

# HSIE Results Daily

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### Results Reviews

- **Wipro:** Wipro (WPRO IN) delivered in-line Q4 performance but Q1FY23E growth guidance and Q4 large deal bookings were sub-par. Q4 revenue was at the mid-point of the guided band of 2-4% QoQ while Q1FY23E revenue growth guidance stands at 1-3% QoQ CC and FY23E growth outlook is in 'double digits'. WPRO's key positives included (1) robust addition to USD 100mn+ client bucket, large client mining, and 30% growth in ACV in FY22; (2) momentum in engineering services (>10% of revenue growing at 6% CQGR last four quarters driving iDEAS growth); and (3) improved capabilities augmenting pipeline (all-time high), supported by recent acquisitions. However, some of the near-term concerns include (1) pressure on margins (ITS margins expected to operate below the 17-17.5% EBITM band over the next few quarters) on acquisition integration and supply-side inflation and (2) incremental growth, with shorter cycle deals (acquisitions) adding volatility. Maintain ADD with a TP of INR 585, valuing WPRO at 22x (24x earlier) FY24E EPS.
- **Maruti Suzuki:** In Q4, MSIL's margin improved 250bps QoQ to 9.5%, led by: (1) 14% volume growth; (2) lower discounts QoQ at INR11,130/unit, down from INR 15,200/unit in Q3. On account of improved margin and lower tax rate, PAT grew 58% YoY to INR18.4bn – ahead of our estimate of INR15bn. MSIL continues to strengthen its foothold in the car industry, with its market share having risen to 63.6% in FY22, up from 52.2% in FY17. A gradual recovery in the economy is expected to restore discretionary consumption for the middle to low income class and MSIL is expected to be the key beneficiary. With a strong product pipeline in UVs, we expect the company to gradually regain its lost market share. We believe that concerns over market share loss in UVs are overstated, as MSIL has often proven its mettle in the past, and we expect it to bounce back this time as well. It has the lowest tailpipe emissions, and its strategy of working on several solutions to achieve emission compliance seems to be the ideal method for India. Maintain ADD with a TP of INR8,412/sh.
- **Mphasis:** Mphasis (MPHL IN) posted in-line Q4, led by continued momentum in its Direct International business. MPHL's FY22 revenue growth of 21% CC was driven by 32% organic growth in the Direct business segment. Its growth prospects remain strong, basis (1) healthy deal intake (USD 1.4bn net-new TCV in FY22, including 12 large deals with five wins in Q4), supported by strength in large client mining (best in peers); (2) growing deal pipeline (up 16%) and strength in core markets (increased sales efforts in Europe); (3) lower impact from DXC on FY23E growth (-1.4% impact in FY23E as compared to -7.5% impact in FY22); and (4) high growth from account acquisition channel, including the Blackstone/PE channel. The recent acquisition of Blink is tracking well (13.5% QoQ) and EBITM outlook for MPHL is 15.2% to 17% for FY23E (pricing, offshoring and pyramid are tailwinds). Operational pivot from (1) higher lateral/sub-con and (2) DXC capacity refactoring dependence on execution into a higher fresher talent engine model will offset the operational gains from operating leverage/business mix. Maintain BUY with a TP of INR 3,830, valuing MPHL at 35x FY24E EPS, supported by an industry-best large client mining engine, consistency in large deal wins, and stable operating metrics.

**HSIE Research Team**

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- **Shriram Transport Finance Company:** Shriram Transport Finance's (SHTF) Q4FY22 earnings were ~19% higher than our estimates, mainly on account of strong reflation in asset yield driving higher NIM (7%). Asset quality continues to remain on the mend, with improving economic activity and collection and recoveries efforts driving the stressed pool (GS-II + GS-III) lower to 17.7% of AUM, from the peak of 22.7% in Q1FY22, while NS-III falls below 4%. With the current stock of provisions at 7.2% (GS-III PCR at 50%), we expect loan loss provisioning to further normalise to ~2%. Business momentum continued to remain buoyant, with disbursal growth of 13% YoY, 10% QoQ (largely used CVs), and it is expected to reflect in double-digit AUM growth in FY23. We revise our FY23/FY24 earnings estimates upwards by ~1% each to factor in improving margins and maintain ADD with a revised target price of INR1,645 (1.6x Mar-24 ABVPS).
- **Supreme Industries:** We maintain BUY on Supreme Industries (SIL), keeping the TP unchanged at INR 2,770/share (SOTP-based). In Q4FY22, SIL's consolidated revenue rose +23% YoY to INR 25.6bn on strong piping demand rebound. However, gross margin contraction pulled down EBITDA/APAT by 23/28% YoY to INR 3.91/3.24bn respectively. As demand has picked up since March-22 and even resin prices have started to cool off April onwards, the management remains confident of strong volume growth in FY23. The company is also expanding its capacity amid a healthy demand outlook.
- **IndiaMART InterMESH:** IndiaMART posted in-line revenue growth of +7.1% QoQ but margins took a severe hit (down 1,347 bps QoQ to 28.4%) due to investments in sales capacity (+42.6% YoY). The paid supplier addition of ~13k (highest ever) was higher than our estimate of 8K and the additions were primarily in the monthly bucket. The portfolio churn has reduced across all buckets, indicating a sustained momentum. Management has indicated paid supplier addition of ~8-9k/quarter, supported by investments in sales, technology, and channel partners. Margin decline was primarily on account of a sharp increase in employee and outsource sales cost, with the prime objective to boost growth. We maintain our positive stance, based on (1) higher growth visibility, led by 31% YoY increase in cash collections; (2) uptick in customer addition and investment in growth engine; (3) economic recovery leading to improving health of MSME; (4) completion of busy acquisition with huge cross-sell opportunity; and (5) tender buyback offer of INR 1bn (~0.5% of equity). We increase revenue estimate by 2-3% but cut EPS by 4-6% due to margin reset. Our TP of INR 7,000 is based on 55x FY24 P/E (DCF implied), led by revenue/EPS CAGRs of +27/16% over FY21-24E. Maintain BUY.
- **Sonata Software:** We maintain our BUY rating on Sonata, following an in-line growth in the IT services segment (IITS, +4.7% QoQ CC) and strong DPS business (+38% YoY). The Microsoft portfolio (~51% of IITS) is driving growth (+6/31% QoQ/YoY), the company remains optimistic about the opportunity (digital services + dynamics 365) and it can deliver >20% YoY growth consistently. Travel vertical will recover with higher travel activity in Europe (peak summer bookings), while revenue from TUI is still at ~50% of pre-COVID level. The adjusted IITS EBITDA margin declined 105bps QoQ to 23% due to ongoing supply side concerns, partially offset by offshoring and peak utilisation (~91%). The attrition inched up to 28-30% level and the company will give wages hikes in Q1FY23E to counter it; the target margin range for IITS is lowered to ~20-22%. DPS growth was strong, supported by growth in cloud license sales. Sonata's focus will be to invest in the Microsoft channel and build vertical capabilities. The appointment of the new CEO (Mr. Samir Dhir, ex Virtusa) will lead to a strategy refresh. We maintain our revenue estimates but cut EPS estimate by 1.4/2.1% for FY23/24E to factor in lower margin (~80bps margin cut for IITS). Our target price of INR 950 is based on 20x Mar-24E EPS (vs. 22x earlier). The stock is trading at a P/E of 18.5/15.8x FY23/24E.

# Wipro

## Stable demand offset by near-term operational volatility

Wipro (WPRO IN) delivered in-line Q4 performance but Q1FY23E growth guidance and Q4 large deal bookings were sub-par. Q4 revenue was at the mid-point of the guided band of 2-4% QoQ while Q1FY23E revenue growth guidance stands at 1-3% QoQ CC and FY23E growth outlook is in 'double digits'. WPRO's key positives included (1) robust addition to USD 100mn+ client bucket, large client mining, and 30% growth in ACV in FY22; (2) momentum in engineering services (>10% of revenue growing at 6% CQGR last four quarters driving iDEAS growth); and (3) improved capabilities augmenting pipeline (all-time high), supported by recent acquisitions. However, some of the near-term concerns include (1) pressure on margins (ITS margins expected to operate below the 17-17.5% EBITM band over the next few quarters) on acquisition integration and supply-side inflation and (2) incremental growth, with shorter cycle deals (acquisitions) adding volatility. Maintain ADD with a TP of INR 585, valuing WPRO at 22x (24x earlier) FY24E EPS.

- Q4FY22 highlights:** (1) WPRO posted revenue of USD 2,722mn, +3.1% QoQ CC and 28.5% YoY CC (USD 2,723mn estimate), supported by growth in consulting and engineering services, and ~40% of the order book is from cloud. (2) Sequential growth performance was led by manufacturing, technology & BFSI verticals, which grew above the company average, while communications declined sequentially. (3) Digital engineering and application grew faster than iCORE on a sequential basis. (4) Management has targeted doubling of fresher addition in FY23 as compared to 19k fresher adds in FY22, even as quarterly annualised attrition trended lower in the quarter. (5) Rizing acquisition is expected to provide cross-sell/up-sell opportunities and a local presence while augmenting consulting capabilities in SAP. (6) WPRO is engaging with partners for full-stack training; US localisation stands at 80% and localisation in Europe is higher.
- Outlook:** We have factored in +12.6/+10.0% USD revenue growth for FY23/24E respectively, resulting in an EPS CAGR of 9% over FY22-24E.

### Quarterly Financial summary

YE March (INR bn)	Q4 FY22	Q4 FY21	YoY (%)	Q3 FY22	QoQ (%)	FY20	FY21	FY22	FY23E	FY24E
IT revenue (USD Mn)	2,722	2,152	26.4	2,640	3.1	8,256	8,137	10,356	11,684	12,882
Net Sales	208.60	162.45	28.4	203.14	2.7	610.23	619.43	790.93	906.52	1,011.55
EBIT	34.03	33.28	2.2	34.33	(0.9)	101.42	120.14	133.75	149.79	172.85
APAT	30.87	29.72	3.9	29.69	4.0	97.22	107.95	122.19	126.05	146.09
Diluted EPS (INR)	5.6	5.4	3.9	5.4	4.0	17.8	19.7	22.3	23.0	26.6
P/E (x)						28.7	25.8	22.8	22.1	19.1
EV / EBITDA (x)						20.8	17.2	15.9	14.2	12.1
RoE (%)						17.3	19.4	20.2	18.3	19.5

Source: Company, HSIE Research, Consolidated Financials

### Change in Estimates

YE March (INR bn)	FY23E Old	FY23E Revised	Change %	FY24E Old	FY24E Revised	Change %
IT revenue (USD Mn)	11,662	11,684	0.2	12,833	12,882	0.4
Revenue	906.54	906.52	(0.0)	1009.49	1011.55	0.2
EBIT	154.12	149.79	(2.8)	181.86	172.85	(5.0)
EBIT margin (%)	17.0	16.5	-48bps	18.0	17.1	-93bps
APAT	129.59	126.05	(2.7)	153.29	146.09	(4.7)
EPS (INR)	23.6	23.0	(2.7)	28.0	26.6	(4.7)

Source: Company, HSIE Research

## ADD

CMP (as on 29 Apr 2022)	INR 509
Target Price	INR 585
NIFTY	17,103

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 670	INR 585
EPS %	FY23E	FY24E
	-2.7	-4.7

### KEY STOCK DATA

Bloomberg code	WPRO IN
No. of Shares (mn)	5,481
MCap (INR bn) / (\$ mn)	2,789/37,477
6m avg traded value (INR mn)	5,048
52 Week high / low	INR 740/478

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(7.9)	(21.3)	3.9
Relative (%)	(7.6)	(17.5)	(10.8)

### SHAREHOLDING PATTERN (%)

	Dec-21	Mar-22
Promoters	73.01	73.00
FIs & Local MFs	2.77	3.21
FPIs	9.34	8.11
Public & Others	14.88	15.68
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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# Maruti Suzuki

## Healthy launch pipeline to help revive lost share

In Q4, MSIL's margin improved 250bps QoQ to 9.5%, led by: (1) 14% volume growth; (2) lower discounts QoQ at INR11,130/unit, down from INR 15,200/unit in Q3. On account of improved margin and lower tax rate, PAT grew 58% YoY to INR18.4bn – ahead of our estimate of INR15bn. MSIL continues to strengthen its foothold in the car industry, with its market share having risen to 63.6% in FY22, up from 52.2% in FY17. A gradual recovery in the economy is expected to restore discretionary consumption for the middle to low income class and MSIL is expected to be the key beneficiary. With a strong product pipeline in UVs, we expect the company to gradually regain its lost market share. We believe that concerns over market share loss in UVs are overstated, as MSIL has often proven its mettle in the past, and we expect it to bounce back this time as well. It has the lowest tailpipe emissions, and its strategy of working on several solutions to achieve emission compliance seems to be the ideal method for India. Maintain ADD with a TP of INR8,412/sh.

- Revenue marginally ahead of estimates:** Net sales grew 11% YoY to INR255bn and were slightly ahead of our estimate of INR252bn. While volumes were down 0.7% YoY, impacted by chip shortage, blended realisation increased 12% YoY (+1% QoQ).
- Earnings up 58% YoY at INR18.4bn – ahead of estimates:** EBITDA margin improved 250bps QoQ to 9.5% and was ahead of our estimate of 7.6%. Key margin drivers QoQ were: (1) 14% volume growth; (2) lower discounts QoQ at INR11,130/unit, down from INR 15,200/unit in Q3. On account of improved margins and lower tax rate, PAT grew 58% YoY to INR18.4bn – ahead of our estimate of INR15bn.
- Call takeaways:** (1) **Outlook:** As per management, industry is likely to grow to 3.4-3.5mn units in FY23, which translates to a growth of 11-14% YoY. (2) Industry growth is likely to be constrained by availability of chips even in FY23. While supply outlook remains dynamic, MSIL would target to maximise production in FY23. (3) Current order backlog stands at 320k units, of which 40% is from CNG vehicles. (4) MSIL targets to get back to 50% PV market share. Management has indicated that FY23 would be a good year in terms of new launches and it has already launched mid-cycle upgrades of Ertiga and XL6 in Apr2022. (5) Q4 retail stood at 372k units, which were down from 403k units QoQ, largely due to chip shortages. The current network inventory has reduced to just 40k cars as of Q4 end. (6) Maruti has declared a dividend of INR60 per share, which translates to the highest-ever dividend payout of 48%. This is a special gesture from the management to thank investors for their support on the completion of 40 years of inception.

### Quarterly/annual financial summary

YE Mar (INR mn)	Q4 FY22	Q4 FY21	YoY (%)	Q3 FY22	QoQ (%)	FY21	FY22	FY23E	FY24E
Net Sales	2,55,140	2,29,586	11.1	2,21,876	15.0	6,65,621	8,37,981	10,49,864	12,52,521
EBITDA	24,268	19,911	21.9	15,590	55.7	53,453	57,012	88,307	1,28,935
APAT	18,389	11,661	57.7	10,113	81.8	42,297	37,663	64,756	97,709
Diluted EPS (INR)	60.9	38.6	57.7	33.5	81.8	140.1	124.7	214.4	323.5
P/E (x)						55.2	62.0	36.1	23.9
EV / EBITDA (x)						35.4	33.4	21.3	14.1
RoCE (%)						8.5	7.1	11.5	15.9

Source: Company, HSIE Research

## ADD

CMP (as on 29 Apr 2022) INR 7,718

Target Price INR 8,412

NIFTY 17,103

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 8,412	INR 8,412
EPS %	FY23E 0%	FY24E 0%

### KEY STOCK DATA

Bloomberg code	MSIL IN
No. of Shares (mn)	302
MCap (INR bn) / (\$ mn)	2,331/31,329
6m avg traded value (INR mn)	6,638
52 Week high / low	INR 9,050/6,400

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(9.7)	3.1	17.5
Relative (%)	(9.5)	6.9	2.9

### SHAREHOLDING PATTERN (%)

	Dec-21	Mar-22
Promoters	56.37	56.37
FIs & Local MFs	15.16	16.12
FPIs	23.6	22.57
Public & Others	4.87	4.94
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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# Mphasis

## Growth vectors intact

Mphasis (MPHL IN) posted in-line Q4, led by continued momentum in its Direct International business. MPHL's FY22 revenue growth of 21% CC was driven by 32% organic growth in the Direct business segment. Its growth prospects remain strong, basis (1) healthy deal intake (USD 1.4bn net-new TCW in FY22, including 12 large deals with five wins in Q4), supported by strength in large client mining (best in peers); (2) growing deal pipeline (up 16%) and strength in core markets (increased sales efforts in Europe); (3) lower impact from DXC on FY23E growth (-1.4% impact in FY23E as compared to -7.5% impact in FY22); and (4) high growth from account acquisition channel, including the Blackstone/PE channel. The recent acquisition of Blink is tracking well (13.5% QoQ) and EBITM outlook for MPHL is 15.2% to 17% for FY23E (pricing, offshoring and pyramid are tailwinds). Operational pivot from (1) higher lateral/sub-con and (2) DXC capacity refactoring dependence on execution into a higher fresher talent engine model will offset the operational gains from operating leverage/business mix. Maintain BUY with a TP of INR 3,830, valuing MPHL at 35x FY24E EPS, supported by an industry-best large client mining engine, consistency in large deal wins, and stable operating metrics.

- Q4FY22 highlights:** (1) Revenue came in at USD 431mn, +4.3/+26.8% QoQ/YoY (CC terms), led by growth of +4.7/+37.6% QoQ/YoY (CC terms) in the direct business (93% of revenue) and DXC (5% of revenue), which grew +1.6% QoQ (CC terms). (2) EBITM stood at 15.2% (in-line), +11bps QoQ and -89bps YoY. (3) Management has maintained its guidance of industry leading revenue growth in the direct business and expects operating margin in the range of 15.25-17% for FY23E. (4) Deal wins in direct international, at USD 347mn, improved 3.8% QoQ, 72% of which were in New-Gen services (FY22 TCW at USD 1.4bn +28.5% YoY). (5) MPHL added a billable headcount of 1,131 in Q4FY22 and it intends to add more freshers in FY23E. (6) The top client grew 4.9% QoQ and the top-5/10 clients grew 7.4/6.7% QoQ in Q4 and company added two clients in USD 150mn+ category in FY22.
- Outlook:** We have factored in +18.7/15.5% growth in revenue, based on growth in the direct business at +21.9/17.0% and DXC-HP at -22.1/-13.1% for FY23/24E respectively; further, we have factored in EBITM at 15.2/15.5% for FY23/24E, resulting in an EPS CAGR of 19% over FY22-24E.

### Quarterly Financial summary

YE March (INR bn)	Q4 FY22	Q4 FY21	YoY (%)	Q3 FY22	QoQ (%)	FY20	FY21	FY22	FY23E	FY24E
Revenue (USD mn)	431	342	25.9	414	4.0	1,240	1,309	1,593	1,891	2,183
Net Sales	32.78	25.24	29.8	31.24	4.9	88.44	97.22	119.62	143.72	168.12
EBIT	4.97	4.05	22.7	4.71	5.7	14.19	15.61	18.27	21.88	26.07
APAT	3.92	3.17	23.7	3.58	9.6	11.42	12.17	14.46	17.05	20.46
Diluted EPS (INR)	20.9	16.9	23.7	19.1	9.6	61.1	65.0	77.3	91.1	109.4
P/E (x)						46.6	43.7	36.8	31.2	26.0
EV / EBITDA (x)						31.1	28.2	24.1	20.0	16.8
RoE (%)						20.6	19.7	21.5	23.3	25.0

Source: Company, HSIE Research, Consolidated Financials

### Change in Estimates

YE March (INR bn)	FY23E Old	FY23E Revised	Change %	FY24E Old	FY24E Revised	Change %
Revenue (USD mn)	1,908	1,891	(0.9)	2,215	2,183	(1.4)
Revenue	144.98	143.72	(0.9)	170.53	168.12	(1.4)
EBIT	22.49	21.88	(2.7)	26.45	26.07	(1.4)
EBIT margin (%)	15.5	15.2	-29bps	15.5	15.5	0bps
APAT	17.58	17.05	(3.0)	20.85	20.46	(1.9)
EPS (INR)	94.0	91.1	(3.0)	111.5	109.4	(1.9)

Source: Company, HSIE Research

## BUY

CMP (as on 29 Apr 2022) INR 2,843

Target Price INR 3,830

NIFTY 17,103

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 3,900	INR 3,830
	FY23E	FY24E
EPS %	-3.0	-1.9

### KEY STOCK DATA

Bloomberg code	MPHL IN
No. of Shares (mn)	188
MCap (INR bn) / (\$ mn)	534/7,176
6m avg traded value (INR mn)	2,075
52 Week high / low	INR 3,660/1,712

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(6.5)	(12.1)	62.1
Relative (%)	(6.2)	(8.3)	47.5

### SHAREHOLDING PATTERN (%)

	Dec-21	Mar-22
Promoters	55.90	55.80
FIs & Local MFs	17.72	17.78
FPIs	21.10	21.09
Public & Others	5.28	5.33
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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# Shriram Transport Finance Company

## Poised to ride on cyclical recovery

Shriram Transport Finance's (SHTF) Q4FY22 earnings were ~19% higher than our estimates, mainly on account of strong reflation in asset yield driving higher NIM (7%). Asset quality continues to remain on the mend, with improving economic activity and collection and recoveries efforts driving the stressed pool (GS-II + GS-III) lower to 17.7% of AUM, from the peak of 22.7% in Q1FY22, while NS-III falls below 4%. With the current stock of provisions at 7.2% (GS-III PCR at 50%), we expect loan loss provisioning to further normalise to ~2%. Business momentum continued to remain buoyant, with disbursal growth of 13% YoY, 10% QoQ (largely used CVs), and it is expected to reflect in double-digit AUM growth in FY23. We revise our FY23/FY24 earnings estimates upwards by ~1% each to factor in improving margins and maintain ADD with a revised target price of INR1,645 (1.6x Mar-24 ABVPS).

- **Positive surprise on asset yields:** SHTF surprised positively, with strong NII/PPoP growth (19%/27% YoY), largely driven by NIM reflation (7% vs. 6.65% in Q3). Tailwinds from funding cost continue to accrue with a lag (cost of funds down 20bps QoQ), and it is expected to improve further with gradual run-down of surplus liquidity (~14% of AUM), while asset yields improved ~50bps, partly driven by write-back of interest income.
- **Asset quality on the mend:** SHTF reported GS-II/GS-III at 10.6%/7.1% (Q3FY22: 11.6%/8.4%), with GS-III/NS-III comfortably within management guidance. The company wrote off INR14.7bn, while drawing down INR0.8bn from COVID provisions for the write-offs. We build in credit costs of ~2% for FY23-FY24E (FY22: 3.2% of AUM).
- **Positioned for growth; merger may be a dampener:** SHTF is poised to benefit from the economic activity rebound driving demand for used CVs as well as visible cyclical recovery in new CVs and is likely to drive double-digit AUM growth during FY23-24E. However, the impending merger with SCUF, which appears on track for all statutory approvals, may be a near-term headwind in terms of management bandwidth, etc., while the extent of medium-term synergies to the standalone business are yet to be ascertained.

### Financial summary

(INR bn)	Q4FY22	Q4FY21	YoY (%)	Q3FY22	QoQ (%)	FY21	FY22P	FY23E	FY24E
NII	25.2	21.2	19.3	22.6	11.5	80.7	89.1	97.5	114.0
PPoP	21.1	16.6	27.1	19.1	10.7	64.0	74.1	76.9	90.9
PAT	10.9	7.5	43.9	6.8	59.6	24.9	27.1	36.9	46.3
EPS (INR)	40.2	30.7	31.0	25.3	58.9	98.3	100.1	136.3	171.0
ROAE (%)						12.6	11.4	13.4	14.8
ROAA (%)						2.0	2.0	2.5	2.9
ABVPS (INR)						662	796	907	1,060
P/ABV (x)						1.8	1.5	1.3	1.1
P/E (x)						12.2	12.0	8.8	7.0

### Change in estimates

(INR bn)	FY23E			FY24E		
	Old	New	Δ	Old	New	Δ
AUM	1,407	1,411	0.3%	1,588	1,593	0.3%
NIM (%)	7.2	7.3	9 bps	7.5	7.6	6 bps
NII	96.5	97.5	1.0%	112.7	114.0	1.1%
PPoP	75.9	76.9	1.2%	89.6	90.9	1.5%
PAT	36.5	36.9	1.1%	45.7	46.3	1.3%
Adj. BVPS (INR)	929	907	-2.3%	1,081	1,060	-2.0%

Source: Company, HSIE Research

## ADD

CMP (as on 29 Apr 2022) INR 1,202

Target Price INR 1,645

NIFTY 17,103

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR1641	INR 1645
	FY23E	FY24E
EPS %	1.1%	1.3%

### KEY STOCK DATA

Bloomberg code	SHTF IN
No. of Shares (mn)	271
MCap (INR bn) / (\$ mn)	325/4,370
6m avg traded value (INR mn)	1,578
52 Week high / low	INR 1,696/1,002

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(3.3)	(16.3)	(15.1)
Relative (%)	(3.0)	(12.5)	(29.8)

### SHAREHOLDING PATTERN (%)

	Dec-21	Mar-22
Promoters	26.1	26.5
FIs & Local MFs	15.2	13.8
FPIs	53.2	53.9
Public & Others	5.6	5.7
Pledged Shares		0.0

Source : BSE

Pledged shares as % of total shares

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# Supreme Industries

## Volumes surge in the plastic pipes segment

We maintain BUY on Supreme Industries (SIL), keeping the TP unchanged at INR 2,770/share (SOTP-based). In Q4FY22, SIL's consolidated revenue rose +23% YoY to INR 25.6bn on strong piping demand rebound. However, gross margin contraction pulled down EBITDA/APAT by 23/28% YoY to INR 3.91/3.24bn respectively. As demand has picked up since March-22 and even resin prices have started to cool off April onwards, the management remains confident of strong volume growth in FY23. The company is also expanding its capacity amid a healthy demand outlook.

- Q4FY22 performance:** SIL's reported EBITDA came broadly in line with ours and consensus estimates. Its pipes segment reported stellar volume offtake: up 27/69% YoY/QoQ. SIL registered very high sales in March and the trend remains healthy in April. However, pipes segmental EBIT margin fell 2/12pp QoQ/YoY to 14.4%, mainly on lower gross margin. Thus, segmental EBIT fell 28% YoY. Volumes stood flattish YoY in its industrial segment. While EBIT margin picked up 2pp QoQ, it remained 3pp lower YoY on gross margin contraction. Segmental EBIT fell 19% YoY. Packing sales volume fell both QoQ/YoY, owing to competitive pressure in its tarpaulin business. Segmental EBIT slumped 17% YoY. The furniture revenue/EBIT also fell off 5/49% YoY on weak demand and higher resin prices. Thus, overall revenue rose 23% YoY on strong pipes sales, while gross margin slump pulled down consolidated EBITDA/APAT by 23/28%.
- Outlook:** SIL expects recent cool off in resin prices (which is getting passed on) to boost demand. It expects to deliver >15% overall volume growth in FY23. The company expanded its total capacity by ~4% in FY22 to 725K MT. By end FY23, this should expand to ~800K MT, most of which will come in the plastic pipes segment (in east and south regions). The company expects to continue to fund these totally through internal accruals. We remain positive on its growth prospects, owing to a demand rebound. We value SIL at 21x its Mar-24E consolidated EBITDA and value its 30.8% holding in its associate Supreme Petrochem at a 30% discount to its current market cap.

### Consolidated quarterly/annual financial summary

YE Mar (INR mn)	Q4 FY22	Q4 FY21	YoY (%)	Q3 FY22	QoQ (%)	FY20	FY21	FY22P	FY23E	FY24E
Sales (K MT)	128.6	111.2	15.6	91.4	40.8	411.5	409.1	393.9	444.9	504.6
NSR (INR/Kg)	198.8	187.4	6.1	212.9	(6.6)	132.7	152.8	195.1	189.2	192.1
EBITDA (INR/Kg)	30.4	45.8	(33.6)	34.8	(12.5)	20.7	31.8	31.8	30.4	30.6
Net Sales	25,571	20,846	22.7	19,451	31.5	55,115	63,552	77,728	85,123	97,987
EBITDA	3,914	5,097	(23.2)	3,179	23.1	8,346	12,842	12,421	13,520	15,430
EBITDAM (%)	15.3	24.5		16.3		15.1	20.2	16.0	15.9	15.7
APAT	3,239	4,504	(28.1)	2,457	31.8	4,674	9,781	9,684	9,641	10,832
AEPS (INR)	25.5	35.4	(28.1)	19.3	31.8	36.8	77.0	76.2	75.9	85.3
EV/EBITDA (x)						29.9	18.7	19.5	17.9	15.5
P/E (x)						53.0	25.3	25.6	25.7	22.9
RoE (%)						21.2	36.0	27.6	23.6	23.6

Source: Company, HSIE Research, Consolidated financials

# BUY

CMP (as on 29 Apr 2022) INR 1,947

Target Price INR 2,770

NIFTY 17,103

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	2,770	2,770
	FY23E	FY24E
EBITDA %	(0.1)	0.0

### KEY STOCK DATA

Bloomberg code	SI IN
No. of Shares (mn)	127
MCap (INR bn) / (\$ mn)	247/3,323
6m avg traded value (INR mn)	244
52 Week high / low	INR 2,694/1,856

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(6.8)	(16.4)	(5.0)
Relative (%)	(6.6)	(12.6)	(19.7)

### SHAREHOLDING PATTERN (%)

	Dec-21	Mar-22
Promoters	48.85	48.85
FIs & Local MFs	19.7	16.16
FPIs	16.16	19.65
Public & Others	15.29	15.34
Pledged Shares	NIL	NIL

Source : BSE

Pledged shares as % of total shares

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# IndiaMART InterMESH

## Investing for growth

IndiaMART posted in-line revenue growth of +7.1% QoQ but margins took a severe hit (down 1,347 bps QoQ to 28.4%) due to investments in sales capacity (+42.6% YoY). The paid supplier addition of ~13k (highest ever) was higher than our estimate of 8K and the additions were primarily in the monthly bucket. The portfolio churn has reduced across all buckets, indicating a sustained momentum. Management has indicated paid supplier addition of ~8-9k/quarter, supported by investments in sales, technology, and channel partners. Margin decline was primarily on account of a sharp increase in employee and outsource sales cost, with the prime objective to boost growth. We maintain our positive stance, based on (1) higher growth visibility, led by 31% YoY increase in cash collections; (2) uptick in customer addition and investment in growth engine; (3) economic recovery leading to improving health of MSME; (4) completion of busy acquisition with huge cross-sell opportunity; and (5) tender buyback offer of INR 1bn (~0.5% of equity). We increase revenue estimate by 2-3% but cut EPS by 4-6% due to margin reset. Our TP of INR 7,000 is based on 55x FY24 P/E (DCF implied), led by revenue/EPS CAGRs of +27/16% over FY21-24E. Maintain BUY.

- Q4FY22 highlights:** (1) IndiaMart revenue stood at INR 2.01bn (vs. estimate of INR 2.00bn), registering 7.1% growth QoQ, driven by +8.3/-1.3% QoQ growth in paid suppliers/ARPU; (2) cash collections from customers were at INR 3.18bn up 43.3% QoQ; (3) ~28% of the registered buyers are active on the platform and ~10% of the visitors on the application place a business enquiry; (4) EBITDA margin was down 1347bps QoQ to 28.4% (vs. our estimate of 39.7%) due to +35/62% QoQ increase in manpower/outsource cost; (5) customer churn for monthly subscribers was down to 25% from 30% and churn in gold and platinum customers remained stable at <10%; (6) the company has adopted the weekly wage structure and incentives will be paid fortnightly; (7) one sales person is handling ~55-60 paying suppliers.
- Outlook:** We expect revenue growth of +32.5/21.5%, based on paid supplier growth of +21.3/16.6% and ARPU growth of 3.3/4.6% for FY23/24E respectively. EBITDA margin estimate stands at 37.6/40.4% for FY23/24E, leading to an EPS CAGR of 16% over FY22-24E.

### Quarterly financial summary

YE March (INR mn)	Q4 FY22	Q4 FY21	YoY (%)	Q3 FY22	QoQ (%)	FY20	FY21	FY22	FY23E	FY24E
Net Sales	2,014	1,800	11.9	1,880	7.1	6,389	6,696	7,535	9,984	12,132
EBITDA	580	850	-31.8	790	-26.6	1,689	3,282	3,079	3,753	4,907
APAT	582	560	3.9	700	-16.9	1,474	2,798	2,976	3,211	4,019
EPS	18.9	17.9	6.1	22.8	-17.1	47.9	91.0	96.8	104.5	130.8
P/E (x)						102.5	54.0	50.7	47.0	37.6
EV / EBITDA (x)						84.1	39.0	41.4	32.7	24.0
RoE (%)						67.8	29.7	17.1	16.0	17.5

Source: Company, HSIE Research, Consolidated Financials

### Change in estimates

YE March (INR bn)	FY23E Old	FY23E Revised	Change %	FY24E Old	FY24E Revised	Change %
Revenue	9,738	9,984	2.5	11,863	12,132	2.3
EBITDA	3,981	3,753	-5.7	5,091	4,907	-3.6
EBITDA margin (%)	40.9	37.6	-330 bps	42.9	40.4	-246 bps
APAT	3,403	3,211	-5.7	4,193	4,019	-4.1
EPS (INR)	110.7	104.5	-5.7	136.4	130.8	-4.1

Source: Company, HSIE Research

## BUY

CMP (as on 29 Apr 2022) INR 4,915

Target Price INR 7,000

NIFTY 17,103

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 7,200	INR 7,000
	FY23E	FY24E
EPS %	-5.7	-4.1

### KEY STOCK DATA

Bloomberg code	INMART IN
No. of Shares (mn)	31
MCap (INR bn) / (\$ mn)	151/2,032
6m avg traded value (INR mn)	1,040
52 Week high / low	INR 9,711/3,960

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	1.8	(31.2)	(44.2)
Relative (%)	2.1	(27.4)	(58.9)

### SHAREHOLDING PATTERN (%)

	Dec-21	Mar-22
Promoters	49.52	49.52
FIs & Local MFs	5.33	4.89
FPIs	26.53	23.93
Public & Others	18.62	21.66
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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# Sonata Software

## Steady growth, margin trending lower

We maintain our BUY rating on Sonata, following an in-line growth in the IT services segment (IITS, +4.7% QoQ CC) and strong DPS business (+38% YoY). The Microsoft portfolio (~51% of IITS) is driving growth (+6/31% QoQ/YoY), the company remains optimistic about the opportunity (digital services + dynamics 365) and it can deliver >20% YoY growth consistently. Travel vertical will recover with higher travel activity in Europe (peak summer bookings), while revenue from TUI is still at ~50% of pre-COVID level. The adjusted IITS EBITDA margin declined 105bps QoQ to 23% due to ongoing supply side concerns, partially offset by offshoring and peak utilisation (~91%). The attrition inched up to 28-30% level and the company will give wages hikes in Q1FY23E to counter it; the target margin range for IITS is lowered to ~20-22%. DPS growth was strong, supported by growth in cloud license sales. Sonata's focus will be to invest in the Microsoft channel and build vertical capabilities. The appointment of the new CEO (Mr. Samir Dhir, ex Virtusa) will lead to a strategy refresh. We maintain our revenue estimates but cut EPS estimate by 1.4/2.1% for FY23/24E to factor in lower margin (~80bps margin cut for IITS). Our target price of INR 950 is based on 20x Mar-24E EPS (vs. 22x earlier). The stock is trading at a P/E of 18.5/15.8x FY23/24E.

- Q4FY22 highlights:** IITS revenue stood at USD 55.7mn with +4.3% QoQ growth, in line with our estimate of USD 55mn. Digital/platform revenue contributed 73/25% to IITS revenue and grew +5.8/13.4% QoQ, while IP-led revenue (29% of the revenue) declined 5.5% QoQ. Retail/distribution ISV/travel grew +15/8/8/4% QoQ. IITS EBITDA margin stood at 23% (-105bps QoQ) and DPS EBITDA margin stood at 3.8% (+124bps QoQ). Consolidated revenue witnessed decline of 21.2% QoQ due to a decline in DPS (-28% QoQ) and EBITDA margin was higher at 9% (+187bps QoQ), led by change in mix and better IITS margin. The wage hike will impact by ~150bps in Q1 and attrition is expected to moderate in the next six months.
- Outlook:** We expect IITS growth of +18.4/12.5% and DPS growth of 23.1/20% for FY23/24E. IITS margin will be at 22.1/22.6% and DPS margin at 3.5/3.6% for FY22/23/24E respectively. Revenue/EPS CAGRs for FY22-24E are expected to be +15.4/15.3%.

### Quarterly Financial summary

YE March (INR bn)	Q4 FY22	Q4 FY21	YoY (%)	Q3 FY22	QoQ (%)	FY20	FY21	FY22	FY23E	FY24E
IITS Revenues (US \$mn)	56	43.8	27.2	53.4	4.3	181	160	203	240	270
Net Sales	14.64	10.76	36.1	18.58	(21.2)	37.43	42.28	55.53	68.26	80.83
EBIT	0.95	0.94	1.4	1.19	(20.1)	3.36	3.40	4.16	5.21	6.18
APAT	1.01	0.83	21.5	0.98	3.3	2.77	2.44	3.76	4.23	4.95
Diluted EPS (INR)	9.7	8.0	21.5	9.4	3.3	26.7	23.5	36.2	40.7	47.7
P/E (x)						28.2	32.0	20.8	18.5	15.8
EV / EBITDA (x)						20.6	19.4	15.7	12.2	9.9
RoE (%)						38.5	31.0	37.6	35.1	34.5

Source: Company, HSIE Research, Consolidated Financials

### Change in Estimates

YE March (INR bn)	FY23E Old	FY23E Revised	Change %	FY24E Old	FY24E Revised	Change %
Revenue (USD mn)	239	240	0.5	275	270	(1.5)
Revenue	66.94	68.26	2.0	80.51	80.83	0.4
EBIT	5.37	5.21	(3.0)	6.46	6.18	(4.3)
EBIT margin (%)	8.0	7.6	-39bps	8.0	7.6	-37bps
APAT	4.29	4.23	(1.4)	5.06	4.95	(2.1)
EPS (INR)	41.3	40.7	(1.4)	48.7	47.7	(2.1)

Source: Company, HSIE Research

## BUY

CMP (as on 29 Apr 2022)	INR 752
Target Price	INR 950
NIFTY	17,103

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,070	INR 950
	FY23E	FY24E
EPS %	-1.4	-2.1

### KEY STOCK DATA

Bloomberg code	SSOF IN
No. of Shares (mn)	105
MCap (INR bn) / (\$ mn)	79/1,063
6m avg traded value (INR mn)	163
52 Week high / low	INR 1,030/555

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(8.3)	(10.1)	32.1
Relative (%)	(8.0)	(6.3)	17.5

### SHAREHOLDING PATTERN (%)

	Dec-21	Mar-22
Promoters	28.17	28.17
FIs & Local MFs	14.65	14.69
FPIs	13.94	13.71
Public & Others	43.24	43.43
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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**Rating Criteria**

BUY: &gt;+15% return potential

ADD: +5% to +15% return potential

REDUCE: -10% to +5% return potential

SELL: &gt; 10% Downside return potential

**Disclosure:**

Analyst	Company Covered	Qualification	Any holding in the stock
Amit Chandra	Wipro, Mphasis, IndiaMART InterMESH, Sonata Software	MBA	NO
Apurva Prasad	Wipro, Mphasis, Sonata Software	MBA	NO
Vinesh Vala	Wipro, Mphasis, IndiaMART InterMESH, Sonata Software	MBA	NO
Aniket Mhatre	Maruti Suzuki	MBA	NO
Sonaal Sharma	Maruti Suzuki	MBA	NO
Deepak Shinde	Shriram Transport Finance Company	PGDM	NO
Krishnan ASV	Shriram Transport Finance Company	PGDM	NO
Neelam Bhatia	Shriram Transport Finance Company	PGDM	NO
Keshav Lahoti	Supreme Industries	CA	NO

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