges

We maintain SELL on Alkyl Amines (AACL) with a price target of INR 1,921 (WACC 12%, terminal growth 5%). Demand headwinds and competition from Chinese manufacturers could result in a correction in per kg margins. The stock is currently trading at ~48x FY25E 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 26/33% below our estimates, owing to a 6% lower-than-expected revenue, higher-than-expected other expenses, offset by lower-than-anticipated raw material cost.

- **Financial performance**: Revenue fell 14/14% YoY/QoQ to INR 3.5bn, owing to the Chinese dumping of goods at aggressive prices, realisations have tanked, particularly for acetonitrile and products in ethylamine chain. EBITDA margin came in at ~13.7% (-617/-434bps YoY/ QoQ). Margin was impacted adversely by competition from domestic and Chinese competitors. Other expenses were up 6.4% QoQ due to CSR expenses during the quarter. APAT came in at INR 272mn (-48/-45% YoY/ QoQ).
- **Call takeaways**: (1) AACL incurred capex of INR850mn in H1FY24. A large part of this was on ethylamine plant. The company is planning to spend INR500mn in H2FY24 on solar plant and other small projects. (2) In FY25, the company is planning to incur a capex of INR1,500mn on projects to improve efficiency of existing plants and on new downstream products. (3) Volume growth in H1FY24 was 15% as compared H1FY23. (4) The company has commissioned ethylamines plant in Oct-23. (5) Currently, the overall plant capacity utilisation is ~50-55%. (6) Product demand in domestic market was healthy while there are challenges in European and the US market. (7) AACL has taken initiatives like installation of solar facilities and steam generated power plant to save power and fuel cost.

Financial summary

INR mn	2QFY24	1QFY24	QoQ(%)	2QFY23	YoY(%)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	3,522	4,098	(14.1)	4,089	(13.9)	15,420	16,823	15,692	19,516	24,538
EBITDA	483	740	(34.7)	813	(40.6)	3,252	3,431	2,587	3,649	5,061
APAT	272	498	(45.3)	524	(48.0)	2,249	2,287	1,583	2,311	3,323
AEPS (INR)	5.3	9.7	(45.3)	10.3	(48.0)	44.0	44.7	31.0	45.2	65.0
P/E (x)						49.1	48.3	69.7	47.8	33.2
EV/EBITDA(x)						33.8	32.4	43.1	30.3	21.6
RoE (%)						25.2	21.2	12.8	16.7	20.6

Source: Company, HSIE Research

Change in estimates

Y/E Mar	FY24E Old	FY24E New	% Ch	FY25E Old	FY25E New	% Ch	FY26E Old	FY26E New	% Ch
EBITDA (INR mn)	3,128	2,587	-17.3	3,750	3,649	-2.7	5,171	5,061	-2.1
Adj. EPS (INR/sh)	38.9	31.0	-20.4	46.7	45.2	-3.2	66.6	65.0	-2.4

Source: Company, HSIE Research

SELL

CMP *(as on 8 Nov 2023)*	INR 2,147
Target Price	INR 1,921
NIFTY	19,444

KEY CHANGES	OLD	NEW
Rating	SELL	SELL
Price Target	INR 2,011	INR 1,921
EPS %	FY24E	FY25E
	-20.4%	-3.2%

KEY STOCK DATA	
Bloomberg code	AACL IN
No. of Shares (mn)	51
MCap (INR bn) / ($ mn)	110/1,342
6m avg traded value (INR mn)	93
52 Week high / low	INR 2,986/2,119

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(8.0)	(15.2)	(27.3)
Relative (%)	(6.7)	(20.4)	(33.5)

SHAREHOLDING PATTERN (%)	Jun-23	Sep-23
Promoters	71.97	71.96
FIs & Local MFs	1.16	1.13
FPIs	2.86	2.92
Public & Others	24.01	23.99
Pledged Shares	0.00	0.00

Source : BSE

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Prince Pipes and Fittings

Weak volume—lost market share; positive commentary

We maintain our ADD rating on Prince Pipes, with an unchanged target price of INR 745/sh (30x its Sep-25E EPS). In Q2FY24, Prince reported sub-par volume growth of 8% YoY in a strong demand environment (peers delivered 20%+ growth). Management is hopeful of arresting its market share loss from Q3 onwards, after benefiting from various corrective actions it has taken so far. The share of high-value fittings in the sales mix stabilised in Q2FY24. This drove up the EBITDA margin back to 14%. Prince is setting up a greenfield pipe plant in Bihar (~40K MT expected in FY25, Capex INR 1.5bn), which will expand its plumbing capacity by 11%. In bathware, Prince targets INR 80mn revenue in Q3. It expects an EBITDA loss of INR 150-200mn in FY24 and an EBITDA break-even in the next two years.

- **Q2FY24/H1FY24 performance: Q2FY24-** Prince reported lower-than-peers volume growth of 8% YoY in a strong demand environment (peers delivered 20%+ growth). The share of high-value fitting in the sales mix stabilised in Q2 (which was disrupted in Q1 amid ERP implementation), and hence margin rebounded to its normal level. NSR declined 5% YoY owing to a cool-off in resin prices (cost-pass through). It reported an EBITDA of INR 23/kg vs INR 12/kg QoQ. It booked an inventory gain of ~50mn in Q2 (~INR 1/kg). **H1FY24:** Volume grew 13% YoY, and EBITDA jumped 4.3x YoY (on a depressed base) to INR 1.4bn. OCF remained strong at INR 1bn, supported by working capital release. Prince spent INR 0.84bn in capex (half of its FY24 annual guidance).
- **Con call KTAs and outlook:** Management mentioned it has taken various corrective actions and expects to arrest market share loss from Q3 onwards. The corrective actions include price cuts and investments in building capacities of HDPE pipes, which will speed up volume growth. It expects a 12-14% EBITDA margin on a long-term basis. It is setting up a greenfield pipe plant in Bihar (~40K MT expected in FY25, capex INR 1.5bn), which will expand its plumbing capacity by 11%. The company forayed into bathware in Jun-23 and is ramping up distribution currently. It aims for INR 80mn revenue from bathware in Q3FY24. Earlier it had guided that it would incur a loss of INR 150-200mn in FY24 and break even on EBITDA in the next two years. We maintain our FY24/25/26 estimates, our TP of INR 745/sh (30x Sep-25E EPS) as well as the ADD rating.

Quarterly/annual financial summary

YE Mar (INR mn)	Q2 FY24	Q2 FY23	YoY (%)	Q1 FY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Pipes sales (K MT)	41.5	38.5	*8.0*	37.2	*11.8*	139.0	157.7	176.6	196.1	215.7
NSR (INR/kg)	158	166	*-4.5*	149	*6.1*	191	172	153	159	162
EBITDA (INR/kg)	23	-3	*-868.3*	12	*85.9*	30	16	20	22	23
Net Sales	6,564	6,365	*3.1*	5,536	*18.6*	26,568	27,109	27,022	31,194	35,000
EBITDA	942	-113		453	*107.8*	4,157	2,503	3,474	4,326	4,897
EBITDAM (%)	*14.3*	*-1.8*		*8.2*		*15.6*	*9.2*	*12.9*	*13.9*	*14.0*
APAT	527	-241		196	*168.6*	2,495	1,214	1,959	2,570	2,925
Diluted EPS (INR)	4.8	-2.2		1.8	*168.6*	22.6	11.0	17.7	23.2	26.5
EV / EBITDA (x)						19.4	31.2	22.1	17.7	15.4
P/E (x)						32.0	65.7	40.8	31.1	27.3
RoE (%)						*21.6*	*9.2*	*13.5*	*15.7*	*15.6*

Source: Company, HSIE Research

ADD

CMP *(as on 8 Nov 2023)*	**INR 721**
Target Price	**INR 745**
NIFTY	**19,444**

KEY CHANGES	**OLD**	**NEW**
Rating	ADD	ADD
Price Target	INR 745	INR 745
EPS revision %	FY24E *0.0*	FY25E *0.0*

KEY STOCK DATA	
Bloomberg code	PRINCPIP IN
No. of Shares (mn)	111
MCap (INR bn) / ($ mn)	80/974
6m avg traded value (INR mn)	189
52 Week high / low	INR 760/510

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	5.3	18.2	27.7
Relative (%)	6.6	13.0	21.5

SHAREHOLDING PATTERN (%)	**Jun-23**	**Sep-23**
Promoters	60.94	60.94
FIs & Local MFs	16.38	18.56
FPIs	6.12	5.01
Public & Others	16.56	15.49
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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HG Infra

Laggard execution

HG Infra (HG) reported a muted quarter, missing our estimates on all fronts by 11.1/12.1/26.4%. The OB as of Sep'23 stood at INR 106.8bn (~2.6x FY23 revenue). Its FY24 revenue guidance stands at INR 50-54bn (~20% YoY) with an EBITDA margin of ~16%. On the order inflow front, it slashed its guidance further from INR 70-80bn to INR 50-60bn, given a truncated ordering period owing to elections and weaker-than-expected NHAI ordering. Equity infusion guidance for H2FY24/FY25/26 stands at INR 4/2.7/1.6bn. The standalone gross/net debt, as of Sep'23, reduced marginally to INR 6/4.8bn vs. INR 6.7/5.5bn, as of Jun'23 as execution remained muted. The company expects to receive monetisation proceeds from three out of four HAM projects by Nov-23 and from the fourth asset by FY24-end. Given robust OB, likely pick-up in project execution and healthy balance sheet , we maintain BUY on HG, with an unchanged TP of INR 1,252 (15x Sep-25E EPS).

- **Q2FY24 financial highlights:** Revenue of INR 8.7bn (+15.6/-31.6% YoY/QoQ, a miss of 11.1%). EBITDA: INR 1.4bn (+14.6/-32.4% YoY/QoQ, a miss of 12.1%). EBITDA margin came in at 15.9% (-15/-20bps YoY/QoQ, vs. our estimate of 16.1%). Interest cost: INR 216mn (+56.0/+25.1% YoY/QoQ). Depreciation: INR 354mn (+46.8/+14% YoY/QoQ). Other income: INR 17mn (-50.7/-55.3% YoY/QoQ). RPAT/APAT: INR 617mn (-4.6/-47.9% YoY/QoQ, a miss of 26.4%). Its FY24 revenue guidance stands at INT 50-54bn (~20% YoY) with an EBITDA margin of ~16%. Execution miss was on account of prolonged rainy season.
- **Robust and well-diversified OB:** The OB as of Sep'23 stood at INR 106.8bn (~2.6x FY23 revenue). The OB is well-diversified at the client level, with government/private orders contributing toward 70/30%. 51% of the OB consisted of EPC orders, whereas HAM orders formed the balance of 49%. Geography-wise, 35% of orders were from Uttar Pradesh, followed by Jharkhand, Odisha, Telangana, Haryana, Karnataka and Delhi at 18/11/9/8/7/5%. On the order inflow front, it slashed its guidance further from INR 70-80bn to INR 50-60bn, given a truncated ordering period owing to elections and weaker-than-expected NHAI ordering.
- **Business update:** During the quarter, it received the appointed date (AD) for the Karnal Munak ring road project. It achieved completion certificate for Maharashtra Pckg-4 EPC project and PCOD for Mancherial project. It expects the AD for its Varanasi-Ranchi-Kolkata Pckg-13 & 10 projects by Q4FY24/Q1FY25. On the SPA entered with KKR for monetization of four HAM assets, HG has all the approvals in place for three projects and it expects the cash flow to come in by Nov-23 end. It will apply for necessary approvals for the fourth project and is expecting cash to flow in by FY24-end.
- **Elevated debt levels:** The standalone gross/net debt, as of Sep'23 stood at INR 6/4.8bn vs. INR 6.7/5.5bn, as of Jun'23. The total equity requirement in 12 HAM projects is INR 16.1bn, of which INR 7.7bn is already infused, as of Sep'23. HG guided for infusing INR 4/2.7/1.6bn in H2FY24/FY25/26.

Standalone financial summary – INR mn

Particulars	2QFY24	2QFY23	YoY (%)	1QFY24	QoQ (%)	FY23	FY24E	FY25E	FY26E
Net Sales	8,695	7,521	15.6	12,713	(31.6)	44,185	52,082	59,113	67,980
EBITDA	1,384	1,208	14.6	2,048	(32.4)	7,103	7,947	8,707	10,225
APAT	617	646	(4.6)	1,184	(47.9)	4,214	4,538	4,922	5,878
EPS (INR)	9.5	9.9	(4.6)	18.2	(47.9)	64.7	69.6	75.5	90.2
P/E (x)						13.6	12.6	11.6	9.7
EV/EBITDA (x)						8.5	7.6	6.8	5.7
RoE (%)						26.8	22.6	19.9	19.5

Source: Company, HSIE Research

BUY

CMP(as on 08 Nov 2023)	INR 877
Target Price	INR 1,252
NIFTY	19,444

KEY CHANGES	OLD		NEW
Rating	BUY		BUY
Price Target	INR 1,252		INR 1,252
EPS Change %	FY24E	FY25E	FY26E
	-	-	-

KEY STOCK DATA	
Bloomberg code	HGINFRA
No. of Shares (mn)	65
MCap (INR bn) / ($ mn)	57/699
6m avg traded value (INR mn)	131
52 Week high / low	INR 1,019/532

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(7.9)	(4.1)	50.9
Relative (%)	(6.6)	(9.3)	44.7

SHAREHOLDING PATTERN (%)

	Jun-23	Sep-23
Promoters	74.53	74.53
FIs & Local MFs	13.14	13.05
FPIs	1.59	1.67
Public & Others	10.74	10.75
Pledged Shares	-	-

Source: BSE

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Dilip Buildcon

Floating own InvIT augurs well

Dilip Buildcon (DBL) reported an EBITDA margin of 12.1% (+54/-74bps YoY/QoQ) in Q2FY24, vs. our estimate of 12.6%, on account of higher input and raw material prices. In H1FY24, the company won projects worth INR 26.4bn (i.e. ~27% FY24 OI guidance of INR 100-120bn), taking the Sep'23 OB to INR 239.9bn (~2.4x FY23 revenue). The standalone net debt stood at INR 20.7bn, with net D/E at 0.43x. Out of INR 22.6bn total equity requirement in all 18 HAM, INR 10.7bn has been invested until Sep'23. It expects to infuse another INR 4.5/4.3/2.7/0.4bn in H2FY24/FY25/26/27. It is planning to float own InvIT with Alpha Alternatives as a strategic partner and expects INR 20/40bn in cash/InvIT units by FY25-end. It reduced its FY24 revenue guidance to 6-8% YoY growth, with an EBITDA margin of 12-14%. Given lower interest cost on lower debt, we recalibrate our FY24/25/26 EPS higher and maintain ADD with an increased SOTP-based TP of INR 367/sh (10x Sep-25E EPS, 0.8x P/BV HAM equity investment).

- **Q2FY24 financial highlights:** Revenue: INR 24.3bn (+7.3/-7.0% YoY/QoQ, a 2.5% miss); EBITDA: INR 2.9bn (+12.3/-12.3%, YoY/QoQ, a 6.2% miss); EBITDA margin: 12.1% (+54/-74bps YoY/QoQ), vs. our estimate of 12.6% on account of higher input and raw material prices. RPAT: INR 1.2bn (+86.5/43.5% YoY/QoQ). Exceptional item: INR 364mn gain arising on transfer of 51/30% stake in Chandikhole Bhadrak Highways Pvt Ltd and Rewa Siddhi Highways Pvt Ltd to Shrem InvIT. APAT: INR 924mn (+2.9x/+10.9% YoY/QoQ, a beat of 21.1%). It reduced its FY24 revenue guidance to 6-8% YoY growth, with an EBITDA margin of 12-14%.
- **Well-diversified and robust OB provides revenue visibility for short term:** In Q2FY24, DBL won three projects worth INR 19.4bn, taking H1FY24 order wins to INR 26.4bn (i.e. ~27% FY24 OI guidance of INR 100-120bn). With this, the Sep'23 OB stood at INR 239.9bn (~2.4x FY23 revenue). Roads/mining/irrigation/water supply/ tunnel/metro/other segments comprised 33/18/18/16/7/5/3% of the OB. At the contract level, EPC/HAM comprised 67/33% of the OB.
- **Aiming at strengthening balance sheet:** The standalone net debt as of Sep'23 stood at INR 20.7bn vs. INR 23.8bn as of Jun'23, with net D/E at 0.43x. It reiterated its guidance for reducing the debt by INR 8-10bn by FY24-end and be net cash by FY25-end. DBL will enter into a long-term partnership with Alpha Alternatives (AA) for construction, financing and monetization of road projects through its own InvIT platform. AA to invest INR 20bn over the next six quarters towards 10% stake in company and 26% in 18 HAM assets. Further, the company expects units from the InvIT worth INR 40bn leading to a cash generation of INR 4bn+ YoY.

Standalone Financial Summary (INR mn)

Particulars	2QFY24	2QFY23	YoY (%)	1QFY24	QoQ (%)	FY23	FY24E	FY25E	FY26E
Net Sales	24,270	22,619	7.3	26,084	(7.0)	1,01,195	1,08,000	1,18,800	1,33,056
EBITDA	2,935	2,613	12.3	3,348	(12.3)	9,884	13,264	14,856	17,336
APAT	924	323	186.5	834	10.9	1,267	3,276	3,930	5,328
EPS (INR)	6.3	2.2	186.5	5.7	10.9	8.7	22.4	26.9	36.4
P/E (x)						41.2	15.9	13.3	9.8
EV/EBITDA (x)						7.7	6.2	5.6	4.8
RoE (%)						2.8	6.9	7.8	9.7

Source: Company, HSIE Research

Standalone Estimate Change Summary

Particulars	FY24E			FY25E			FY26E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenues	1,08,000	1,08,000	-	1,18,800	1,18,800	-	1,33,056	1,33,056	-
EBITDA	13,264	13,264	-	14,856	14,856	-	17,336	17,336	-
EBITDA (bps)	12.3	12.3	-	12.5	12.5	-	13.03	13.03	-
APAT	3,276	3,212	2.0	3,930	3,797	3.5	5,328	5,071	5.1

Source: Company, HSIE Research

ADD

CMP (as on 08 Nov 2023)	INR 357
Target Price	INR 367
NIFTY	19,444

KEY CHANGES	OLD		NEW
Rating	ADD		ADD
Price Target	INR 354		INR 367
EPS Change %	FY24E	FY25E	FY26E
	+2.00	+3.50	+5.10

KEY STOCK DATA	
Bloomberg code	DBL IN
No. of Shares (mn)	146
MCap (INR bn) / ($ mn)	52/638
6m avg traded value (INR mn)	596
52 Week high / low	INR 365/160

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	18.5	100.9	58.0
Relative (%)	19.8	95.7	51.8

SHAREHOLDING PATTERN (%)	Jun-23	Sep-23
Promoters	70.15	70.15
FIs & Local MFs	9.04	9.06
FPIs	2.56	2.69
Public & Others	18.25	18.10
Pledged Shares	17.53	17.53

Source: BSE

Pledged shares as % of total shares

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Teamlease Services

Gradual improvement in operational metrics

Teamlease reported revenue growth of 4.7% QoQ (slightly better vs estimate) but the highlight of the quarter was the improvement in margins. The EBITDA margin expansion was led by improvement in PAPM, decline in core employee cost, stability in DA, and profitability in HR services (ed-tech). The general staffing volume growth was strong, led by festive demand and traction in retail, BFSI, industrial and consumer verticals. The degree apprenticeship (DA) headcount (ex of NEEM program) registered growth and the complete exit of the remaining ~10K NEEM headcount will be complete in Q4. Specialised staffing growth was impacted by the slowdown in IT sector hiring and the recovery in IT staffing will be protracted. The growth will be led by (1) continued volume growth in general staffing, (2) new logo additions, (3) recovery in DA volume growth, and (4) stable specialised staffing, led by strong GCCs. The EBITDA margin is expected to improve gradually, led by improving PAPM, reasonable wage inflation for general staffing, stable core cost structure, and change in business mix. We keep our EPS estimates unchanged for FY25/26E and maintain our ADD rating with a TP of INR 2,900, based on 25x Dec-25E EPS. The stock is trading at a P/E of 26/20x FY25/26E.

- **Q2FY24 highlights**: Revenue stood at INR 22.73bn, up 16.2/4.7% YoY/QoQ, (vs estimate of INR 22.42bn), led by +4.4/3.3/26.5% QoQ growth in general/specialised staffing/other HR services. The PAPM improved marginally in the quarter and the associate/core ratio grew to 362 +1.7% QoQ. EBITDA margin for core staffing/specialised staffing/HR services stood at 1.3/6.9/10.7%. DA headcount was net positive for Aug-23 and Sep-23, driven by NAPS and WILP. The focus is on new client acquisitions as ~122 new logos have been added in the quarter. Net cash stood at INR 3.23bn (~8% of market cap), the company received an income tax refund of INR 0.48bn in the quarter, and the outstanding income tax receivable is INR 2.08bn.
- **Outlook:** We expect revenue growth of 18.5/19.3/17.7% and an EBITDA margin of 1.4/1.6/1.7% in FY24/25/26E respectively, leading to revenue and EPS CAGRs of 18% and 23% over FY23-26E.

Quarterly financial summary

YE March (INR bn)	Q2 FY24	Q2 FY23	YoY (%)	Q1 FY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Revenue	22.73	19.55	*16.2*	21.72	*4.7*	64.80	78.70	93.24	111.24	130.89
EBITDA	0.32	0.32	*0.3*	0.26	*20.6*	1.42	1.22	1.29	1.83	2.29
APAT	0.28	0.32	*(13.4)*	0.26	*4.7*	1.10	1.14	1.19	1.61	2.07
Diluted EPS (INR)	16.5	19.0	*(13.4)*	15.7	*4.7*	64.5	66.5	70.8	96.2	123.6
P/E (x)						38.8	37.6	35.3	26.0	20.2
EV / EBITDA (x)						27.9	31.7	29.1	19.6	14.8
RoE (%)						16.4	15.1	14.5	17.8	19.0

Source: Company, HSIE Research

Change in estimate

INR bn	FY24E Old	FY24E Revised	Change %	FY25E Old	FY25E Revised	Change %	FY26E Old	FY26E Revised	Change %
Revenue	92.28	93.24	*1.0*	109.85	111.24	*1.3*	129.29	130.89	*1.2*
EBITDA	1.24	1.29	*4.5*	1.81	1.83	*0.9*	2.25	2.29	*1.6*
EBITDA margin (%)	1.3	1.4	5bps	1.6	1.6	-1bps	1.7	1.7	1bps
APAT	1.16	1.19	*2.8*	1.61	1.61	*0.1*	2.06	2.07	*0.9*
EPS (INR)	68.9	70.8	*2.8*	96.2	96.2	*0.1*	122.5	123.6	*0.9*

Source: Company, HSIE Research

ADD

CMP *(as on 08 Nov 2023)*	**INR 2,500**
Target Price	**INR 2,900**
NIFTY	**19,444**

KEY CHANGES	**OLD**	**NEW**
Rating	ADD	ADD
Price Target	INR 2,900	INR 2,900
	FY25E	FY26E
EPS %	+0.1	+0.9

KEY STOCK DATA	
Bloomberg code	TEAM IN
No. of Shares (mn)	17
MCap (INR bn) / ($ mn)	42/513
6m avg traded value (INR mn)	101
52 Week high / low	INR 2,961/2,007

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	6.0	21.8	(12.2)
Relative (%)	7.3	16.6	(18.4)

SHAREHOLDING PATTERN (%)	**Jun-23**	**Sep-23**
Promoters	31.61	31.61
FIs & Local MFs	27.81	30.41
FPIs	32.87	30.47
Public & Others	7.66	7.51
Pledged Shares	0.50	0.50

Source : BSE

Pledged shares as % of total shares

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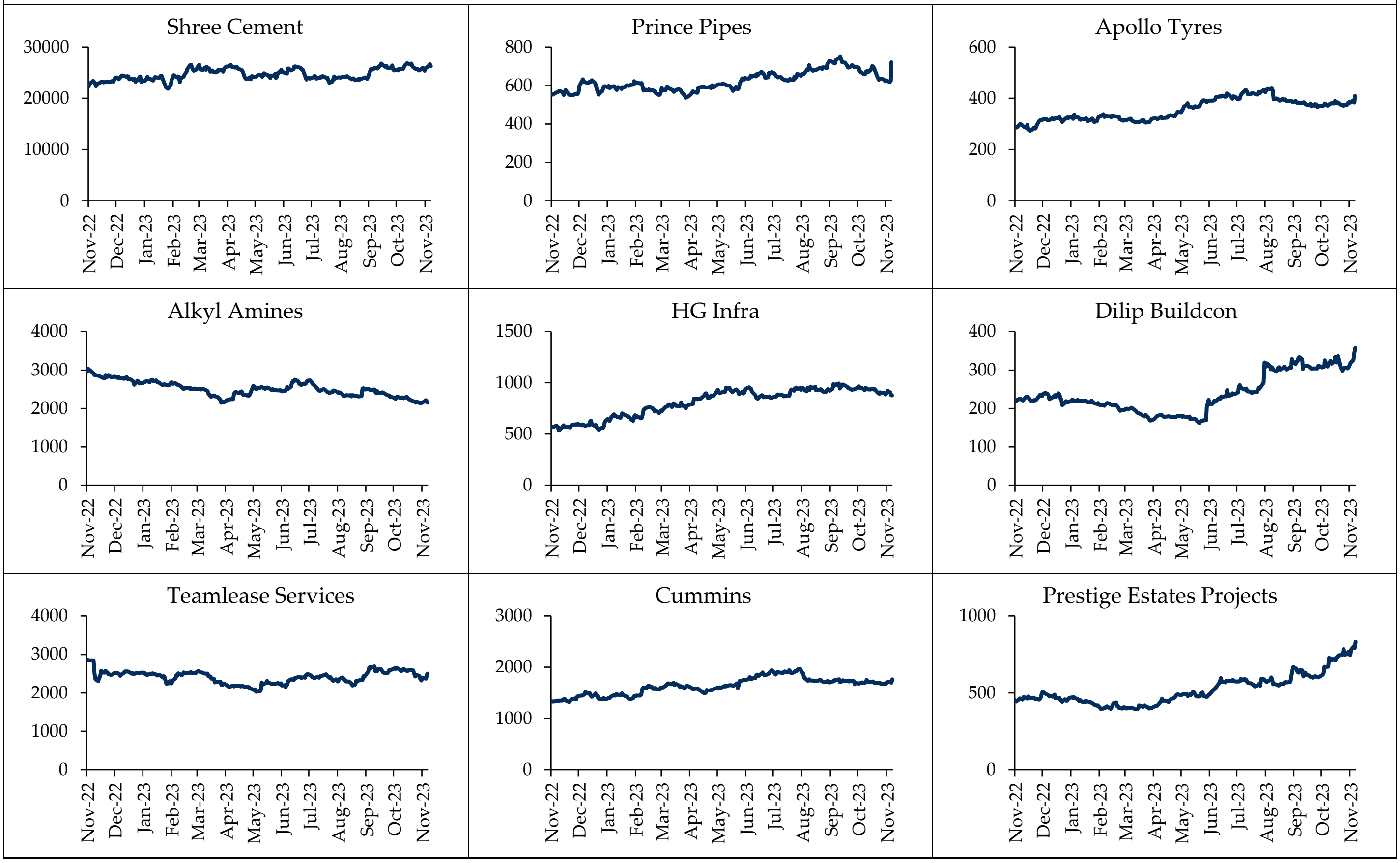
Rating Criteria
BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Rajesh Ravi	Shree Cement, Prince Pipes and Fittings	MBA	NO
Keshav Lahoti	Shree Cement, Prince Pipes and Fittings	CA	NO
Aniket Mhatre	Apollo Tyres	MBA	NO
Nilesh Ghuge	Alkyl Amines	MMS	NO
Harshad Katkar	Alkyl Amines	MBA	NO
Akshay Mane	Alkyl Amines	PGDM	NO
Parikshit Kandpal	HG Infra, Dilip Buildcon, Cummins, Prestige Estates	CFA	NO
Manoj Rawat	HG Infra, Dilip Buildcon, Cummins, Prestige Estates	MBA	NO
Nikhil Kanodia	HG Infra, Dilip Buildcon, Cummins, Prestige Estates	MBA	NO
Amit Chandra	Teamlease Services	MBA	NO

1 Yr Price movement



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