INSTITUTIONAL RESEARCH

HSIE Results Daily

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Results Reviews

- **Indian Oil Corporation:** Our ADD rating on Indian Oil Corporation (IOCL), with a target price of INR 84, is premised on (1) recovery in domestic demand for petroleum products; (2) improvement in refining margins for FY23/24/25; and (3) gradual improvement in marketing margins over FY24-25.
- **Godrej Consumers:** GCPL's consolidated revenue grew 9% YoY, with domestic/international clocking 11/7% YoY growth (10/8% three-year CAGR). The India business continued to be led by a high share of price hike (8% YoY), with volume growth coming in at 3% YoY. Home care growth was at 10/3% YoY for Q3/9MFY23; the company is focusing on expanding the market through new launches/formats. Personal care growth was at 14/19% YoY during Q3/9MFY23 and the price hike in personal wash supported the growth. The company has seen share gains in personal wash & hygiene. Indonesia remained weak with revenues down by 3% cc YoY (green shoots of macro recovery). GUAM sustained strong 23% cc growth, backed by growth in Africa. GM recovery was strong at 48/328bps YoY/QoQ, with the India business margin improving by 250/580bps. Consolidated EBITDA margin was up by 16/440bps YoY/QoQ to 21%. EBITDA grew by 10% (positive after five quarters), better than our expectation of 7%. We continue to believe that revenue recovery will be gradual but margin recovery will be faster. We maintain our EPS estimates. We value the stock at 37x on Dec-24 EPS to derive a TP of INR 900. We maintain ADD.
- **Bharat Petroleum Corporation:** Our BUY rating on Bharat Petroleum (BPCL), with a target price of INR 395, is premised on (1) recovery in domestic demand for petroleum products; (2) improvement in refining margins over the coming 18 months; and (3) gradual recovery in marketing margins. Q3FY23 EBITDA stood at INR 42bn, while APAT was at INR 20bn, came in above our estimates, supported by a better-than-expected performance from the marketing segment. Reported GRMs were at USD 15.9/bbl (+USD 6.2/bbl YoY, -USD 0.9/bbl QoQ).
- **SRF:** We retain our ADD rating on SRF, with a target price of INR 2,495 on the back of (1) the continued healthy performance of the speciality chemicals business; (2) a strong balance sheet; and (3) deployment of capex for high-growth speciality chemicals business over the next 3-4 years to tap opportunities emerging from the agrochemical and pharma industries. EBITDA/APAT were 6/6% below our estimates, owing to a 13% fall in revenue, higher-than-expected other expenses and finance costs, offset by lower-than-expected raw material costs and lower-than-expected tax outgo.
- **GAIL:** Our BUY recommendation on GAIL with a target price of INR 110 is based on expansion in gas transmission volume over FY22-25E to 129mmscmd on the back of (1) an increase in domestic gas production and (2) completion of major pipelines in eastern and southern India. Q3FY23 EBITDA/APAT, at INR 3/2bn, came in below our estimates, impacted by lower transmission and marketing volumes, weak petchem production, high interest costs, and inventory loss of INR 11bn.
- **Indian Hotels:** IHCL's Q3FY23 numbers beat expectations on all fronts, registering record earnings. Q3 revenue grew 58% YoY to INR16.9bn, led by increased occupancy (68%) and ARR (+30% vs Q3FY20) leading to strong

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RevPAR growth (+29% vs Q3FY20). The increase in ARR was driven by strong demand, aided by the ongoing wedding season, vacation travel, increased corporate & MICE-driven travel and the G-20 presidency. IHCL group's EBITDA margin increased 647 bps YoY to 35%, the highest for any quarter, led by a material dip in operating expenses and employee cost as a % of revenue. Management reiterated the strong growth momentum will continue, led by green shoots of recovery in international business, increase in bleisure travel, and continued uptrend in wedding, corporate and MICE business, which will continue to benefit the company in the coming quarters. Given the strong demand in the industry and supply trailing the same, we expect IHCL to report strong numbers, going ahead. We maintain our ADD recommendation with an unchanged FY25 EV/EBITDA multiple of 22x and an INR-based TP of INR345/share.

- **ACC:** We maintain BUY on ACC, with a TP of INR 2,630/share (13x its Mar-25E consolidated EBITDA), owing to its attractive valuation. ACC margin recovered INR 460/MT QoQ to INR 479 per MT due to realisation recovery (INR 100 per MT) and opex cool-off (INR 360 per MT). The integrated plant at Ametha in MP is delayed by a year to Q2FY24. The upcoming expansion in the central market will boost its volume growth visibility from H2FY24 onwards. ACC is also increasing its green power/fuel mix to mitigate the impact of rising fuel costs.

- **Star Health and Allied Insurance:** STARHEAL printed a soft NEP growth (+15% YoY, in line with estimates), impacted by the unwinding of the high claims-ratio group business. Loss ratios clocked a positive surprise at 63.7% (-445bps QoQ, -285bps vs. estimate), driving COR to 94.8%. With a 25% price hike in its flagship Family Health Optima (50% of the retail mix) and tighter underwriting and claims review process, we expect a structural improvement in loss ratios (~64-65% over the next three years). STARHEAL is the largest standalone health insurer (retail GDPI market share at 33% for 9MFY23), anchored on an extremely strong distribution network, retail-dominated business mix and best-in-class opex ratios. We upgrade our earnings for FY23E/24E/25E to factor in better loss ratios. We expect STARHEAL to deliver revenue/APAT CAGRs of 21%/26% and RoEs in the range of 14.7-16.8% over FY23-FY25E and maintain a BUY with an unchanged target price of INR795 (DCF derived multiple at 44x Sep24E AEPS and 6.8x Sep24E P/ABV).

- **Max Financial:** MAXL posted a massive beat on VNB (+44% vs. estimate) at INR3.73bn (+50% YoY) despite a 5% YoY degrowth in total APE, driven by sharp improvement in VNB margins to 39.3% (+795bps QoQ). While we are reassured by the sharp uptick in the NPAR savings business mix at 56%, management expects this to mean-revert towards 40-45% levels. We flag any further dip in MAXL's wallet share in the AXSB banca channel (Q3FY23: 70%) as a business concern. We tweak our estimates marginally for FY23E-24E to factor in higher margins offset by weak APE growth and expect APE/VNB CAGRs of 12/13% and operating RoEVs in the range of 20-21% over FY23-25E. We retain ADD with a TP of INR1,035 (Sep-24E EV + 12.7x Sep-23E VNB less 10% discount for growth uncertainties).

- **TTK Prestige:** TTK Prestige's Q3FY23 revenue contracted by 9% YoY and the pressure is seen across all products. We were anticipating weak growth (3% YoY), owing to the shift in festive benefits in Q2, soft demand, and heavy base (robust FY22 and H1FY23). But deceleration was higher than expected; Q2+Q3 combined (to normalise change in the festive period) were down 4% YoY. Cookers/cookware/appliances revenues clocked -10/-14/-7% YoY growth while three-year CAGRs were +9/+8/+4%. GM saw marginal sequential improvement but was down 200bps YoY to 40%. Operating deleverage further impacted the EBITDA margin, which was down 550/200bps YoY/QoQ to 12% (the lowest in six quarters). EBITDA contracted by 38% YoY. TTK has enjoyed home improvement and a new housing theme, clocking 25% and 21% YoY growth in FY22 and H1FY23. We were expecting the deceleration in growth trajectory (rising competition, weak demand for the mid-economy segment, heavy base), a key reason for our downgrade earlier. We cut our FY23/24/25 EPS by 7/3/3% each. We value the stock on 32x Dec-24 EPS to derive a TP of INR 800. We maintain the REDUCE rating.

- **Orient Electric:** Orient Electric's performance was a mixed bag—a miss on revenue but a beat in gross margin. The fan industry is undergoing a BEE rating change (implemented from 1 Jan 2023); hence, non-rated fans have seen pre-buying by channel partners. However, the pre-buying was slower than our estimate. ECD growth in Q3 for Orient was at 12% YoY (fans clocked 15%) as compared to Havells clocking 5% (no presence in the economy segment). However, ECD growth in 9MFY23 for Orient was 6%, as compared to Havells' 16%. Fan rating change is resulting in a mid-single-digit realisation increase (higher increase for Star-1 and Star-2); hence, fan growth should be healthy in FY24 (do not expect any meaningful impact on volume due to rating change). Lighting & switchgear was muted at 2% YoY growth. GM saw 100/200bps YoY/QoQ improvement to 28.6% (beat, lower discounting impact on slower pre-buying). Higher upfront expenses (employee hiring, distribution revamp, consultant fee, etc.) impacted the EBITDA margin, which contracted by >200bps YoY to 7.4%. These expenses are largely operational and will continue to impact the EBITDA margin, leading to a cut in our EPS by 6/3% for FY23/24. We value the stock on 30x Dec-24 EPS to arrive at a TP of INR 275. Maintain REDUCE.

- **Greenpanel Industries:** We maintain our BUY rating on Greenpanel Industries, with an unchanged target price of INR 430/share (12/20x its Mar'25E consolidated EBITDA/APAT) We like Greenpanel for its leadership positioning in the high-growth MDF segment, superior margin, and working capital profile (most efficient among peers). Greenpanel's MDF sales volume fell 2% YoY, amidst rising imports in India and weak demand in the US/Europe. The sharp fall in MDF exports realisation, weakness in the ply segment and forex loss led to consolidated revenue/EBITDA/APAT declining by 1/17/41% YoY. Even on a high base of FY22, we estimate that Greenpanel will deliver 11% MDF volume CAGR until FY25E, maintaining its industry lead.

Indian Oil Corporation

Weak earnings

ADD

Our ADD rating on Indian Oil Corporation (IOCL), with a target price of INR 84, is premised on (1) recovery in domestic demand for petroleum products; (2) improvement in refining margins for FY23/24/25; and (3) gradual improvement in marketing margins over FY24-25.

- IOCL's reported EBITDA stood at INR 36bn (-64% YoY, +83% QoQ), while the APAT stood at INR 4.5bn, coming in well below our estimate. The weaker-than-expected performance from the marketing segment and likely higher inventory losses drove the weakness, partially offset by the better-than-expected reported GRM of USD 12.9/bbl (HSIE: USD 9.5/bbl).
- **Refining:** Crude throughput in Q3 stood at 18.2mmt (+5% YoY and +13% QoQ), implying capacity utilisation of 103.1%. Reported GRM stood at USD 12.9/bbl vs USD 18.5/bbl in Q2FY23 and USD 12/bbl in Q3FY22. Our derived refining EBITDA, at INR 158bn, grew +2.1x YoY, +8% QoQ due to higher throughput and improvement in GRMs. We estimate core GRMs for IOCL at USD 11/10/10.3 per bbl in FY23/24/25E.
- **Marketing:** Domestic marketing sales volume stood at 21.6mmt (+13% YoY), while exports were at 1.1mmt (-27% YoY). Marketing segment performance was impacted by lower derived marketing margins and likely higher-than-expected inventory loss. We expect a blended gross margin of INR 2.4/3/3.1 per litre in FY23/24/25E.
- **Updates**: (1) IOCL's gross debt, as of Dec-22-end, stood at INR 1,440bn, (+63% YoY, +3% QoQ). (2) A forex loss of INR 17bn was reported in Q3.
- **Change in estimates**: We cut our FY23 EPS estimates by 9.5% to INR 10.2 to factor in the lower marketing margin and higher other expenses, partially offset by a higher GRM assumption. However, we revise upwards our FY24/25 EPS estimates by 8.5/8.1% to 14.1/15.2 to factor in the higher GRMs. Our revised target price is at INR 84/sh.
- **Our SOTP target, at INR 84/sh, is based on 5x Mar-24E EV/e for standalone refining and petchem businesses, 6x Mar-24E EV/e for marketing business and pipeline business respectively, and INR 23/sh for other investments. The stock is currently trading at 5.8x on FY24E EPS. Maintain ADD.**

Standalone financial summary

YE March (INR bn)	Q3 FY23	Q2 FY23	QoQ (%)	Q3 FY22	YoY (%)	FY21*	FY22*	FY23*	FY24E*	FY25E*
Revenue	2,047	2,075	(1.3)	1,668	22.8	3,639	5,893	7,781	7,407	7,724
EBITDA	36	20	83.3	99	(63.6)	417	475	338	408	427
APAT	4	(3)	264.5	59	(92.4)	228	250	141	195	209
AEPS (INR)	0.3	(0.2)	264.5	4.3	(92.4)	15.7	18.4	10.2	14.1	15.2
P/E (x)						5.2	4.5	8.0	5.8	5.4
EV / EBITDA (x)						5.0	4.6	6.4	5.5	5.4
RoE (%)						22.0	20.4	10.1	12.9	12.9

Source: Company, HSIE Research | *Consolidated

Change in estimates (consolidated)

	FY23E			FY24E			FY25E		
	Old	New	Ch%	Old	New	Ch%	Old	New	Ch%
AEPS (INR/sh)	11.3	10.2	(9.5)	13.0	14.1	8.5	14.0	15.2	8.1

Source: Company, HSIE Research

CMP *(as on 31 Jan 2023)*	INR 82
Target Price	INR 84
NIFTY	17,662

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 76	INR 84
	FY23E	FY24E
EPS change	-9.5%	+8.5%

KEY STOCK DATA	
Bloomberg code	IOCL IN
No. of Shares (mn)	14,121
MCap (INR bn) / ($ mn)	1,154/14,087
6m avg traded value (INR mn)	1,177
52 Week high / low	INR 91/65

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	19.8	12.1	(2.1)
Relative (%)	21.8	8.6	(4.7)

SHAREHOLDING PATTERN (%)	Sep-22	Dec-22
Promoters	51.50	51.50
FIs & Local MFs	11.38	11.68
FPIs	7.22	7.01
Public & Others	29.90	29.81
Pledged Shares	0.0	0.0

Source : BSE

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Godrej Consumers

Margin recovery to sustain

GCPL's consolidated revenue grew 9% YoY, with domestic/international clocking 11/7% YoY growth (10/8% three-year CAGR). The India business continued to be led by a high share of price hike (8% YoY), with volume growth coming in at 3% YoY. Home care growth was at 10/3% YoY for Q3/9MFY23; the company is focusing on expanding the market through new launches/formats. Personal care growth was at 14/19% YoY during Q3/9MFY23 and the price hike in personal wash supported the growth. The company has seen share gains in personal wash & hygiene. Indonesia remained weak with revenues down by 3% cc YoY (green shoots of macro recovery). GUAM sustained strong 23% cc growth, backed by growth in Africa. GM recovery was strong at 48/328bps YoY/QoQ, with the India business margin improving by 250/580bps. Consolidated EBITDA margin was up by 16/440bps YoY/QoQ to 21%. EBITDA grew by 10% (positive after five quarters), better than our expectation of 7%. We continue to believe that revenue recovery will be gradual but margin recovery will be faster. We maintain our EPS estimates. We value the stock at 37x on Dec-24 EPS to derive a TP of INR 900. We maintain ADD.

- **Price-led domestic growth:** Consolidated revenue was up 9% YoY (8% in Q3FY22, 7% in Q2FY23, 10% HSIE). Domestic growth was 11% YoY (8% in Q3FY22, 8% in Q2FY23; 13% HSIE). International grew 7% YoY (9% in Q3FY22, 6% in Q2FY23; 8% HSIE). Domestic volume growth was at 3% (flat Q3FY22, -5% Q2FY23, HSIE 4%). Home care growth improved vs. a weak show in H1FY23; the company continues to focus on market expansion by driving penetration and up-trade theme. Personal wash and hair colour both delivered double-digit growth. Price cuts in soaps will start impacting personal wash growth. We model 8% domestic revenue CAGR for FY23-25.
- **Gradual recovery in Indonesia, GUAM sustaining strong growth**: Indonesia sustained revenue contraction and registered a 3% cc decline. With improving macro for Indonesia, we expect a gradual recovery in the growth trajectory. GUAM sustained strong growth, delivering 23% cc growth. We model a 9% revenue CAGR for FY23-25.
- **Strong GM recovery in India business:** India business GM expanded by 248/582bps YoY/QoQ to 54%, after seeing 11 quarters of margin contraction. Domestic GM was ~60% prior to COVID-19; sustained RM inflation impacted the margin severely. Global macro is keeping the uncertainty on the commodity basket but the recent correction gives us confidence in GM is sustaining at ~54-55% for FY24/FY25. Consolidated EBITDA margin was at 21% up 16/440bps YoY/QoQ. EBITDA margin for Indonesia/GUAM/Others came in at 20/13/5% vs. 21/15/13% in Q3FY22. Consolidated EBITDA grew by 10%. We model ~21% EBITDA margin for FY24/FY25.
- **Con call takeaways**: (1) New launch in HI will drive penetration and up-trade burning format HHs. (2) Liquid HI has healthy penetration in urban but is very low in the rural market. (3) Indonesia's macro is improving; expect gradual recovery. (3) Softening in RM, GM is expected to expand in the coming quarters. (4) Tax rate in India will reach ~25% in FY25.

Quarterly/annual financial summary

YE Mar (INR mn)	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	FY22	FY23E	FY24E	FY25E
Net Sales	35,989	33,026	9.0	33,919	6.1	1,22,765	1,34,388	1,45,656	1,58,428
EBITDA	7,675	6,991	9.8	5,742	33.7	23,951	25,361	30,376	33,969
APAT	5,528	4,995	10.7	3,662	51.0	17,017	17,723	22,575	25,706
Diluted EPS	5.4	4.9	10.7	3.6	51.0	16.6	17.3	22.1	25.1
P/E (x)						54.8	52.6	41.3	36.3
EV / EBITDA (x)						39.0	38.6	35.9	29.3
RoCE (%)						18.1	17.5	20.6	23.0

Source: Company Data, HSIE Research

ADD

CMP *(as on 31 Jan 2023)*	INR 912
Target Price	INR 900
NIFTY	17,662

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 900	INR 900
EPS %	FY23E	FY24E
	0%	0%

KEY STOCK DATA	
Bloomberg code	GCPL IN
No. of Shares (mn)	1,023
MCap (INR bn) / ($ mn)	934/11,397
6m avg traded value (INR mn)	1,099
52 Week high / low	INR 956/660

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	10.1	7.0	2.8
Relative (%)	12.1	3.5	0.2

SHAREHOLDING PATTERN (%)

	Sep-22	Dec-22
Promoters	63.22	63.21
FIs & Local MFs	6.05	6.74
FPIs	24.03	24.04
Public & Others	6.70	6.01
Pledged Shares	0.42	0.42

Source : BSE

Pledged shares as % of total shares

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Bharat Petroleum Corporation

Operationally strong

Our BUY rating on Bharat Petroleum (BPCL), with a target price of INR 395, is premised on (1) recovery in domestic demand for petroleum products; (2) improvement in refining margins over the coming 18 months; and (3) gradual recovery in marketing margins. Q3FY23 EBITDA stood at INR 42bn, while APAT was at INR 20bn, came in above our estimates, supported by a better-than-expected performance from the marketing segment. Reported GRMs were at USD 15.9/bbl (+USD 6.2/bbl YoY, -USD 0.9/bbl QoQ).

- **Refining:** BPCL's reported crude throughput, including the Bina refinery, was at 9.4mmt, +6% QoQ; however, it declined 5.5% YoY due to lower output from the Kochi refinery. The overall GRM stood at USD 15.9/bbl, with the Mumbai refinery GRM at USD 11.3/bbl, the Kochi refinery GRM at USD 14.6/bbl and the Bina refinery GRM at USD 26.9/bbl. We estimate GRM for FY23/24/25E at USD 10.5/9.3/9.3 per bbl for BPCL and USD 11.3/10/10 per bbl for the Bina refinery.
- **Marketing:** Domestic marketing sales volume was at 12.8mmt (+15% YoY, +12% QoQ). Blended gross margin stood at INR 0.1/lit in Q3, impacted by the pause in the revision of auto fuel retail prices and marketing inventory loss of INR 7.5bn. We expect a blended gross margin of INR 2.2/3/3.1 per lit in FY23/24/25E respectively.
- **Change in estimates:** We cut our FY23E EPS down by 7.1% to INR 24.2, to factor in lower marketing margins and higher other expenses, which is partially offset by a higher GRM assumption. However, we revise our FY24/25E EPS estimates upwards by 8.4/7.5% to INR 38.8/46 to factor in higher GRMs and higher marketing sales volume, delivering a revised TP of INR 395/sh.
- **SOTP-based valuation: Our target price comes to INR 395/sh (5x Mar-24E EV/e for standalone refining business, 6x Mar-24E EV/e for marketing business and pipeline businesses, and INR 166/sh for other investments). The stock is currently trading at 8.8x on FY24E EPS.**

Standalone financial summary

YE March (INR bn)	Q3 FY23	Q2 FY23	QoQ (%)	Q3 FY22	YoY (%)	FY21*	FY22*	FY23E*	FY24E*	FY25E*
Revenues	1,192	1,148	3.8	951	25.3	2,302	3,468	5,224	4,924	5,207
EBITDA	42	14	(195.3)	51	(16.3)	213	191	128	170	191
APAT	20	(3)	744.2	28	(30.7)	162	117	51	83	98
AEPS (INR)	9.2	(1.4)	744.2	13.3	(30.7)	75.9	54.9	24.2	38.8	46.0
P/E (x)						4.5	6.3	14.2	8.8	7.5
EV/EBITDA (x)						5.0	6.2	10.5	7.9	7.1
RoE (%)						35.9	22.2	9.8	14.6	15.3

Source: Company, HSIE Research | *Consolidated

Change in estimates (consolidated)

	FY23E			FY24E			FY25E		
	Old	New	Ch%	Old	New	Ch%	Old	New	Ch%
EBITDA (INR bn)	133	128	(3.7)	162	170	4.9	182	191	4.6
AEPS (INR/sh)	26.0	24.2	(7.1)	35.8	38.8	8.4	42.8	46.0	7.5

Source: Company, HSIE Research

BUY

CMP *(as on 31 Jan 2023)*	INR 343
Target Price	INR 395
NIFTY	17,662

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 365	INR 395
EPS %	FY23E	FY24E
	-7.1%	+8.4%

KEY STOCK DATA	
Bloomberg code	BPCL IN
No. of Shares (mn)	2,169
MCap (INR bn) / ($ mn)	745/9,086
6m avg traded value (INR mn)	1,174
52 Week high / low	INR 400/288

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	13.0	3.9	(13.5)
Relative (%)	15.0	0.5	(16.2)

SHAREHOLDING PATTERN (%)	Sep-22	Dec-22
Promoters	52.98	52.98
FIs & Local MFs	22.33	23.05
FPIs	12.47	12.53
Public & Others	12.22	11.44
Pledged Shares	0.00	0.00

Source: BSE

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SRF

Continued investments in Capex

ADD

We retain our ADD rating on SRF, with a target price of INR 2,495 on the back of (1) the continued healthy performance of the speciality chemicals business; (2) a strong balance sheet; and (3) deployment of capex for high-growth speciality chemicals business over the next 3-4 years to tap opportunities emerging from the agrochemical and pharma industries. EBITDA/APAT were 6/6% below our estimates, owing to a 13% fall in revenue, higher-than-expected other expenses and finance costs, offset by lower-than-expected raw material costs and lower-than-expected tax outgo.

- **Chemicals business (CB):** Revenue/EBIT grew 23/35% YoY to INR 18/6bn. The speciality chemicals business performed exceedingly well on account of strong demand for key products and their derivatives from the overseas markets and higher capacity utilisation. The fluorochemicals business performed well, owing to higher prices of key refrigerant products in critical international markets and increased domestic volumes of HFCs and blends.
- **Packaging films business (PFB)**: Revenue/EBIT fell 6/53% YoY to INR 12/1bn. PFB faced headwinds on account of significant supply addition in BOPET and BOPP film segments in India, global demand slowdown, and steep energy costs in Europe.
- **Technical textiles business (TTB)**: Revenue/EBIT fell 21/70% YoY to INR 4/0.3bn, owing to the subdued demand for nylon tyre cord fabrics (NTCF) and polyester industrial yarn.
- **Capex:** The Board has approved a project to set up a range of speciality fluoropolymers at Dahej at a cost of INR ~6bn, which is expected to be commissioned in 24 months. The Board has also approved a project to set up a new dedicated facility to produce an agrochemical intermediate at Dahej at a cost of INR ~1bn, which is expected to be commissioned in 10 months.
- **Change in estimates:** We cut our FY23/24/25 EPS estimates by 11.0/2.5/0.4% to INR 69.1/88.5/105.7 to account for subdued demand in PFB and TTB, the higher interest cost, and to factor in the 9MFY23 performance.
- **DCF-based valuation: Our target price is INR 2,495 (WACC 11%, terminal growth 5.5%). The stock is trading at 24.7x FY24E EPS.**

Financial summary (consolidated)

INR mn	Q3FY23	Q2FY23	QoQ (%)	Q3FY22	YoY (%)	FY21	FY22	FY23E	FY24E	FY25E
Net Sales	34,697	37,278	*(6.9)*	33,459	*3.7*	82,954	1,23,128	1,44,436	1,63,667	1,85,133
EBITDA	8,486	8,052	*5.4*	8,479	*0.1*	21,333	31,032	34,631	42,459	50,302
APAT	5,109	4,810	*6.2*	5,055	*1.1*	11,635	18,285	20,470	26,227	31,329
AEPS (INR)	17.2	16.2	*6.2*	17.1	*1.1*	39.3	61.7	69.1	88.5	105.7
P/E (x)						55.6	35.4	31.6	24.7	20.7
EV/EBITDA(x)						31.4	21.7	19.7	16.2	13.5
RoE (%)						19.7	23.7	21.8	23.3	23.0

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)	37,922	34,631	(8.7)	43,950	42,459	(3.4)	51,113	50,302	(1.6)
Adj. EPS (INR/sh)	77.6	69.1	(11.0)	90.7	88.5	(2.5)	106.1	105.7	(0.4)

Source: Company, HSIE Research

CMP *(as on 31 Jan 2023)*	INR 2,183
Target Price	INR 2,495
NIFTY	17,662

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 2,650	INR 2,495
EPS %	FY23E	FY24E
	-11.0%	-2.5%

KEY STOCK DATA	
Bloomberg code	SRF IN
No. of Shares (mn)	296
MCap (INR bn) / ($ mn)	647/7,894
6m avg traded value (INR mn)	1,520
52 Week high / low	INR 2,865/2,002

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(14.7)	(10.1)	(9.3)
Relative (%)	(12.7)	(13.6)	(12.0)

SHAREHOLDING PATTERN (%)	Sept-22	Dec-22
Promoters	50.53	50.53
FIs & Local MFs	14.03	14.85
FPIs	19.21	18.32
Public & Others	16.23	16.30
Pledged Shares	0.00	0.00

Source : BSE

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GAIL (India)

Inventory loss impacts earnings

BUY

CMP *(as on 31 Jan 2023)*	INR 95
Target Price	INR 110
NIFTY	17,662

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 110	INR 110
EPS change	FY23E	FY24E
	-9.6%	+1.3%

KEY STOCK DATA	
Bloomberg code	GAIL IN
No. of Shares (mn)	6,575
MCap (INR bn) / ($ mn)	626/7,634
6m avg traded value (INR mn)	1,382
52 Week high / low	INR 116/83

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	4.2	(2.6)	(1.1)
Relative (%)	6.2	(6.1)	(3.7)

SHAREHOLDING PATTERN (%)	Sep-22	Dec-22
Promoters	51.90	51.90
FIs & Local MFs	21.84	23.89
FPIs	19.79	18.04
Public & Others	6.47	6.17
Pledged Shares	0.0	0.0

Source : BSE

Our BUY recommendation on GAIL with a target price of INR 110 is based on expansion in gas transmission volume over FY22-25E to 129mmscmd on the back of (1) an increase in domestic gas production and (2) completion of major pipelines in eastern and southern India. Q3FY23 EBITDA/APAT, at INR 3/2bn, came in below our estimates, impacted by lower transmission and marketing volumes, weak petchem production, high interest costs, and inventory loss of INR 11bn.

- **NG marketing:** Q3 marketing volume stood at 90mmscmd (-7% YoY, -3% QoQ) and trading margin stood at INR 4/tscm (-99% QoQ). The operating profit came in at INR 30mn (-99% QoQ), impacted by the shortage in supply from Gazprom's Singapore entity and inventory loss of INR 11bn due to fluctuation in spot LNG price.
- **Petchem:** Revenue was reported at INR 8bn (-69% YoY, -45% QoQ), with sales volume at 65kT, (-70% YoY, -40% QoQ). Volume and revenue declined, owing to lower production and weak realisation of INR 115/kg (-8% QoQ), resulting in an operating loss of INR 2.1bn. We expect petchem production to remain muted, given the lower allocation of natural gas.
- **NG transmission:** Transmission segment volumes at 103.7mmscmd (-9% YoY, -4% QoQ) came in below our estimates while transmission tariffs stood at INR 1,738/tscm (+26% YoY, +2% QoQ). EBITDA declined to INR 7.2bn (-42% YoY, -28% QoQ), owing to higher transmission expenses.
- **Key takeaways**: (1) The company has incurred a Capex of INR ~63bn in 9M; it aims to incur a Capex of INR 95bn in FY24. (2) GAIL's transmission volume declined due to supply disruption from Gazprom's Singapore entity. (3) It expects the Urja Ganga pipeline to be completed by Jun 2023.
- **Change in estimates:** We cut our FY23 EPS estimates by 9.6% to INR 12.5 to factor in weaker marketing margins and lower petchem volumes. However, we revise upwards our FY24/25 EPS estimates marginally by 1.3/0.1%. Our target price remains unchanged at INR 110/sh.
- **Our SOTP, at INR 110/sh, is based on 7x Mar-24E EV/e for the stable natural gas and LPG transmission business, 6x EV/e for the gas marketing business, 5x EV/e for the cyclical petchem and LPG/LHC business, INR 35 for investments. The stock is currently trading at 7.2x FY24E EPS.**

Standalone financial summary

YE March (INR bn)	Q3 FY23	Q2 FY23	*QoQ (%)*	Q3 FY22	*YoY (%)*	FY21*	FY22*	FY23E*	FY24E*	FY25E*
Revenue	354	385	(8.1)	258	37.2	574	928	1,433	1,169	1,215
EBITDA	3	18	(85.2)	42	(93.8)	72	152	110	118	114
APAT	2	15	(84.0)	33	(92.5)	61	123	82	87	85
AEPS (INR)	0.4	2.3	(84.0)	5.0	(92.5)	9.3	18.6	12.5	13.3	12.9
P/E (x)						10.2	5.1	7.6	7.2	7.4
EV / EBITDA (x)						9.5	4.6	6.3	5.6	5.5
RoE (%)						12.0	20.9	11.9	11.1	9.7

Source: Company, HSIE Research | *Consolidated

Change in estimates

	FY23E			FY24E			FY25E		
	Old	New	Ch%	Old	New	Ch%	Old	New	Ch%
EBITDA (INR bn)	122	110	(9.6)	117	118	1.3	114	114	0.1
AEPS (INR/sh)	13.8	12.5	(9.6)	13.1	13.3	1.3	12.9	12.9	0.1

Source: Company, HSIE Research

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Indian Hotels

Quality of earnings at its best; upcycle continues

ADD

IHCL's Q3FY23 numbers beat expectations on all fronts, registering record earnings. Q3 revenue grew 58% YoY to INR16.9bn, led by increased occupancy (68%) and ARR (+30% vs Q3FY20) leading to strong RevPAR growth (+29% vs Q3FY20). The increase in ARR was driven by strong demand, aided by the ongoing wedding season, vacation travel, increased corporate & MICE-driven travel and the G-20 presidency. IHCL group's EBITDA margin increased 647 bps YoY to 35%, the highest for any quarter, led by a material dip in operating expenses and employee cost as a % of revenue. Management reiterated the strong growth momentum will continue, led by green shoots of recovery in international business, increase in bleisure travel, and continued uptrend in wedding, corporate and MICE business, which will continue to benefit the company in the coming quarters. Given the strong demand in the industry and supply trailing the same, we expect IHCL to report strong numbers, going ahead. We maintain our ADD recommendation with an unchanged FY25 EV/EBITDA multiple of 22x and an INR-based TP of INR345/share.

- **Q3FY23 highlights:** Revenue grew 52% YoY to INR16.9bn, 8% above consensus. EBITDA increased significantly to INR5.9bn, (+86% YoY) and 103% above consensus. The economics of the company remains overwhelming as the ARR of the group grew 30%, from Q3FY20 level to INR10,565 at similar occupancy levels (68%). Accordingly, RevPAR grew 29%, from the Q3FY20 level to INR7,184. Finance cost came down to INR0.6bn (-55% YoY) and depreciation remained flat at INR1bn. Accordingly, the adj PAT after profit from JV and Associates increased 332% YoY to INR4bn, which was more than any year's annual PAT for the company.
- **Group performance**: The Non-Taj brand revenue share came in at 31% in Q3FY23 and contributed 23% to the group's EBITDA. Standalone occupancy and ARR for the quarter were 72% (73% in Q3FY20) and INR15,456 (INR12,336 in Q3FY20) respectively. Ginger printed INR8.2bn revenue (+39% from Q3FY20), with a 39% EBITDA margin at 61% occupancy. The company is targeting a 50% lean luxe model and 18 Qmins in Ginger by Mar 2023. Ama Stays and Trails increased its portfolio to 108 properties in Q3FY23. Managed hotels share increased to 48% (39% in Q3FY20) and management fee increased 86% YoY to INR1.2bn in Q3FY23. Chambers membership grew to 2550+ with 150 new members added in Q3. International hotels also matched their pre-COVID level.
- **Outlook:** IHCL signed 11 new hotels and opened six new hotels during Q3FY23. IHCL aims to add more than 40 hotels by FY25, which will include 70% managed hotels. IHCL is strongly placed to benefit from the healthy demand and limited upcoming supply trend, as the company plans to add ~8,800 rooms (+42% from FY22 inventory level) over FY23 to FY26. Considering the demand-supply gap (190bps in 9MFY23), strong pipeline of the IHCL group, 50% target of managed hotels, lean luxe Ginger model and increasing contributions from other ancillary businesses like Qmin, ama, Chambers, we remain bullish and maintain ADD with a TP of INR 345.

Financial Summary

(INR mn, Mar YE)	3Q FY23	3Q FY22	*YoY (%)*	2Q FY23	*QoQ (%)*	FY22	FY23E	FY24E	FY25E
Net Revenues	16,858	11,112	*51.7*	12,326	*36.8*	30,562	53,221	58,183	64,577
EBITDA	5,972	3,218	*85.6*	2,940	*103.1*	4,048	16,692	18,519	21,986
APAT	4,036	935	*331.8*	1,261	*220.1*	-2,767	10,109	11,468	14,099
Diluted Consol EPS (INR)	2.8	0.7	*331.8*	0.9	*220.1*	-1.9	7.1	8.1	9.9
P/E (x)						-153.3	45.6	38.7	31.3
EV/EBITDA						72.5	26.2	22.3	18.1
RoE (%)						-5.2	13.4	13.3	14.2

Source: Company, HSIE Research

CMP(*as on 31 Jan 2023*)	**INR 301**
Target Price	**INR 345**
NIFTY	**17,662**

KEY CHANGES	**OLD**	**NEW**
Rating	ADD	ADD
Price Target	INR345	INR345
EPS Change %	FY23E	FY24E
	-	-

KEY STOCK DATA	
Bloomberg code	IH IN
No. of Shares (mn)	1,420
MCap (INR bn) / ($ mn)	427/5,217
6m avg traded value (INR mn)	2,072
52 Week high / low	INR 349/181

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	(9.8)	14.5	39.6
Relative (%)	(7.9)	11.1	37.0

SHAREHOLDING PATTERN (%)	**Sep-22**	**Dec-22**
Promoters	38.2	38.2
FIs & Local MFs	29.3	26.7
FPIs	16.3	19.0
Public & Others	16.2	16.1
Pledged Shares	-	-

Source : BSE

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ACC

Margin recovered strongly, expansion delayed

We maintain BUY on ACC, with a TP of INR 2,630/share (13x its Mar-25E consolidated EBITDA), owing to its attractive valuation. ACC margin recovered INR 460/MT QoQ to INR 479 per MT due to realisation recovery (INR 100 per MT) and opex cool-off (INR 360 per MT). The integrated plant at Ametha in MP is delayed by a year to Q2FY24. The upcoming expansion in the central market will boost its volume growth visibility from H2FY24 onwards. ACC is also increasing its green power/fuel mix to mitigate the impact of rising fuel costs.

- **Q4CY22/Q4FY23 performance:** Cement sales volume rose 3/12% YoY/QoQ to 7.7mn MT. Utilisation stood at 86% vs 87/76% YoY/QoQ. RMC volumes rose 5/8% QoQ/YoY to 0.79 mn CBM. Cement NSR improved 2/4% QoQ/YoY driven by pricing recovery in the east/south. Cement opex fell 7% QoQ (still up 10% YoY). ACC reported an 18% QoQ reduction in its kiln fuel costs to INR 2.61/mn Cal. It also increased the blending ratio to 1.78x vs 1.75x QoQ. This along with op-lev gains QoQ moderated the opex. Unit EBITDA recovered ~INR 460/MT QoQ to INR 479 per MT due to realisation recovery (INR 100 per MT) and opex cool-off (INR 360 per MT). The company reported large exceptional expenses during the quarter of INR 735mn for a one-time information technology transition cost and INR 57mn pertains to special incentives for key employees.

- **Expansion update and outlook:** Capex spending during H2CY22 halved to INR 5.5bn vs INR 11bn in H1. ACC completed the commissioning of WHRS at the Kymore and Jamul plants (total of 22.5MW) during the quarter. The integrated plant at Ametha, MP (2.7/1mn MT clinker/cement) is delayed by almost a year to Q2FY24. ACC has not mentioned the timeline for the 2.2mnMT Sonbhadra SGU project in UP. We upgrade FY23E EBITDA estimates by 8%, owing to margin recovery in this quarter, and maintain FY24/25E EBITDA estimates.

Consolidated financial summary

YE Dec (INR bn)	Q4 CY22	Q4 CY21	*YoY (%)*	Q3 CY22	*QoQ (%)*	CY20	CY21	FY23E	FY24E	FY25E
Sales (mn MT)	7.7	7.5	*2.8*	6.9	*12.4*	25.5	28.9	37.8	32.3	33.8
NSR (INR/MT)	5,408	5,199	*4.0*	5,305	*1.9*	5,023	5,161	5,399	5,453	5,533
EBITDA(INR/MT)	479	715	*(33.1)*	12	*3,734.9*	960	1,011	512	875	954
Net Sales	45.4	42.3	*7.4*	39.9	*13.8*	137.9	161.5	222.3	193.3	206.2
EBITDA	3.8	5.6	*-31.8*	0.2	*2,214.7*	24.8	30.0	20.3	29.3	33.4
APAT	2.7	3.9	*-30.5*	-0.5		14.1	19.2	11.2	17.5	19.8
AEPS (INR)	10.2	17.9	*-42.7*	-3.8		75.0	102.1	47.5	93.2	105.5
EV/EBITDA (x)						12.5	9.9	15.4	10.7	9.9
EV/MT (INR bn)						9.41	8.59	8.66	8.43	8.96
P/E (x)						26.3	19.3	33.2	21.1	18.7
RoE (%)						*11.6*	*14.2*	*6.1*	*11.5*	*12.2*

Source: Company, HSIE Research

Change in estimates

INR bn	FY23E Old	FY23E Revised	*Change %*	FY24E Old	FY24E Revised	*Change %*	FY25E Old	FY25E Revised	*Change %*
Net Sales	221.6	222.3	*0.3*	204.6	193.3	*-5.5*	218.2	206.2	*-5.5*
EBITDA	18.8	20.3	*7.6*	29.2	29.3	*0.4*	33.4	33.4	*0.0*
APAT	9.8	11.2	*14.0*	17.0	17.5	*3.1*	18.4	19.8	*7.7*

Source: Company, HSIE Research

BUY

CMP *(as on 31 Jan 2023)*	**INR 1,970**
Target Price	**INR 2,630**
NIFTY	**17,662**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR 2,630	INR 2,630
EBITDA revision %	FY23E *7.6*	FY24E *0.4)*

KEY STOCK DATA	
Bloomberg code	ACC IN
No. of Shares (mn)	188
MCap (INR bn) / ($ mn)	370/4,510
6m avg traded value (INR mn)	1,895
52 Week high / low	INR 2,785/1,733

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	(17.7)	(11.6)	(13.9)
Relative (%)	(15.7)	(15.1)	(16.5)

SHAREHOLDING PATTERN (%)	**Sep-22**	**Dec-22**
Promoters	56.68	56.69
FIs & Local MFs	18.95	18.65
FPIs	11.43	11.96
Public & Others	12.93	12.70
Pledged Shares	56.68	6.64

Source : BSE

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Star Health and Allied Insurance

On track to achieve a 95% COR; maintain BUY

STARHEAL printed a soft NEP growth (+15% YoY, in line with estimates), impacted by the unwinding of the high claims-ratio group business. Loss ratios clocked a positive surprise at 63.7% (-445bps QoQ, -285bps vs. estimate), driving COR to 94.8%. With a 25% price hike in its flagship Family Health Optima (50% of the retail mix) and tighter underwriting and claims review process, we expect a structural improvement in loss ratios (~64-65% over the next three years). STARHEAL is the largest standalone health insurer (retail GDPI market share at 33% for 9MFY23), anchored on an extremely strong distribution network, retail-dominated business mix and best-in-class opex ratios. We upgrade our earnings for FY23E/24E/25E to factor in better loss ratios. We expect STARHEAL to deliver revenue/APAT CAGRs of 21%/26% and RoEs in the range of 14.7-16.8% over FY23-FY25E and maintain a BUY with an unchanged target price of INR795 (DCF derived multiple at 44x Sep24E AEPS and 6.8x Sep24E P/ABV).

- **Loss ratios surprise positively:** NEP at INR28.7bn (in line with estimate) clocked an optically soft growth (+15% YoY), on account of its conscious decision to shed group business (NEP: -39% YoY) and deceleration in the retail segment (NEP +21% YoY). Loss ratios narrowed sharply to 63.7% (-4.5pps QoQ, -285bps vs. estimate) on the back of (a) seasonally elevated claims during the prior quarter; (b) a tighter review process to eliminate fraudulent claims; and (c) higher reserve releases in the group business. Commission ratios inched up marginally to 13.7% (+63bps QoQ), owing to a higher retail mix; this, alongside a lean expense ratio at 17.4% (+24bps QoQ), drove COR to 94.8% (-309bps QoQ, 161bps beat) and PAT to INR2.1bn (+126% QoQ, 58% beat).
- **On track to achieve 95% COR:** Basis the sub-par claims experience in one of its flagship policies (>50% of retail GDPI) "Family Health Optima (FHO)", the company has taken a 25% price hike effective 1st Feb/1st May'23 for new and renewal policies respectively. We firmly believe that this flagship product repricing will help contain loss ratios and, consequently, the CORs at 95%.
- **Positive commentary on growth**: The management highlighted its banca partnership with PNB and the fact that STARHEAL is actively evaluating multiple banca partners to expand its reach. Despite a steep price hike in FHO, the company is confident of renewals and new business growth. We draw comfort from STARHEAL's increasing focus on quality underwriting, the moderate impact on growth notwithstanding.

Financial summary

(INR bn)	Q3 FY23	Q3 FY22	YoY (%)	Q2 FY23	QoQ (%)	FY22	FY23E	FY24E	FY25E
Net earned premium (NEP)	28.67	25.28	13.4	27.95	2.6	98.1	115.2	138.3	168.5
Underwriting profits	1.26	-9.12	NM	-0.13	NM	-21.5	0.7	2.4	3.2
EBIT	2.80	-7.68	NM	1.20	133.8	-13.6	10.3	13.6	16.0
EBIT margin (%)	9.8	-30.4	NM	4.3	NM	-13.9	9.0	9.8	9.5
PAT	2.10	-5.78	NM	0.93	126.1	-10.4	7.3	9.7	11.6
P/B (x)						6.3	5.5	4.6	3.9
P/E (x)						NM	39.5	29.7	24.9
ROE (%)						NM	14.7	16.7	16.8

Source: Company, HSIE Research

Change in estimates

(INR bn)	FY23E			FY24E			FY25E		
	Revised	Old	Change (%)	Revised	Old	Change (%)	Revised	Old	Change (%)
Net earned premiums	115.2	113.6	1.4	138.3	138.3	0.0	168.5	168.0	0.3
Operating profits	11.9	9.2	28.7	13.6	12.9	5.6	16.1	15.5	4.0
CORs	9.8	7.1	37.3	13.0	12.2	5.9	15.5	14.8	4.2
APAT	7.3	5.3	37.3	9.7	9.2	5.9	11.6	11.1	4.2
RoE (%)	14.7	10.7	397bps	16.7	15.7	100bps	16.8	16.0	77bps

Source: Company, HSIE Research

BUY

CMP *(as on 31 Jan 2023)*	INR 500
Target Price	INR 795
NIFTY	17,662

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR795	INR795
EPS %	FY23E	FY24E
	+37.3%	+5.9%

KEY STOCK DATA	
Bloomberg code	STARHEAL IN
No. of Shares (mn)	582
MCap (INR bn) / ($ mn)	291/3,552
6m avg traded value (INR mn)	195
52 Week high / low	INR 810/451

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(29.9)	(33.0)	(34.8)
Relative (%)	(27.9)	(36.5)	(37.5)

SHAREHOLDING PATTERN (%)	Sep-22	Dec-22
Promoters	58.6	58.3
FIs & Local MFs	0.4	1.3
FPIs	10.3	10.4
Public & Others	32.2	30.1
Pledged Shares	0.0	0.0

Source : BSE

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Max Financial

Decent quarter; all eyes on growth internals

MAXL posted a massive beat on VNB (+44% vs. estimate) at INR3.73bn (+50% YoY) despite a 5% YoY degrowth in total APE, driven by sharp improvement in VNB margins to 39.3% (+795bps QoQ). While we are reassured by the sharp uptick in the NPAR savings business mix at 56%, management expects this to mean-revert towards 40-45% levels. We flag any further dip in MAXL's wallet share in the AXSB banca channel (Q3FY23: 70%) as a business concern. We tweak our estimates marginally for FY23E-24E to factor in higher margins offset by weak APE growth and expect APE/VNB CAGRs of 12/13% and operating RoEVs in the range of 20-21% over FY23-25E. We retain ADD with a TP of INR1,035 (Sep-24E EV + 12.7x Sep-23E VNB less 10% discount for growth uncertainties).

- **Higher NPAR drives margin beat:** Total APE de-grew 5% YoY (3y CAGR 14%) to INR15.1bn due to continued deceleration in the AXSB channel; however, VNB margin shot up 795bps QoQ to 39.3%, driving VNB to INR5.9bn (+50% YoY). With NPAR savings clocking a 1.24x/85% YoY/QoQ growth, its share in the total APE mix shot up 18pps sequentially to 56%; this, alongside improvement in product level margins (retail protection and PAR), drove higher VNB margins. The management reiterated that **MAXL's wallet share in AXSB has stabilised at 70%; we flag this as a key monitorable for a sustainable view on the MAXL franchise**. EV clocked in at INR155.5bn (+16% YoY) with RoEV at 13.1% (annualised).
- **Commentary—a mixed bag:** MAXL witnessed a healthy offtake in its newly-launched NPAR savings product "Smart Wealth Advantage"; furthermore it is also targeting newer customer segments in term protection. The management reiterated that the growth from the AXSB channel is likely to return from Q4FY23 (as the base normalises), although the share in the AXSB channel is likely to stay at ~70%. MAXL also guided for the share of NPAR savings (including annuities) to revert to 40-45% in the mix; implying lower VNB margins in the range of ~27-28%. While no timelines were shared around the residual 7% stake sale to AXSB entities, the management opined that AXSB remains close to completing the transaction at the DCF-derived transaction price.

Financial summary

(INR bn)	Q3 FY23	Q3 FY22	YoY (%)	Q2 FY23	QoQ (%)	FY22	FY23E	FY24E	FY25E
NBP	22.6	21.8	3.9	18.9	19.4	79.0	82.2	95.9	111.2
APE	15.1	15.9	-5.2	11.9	26.8	55.9	58.0	67.3	77.5
VNB	5.93	3.96	49.7	3.73	59.0	15.3	16.6	19.3	22.1
VNB Margin (%)	39.3	24.9	1440bps	31.3	795bps	27.3	28.5	28.7	28.5
EV						141.7	165.9	200.7	237.9
MCap/EV (x)*						2.5	2.2	1.8	1.5
P/Adj. VNB (x)*						15.8	13.1	10.0	7.2
ROEV						19.2	21.0	21.0	20.0

*Refers to implied P/VNB. EV adj for a stake in Max Life. Source: Company, HSIE Research

Change in estimates

(INR bn)	FY23E			FY24E			FY25E		
	Revised	Old	*Change % / bps*	Revised	Old	*Change % / bps*	*Revised*	*Old*	*Change % / bps*
APE	58.0	63.3	-8.4	67.3	72.9	-7.6	77.5	83.9	-7.6
VNB	16.6	16.4	0.8	19.3	19.2	0.6	22.1	22.2	-0.6
VNBM (%)	28.5	25.9	260bps	28.7	26.3	235bps	28.5	26.5	201bps
EV	165.9	168.1	-1.3	200.7	199.6	0.5	237.9	235.9	0.8

Source: Company, HSIE Research

ADD

CMP *(as on 31 Jan 2023)*	INR 836
Target Price	INR 1,035
NIFTY	17,662

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 1,035	INR 1,035
	FY23E	FY24E
VNB %	-0.8%	-0.6%

KEY STOCK DATA	
Bloomberg code	MAXF IN
No. of Shares (mn)	345
MCap (Rs bn) / ($ mn)	288/3,519
6m avg traded value (Rs mn)	796
52 Week high / low	Rs 960/625

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	18.0	(2.9)	(12.2)
Relative (%)	20.0	(6.3)	(14.9)

SHAREHOLDING PATTERN (%)	Sep-22	Dec-22
Promoters	14.7	11.5
FIs & Local MFs	29.2	33.4
FPIs	23.9	22.9
Public & Others	32.2	32.2
Pledged Shares	13.8	10.6

Source : BSE

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TTK Prestige

Weak show

TTK Prestige's Q3FY23 revenue contracted by 9% YoY and the pressure is seen across all products. We were anticipating weak growth (3% YoY), owing to the shift in festive benefits in Q2, soft demand, and heavy base (robust FY22 and H1FY23). But deceleration was higher than expected; Q2+Q3 combined (to normalise change in the festive period) were down 4% YoY. Cookers/cookware/appliances revenues clocked -10/-14/-7% YoY growth while three-year CAGRs were +9/+8/+4%. GM saw marginal sequential improvement but was down 200bps YoY to 40%. Operating deleverage further impacted the EBITDA margin, which was down 550/200bps YoY/QoQ to 12% (the lowest in six quarters). EBITDA contracted by 38% YoY. TTK has enjoyed home improvement and a new housing theme, clocking 25% and 21% YoY growth in FY22 and H1FY23. We were expecting the deceleration in growth trajectory (rising competition, weak demand for the mid-economy segment, heavy base), a key reason for our downgrade earlier. We cut our FY23/24/25 EPS by 7/3/3% each. We value the stock on 32x Dec-24 EPS to derive a TP of INR 800. We maintain the REDUCE rating.

- **Sluggish revenue, weak delivery across products:** Revenue was down 9% YoY in Q3 but saw 9% growth in 9MFY23. Domestic sales were down by 8.3% YoY. TTK's delivery was strong in FY22 and H1FY23. However, softness in demand (particularly in the mid-economy segment), rising competitive intensity (renewed Butterfly, etc.), and festive benefits in Q2 resulted in weaker performance for TTK. The company also witnessed a reduced share of the wallet for Kitchen appliances to other consumption baskets. TTK's strong e-commerce performance earlier impacted further channel-filling opportunities. It introduced 27 new SKUs in Q3 (16 in Q2) across all categories. PSK chain has 672 stores in 371 towns. Cookers/cookware/appliances grew +14/+4/+7% YoY during 9MFY23. We build an 8.5% revenue CAGR over FY23-25E.
- **Operating deleverage impacts EBITDA margin:** GM increased by 50bps sequentially but was down 200bps YoY to 40.4% (HSIE 40.2%). Employee/other expenses were up by 1/4% YoY, resulting in >550bps contraction in EBITDA margin to 12% (HSIE 15%). We model ~42% GM during FY24/FY25 (close to the long-term GM profile). We model the EBITDA margin of ~14.5 for FY24/FY25.
- **Con call takeaways:** (1) TTK has seen wallet share shift from appliances to travel. Demand for premium products remains strong but there is a slowdown in (mass) products, which is being impacted by inflationary pressure in middle-class India. (2) Market share across products remained strong, with no competitive pressure on market share. (3) Do not expect any price hike or price cuts in the near term; the company's not taken any increase in 9MFY23. (4) GM should be around 42%. (5) Gas stoves is a matured category and growing slowly within appliances. (6) The company guides 15% revenue CAGR with an EBITDA margin in the range of 14.5-16% in the medium term.

Quarterly/annual financial summary

YE Mar (INR mn)	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	FY22	FY23E	FY24E	FY25E
Net Sales	6,521	7,191	(9.3)	8,079	(19.3)	27,225	29,369	31,754	34,687
EBITDA	776	1,256	(38.2)	1,192	(34.9)	4,259	3,963	4,616	5,055
APAT	575	887	(35.2)	857	(32.9)	3,054	2,910	3,392	3,708
Diluted EPS (INR)	4.1	6.4	(35.3)	6.2	(33.0)	22.0	21.0	24.5	26.8
P/E (x)						35.4	37.2	31.9	29.2
EV / EBITDA (x)						23.6	25.0	21.1	18.9
RoCE (%)						31.0	27.7	29.8	29.7

Source: Company, HSIE Research

REDUCE

CMP *(as on 31 Jan 2023)*	INR 781
Target Price	INR 800
NIFTY	17,662

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 850	INR 800
EPS %	FY23E	FY24E
	-7%	-3%

KEY STOCK DATA	
Bloomberg code	TTKPT IN
No. of Shares (mn)	139
MCap (INR bn) / ($ mn)	109/1,326
6m avg traded value (INR mn)	94
52 Week high / low	INR 1,051/694

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(15.8)	(11.7)	(18.2)
Relative (%)	(13.9)	(15.1)	(20.9)

SHAREHOLDING PATTERN (%)	Sep-22	Dec-22
Promoters	70.41	70.41
FIs & Local MFs	13.94	13.58
FPIs	8.79	8.84
Public & Others	6.86	7.17
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Orient Electric

A mixed bag; upfront expenses dent margin

Orient Electric's performance was a mixed bag—a miss on revenue but a beat in gross margin. The fan industry is undergoing a BEE rating change (implemented from 1 Jan 2023); hence, non-rated fans have seen pre-buying by channel partners. However, the pre-buying was slower than our estimate. ECD growth in Q3 for Orient was at 12% YoY (fans clocked 15%) as compared to Havells clocking 5% (no presence in the economy segment). However, ECD growth in 9MFY23 for Orient was 6%, as compared to Havells' 16%. Fan rating change is resulting in a mid-single-digit realisation increase (higher increase for Star-1 and Star-2); hence, fan growth should be healthy in FY24 (do not expect any meaningful impact on volume due to rating change). Lighting & switchgear was muted at 2% YoY growth. GM saw 100/200bps YoY/QoQ improvement to 28.6% (beat, lower discounting impact on slower pre-buying). Higher upfront expenses (employee hiring, distribution revamp, consultant fee, etc.) impacted the EBITDA margin, which contracted by >200bps YoY to 7.4%. These expenses are largely operational and will continue to impact the EBITDA margin, leading to a cut in our EPS by 6/3% for FY23/24. We value the stock on 30x Dec-24 EPS to arrive at a TP of INR 275. Maintain REDUCE.

- **Miss in revenue:** Net revenue was up by 9% YoY (+10% in Q3FY22 and -14% in Q1FY23), ECD/Lighting segments saw 12/2% YoY growth. Fans clocked 15% value/volume growth, led by channel pre-buying. Direct market (DTM) transition was completed in four states where revenue growth was 60% YoY in Q3. Water heaters grew by 21%, led by 2.5x growth in ecommerce. Air coolers were 2x YoY, with a strong seasonal filling. B-C lighting was flat while B-B lighting (15% of mix) grew in double digits. Wires were launched in six states and have received good consumer response. We model 10% revenue CAGR for FY23-25 with 11% growth in ECD and 8% in lighting.
- **Beat in GM:** GM saw YoY/QoQ expansion of 100/200bps to 28.6%, softening in RM supported the margin. Employee expenses were up by 18% YoY due to hiring at senior and mid-level (cost will sustain). Other expenses increased 38/50% YoY in Q3/9M; operating expenses were restored along with heavy upfront loading (consulting fee, ad spend, distribution revamp, etc.). EBITDA margin contracted by 237bps YoY to 7.4% (HSIE 7.3%). EBITDA declined by 17% YoY (HSIE -7%). GM is expected to improve in the coming quarters but we have not modelled a full recovery in FY24 and modelled 29% margin (33% in FY20, 30% in FY21). We model the EBITDA margin at 9/10% for FY24/FY25 (9% in FY20, 11% in FY21).
- **Con call takeaways:** (1) Fans saw limited pre-buying, so they will not have a meaningful impact in Q4. Stocking of rated fans will depend on consumer demand (seeing a stable trend as of now). (2) No big gap between primary and secondary growth. (3) GM is expected to improve. (4) Several upfront costs (~1.7% of sales) impacted the EBITDA margin. (5) Hyderabad plant will resume operations in June.

Quarterly/annual financial summary

YE Mar (INR mn)	Q3FY23	Q3FY22	YoY (%)	Q2FY22	QoQ (%)	FY22	FY23E	FY24E	FY25E
Net Sales	7,390	6,784	9	5,106	45	24,484	27,841	30,631	33,794
EBITDA	549	665	(17)	116	373	2,313	2,048	2,883	3,362
APAT	326	381	(14)	(3)	na	1,266	1,189	1,710	2,053
Diluted EPS (INR)	1.5	1.8	(14.5)	(0.0)	na	6.0	5.6	8.1	9.7
P/E (x)						45.2	48.2	33.5	27.9
EV / EBITDA (x)						24.2	27.4	19.3	16.2
RoCE (%)						38.0	22.1	28.3	30.1

Source: Company, HSIE Research

REDUCE

CMP *(as on 31 Jan 2023)*	INR 263
Target Price	INR 275
NIFTY	17,662

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 275	INR 275
	FY23E	FY24E
EPS %	-6%	-3%

KEY STOCK DATA	
Bloomberg code	ORIENTEL IN
No. of Shares (mn)	213
MCap (INR bn) / ($ mn)	56/682
6m avg traded value (INR mn)	67
52 Week high / low	INR 369/244

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(2.2)	1.2	(20.8)
Relative (%)	(0.2)	(2.3)	(23.4)

SHAREHOLDING PATTERN (%)

	Sep-22	Dec-22
Promoters	38.42	38.42
FIs & Local MFs	27.02	26.66
FPIs	6.12	6.13
Public & Others	28.44	28.79
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Greenpanel Industries

Import pressure impacts volume growth and margin

We maintain our BUY rating on Greenpanel Industries, with an unchanged target price of INR 430/share (12/20x its Mar'25E consolidated EBITDA/APAT) We like Greenpanel for its leadership positioning in the high-growth MDF segment, superior margin, and working capital profile (most efficient among peers). Greenpanel's MDF sales volume fell 2% YoY, amidst rising imports in India and weak demand in the US/Europe. The sharp fall in MDF exports realisation, weakness in the ply segment and forex loss led to consolidated revenue/EBITDA/APAT declining by 1/17/41% YoY. Even on a high base of FY22, we estimate that Greenpanel will deliver 11% MDF volume CAGR until FY25E, maintaining its industry lead.

- **Q3FY23 performance:** Rising MDF imports in India (amid muted demand in the US and Europe) and a further fall in imported MDF prices drove Greenpanel's volume decline by 2/6% YoY/QoQ. To offset the domestic sales loss, the company increased its exports (at lower realisation and margins). Blended MDF NSR fell 2% QoQ, owing to a 12% fall in export NSR (while domestic NSR went up 1% QoQ). A sharp fall in exports margin and forex losses pulled down blended MDF margin by 500bps QoQ to 26%. Ply segment revenue/EBITDA also fell 14/40% YoY on weak demand. Thus, Greenpanel's consolidated revenue/ EBITDA/APAT de-grew 1/17/41% YoY.
- **Outlook:** Management expects 10-12% volume growth and 23-25% EBITDA margin in FY24E in MDF. Even on a high base of FY22, we estimate Greenpanel will deliver 11% MDF volume CAGR until FY25E, maintaining its industry lead. It is expanding its capacity by 231K CBM at a Capex of I NR 6bn in Andhra Pradesh by Q1FY25E. Greenpanel is expanding the share of value-added products (VAP); retail sales and marketing spend to counter the medium-term competition impact on supply influx.

Quarterly/annual financial summary (consolidated)

YE Mar (INR mn)	Q3 FY23	Q3 FY22	YoY (%)	Q2 FY23	QoQ (%)	FY21	FY22	FY23E	FY24E	FY25E
MDF Sales (K CBM)	118.2	120.7	*(2.1)*	126.2	*(6.3)*	380.4	495.0	509.9	576.2	668.4
MDF NSR (INR/CBM)	30,585	29,025	*5.4*	31,299	*(2.3)*	20,585	26,850	30,905	28,123	28,123
MDF EBITDA (INR/CBM)	7,830	8,736	*(10.4)*	9,515	*(17.7)*	4,726	8,310	8,007	6,370	6,044
Net Sales	4,202	4,244	*(1.0)*	4,573	*(8.1)*	10,208	16,250	18,904	19,624	22,516
EBITDA	920	1,111	*(17.2)*	1,167	*(21.2)*	2,034	4,304	4,284	3,925	4,381
EBITDAM (%)	21.9	26.2		25.5		19.9	26.5	22.7	20.0	19.5
APAT	375	631	*(40.5)*	664	*(43.4)*	688	2,405	2,345	2,408	2,610
AEPS (INR)	3.1	5.1	*(40.5)*	5.4	*(43.4)*	5.6	19.6	19.1	19.6	21.3
EV/EBITDA (x)						22.5	9.9	8.9	9.8	8.9
P/E (x)						60.6	17.3	16.5	16.0	14.8
RoE (%)						*9.9*	28.6	22.2	*18.9*	*17.4*

Source: Company, HSIE Research

BUY

CMP *(as on 31 Jan 2023)*	INR 324
Target Price	INR 430
NIFTY	17,662

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 430	INR 430
EBITDA revision %	FY23E *0.0*	FY24E *0.0*

KEY STOCK DATA	
Bloomberg code	GREENP IN
No. of Shares (mn)	123
MCap (INR bn) / ($ mn)	40/485
6m avg traded value (INR mn)	120
52 Week high / low	INR 626/280

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(12.8)	(26.3)	(37.8)
Relative (%)	(10.9)	(29.7)	(40.4)

SHAREHOLDING PATTERN (%)	Sep-22	Dec-22
Promoters	53.1	53.1
FIs & Local MFs	21.18	21.3
FPIs	6.39	4.56
Public & Others	19.33	21.04
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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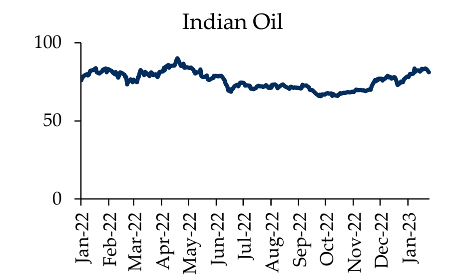
Rating Criteria

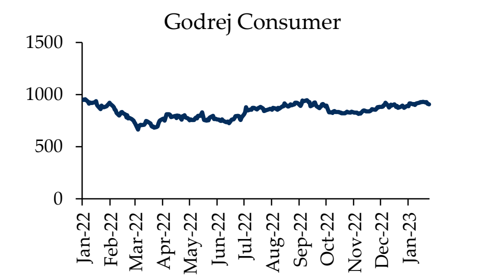
BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: > 10% Downside return potential

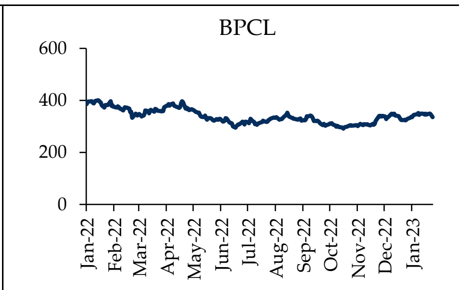
Disclosure:

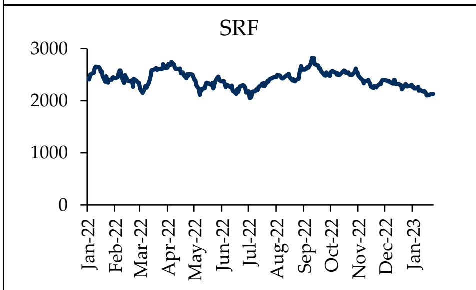
Analyst	Company Covered	Qualification	Any holding in the stock
Harshad Katkar	Indian Oil Corporation, Bharat Petroleum Corporation, SRF, GAIL	MBA	NO
Nilesh Ghuge	Indian Oil Corporation, Bharat Petroleum Corporation, SRF, GAIL	MMS	NO
Akshay Mane	Indian Oil Corporation, Bharat Petroleum Corporation, SRF, GAIL	PGDM	NO
Rutvi Chokshi	Indian Oil Corporation, Bharat Petroleum Corporation, SRF, GAIL	CA	NO
Varun Lohchab	Godrej Consumers	PGDM	NO
Naveen Trivedi	Godrej Consumers, TTK Prestige, Orient Electric	MBA	NO
Riddhi Shah	Godrej Consumers, TTK Prestige, Orient Electric	MBA	NO
Anuj Upadhyay	Indian Hotels	MBA	NO
Hinal Choudhary	Indian Hotels	CA	NO
Rajesh Ravi	ACC, Greenpanel Industries	MBA	NO
Keshav Lahoti	ACC, Greenpanel Industries	CA	NO
Sahej Mittal	Star Health and Allied Insurance, Max Financial	ACA	NO
Krishnan ASV	Star Health and Allied Insurance, Max Financial	PGDM	NO

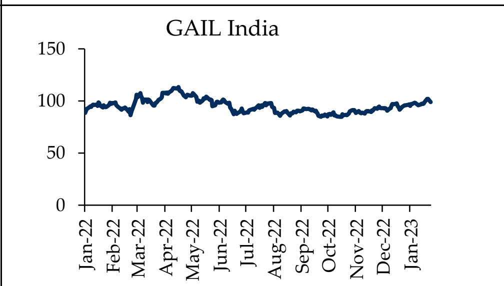
1 Yr Price Movement

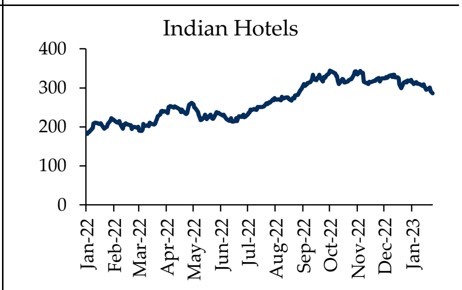


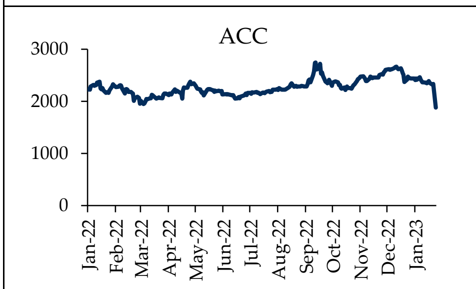


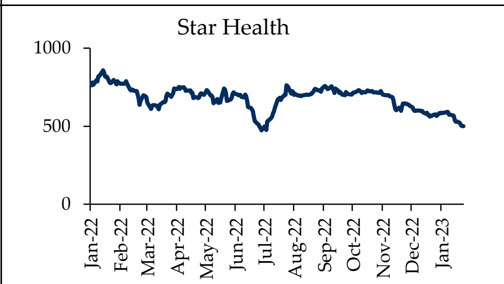


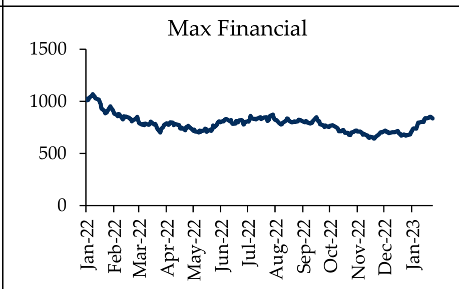


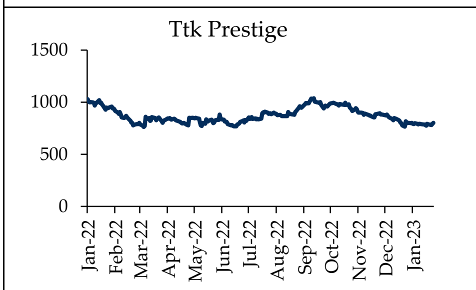


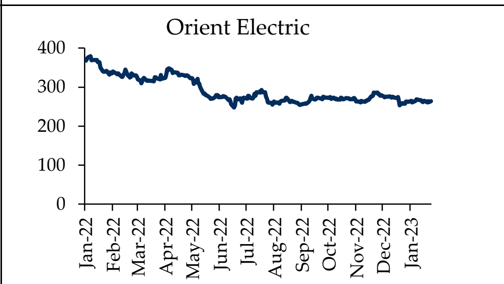


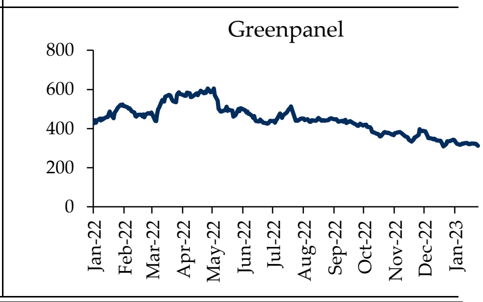












Disclosure:

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