INSTITUTIONAL RESEARCH

HSIE Results Daily

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Results Reviews

- **Siemens:** Siemens India Ltd (SIL) delivered robust Q1FY23 revenue/EBITDA/APAT of INR 36.5/5.5/4.4bn, beating our estimate by 0/32/43%. The EBITDA margin expanded both annually and sequentially by 482bps and 422bps resp. This expansion was on account of lower commodity inflation/better mix (+135bps YoY gross margin), improving supply chain and operating leverage advantage. Profitability increase was driven mainly by higher volumes, better price extraction and positive forex & commodity effects. All segments recorded annual growth, driven by continued expansion in capex across most market verticals. SIL received new orders worth INR 54.5bn (+2.8/+35.8% YoY/QoQ). With this, the implied order book stands at INR 190bn (+11% QoQ). We increase our estimates to factor in margin improvement. We maintain ADD rating on SIL, with an increased TP of INR 3,313 (rolled over to 46x Dec-24 EPS). Global headwinds, including geopolitical tensions, inflation resurgence and rising interest rate constraints continue to remain the key risks to our thesis.

- **Eicher Motors:** Eicher Motors Q3 earnings beat estimates, largely due to higher-than-expected other income and improved performance at VECV, even as its operating performance was lower than our estimates. RE targets to launch multiple new products over the next 18-24 months, which would provide an upgrade option to its existing customers. The recently-launched Hunter has been very well-accepted and it seems to be attracting newer customers to RE, including women bikers. With the launch of the Hunter, RE is now rebalancing between growth and profitability and aims to make its product more accessible to customers. Apart from this, it has recently unveiled the Super Meteor 650, which offers many firsts for RE in this category. While exports are likely to remain weak in the near term due to geopolitical concerns, in the long run, we expect them to evolve into a strong growth story. Given the better-than-expected volume pick-up in Q3, we have raised our forecast for FY23 by 5.5%. However, we pare down our estimates by 1/6% over FY24-25E as we realign our margin estimates to its revised strategy. Reiterate ADD with a revised PT of INR of INR3,351 (from INR 3,859 earlier).

- **Bharat Forge:** Bharat Forge (BHFC) Q3 consolidated earnings missed estimates, largely led by a higher interest burden even as operational numbers (including standalone performance) were in line. Overall, management believes FY24 is expected to be a turnaround year for BHFC, given: 1) the sharp uptick expected in the defense segment from here on, led by its new order wins in exports (worth INR 20bn) and the much-awaited order win for ATAGs in coming quarters; 2) huge outsourcing opportunities to BHFC in the renewables segment on the back of its recent acquisitions of Sanghvi Forgings (targeting 2x revenues in current fiscal) and JS Auto (new order wins worth INR2.5 bn); 3) turnaround expected in its overseas subsidiaries on the back of ramp-up of new Al forgings lines in US and Europe, for whom, capacities are fully booked with confirmed orders; 4) tremendous growth opportunities envisaged in the aerospace segment. This is apart from the strong demand momentum it is witnessing in auto segments, from both domestic and export markets. However, given the weaker-than-expected Q3, we lower our FY23 estimates by 16%, while maintaining our FY24-25 earnings, given the healthy

HSIE Research Team
hdfcsec-research@hdfcsec.com

outlook across key segments highlighted above. Reiterate BUY with an unchanged TP of INR 928.

- **Torrent Power:** Torrent Power (TPW) Q3FY23 PAT grew 86% YoY to INR6.8bn, led by (a) a reduction in franchisee T&D losses, (b) increased contribution from existing distribution circles and newly-acquired Dadra and Nagar Haveli & Daman and Diu (DNH&DD) circle and (c) gain from a sturdy sale of LNG. However, the PLF across its gas-based stations remain subdued due to unprecedentedly high RLNG prices. TPW's 115MW SECI V wind project is now expected to commission in Q1FY24 due to a delay in the construction of the EHV line, while the CoD of its 300MW TPLD solar project is expected in Q3FY24. The PPA for its 300 MW SECI XII wind project at a tariff of INR2.94/unit is yet to be signed. The management has retained its INR15bn annual capex program across the regulated business (which would drive the RoE, going ahead) and INR2.5bn across its franchisee business to lower T&D losses. We have largely maintained EPS estimates for FY23E/24E but slightly tweaked our TP to INR545 vs INR552 earlier, factoring in the change in the regulated asset. We maintain our ADD rating.

- **IRB Infra:** IRB reported revenue/EBITDA/APAT of INR 15.1/7.4/1.4bn, (behind)/ahead of our estimates by (0.5)/7.1/32%. EBITDA margin came in at 49.2%, beating our estimate of 45.7%. Consequently, APAT came in at INR 1.4bn (+94.5%/+3.2x YoY/QoQ a 32% beat). IRB refinanced the project loan for another private InvIT SPV through the issuance of NCDs with fixed coupon rate of 8.9% p.a. As of Dec'22, the order book (OB) stood at INR 191.2bn (~3.2x of FY23E revenue). The consolidated gross debt reduced to INR 126.7bn vs. INR 127.1bn, as of Sep'22. IRB expects to infuse equity of INR 2/7/2bn in Q4FY23/FY24/FY25. It guided for order inflow (OI) of INR 60-80bn for Q4FY23 and a construction revenue of INR 45bn for FY23. We maintain ADD rating on the stock with an increased SOTP target price of INR 306/sh as we roll forward to Dec-24 estimates. EPS change is reflective of a better margin on improved toll.

- **Fine Organic Industries:** Our ADD recommendation on Fine Organics with a TP of INR 5,157 is premised on (1) leadership in oleo-chemical-based additives in the domestic and global markets with a loyal customer base; (2) unique business model with high entry barriers; (3) diversified product portfolio; and (4) pricing power. Q3 EBITDA/APAT were 19/28% below our estimates, owing to higher-than-expected raw material costs, higher-than-expected operating expenses, and higher-than-expected tax outgo.

- **CESC:** CESC's consolidated PAT in Q3FY23 remained largely flat at INR3.4bn due to lower profit across the Haldia project (under-recovery of O&M and fuel cost) and higher losses across the distribution franchisee (DF) segment. Dhariwal too reported a flat 2% YoY growth in PAT to INR510mn, while standalone PAT came in at INR1.9bn (+1.1% YoY). However, the Noida business reported a strong 103.7% YoY rise in PAT to INR550mn, led by a strong 15% rise in power demand and improved incentives. In the Chandigarh discom, CESC is yet to receive an order from the apex court and, hence, we have not included it in our valuation. We have maintained our earnings estimates for FY23/24 and retain our BUY rating on CESC at a SoTP-based TP of INR108. Our positive stance on CESC is also based on the grounds that the company continues to trade at an attractive valuation of 6.6xFY25P/E and 0.7xFY25 P/BV.

- **Borosil Renewables:** Borosil Renewables' (BRL) Q3FY23 PAT declined significantly ~51% YoY to INR225mn, as the cost of raw materials, fuel & power, and employee expenses continued to remain elevated. Sales volume, on a quantitative basis, grew 3% YoY. Realisation decreased 5% YoY to

INR134.3/sqmm, as BRL was unable to fully pass on the escalated input cost due to intense competition from Chinese players; this impacted its EBITDA and margin by 52% YoY and 2061bps respectively. Q3FY23 revenue de-grew by 4% YoY to INR1.6bn. Furthermore, the discontinuation of anti-dumping charges imposed on Chinese solar glass in August 2017 posed a challenge for BRL for sustaining its profitability levels amidst the rise in competition and input costs. Trial production has begun in SG-3 and commercial production is expected soon which would double BRL's sales in coming quarters. Further, to contain the price decline and maintain the current margin level, BRL has increased its export share to 36% of the total sales in Q3FY23 and plans to retain this, going ahead, given exports command higher margins. Therefore, we maintain our ADD rating with a revised TP of INR529/share vs INR609/share earlier, factoring in (1) limited domestic solar glass availability; (2) commissioning of SG-3 in Q3FY23; and (3) ramp-up of domestic manufacturing of solar modules.

- **Ahluwalia Contracts:** Ahluwalia Contracts (AHLU) reported revenue/EBITDA/APAT of 7.4/0.7/0.5bn, missing our estimates on all fronts by 13/21.4/25.1%. With FY23 revenue guidance at INR 30bn, AHLU maintained 10-15% YoY growth for FY23, with reduced EBITDA margin (incl. other income) in the range of 10-11%. Margin is expected to improve from FY24 with softening of commodity prices, a narrower gap of indices with input prices, slightly lesser competitive intensity and new projects bid at elevated input price assumption. FYTD23 order inflow (OI) came in at INR 40.2bn with Q4FY23 guidance of another INR 5bn. Excluding the L1 of INR 6.7bn, the FYTD23 order book (OB) stands at INR 81.1bn (~2.7x FY23E Revenue). On the diversification front, client-wise, government orders form 82.5% of OB and, segment-wise, institutional and hospital are the major drivers, contributing 39.8/29.4%, with infra/residential/commercial/hotel contributing 11.8/11.7/6.7/ 0.8%. Geography-wise, AHLU is present in 16 states with East/North/ West/South/international regions contributing 42/35.8/11.5/5.3/ 5.4%. We maintain BUY on the stock, with a reduced TP of INR 568/sh (13x Dec-24E EPS).

- **Deccan Cements:** We maintain our ADD rating on Deccan Cements (DCL), with a lower target price of INR 490/sh (6x its Mar-25E EBITDA). DCL's revenue rose 11% YoY in Q3FY23 (volume led). Lower realisation (-2% YoY) and cost inflation (+11% YoY) pulled down its EBITDA/APAT by 42/55% YoY. Unit EBITDA recovered ~INR 120/MT QoQ due to better realisation (INR 70 per MT) and lower cost (INR 50/MT) to INR 523/MT. DCL is working on a 2mn MT integrated capacity increase by FY25E-end.

Siemens

Strong performance

Siemens India Ltd (SIL) delivered robust Q1FY23 revenue/EBITDA/APAT of INR 36.5/5.5/4.4bn, beating our estimate by 0/32/43%. The EBITDA margin expanded both annually and sequentially by 482bps and 422bps resp. This expansion was on account of lower commodity inflation/better mix (+135bps YoY gross margin), improving supply chain and operating leverage advantage. Profitability increase was driven mainly by higher volumes, better price extraction and positive forex & commodity effects. All segments recorded annual growth, driven by continued expansion in capex across most market verticals. SIL received new orders worth INR 54.5bn (+2.8/+35.8% YoY/QoQ). With this, the implied order book stands at INR 190bn (+11% QoQ). We increase our estimates to factor in margin improvement. We maintain ADD rating on SIL, with an increased TP of INR 3,313 (rolled over to 46x Dec-24 EPS). Global headwinds, including geopolitical tensions, inflation resurgence and rising interest rate constraints continue to remain the key risks to our thesis.

- **Q1FY23 financial highlights:** Revenue came in at INR 36.5bn (+12.5%/-15.8% YoY/QoQ, in line with estimate), driven largely by digital industries (DI), smart infra (SI) and energy. All segments recorded annual growth with energy/SI/mobility (MO)/DI/others recording revenue at INR 11.6/11.9/3.5/10.2/0.2bn, which is a growth of 6.5%/19.3%/23%/29/44% respectively. EBITDA was INR 5.5bn (+65.5%/+17% YoY/QoQ, a 32% beat). EBITDA margin was 15.1%(+482/+422bps YoY/QoQ) vs. our estimate of 11.4%. Consequently, RPAT/APAT came in at 4.4bn (+78.4%/+11.6% YoY/QoQ, a beat of 43%).
- **Segment-wise performance:** Gas & power a.k.a. energy (31% revenue contribution): revenue at INR 11.6bn (+6.5/-29% YoY/QoQ) and EBIT margin at 11.5% (+16/+197bps YoY/QoQ). Smart infrastructure (32% revenue contribution): revenue at INR 11.8bn (+19/-14% YoY/QoQ) and margin at 10.2% (+404/+95bps YoY/QoQ). Mobility (9% revenue contribution): revenue at INR 3.5bn (+23/-13% YoY/QoQ) and margin at -0.14% (-834/-493bps YoY/QoQ). Digital industries (27% revenue contribution): revenue at INR 10.2bn (+29%/+8% YoY/QoQ) and margin at 23.8% (+1,539/+1,201bps YoY/QoQ). Others (1% revenue contribution): revenue at INR 233mn (+44%/-42% YoY/QoQ) and margin at 4.3% (-65/-466bps YoY/QoQ). Margin expansion both annually and sequentially was driven by DI, followed by SI and energy segments.

Standalone Financial summary (INR mn)

(Particulars, Sep YE)	1QFY23	1QFY21	*YoY (%)*	4QFY22	*QoQ (%)*	FY22	FY23E	FY24E	FY25E
Net Revenues	36,453	32,399	12.5	43,314	(15.8)	148,315	182,155	219,613	245,798
EBITDA	5,492	3,319	65.5	4,696	17.0	16,070	25,002	30,944	34,873
APAT	4,376	2,453	78.4	3,922	11.6	12,497	19,033	23,191	25,864
Diluted EPS (INR)	12.3	6.9	78.4	11.0	11.6	35.1	53.4	65.1	72.6
P/E (x)						89.0	58.5	48.0	43.0
EV / EBITDA (x)						65.3	41.8	33.4	29.2
RoE (%)						11.5	15.7	16.9	16.4

Standalone Change in Estimates

INR Mn	FY23E			FY24E			FY25E		
	Old	Revised	% Chg	Old	Revised	% Chg	Old	Revised	% Chg
Net Sales	182,155	182,155	-	219,613	219,613	-	245,798	-	-
EBITDA	25,002	24,109	3.7	30,944	29,869	3.6	34,873	-	-
EBIDTA Margin (%)	13.7	13.2	49.0	14.1	13.6	48.9	14.2	-	-
Adj PAT	19,033	18,373	3.6	23,191	22,396	3.6	25,864	-	-
AEPS (Rs)	53.4	51.6	3.6	65.1	62.9	3.6	72.6	-	-

Source: Company, HSIE Research

ADD

CMP (*as on 14 Feb 2023*)	**INR 3,125**
Target Price	**INR 3,313**
NIFTY	**17,930**

KEY CHANGES	**OLD**		**NEW**
Rating	ADD		ADD
Price Target	INR 3,111		INR 3,313
EPS change %	FY23E	FY24E	FY24E
	+3.6	+3.6	-

KEY STOCK DATA	
Bloomberg code	SIEM IN
No. of Shares (mn)	356
MCap (INR bn) / ($ mn)	1,113/13,440
6m avg traded value (INR mn)	1,108
52 Week high / low	INR 3,180/2,150

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	7.6	9.8	34.1
Relative (%)	8.6	7.2	25.9

SHAREHOLDING PATTERN (%)	**Sep-22**	**Dec-22**
Promoters	75.00	75.00
FIs & Local MFs	9.53	8.79
FPIs	6.03	6.74
Public & Others	9.44	9.47
Pledged Shares	-	-

Source : BSE

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

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

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

Eicher Motors

Benefit from lower input costs offset by an adverse mix

Eicher Motors Q3 earnings beat estimates, largely due to higher-than-expected other income and improved performance at VECV, even as its operating performance was lower than our estimates. RE targets to launch multiple new products over the next 18-24 months, which would provide an upgrade option to its existing customers. The recently-launched Hunter has been very well-accepted and it seems to be attracting newer customers to RE, including women bikers. With the launch of the Hunter, RE is now rebalancing between growth and profitability and aims to make its product more accessible to customers. Apart from this, it has recently unveiled the Super Meteor 650, which offers many firsts for RE in this category. While exports are likely to remain weak in the near term due to geopolitical concerns, in the long run, we expect them to evolve into a strong growth story. Given the better-than-expected volume pick-up in Q3, we have raised our forecast for FY23 by 5.5%. However, we pare down our estimates by 1/6% over FY24-25E as we realign our margin estimates to its revised strategy. Reiterate ADD with a revised PT of INR of INR3,351 (from INR 3,859 earlier).

- **RE Q3 earnings beat estimates:** Royal Enfield Q3 PAT at INR 6.8bn was ahead of our estimate of INR 6.4bn primarily due to higher than expected other income, even as the EBITDA margin was lower than estimates. EBITDA margin improved just 20bps QoQ to 23.9% (Vs estimate of 24.3%) as benefits of lower input costs were largely offset by adverse mix (Hunter mix increased to 22% from 17% QoQ). Other income came in at INR 1.9bn vs our estimate of INR 1.1bn and was the key reason for the PAT beat.
- **VECV performance beats estimates:** For Q3, VECV revenues grew 27% YoY to INR 46bn, ahead of our estimate of INR 43bn. EBITDA margin improved by 90bps QoQ to 6.8%. PAT grew 77% YoY to INR 1.1bn and was ahead of our estimate of INR 948mn. VECV has improved market share in the HD segment to 8.1% in Q3, from 7.5% QoQ.
- **Call takeaways:** (1) Royal Enfield has taken a 1.5% price hike on Hunter and Bullet models in Q3. However, they had a price protection clause in place in the best interest of customers on models which were in waiting during the announcement of the price hike. Thus, the full impact of this price hike is likely to be visible from Q4 onwards. (2) In order to cater to rising export demand, RE has set up a CKD facility in Brazil which is their 4th such facility globally. They have also signed agreements with Bangladesh and Nepal to set up CKD facilities in these regions going forward. (3) RE's market share in the >125cc domestic motorcycle segment increased to 33% in Q3. (4) In Q3, the benefit of the reduction of input costs was 50bps QoQ, which was largely offset by adverse mix impact. (5) Supply chain challenges are now largely behind, as per management. (6) In CVs, VECV will transition to RDE-compliant models in Q4 and expects a price hike on account of the same to be in the range of 3-5%.

Quarterly/annual financial summary

YE Mar (INR mn)	Q3 FY23	Q3 FY22	YoY (%)	Q2 FY23	QoQ (%)	FY22	FY23E	FY24E	FY25E
Net Sales	36,652	28,276	29.6	34,534	6.1	1,01,271	1,39,229	1,62,641	1,87,421
EBITDA	8,572	5,824	47.2	8,216	4.3	21,723	33,154	40,622	46,738
APAT	7,408	4,561	62.4	6,569	12.8	16,766	26,612	33,047	38,646
Diluted EPS (INR)	27.1	16.7	62.4	24.0	12.8	61.3	97.3	120.9	141.4
P/E (x)						51.8	32.6	26.3	22.5
EV / EBITDA (x)						35.2	22.6	18.0	15.1
RoCE (%)						16.8	22.6	24.1	24.0

Source: Company, HSIE Research

ADD

CMP *(as on 14 Feb 2023)*	INR 3,175
Target Price	INR 3,351
NIFTY	17,930

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 3,859	INR 3,351
EPS %	FY23E	FY24E
	5.5%	-1.3%

KEY STOCK DATA	
Bloomberg code	EIM IN
No. of Shares (mn)	273
MCap (INR bn) / ($ mn)	868/10,489
6m avg traded value (INR mn)	2,506
52 Week high / low	INR 3,890/2,110

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(9.7)	(1.1)	23.5
Relative (%)	(8.7)	(3.7)	15.3

SHAREHOLDING PATTERN (%)	Jun-22	Sep-22
Promoters	49.21	49.21
FIs & Local MFs	13.44	13.33
FPIs	29.5	30.25
Public & Others	7.85	7.21

Source : BSE

Pledged shares as % of total shares

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

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

Bharat Forge

Multiple growth drivers ahead

Bharat Forge (BHFC) Q3 consolidated earnings missed estimates, largely led by a higher interest burden even as operational numbers (including standalone performance) were in line. Overall, management believes FY24 is expected to be a turnaround year for BHFC, given: 1) the sharp uptick expected in the defense segment from here on, led by its new order wins in exports (worth INR 20bn) and the much-awaited order win for ATAGs in coming quarters; 2) huge outsourcing opportunities to BHFC in the renewables segment on the back of its recent acquisitions of Sanghvi Forgings (targeting 2x revenues in current fiscal) and JS Auto (new order wins worth INR2.5 bn); 3) turnaround expected in its overseas subsidiaries on the back of ramp-up of new Al forgings lines in US and Europe, for whom, capacities are fully booked with confirmed orders; 4) tremendous growth opportunities envisaged in the aerospace segment. This is apart from the strong demand momentum it is witnessing in auto segments, from both domestic and export markets. However, given the weaker-than-expected Q3, we lower our FY23 estimates by 16%, while maintaining our FY24-25 earnings, given the healthy outlook across key segments highlighted above. Reiterate BUY with an unchanged TP of INR 928.

- **Q3 performance miss estimates:** BHFC standalone adjusted earnings, at INR2.8bn, were in line with our estimates. The standalone EBITDA margin also came in line with our estimate at 25%. Even consolidated EBITDA at INR 4.7bn was in line with our estimates. However, earnings miss was largely led by a higher interest burden in the quarter. The loss of associates of INR302mn is on account of the write-off of its investments in its JV with Refu.
- **Call takeaways:** (1) Overseas subsidiary posted an EBITDA loss of Rs626mn in Q3 primarily on account of the sub-optimal ramp-up of the new forgings facilities (average capacity utilisation at 25%) in the US and Europe. However, these new plants are fully booked with secure orders and once capacity ramp-ups, management targets to clock high-teens margins from these facilities. (2) At JS Auto Cast, they have witnessed strong 20% revenue growth and 52% growth in EBITDA. New order wins since the acquisition stand at INR2.5bn. Management expects to grow this entity by 30-35% in FY24. Even at Sanghvi Forgings, they are targeting to double revenues in the current fiscal and see huge growth opportunities ahead. (3) Domestic MHCV production is likely to remain upbeat at 100k units for Q4, up from 91.5k units in Q3. (4) In US Class 8, management has indicated that most of the production slots for 2023 are full and they expect demand momentum to remain strong next year as well. (5) At the ongoing Aeroshow in Bangalore, the company is seeing tremendous interest from large US companies to tie up with strong supply partners like BHFC for setting up facilities in India. BHFC is likely to be a big beneficiary in this space, given that it is the only domestic player with the requisite certification that has the capabilities to forge aerospace components.

Quarterly/annual financial summary

YE Mar (INR mn)	Q3 FY23	Q3 FY22	YoY (%)	Q2 FY22	QoQ (%)	FY22	FY23E	FY24E	FY25E
Net Sales	33,534	23,947	40.0	30,764	9.0	1,04,611	1,28,684	1,48,436	1,69,321
EBITDA	4,693	5,018	-6.5	4,320	8.6	19,803	19,008	27,576	33,671
APAT	1,477	3,092	-52.2	1,474	0.3	9,875	7,957	15,031	19,535
Diluted EPS (INR)	3.2	6.6	-52.2	3.2	0.3	21.2	17.1	32.3	42.0
P/E (x)						40.2	49.9	26.4	20.3
EV / EBITDA (x)						41.3	43.3	29.7	24.1
RoCE (%)						11.1	9.2	14.9	17.7

Source: Company, HSIE Research

BUY

CMP *(as on 14 Feb 2023)*	INR 874
Target Price	INR 928
NIFTY	17,930

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

KEY STOCK DATA	
Bloomberg code	BHFC IN
No. of Shares (mn)	466
MCap (INR bn) / ($ mn)	407/4,912
6m avg traded value (INR mn)	1,171
52 Week high / low	INR 920/595

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	1.7	10.5	24.8
Relative (%)	2.6	7.9	16.6

SHAREHOLDING PATTERN (%)	Sep-22	Dec-22
Promoters	45.25	45.25
FIs & Local MFs	24.73	26.09
FPIs	19.30	17.88
Public & Others	10.72	10.78
Pledged Shares	3.22	3.22

Source : BSE

Pledged shares as % of total shares

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

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

Torrent Power

Sturdy gain from LNG trading boosts profitability

Torrent Power (TPW) Q3FY23 PAT grew 86% YoY to INR6.8bn, led by (a) a reduction in franchisee T&D losses, (b) increased contribution from existing distribution circles and newly-acquired Dadra and Nagar Haveli & Daman and Diu (DNH&DD) circle and (c) gain from a sturdy sale of LNG. However, the PLF across its gas-based stations remain subdued due to unprecedentedly high RLNG prices. TPW's 115MW SECI V wind project is now expected to commission in Q1FY24 due to a delay in the construction of the EHV line, while the CoD of its 300MW TPLD solar project is expected in Q3FY24. The PPA for its 300 MW SECI XII wind project at a tariff of INR2.94/unit is yet to be signed. The management has retained its INR15bn annual capex program across the regulated business (which would drive the RoE, going ahead) and INR2.5bn across its franchisee business to lower T&D losses. We have largely maintained EPS estimates for FY23E/24E but slightly tweaked our TP to INR545 vs INR552 earlier, factoring in the change in the regulated asset. We maintain our ADD rating.

- **Q3FY23 highlights:** Generation declined across all gas-based stations due to unviable RLNG prices. However, it improved significantly across the solar-based stations to 111mn units (+118% YoY) while remaining largely flat across the wind stations in Q2FY23 (-1.1% YoY to 270mn units). However, sales/EBITDA/PAT grew strongly by 71%/55%/86% YoY to INR64.4bn/INR14.4bn/INR6.8bn, led by a sturdy gain from trading of LNG (INR3.97bn at PBT level), strong revival in demand across licensee and franchisee division, fall in T&D losses and contribution from the DNH&DD circle. T&D losses in Q3FY23 improved in Ahmedabad/Bhiwandi/Agra/SMK to 5.6%/11.0%/11.4%/35.3% from 6.1%/13.1%/13.1%/42.3% YoY, led by improved demand, consumer mix, and collections.
- **Projects and Capex**: Management now expects to commission the 115MW SECI V project in Q1FY24 vs Q4FY23 earlier due to the delay in commissioning of the EHV line. Also, the PPA for its 300MW SECI XII wind power project (tariff of INR2.94) is yet to be signed. The CoD of TPLD 300 MW solar project SCOD is scheduled in Aug/OCT 2023. The capex guidance across the distribution segment for FY23 has been retained at INR15bn. The management has also retained its guidance to scale up its RES capacity to 5GW by FY25-26E, from ~2GW now. The company is open to both organic and inorganic routes to achieve this target. TPW has a healthy net D/E of 0.6x, net debt/EBITDA of 1.8x, and a sustainable FCFE of ~INR10bn, which is enough to fund new capacities.
- **Maintain ADD:** We have largely maintained our earnings estimates for FY23E/24E/25E. Further, the company has applied for a grant of parallel distribution license in the areas of Thane, Palghar, Pune and Nagpur. We maintain our ADD rating with a revised TP of INR545 vs INR552 earlier.

Financial Summary

(INR mn, Mar YE)	3Q FY23	3Q FY22	YoY (%)	2Q FY22	QoQ (%)	FY22	FY23E	FY24E
Net Revenues	64,428	37,674	71.0	67,032	-3.9	1,42,576	1,78,578	1,86,810
EBITDA	14,437	9,340	54.6	11,642	24.0	35,910	38,438	39,663
APAT	6,846	3,681	86.0	4,816	42.1	14,290	15,427	17,009
Diluted EPS (INR)	14.2	7.7	86.0	10.02	42.1	29.7	32.1	35.4
P/E (x)						16.3	15.1	13.7
P/BV (x)						2.3	2.1	1.9
RoE (%)						14.4	14.8	14.7

Source: Company, HSIE Research

ADD

CMP *(as on 14 Feb 2023)*	INR 457
Target Price	INR 545
NIFTY	17,930

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 552	INR 545
EPS Change %	FY23E	FY24E
	-	-

KEY STOCK DATA	
Bloomberg code	TPW IN
No. of Shares (mn)	481
MCap (INR bn) / ($ mn)	220/2,653
6m avg traded value (INR mn)	235
52 Week high / low	INR 610/415

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(11.5)	(21.1)	(4.8)
Relative (%)	(10.5)	(23.7)	(13.0)

SHAREHOLDING PATTERN (%)	Sep-22	Dec-22
Promoters	53.57	53.57
FIs & Local MFs	21.2	21.3
FPIs	6.77	6.73
Public & Others	18.49	18.5
Pledged Shares	-	-

Source : BSE

Anuj Upadhyay
anuj.upadhyay@hdfcsec.com
+91-22-6171-7355

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

IRB Infra

Robust performance

IRB reported revenue/EBITDA/APAT of INR 15.1/7.4/1.4bn, (behind)/ahead of our estimates by (0.5)/7.1/32%. EBITDA margin came in at 49.2%, beating our estimate of 45.7%. Consequently, APAT came in at INR 1.4bn (+94.5%/+3.2x YoY/QoQ a 32% beat). IRB refinanced the project loan for another private InvIT SPV through the issuance of NCDs with fixed coupon rate of 8.9% p.a. As of Dec'22, the order book (OB) stood at INR 191.2bn (~3.2x of FY23E revenue). The consolidated gross debt reduced to INR 126.7bn vs. INR 127.1bn, as of Sep'22. IRB expects to infuse equity of INR 2/7/2bn in Q4FY23/FY24/FY25. It guided for order inflow (OI) of INR 60-80bn for Q4FY23 and a construction revenue of INR 45bn for FY23. We maintain ADD rating on the stock with an increased SOTP target price of INR 306/sh as we roll forward to Dec-24 estimates. EPS change is reflective of a better margin on improved toll.

- **Q3FY23 financial highlights:** Revenue: INR 15.1bn (+18.4/+12.7% YoY/QoQ, a 0.5% miss). EBITDA: INR 7.4bn (+0.8/+12% YoY/QoQ, a beat of 7.1%). EBITDA margin: 49.2% (-855/-35bps YoY/QoQ, vs. our estimate of 45.7%). Depreciation: INR 2.2bn (+11.8/+12.1% YoY/QoQ). Interest cost: INR 3.7bn (-32.9/-5.7% YoY/QoQ). Share of associates: INR -125mn (INR -962/-244mn in Q3FY22/Q2FY23). APAT: INR 1.4bn (+94.5%/+3.2x YoY/QoQ a 32% beat).
- **Q3FY23 business highlights:** In Q3FY23, IRB refinanced the project loan for one of its private InvIT SPVs, namely, the Udaipur-Shamlaji BOT asset (two SPVs in Q2) through the issuance of NCDs on a private placement basis with fixed coupon rate of 8.9% p.a. With this, the company will save a total of INR 5.5bn on interest. Q3FY23 toll collections (IRB Infra + Pvt InvIT) came in at INR 11bn (+33% YoY). Construction revenue came in at INR 9.8bn (+24/+13.5% YoY/QoQ). IRB maintained its EPC revenue guidance of INR 45bn for FY23. It received the appointed date from UPEIDA for the Ganga Expressway project and accordingly, the construction activity on the project has commenced. Further, the GIC Affiliates, Singapore released the first tranche of ~INR 3.3bn towards their committed investment of INR 10.5bn, i.e., 49% of the total equity investment in the project SPV. IRB has guided for OI of INR 60-80bn in Q4FY23. The OB stood at INR 191.2bn (~3.2x of FY23E revenue), as of Dec'22, with EPC contributing 58.5% (INR 111.8bn) and O&M contributing 41.5% (INR 79.4bn). With the Chittor-Thachur HAM project receiving the appointed date in Q3FY23, all the projects are under execution and will aid in execution ramp-up over the next 2-3 years.
- **Robust balance sheet:** The consolidated gross debt reduced to INR 126.7bn vs. INR 127.1bn, as of Sep'22. IRB expects to infuse equity of INR 2/7/2bn in Q4FY23/FY24/FY25.

Consolidated financial summary (INR mn)

Particulars	3QFY23	3QFY22	YoY (%)	2QFY23	QoQ (%)	FY22	FY23E	FY24E	FY25E
Net Sales	15,141	12,791	*18.4*	13,430	*12.7*	58,037	59,778	68,440	74,208
EBITDA	7,446	7,384	*0.8*	6,651	*12.0*	27,975	28,806	32,988	35,731
APAT	1,414	727	*94.5*	440	*221.2*	3,614	4,952	5,829	8,177
EPS (INR)	2.3	1.2	*94.5*	0.7	*221.2*	6.0	8.2	9.7	13.5
P/E (x)						48.6	35.5	30.1	21.5
EV/EBITDA (x)						10.1	11.5	11.1	9.8
RoE (%)						3.7	3.9	4.5	5.9

Source: Company, HSIE Research

Consolidated estimate change summary (INR mn)

Particulars	FY23E			FY24E			FY25E		
	New	Old	Chg.(%)	New	Old	Chg.(%)	New	Old	Chg.(%)
Revenues	59,778	62,932	(5.0)	68,440	69802	(2.0)	74,208	77060	(3.7)
EBITDA	28,806	28,320	1.7	32,988	30364	8.6	35,731	33675	6.1
EBITDA (%)	48.2	45.0	319	48.2	43.5	470	48.2	43.7	445
APAT	4,952	4,685	5.7	5,829	5692	2.4	8,177	7398	10.5

Source: Company, HSIE Research; NA: Not Applicable

ADD

CMP (*as on 14 Feb 2023*)	INR 291
Target Price	INR 306
NIFTY	17,930

KEY CHANGES		OLD	NEW
Rating		ADD	ADD
Price Target		INR 267	INR 306
EPS %	FY23E	FY24E	FY25E
	+5.7	+2.4	+10.5

KEY STOCK DATA	
Bloomberg code	IRB IN
No. of Shares (mn)	604
MCap (INR bn) / ($ mn)	176/2,122
6m avg traded value (INR mn)	889
52 Week high / low	INR 329/179

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	18.2	11.3	6.6
Relative (%)	19.1	8.7	(1.6)

SHAREHOLDING PATTERN (%)	Sep-22	Dec-22
Promoters	34.20	34.20
FIs & Local MFs	6.69	6.76
FPIs	48.76	48.58
Public & Others	10.35	10.46
Pledged Shares	16.80	16.80

Source: BSE

Pledged shares as % of total shares

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

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

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

Fine Organic Industries

Gradually moving towards normal margins

Our ADD recommendation on Fine Organics with a TP of INR 5,157 is premised on (1) leadership in oleo-chemical-based additives in the domestic and global markets with a loyal customer base; (2) unique business model with high entry barriers; (3) diversified product portfolio; and (4) pricing power. Q3 EBITDA/APAT were 19/28% below our estimates, owing to higher-than-expected raw material costs, higher-than-expected operating expenses, and higher-than-expected tax outgo.

- **Financial performance**: Revenue grew 64% YoY and de-grew 17% to INR 7.6bn in Q3. The shutdown of plants for 8-10 days for annual maintenance impacted production in the quarter. The contribution of exports to total revenue was 69% in 9MFY23 (vs. 60% in FY22). EBITDA came in at INR 1.6bn, -37/+101% QoQ/YoY, with EBITDA margin coming in at 21.1% (-655/+387bps QoQ/YoY), owing to softening of raw material prices. The higher cost had an adverse impact on margins in Q3. APAT came in at INR 1.06bn (-48/+105% QoQ/YoY).
- **Con call highlights**: (1) Currently, all plants (except the Patalganga plant) are running at optimum levels. All plants are expected to run at full capacity by Mar-23. In absence of any new capacity addition in FY24, we expect the growth should remain muted, and will only pick up the pace from FY25. The company is awaiting land allocation from the Gujarat government. (2) It plans to start production at the Thailand plant in Q1FY24. A decision on further capacity addition at this facility will be taken in Q2FY24. It shall take about 9-10 months to construct the facility. (3) In order to supply material in a timely manner, the company started maintaining higher inventories at its sites in the US and Europe.
- **Change in estimates:** We cut our FY23/24/25 EPS estimates by 5.5/9.8/7.6% to INR 187/141/171, to factor in Q3 results, muted guidance by the management for FY24.
- **DCF-based valuation:** Our target price is INR 5,157 (WACC 12%, terminal growth 6.0%). The stock is trading at 32.6x FY24E EPS.

Financial summary (Consolidated)

INR mn	Q3FY23	Q2FY23	*QoQ (%)*	Q3FY22	*YoY (%)*	FY21	FY22	FY23E	FY24E	FY25E
Net Sales	7,595	9,192	*(17.4)*	4,634	*63.9*	11,332	18,763	30,813	28,975	34,747
EBITDA	1,601	2,539	*(37.0)*	797	*100.8*	1,993	3,645	7,681	5,998	7,284
APAT	1,062	2,026	*(47.6)*	519	*104.6*	1,203	2,597	5,724	4,321	5,257
AEPS (INR)	34.6	66.1	*(47.6)*	16.9	*104.6*	39.3	84.7	186.7	140.9	171.5
P/E (x)						116.9	54.2	24.6	32.6	26.8
EV/EBITDA(x)						69.8	38.1	17.9	22.3	18.0
RoE (%)						17.8	30.7	48.8	27.9	27.5

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)	8,117	7,681	*(5.4)%*	6,628	5,998	*(9.5)%*	7,863	*7,284*	*(7.4)%*
Adj. EPS (INR/sh)	197.6	186.7	*(5.5)%*	156.3	140.9	*(9.8)%*	185.6	*171.5*	*(7.6)%*

Source: Company, HSIE Research

ADD

CMP *(as on 14 Feb 2023)*	INR 4,557
Target Price	INR 5,157
NIFTY	17,930

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 6,550	INR 5,157
EPS %	**FY23E**	**FY24E**
	-5.5%	-9.8%

KEY STOCK DATA	
Bloomberg code	FINEORG IN
No. of Shares (mn)	31
MCap (INR bn) / ($ mn)	139/1,687
6m avg traded value (INR mn)	407
52 Week high / low	INR 7,329/3,563

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(25.5)	(26.6)	23.6
Relative (%)	(24.5)	(29.3)	15.4

SHAREHOLDING PATTERN (%)	Sept-22	Dec-22
Promoters	75.00	75.00
FIs & Local MFs	10.92	11.51
FPIs	6.74	5.91
Public & Others	7.34	7.58
Pledged Shares	0.00	0.00

Source: BSE

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

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

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

CESC

Noida continues to outperform

CESC's consolidated PAT in Q3FY23 remained largely flat at INR3.4bn due to lower profit across the Haldia project (under-recovery of O&M and fuel cost) and higher losses across the distribution franchisee (DF) segment. Dhariwal too reported a flat 2% YoY growth in PAT to INR510mn, while standalone PAT came in at INR1.9bn (+1.1% YoY). However, the Noida business reported a strong 103.7% YoY rise in PAT to INR550mn, led by a strong 15% rise in power demand and improved incentives. In the Chandigarh discom, CESC is yet to receive an order from the apex court and, hence, we have not included it in our valuation. We have maintained our earnings estimates for FY23/24 and retain our BUY rating on CESC at a SoTP-based TP of INR108. Our positive stance on CESC is also based on the grounds that the company continues to trade at an attractive valuation of 6.6xFY25P/E and 0.7xFY25 P/BV.

- **Losses across Malegaon persist:** While power demand in the Kolkata circle remained flat, it improved significantly across its Noida circle, registering more than 15% YoY demand growth. As a result, PAT across the standalone business remained largely flat at INR1.9bn (+1.1% YoY), while it increased 104% YoY across its Noida segment to INR550mn. Haldia reported a 14.5% YoY decline in PAT to INR710mn due to the under-recovery of O&M and fuel costs. Combined losses across the DF segment of Rajasthan and Malegaon escalated to INR300mn vs INR100mn YoY. Accordingly, consolidated PAT declined marginally by 1.2% YoY to INR3.4bn due to lower profitability across the Haldia and DF businesses. 9MFY23 losses across its Rajasthan DF business increased to INR290mn vs INR190mn YoY, while losses across its Malegaon Circle escalated to INR670mn bs INR410mn due to a slowdown across the Handloom sector (export business impacted from the slowdown in Europe) which accounts for major power consumption in Malegaon. However, going ahead, we expect demand to normalise and the DF segment should break even in FY24 with a marginal profit of INR272mn.
- **PLF improved across Haldia and Dhariwal:** Haldia's PLF during the quarter improved to 81.3% vs 79.8% YoY, while for Dhariwal, growth was much better at 80% in Q3FY23 vs 63.4% YoY. Dhariwal's robust improvement is led by the commencement of its three-year medium-term PPA with REMCL at a tariff of INR4.1/unit for a 210-MW capacity. With this arrangement, the project now has more than 83% of its capacity tied up under a PPA with only ~60MW capacity lying open for merchant markets. We expect Dhariwal to post a PAT of around INR1.8bn-INR1.9bn going ahead, vs INR1.4bn reported in FY22.
- **Maintain BUY**: We have maintained our earnings estimates for FY23/24 and retained our BUY rating on CESC at a SoTP-based TP of INR108. Our positive stance on CESC is also based on the grounds that the company continues to trade at an attractive valuation of 6.6xFY25P/E and 0.7xFY25 P/BV. The stock also provides a high dividend yield of ~6-7%.

Financial summary (Consolidated)

(INR mn, Mar YE)	3QFY23	3QFY22	YoY	2QFY23	QoQ (%)	FY22	FY23E	FY24E	FY25E
Net Revenues	17,080	20,910	-18.3	23,470	-27.2	72,940	81,908	86,599	90,353
EBITDA	2,250	4,180	-46.2	3,940	-42.9	11,180	16,406	17,333	15,677
APAT (Consol)	3,360	3,400	-1.2	3,190	5.3	13,368	14,618	14,901	15,416
Diluted Consol EPS (INR)	2.5	2.6	-1.2	2.4	5.3	10.1	11.0	11.2	11.6
P/E (x) (Consol)						7.6	7.0	6.8	6.6
Price/BV (Consol)						0.9	0.8	0.8	0.7
RoE (%)						13.1	14.6	14.5	14.4

Source: Company, HSIE Research

BUY

CMP *(as on 14 Feb 2023)*	INR 75
Target Price	INR 108
NIFTY	17,930

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 108	INR 108
EPS Change %	FY23E	FY24E
	-	-

KEY STOCK DATA	
Bloomberg code	CESC IN
No. of Shares (mn)	1,326
MCap (INR bn) / ($ mn)	99/1,200
6m avg traded value (INR mn)	189
52 Week high / low	INR 88/68

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(1.5)	(5.6)	(7.4)
Relative (%)	(0.5)	(8.2)	(15.6)

SHAREHOLDING PATTERN (%)	Sept-22	Dec-22
Promoters	52.1	52.1
FIs & Local MFs	22.4	22.0
FPIs	13.3	12.7
Public & Others	12.2	13.2
Pledged Shares	-	-

Source : BSE

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

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

Borosil Renewables

Domestic share decreased due to stiff competition from China

Borosil Renewables' (BRL) Q3FY23 PAT declined significantly ~51% YoY to INR225mn, as the cost of raw materials, fuel & power, and employee expenses continued to remain elevated. Sales volume, on a quantitative basis, grew 3% YoY. Realisation decreased 5% YoY to INR134.3/sqmm, as BRL was unable to fully pass on the escalated input cost due to intense competition from Chinese players; this impacted its EBITDA and margin by 52% YoY and 2061bps respectively. Q3FY23 revenue de-grew by 4% YoY to INR1.6bn. Furthermore, the discontinuation of anti-dumping charges imposed on Chinese solar glass in August 2017 posed a challenge for BRL for sustaining its profitability levels amidst the rise in competition and input costs. Trial production has begun in SG-3 and commercial production is expected soon which would double BRL's sales in coming quarters. Further, to contain the price decline and maintain the current margin level, BRL has increased its export share to 36% of the total sales in Q3FY23 and plans to retain this, going ahead, given exports command higher margins. Therefore, we maintain our ADD rating with a revised TP of INR529/share vs INR609/share earlier, factoring in (1) limited domestic solar glass availability; (2) commissioning of SG-3 in Q3FY23; and (3) ramp-up of domestic manufacturing of solar modules.

- **Q3FY23 highlights:** In Q3FY23**,** volume increased marginally ~3% YoY, while realisation was down 5% YoY at INR134.3/sqmm. Thus, revenue decreased 4.2% YoY to INR1,614mn, of which export revenue came in at INR580mn (35.9% of the total sales). The cost of material consumed and fuel expenses grew 30% and 38% YoY, led by higher naphtha, gas, soda ash and power prices. BRL was unable to pass on the escalated input cost to its customers due to intense competition from Chinese players, especially after the removal of anti-dumping charges on imported solar glass from China. Accordingly, EBITDA declined 52% YoY to INR335mn while the margin contracted 2061 bps YoY to 21%. PAT too declined 51% YoY to INR225mn and was below our estimate of INR271mn for Q3FY23.
- **Projects and Capex**: Trial production has begun in SG-3 and BRL expects commercial production to start soon. Further, SG-4 project of 1100 TPD will be commissioned by FY24-FY25. Interfloat is working at 95% of its capacity and the company is also in the process of executing a capex plan for raising Interfloat's production capacity from 300 TPD to 500 TPD.
- **TP revised downward:** Removal of anti-dumping charges has posed a serious challenge for BRL in terms of sustaining its profitability amidst stiff completion and high input costs. Further, the correction in freight rates has further escalated competition from Chinese players. Accordingly, we lower our TP to INR529/share vs INR609/share earlier, assigning a lower P/E multiple of 20x. However, we maintain our ADD rating for BRL, factoring in its leadership position in the domestic market and steep correction in share price.

Financial Summary

(INR mn, Mar YE)	3Q FY23	3Q FY22	*YoY (%)*	2Q FY23	*QoQ (%)*	FY22	FY23E	FY24E	FY25E
Net Revenues	1,614	1,685	*-4.2*	1,693	*-4.6*	6,442	10,922	22,889	29,727
EBITDA	335	697	*-51.9*	420	*-20.2*	2,445	2,762	9,275	10,064
APAT	225	457	*-50.9*	243	*-7.5*	1,658	1,105	4,510	4,056
Diluted EPS (INR)	1.7	3.5	*-50.9*	1.9	*-7.5*	12.7	8.5	34.6	31.1
P/E (x)						48.0	72.1	17.7	19.6
P/BV (x)						10.1	7.3	5.2	4.1
RoE (%)						23.7	11.8	34.1	23.2

Source: Company, HSIE Research

ADD

CMP*(as on 14 Feb 2023)*	INR 444
Target Price	INR 529
NIFTY	17,930

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 609	INR 529
	FY23E	FY24E
EPS Change %	-	-

KEY STOCK DATA	
Bloomberg code	BORORENE IN
No. of Shares (mn)	130
MCap (INR bn) / ($ mn)	58/700
6m avg traded value (INR mn)	184
52 Week high / low	INR 833/441

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(18.2)	(25.1)	(25.2)
Relative (%)	(17.3)	(27.8)	(33.4)

SHAREHOLDING PATTERN (%)	Sep-22	Dec-22
Promoters	61.7	61.7
FIs & Local MFs	0.14	0.11
FPIs	5.8	6.0
Public & Others	32.4	32.2
Pledged Shares	-	-

Source : BSE

Anuj Upadhyay
anuj.upadhyay@hdfcsec.com
+91-22-6171-7355

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

Ahluwalia Contracts

Margins continue to disappoint

Ahluwalia Contracts (AHLU) reported revenue/EBITDA/APAT of 7.4/0.7/0.5bn, missing our estimates on all fronts by 13/21.4/25.1%. With FY23 revenue guidance at INR 30bn, AHLU maintained 10-15% YoY growth for FY23, with reduced EBITDA margin (incl. other income) in the range of 10-11%. Margin is expected to improve from FY24 with softening of commodity prices, a narrower gap of indices with input prices, slightly lesser competitive intensity and new projects bid at elevated input price assumption. FYTD23 order inflow (OI) came in at INR 40.2bn with Q4FY23 guidance of another INR 5bn. Excluding the L1 of INR 6.7bn, the FYTD23 order book (OB) stands at INR 81.1bn (~2.7x FY23E Revenue). On the diversification front, client-wise, government orders form 82.5% of OB and, segment-wise, institutional and hospital are the major drivers, contributing 39.8/29.4%, with infra/residential/commercial/hotel contributing 11.8/11.7/6.7/ 0.8%. Geography-wise, AHLU is present in 16 states with East/North/ West/South/international regions contributing 42/35.8/11.5/5.3/ 5.4%. We maintain BUY on the stock, with a reduced TP of INR 568/sh (13x Dec-24E EPS).

- **Financial highlights**: Revenue: INR 7.4bn (+8.7/+19.3% YoY/QoQ, a 13% miss). EBITDA: INR 715mn (+2.9/+15.5% YoY/QoQ, a 21.4% miss). EBITDA margin: 9.6% (-55/-32bps YoY/QoQ, vs. our estimate of 10.6%). Depreciation: INR 111mn (+30.3/+25.1% YoY/QoQ). Interest cost: INR 70mn (-33.6/-0.9% YoY/QoQ). Other Income: INR 68mn (+36.8/+4.1% YoY/QoQ). Consequently, RPAT/APAT: INR 450mn (+6.3/+14.9% YoY/QoQ, a 25.1% miss). AHLU reiterated its FY23 revenue growth of 10-15% YoY, with reduced EBITDA margin (incl. other income) in the range of 10-11%.
- **Robust OI; well-diversified OB:** FYTD23 OI came in at INR 40.2bn vs. revised FY23 OI guidance of INR 40bn. Ahlu is L1 in one project worth INR 6.7bn and expects it to be awarded by Q4FY23-end. Excluding the L1, FYTD23 OB stands at INR 81.1bn (~2.7x FY23E revenue). Client-wise, government orders form 82.5% of OB and, segment-wise, institutional and hospital are the major drivers, contributing 39.8/29.4%, with infra/residential/commercial/ hotel contributing 11.8/11.7/6.7/0.8%. Geography-wise, AHLU is present in 16 states with East/ North/West/South/international regions contributing 42/35.8/11.5/5.3/5.4%. AHLU guided for another INR 5bn OI in Q4FY23. It has a strong bid pipeline of ~INR 30bn, of which 40% is from private sector clients.
- **Net cash status**: AHLU is effectively debt-free, with virtually no debt on its books of accounts. Capex incurred in 9MFY23 is c.INR 800mn with Q4FY23 guidance of another INR 80mn.

Standalone Financial Summary (INR mn)

YE March	3QFY23	3QFY22	YoY (%)	2QFY23	QoQ (%)	FY22	FY23E	FY24E	FY25E
Net Sales	7,433	6,835	8.7	6,228	19.3	26,925	30,237	33,352	36,687
EBITDA	715	694	2.9	619	15.5	2,566	3,196	3,802	4,512
APAT	450	423	6.3	392	14.9	1,553	2,058	2,531	3,056
EPS (INR)	6.7	6.3	6.3	5.8	14.9	23.2	30.7	37.8	45.6
P/E (x)						20.6	15.6	12.7	10.5
EV/EBITDA (x)						10.8	7.3	5.8	4.8
RoE (%)						16.2	18.1	18.6	18.7

Standalone Estimate Change Summary

Particulars	FY23E			FY24E			FY25E		
	New	Old	Chg.(%)	New	Old	Chg.(%)	New	Old	Chg.(%)
Revenues	30,237	29,363	3.0	33,352	33,357	(0.0)	36,687	37,359	(1.8)
EBITDA	3,196	3,268	(2.2)	3,802	4,063	(6.4)	4,512	4,625	(2.4)
EBITDA (%)	10.6	11.1	(56.0)	11.4	12.2	(78.0)	12.3	12.4	(8.0)
APAT	2,058	2,080	(1.0)	2,531	2,656	(4.7)	3,056	3,086	(1.0)

Source: Company, HSIE Research

BUY

CMP (*as on 14 Feb 2023*)	INR 475
Target Price	INR 568
NIFTY	17,930

KEY CHANGES		OLD	NEW
Rating		BUY	BUY
Price Target		INR 557	INR 568
EPS Change %	FY23E	FY24E	FY25E
	(1.0)	(4.7)	(1.0)

KEY STOCK DATA	
Bloomberg code	AHLU IN
No. of Shares (mn)	67
MCap (INR bn) / ($ mn)	32/384
6m avg traded value (INR mn)	18
52 Week high / low	INR 564/359

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	16.7	3.2	27.4
Relative (%)	17.6	0.6	19.2

SHAREHOLDING PATTERN (%)	Sep-22	Dec-22
Promoters	55.32	55.32
FIs & Local MFs	27.45	27.19
FPIs	12.30	12.19
Public & Others	4.93	5.30
Pledged Shares	7.16	7.16

Source: BSE

Pledged shares as % of total shares

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

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

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

Deccan Cements

Healthy volume offtake; modest margin recovery QoQ

We maintain our ADD rating on Deccan Cements (DCL), with a lower target price of INR 490/sh (6x its Mar-25E EBITDA). DCL's revenue rose 11% YoY in Q3FY23 (volume led). Lower realisation (-2% YoY) and cost inflation (+11% YoY) pulled down its EBITDA/APAT by 42/55% YoY. Unit EBITDA recovered ~INR 120/MT QoQ due to better realisation (INR 70 per MT) and lower cost (INR 50/MT) to INR 523/MT. DCL is working on a 2mn MT integrated capacity increase by FY25E-end.

- **Q3FY23 performance**: Deccan Cement's strong volume growth of 14/15% YoY/QoQ is due to robust demand in the south. Utilisation improved to 85% vs 75/73% QoQ/YoY. NSR improved by 1.6% QoQ due to an uptick in prices (lower vs est by 1%). NSR remained 2.4% lower YoY. Opex fell 1% QoQ led by a similar cool-off in input, freight and unit fixed costs. Op-lev gains got restricted on higher other expenses. Unit EBITDA recovered ~INR 120/MT to INR 523/MT QoQ on both slight realisation gain (INR 70 per MT) and opex cool-off (INR 50/MT). In a tough environment, DCL reported a higher margin (INR 523/MT) vs peers Kesoram (INR 473/MT) and Sagar Cements (INR 384/MT) but lower vs Orient Cement (INR 632/MT).
- **Capex update and outlook**: DCL's expansion (1.4mn MT clinker/ 2mn MT grinding) is expected to be completed by the FY25E-end. Factoring in slower than expected margin in Q3FY23, we cut our EBITDA estimates for FY23/24/25E by 6/6/2% respectively. We maintain our ADD rating with a target price of INR 490/sh (6x Mar-25E EBITDA).

Quarterly/annual financial summary

YE Mar (INR mn)	Q3 FY23	Q3 FY22	*YoY (%)*	Q2 FY23	*QoQ (%)*	FY21	FY22	FY23E	FY24E	FY25E
Sales Vol (mn MT)	0.48	0.42	*13.5*	0.42	*15.1*	1.8	1.8	1.8	1.9	2.1
NSR (INR/MT)	4,408	4,514	*(2.4)*	4,338	*1.6*	4,237	4,318	4,413	4,545	4,613
Opex (INR/MT)	3,885	3,492	*11.3*	3,934	*(1.2)*	3,254	3,438	3,812	3,706	3,749
EBITDA (INR/MT)	523	1,023	*(48.9)*	404	*29.3*	983	880	601	839	864
Net Sales	2,111	1,905	*10.8*	1,805	*17.0*	7,580	7,918	7,931	8,414	9,821
EBITDA	250	432	*(42.0)*	168	*48.9*	1,759	1,613	1,081	1,553	1,840
APAT	122	272	*(55.3)*	66	*85.1*	1,151	1,062	567	773	649
AEPS (INR)	8.7	19.4	*(55.3)*	4.7	*85.1*	82.2	75.8	40.5	55.2	46.3
EV/EBITDA (x)						2.9	3.4	5.3	5.8	6.0
EV/MT (INR bn)						2.30	2.40	2.54	4.01	2.61
RoE (%)						5.8	6.3	11.8	8.7	10.4

Source: Company, HSIE Research

Consolidated Estimates revision summary

INR mn	FY23E Old	FY23E Revised	*Change %*	FY24E Old	FY24E Revised	*Change %*	FY25E Old	FY25E Revised	*Change %*
Net Sales	7,830	7,931	*1.3*	8,468	8,414	*-0.6*	9,835	9,821	*-0.1*
EBITDA	1,155	1,081	*-6.4*	1,655	1,553	*-6.2*	1,882	1,840	*-2.2*
APAT	645	567	*-12.0*	912	773	*-15.2*	677	649	*-4.2*

Source: Company, HSIE Research

ADD

CMP *(as on 14 Feb 2023)*	INR 480
Target Price	INR 490
NIFTY	17,930

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 525	INR 490
EBITDA revision %	FY23E (6.4)	FY24E (6.2)

KEY STOCK DATA	
Bloomberg code	DECM IN
No. of Shares (mn)	14
MCap (INR bn) / ($ mn)	7/81
6m avg traded value (INR mn)	7
52 Week high / low	INR 634/416

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(0.9)	(8.3)	(16.9)
Relative (%)	0.1	(10.9)	(25.1)

SHAREHOLDING PATTERN (%)	Sep-22	Dec-22
Promoters	56.24	56.24
FIs & Local MFs	0.49	0.49
FPIs	8.50	8.97
Public & Others	34.77	34.30
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

Rajesh Ravi
rajesh.ravi@hdfcsec.com
+91-22-6171-7352

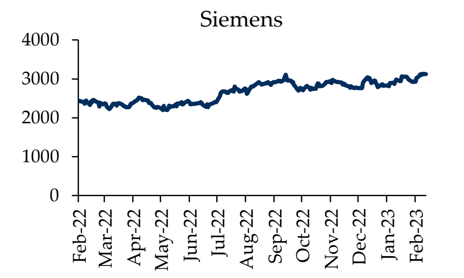
Keshav Lahoti
keshav.lahoti@hdfcsec.com
+91-22-6171-7353

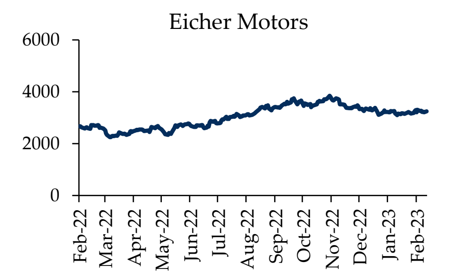
Rating Criteria
BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: > 10% Downside return potential

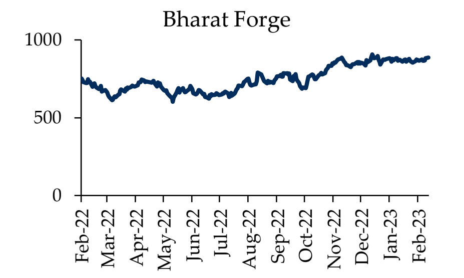
Disclosure:

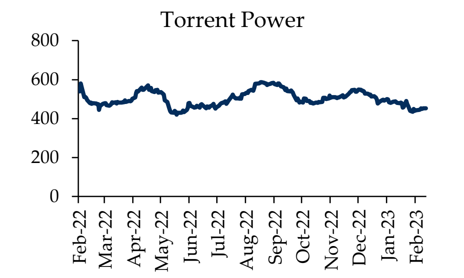
Analyst	Company Covered	Qualification	Any holding in the stock
Parikshit Kandpal	Siemens, IRB Infra, Ahluwalia Contracts	CFA	NO
Manoj Rawat	Siemens, IRB Infra, Ahluwalia Contracts	MBA	NO
Nikhil Kanodia	Siemens, IRB Infra, Ahluwalia Contracts	MBA	NO
Aniket Mhatre	Eicher Motors, Bharat Forge	MBA	NO
Sonaal Sharma	Eicher Motors, Bharat Forge	MBA	NO
Anuj Upadhyay	Torrent Power, CESC, Borosil Renewables	MBA	NO
Hinal Choudhary	Torrent Power, CESC, Borosil Renewables	CA	NO
Nilesh Ghuge	Fine Organic Industries	MMS	NO
Harshad Katkar	Fine Organic Industries	MBA	NO
Akshay Mane	Fine Organic Industries	PGDM	NO
Rajesh Ravi	Deccan Cements	MBA	NO
Keshav Lahoti	Deccan Cements	CA	NO

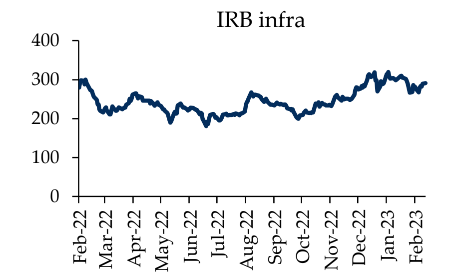
1 Yr Price Movement

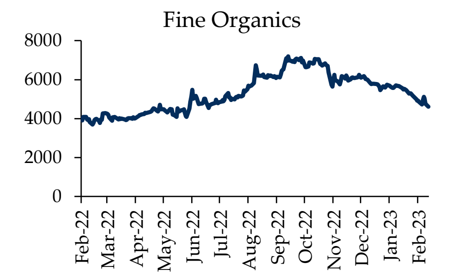


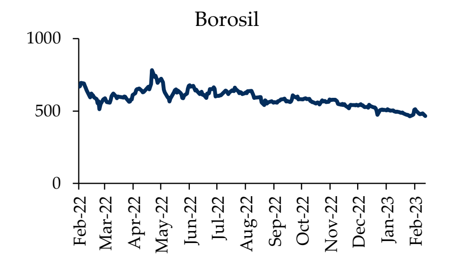


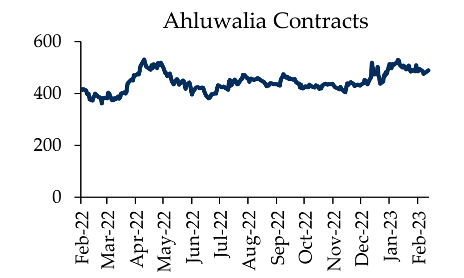


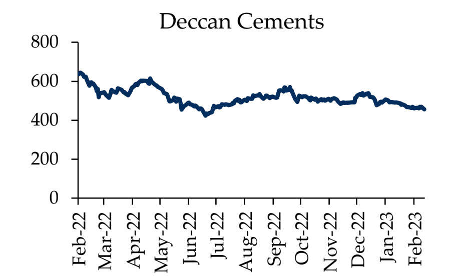












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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066
Compliance Officer: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600
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HDFC securities
Institutional Equities
Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,
Senapati Bapat Marg, Lower Parel, Mumbai - 400 013
Board: +91-22-6171-7330 www.hdfcsec.com