HSIE Results Daily

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Results Reviews

- **Avenue Supermarts:** D-MART's unit economics remains subpar. Revenue grew 18% YoY in Q4 (in-line; FY19-22 CAGR: 15%). Our thesis, which penciled in pressure on sales density and its make-up, seems to be playing out, courtesy heightened competitive intensity by horizontal/quick e-commerce. More revealing is the decline in bill cuts (down from ~1mn to ~0.7mn per store over FY-19-22). EBITDAM at 8.6/8.2% for 4Q/FY22 remains sup-optimal, courtesy the inferior mix. Investors may have to brace for another round of dilution soon, as QIP money + C-WIP = 1 year expansion. We have toned down our FY23/24 estimates by 16/11% to account for lower bill cuts/store and maintain our SELL rating with a revised DCF-based TP of INR2,500/sh (earlier INR2,700/sh), implying 33x FY24E for the standalone business + 4x FY24E sales for DMART Ready.
- **Relaxo Footwears:** Relaxo disappointed on its Q4FY22 print. The double whammy of inflation-led pressure on consumer demand and costs is palpable. Revenue declined 6.6% YoY to INR6.98bn in Q4 (a three-year CAGR: 3%; HSIE: INR6.92bn). FY19-22 volume/net realisation CAGR stands at -2/+7% - a function of increasing skew of closed footwear in the mix. Profitability remains sub-optimal as RM inflation in key inputs remains rampant. Price hikes continue to lag RM inflation. We've cut our estimates by 10/9% each for FY23/24 to account for lower profitability. Our DCF-based TP stands revised at INR850/sh (earlier INR970/sh); implying 50x FY24E P/E. Maintain SELL.
- **Vinati Organics:** Our SELL recommendation on Vinati Organics with a discounted cash flow-based target price of INR 1,750 (WACC 10%, terminal growth 4.5%) is driven by a shift in the revenue mix towards lower-margin iso butyl benzene (IBB), butyl phenol and other products as compared to ATBS, which has a higher margin. We believe the current valuation is contextually high at ~35x FY24E EPS. Q4 EBITDA/APAT were 48/23% above our estimates, owing to a 23% rise in revenue, lower-than-expected other expenses, offset by higher-than-anticipated raw material cost and tax outgo.
- **Kalpataru Power Transmission:** Kalpataru Power (KPTL) reported revenue/EBITDA/APAT of INR 20/1.7/0.87bn, with in-line revenue and EBITDA and APAT beat. EBITDA margin shrunk both sequentially and annually to 8.5% on account of higher commodity prices and supply chain & logistics challenges, but was partly aided by INR 280mn of CTC provision reversal. KPTL secured new orders worth INR 81.5bn in FY22, taking the order book (OB) to INR 158bn. It is well on track to achieve standalone net cash status with net debt at INR 4.1bn (vs INR 5.5bn as on Dec-21). The pending cash flow to be realised from the Indore real estate project is INR 2.5bn, with INR 1.2bn expected in FY23. This shall help deleverage the balance sheet further. We maintain BUY with an SOTP TP of INR 476 (rollover to Mar-24E).

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- **Neogen Chemicals:** Our BUY recommendation on Neogen Chemicals (NCL) with a target price of INR 1,900/sh is premised on (1) increasing contribution of the high-margin CSM business to revenue, (2) entry into the new-age electrolyte manufacturing business, (3) capacity-led expansion growth opportunity, (4) constant focus on R&D, and (5) improving return ratios and strong balance sheet, going forward. Q4 EBITDA/APAT were 6/7% above our estimates, owing to a 30% rise in revenue and lower-than-expected tax outgo, but were offset by higher-than-expected raw material cost and other expenses.
- **JMC Projects:** JMC Projects (JMC) reported revenue/EBITDA/APAT of INR 15.6/1.3/0.6bn, beat at all levels (13.2/4/26% beat). The EBITDA margin was muted at 8.5%, affected by high commodity prices and supply chain issues. Wainganga Expressway restructuring has got delayed and is now expected by H1FY23, as consent from majority of lenders has been received. Vindhyachal asset refinancing is expected to be completed by H1FY23. The loss funding requirement for these assets, including Agra-Aligarh, is INR 700-800mn. The FY22 order inflow (OI) was at INR 101bn, taking the order book (OB) to INR 171bn. We maintain BUY with a revised target price of INR 142 (11x Mar-24E EPS). We cut our FY23/24 EPS estimate by (10.9)/(17.2)% to factor in elevated commodity prices.

Avenue Supermarts

Thesis playing out!

D-MART's unit economics remains subpar. Revenue grew 18% YoY in Q4 (in-line; FY19-22 CAGR: 15%). Our thesis, which penciled in pressure on sales density and its make-up, seems to be playing out, courtesy heightened competitive intensity by horizontal/quick e-commerce. More revealing is the decline in bill cuts (down from ~1mn to ~0.7mn per store over FY-19-22). EBITDAM at 8.6/8.2% for 4Q/FY22 remains sup-optimal, courtesy the inferior mix. Investors may have to brace for another round of dilution soon, as QIP money + C-WIP = 1 year expansion. We have toned down our FY23/24 estimates by 16/11% to account for lower bill cuts/store and maintain our SELL rating with a revised DCF-based TP of INR2,500/sh (earlier INR2,700/sh), implying 33x FY24E for the standalone business + 4x FY24E sales for DMART Ready.

- **Q4FY22 highlights**: Revenue grew 17.8% to INR86.06bn (FY19-22 CAGR: 15%). Revenue/EBITDA per sq. ft came in at INR29.9k/2.5k per sq. ft (88/96% of pre-pandemic base); partly attributable to pick-up in store additions (added 50 stores in FY22; store count: 284). But the deep cut in bills per store suggests footfalls are getting competed away to deep-pocketed peers. EBITDAM, at 8.6/8.2% for 4Q/FY22 (HSIE: 9/8.4% resp), remains sup-optimal, courtesy the inferior mix (food/non-food FMCG/GM & Apparel contributed 56.9/19.7/23.4% in FY22 vs 51.3/20.5/28.3% in FY19). Channel checks suggest that pricing aggression by peers remains elevated.
- **Outlook**: DMART's anchor variable (footfalls/sales density) remains sub-optimal vis-à-vis pre-pandemic days (partly attributable to the step-up in store additions). While we factor in a recovery over FY22-24, this assumption stands at risk, given the heightened competitive intensity from deep-pocketed retailers. Hence, we maintain SELL on DMART with DCF-based TP of INR 2,500/sh, implying 33x FY24E for the standalone business + 4x FY24E sales for DMART Ready.

Quarterly financial summary

(Rs mn)	4Q FY22	4Q FY21	YoY (%)	3Q FY22	QoQ (%)	FY20	FY21	FY22E	FY23E	FY24E
Net Revenue	86,061	73,031	17.8	90,650	(5.1)	2,46,750	2,37,872	3,03,525	4,06,225	5,08,655
EBITDA	7,075	6,166	14.7	8,682	(18.5)	20,385	16,467	25,015	34,412	44,598
APAT	4,319	4,350	(0.7)	5,858	(26.3)	13,685	11,933	16,162	22,528	29,626
EPS (Rs)	6.7	6.7	(0.7)	9.04	(26.3)	21.6	18.4	24.9	34.8	45.7
P/E (x)						186.3	218.7	161.5	115.8	88.1
EV/EBITDA(x)						123.5	156.9	103.7	75.5	58.1
Core RoCE(%)						18.8	11.3	13.4	15.5	17.4

Source: Company, HSIE Research, Standalone Financials

Change in estimates

(Rs mn)	FY22E			FY23E			FY24E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	3,03,525	3,03,525	*0.0*	4,06,225	4,45,029	*(8.7)*	5,08,655	5,53,473	*(8.1)*
EBITDA	25,015	25,348	*(1.3)*	34,412	39,714	*(13.4)*	44,598	49,514	*(9.9)*
EBITDA margin (%)	8.2	8.4	***(11 bps)***	8.5	8.9	***(45 bps)***	8.8	8.9	***(18 bps)***
APAT	16,162	16,644	*(2.9)*	22,528	26,673	*(15.5)*	29,626	33,440	*(11.4)*
APAT margin (%)	5.3	5.5	***(16 bps)***	5.5	6.0	***(45 bps)***	5.8	6.0	***(22 bps)***
EPS (Rs)	24.9	25.7	*(2.9)*	34.8	41.2	*(15.5)*	45.7	51.6	*(11.4)*

Source: Company, HSIE Research

SELL

CMP *(as on 16 May 22)*	**INR 3,561**
Target Price	**INR 2,500**
NIFTY	**15,842**

KEY CHANGES	**OLD**	**NEW**
Rating	SELL	SELL
Price Target	INR 2,700	INR 2,500
EPS %	FY23E	FY24E
	-15.5	-11.4

KEY STOCK DATA

Bloomberg code	DMART IN
No. of Shares (mn)	648
MCap (INR bn) / ($ mn)	2,307/30,999
6m avg traded value (INR mn)	1,964
52 Week high / low	INR 5,900/2,840

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(12.1)	(29.9)	25.2
Relative (%)	(3.4)	(17.7)	16.5

SHAREHOLDING PATTERN (%)

	Dec-21	Mar-22
Promoters	74.99	74.99
FIs & Local MFs	6.25	6.27
FPIs	9.44	8.83
Public & Others	9.32	9.91
Pledged Shares	0	0

Source : BSE

Pledged shares as % of total shares

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Relaxo Footwears

Inflationary pressure palpable

Relaxo disappointed on its Q4FY22 print. The double whammy of inflation-led pressure on consumer demand and costs is palpable. Revenue declined 6.6% YoY to INR6.98bn in Q4 (a three-year CAGR: 3%; HSIE: INR6.92bn). FY19-22 volume/net realisation CAGR stands at -2/+7% - a function of increasing skew of closed footwear in the mix. Profitability remains sub-optimal as RM inflation in key inputs remains rampant. Price hikes continue to lag RM inflation. We've cut our estimates by 10/9% each for FY23/24 to account for lower profitability. Our DCF-based TP stands revised at INR850/sh (earlier INR970/sh); implying 50x FY24E P/E. Maintain SELL.

- **Q4FY22 highlights**: Revenue declined 6.6% YoY to INR6.98bn in Q4 (a three-year CAGR: 3%; HSIE: INR6.92bn). In Q4, three-year CAGR for Volume/Net realization stood at -6/+9% resp as (1) skew improved towards higher-ASP closed footwear and (2) Effects of price hikes seeped into the P&L. Price hikes are yet to catch up to RM inflation. This can be seen in sub-par profitability. GM/EBITDAM contracted by 373/587bps YoY resp. to 45.4/15.9% HSIE: 48/18% resp). EBITDA declined 32% YoY at INR1.1bn (HSIE: INR1.27bn). Management highlighted that uncertainty around RM prices remains.
- **Outlook**: Relaxo remains a strong category leader and is well-poised to gain market share within an immature ecosystem. However, in the near to medium term, Relaxo's ability to pass on RM inflation may remain challenged, courtesy demand pangs. Hence, profitability is likely to remain under pressure. Against this backdrop, a lofty valuation (60x FY24 PE/40x FY24 EV/EBITDA) does not allow us to become constructive on the stock. We maintain SELL, with a revised DCF-based TP of INR850/sh (earlier INR970/sh); implying 50x FY24E P/E.

Quarterly financial summary

(INR mn)	4Q FY22	4Q FY21	YoY (%)	3Q FY22	QoQ (%)	FY20	FY21	FY22E	FY23E	FY24E
Net Revenue	6,982	7,477	(6.6)	7,435	(6.1)	24,105	23,592	26,533	31,458	36,957
EBITDA	1,111	1,629	(31.8)	1,216	(8.6)	3,637	4,559	4,158	5,141	6,129
APAT	629	1,022	(38.4)	701	(10.2)	2,309	3,049	2,327	3,418	4,229
EPS (Rs)	2.5	4.1	(38.4)	2.8	(10.2)	9.3	12.3	9.4	13.7	17.0
P/E (x)						109.7	83.1	108.9	74.1	59.9
EV/EBITDA(x)						69.7	54.8	60.5	48.3	40.1
Core RoCE(%)						17.1	20.6	14.7	19.7	24.1

Source: Company, HSIE Research, Standalone Financials

Change in estimates

(INR mn)	FY22E			FY23E			FY24E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	26,533	26,474	*0.2*	31,458	32,559	*(3.4)*	36,957	37,907	*(2.5)*
EBITDA	4,158	4,316	*(3.7)*	5,141	5,767	*(10.8)*	6,129	6,900	*(11.2)*
EBITDA margin (%)	15.7	16.3	***(63.2)***	16.3	17.7	***(136.8)***	16.6	18.2	***(161.8)***
APAT	2,327	2,738	*(15.0)*	3,418	3,802	*(10.1)*	4,229	4,661	*(9.3)*
APAT margin (%)	8.8	10.3	***(157.1)***	10.9	11.7	***(81.3)***	11.4	12.3	***(85.2)***
EPS (Rs)	9.4	11.0	*(15.0)*	13.7	15.3	*(10.1)*	17.0	18.8	*(9.3)*

Source: HSIE Research

SELL

CMP *(as on 16 May 22)*	INR 1,019
Target Price	INR 850
NIFTY	15,842

KEY CHANGES	OLD	NEW
Rating	SELL	SELL
Price Target	INR 970	INR 850
EPS %	FY23E	FY24E
	-10.1	-9.3

KEY STOCK DATA	
Bloomberg code	RLXF IN
No. of Shares (mn)	249
MCap (INR bn) / ($ mn)	254/3,407
6m avg traded value (INR mn)	224
52 Week high / low	INR 1,448/900

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(19.8)	(26.8)	10.1
Relative (%)	(11.2)	(14.7)	1.4

SHAREHOLDING PATTERN (%)	Dec-21	Mar-22
Promoters	70.78	70.78
FIs & Local MFs	7.08	6.94
FPIs	3.81	3.22
Public & Others	18.33	19.06
Pledged Shares	0	0

Source : BSE

Pledged shares as % of total shares

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Vinati Organics

Well-rounded performance

Our SELL recommendation on Vinati Organics with a discounted cash flow-based target price of INR 1,750 (WACC 10%, terminal growth 4.5%) is driven by a shift in the revenue mix towards lower-margin iso butyl benzene (IBB), butyl phenol and other products as compared to ATBS, which has a higher margin. We believe the current valuation is contextually high at ~35x FY24E EPS. Q4 EBITDA/APAT were 48/23% above our estimates, owing to a 23% rise in revenue, lower-than-expected other expenses, offset by higher-than-anticipated raw material cost and tax outgo.

- **Financial performance:** Q4 revenue grew 32/74% QoQ/YoY to INR 4,861mn on the back of strong performance across products. EBITDA came in at INR 1,388mn (+50/+40% QoQ/YoY). EBITDA margin improved by 341bps sequentially to 28.6%, owing to reduction in the volatility of power and fuel costs and operating leverage playing out.
- **ATBS**: ATBS registered strong growth in Q4. It contributed 51% to the Q4 topline (50% in Q3). The company expects its demand to be robust in the coming years.
- **Iso butyl benzene (IBB)**: Revenue contribution came in at ~9% in Q4 (7% in Q3), owing to normalisation of demand.
- **Butyl phenol**: The butyl phenol segment clocked in INR 0.65bn revenue in Q4 (17% of revenue mix) and management expects this segment to witness strong traction, going forward.
- **Capex**: (1) Capex of INR 3bn in **Veeral Additives** to produce antioxidants to come on stream in H1FY23. Revenue potential at peak utilisation of this Capex is INR 7bn, which shall accrue from FY25. (2) Capex of INR 2.5bn in **Veeral Organics** to introduce 5-6 niche speciality chemical intermediates, which cater to agrochemical, fragrance, plastic, and polymer industries, to come on stream in Mar-23. Revenue potential at peak utilisation is of INR 2.5bn. (3) **Capex guidance** is of INR 4bn over FY23-24.
- **Change in estimates:** We raise our FY23/24 EPS estimates by 3.9/4.1% to INR 46.0/55.9 to account for lower depreciation and finance cost.

Financial summary

INR mn	Q4 FY22	Q3 FY22	QoQ (%)	Q4 FY21	YoY (%)	FY20	FY21	FY22P	FY23E	FY24E
Net Sales	4,861	3,690	31.7	2,798	73.7	10,289	9,543	16,155	21,214	25,640
EBITDA	1,388	928	49.6	991	40.0	4,139	3,525	4,341	6,379	7,823
APAT	1,011	832	21.5	709	42.7	3,338	2,693	3,466	4,729	5,750
AEPS (INR)	9.8	8.1	21.5	6.9	42.7	32.5	26.2	33.7	46.0	55.9
P/E (x)						59.5	73.7	57.3	42.0	34.5
EV/EBITDA(x)						47.3	55.8	45.8	31.1	25.0
RoE (%)						28.6	19.1	20.6	23.4	23.3

Source: Company, HSIE Research

Change in estimates

Y/E Mar	FY23E Old	FY23E New	% Ch	FY24E Old	FY24E New	% Ch
EBITDA (INR mn)	6,367	6,379	0.2	7,809	7,823	0.2
Adj. EPS (INR/sh)	44.3	46.0	3.9	53.7	55.9	4.1

Source: Company, HSIE Research

SELL

CMP *(as on 16 May 22)*	**INR 1,996**
Target Price	**INR 1,750**
NIFTY	**15,842**

KEY CHANGES	**OLD**	**NEW**
Rating	SELL	SELL
Price Target	INR 1,730	INR 1,750
EPS %	**FY23E**	**FY24E**
	+3.9%	+4.1%

KEY STOCK DATA	
Bloomberg code	VO IN
No. of Shares (mn)	103
MCap (INR bn) / ($ mn)	205/2,757
6m avg traded value (INR mn)	102
52 Week high / low	INR 2,290/1,674

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	3.3	1.3	18.8
Relative (%)	11.9	13.5	10.1

SHAREHOLDING PATTERN (%)	**Dec-21**	**Mar-22**
Promoters	74.06	74.06
FIs & Local MFs	7.54	7.85
FPIs	4.53	4.58
Public & Others	13.87	13.51
Pledged Shares	0.00	0.00

Source: BSE

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Kalpataru Power Transmission

In-line performance

Kalpataru Power (KPTL) reported revenue/EBITDA/APAT of INR 20/1.7/0.87bn, with in-line revenue and EBITDA and APAT beat. EBITDA margin shrunk both sequentially and annually to 8.5% on account of higher commodity prices and supply chain & logistics challenges, but was partly aided by INR 280mn of CTC provision reversal. KPTL secured new orders worth INR 81.5bn in FY22, taking the order book (OB) to INR 158bn. It is well on track to achieve standalone net cash status with net debt at INR 4.1bn (vs INR 5.5bn as on Dec-21). The pending cash flow to be realised from the Indore real estate project is INR 2.5bn, with INR 1.2bn expected in FY23. This shall help deleverage the balance sheet further. We maintain BUY with an SOTP TP of INR 476 (rollover to Mar-24E).

- **Q4FY22 financial highlights:** Revenue: INR 20bn (-14%/+8.8% YoY/QoQ, in line with estimate). EBITDA: INR 1.7bn (-30%/+2% YoY/QoQ, beat by 21%). EBITDA margin, at 8.5% (-189/-58bps YoY/QoQ, vs estimate of 7.1%), was lower due to higher commodity prices and freight cost, but was aided by INR 280mn CTC provisioning reversal. As in Q4FY22, KPTL expects supply chain and logistics challenges to continue in Q1FY23. Interest cost: INR 300mn (+7.1%/-6.3% YoY/QoQ). RPAT/APAT was at INR 870mn (-33%/-71% YoY/QoQ, a 12% beat). For FY23, revenue is guided to grow by 10-15% YoY, with EBITDA margin expected at ~9%. Both the international subsidiaries, Linjemontage and Fastell, are expected to grow 5-10% in FY23 with high single-digit EBITDA margins.
- **Robust OB:** Order inflow in Q4FY22 was INR 46bn, taking the OB to INR 158bn (~2.3x FY22 revenue and includes Linjemontage and Fasttel orders). Shares of T&D/railways/O&G in OB are at 71/17/12%. L1 order book stood at INR 15bn. 63% of the order book is comprised of international orders. Q4FY22 saw a large-sized order of INR 32bn from Chile with execution period of 5-6 years. KPTL expects less than 10% of the revenue inflow in the first 18 months as it will be an engineering design phase. With the visibility on T&D improving significantly over the last few months and OI of INR 16bn in FY23TD, the order inflow in FY23 is expected at INR 100-110bn.
- **Nearing net cash status:** Net debt was down to INR 4.1bn, as of Mar-22 (vs INR 5.5bn as on Dec-21). KPTL has sold ~60% of the total saleable area in Indore real estate project, with INR 2.5bn of pending cash flows to be realised and INR 1.25bn expected in FY23. With the unfavourable dynamics in warehousing, Shubham logistics divestment is not in KPTLs priority and divestment is not expected in FY23/24. KPTL has guided that the promoter pledging is expected to come down starting Q2FY23.

Standalone financial summary

(INR mn)	Q4FY22	Q4FY21	YoY (%)	Q3FY22	QoQ (%)	FY21	FY22	FY23E	FY24E
Net Revenues	20,100	23,370	(14.0)	18,480	8.8	76,710	70,620	74,687	82,548
EBITDA	1,710	2,430	(29.6)	1,680	1.8	8,080	6,530	6,526	7,799
APAT	870	1,300	(33.1)	3,150	(72.4)	4,961	3,779	3,563	4,466
Diluted EPS(INR)	5.8	8.7	(33.1)	21.2	(72.4)	33.3	25.4	23.9	30.0
P/E (x)	20,100	23,370	(14.0)	18,480	8.8	10.3	13.5	14.3	11.4
EV/EBITDA (x)						7.3	8.4	7.7	5.9
RoE (%)						13.4	9.2	7.9	9.1

Source: Company, HSIE Research

BUY

CMP *(as on 16 May 22)*	INR 342
Target Price	INR 476
NIFTY	15,842

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 489	INR 476
EPS %	FY23E	FY24E
	-	-

KEY STOCK DATA	
Bloomberg code	KPP IN
No. of Shares (mn)	149
MCap (INR bn) / ($ mn)	51/685
6m avg traded value (INR mn)	129
52 Week high / low	INR 496/332

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(12.8)	(17.9)	(10.8)
Relative (%)	(4.1)	(5.7)	(19.5)

SHAREHOLDING PATTERN (%)	Dec-21	Mar-22
Promoters	51.58	51.58
FIs & Local MFs	34.19	35.79
FPIs	5.70	5.31
Public & Others	8.53	7.32
Pledged Shares	25.79	26.74

Source: BSE

Pledge share as a % of total shares

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Neogen Chemicals

Capacity expansion - a growth lever

Our BUY recommendation on Neogen Chemicals (NCL) with a target price of INR 1,900/sh is premised on (1) increasing contribution of the high-margin CSM business to revenue, (2) entry into the new-age electrolyte manufacturing business, (3) capacity-led expansion growth opportunity, (4) constant focus on R&D, and (5) improving return ratios and strong balance sheet, going forward. Q4 EBITDA/APAT were 6/7% above our estimates, owing to a 30% rise in revenue and lower-than-expected tax outgo, but were offset by higher-than-expected raw material cost and other expenses.

- **Financial performance:** Revenue grew 69/18% YoY/QoQ to INR 1,568mn, with growth led by capacity expansion initiatives, combined with realisation gains for select products. EBITDA grew by 44/12% YoY/QoQ to INR 266mn. EBITDA margin came in at 17% (-299/-97bps YoY/QoQ), owing to significant volatility in the prices of raw materials linked to lithium, which are generally passed on to the customers with a time lag. APAT grew 67/49% YoY/QoQ to INR 156mn; its growth was bolstered by lower effective tax rate, owing to higher contribution from the company's SEZ facility.
- **Segmental information:** Organic chemicals (63% of revenue) grew 38% YoY to INR 990mn. Inorganic chemicals (37%) grew 176% YoY to INR 580mn.
- **Capex:** The Board has announced a Capex of INR 1.5bn in Dahej to (1) expand its manufacturing capacity of speciality organic chemicals by 60,000 litres; (2) increase the capacity to manufacture inorganic salts from 1,200MT to 2,400MT in its existing inorganic MPP (total inorganic chemicals' capacity post expansion shall be 3,600MT); (3) set up a 400MTPA capacity in its existing inorganic MPP to manufacture speciality lithium salts and additives used in electrolyte manufacturing; (4) Dahej site development. This Capex has a peak revenue potential of INR 2.5-3bn per annum.
- **Change in estimates:** We cut our FY23/24 EPS estimates by 6.1/2.7% to INR 24.8/37.8 to account for higher finance cost.
- **DCF-based valuation: Our target price is INR 1,900 (WACC 11%, terminal growth 5.5%). The stock is currently trading at 36.5x FY24E EPS.**

Financial summary (consolidated)

INR mn	Q4 FY22	Q3 FY22	QoQ (%)	Q4 FY21	YoY (%)	FY20	FY21	FY22P	FY23E	FY24E
Net Sales	1,568	1,326	*18.2*	927	*69.2*	3,061	3,364	4,873	5,645	7,612
EBITDA	266	238	*11.8*	185	*43.8*	581	644	866	1,210	1,728
APAT	156	105	*48.6*	93	*66.9*	287	313	446	620	942
AEPS (INR)	6.2	4.2	*48.6*	3.7	*66.9*	11.5	12.6	17.9	24.8	37.8
P/E (x)						120.2	109.9	77.2	55.6	36.5
EV/EBITDA(x)						61.7	56.9	41.5	30.8	22.0
RoE (%)						25.3	18.5	14.3	13.3	17.6

Source: Company, HSIE Research

Change in estimates (consolidated)

Y/E Mar	FY23E Old	FY23E New	% Ch	FY24E Old	FY24E New	% Ch
EBITDA (INR mn)	1,135	1,210	*6.6%*	1,641	1,728	*5.3%*
Adj. EPS (INR/sh)	26.5	24.8	*-6.1%*	38.8	37.8	*-2.7%*

Source: Company, HSIE Research

BUY

CMP (*as on 16 May 2022*)	**INR 1,385**
Target Price	**INR 1,900**
NIFTY	**15,842**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR 2,150	INR 1,900
EPS %	**FY23E**	**FY24E**
	-6.1%	-2.7%

KEY STOCK DATA	
Bloomberg code	NEOGEN IN
No. of Shares (mn)	25
MCap (INR bn) / ($ mn)	34/464
6m avg traded value (INR mn)	154
52 Week high / low	INR 1,934/794

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	(4.7)	4.0	58.7
Relative (%)	3.9	16.2	49.9

SHAREHOLDING PATTERN (%)	**Jan-22**	**Mar-22**
Promoters	60.19	60.19
FIs & Local MFs	18.48	18.64
FPIs	4.42	4.36
Public & Others	16.91	16.81
Pledged Shares	0.00	0.00

Source: BSE

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JMC Projects

Execution recovery awaited

JMC Projects (JMC) reported revenue/EBITDA/APAT of INR 15.6/1.3/0.6bn, beat at all levels (13.2/4/26% beat). The EBITDA margin was muted at 8.5%, affected by high commodity prices and supply chain issues. Wainganga Expressway restructuring has got delayed and is now expected by H1FY23, as consent from majority of lenders has been received. Vindhyachal asset refinancing is expected to be completed by H1FY23. The loss funding requirement for these assets, including Agra-Aligarh, is INR 700-800mn. The FY22 order inflow (OI) was at INR 101bn, taking the order book (OB) to INR 171bn. We maintain BUY with a revised target price of INR 142 (11x Mar-24E EPS). We cut our FY23/24 EPS estimate by (10.9)/(17.2)% to factor in elevated commodity prices.

- **Q4FY22 financial highlights:** Revenue: INR 15.6bn (+15.6%/+15.7% YoY/QoQ, a 13.2% beat). EBITDA: 1.3bn (-2.5%/+8.3% YoY/QoQ, a 4% beat). EBITDA margin: 8.5% (-157/-58bps YoY/QoQ, vs 9.2% estimate). Interest cost: INR 338mn (+21%/+6% YoY/QoQ). RPAT/APAT: INR 575mn (-4.3%/+24% YoY/QoQ, 26% beat). JMC has guided for FY23 revenue growth of 20% YoY, with EBITDA margin at around 9%, given high commodity inflation and supply chain and logistics challenges. This revenue guidance, however, seems conservative from JMC standard, given its execution capability, size of the OB, and past record of overachieving guidance.
- **Robust order inflows and OB:** JMC received orders worth INR 1.6bn in Q4, taking the OB (ex INR 27bn L1 orders) to INR 171bn (~3.2x FY22 revenue). Of the total OB, INR 70bn is water projects (70% which is bought out projects). ~70% of the OB is covered by price escalation clauses. FY23TD OI stands at INR 22bn. It registered OI of INR 101bn in FY22, falling short of its target of INR 120bn. JMC has given an OI guidance of INR 100-110bn for FY23.
- **Balance sheet cleaning underway:** Standalone net debt increased marginally to INR 6.4bn, up from INR 6bn as of Dec-21. Wainganga Expressway restructuring has been delayed and is now expected by H1FY23, with consent from majority of lenders already in place. Vindhyachal asset refinancing has also been initiated. The sustenance revenue level of these assets including Agra-Aligarh project is INR 6.6mn/day. Currently, it is INR 5.7mn/day. The loss funding requirement for the portfolio is INR 700-800mn (including ~INR 250mn of major maintenance obligation in Q1FY23 and financial impact of delay in WEPL restructuring). If revenue run rate reaches INR 6.6mn/day, the loss funding requirement will come down to 150-200mn.

Standalone financial summary

(INR mn)	Q4FY22	Q4FY21	YoY (%)	Q3FY22	QoQ (%)	FY21	FY22	FY23E	FY24E
Net Revenues	15,596	13,486	15.6	13,483	15.7	36,888	53,529	57,882	65,231
EBITDA	1,319	1,352	(2.5)	1,218	8.3	3,315	4,207	5,094	6,001
APAT	575	601	(4.3)	464	24.0	711	1,094	1,809	2,167
Diluted EPS(INR)	3.4	3.6	(4.3)	2.8	24.0	4.2	6.5	10.8	12.9
P/E (x)						23.1	15.0	9.1	7.6
EV/EBITDA (x)						6.7	5.7	4.7	3.8
RoE (%)						7.2	11.5	19.5	20.3

Estimate change summary (standalone)

(INR mn)	FY23E			FY24E		
	New	Old	% chg.	New	Old	% chg.
Revenues	57,882	57,882	0.0	65,231	65,231	0.0
EBIDTA	5,094	5,557	(8.3)	6,001	6,523	(8.0)
EBIDTA Margins (%)	8.8	9.6	(80.0)	9.2	10.0	(80.0)
APAT	1,809	2,031	(10.9)	2,167	2,617	(17.2)

Source: Company, HSIE Research

BUY

CMP *(as on 16 May 22)*	INR 75
Target Price	INR 142
NIFTY	15,842

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 162	INR 142
EPS %	FY23E	FY24E
	-10.9	*-17.2*

KEY STOCK DATA	
Bloomberg code	JMCP IN
No. of Shares (mn)	168
MCap (INR bn) / ($ mn)	13/170
6m avg traded value (INR mn)	22
52 Week high / low	INR 130/65

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(21.9)	(25.1)	(22.2)
Relative (%)	(13.3)	(12.9)	(30.9)

SHAREHOLDING PATTERN (%)	Dec-21	Mar-22
Promoters	67.75	67.75
FIs & Local MFs	17.30	19.37
FPIs	1.05	1.00
Public & Others	13.90	11.88
Pledged Shares	-	-

Source: BSE

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Rating Criteria

BUY: >+15% return potential

ADD: +5% to +15% return potential

REDUCE: -10% to +5% return potential

SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Jay Gandhi	Avenue Supermarts, Relaxo Footwears	MBA	NO
Premraj Survase	Avenue Supermarts, Relaxo Footwears	MBA	NO
Nilesh Ghuge	Vinati Organics, Neogen Chemicals	MMS	NO
Harshad Katkar	Vinati Organics, Neogen Chemicals	MBA	NO
Rutvi Chokshi	Vinati Organics, Neogen Chemicals	CA	NO
Akshay Mane	Vinati Organics, Neogen Chemicals	PGDM	NO
Parikshit Kandpal	Kalpataru Power Transmission, JMC Projects	CFA	NO
Manoj Rawat	Kalpataru Power Transmission, JMC Projects	MBA	NO
Nikhil Kanodia	Kalpataru Power Transmission, JMC Projects	MBA	NO

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