INSTITUTIONAL RESEARCH

HSIE Results Daily

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Results Reviews

- **ITC:** ITC's Q4 print was largely in-line with Revenue/EBITDA/APAT growing by 7/19/20% vs. the expectation of 8/17/17%. Cigarette revenue/EBIT growth was at 14% each, with volume growth at c.11.5% (4% four-year CAGR). A stable tax environment, normalisation in demand, & deterrent action by agencies on illicit trade continue to support cigarette recovery. We model cigarette revenue growth of 7/6% for FY24/FY25. FMCG remained an outlier, with revenue clocking 19% YoY growth (Nestle/Britannia clocked 21/11%). FMCG EBITDA performance was even better, with the margin expanding by 430bps YoY to 13.3%, & EBITDA growing 2.1x YoY. Hotel performance remained strong while paper and agribusiness were muted. ITC continues to outperform other FMCG peers; however, the recent stock run-up (~50% in LTM) limits further rerating potential. We maintain our estimates and value ITC on a SoTP basis to derive a TP of INR 395. The implied target P/E is 22x Mar-25E EPS. Maintain ADD.
- **State Bank of India:** SBIN posted its highest-ever quarterly profit and a strong beat, led by healthy loan growth (+17% YoY), better fees and lower credit costs, having front-loaded its provisions during 9MFY23 on a prudent basis. Asset quality remains strong, with GNPA at 2.8% (-36bps QoQ) and the restructured pool registering a marginal improvement to 0.8%. Operating expenses flared up QoQ on account of wage revision and franchise-building initiatives, resulting in an elevated C/I ratio at ~55%. While a relatively low LDR (~73%) and high stock of surplus SLR (INR4trn) offers comfort on incremental loan growth, management has guided for modest growth in deposits, backed by excess liquidity on the balance sheet. We tweak our FY24E/FY25E estimates to factor in stronger loan growth and lower credit costs, partly offset by higher opex; maintain BUY with a revised SOTP-based target price of INR732 (core bank at 1.2x Mar-25 ABVPS).
- **Berger Paints:** BRGR delivered 11.7% growth YoY, marginally lower than expected (~14% YoY; four-year CAGR: 13.5%; INR24.4bn). Over FY19-23, Berger's performance has lagged that of APNT (14.5% CAGR vs APNT's 16.4% - standalone). Decorative business clocked 14.5% growth in Q4. Distribution expansion remains healthy (addition of 8k retail outlets/5.2k tinting machines in FY23). Benefits of moderating RM inflation aided margins in Q4 (GM/EBITDAM expanded 514/211bps QoQ to 39.8/15.1% vs HSIE: 37.7/15.1% resp). We maintained our FY25 EPS and our ADD rating with a DCF-based TP of INR640/sh (implying 40x Jun-25 P/E).
- **Tata Elxsi:** Tata Elxsi's (TELX) Q4 print was lower on revenue, impacted by a deceleration in the Transportation vertical. We expect TELX's growth trajectory in the mid-teens as compared to 34/24% delivered in FY22/23. While the differentiation of TELX's business (design-led engineering services) remains intact, reflected in its industry-leading margins, its growth profile has moderated relative to peers. Growth visibility for TELX is based on (1) recent deal wins (Alps Alpine strategic deal in Transportation vertical), (2) recovery in Media & Communication and Healthcare verticals, supported by new logo addition, (3) traction in large accounts (T10 grew 5% QoQ), and (4) hiring outlook of ~2,200 (offshore-led) for FY24E. Margin is expected to be impacted by wage increase in Q1, ESOP expense (-50bps margin impact). TELX's cash

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generation has been weak over the past two years despite the surge in profit (OCF/EBITDA at 51% in FY23 vs. >70% over FY20-22). TELX, at 52x FY24E and 44x FY25E, remains expensive and we maintain SELL with a TP of INR 5,535, based on 35x Mar-25E EPS.

- **Thermax:** Thermax Ltd (TMX) reported revenue/EBITDA/PAT of INR 23/1.9/1.6bn, beating our estimates by 0.4/9/15%. EBITDA margin was a positive surprise at 8.7% vs. our estimate of 8%. This was on the back of stabilising raw material costs, a better supply chain and stable demand resulting in a gross margin of 44.8% (+693bps/+63bps YoY/QoQ). Also, the focus on products and services is bearing results in improving margins and stable revenue, reducing revenue volatility. The enquiry to order cycle in products is shorter and is seeing good strength. Order inflow for the quarter was stable sequentially at INR 22.5bn, with closing order book at INR 97.5bn (+11% YoY). Large orders from the steel and cement industry specifically are expected in Q3/Q4FY24. The export order pipeline is soft with growth driven by waste to energy, waste heat recovery and biomass-based projects. TMX stands to benefit from the investment in clean energy, sustainability, decarbonisation, normalisation of the international market and government impetus for cleaner air and water. We maintain ADD, with an unchanged TP of INR 2,433 (40x Mar-FY25E EPS).

- **Endurance Technologies:** Endurance Q4 PAT grew 26% QoQ to INR 1.36bn on the back of recovery in Europe margin to 17.8% (+350bps QoQ) as well as improvement in India margin by 80bps QoQ to 11.9%. While Endurance standalone outperformed the domestic auto industry, its Europe business underperformed the Europe auto industry in Q4. Going ahead, domestic 2W OEMs continue to see weak demand in domestic and export markets and are likely to remain the key concern for Endurance. Further, while supply chain challenges seem to have eased out globally, the demand outlook remains weak in Europe, given the record high inflation and rising interest rates in the region. On the back of a gradual decline in input costs and a reduction in energy costs in Europe, we factor in consolidated margin improvement to 14% by FY25E (from 11.8% in FY23), which is still well below its previous peak of 16.3% in FY20. While we have factored in most of the key positives, the valuation at 29.6x FY24E earnings appears expensive. Reiterate REDUCE with a revised target of INR 1,426 (earlier INR 1,340), as we roll forward to FY25 EPS (unchanged target multiple of 25x).

- **V-MART Retail:** V-MART reported 29.5% growth YoY (INR 5.94 bn vs HSIE: INR 5.3bn). Organic business (ex-Unlimited/Limeroad acquisition) grew at 9% CAGR (4-year) in Q4FY23 (INR4.94bn; 3-year CAGR: 8%; HSIE: INR 4bn). Note: Unit economics remains weak but is improving at the margin (footfall density stood at 91% of pre-pandemic times). Profitability was weaker than expected (3.9% vs HSIE: 5.7%) due to a 5% price cut across the portfolio and an inferior product mix. Note: FY23 has a one-time expense towards Limeroad (INR120mn). We've marginally cut our FY24/25 EBITDA estimates to account for higher Limeroad expenses. Consequently, our TP is revised downwards to INR2,450/sh (earlier: INR2,500/sh; implying 23x Jun-25 EV/EBITDA). Maintain BUY.

- **PSP Projects:** PSP Projects (PSP) reported yet another weak quarter, with revenue/EBITDA/APAT at INR 7.3/0.7/0.4bn, missing our estimates at all levels. PSP continues to disappoint with a slower-than-expected execution ramp-up in H2FY23. In FY23, it was awarded the highest-ever orders worth INR 32.2bn (excluding GST). FYTD24 order inflow (OI) stands at INR 7.6bn. With the Bhiwandi and Pandharpur projects being excluded from the OB, its entire OB of INR 50.5bn (~2.6x FY23 revenue) is under execution. The current bid pipeline stands at INR 60bn, of which 20% of orders are from Gujarat and

67% are private. The standalone gross/net debt stood at INR 1.5/0.5bn as of Mar'23. The revenue guidance for FY24 stands at INR 26bn, with a margin of 11-13% and an OI of ~INR 30bn. Given a robust OB and likely higher execution in H1FY24, we maintain our FY24/25 EPS estimates and TP at INR 788/sh (13x Mar-25E EPS). However, with limited upside to our TP, we continue with our ADD rating on the stock.

ITC

Core business remains healthy

ITC's Q4 print was largely in-line with Revenue/EBITDA/APAT growing by 7/19/20% vs. the expectation of 8/17/17%. Cigarette revenue/EBIT growth was at 14% each, with volume growth at c.11.5% (4% four-year CAGR). A stable tax environment, normalisation in demand, & deterrent action by agencies on illicit trade continue to support cigarette recovery. We model cigarette revenue growth of 7/6% for FY24/FY25. FMCG remained an outlier, with revenue clocking 19% YoY growth (Nestle/Britannia clocked 21/11%). FMCG EBITDA performance was even better, with the margin expanding by 430bps YoY to 13.3%, & EBITDA growing 2.1x YoY. Hotel performance remained strong while paper and agribusiness were muted. ITC continues to outperform other FMCG peers; however, the recent stock run-up (~50% in LTM) limits further rerating potential. We maintain our estimates and value ITC on a SoTP basis to derive a TP of INR 395. The implied target P/E is 22x Mar-25E EPS. Maintain ADD.

- **Momentum sustains in core business:** ITC continued to deliver a robust revenue growth trajectory for its core business, excluding agribusiness, which was impacted by the restriction imposed on wheat and rice exports. Cigarette value/volume/EBIT growth was at 14/11.5/14%. FMCG saw robust performance (revenue +19% YoY) across markets and channels, led by discretionary/OOH, staples and convenience foods. It continued to see rapid growth in e-commerce, quick commerce, MT and institutional channels. Rapid new launches, distribution revamp, and efficiency in the supply chain remain the core metric. With RevPAR well ahead of pre-covid levels, hotel revenue grew 2x YoY, driven by retail, leisure, weddings, and MICE. Softening pulp prices and plant shutdown impacted paper revenue growth. We model an 8% consolidated revenue CAGR during FY23-25E.
- **EBITDA up 19% YoY:** The cigarette/FMCG EBIT grew at 14%/2.1x YoY, resulting in overall EBITDA growth of 19% (HSIE 20%). FMCG EBITDA margin expanded by 430bps YoY to 13.3%, led by premiumisation, supply chain agility, pricing actions, digital initiatives, strategic cost management and fiscal incentives (incl PLI). Hotel EBIT turned positive while agri/paper EBIT was up by 26/-1% YoY. We model an 8% EBITDA CAGR for FY23-25.
- **Other takeaways:** (1) Within FMCG, market coverage increased by 2.1x over pre-pandemic levels. Rural stockists' network was up 1.2x YoY. (2) E-com sales grew 4.7x over FY20 and now contributes 10%+ of sales. (3) Within Cigarettes, the focus is on innovation and democratizing premiumisation across segments. (4) RevPAR is well ahead of the pre-covid level. (5) Restrictions imposed on wheat and rice exports impact agribusiness; strong growth in leaf tobacco expanded profitability. (6) Robust growth in the fine paper segment. Softening pulp prices and paperboard demand drag performance. (7) In FY23, FCF stood at INR 161bn vs INR 127bn YoY.

Quarterly/annual financial summary

YE Mar (INR mn)	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	FY22	FY23	FY24E	FY25E
Net Sales	1,75,061	1,64,260	6.6	1,72,655	1.4	6,06,681	7,09,369	7,67,350	8,24,981
EBITDA	62,094	52,244	18.9	62,232	(0.2)	2,06,584	2,56,649	2,77,838	2,97,289
APAT	50,307	41,910	20.0	50,310	(0.0)	1,55,031	1,94,603	2,08,701	2,23,445
Diluted EPS (INR)	4.0	3.4	19.02	4.1	(0.7)	12.6	15.7	16.8	18.0
P/E (x)						33.3	26.8	25.0	23.3
EV / EBITDA (x)						23.6	19.0	17.5	16.3
Core RoCE (%)						43.9	52.3	55.1	58.9

Source: Company, HSIE Research

ADD

CMP *(as on 18 May 23)*	INR 420
Target Price	INR 395
NIFTY	18,130

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 395	INR 395
	FY24E	FY25E
EPS %	0%	0%

KEY STOCK DATA	
Bloomberg code	ITC IN
No. of Shares (mn)	12,428
MCap (INR bn) / ($ mn)	5,216/63,780
6m avg traded value (INR mn)	4,387
52 Week high / low	INR 433/258

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	9.5	23.1	57.3
Relative (%)	8.8	23.4	44.0

SHAREHOLDING PATTERN (%)	Dec-22	Mar-23
Promoters	0.00	0.00
FIs & Local MFs	42.20	42.08
FPIs	12.51	12.87
Public & Others	45.29	45.05
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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State Bank of India

Improving quality of earnings

SBIN posted its highest-ever quarterly profit and a strong beat, led by healthy loan growth (+17% YoY), better fees and lower credit costs, having front-loaded its provisions during 9MFY23 on a prudent basis. Asset quality remains strong, with GNPA at 2.8% (-36bps QoQ) and the restructured pool registering a marginal improvement to 0.8%. Operating expenses flared up QoQ on account of wage revision and franchise-building initiatives, resulting in an elevated C/I ratio at ~55%. While a relatively low LDR (~73%) and high stock of surplus SLR (INR4trn) offers comfort on incremental loan growth, management has guided for modest growth in deposits, backed by excess liquidity on the balance sheet. We tweak our FY24E/FY25E estimates to factor in stronger loan growth and lower credit costs, partly offset by higher opex; maintain BUY with a revised SOTP-based target price of INR732 (core bank at 1.2x Mar-25 ABVPS).

- **Higher opex partly offsets NII gains:** SBIN reported strong NII growth (+29% YoY), led by ~17% YoY loan growth and 8bps QoQ reflation in NIM. Credit growth was broad-based across segments, led by continued traction in the SME portfolio on the back of a pickup in the investment cycle and healthy momentum in retail assets. Cost-to-income was elevated at ~55%, which the management expects will remain at similar levels in the medium-term, given wage revision liability and investments in tech.
- **Benign asset quality:** GNPA/NNPA improved further to 2.8/0.7% on the back of net negative slippages (-0.1% annualised), led by strong recoveries even as the PCR was at an impressive ~76%. The bank is confident of the actual ECL requirement being well below internal estimates - any shortfall is likely to be funded by reversal of excess non-NPA provisions of INR355bn (~1% of loans).
- **Internal accruals to substitute need for capital raise:** Management is bullish on credit delivery on the back of a revamped build-out in SME and steady growth in retail. Given a comfortable LDR, the modest need for incremental deposit mobilisation should likely protect NIMs. Further, SBIN is confident of shoring up its equity buffers via internal accruals.

Financial summary

(INR bn)	Q4FY23	Q4FY22	YoY(%)	Q3FY23	QoQ(%)	FY22	FY23	FY24E	FY25E
NII	403.9	312.0	29.5%	380.7	6.1%	1,207.1	1,448.4	1,607.2	1,768.8
PPOP	246.2	197.2	24.9%	252.2	-2.4%	681.4	837.1	1,032.3	1,209.0
PAT	166.9	91.1	83.2%	142.1	17.5%	319.4	502.3	552.7	609.2
EPS (INR)	18.7	10.2	83.2%	15.9	17.5%	35.8	56.3	61.9	68.3
ROAE (%)						12.0	16.5	15.7	15.0
ROAA (%)						0.7	1.0	1.0	1.0
ABVPS (INR)						266.8	327.3	379.8	436.0
P/ABV (x)						2.2	1.8	1.5	1.3
P/E (x)						16.0	10.2	9.3	8.4

Change in estimates

(INR bn)	FY24E			FY25E		
	Old	New	Δ	Old	New	Δ
Net advances	35,303	36,069	2.2%	39,772	40,807	2.6%
NIM (%)	3.1	3.1	4bps	3.0	3.1	9bps
NII	1,546.6	1,607.2	3.9%	1,691.8	1,768.8	4.6%
PPOP	1,017.5	1,032.3	1.5%	1,186.7	1,209.0	1.9%
PAT	524.9	552.7	5.3%	568.7	609.2	7.1%
Adj. BVPS (INR)	368.2	379.8	3.2%	416.5	436.0	4.7%

Source: Company, HSIE Research

BUY

CMP *(as on 18 May 23)*	INR 574
Target Price	INR 732
NIFTY	18,130

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR725	INR732
EPS %	FY24E	FY25E
	5.3%	7.1%

KEY STOCK DATA	
Bloomberg code	SBIN IN
No. of Shares (mn)	8,925
MCap (INR bn) / ($ mn)	5,125/62,661
6m avg traded value (INR mn)	8,877
52 Week high / low	INR 630/431

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	8.1	(4.7)	25.4
Relative (%)	7.4	(4.4)	12.0

SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	57.5	57.5
FIs & Local MFs	25.4	25.2
FPIs	10.1	9.9
Public & Others	7.0	7.4
Pledged Shares	0.0	0.0

Source : BSE

Pledged shares as % of total shares

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Berger Paints

Operationally in line; subsidiaries remain a drag

BRGR delivered 11.7% growth YoY, marginally lower than expected (~14% YoY; four-year CAGR: 13.5%; INR24.4bn). Over FY19-23, Berger's performance has lagged that of APNT (14.5% CAGR vs APNT's 16.4% - standalone). Decorative business clocked 14.5% growth in Q4. Distribution expansion remains healthy (addition of 8k retail outlets/5.2k tinting machines in FY23). Benefits of moderating RM inflation aided margins in Q4 (GM/EBITDAM expanded 514/211bps QoQ to 39.8/15.1% vs HSIE: 37.7/15.1% resp). We maintained our FY25 EPS and our ADD rating with a DCF-based TP of INR640/sh (implying 40x Jun-25 P/E).

- **Q4FY23 highlights**: Consolidated revenue grew 11.7% to INR24.45bn (HSIE: INR 25.06bn). Standalone revenue grew 13.6% YoY (4-year CAGR: 12.8%). The decorative business grew 14%+ (both in volume/value). Within the decorative segment, construction chemicals performed well. Distribution expansion has been stepped up (added 8k retail outlets/5.2k tinting machines in FY23). In industrials, both GI and auto businesses performed well. Protective/non-auto businesses surpassed INR10bn/INR14.5bn in revenue. Historically, capacity constraints that led to inventory hoarding have been lifted with the commissioning of the Sandila plant (33k MT capacity; total capacity – 95k MT). The plant is currently operating at 40-50% utilization and will hit 70-75% over the next 2-3 years. BRGR finally benefited from moderating RM inflation in Q4 and EBITDAM contracted 75bps YoY to 15.1% (in-line) despite the GM gains (up 93bps YoY; 39.8%; HSIE: 37.7%) as Q4 was marred by one-offs due to (1) pre-operating expenses related to Sandila plant; (2) higher ad spends, and (3) INR210mn provision towards a delay in receivables from AP government. Management is confident of sustainably clocking 38-40% GM/16-17% EBITDAM in FY24. Higher Sandila plant-led depreciation impacted APAT (down 15.6% YoY at 1.86bn vs HSIE: 2.2bn).
- **Outlook**: The worst of the GM pain seems to be over for the industry. We maintain our FY25 EPS and our ADD rating with a DCF-based TP of INR640/sh (implying 40x Jun-25 P/E).

Quarterly financial summary

(Rs mn)	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Revenue	24,436	21,875	*11.7*	26,936	*(9.3)*	87,618	1,05,678	1,17,093	1,32,378	1,50,837
EBITDA	3,688	3,464	*6.4*	3,497	*5.5*	13,311	14,872	19,284	23,257	26,455
APAT	1,860	2,203	*(15.6)*	2,012	*(7.5)*	8,330	8,604	11,876	14,992	17,681
EPS (Rs)	1.9	2.3	*(15.6)*	2.1	*(7.5)*	8.6	8.9	12.2	15.4	18.2
P/E (x)						67.4	65.2	47.3	37.4	31.7
EV/EBITDA (x)						42.4	38.1	29.0	23.6	20.4
Core RoCE(%)						19.4	17.6	21.2	25.4	27.1

Change in estimates

(Rs mn)	FY23			FY24E			FY25E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	1,05,678	1,06,300	*(0.6)*	1,17,093	1,18,428	*(1.1)*	1,32,378	1,32,503	*(0.1)*
Gross Profit	38,373	38,094	*0.7*	45,190	45,757	*(1.2)*	52,942	53,050	*(0.2)*
Gross Profit Margin (%)	36.3	35.8	***47.5***	38.6	38.6	***(4.4)***	40.0	40.0	***(4.4)***
EBITDA	14,872	14,978	*(0.7)*	19,284	19,588	*(1.6)*	23,257	23,242	*0.1*
EBITDA margin (%)	14.1	14.1	***(2 bps)***	16.5	16.5	***(7 bps)***	17.6	17.5	***3 bps***
APAT	8,604	8,940	*(3.8)*	11,876	12,148	*(2.2)*	14,992	14,922	*0.5*
APAT margin (%)	8.1	8.4	***(27 bps)***	10.1	10.3	***(12 bps)***	11.3	11.3	***6 bps***
EPS (Rs)	8.9	9.2	*(3.8)*	12.2	12.5	*(2.2)*	15.4	15.4	*0.5*

Source: Company, HSIE Research

ADD

CMP *(as on 18 May 23)*	**INR 623**
Target Price	**INR 640**
NIFTY	**18,130**

KEY CHANGES	**OLD**	**NEW**
Rating	ADD	ADD
Price Target	INR 620	INR 640
	FY24E	FY25E
EPS %	-2.2	+0.5

KEY STOCK DATA

Bloomberg code	BRGR IN
No. of Shares (mn)	971
MCap (INR bn) / ($ mn)	605/7,397
6m avg traded value (INR mn)	403
52 Week high / low	INR 710/527

STOCK PERFORMANCE (%)

	3M	**6M**	**12M**
Absolute (%)	9.5	3.2	(2.8)
Relative (%)	8.8	3.6	(16.1)

SHAREHOLDING PATTERN (%)

	Dec-22	**Mar-23**
Promoters	75.00	75.00
FIs & Local MFs	1.12	1.00
FPIs	11.11	10.64
Public & Others	12.77	13.36
Pledged Shares	0	0

Source : BSE

Pledged shares as % of total shares

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Tata Elxsi

Transportation vertical decelerates

Tata Elxsi's (TELX) Q4 print was lower on revenue, impacted by a deceleration in the Transportation vertical. We expect TELX's growth trajectory in the mid-teens as compared to 34/24% delivered in FY22/23. While the differentiation of TELX's business (design-led engineering services) remains intact, reflected in its industry-leading margins, its growth profile has moderated relative to peers. Growth visibility for TELX is based on (1) recent deal wins (Alps Alpine strategic deal in Transportation vertical), (2) recovery in Media & Communication and Healthcare verticals, supported by new logo addition, (3) traction in large accounts (T10 grew 5% QoQ), and (4) hiring outlook of ~2,200 (offshore-led) for FY24E. Margin is expected to be impacted by wage increase in Q1, ESOP expense (-50bps margin impact). TELX's cash generation has been weak over the past two years despite the surge in profit (OCF/EBITDA at 51% in FY23 vs. >70% over FY20-22). TELX, at 52x FY24E and 44x FY25E, remains expensive and we maintain SELL with a TP of INR 5,535, based on 35x Mar-25E EPS.

- **Q4FY23 highlights:** (1) TELX posted a revenue of USD 102mn, +1.6% QoQ CC and 17.9% YoY CC (HSIE est. USD 104mn); FY23 revenue was at USD 390mn and grew 24.9% CC. (2) EPD revenue (86% of revenue) grew 1.6% QoQ CC and 13% YoY CC, supported by the Transportation vertical (44.6% of EPD revenue) growth of 1.7% QoQ CC, Media & Communication vertical (40.3% of EPD revenue) growth of 1.7% QoQ and Healthcare & Medical devices (15.1% of EPD revenue) growth of 1% QoQ; IDV was flat +0.5% QoQ. (3) Transportation vertical deceleration was impacted by a deferment in some projects and it is expected to recover in Q1-Q2; Media & Communication vertical is expected to recover in the end-Q1-Q2 timeline and Medical & Healthcare vertical remains impacted by lower regulatory and compliance volumes. (4) EBITM was flat sequentially at 27.3%, -30bps QoQ (HSIE est. 27.7%), impacted by campus onboarding and onsite investment (sales and SMEs).
- **Outlook:** We have factored 15% CC growth for TELX in FY24E, implying 3.4% CQGR, led by transportation vertical and 16.3% growth in FY25E implying 3.8% CQGR, which is incremental revenue of USD 130mn over FY23-25E as compared to USD 140mn over FY21-23. Factored EBITDAM at 29% and EBITM at 26.7% for FY24/25E, translating into an EPS CAGR of 14% over FY23-25E.

Quarterly Financial summary

YE Mar (INR bn)	Q4 FY23	Q4 FY22	YoY (%)	Q3 FY23	QoQ (%)	FY21	FY22	FY23	FY24E	FY25E
Revenue (USD mn)	102	91	12.6	100	2.2	247	331	390	446	519
Net Sales	8.38	6.82	22.9	8.18	2.5	18.26	24.71	31.45	37.02	43.57
EBIT	2.29	2.05	11.3	2.25	1.4	4.78	7.10	8.80	9.89	11.64
APAT	2.02	1.60	25.9	1.95	3.5	3.68	5.50	7.55	8.34	9.85
Diluted EPS (INR)	32.4	25.7	25.9	31.3	3.5	59.1	88.3	121.3	133.9	158.1
P/E (x)						118.3	79.3	57.7	52.2	44.2
EV / EBITDA (x)						81.6	55.5	44.0	38.8	32.8
RoE (%)						30.1	37.2	41.0	36.3	35.8

Source: Company, HSIE Research, Consolidated Financials

Change in Estimates

YE Mar (INR bn)	FY24E Old	FY24E Revised	Change %	FY25E Old	FY25E Revised	Change %
Revenue (USD mn)	455	446	*(2.0)*	529	519	*(2.0)*
Revenue	37.76	37.02	*(2.0)*	44.46	43.57	*(2.0)*
EBIT	10.22	9.89	*(3.3)*	12.37	11.64	*(5.8)*
EBIT margin (%)	27.1	26.7	*-36bps*	27.8	26.7	*-109bps*
APAT	8.41	8.34	*(0.8)*	10.21	9.85	*(3.6)*
EPS (INR)	135.0	133.9	*(0.8)*	164.0	158.1	*(3.6)*

Source: Company, HSIE Research

SELL

CMP *(as on 18 May 23)*	INR 6,996
Target Price	INR 5,535
NIFTY	18,130

KEY CHANGES	OLD	NEW
Rating	SELL	SELL
Price Target	INR 5,450	INR 5,535
EPS %	FY24E	FY25E
	-0.8	-3.6

KEY STOCK DATA	
Bloomberg code	TELX IN
No. of Shares (mn)	62
MCap (INR bn) / ($ mn)	436/5,327
6m avg traded value (INR mn)	1,131
52 Week high / low	INR 10,760/5,708

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	5.0	1.5	(17.1)
Relative (%)	4.3	1.8	(30.4)

SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	43.92	43.92
FIs & Local MFs	3.43	3.54
FPIs	13.90	13.85
Public & Others	38.75	38.69
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Thermax

In-line performance, margin beat

Thermax Ltd (TMX) reported revenue/EBITDA/PAT of INR 23/1.9/1.6bn, beating our estimates by 0.4/9/15%. EBITDA margin was a positive surprise at 8.7% vs. our estimate of 8%. This was on the back of stabilising raw material costs, a better supply chain and stable demand resulting in a gross margin of 44.8% (+693bps/+63bps YoY/QoQ). Also, the focus on products and services is bearing results in improving margins and stable revenue, reducing revenue volatility. The enquiry to order cycle in products is shorter and is seeing good strength. Order inflow for the quarter was stable sequentially at INR 22.5bn, with closing order book at INR 97.5bn (+11% YoY). Large orders from the steel and cement industry specifically are expected in Q3/Q4FY24. The export order pipeline is soft with growth driven by waste to energy, waste heat recovery and biomass-based projects. TMX stands to benefit from the investment in clean energy, sustainability, decarbonisation, normalisation of the international market and government impetus for cleaner air and water. We maintain ADD, with an unchanged TP of INR 2,433 (40x Mar-FY25E EPS).

- **Q4FY23 financial highlights:** Revenue: INR 23.1bn (+16%/+13% YoY/QoQ, in line with the estimate). Annually, industrial products/industrial infra/Green Solutions/chemical posted growth of 12/18/24/27%. EBITDA: INR 2.0bn (+48%/+24% YoY/QoQ, 9% beat). EBITDA margin: 8.7% (+186/+79bps YoY/QoQ, 8.0% estimate). This outperformance was mainly on account of a higher gross margin at 44.8% (+692bps/+63bps Q4FY22/Q3FY23) and a higher share of service income. The EBIT margin for Green Solutions was weak at 2.1% due to the initial expense of the solar business (i.e. FEPL). Other income: INR 575mn (+61%/+36% YoY/QoQ). RPAT/APAT: INR 1.6bn (+53%/+24% YoY/QoQ, 15% beat).
- **Large order missing; base order sustainable:** For Q4FY23, TMX received orders worth INR 22.5bn (-34%/+2% YoY/QoQ) while for full-year FY23, orders received were INR 87.8bn (INR 94bn in FY22); as a result, the closing order book stands at INR 97.5bn (+11% YoY). The order book is dominated by refinery and petrochemical forming 16%, followed by F&B at 13% and power at 11%. During Q4FY23, industrial products/industrial infra/Green Solutions/chemical division bagged INR 12/9/1/1.6bn worth of orders with the respective order book standing at INR 28/63/5/1bn. The refining & petro and power segments are not seeing many enquiries whereas there are some discussions going on in the steel segment. The steel and cement segment is expected to catch up in Q3/Q4FY24. In terms of export, the ordering is soft. Pipeline there is developing on base orders. Waste to energy, waste heat recovery and biomass-based projects are driving the growth in exports.
- **Capital infusion to continue in solar and green utility business:** TMX will continue to infuse capital into TOESL and FEPL, its green utilities business. Total investments in both stand at INR 6.1bn. Equity investment in TOESL is INR 2.5bn with a debt of INR 900mn, and equity investment in FEPL is INR 1.5bn with a debt investment of INR 1.2bn. Further, INR 5-6bn of equity infusion is planned in both businesses with INR 15-20bn additional debt at the project SPV level. TMX will eventually bring in a financial partner for its solar business, i.e. FEPL, once this platform stabilises.

Consolidated financial summary

(INR in mn)	4QFY23	4QFY22	YoY (%)	3QFY23	QoQ (%)	FY22	FY23	FY24E	FY25E
Net Revenues	23,108	19,919	16.0	20,493	12.8	61,283	80,898	93,251	105,202
EBITDA	1,999	1,352	47.8	1,611	24.1	4,214	5,976	7,901	9,031
APAT	1,562	1,024	52.5	1,264	23.6	3,123	4,507	5,868	6,849
Diluted EPS(INR)	13.9	9.1	52.5	11.2	23.6	27.7	40.0	52.1	60.8
P/E (x)						82.3	57.0	43.8	37.5
EV/EBITDA (x)						56.1	39.4	29.5	25.4
RoE (%)						9.3	12.4	14.6	15.2

Source: Company, HSIE Research

ADD

CMP *(as on 18 May 23)*	INR 2,280
Target Price	INR 2,433
NIFTY	18,130

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 2,433	INR 2,433
EPS change %	FY24E	FY25E
	-	-

KEY STOCK DATA	
Bloomberg code	TMX IN
No. of Shares (mn)	119
MCap (INR bn) / ($ mn)	272/3,322
6m avg traded value (INR mn)	103
52 Week high / low	INR 2,679/1,830

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	11.4	7.0	5.2
Relative (%)	10.7	7.4	(8.1)

SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	61.98	61.98
FIs & Local MFs	15.34	15.63
FPIs	12.27	12.29
Public & Others	10.41	10.10
Pledged Shares	-	-

Source: BSE

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Endurance Technologies

Cost headwinds recede, but demand uncertainty prevails

Endurance Q4 PAT grew 26% QoQ to INR 1.36bn on the back of recovery in Europe margin to 17.8% (+350bps QoQ) as well as improvement in India margin by 80bps QoQ to 11.9%. While Endurance standalone outperformed the domestic auto industry, its Europe business underperformed the Europe auto industry in Q4. Going ahead, domestic 2W OEMs continue to see weak demand in domestic and export markets and are likely to remain the key concern for Endurance. Further, while supply chain challenges seem to have eased out globally, the demand outlook remains weak in Europe, given the record high inflation and rising interest rates in the region. On the back of a gradual decline in input costs and a reduction in energy costs in Europe, we factor in consolidated margin improvement to 14% by FY25E (from 11.8% in FY23), which is still well below its previous peak of 16.3% in FY20. While we have factored in most of the key positives, the valuation at 29.6x FY24E earnings appears expensive. Reiterate REDUCE with a revised target of INR 1,426 (earlier INR 1,340), as we roll forward to FY25 EPS (unchanged target multiple of 25x).

- **India performance improves QoQ:** Endurance standalone revenue grew 6% YoY in Q4 relative to an industry decline of 0.5%. Overall, the EBITDA margin improved by 80bps QoQ to 11.9% on the back of softening input costs. As a result, standalone PAT grew 13% QoQ to INR1bn.
- **Europe performance normalizes in Q4:** In Q4FY24, its Europe revenue grew 7.6% YoY to Euro 67.4mn, relative to industry growth of 18% YoY in Q4. Europe margin has improved sharply by 350bps QoQ (+520bps YoY) to 17.8%. The sharp margin improvement has been largely driven by full pass-through of energy costs as a combination of price pass-through from OEMs and support from the government.
- **Call takeaways**: (1) New orders won in India business in FY23 have increased to INR9.4bn (INR 7.4bn in FY22), and they include INR 3.8bn worth of EV orders. In addition, Maxwell won orders worth INR 1.3bn in FY23. (2) New orders won in Europe business in FY23 have increased to Euro 84mn (INR 74mn in FY22), which includes 49% orders from EVs and 32% from hybrid vehicles. (3) Maxwell Energy posted revenue of INR180.3mn in FY23 with an EBITDA loss of INR 118.5mn. Management targets a strong ramp-up in revenue for FY24 at Maxwell and expects to break even at the EBITDA level in FY24 itself. (4) The company is targeting to increase its after-market revenue mix to 10% of revenue by FY26, from 6.5% in FY23. (5) Consumer sentiment is not positive in Europe; while energy costs there have reduced by 25% in Q1 QoQ, the Italy government has also reduced its support to 20%, from 45% earlier. Overall, management expects the EBITDA margin to improve YoY in FY24 in Europe, given reduced energy and input costs.

Quarterly/annual financial summary

YE Mar (INR mn)	Q4 FY23	Q4 FY22	YoY (%)	Q3 FY23	QoQ (%)	FY22	FY23	FY24E	FY25E
Net Sales	22,343	20,788	7.5	20,952	6.6	75,491	88,040	1,00,456	1,12,277
EBITDA	2,854	2,571	11.0	2,395	19.2	9,646	10,363	13,296	15,625
APAT	1,365	1,362	0.2	1,082	26.1	4,922	4,899	6,595	8,026
Diluted EPS (INR)	9.7	9.7	0.2	7.7	26.1	35.0	34.8	46.9	57.1
P/E (x)						39.7	39.9	29.6	24.4
EV / EBITDA (x)						19.8	18.4	14.1	11.7
RoCE (%)						14.7	13.7	17.1	18.7

Source: Company, HSIE Research

REDUCE

CMP *(as on18 May 23)*	**INR 1,385**
Target Price	**INR 1,426**
NIFTY	**18,130**

KEY CHANGES	**OLD**	**NEW**
Rating	REDUCE	REDUCE
Price Target	INR 1,340	INR 1,426
EPS %	FY24E	FY25E
	-2.4%	-3.5%

KEY STOCK DATA	
Bloomberg code	ENDU IN
No. of Shares (mn)	141
MCap (INR bn) / ($ mn)	195/2,381
6m avg traded value (INR mn)	68
52 Week high / low	INR 1,565/1,172

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	2.0	(8.1)	11.1
Relative (%)	1.3	(7.7)	(2.2)

SHAREHOLDING PATTERN (%)	**Dec-22**	**Mar-23**
Promoters	75.00	75.00
FIs & Local MFs	15.48	15.55
FPIs	7.65	7.65
Public & Others	1.87	1.80
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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V-MART Retail

Tough year!

V-MART reported 29.5% growth YoY (INR 5.94 bn vs HSIE: INR 5.3bn). Organic business (ex-Unlimited/Limeroad acquisition) grew at 9% CAGR (4-year) in Q4FY23 (INR4.94bn; 3-year CAGR: 8%; HSIE: INR 4bn). Note: Unit economics remains weak but is improving at the margin (footfall density stood at 91% of pre-pandemic times). Profitability was weaker than expected (3.9% vs HSIE: 5.7%) due to a 5% price cut across the portfolio and an inferior product mix. Note: FY23 has a one-time expense towards Limeroad (INR120mn). We've marginally cut our FY24/25 EBITDA estimates to account for higher Limeroad expenses. Consequently, our TP is revised downwards to INR2,450/sh (earlier: INR2,500/sh; implying 23x Jun-25 EV/EBITDA). Maintain BUY.

- **Q4FY23 highlights**: V-MART reported 29.5% growth YoY (INR 5.94bn vs HSIE: INR 5.3bn). Organic revenue grew in lock-step (four-year CAGR: 9% YoY). While unit economics remains sub-optimal; vitals are improving at the margin. In Q4, footfall density stood at 91% of pre-pandemic times vs 62% in Q3. SSSG for Q4 stood at 10% (overall); 11% for the organic business. For FY23, SSSG stood at 22.9%; transaction size was up 4% at INR1,017. GM contracted 300 bps, led by (1) a 5% price correction in Q4 and (2) an Inferior product mix (courtesy more value purchases). Note: Reported EBITDAM at 3.9% (HSIE: 5.7%) remains meaningfully lower than pre-pandemic levels as the company is yet to digest the two recent acquisitions (Unlimited & Limeroad). For FY23, Pre-IND AS EBITDAM stood at 3.7% (in-line); ex-one-offs, margin stood at 4.2% vs 9.3% in FY19. V-MART added 43 stores (net)/0.4mn sq. ft in retail space in FY23. Net loss for Q4 stood at INR370mn.
- **Outlook**: While V-MART remains among the stronger value fashion retailers within the ecosystem; its profitability is likely to remain under pressure in the near to medium term, courtesy the recent acquisition of Limeroad. We've marginally cut our FY24/25 EBITDA estimates by -2/1% respectively to account for this. But we maintain our BUY rating with a DCF-based TP of INR2,450/sh (implying 23x Jun-25 EV/EBITDA).

Quarterly financial summary

(Rs mn)	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Revenue	5,939	4,588	29.5	7,769	(23.6)	16,662	24,648	29,375	34,215	39,815
Adj EBITDA	229	503	(54.4)	1,037	(77.9)	792	909	1,536	1,987	2,598
APAT	(370)	(26)	1,314.6	200	(285.1)	501	499	581	848	1,256
EPS (Rs)	(18.7)	(1.3)	1,313.2	10.1	(285.1)	25.4	25.3	29.5	43.1	63.7
P/E (x)						84.5	84.8	73.0	49.9	33.7
EV/EBITDA (x)						51.5	47.9	28.3	21.8	16.4
Core RoCE(%)						6.0	4.5	5.4	7.4	10.3

Source: Company, HSIE Research, Standalone Financials

Change in estimates

(Rs mn)	FY23E			FY24E			FY25E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	24,648	23,956	2.9	29,375	29,375	-	34,215	34,215	-
Gross Profit	8,677	8,592	1.0	10,283	10,285	(0.0)	11,874	11,877	(0.0)
Gross Profit Margin (%)	35.2	35.9	(66 bps)	35.0	35.0	(1 bps)	34.7	34.7	(1 bps)
EBITDA	909	907	0.3	1,536	1,563	(1.8)	1,987	2,014	(1.3)
EBITDA margin (%)	3.7	3.8	(10 bps)	5.2	5.3	(9 bps)	5.8	5.9	(8 bps)

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

BUY

CMP *(as on 18 May 23)*	INR 2,056
Target Price	INR 2,450
NIFTY	18,130

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 2,500	INR 2,450
EBITDA %	FY24E -1.8	FY25E -1.3

KEY STOCK DATA	
Bloomberg code	VMART IN
No. of Shares (mn)	20
MCap (INR bn) / ($ mn)	41/497
6m avg traded value (INR mn)	104
52 Week high / low	INR 3,433/1,994

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(17.7)	(25.4)	(31.4)
Relative (%)	(18.4)	(25.0)	(44.8)

SHAREHOLDING PATTERN (%)	Dec-22	Mar-23
Promoters	45.8	44.3
FIs & Local MFs	28.8	28.9
FPIs	11.2	14.2
Public & Others	14.2	12.6
Pledged Shares	0	0

Source : BSE

Pledged shares as % of total shares

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PSP Projects

Execution continues to disappoint

PSP Projects (PSP) reported yet another weak quarter, with revenue/EBITDA/APAT at INR 7.3/0.7/0.4bn, missing our estimates at all levels. PSP continues to disappoint with a slower-than-expected execution ramp-up in H2FY23. In FY23, it was awarded the highest-ever orders worth INR 32.2bn (excluding GST). FYTD24 order inflow (OI) stands at INR 7.6bn. With the Bhiwandi and Pandharpur projects being excluded from the OB, its entire OB of INR 50.5bn (~2.6x FY23 revenue) is under execution. The current bid pipeline stands at INR 60bn, of which 20% of orders are from Gujarat and 67% are private. The standalone gross/net debt stood at INR 1.5/0.5bn as of Mar'23. The revenue guidance for FY24 stands at INR 26bn, with a margin of 11-13% and an OI of ~INR 30bn. Given a robust OB and likely higher execution in H1FY24, we maintain our FY24/25 EPS estimates and TP at INR 788/sh (13x Mar-25E EPS). However, with limited upside to our TP, we continue with our ADD rating on the stock.

- **Financial highlights:** PSP posted revenue of INR 7.3bn (+31/+46.2% YoY/QoQ, a 3.3% miss). EBITDA came in at INR 777mn (-11.9/+26% YoY/QoQ, a 19.1% miss). EBITDA margin stood at 10.7% (-520/-172bps YoY/QoQ, vs. our estimate of 12.8%). RPAT/APAT came in at INR 463mn (-13.9/+31.2% YoY/QoQ, a 23.8% miss). FY23 revenue stands at INR 19.3bn (+10.2% YoY). EBITDA came in at INR 2.3bn (-12.2% YoY). EBITDA margin stood at 11.7% (-298bps YoY). RPAT/APAT came in at INR 1.3bn (-18.1% YoY). With INR 3bn revenue booked in Q4FY23, from all seven UP projects, total revenue to date stands at INR 7.2bn. ~50% of the OB at the initial stage and with no completion of any large-sized project during the year, the revenues/margins were impacted, missing the FY23 revenue guidance of INR 21bn. With lower-than-expected execution in FY23, PSP has revised its FY24 revenue guidance downward to INR 26bn, from INR 27bn with margins of 11-13%.
- **Highest-ever yearly OI; robust bid pipeline:** In FY23, PSP was awarded orders worth INR 32.2bn (ex-GST; the highest-ever inflow), taking the OB as of Mar'23 to INR 50.5bn (~2.6x FY23 revenue). In FYTD24, PSP won orders worth INR 7.6bn. The company has removed the Pandharpur and Bhiwandi projects worth INR ~7.5bn from the OB. With this, all projects in the OB are mobilized and are under execution. Government and institutional orders comprised a major chunk of the OB at 56/22%, as of Mar'23. Nearly 74% of the OB comes from the state of Gujarat and the balance 26% from UP. The bid pipeline stands strong at INR 60bn, 67% of which comprises private orders and 20% of which is from Gujarat. During the quarter, PSP completed four projects. With this, the total projects completed to date total to 205. PSP has guided for FY24 OI exceeding INR 30bn and it is eligible to bid for single projects up to INR 25bn.
- **Comfortable balance sheet:** Standalone gross debt decreased to INR 1.5bn, as of Mar'23, vs. INR 1.9bn as of Dec'22, with gross D/E at 0.18x, as of Mar'23. With total cash and cash equivalents of INR 1bn (excluding fixed deposits), PSP has a net debt of INR 0.5bn as of Mar'23.

Standalone financial summary (INR mn)

Particulars	4QFY23	4QFY22	YoY (%)	3QFY23	QoQ (%)	FY22	FY23	FY24E	FY25E
Net Sales	7,274	5,553	31.0	4,974	46.2	17,488	19,266	24,200	27,830
EBITDA	777	881	(11.9)	616	26.0	2,565	2,250	3,040	3,484
APAT	463	538	(13.9)	353	31.2	1,624	1,330	1,907	2,182
Diluted EPS (INR)	12.9	14.9	(13.9)	9.8	31.2	45.1	36.9	53.0	60.6
P/E (x)						15.6	19.0	13.3	11.6
EV / EBITDA (x)						10.2	11.5	8.4	7.3
RoE (%)						26.6	17.9	21.7	20.8

Source: Company, HSIE Research

ADD

CMP (*as on 18 May 23*)	INR 703
Target Price	INR 788
NIFTY	18,130

KEY CHANGES	OLD	NEW
Rating	BUY	ADD
Price Target	INR 788	INR 788
EPS change %	FY24E -	FY25E -

KEY STOCK DATA	
Bloomberg code	PSPPL IN
No. of Shares (mn)	36
MCap (INR bn) / ($ mn)	25/309
6m avg traded value (INR mn)	127
52 Week high / low	INR 776/459

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	3.1	12.5	44.5
Relative (%)	2.4	12.9	31.2

SHAREHOLDING PATTERN (%)	Dec-22	Mar-23
Promoters	67.54	67.59
FIs & Local MFs	4.21	4.55
FPIs	2.27	2.47
Public & Others	25.98	25.39
Pledged Shares	-	-

Source: BSE

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Rating Criteria

BUY: >+15% return potential

ADD: +5% to +15% return potential

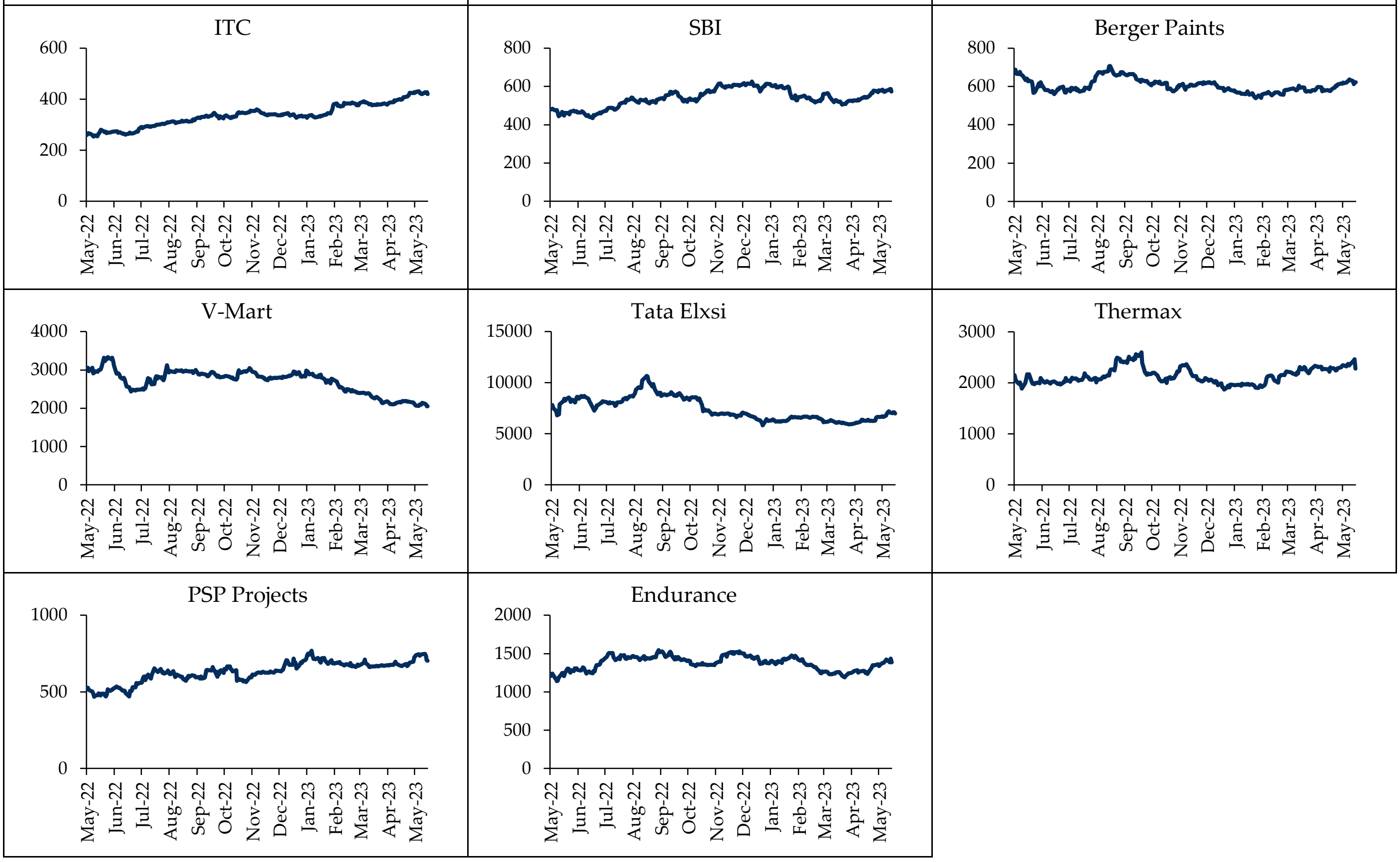
REDUCE: -10% to +5% return potential

SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Varun Lohchab	ITC	PGDM	NO
Naveen Trivedi	ITC	MBA	NO
Paarth Gala	ITC	BCom	NO
Riddhi Shah	ITC, Berger Paints, V-MART Retail	MBA	NO
Krishnan ASV	State Bank of India	PGDM	NO
Deepak Shinde	State Bank of India	PGDM	NO
Neelam Bhatia	State Bank of India	PGDM	NO
Jay Gandhi	Berger Paints, V-MART Retail	MBA	NO
Apurva Prasad	Tata Elxsi	MBA	NO
Amit Chandra	Tata Elxsi	MBA	NO
Vinesh Vala	Tata Elxsi	MBA	NO
Parikshit Kandpal	Thermax, PSP Projects	CFA	NO
Manoj Rawat	Thermax, PSP Projects	MBA	NO
Nikhil Kanodia	Thermax, PSP Projects	MBA	NO
Aniket Mhatre	Endurance Technologies	MBA	NO
Sonaal Sharma	Endurance Technologies	MBA	NO

1 Yr Price Movement



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