INSTITUTIONAL RESEARCH

HSIE Results Daily

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Results Reviews

- **Berger Paints:** BRGR's topline (53.4% YoY; three-year CAGR: 17%) came in better than expected but fell short vis-a-vis APNT's. Its three-year CAGR (standalone) for topline was 16% vs APNT's 20%. Waterproofing outpaced growth in paints. Despite the revenue beat, profitability fell short of expectations as lower GM (-283bps) dragged EBITDAM down (14.7% vs HSIE: 16.5%). Lower GM was a function of (1) the absence of high-margin project business (unlike in Q1FY22) and (2) greater industrial salience. Brand spends are likely to inch up ahead (especially directed at luxury and waterproofing segments). There is a marginal revision in FY24/25 EPS estimates (+2% each) to account for the improvement in GM. We maintain our ADD rating, with a DCF-based TP of INR640/sh (earlier INR600/sh); implying 47x Jun-24 EPS).
- **Deepak Nitrite:** We maintain SELL on Deepak Nitrite, with a price target of INR 1,605 (WACC 11.5%, terminal growth 4.5%). The stock is currently trading at 18.7x FY24E EPS. We believe that (1) high input costs will continue to put pressure on the company's margin and (2) further growth in DPL is capped as the phenol plant is already running at full capacity. Besides, DNL is entering into challenging chemistries vis-à-vis chemistries it is currently operating in. The fluorination and photochlorination chemistries will pave the way to tap agrochemical and pharma customers. However, the company needs to demonstrate its competencies well over the period in these chemistries to seize business opportunities. EBITDA/APAT were 13/14% below estimates, owing to higher-than-expected raw material costs, higher-than-anticipated other expenses, offset by a 14% rise in revenue and lower-than-expected finance cost.
- **Aditya Birla Fashion and Retail:** ABFRL's Q1FY23 print beat expectations, especially on profitability. Q1 revenue grew to INR28.7bn (three-year CAGR: 12%; HSIE: INR 28.1bn). Beat was primarily led by Madura. Pantaloons marginally fell short on topline but surprised on profitability. Unit economics for both flagships has been improving. EBITDAM expanded 101bps from pre-pandemic levels to 16.3% (15.2% in Q1FY20; HSIE: 14.5%), led by (1) higher GM (given higher full price sales), (2) price hikes, and (3) scale recoup. Expansion was muted in Q1, but we expect it to pick up Q2 onwards. We revise our FY24/25 EBITDA estimates marginally (~2% each) and maintain ADD with a revised DCF-based TP of INR280/sh (earlier 270/sh), implying 22x Jun-24 EV/EBITDA. Note: Capital allocation will be a key monitorable from here on.
- **Prestige Estates:** Prestige Estates (PEPL) registered presales of INR 30bn (+4.1x/-8% YoY/QoQ), with collections at INR 21.5bn (+110%/-12.6% YoY/QoQ). Mumbai contributed INR 7.4bn, i.e. 25%, to the overall sales from its two launched residential projects. Total value of the Mumbai project is estimated at INR 180bn, of which INR 30-40bn of presales are expected in FY23. Overall, ~INR 120bn+ of presales are expected in FY23. PEPL will launch an alternative investment fund in Q2FY23 to finance land acquisitions to avoid bloating up the balance sheet debt. INR 7bn was spent on business development (BD) and at the run-rate of INR 6-7bn per quarter, it is expected for to further add to BD. PEPL will take a decision on monetisation of its stake

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in retail mall post the formation of retail REIT by Blackstone. We maintain BUY, with an unchanged SOTP of INR 600/sh.

- **G R Infraprojects:** Adjusting for the early completion bonus of INR 1.3bn, G R Infra's (GRIL) performance came in line, with revenue at INR 23.4bn (+9.9%/+7.2% YoY/QoQ, a 6.7% beat, we have reduced INR 1.3bn bonus) and EBITDA at INR 3.5bn (+2.4%/+3.1% YoY/QoQ, a 3% beat). EBITDA margin: 15.1% (-111/-60bps YoY/QoQ; below our estimate of 15.6%). APAT came in at INR 2.2bn (+8.7%/+4.2% YoY/QoQ, a 2.8% beat). Revenue growth guidance for FY23 is 5-10%, with EBITDA margin at 15-16%. The order book (including L1 of INR 5.9bn) stood at INR 176bn, as of Jun'22. Order inflow (OI) guidance for FY23 remains INR 150bn. FY23 revised Capex guidance is INR 3-4bn, with INR 1.5bn already incurred in Q1FY23. With a total investment of INR 15bn till Q1FY23, GRIL has a balance equity requirement of INR 5/7/7bn for under-construction HAM assets, to be spent in FY23/24/25. Bharat Highways InvIT, which is sponsored by GRIL, has been granted a registration certificate as an InvIT by SEBI, and it will be floated by the end of FY23. We maintain BUY, with a TP of INR 2,266 (18x Mar-24E EPS, HAM 1.2x P/BV).

- **Nuvoco Vistas:** We maintain BUY on Nuvoco Vistas, with an unchanged TP of INR 591/share (11x its consolidated Mar-24E EBITDA). We continue to like it for its leadership presence in the east, large retail focus, and various margin initiatives. In Q1FY22, Nuvoco reported broadly in-line EBITDA (vs ours/consensus estimate). Its unitary EBITDA remained flattish QoQ at INR 789 per MT on healthy price recovery, despite the ~20% rise in fuel prices QoQ.

- **Galaxy Surfactants:** Our BUY recommendation on GALSURF with a price target of INR 3,725 is premised on (1) stickiness of business, as over 50% of the revenue mix comes from MNCs and (2) stable EBITDA margin, since fluctuations in raw material costs are easily passed on to customers. Q1 EBITDA/APAT were 33/37% higher than our estimates, owing to a 13% rise in the revenue, lower-than-expected other expense, and lower-than-expected tax outgo.

- **CESC:** CESC's consolidated PAT in Q1FY23 increased by 6.1% YoY to INR3.0bn, led by higher earnings at Dhariwal (from a new PPA with Railway Energy Management Company—REMCL), Noida Power (high power demand) and turnaround in the Rajasthan distribution franchisee (DF) segment (a profit of INR60mn vs a loss of INR110mn YoY). These were partially offset by increased losses in the Malegaon DF business (a loss of INR190mn vs profit of INR20mn YoY) and lower profitability in the Haldia business (INR660mn vs INR900 mn). Standalone PAT remained flat YoY. WBERC awarded multi-year tariff for FY21-23 and annual performance review for FY15-18, but the decision on regulatory assets stands deferred. We have not included the Chandigarh discom in our valuation as CESC is yet to receive a letter of intent (LoI). We maintain our earnings estimates for FY23/24 and retain BUY, with a TP of INR113.

- **Borosil Renewables:** Borosil Renewable's (BRL) Q1FY23 PAT declined 24% YoY to INR301mn as the cost of raw materials, fuel and power expenses continued to remain elevated in the quarter. Realisation was slightly better QoQ at INR141/sqmm (flat YoY), but the company was unable to pass on the escalated input cost to its customers due to intense competition from Chinese players; hence, this impacted its EBITDA and margin by 22% YoY and 1,715 bps respectively. The quantitative sales volume grew 23% YoY and BRL reported revenue growth of 25% YoY to INR1,700mn in Q1. Though it would be tough for BRL to sustain its profitability amidst steep rise in input costs, we do not foresee much risk to the realisation for solar glass, given: (1) limited domestic availability of solar glass; (2) the company has existing contracts for soda ash and natural gas until Dec 2022 at prices that are favourable compared to current prices; (3) SG-3 is expected to commission in Oct 2022 and company plans to use furnace oil instead of natural gas in SG-3 for the time being; (4) anti-dumping duty on module that came into force in April 2022 will ramp up domestic manufacturing of solar modules. We maintain our ADD rating, with TP of INR704, based on FY25E 23x P/E.

- **Prince Pipes:** We maintain our BUY rating on Prince Pipes with a revised target price of INR 750/sh (18.5x its Mar-24E EBITDA). In Q1FY23, Prince reported weak volume and margin, missing our estimates. Dealer destocking amid continued resin price decline in Q1 led to a 31% QoQ volume decline in the quarter. Op-lev loss and sharp inventory loss (INR 300-350mn) further pulled down unitary EBITDA by 55% QoQ to INR 14/kg. However, on a four-year CAGR basis, it still managed to deliver growth of 2/9% volume/EBITDA. We continue to like Prince for its large product portfolio, robust pan-India distribution, and low exposure (~30-35%) to price sensitive agri/rural markets.

- **PNC Infratech:** PNC Infratech (PNC) reported a robust beat of 23/22/32% on revenue/EBITDA/APAT, largely led by the roads segment. Water projects continue to see subdued execution, as only INR 27bn of the INR 80bn projects are under execution. As DPR gets approved, PNC expects another INR 15bn out of residual JJM orders of INR 53bn to move into execution by FY23 end. The overall revenue from the water segment is expected to be INR 13-14bn in FY23. PNC has maintained its revenue growth guidance of 15% YoY and EBITDA margin guidance of 13-13.5% for FY23. PNC expects an order inflow of INR 80-100bn in FY23. With cash balance of INR 4.6bn and standalone gross debt at INR 3bn, PNC had a net cash balance of INR 1.6bn, as of June'22. Capex guidance for FY23 stands at INR 1-1.2bn. Given a strong OB and comfortable balance sheet, we maintain BUY, with an unchanged TP of INR 407 (15x Mar-24E, 1x P/BV for HAM equity investment).

- **V-MART Retail:** V-MART reported 231% growth YoY (in-line). The organic business (ex-Unlimited acquisition) recovered fully from the pandemic blues in Q1FY23 (INR4.7bn; 3-year CAGR: 1%). Note: unit economics is yet to catch up. Footfall density was at 55%, while transaction sizes were up 138% vs pre-pandemic levels. EBITDA margin beat (15.1% vs HSIE: 12.5%) was a function of (1) 17-18% price hikes in H2FY22 and (2) product mix becoming superior. We've cut our FY24/25 EBITDA estimates by 5/3% to factor in a more gradual convergence of Unlimited financials to the portfolio. But we maintain BUY with a DCF-based TP of INR3,500/sh (unchanged and implying 26x Jun-24 EV/EBITDA).

- **NCC:** NCC's Q1FY23 revenue/EBITDA/APAT came in at INR 29.6/2.8/1.2bn, beating our estimates by 8.6/3/26%. With order inflow (OI) of INR 44.6bn in Q1FY23, the order book (OB) stood at INR 406bn (~4x FY22 revenue). During the quarter, NCC secured a larger order—a major sewage treatment plant order in Mumbai with EPC component of INR 38.3bn and O&M component of INR 18.5bn. During Q1, NCC availed INR 5.5bn of working capital demand loan (WCDL), which resulted in increased standalone gross debt of INR 17.1bn, as of Jun'22 vs. INR 11.8bn, as of Mar'22. The interest coverage ratio stood at 2.88 times. The average cost of debt during the quarter stood at 8.67%. Given the robust order book, pick-up in execution, stable balance sheet, and commodities price correction, we maintain BUY on NCC, with a TP of INR 108 (9x Mar-24E).

- **Somany Ceramics:** We maintain BUY on Somany Ceramics with an unchanged target price of INR 840/share (13x Mar-24E consolidated EBITDA). We continue to like SOMC for its strong retail distribution, improving product mix, and tightened working capital (WC). We expect Somany to continue its healthy volume growth, supported by its ~20% capacity expansion in Q1FY23. EBITDA margin remained stable QoQ on cost controls, improved realisation (despite gas price inflation). The company expects healthy volume growth in FY23 and also expects margin to rebound as gas prices appear to have stabilised in Q2FY23.

- **PSP Projects:** PSP Projects (PSP) reported weak revenue/EBITDA/APAT of INR 3.5/0.5/0.3bn, missing our estimates at all levels. PSP faced festive season related reduced labour availability issues in the early part of Q1FY23, leading to weak execution and revenue booking. Its entire order book (OB) of INR 46bn (excl. Bhiwandi and Pandharpur forming 16% of it) is under execution, and execution is expected to pick up during the rest of 9MFY23. Post the completion of SDB project, PSP is now eligible to bid for a single project worth INR 25bn. The current bid pipeline stands at INR 40bn, of which 51% orders are from Gujarat and 41% are private. The topline is expected to grow by 25% YoY in FY23, with order inflow guidance at INR 20bn. We maintain BUY on PSP with a TP of INR 705/sh (13x Mar-24E EPS).

Berger Paints

Continues to lag market leader

BRGR's topline (53.4% YoY; three-year CAGR: 17%) came in better than expected but fell short vis-a-vis APNT's. Its three-year CAGR (standalone) for topline was 16% vs APNT's 20%. Waterproofing outpaced growth in paints. Despite the revenue beat, profitability fell short of expectations as lower GM (-283bps) dragged EBITDAM down (14.7% vs HSIE: 16.5%). Lower GM was a function of (1) the absence of high-margin project business (unlike in Q1FY22) and (2) greater industrial salience. Brand spends are likely to inch up ahead (especially directed at luxury and waterproofing segments). There is a marginal revision in FY24/25 EPS estimates (+2% each) to account for the improvement in GM. We maintain our ADD rating, with a DCF-based TP of INR640/sh (earlier INR600/sh); implying 47x Jun-24 EPS).

- **Q1FY23 highlights**: Consolidated revenue grew 53.4% to INR27.6bn (HSIE: INR 25.6bn). Standalone revenue growth of 53.7% lagged APNT's 59% in Q1. Waterproofing, GI & automotative industrial and protective & infrastructure segments performed well. The GM decline (-283bps YoY; 35.7% vs HSIE: 37.5%) in Q1 was sharper than that in APNT as (1) the quarter lacked higher-margin project business (unlike in the base quarter) and (2) industrial salience was greater. EBITDAM miss followed. EBITDAM came in at 14.7% (up 141bps; HSIE: 16.5%). BRGR has added ~14-15k dealers over three years, but it intends to step up dealer addition to 6-7k annually. It also intends to step up brand spends, going forward (especially focused on luxury and waterproofing segments). APAT grew at 13% (three-year CAGR) to INR2.53bn (HSIE: INR2.74bn).
- **Outlook**: Our thesis of valuation multiples converging between APNT and BRGR, owing to the inconsequential variance in medium to long term performance between the two, has played out. While we marginally revise our FY24/25 EPS estimates (+2% each) to account for improvement in GM, the long-term risk of incremental growth being split with a deep-pocketed new entrant looms large. Hence, we maintain our ADD rating with a DCF-based TP of INR640/sh (earlier INR600/sh), implying 47x Jun-24 EPS—a meagre discount to APNT.

Quarterly financial summary

(INR mn)	Q1FY23	Q1FY22	YoY (%)	Q4FY22	QoQ (%)	FY22	FY23E	FY24E	FY25E
Net Revenue	27,597	17,985	*53.4*	21,875	*26.2*	87,618	1,01,999	1,14,198	1,30,868
EBITDA	4,048	2,385	*69.7*	3,464	*16.9*	13,311	17,127	20,204	23,179
APAT	2,537	1,422	*78.5*	2,203	*15.2*	8,330	10,613	12,563	14,656
EPS (Rs)	2.6	1.5	*78.5*	2.3	*15.2*	8.6	10.9	12.9	15.1
P/E (x)						68.8	54.0	45.6	39.1
EV/EBITDA (x)						43.3	33.5	28.0	24.1
Core RoCE(%)						19.4	20.9	22.6	24.6

Source: Company, HSIE Research, Standalone Financials

Change in estimates

(INR mn)	FY23E			FY24E			FY25E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	1,01,999	1,00,969	*1.0*	1,14,198	1,13,050	*1.0*	1,30,868	1,29,558	*1.0*
EBITDA	17,127	16,954	*1.0*	20,204	19,831	*1.9*	23,179	22,752	*1.9*
EBITDA margin (%)	16.8	16.8	*0 bps*	17.7	17.5	*15 bps*	17.7	17.6	*15 bps*
APAT	10,613	10,497	*1.1*	12,563	12,312	*2.0*	14,656	14,369	*2.0*
APAT margin (%)	10.4	10.4	*1 bps*	11.0	10.9	*11 bps*	11.2	11.1	*11 bps*
EPS (Rs)	10.9	10.8	*1.1*	12.9	12.7	*2.0*	15.1	14.8	*2.0*

Source: Company, HSIE Research

ADD

CMP *(as on 10 Aug 2022)*	**INR 666**
Target Price	**INR 640**
NIFTY	**17,535**

KEY CHANGES	**OLD**	**NEW**
Rating	ADD	ADD
Price Target	INR 600	INR 640
EPS %	FY24E	FY25E
	+2.0	+2.0

KEY STOCK DATA	
Bloomberg code	BRGR IN
No. of Shares (mn)	971
MCap (INR bn) / ($ mn)	647/8,698
6m avg traded value (INR mn)	565
52 Week high / low	INR 857/544

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(1.5)	(8.3)	(17.8)
Relative (%)	(9.5)	(8.9)	(25.9)

SHAREHOLDING PATTERN (%)

	Mar-22	Jun-22
Promoters	75.5	75.5
FIs & Local MFs	0.96	1.11
FPIs	11.28	11.03
Public & Others	12.26	12.36
Pledged Shares	0	0

Source : BSE

Pledged shares as % of total shares

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Deepak Nitrite

Miss on the margin

We maintain SELL on Deepak Nitrite, with a price target of INR 1,605 (WACC 11.5%, terminal growth 4.5%). The stock is currently trading at 18.7x FY24E EPS. We believe that (1) high input costs will continue to put pressure on the company's margin and (2) further growth in DPL is capped as the phenol plant is already running at full capacity. Besides, DNL is entering into challenging chemistries vis-à-vis chemistries it is currently operating in. The fluorination and photochlorination chemistries will pave the way to tap agrochemical and pharma customers. However, the company needs to demonstrate its competencies well over the period in these chemistries to seize business opportunities. EBITDA/APAT were 13/14% below estimates, owing to higher-than-expected raw material costs, higher-than-anticipated other expenses, offset by a 14% rise in revenue and lower-than-expected finance cost.

- **Financial performance:** Revenue grew 35% YoY to INR 20.6bn in Q1, despite the loss of production at Nandesari unit for nearly one month during the quarter due to an unfortunate incident of fire. EBITDA fell 21% YoY to INR 3.6bn. The EBITDA margin fell by 1,229/462 bps YoY/QoQ to 17%, owing to significantly high raw material, energy, and logistics costs.
- **Advanced intermediates (AI):** Revenue/EBIT grew 39/4% YoY to INR 7/1bn. Revenue growth was supported by better realisation, whereas EBIT was affected by rising input prices and lag in passing through of price increases to customers.
- **Deepak Phenolics (DPL):** Revenue grew 34% YoY to INR 13bn, owing to higher volumes and maintenance of customer wallet share across key products. EBIT fell 35% YoY to INR 2bn, owing to reduction in realisation of acetone, sharp increase in key raw material prices, and increasing utility costs. The plants registered ~129% capacity utilisation in Q1.
- **Change in estimates:** We cut our FY23/24 EPS estimates by 11.1/1.9% to INR 79.8/107.9, to factor in subdued margin amidst the inflationary scenario and incorporation of annual report FY22.

Financial summary (consolidated)

INR mn	Q1 FY23	Q4 FY22	*QoQ (%)*	Q1 FY22	*YoY (%)*	FY21	FY22	FY23E	FY24E	FY25E
Net Sales	20,580	18,724	*9.9*	15,262	*34.8*	43,598	68,022	78,091	90,413	1,01,482
EBITDA	3,560	4,103	*(13.2)*	4,515	*(21.2)*	12,470	16,036	16,062	21,369	24,105
APAT	2,346	2,672	*(12.2)*	3,026	*(22.5)*	7,758	10,666	10,919	14,722	16,609
AEPS (INR)	17.2	19.6	*(12.2)*	22.2	*(22.5)*	56.9	78.2	79.8	107.9	121.8
P/E (x)						35.4	25.8	25.2	18.7	16.5
EV/EBITDA(x)						22.5	17.3	17.3	12.7	10.7
RoE (%)						39.6	37.5	28.5	29.4	25.8

Source: Company, HSIE Research

Change in estimates (Consolidated)

Y/E Mar	FY23E Old	FY23E New	% Ch	FY24E Old	FY24E New	% Ch
EBITDA (INR mn)	18,196	16,062	(11.7)	21,989	21,369	(2.8)
Adj. EPS (INR/sh)	89.8	79.8	(11.1)	110.0	107.9	(1.9)

Source: Company, HSIE Research

SELL

CMP *(as on 10 Aug 2022)*	INR 2,018
Target Price	INR 1,605
NIFTY	17,535

KEY CHANGES	OLD	NEW
Rating	SELL	SELL
Price Target	INR 1,600	INR 1,605
EPS %	FY23E -11.1%	FY24E -1.9%

KEY STOCK DATA	
Bloomberg code	DN IN
No. of Shares (mn)	136
MCap (INR bn) / ($ mn)	275/3,699
6m avg traded value (INR mn)	1,899
52 Week high / low	INR 3,020/1,681

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	4.3	(11.9)	(5.5)
Relative (%)	(3.7)	(12.5)	(13.6)

SHAREHOLDING PATTERN (%)	Mar-22	Jun-22
Promoters	45.72	45.72
FIs & Local MFs	10.02	10.71
FPIs	8.76	9.07
Public & Others	35.50	34.50
Pledged Shares	0.00	0.00

Source : BSE

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Aditya Birla Fashion and Retail

Good quarter

ABFRL's Q1FY23 print beat expectations, especially on profitability. Q1 revenue grew to INR28.7bn (three-year CAGR: 12%; HSIE: INR 28.1bn). Beat was primarily led by Madura. Pantaloons marginally fell short on topline but surprised on profitability. Unit economics for both flagships has been improving. EBITDAM expanded 101bps from pre-pandemic levels to 16.3% (15.2% in Q1FY20; HSIE: 14.5%), led by (1) higher GM (given higher full price sales), (2) price hikes, and (3) scale recoup. Expansion was muted in Q1, but we expect it to pick up Q2 onwards. We revise our FY24/25 EBITDA estimates marginally (~2% each) and maintain ADD with a revised DCF-based TP of INR280/sh (earlier 270/sh), implying 22x Jun-24 EV/EBITDA. Note: Capital allocation will be a key monitorable from here on.

- **Q1FY23 highlights**: Revenue grew by 254% YoY to INR 28.74bn (3-yr CAGR: 12%; HSIE: 28.1bn). Madura/Pantaloons clocked a three-year CAGR of 14/5% resp in Q1 to INR18/10.27bn (HSIE: 16.8/10.6bn resp). The improving unit economics for both flagships was encouraging. GM surprised positively (expanded 510bps YoY to 55.8%; HSIE: 54%), led by (1) fewer discount-heavy days, (2) price hike absorption, and (3) scale recoup-led operating leverage. Benefits of higher GM trickled down to operational profits. EBITDA grew 14% (three-year CAGR) to INR4.68bn (HSIE: 4.08bn). Madura/Pantaloons clocked 16/21% EBITDAM (vs HSIE:16.8/13%) respectively. Store additions remained muted in Q1. Net store additions of lifestyle brands/Pantaloons stood at 5/-2 stores (total store count: 2,577/375 stores). APAT grew at 64% three-year CAGR to INR944mn (HSIE: INR720mn).
- **Outlook**: While we are encouraged by ABFRL's topline/margin recovery, we've always been uncomfortable with ABFRL's working capital management (greater creditor support vs peers). The ~INR22bn fund raise may help alleviate the issue but capital allocation remains a key monitorable in the medium to long term. Our DCF-based TP stands revised to INR280/sh (implying 22x Jun-24 EV/EBITDA). FY24/25 EBITDA estimates change ~2% each. Maintain ADD recommendation.

Quarterly financial summary

(Rs mn)	Q1FY23	Q1FY22	YoY (%)	Q4FY22	QoQ (%)	FY22	FY23E	FY24E	FY25E
Net Revenue	28,748	8,120	254	22,828	26	78,242	1,13,499	1,35,482	1,54,868
Adj EBITDA	4,684	(1,687)	(378)	3,730	26	10,795	18,028	21,779	25,040
APAT	944	(3,522)	(127)	319	196	(807)	2,717	5,431	7,910
EPS (Rs)	1.01	(3.85)	(126)	0.34	196	(0.9)	2.9	5.4	7.8
P/E (x)						NM	NM	NM	NM
EV/EBITDA (x)						83.6	31.1	21.2	12.6
Core RoCE(%)						1.5	6.9	11.2	17.1

Source: Company, HSIE Research, Standalone Financials

Change in estimates

(Rs mn)	FY23E			FY24E			FY25E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	1,13,499	1,11,648	*1.7*	1,35,482	1,31,321	*3.2*	1,54,868	1,50,585	*2.8*
Gross Profit	60,240	60,039	*0.3*	71,772	70,487	*1.8*	81,810	80,601	*1.5*
Gross Profit Margin (%)	53.1	53.8	*(70 bps)*	53.0	53.7	*(70 bps)*	52.8	53.5	*(70 bps)*
EBITDA	18,028	17,772	*1.4*	21,779	21,407	*1.7*	25,040	24,584	*1.9*
EBITDA margin (%)	15.9	15.9	*(3 bps)*	16.1	16.3	*(23 bps)*	16.2	16.3	*(16 bps)*

Source: Company, HSIE Research

ADD

CMP *(as on 10 Aug 2022)*	INR 277
Target Price	INR 280
NIFTY	17,535

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 270	INR 280
EBITDA %	FY24E	FY25E
	+1.7	+1.9

KEY STOCK DATA	
Bloomberg code	ABFRL IN
No. of Shares (mn)	938
MCap (INR bn) / ($ mn)	260/3,495
6m avg traded value (INR mn)	625
52 Week high / low	INR 322/189

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	7.5	(6.2)	34.3
Relative (%)	(0.4)	(6.8)	26.2

SHAREHOLDING PATTERN (%)	Mar-22	Jun-22
Promoters	56.09	56.09
FIs & Local MFs	13.59	13.86
FPIs	13.18	13.23
Public & Others	17.14	16.82
Pledged Shares	0	0

Source : BSE

Pledged shares as % of total shares

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Prestige Estates

Well positioned

Prestige Estates (PEPL) registered presales of INR 30bn (+4.1x/-8% YoY/QoQ), with collections at INR 21.5bn (+110%/-12.6% YoY/QoQ). Mumbai contributed INR 7.4bn, i.e. 25%, to the overall sales from its two launched residential projects. Total value of the Mumbai project is estimated at INR 180bn, of which INR 30-40bn of presales are expected in FY23. Overall, ~INR 120bn+ of presales are expected in FY23. PEPL will launch an alternative investment fund in Q2FY23 to finance land acquisitions to avoid bloating up the balance sheet debt. INR 7bn was spent on business development (BD) and at the run-rate of INR 6-7bn per quarter, it is expected for to further add to BD. PEPL will take a decision on monetisation of its stake in retail mall post the formation of retail REIT by Blackstone. We maintain BUY, with an unchanged SOTP of INR 600/sh.

- **Financial highlights:** Revenue: INR 19.4bn (+37%/-19% YoY/QoQ, 3% beat). EBITDA: INR 4.6bn (+34%/-8% YoY/QoQ, an 18% beat). EBITDA margin: 23.8% (-58/+301bps YoY/QoQ, vs. our estimate of 20.8%). Depreciation: INR 1.5bn (+30%/+13% YoY/QoQ). Interest cost: INR 1.9bn (+40%/+6% YoY/QoQ). Other income: INR 733mn (+27%/-18% YoY/QoQ). Share of associates: INR (25)mn (vs. INR (151)/+57mn Q1FY22/Q4FY22). RPAT: INR 2bn (vs. 0.5bn/9.4bn in Q1FY22/Q4FY22). Exceptional item: INR 1.5bn due to recognition of gains arising from slump sale of a completed commercial project (definitive agreement entered in FY21). APAT: INR 1bn (+53%/-52% YoY/QoQ, an 8% miss).

- **Strong presales; robust launch pipeline:** PEPL registered presales of INR 30bn (+4.1x/-8% YoY/QoQ), with collections coming in at INR 21.5bn (+110%/-12.6% YoY/QoQ). Volume-wise, gross sales were at 3.6msf (+3.3x/-25% YoY/QoQ). The Mumbai region contributed INR 7.4bn to total presales, i.e. 25%, while Bengaluru contributed INR 20bn, i.e. 65%, to total presales. Four projects were launched spanning 9.67msf (0/5.01msf in Q1FY22/Q4FY22) in Bengaluru and Mumbai. c.15msf of launches are planned for the next few quarters in Bengaluru, Mumbai, NCR, Hyderabad, and Chennai. PEPL expects at least INR 120bn of presales in FY23 (vs. INR 104bn during FY22). The exit rental for Mar-23 is expected at INR 2.4bn. This includes INR 1.6bn of office rentals and 0.8bn of retail. With the completion of the ongoing retail/ office assets, the incremental rental will be 1.4bn/7.2bn respectively over the next three years, excluding the Mumbai commercial projects and Lakeshore Drive project.

- **Platform for BD to go live in Q2FY23:** Net debt increased to INR 39.2bn from INR 33.6bn in Mar-22. Consequently, net D/E is at 0.4x (0.35x in Mar-22). Gross debt stands at INR 56bn. The current inventory level of INR 77bn (both ongoing and completed) is worth presales of less than three quarters. To increase launches, the company plans to float a fund for BD with an expected outlay of INR 25-30bn. This platform is expected to go live in Q2FY23. In Q1FY23, PEPL spent INR 7bn on BD and expects INR 6-7bn per quarter of run-rate for further BD. With the conclusion of Blackstone Phase 2 transaction, PEPL will take a decision on monetisation of its 15% stake on mall assets, post the formation of retail REIT.

Consolidated Financial Summary

(INR in mn)	Q1 FY23	Q1 FY22	YoY (%)	Q4 FY22	QoQ (%)	FY21	FY22	FY23E	FY24E
Net Sales	19,385	14,158	*36.9*	24,003	*(19.2)*	72,419	63,895	71,376	85,622
EBITDA	4,617	3,454	*33.7*	4,995	*(7.6)*	19,583	15,335	18,416	21,400
APAT	1,019	667	*52.8*	2,102	*(51.5)*	3,452	4,499	5,723	6,629
EPS (INR)	10.7	7.0	*52.8*	22.2	*(51.5)*	8.6	11.2	14.3	16.5
P/E (x)						50.6	38.8	30.5	26.3
EV/EBITDA (x)						9.7	14.2	11.3	10.4
RoE (%)						5.2	5.3	7.0	8.7

Source: Company, HSIE Research

BUY

CMP *(as on 10 Aug 2022)*	**INR 436**
Target Price	**INR 600**
NIFTY	**17,535**

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 600	INR 600
	FY23E	**FY24E**
EPS Change %	-	-

KEY STOCK DATA	
Bloomberg code	PEPL IN
No. of Shares (mn)	401
MCap (INR bn) / ($ mn)	175/2,346
6m avg traded value (INR mn)	276
52 Week high / low	INR 555/316

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(1.3)	(5.5)	23.6
Relative (%)	(9.3)	(6.1)	15.4

SHAREHOLDING PATTERN (%)	Mar-22	Jun-22
Promoters	65.48	65.48
FIs & Local MFs	6.82	7.59
FPIs	24.28	23.73
Public & Others	3.42	3.20
Pledged Shares	-	-

Source: BSE

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G R Infraprojects

In-line performance

Adjusting for the early completion bonus of INR 1.3bn, G R Infra's (GRIL) performance came in line, with revenue at INR 23.4bn (+9.9%/+7.2% YoY/QoQ, a 6.7% beat, we have reduced INR 1.3bn bonus) and EBITDA at INR 3.5bn (+2.4%/+3.1% YoY/QoQ, a 3% beat). EBITDA margin: 15.1% (-111/-60bps YoY/QoQ; below our estimate of 15.6%). APAT came in at INR 2.2bn (+8.7%/+4.2% YoY/QoQ, a 2.8% beat). Revenue growth guidance for FY23 is 5-10%, with EBITDA margin at 15-16%. The order book (including L1 of INR 5.9bn) stood at INR 176bn, as of Jun'22. Order inflow (OI) guidance for FY23 remains INR 150bn. FY23 revised Capex guidance is INR 3-4bn, with INR 1.5bn already incurred in Q1FY23. With a total investment of INR 15bn till Q1FY23, GRIL has a balance equity requirement of INR 5/7/7bn for under-construction HAM assets, to be spent in FY23/24/25. Bharat Highways InvIT, which is sponsored by GRIL, has been granted a registration certificate as an InvIT by SEBI, and it will be floated by the end of FY23. We maintain BUY, with a TP of INR 2,266 (18x Mar-24E EPS, HAM 1.2x P/BV).

- **Financial performance highlights:** Adjusted revenue*: INR 23.4bn (+9.9%/+7.2% YoY/QoQ, a 6.7% beat). EBITDA: INR 3.5bn (+2.4%/+3.1% YoY/QoQ, a 3% beat). EBITDA margin: 15.1% (-111/-60bps YoY/QoQ; below our estimate of 15.6%). *During the quarter, GRIL received early completion bonus of INR 1.3bn from Purvanchal Expressway. Consequently, APAT came in at INR 2.2bn (+8.7%/+4.2% YoY/QoQ, a 2.8% beat). RPAT stood at INR 3.2bn.

- **Order book (OB) stable:** The OB stood at INR 170.1bn, as of Jun'22 (vs. INR 201.9bn in Mar'22, including an L1 of INR 70.9bn). With L1 of INR 5.9bn, the OB stood at INR 176bn. OI guidance for FY23 remains INR 150bn, with INR 100/50bn in road/non-road segments. The non-road segment includes TBCB T&D, metro and railways. GRIL is expecting appointed dates (ADs) for all eight HAM projects by Q4FY23. Leaving out the L1 project of INR 5.9bn and all HAM assets (awaiting ADs and with EPC value of INR 70bn), the executable OB stands at ~INR 100bn.

- **Robust balance sheet:** With standalone gross/net debt (including mobilisation advances) at INR 13.1bn/10.2bn, the standalone gross/net debt to equity stood at 0.28x/0.22x (vs. 0.27x/0.17x as at Mar'22). GRIL has revised its FY23 Capex upwards to INR 3-4bn, with INR 1.5bn already incurred in Q1FY23. With a total investment of INR 15bn till Q1FY23, GRIL has a balance equity requirement of INR 5/7/7bn for under-construction assets, to be spent in FY23/24/25.

- **Bharat InVIT:** In Q1, Bharat Highways InvIT, sponsored by GRIL, was granted a registration certificate as an InvIT by SEBI. The platform shall be used to hold completed road HAM projects. The goal is to lower the cost of capital for the portfolio. The InvIT will have an option to take HAM assets (post completion) being developed by GRIL, besides other third party HAM asset opportunities in the market. Initially, GRIL may transfer six operational HAM assets to the InvIT with cumulative equity investment of INR 10bn.

Standalone Financial Summary (INR Mn)

YE March	1QFY23	1QFY22	YoY (%)	4QFY22	QoQ (%)	FY21	FY22	FY23E	FY24E
Net Sales	23,438	21,332	9.9	21,861	7.2	70,346	77,729	88,766	1,04,272
EBITDA	3,536	3,454	2.4	3,430	3.1	11,005	11,348	14,687	17,684
APAT	2,214	2,036	8.7	2,124	4.2	5,762	6,714	7,996	10,030
EPS (INR)	23	21.1	8.7	22.0	4.2	59.6	69.4	82.7	103.7
P/E (x)	23,438	21,332	9.9	21,861	7.2	23.6	20.2	17.0	13.5
EV/EBITDA (x)						13.4	12.9	10.0	8.4
RoE (%)						17.9	16.9	16.6	17.1

Source: Company, HSIE Research

BUY

CMP(as on 10 Aug 2022)	INR 1,406
Target Price	INR 2,266
NIFTY	17,535

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 2,266	INR 2,266
EPS Change %	FY23E	FY24E
	-	-

KEY STOCK DATA	
Bloomberg code	GRINFRA IN
No. of Shares (mn)	97
MCap (INR bn) / ($ mn)	136/1,827
6m avg traded value (INR mn)	79
52 Week high / low	INR 2,277/1,074

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(1.1)	(21.5)	(11.9)
Relative (%)	(9.1)	(22.1)	(20.1)

SHAREHOLDING PATTERN (%)

	Mar-22	Jun-22
Promoters	86.54	86.54
FIs & Local MFs	9.76	9.68
FPIs	0.27	0.23
Public & Others	3.43	3.55
Pledged Shares	-	-

Source: BSE

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Nuvoco Vistas

Margin sustained QoQ

We maintain BUY on Nuvoco Vistas, with an unchanged TP of INR 591/share (11x its consolidated Mar-24E EBITDA). We continue to like it for its leadership presence in the east, large retail focus, and various margin initiatives. In Q1FY22, Nuvoco reported broadly in-line EBITDA (vs ours/consensus estimate). Its unitary EBITDA remained flattish QoQ at INR 789 per MT on healthy price recovery, despite the ~20% rise in fuel prices QoQ.

- **Q1FY23 performance:** Nuvoco reported broadly in-line EBITDA (vs ours/consensus estimate). As volumes fell QoQ (seasonal decline), utilisation moderated to 79% vs 92% QoQ (and 76% YoY). Trade sales stood at 72% vs 75% QoQ. The company reported healthy 7/6% QoQ/YoY pricing recovery. Its input cost rose marginally QoQ as the raw material cost reduction QoQ moderated the impact of 20% rise in fuel costs. Freight costs went up 10% QoQ, mainly on the rise in clinker movement cost (by trucks vs rakes). Op-lev loss led to unit fixed costs rising 20% QoQ. Price increase offset the cost inflation leading to flattish unitary EBITDA QoQ at INR 789 per MT. Interest cost fell 11% QoQ to INR 1.2bn on account of debt repayment at the end of Mar-22. However, net debt/EBITDA stretched to 4x (vs 3.5x QoQ) due to lower EBITDA YoY and ~5% debt increase on account of working capital.
- **Capex and outlook**: Nuvoco expects fuel costs to start moderating Q3 onwards (after peaking in Q2). It maintained its Capex estimate of ~INR 5-6bn on capacity enhancement for FY23. It is still evaluating the Gulbarga plant and Capex opportunity in the north. In the next few months, it plans to take a firm view on which project to work on FY24E onwards.

Quarterly/annual financial summary (consolidated)

YE Mar (INR bn)	Q1 FY23	Q1 FY22	*YoY (%)*	Q4 FY22	*QoQ (%)*	FY20	FY21	FY22	FY23E	FY24E
Sales vol (mn MT)	4.70	4.23	*11.0*	5.50	*(14.6)*	12.24	15.91	17.84	20.30	22.33
NSR (INR/MT)	5,182	4,913	*5.5*	4,867	*6.5*	4,625	4,444	4,760	5,151	5,150
Opex (INR/MT)	4,393	3,691	*19.0*	4,075	*7.8*	3,579	3,503	3,934	4,399	4,178
EBITDA (INR/MT)	789	1,222	*(35.4)*	792	*(0.4)*	1,046	941	826	752	972
Net sales	26.52	22.03	*20.4*	29.30	*(9.5)*	67.93	74.89	93.18	115.29	127.89
EBITDA	3.61	5.14	*(29.8)*	4.25	*(15.1)*	12.97	14.61	14.97	15.94	22.52
APAT	0.20	1.14	*(82.1)*	0.29	*(29.7)*	2.49	-0.26	0.32	1.64	6.19
AEPS (INR)	0.57	3.63	*(84.2)*	0.82	*(29.7)*	10.3	-0.8	0.9	4.6	17.3
EV/EBITDA (x)						12.4	13.0	11.6	10.6	7.2
EV/MT (INR bn)						11.50	8.51	7.28	7.09	6.49
RoE (%)						48.6	NA	377.4	73.7	19.6

Source: Company, HSIE Research

BUY

CMP *(as on 10 Aug 2022)*	**INR 338**
Target Price	**INR 591**
NIFTY	**17,535**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR 591	INR 591
EBITDA revision %	FY23E *0.0*	FY24E *0.0*

KEY STOCK DATA	
Bloomberg code	NUVOCO IN
No. of Shares (mn)	357
MCap (INR bn) / ($ mn)	121/1,622
6m avg traded value (INR mn)	164
52 Week high / low	INR 578/260

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	13.6	(20.7)	-
Relative (%)	5.6	(21.3)	-

SHAREHOLDING PATTERN (%)	**Mar-22**	**Jun-22**
Promoters	71.42	71.72
FIs & Local MFs	18.05	19.06
FPIs	5.42	3.65
Public & Others	5.11	5.57
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Galaxy Surfactants

Raw material prices cool off

Our BUY recommendation on GALSURF with a price target of INR 3,725 is premised on (1) stickiness of business, as over 50% of the revenue mix comes from MNCs and (2) stable EBITDA margin, since fluctuations in raw material costs are easily passed on to customers. Q1 EBITDA/APAT were 33/37% higher than our estimates, owing to a 13% rise in the revenue, lower-than-expected other expense, and lower-than-expected tax outgo.

- **Q1 revenue** grew 10/40% QoQ/YoY to INR 11.6bn, owing to improved sales mix and higher realisations. Demand in India remained stable YoY while showing signs of improvement sequentially. Global demand continues to witness cutback amidst a high inflation scenario.
- **Q1 margins**: Gross margin fell 216/91bps QoQ/YoY to 31%. The sequential fall was mainly due to a higher base in Q4FY22, owing to inventory gains booked in Q4. The input feedstock prices have sharply corrected in the quarter. EBITDAM fell 99/36bps QoQ/YoY to 13%.
- **Q1 volume**: Total volume in Q1 came in at 55kT (-4/-8% QoQ/YoY). Performance surfactant (64% of the volume mix) volume came in at 35kT (-9% YoY), and specialty care (36%) volume came in at 20kT (-10/-6% QoQ/YoY). The global inflationary scenario combined with deterioration of macro in a few countries severely impacted the mass categories, which in turn impacted the performance surfactant volume adversely. Signs of a slowdown visible in Europe adversely impacted specialty volumes. India's market grew 3% YoY, AMET de-grew 21% YoY, and the rest of the world de-grew 6% YoY in Q1. Supply side factors are seen to be improving, though they have not yet got back to pre-COVID levels.
- **Change in estimates:** We raise our FY23/24 EPS estimates by 9.1/12.0% to INR 93.4/110.3 to account for higher realisation, better margins, and incorporation of annual report FY22.
- **DCF-based valuation: Our price target is INR 3,725 (WACC 10%, terminal growth 4%). The stock is trading at 29x FY24E EPS.**

Financial summary (consolidated)

INR mn	Q1 FY23	Q4 FY22	QoQ (%)	Q1 FY22	YoY (%)	FY21	FY22	FY23E	FY24E	FY25E
Net Sales	11,589	10,529	10.1	8,264	40.2	27,841	36,857	39,374	43,619	48,392
EBITDA	1,480	1,450	2.1	1,085	36.4	4,488	4,007	4,896	5,677	6,675
APAT	1,004	984	2.0	768	30.7	3,021	2,628	3,313	3,911	4,695
AEPS (INR)	28.3	27.8	2.0	21.7	30.7	85.2	74.1	93.4	110.3	132.4
P/E (x)						37.7	43.4	34.4	29.1	24.3
EV/EBITDA(x)						25.0	27.7	23.1	20.1	17.4
RoE (%)						25.5	18.3	19.5	19.8	20.4

Source: Company, HSIE Research

Change in estimates (Consolidated)

Y/E Mar	FY23E Old	FY23E New	% Ch	FY24E Old	FY24E New	% Ch
EBITDA (INR bn)	4.51	4.90	8.5	5.11	5.68	11.0
Adj. EPS (INR/sh)	85.7	93.4	9.1	98.5	110.3	12.0

Source: Company, HSIE Research

BUY

CMP *(as on 10 Aug 2022)*	INR 3,228
Target Price	INR 3,725
NIFTY	17,535

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 3,295	INR 3,725
EPS %	FY23E	FY24E
	+9.1%	+12.0%

KEY STOCK DATA	
Bloomberg code	GALSURF IN
No. of Shares (mn)	35
MCap (INR bn) / ($ mn)	114/1,538
6m avg traded value (INR mn)	83
52 Week high / low	INR 3,600/2,561

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	15.7	9.2	2.4
Relative (%)	7.7	8.6	(5.7)

SHAREHOLDING PATTERN (%)	Mar-22	Jun-22
Promoters	70.93	70.93
FIs & Local MFs	13.78	13.62
FPIs	1.89	2.01
Public & Others	13.40	13.44
Pledged Shares	0.0	0.0

Source: BSE

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CESC

Dhariwal and Rajasthan DF performance uplift

CESC's consolidated PAT in Q1FY23 increased by 6.1% YoY to INR3.0bn, led by higher earnings at Dhariwal (from a new PPA with Railway Energy Management Company—REMCL), Noida Power (high power demand) and turnaround in the Rajasthan distribution franchisee (DF) segment (a profit of INR60mn vs a loss of INR110mn YoY). These were partially offset by increased losses in the Malegaon DF business (a loss of INR190mn vs profit of INR20mn YoY) and lower profitability in the Haldia business (INR660mn vs INR900 mn). Standalone PAT remained flat YoY. WBERC awarded multi-year tariff for FY21-23 and annual performance review for FY15-18, but the decision on regulatory assets stands deferred. We have not included the Chandigarh discom in our valuation as CESC is yet to receive a letter of intent (LoI). We maintain our earnings estimates for FY23/24 and retain BUY, with a TP of INR113.

- **Power demand goes up across the circle:** Sales volume in standalone business increased 17.5% YoY, while it was also up across the Noida and DF segments as demand revived during the peak summer season. Standalone PAT, however, remained flat at INR1.4bn. Consolidated PAT, on the other hand, increased 6.1% YoY to INR3.0bn, led by strong earnings at Dhariwal (+184% YoY to INR710mn) and Noida (+17.2% YoY to INR340mn) and a turnaround in Rajasthan DF segment (PAT of INR60mn vs a loss of INR110mn). This was, however, offset by increased losses in the Malegaon DF business (loss of INR190mn vs PAT of INR20mn YoY) and lower profitability in the Haldia business (INR 660mn vs INR900mn YoY). We expect the franchisee segment to attain break-even in FY23 and gain a marginal profit of INR272mn in FY24.

- **CESC's Dhariwal begins supplying power to Central Railway under a three-year PPA:** CESC's Dhariwal project has started to supply 210MW power to REMCL under a three-year medium-term PPA at a tariff of INR4.1/unit. With this arrangement, the project now has more than 83% of its capacity tied up under PPAs, with only ~60MW lying open to merchant markets. The above arrangement will scale up the segment's PAT to INR1.8-1.9bn, from the current run-rate of INR1.2-1.3bn.

- **Maintain BUY**: While WBERC awarded a multi-year tariff for FY21-23 and annual performance review for FY15-18, its decision on regulatory assets has been deferred. Accordingly, we have maintained our consolidated earnings estimates for FY23/24. On a consolidated basis, CESC is valued at an attractive P/BV of 0.8x and PE of 6.6x for FY24. A high dividend yield of ~5-6% is in line with investor expectations. Hence, we BUY on CESC, with a TP of INR113.

Financial summary (Consolidated)

(INR mn, Mar YE)	1Q FY23	1Q FY22	YoY (%)	4Q FY22	QoQ (%)	FY22	FY23E	FY24E
Net Revenues	23,470	19,310	*21.5*	16,100	*45.8*	72,940	81,908	86,599
EBITDA	3,940	3,110	*26.7*	1,760	*123.9*	11,180	16,406	17,333
APAT (Consol)	2,970	2,800	*6.1*	4,450	*-33.3*	13,368	15,751	16,081
Diluted Consol EPS (INR)	2.2	2.1	*6.1*	3.4	*-33.3*	10.1	11.9	12.1
P/E (x) (Consol)						7.9	6.7	6.6
Price/BV (Consol)						0.9	0.9	0.8
RoE (%)						13.1	14.5	14.4

Source: Company, HSIE Research

BUY

CMP *(as on 10 Aug 2022)*	INR 80
Target Price	INR 113
NIFTY	17,535

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 113	INR 113
	FY22E	FY23E
EPS Change %	-	-

KEY STOCK DATA	
Bloomberg code	CESC IN
No. of Shares (mn)	1,326
MCap (INR bn) / ($ mn)	106/1,426
6m avg traded value (INR mn)	167
52 Week high / low	INR 102/68

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(2.8)	(4.4)	8.2
Relative (%)	(10.8)	(5.0)	0.1

SHAREHOLDING PATTERN (%)

	Mar-22	Jun-21
Promoters	52.1	52.1
FIs & Local MFs	20.9	21.3
FPIs	13.8	13.9
Public & Others	13.2	12.7
Pledged Shares	-	-

Source : BSE

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Borosil Renewables

Input cost inflation impacts margin

Borosil Renewable's (BRL) Q1FY23 PAT declined 24% YoY to INR301mn as the cost of raw materials, fuel and power expenses continued to remain elevated in the quarter. Realisation was slightly better QoQ at INR141/sqmm (flat YoY), but the company was unable to pass on the escalated input cost to its customers due to intense competition from Chinese players; hence, this impacted its EBITDA and margin by 22% YoY and 1,715 bps respectively. The quantitative sales volume grew 23% YoY and BRL reported revenue growth of 25% YoY to INR1,700mn in Q1. Though it would be tough for BRL to sustain its profitability amidst steep rise in input costs, we do not foresee much risk to the realisation for solar glass, given: (1) limited domestic availability of solar glass; (2) the company has existing contracts for soda ash and natural gas until Dec 2022 at prices that are favourable compared to current prices; (3) SG-3 is expected to commission in Oct 2022 and company plans to use furnace oil instead of natural gas in SG-3 for the time being; (4) anti-dumping duty on module that came into force in April 2022 will ramp up domestic manufacturing of solar modules. We maintain our ADD rating, with TP of INR704, based on FY25E 23x P/E.

- **Q1FY23 highlights:** Revenue in Q1 was at INR1700mn (+25% YoY). Export revenue was 22.7% higher YoY at INR395mn, comprising 23.3% of the total revenue. Realisation remained flat YoY at INR141/sqmm (+4.5% QoQ). However, the cost of material consumed and fuel expenses grew 44% and 48% YoY, led by higher soda ash, gas and power prices. Accordingly, EBITDA declined 22% YoY to INR482mn while margin contracted 1715 bps YoY to 28%. The company was unable to pass on the escalated input cost to its customers due to intense competition from Chinese players. PAT for the quarter also declined 24% YoY to INR300mn.
- **Projects and Capex**: SG-3 has been delayed by three months due to global supply chain issues and it is now expected to commission in Oct 2022. Further, BRL now plans to merge SG-4 and SG-5 units into one SG-4 project of 1,100 TPD as a larger furnace will consume less power and cost efficiencies will be better. Capex for this is estimated at INR14bn, of which the company has sought approval for fundraising of INR11bn. Further, Interfloat Group acquisition has been put on hold due to leakage in furnace of GMB plant as company is in the process of assessing the impact of the same on transaction.
- **Maintain ADD:** Given the growing demand of solar PV modules, brownfield expansion plan of SG-3 and SG-4, which would be able to cater to 12GW of module manufacturing capacity, and strong domestic market share, we maintain ADD rating, with a TP of INR 704, based on FY25E P/E of 23x.

Financial Summary

(INR mn, Mar YE)	1Q FY23	1Q FY22	YoY (%)	4Q FY22	QoQ (%)	FY22	FY23E	FY24E	FY25E
Net Revenues	1,700	1,361	24.9	1,791	-5.1	6,442	13,618	21,258	28,878
EBITDA	482	619	-22.2	591	-18.6	2,445	4,348	7,030	9,304
APAT	301	397	-24.3	464	-35.1	1,658	2,230	2,961	3,531
Diluted EPS (INR)	2.3	3.1	-24.4	3.6	-35.1	12.7	17.1	22.7	27.1
P/E (x)						48.1	35.8	26.9	22.6
P/BV (x)						10.2	6.6	5.3	4.3
RoE (%)						23.7	22.4	21.8	21.0

Source: Company, HSIE Research

ADD

CMP*(as on 10 Aug 2022)*	INR 611
Target Price	INR 704
NIFTY	17,535

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR704	INR704
EPS Change %	FY23E	FY24E
	-	-

KEY STOCK DATA	
Bloomberg code	BORORENE IN
No. of Shares (mn)	130
MCap (INR bn) / ($ mn)	80/1,071
6m avg traded value (INR mn)	461
52 Week high / low	INR 833/276

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	3.1	(5.2)	88.7
Relative (%)	(4.9)	(5.8)	80.6

SHAREHOLDING PATTERN (%)

	Mar-22	Jun-22
Promoters	61.7	61.8
FIs & Local MFs	0.1	0.18
FPIs	4.8	4.9
Public & Others	33.5	33.2
Pledged Shares	-	-

Source : BSE

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Prince Pipes

Volume and margin disappoint

We maintain our BUY rating on Prince Pipes with a revised target price of INR 750/sh (18.5x its Mar-24E EBITDA). In Q1FY23, Prince reported weak volume and margin, missing our estimates. Dealer destocking amid continued resin price decline in Q1 led to a 31% QoQ volume decline in the quarter. Op-lev loss and sharp inventory loss (INR 300-350mn) further pulled down unitary EBITDA by 55% QoQ to INR 14/kg. However, on a four-year CAGR basis, it still managed to deliver growth of 2/9% volume/EBITDA. We continue to like Prince for its large product portfolio, robust pan-India distribution, and low exposure (~30-35%) to price sensitive agri/rural markets.

- **Q1FY23 performance:** Prince reported disappointing and weak numbers, missing ours/consensus EBITDA estimates by 20/35%. Sales volume fell 31% QoQ (up 69% YoY on a low base), impacted by continued dealer destocking as resin price fall continued through the quarter. This also led to hefty inventory loss (INR 300-350mn) as the company was carrying higher than normal inventories. Op-lev loss and inventory losses led to a sharp 55% slump in unitary EBITDA to INR 14/kg. Prince underperformed its peers in Q1FY23, both in terms of volume and margin contraction QoQ. Its four-year CAGR for Q1 volume/EBITDA has been 2/9%.
- **Outlook:** Prince expects high inventory loss to continue in Q2. Thereafter, stable resin prices should push up demand and, hence, it expects margin to recover from Q3 onwards. Prince noted that it will continue to focus on retail distribution sweating, new product launches, and increased penetration in project sales. Factoring in the high inventory losses of H1FY23, we have cut our FY23/24E EBITDA estimates by 26/14% respectively. The company noted a normalised EBITDA margin outlook of ~13-15%. It also announced a foray in the bathware segment, as it intends to capitalise on its distribution reach. The launch is expected in Mar-23 and, for the next 2-3 years, it would operate on an asset-light model before building its own manufacturing capacities.

Quarterly/annual financial summary

YE Mar (INR mn)	Q4 FY22	Q4 FY21	YoY (%)	Q3 FY22	QoQ (%)	FY20	FY21	FY22P	FY23E	FY24E
Pipes sales (K MT)	31.3	18.5	*69.2*	45.3	*-31.0*	132.8	138.3	139.0	159.9	183.9
NSR (INR/kg)	193.3	179.0	*8.0*	199.0	*-2.9*	123.2	149.8	191.1	166.3	162.9
EBITDA (INR/kg)	14.0	22.3	*-37.2*	31.0	*-54.7*	17.2	26.2	29.9	21.0	23.4
Net Sales	6,041	3,306	*82.7*	9,011	*-33.0*	16,357	20,715	26,568	26,582	29,957
EBITDA	439	413	*6.3*	1,404	*-68.8*	2,288	3,616	4,157	3,355	4,298
EBITDAM (%)	*7.3*	*12.5*		*15.6*		*14.0*	*17.5*	*15.6*	*12.6*	*14.3*
APAT	160	178	*-9.7*	882	*-81.8*	1,125	2,218	2,495	1,822	2,485
Diluted EPS (INR)	1.4	1.6	*-10.2*	8.0	*-81.8*	10.2	20.2	22.6	16.5	22.5
EV / EBITDA (x)						29.4	18.2	16.5	19.4	14.9
P/E (x)						59.8	30.3	27.1	37.1	27.2
RoE (%)						*18.2*	*23.6*	*21.6*	*13.6*	*16.3*

Source: Company, HSIE Research

Estimates revision summary

INR mn	FY23E Old	FY23E Revised	*Change %*	FY24E Old	FY24E Revised	*Change %*
Net Sales	27,472	26,582	-3.2	31,908	29,957	-6.1
EBITDA	4,558	3,355	-26.4	4,977	4,298	-13.7
APAT	2,712	1,822	-32.8	2,984	2,485	-16.7

Source: Company, HSIE Research

BUY

CMP *(as on 10 Aug 2022)*	**INR 608**
Target Price	**INR 750**
NIFTY	**17,535**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR 875	INR 750
EBITDA revision %	FY23E *(26.4)*	FY24E *(13.7)*

KEY STOCK DATA	
Bloomberg code	PRINCPIP IN
No. of Shares (mn)	111
MCap (INR bn) / ($ mn)	67/904
6m avg traded value (INR mn)	129
52 Week high / low	INR 897/549

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	(5.8)	(11.8)	(5.3)
Relative (%)	(13.8)	(12.4)	(13.4)

SHAREHOLDING PATTERN (%)	**Mar-22**	**Jun-22**
Promoters	62.94	62.94
FIs & Local MFs	14.04	14.51
FPIs	3.96	4.15
Public & Others	19.05	18.40
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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PNC Infratech

Execution outperformance

PNC Infratech (PNC) reported a robust beat of 23/22/32% on revenue/EBITDA/APAT, largely led by the roads segment. Water projects continue to see subdued execution, as only INR 27bn of the INR 80bn projects are under execution. As DPR gets approved, PNC expects another INR 15bn out of residual JJM orders of INR 53bn to move into execution by FY23 end. The overall revenue from the water segment is expected to be INR 13-14bn in FY23. PNC has maintained its revenue growth guidance of 15% YoY and EBITDA margin guidance of 13-13.5% for FY23. PNC expects an order inflow of INR 80-100bn in FY23. With cash balance of INR 4.6bn and standalone gross debt at INR 3bn, PNC had a net cash balance of INR 1.6bn, as of June'22. Capex guidance for FY23 stands at INR 1-1.2bn. Given a strong OB and comfortable balance sheet, we maintain BUY, with an unchanged TP of INR 407 (15x Mar-24E, 1x P/BV for HAM equity investment).

- **Strong execution leads to robust beat:** Revenue: INR 17.2bn (+38%/-10% YoY/QoQ, a 23% beat). EBITDA: INR 2.3bn (+29% YoY, +0.7% QoQ, a 22% beat)· EBITDA margin: 13.1% (-87/++143bps YoY/QoQ, vs. our estimate of 13.3%)· Interest cost came in at INR 175mn (-3%/+2.8 YoY/QoQ). APAT: INR 1.4bn (+53%/+3.5% YoY/QoQ, a 32% beat). Reported revenue/EBITDA/PAT are at INR 17.6/2.6/1.7bn. We have adjusted INR 370mn of bonus received in Q1FY23 in revenue/EBITDA/APAT. PNC has received a total of INR 1,190mn of early completion bonus on two packages of Purvanchal (INR 370/820mn in Q1FY23/Q4FY22).
- **Robust OB:** OB as of June'22 stood at INR 204.5bn. Excluding the EPC value of seven HAM projects where the appointed dates (ADs) are awaited (INR 74.4bn), the executable OB stands at INR 130.1bn. The ADs for all the seven projects are expected by Q3FY23. The road segment constitutes 61% of the OB whilst water projects constitute 40% of it. PNC expects an order inflow of INR 80-100bn in FY23.
- **Strong balance sheet:** With cash balance of INR 4.6bn and standalone gross debt of INR 3bn (vs INR 2.2bn in Mar'22), PNC had a net cash balance of INR 1.6bn (vs INR 1.9bn Mar'22), as of June'22. It has a residual equity requirement of INR 3.3/4.8/3.5bn in 9MFY23/24/25 for all the HAM projects in the portfolio. It envisages funding the same through internal accruals. Its Capex guidance for FY23 is INR 1-1.2bn.
- **Asset monetisation under discussion, expect closure by FY23 end:** PNC is contemplating monetisation of six HAM projects, one annuity project, and one BOT project. The company is in advanced discussions with investors regarding these. Total cumulative equity investments in these eight assets is INR 9.4bn, with debt to the tune of INR 47bn.

Standalone Financial Summary (INR mn)

YE March	1QFY23	1QFY22	YoY (%)	4QFY22	QoQ (%)	FY21	FY22	FY23E	FY24E
Net Sales	17,211	12,512	*37.6*	19,173	*(10.2)*	49,254	63,055	68,166	78,186
EBITDA	2,263.2	1,754	*29.0*	2,247	*0.7*	6,728	7,872	8,821	10,162
APAT	1,430	933	*53.3*	1,382	*3.5*	3,619	4,868	5,356	6,191
EPS (INR)	5.6	3.6	*53.3*	5.4	*3.5*	14.1	19.0	20.9	24.1
P/E (x)						18.4	13.6	12.4	10.7
EV/EBITDA (x)						9.3	8.0	7.6	6.4
RoE (%)						13.3	15.6	14.9	15.0

Source: Company, HSIE Research

BUY

CMP (as on 10 Aug 2022)	**INR 259**
Target Price	**INR 407**
NIFTY	**17,535**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR 407	INR 407
EPS Change %	FY23E	FY24E
	-	-

KEY STOCK DATA	
Bloomberg code	PNCL IN
No. of Shares (mn)	257
MCap (INR bn) / ($ mn)	66/893
6m avg traded value (INR mn)	111
52 Week high / low	INR 396/219

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	7.0	(11.7)	(12.3)
Relative (%)	(0.9)	(12.3)	(20.4)

SHAREHOLDING PATTERN (%)	**Mar-22**	**Jun-22**
Promoters	56.07	56.07
FIs & Local MFs	26.83	28.57
FPIs	9.99	10.48
Public & Others	7.11	4.88
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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V-MART Retail

Recovery in line; margin bump a postive surprise

V-MART reported 231% growth YoY (in-line). The organic business (ex-Unlimited acquisition) recovered fully from the pandemic blues in Q1FY23 (INR4.7bn; 3-year CAGR: 1%). Note: unit economics is yet to catch up. Footfall density was at 55%, while transaction sizes were up 138% vs pre-pandemic levels. EBITDA margin beat (15.1% vs HSIE: 12.5%) was a function of (1) 17-18% price hikes in H2FY22 and (2) product mix becoming superior. We've cut our FY24/25 EBITDA estimates by 5/3% to factor in a more gradual convergence of Unlimited financials to the portfolio. But we maintain BUY with a DCF-based TP of INR3,500/sh (unchanged and implying 26x Jun-24 EV/EBITDA).

- **Q1FY23 highlights**: V-MART reported 231% growth YoY at INR 5.88bn (HSIE: INR5.81bn). The organic business (ex-Unlimited acquisition) recovered fully from the pandemic blues in Q1FY23 to INR 4.7bn. Effective footfalls/store are still significantly low (55% of Q1FY20 levels). Transaction sizes remain elevated in Q1 (up 138% vs Q1FY20 levels). GM surprised positively at 37.3% (up 629bps YoY) as the impact of recent price hikes (17-18% in H2) was absorbed and (2) product mix became superior. EBITDA margin beat (15.1% vs HSIE: 12.5%) was a function of GM beat flowing through. Management highlighted that it might have overdone the shift to a more expensive assortment (partly reflected in the footfall decline) and it intends to arrest this decline by reentering some of the more economical price points. This, coupled with a 5-6% price correction, is expected to veer the P&L towards its historical mean (both in terms of higher sales density and lower GMs than Q1FY23). V-MART added 11 stores (net) in Q1. APAT stood at INR205mn (vs HSIE estimate of INR109mn).
- **Outlook**: While V-MART remains among the stronger value-fashion retailers within the ecosystem, profitability has been under pressure in the near term, courtesy Unlimited and overall footfall decline. We've cut our FY24/25 EBITDA estimates by 5/3% respectively to account for the more gradual convergence of Unlimited financials to the portfolio. But we maintain BUY with a DCF-based TP of INR3,500/sh (unchanged and implying 26x Jun-24 EV/EBITDA).

Quarterly financial summary

(INR mn)	Q1FY23	Q1FY22	YoY (%)	Q4FY22	QoQ (%)	FY21	FY22	FY23E	FY24E	FY25E
Net Revenue	5,879	1,774	231.4	4,588	28.1	10,755	16,662	25,820	32,366	37,139
Adj EBITDA	887	(20)	(4,627.6)	503	76.3	368	792	1,781	2,496	3,010
APAT	205	(287)	(171.2)	(26)	(882.8)	224	501	956	1,427	1,793
EPS (Rs)	10.3	(14.6)	(171.0)	(1.3)	(882.1)	11.4	25.4	48.5	72.4	91.0
P/E (x)						246.4	110.2	57.8	38.7	30.8
EV/EBITDA (x)						140.6	67.7	29.9	21.2	17.2
Core RoCE(%)						0.1	6.0	11.6	16.1	18.4

Source: Company, HSIE Research, Standalone Financials

Change in estimates

(INR mn)	FY23E			FY24E			FY25E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	25,820	25,820	-	32,366	32,366	-	37,139	37,139	-
Gross Profit	8,886	8,834	*0.6*	11,041	11,041	-	12,558	12,670	*(0.9)*
Gross Profit Margin (%)	34.4	34.2	*20 bps*	34.1	34.1	-	33.8	34.1	*(30 bps)*
EBITDA	1,781	1,955	*(8.9)*	2,496	2,619	*(4.7)*	3,010	3,107	*(3.1)*
EBITDA margin (%)	6.9	7.6	*(67 bps)*	7.7	8.1	*(38 bps)*	8.1	8.4	*(26 bps)*

Source: Company, HSIE Research, Pre IND AS 116 financials

BUY

CMP *(as on 10 Aug 2022)*	INR 2,947
Target Price	INR 3,500
NIFTY	17,535

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 3,500	INR 3,500
EBITDA %	FY24E	FY25E
	-4.7	-3.1

KEY STOCK DATA	
Bloomberg code	VMART IN
No. of Shares (mn)	20
MCap (INR bn) / ($ mn)	58/783
6m avg traded value (INR mn)	116
52 Week high / low	INR 4,849/2,406

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(3.7)	(20.2)	(18.9)
Relative (%)	(11.7)	(20.8)	(27.0)

SHAREHOLDING PATTERN (%)	Mar-22	Jun-22
Promoters	46.2	46.1
FIs & Local MFs	23.2	25.6
FPIs	20.2	18.2
Public & Others	10.3	10.1
Pledged Shares	0	0

Source : BSE

Pledged shares as % of total shares

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NCC

Execution pick-up augurs well

NCC's Q1FY23 revenue/EBITDA/APAT came in at INR 29.6/2.8/1.2bn, beating our estimates by 8.6/3/26%. With order inflow (OI) of INR 44.6bn in Q1FY23, the order book (OB) stood at INR 406bn (~4x FY22 revenue). During the quarter, NCC secured a larger order—a major sewage treatment plant order in Mumbai with EPC component of INR 38.3bn and O&M component of INR 18.5bn. During Q1, NCC availed INR 5.5bn of working capital demand loan (WCDL), which resulted in increased standalone gross debt of INR 17.1bn, as of Jun'22 vs. INR 11.8bn, as of Mar'22. The interest coverage ratio stood at 2.88 times. The average cost of debt during the quarter stood at 8.67%. Given the robust order book, pick-up in execution, stable balance sheet, and commodities price correction, we maintain BUY on NCC, with a TP of INR 108 (9x Mar-24E).

- **Financial highlights:** NCC reported revenue of INR 29.6bn (+56%/-5.6% YoY/QoQ, an 8.6% beat). EBITDA came in at INR 2.8bn (+41% YoY, +5.4% QoQ, a 3% beat). EBITDA margin fell to 9.5% (-104/+99bps YoY/QoQ, vs. our estimate of 10%). RPAT/APAT came in at INR 1.2bn (+132%/-51% YoY/QoQ, a 26% beat). On a conservative basis, NCC expects to achieve revenue growth of 15-20% YoY in FY23, with EBITDA margin at 9.5-10%, aided by lower commodity prices.
- **Robust OB; large waste water project signing underway:** NCC secured INR 44.6bn (including change of scope works) worth of orders in Q1FY23, taking the OB to INR 406bn (~4x FY22 revenue), of which buildings/water & environment accounted for 62/16% and roads, electrical, irrigation, and mining constituted 2/7/3/10%. The Andhra Pradesh OB stood at INR 32.8bn, as of Jun'22, with INR 3bn worth of orders from the outstanding backlog expected to be executed in FY23. NCC has backed a major sewage treatment plant project in Mumbai, with an EPC component of INR 38.3bn and O&M component of INR 18.5bn. NCC is yet to sign the concession agreement and it does not expect any impact from a change in the government on the project.
- **Balance sheet robust; debt-free by FY25:** Gross debt increased to INR 17.1bn, as of Jun'22 vs. INR 11.8bn, as of Mar'22, mainly due to INR 5.5bn of WCDL availed in Q1. The total finance cost stood at 3.63% of revenue while the average cost of debt (interest rate) was 8.67%. The interest coverage ratio, as of Jun'22, stood at 2.88x vs. 2.05x in Mar'22. Of the INR 2bn to be received from NCC Urban Vizag stake sell, INR 470mn has been received and the rest will be realised in three equal quarterly tranches in Q2/Q3/Q4FY23. INR 1.5bn from loans and advances to NCC Urban will be received in FY23 and the balance INR 1.5bn will be received in FY24. These proceeds will be used to reduce debt and in working capital. Consequently, NCC expects to be debt-free by FY25. Capex incurred in Q1 stood at INR 570mn. NCC has INR 5/2.4bn in net receivables/retention money from the Andhra government, as of Jun'22.

Financial summary standalone (INR mn)

Particulars	1QFY23	1QFY22	YoY(%)	4QFY22	QoQ(%)	FY21	FY22	FY23E	FY24E
Net Sales	29,586	18,926	56.3	31,343	(5.6)	72,557	99,300	1,23,940	1,38,592
EBITDA	2,812	1,997	40.8	2,669	5.4	8,545	9,961	12,890	15,384
APAT	1,200	517	132.3	1,071	12.0	2,611	3,460	5,380	7,289
Diluted EPS (INR)	2.0	0.8	132.3	1.76	12.0	4.3	5.7	8.8	12.0
P/E (x)						15.5	11.7	7.5	5.5
EV/EBITDA (x)						6.3	4.8	4.2	3.6
RoE (%)						5.0	6.2	8.9	11.0

Source: Company, HSIE Research

BUY

CMP (as on 10 Aug 2022)	INR 66
Target Price	INR 108
NIFTY	17,535

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

KEY STOCK DATA	
Bloomberg code	NJCC IN
No. of Shares (mn)	628
MCap (INR bn) / ($ mn)	42/559
6m avg traded value (INR mn)	209
52 Week high / low	INR 88/51

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	4.7	(6.7)	(20.5)
Relative (%)	(3.2)	(7.3)	(28.6)

SHAREHOLDING PATTERN (%)	Mar-22	Jun-22
Promoters	19.68	21.99
FIs & Local MFs	12.25	11.17
FPIs	8.89	9.66
Public & Others	59.18	57.18
Pledged Shares	3.70	4.02

Source : BSE

Pledged shares as % of total shares

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INSTITUTIONAL RESEARCH

Somany Ceramics

Strong performance; stable margin QoQ

We maintain BUY on Somany Ceramics with an unchanged target price of INR 840/share (13x Mar-24E consolidated EBITDA). We continue to like SOMC for its strong retail distribution, improving product mix, and tightened working capital (WC). We expect Somany to continue its healthy volume growth, supported by its ~20% capacity expansion in Q1FY23. EBITDA margin remained stable QoQ on cost controls, improved realisation (despite gas price inflation). The company expects healthy volume growth in FY23 and also expects margin to rebound as gas prices appear to have stabilised in Q2FY23.

- **Q1FY23:** Somany delivered strong results: EBITDA came in ~20% ahead of ours/consensus estimates. While tiles/other revenue fell 10/12% QoQ (seasonal impact), they grew at healthy three-year CAGRs of 12/13%. The company has scaled up share of GVT sales 4pp YoY to 30% in Q1. Tiles realisation improved 1% QoQ on the back of price hikes in April and June. EBITDA margin expanded 1% YoY/was flattish QoQ on better cost controls and improved realisation (despite gas prices in north/west rising ~20/5% QoQ).
- **Outlook**: Somany remains confident of delivering ~15-20% volume growth in the tiles segment on the back of good demand and increased tiles capacity by ~20% in Q1FY23 (across the north, west and south). It plans to add 300 dealers in FY23 (as part of its retail distribution expansion) and has already added 70 in Q1. Somany expects organised players would benefit from the one-month planned shutdown by small/unorganised manufacturers in Morbi cluster as this should restore the demand-supply balance. However, if there is any transporter strike (expected for ~10 days), volumes of organised players would be impacted as well. Due to the sharp spike in gas prices in European countries, Morbi's tiles competitiveness has improved and exports are expected to pick up. These should reduce supply pressure in domestic markets, driving better pricing and margin recovery. We maintain our earnings estimates for FY23/FY24E.

Quarterly/annual financial summary (consolidated)

YE Mar (INR mn)	Q1 FY23	Q1 FY22	*YoY (%)*	Q4 FY22	*QoQ (%)*	FY20	FY21	FY22	FY23E	FY24E
Tiles sales (MSM)	14.3	10.0	42.4	16.1	-11.5	48.9	49.8	57.9	66.6	74.1
NSR (Rs/Kg)	336.8	291.7	15.5	332.6	1.3	329.6	331.2	361.9	378.7	384.1
Tiles Revenue	4,799	2,920	64.4	5,358	-10.4	14,016	14,377	18,360	22,185	24,670
Others Revenue	602	322	87.1	682	-11.8	2,089	2,110	2,247	3,033	3,775
Net Sales	5,591	3,299	69.5	6,168	-9.3	16,101	16,507	20,945	25,219	28,444
EBITDA	449	230	95.3	507	-11.3	1,314	1,903	2,065	2,388	3,036
EBITDAM (%)	8.0	7.0		8.2		8.2	11.5	9.9	9.5	10.7
APAT	205	44	368.9	172	19.6	412	756	887	968	1,321
Diluted EPS (Rs)	4.8	1.0	368.9	4.0	19.6	9.7	17.8	20.9	22.8	31.1
EV / EBITDA (x)						24.9	15.9	15.3	13.8	11.0
P/E (x)						65.8	35.8	30.5	28.0	20.5
RoE (%)						5.9	10.5	11.3	11.1	13.6

Source: Company, HSIE Research

BUY

CMP *(as on 10 Aug 2022)*	**INR 637**
Target Price	**INR 840**
NIFTY	**17,535**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR 840	INR 840
EBITDA revision %	FY23E *0.0*	FY24E *0.0*

KEY STOCK DATA	
Bloomberg code	SOMC IN
No. of Shares (mn)	42
MCap (INR bn) / ($ mn)	27/364
6m avg traded value (INR mn)	24
52 Week high / low	INR 970/511

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	6.9	(23.6)	(2.6)
Relative (%)	(1.1)	(24.2)	(10.7)

SHAREHOLDING PATTERN (%)	**Mar-22**	**Jun-22**
Promoters	54.78	54.78
FIs & Local MFs	20.20	20.44
FPIs	2.51	2.43
Public & Others	22.50	22.34
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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PSP Projects

Labour issues impact execution

PSP Projects (PSP) reported weak revenue/EBITDA/APAT of INR 3.5/0.5/0.3bn, missing our estimates at all levels. PSP faced festive season related reduced labour availability issues in the early part of Q1FY23, leading to weak execution and revenue booking. Its entire order book (OB) of INR 46bn (excl. Bhiwandi and Pandharpur forming 16% of it) is under execution, and execution is expected to pick up during the rest of 9MFY23. Post the completion of SDB project, PSP is now eligible to bid for a single project worth INR 25bn. The current bid pipeline stands at INR 40bn, of which 51% orders are from Gujarat and 41% are private. The topline is expected to grow by 25% YoY in FY23, with order inflow guidance at INR 20bn. We maintain BUY on PSP with a TP of INR 705/sh (13x Mar-24E EPS).

- **Financial highlights:** PSP posted revenue of INR 3.5bn (+9%/-38% YoY/QoQ, a 23% miss). EBITDA came in at INR 471mn (+20% YoY, -47% QoQ, 20% miss). EBITDA margin stood at 13.6% (+123/-222bps YoY/QoQ, vs. our estimate of 13.2%). RPAT/APAT came in at INR 285mn (+14%/-47% YoY/QoQ, a 13% miss). EBITDA margin was impacted by labour availability issues and fixed cost under absorption. However, some impact was mitigated by commodity prices cooling off. PSP has given a revenue guidance of 25% YoY growth in FY23, with an EBITDA margin guidance of 11-13%. The margin guidance is more conservative and, with softening of commodity prices, the margin could get into the 12-13% range.
- **Well diversified OB:** With Q1FY23 order inflow (OI) of INR 5.5bn (the highest-ever quarterly inflow), the OB stood at the highest-ever level of INR 46bn (~2.7x FY22 revenue). This includes INR 291mn worth of precast orders. Government orders comprised a major chunk of the OB at 63%, as of Jun'22, vs. 68%, as of Mar'22. The OB is well diversified geographically, with 43/41/16% of the order backlog in Gujarat/UP/Maharashtra. The bid pipeline stands at INR 40bn, 41% of which comprises private orders and 51% is from Gujarat. PSP guided for FY23 OI at INR 20bn. With the receipt of final completion certificate for the SDB project, PSP is eligible to bid for orders that are more than INR 25bn in size, on a standalone basis. During the quarter, PSP completed three projects, which include the largest retail mall of Gujarat. With this, the total projects completed until date total 186. Apart from the Pandharpur and Bhiwandi projects (cumulative 16% of the OB), all projects in the OB are mobilised.
- **Comfortable balance sheet:** Standalone gross debt increased to INR 1.4bn, as of Jun'22 vs. INR 1bn, as of Mar'22. PSP has guided FY23 Capex would be 2-4% of revenue. The working capital days have increased to 35 as of Jun'22, from 28 as of Mar'22.

Standalone financial summary (INR mn)

Particulars	1QFY23	1QFY22	YoY (%)	4QFY22	QoQ (%)	FY21	FY22	FY23E	FY24E
Net Sales	3,452	3,174	8.8	5,553	(37.8)	12,409	17,488	20,429	24,670
EBITDA	471	394	19.6	881	(46.5)	1,348	2,565	2,548	3,214
APAT	285	251	13.6	538	(47.0)	835	1,624	1,577	1,952
Diluted EPS (INR)	7.9	7.0	13.6	14.9	(47.0)	23.2	45.1	43.8	54.2
P/E (x)						25.8	13.3	13.6	11.0
EV / EBITDA (x)						16.1	8.0	8.6	6.7
RoE (%)						16.8	26.6	21.4	22.5

Source: Company, HSIE Research

BUY

CMP (as on 10 Aug 2022)	**INR 598**
Target Price	**INR 705**
NIFTY	**17,535**

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 705	INR 705
EPS	FY23E	FY24E
change %	-	-

KEY STOCK DATA	
Bloomberg code	PSPPL IN
No. of Shares (mn)	36
MCap (INR bn) / ($ mn)	22/289
6m avg traded value (INR mn)	104
52 Week high / low	INR 672/405

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	18.7	3.8	38.3
Relative (%)	10.7	3.2	30.2

SHAREHOLDING PATTERN (%)	Mar-22	Jun-22
Promoters	70.20	70.39
FIs & Local MFs	4.77	4.82
FPIs	1.78	1.89
Public & Others	23.25	22.90
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	Berger Paints, Aditya Birla Fashion and Retail, V-MART Retail	MBA	NO
Premraj Survase	Berger Paints, Aditya Birla Fashion and Retail, V-MART Retail	MBA	NO
Nilesh Ghuge	Deepak Nitrite, Galaxy Surfactants	MMS	NO
Harshad Katkar	Deepak Nitrite, Galaxy Surfactants	MBA	NO
Rutvi Chokshi	Deepak Nitrite, Galaxy Surfactants	CA	NO
Akshay Mane	Deepak Nitrite, Galaxy Surfactants	PGDM	NO
Parikshit Kandpal	Prestige Estates, G R Infraprojects, PNC Infratech, NCC, PSP Projects	CFA	NO
Manoj Rawat	Prestige Estates, G R Infraprojects, PNC Infratech, NCC, PSP Projects	MBA	NO
Nikhil Kanodia	Prestige Estates, G R Infraprojects, PNC Infratech, NCC, PSP Projects	MBA	NO
Rajesh Ravi	Nuvoco Vistas, Prince Pipes, Somany Ceramics	MBA	NO
Keshav Lahoti	Nuvoco Vistas, Prince Pipes, Somany Ceramics	CA	NO
Anuj Upadhyay	CESC, Borosil Renewables	MBA	NO
Hinal Choudhary	CESC, Borosil Renewables	CA	NO

Disclosure:

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Any holding in stock –**No**
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