

HSIE Results Daily

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Results Reviews

- ITC:** ITC delivered a beat on revenue growth, sustaining healthy growth across all segments. Revenue was up 16% YoY, with cigarettes/FMCG/hotels/agri/paper growing 10/12/35/30/32% YoY. Cigarette volume growth was at ~9% (2% three-year CAGR) and, with a stable demand environment, we expect this trajectory to improve in the coming quarters. Cigarette EBIT growth was at 12% YoY. FMCG registered an 8% two-year CAGR vs. Emami's 6%, Dabur's 5%, HUL's 8% and Marico's 10%. FMCG EBITDA margin was up 75bps YoY to 9.1% (favourable product mix negated the RM inflation), while EBITDA growth of 22% YoY was much ahead of peers. Beside FMCG, the company delivered a strong performance across its hotel, agri and paper businesses. Paper continues to see strong momentum, while paperboard volumes were at a record high. Hotel business, too, is sustaining smart recovery after the pandemic. We continue to remain positive on ITC, especially with the economy moving towards normalcy. Further, the absence of tax increase on cigarette in Budget 2022 also gives confidence on sustaining cigarette volume growth. We maintain our EPS estimates for FY23/24. We value ITC on an SoTP basis to derive a target price of INR 285 (implied P/E of 20x Mar-24E EPS). Maintain BUY. In the sublime performance of other FMCG companies, ITC's outperformance will remain a key for stock rerating.
- Indian Oil Corporation:** Our ADD rating on Indian Oil Corporation (IOCL) with a target price of INR 135 is premised on (1) recovery in domestic demand for petroleum products, (2) improvement in refining margins for FY23/24, and (3) gradual improvement in marketing margins over FY23-24 vis-à-vis FY22 levels.
- DLF:** DLF booked record presales of INR 27.3bn (+2.6x/+36.5% YoY/QoQ) on the back of continued sales momentum in Camellias at INR 5.9bn (+2x/+1.7% YoY/QoQ) and One Midtown at INR 12.5bn (+78% QoQ). With FY22 presales at INR 72.7bn (+2.4x YoY, highest-ever in last 10 years), DLF has surpassed its FY22 presales guidance of INR 60-65bn. Revenue/APAT degrew to INR 15.5bn/4.1bn due to higher operating expenses and lower other income. Net debt stood at INR 26.8bn, as of Mar-22 vs. INR 32.2bn, as of Dec-21. Office physical occupancy is expected to normalise by Q2FY23; Q4FY22 physical office occupancy at Cyber city/Chennai SEZ/Hyderabad SEZ/Kolkata IT Park stood at 36%/80%/20%/25%. Given that there are (1) price hikes in premium projects; (2) robust launch plans; and (3) expected increase in office occupancy levels, we maintain BUY. However, we reduce our TP to INR 450/share due to adverse impact of rising interest rates, higher cost of capital, and cap rates expansion.
- Indraprastha Gas:** Our BUY recommendation on Indraprastha Gas (IGL) with a target price of INR 545 is based on (1) robust volume growth at ~15% CAGR over FY22-24E, (2) regulatory support from the government to curb pollution in the Delhi/NCR region, and (3) a strong portfolio of mature, semi-mature, and new geographical areas. Q4FY22 EBITDA was 61% above our estimate and PAT was 90% above, owing to higher realisation, 18% lower-than-expected raw material cost, and higher other income of INR 774mn (+2.8x YoY, +2.5x QoQ, HSIE: INR 336mn).

HSIE Research Team

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- **IRB Infra:** IRB reported revenue/EBITDA/PAT of INR 14.3/6.4/1.7bn, beat/miss/beat on our estimates. EBITDA margin was 44.8%, missing our estimate on account of preferential allotment issues expenses and cost booked on Panaji Goa claims. Higher inflation, however, benefitted BOT projects with tariff revised upwards by 10%. This will also result in lower losses for private InvIT expected at INR 1.5bn in FY23 (INR 4bn in FY22). In the quarter, Fitch upgraded the long-term rating to BB+ from BB. This will expectedly reduce the overall interest cost by 1.1bn annually. IRB expects more execution from HAM projects in FY23 and, consequently, the EBITDA margin is expected to come down to 24%. IRB expects to transfer projects worth INR 25bn (in equity value) to public InvIT by the start of the next calendar year. The concept paper is expected in coming months. We maintain ADD and reduce SOTP TP to INR 279/sh to account for the lower EBITDA margin, owing to commodity inflation and change in mix towards HAM.
- **Galaxy Surfactants:** Our BUY recommendation on GALSURF with a price target of INR 3,295 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. Q4 EBITDA/APAT were 115/151% higher than our estimates, owing to a 7% rise in the revenue and lower-than-expected raw material cost (courtesy inventory gains), but were offset by lower-than-expected other income and higher-than-expected tax outgo.
- **Multi Commodity Exchange:** We maintain BUY on MCX, following better-than-expected revenue and margin performance, led by options. Futures ADTV grew 9.4% QoQ, after five consecutive quarter of decline, led by recovery in energy (+16% QoQ) and bullion (+11% QoQ). The option volume increased 78% QoQ, resulting in revenue of INR 220mn (+113% QoQ) vs. estimate of INR 150mn driven by higher realisation. MCX has launched a new smaller duration Gold options contract, which will lower the dominance of crude in options volume. We expect options to be ~85% of futures volume and ~25% of revenue in FY24E. The launch of new products like electricity futures, spot bullion segment, natural gas options, index options and splitting of bi-monthly contracts are future volume drivers. The shift to the new trading platform (current contract ending in Sep-22) is crucial and remains the key management focus. This will lead to significant cost savings (shift from variable to fixed cost model), resulting in margin tailwind in FY23/24E. We increase our EPS estimates for FY23/24E by 1.3/3.4%, led by better options revenue. We assign 35x P/E to Mar-24E core PAT and add net cash (ex-SGF) to arrive at a target price of INR 2,000.
- **Teamlease Services:** Teamlease reported a muted quarter (+3.1% QoQ, lower than estimate) but the margin performance was in line. The core staffing volume growth of 4.3% QoQ was boosted by NETAP trainees (+8.4% QoQ), while the general staffing volume growth stood at 2.7% QoQ, impacted by higher attrition. The hiring activity has improved in key verticals (ecommerce, telecom, consumer, and BFSI) and the company has invested to deliver ~20% growth in the core staffing segment (~90% of revenue). Specialised staffing (8% of revenue) will continue to grow, led by traction in IT hiring, increase in open positions, and hiring across domains. We expect gradual improvement in general staffing EBITDA margin, led by mark-up improvement and automation; HR services target is >10% and specialised staffing margin will stabilise at 9-10%. We have cut our revenue estimate by 2-3% due to Q4 miss and EPS estimates by ~6% after adjusting for higher tax rate. Our target price of INR 4,850 is based on 40x Mar-24E EPS (five-year average PE of ~35x). The stock is trading at a PE of 36/28x FY23/24E EPS. Maintain BUY.

- **NOCIL:** Our BUY recommendation on NOCIL with a TP of INR 310 is premised on (1) ramp-up in capacity utilisation; (2) robust volume growth on the back of pick-up in demand in the tyre industry; and (3) expansion of margin with focus on specialised rubber chemicals. Q4 EBITDA/PAT were 135/132% above our estimates, owing to 23% higher revenue, lower-than-expected raw material cost courtesy inventory gains, and lower-than-anticipated opex, but were offset by higher-than-expected depreciation and tax outgo.
- **Star Cement:** We maintain BUY on Star Cement (Star), with a revised TP of INR 115/share (8x its Mar-24E consolidated EBITDA). Star's consolidated sales volume surged 27% YoY on continued ramp-up of Siliguri plant and healthy demand in the northeast (NE) region. Star's consolidated revenue/EBITDA/APAT rose 24/9/4% YoY. Unitary EBITDA rebounded QoQ on better realisation, higher volume, and lower opex. Star is working on major expansions - planning to more than double its clinker capacity, adding ~65% to its grinding capacity and 23MW to WHRS by FY24E.

ITC

All-round show in a challenging period

ITC delivered a beat on revenue growth, sustaining healthy growth across all segments. Revenue was up 16% YoY, with cigarettes/FMCG/hotels/agri/paper growing 10/12/35/30/32% YoY. Cigarette volume growth was at ~9% (2% three-year CAGR) and, with a stable demand environment, we expect this trajectory to improve in the coming quarters. Cigarette EBIT growth was at 12% YoY. FMCG registered an 8% two-year CAGR vs. Emami's 6%, Dabur's 5%, HUL's 8% and Marico's 10%. FMCG EBITDA margin was up 75bps YoY to 9.1% (favourable product mix negated the RM inflation), while EBITDA growth of 22% YoY was much ahead of peers. Beside FMCG, the company delivered a strong performance across its hotel, agri and paper businesses. Paper continues to see strong momentum, while paperboard volumes were at a record high. Hotel business, too, is sustaining smart recovery after the pandemic. We continue to remain positive on ITC, especially with the economy moving towards normalcy. Further, the absence of tax increase on cigarette in Budget 2022 also gives confidence on sustaining cigarette volume growth. We maintain our EPS estimates for FY23/24. We value ITC on an SoTP basis to derive a target price of INR 285 (implied P/E of 20x Mar-24E EPS). Maintain BUY. In the sublime performance of other FMCG companies, ITC's outperformance will remain a key for stock rerating.

- Beat on revenue, healthy traction in all segments:** Cigarettes revenue grew 10% YoY, with volume growth of ~9% (HSIE 10%). Higher mobility and new product launches are sustaining recovery for cigarette. FMCG saw broad-based recovery across discretionary/OOH. Reopening of schools/colleges aids recovery in education and stationery. MT and e-commerce (channel salience at 7%) continued to perform well. E-comm clocked 1.5x. New product launches and increasing reach remain the key focus. Hotels continue to see sequential improvement in ARR's (still below pre-COVID levels). The agri business continued to see export-led growth. The paper business grew 32% YoY, led by value-added products and demand revival.
- Beat on EBITDA:** The cigarette EBIT grew 12% YoY, led by a favourable mix. Despite commodity cost headwinds, FMCG EBITDA margin came in at 9.1% (+75bps YoY, flat QoQ), led by pricing actions, mix benefits, and cost management. The agri EBIT grew 29% YoY. The paper margin improved (EBIT grew by 39% YoY) amid a favourable pulp cycle and cost-competitive fibre chain. APAT was at INR 41.9bn (HSIE INR 40.8bn).
- Other takeaways:** (1) Inflation remains a key near-term monitorable for the Other FMCG segment. (2) ITC continues to scale up its D2C operations. (3) ITC Infotech has signed a 10-year strategic partnership agreement with PTC Inc. This will help accelerate its customers' digital transformation initiatives through jointly developed offerings and GTM strategies.

Quarterly/annual financial summary

YE Mar (INR mn)	Q4FY22	Q4FY21	YoY (%)	Q3FY22	QoQ (%)	FY21	FY22P	FY23E	FY24E
Net Sales	164,260	141,570	16.0	168,069	(2.3)	492,728	606,681	660,043	708,147
EBITDA	52,244	44,731	16.8	51,021	2.4	170,027	206,584	227,799	243,347
APAT	41,910	37,485	11.8	41,562	0.8	133,829	155,031	171,142	183,118
Diluted EPS (INR)	3.4	3.0	11.7	3.4	0.8	10.9	12.6	13.9	14.9
P/E (x)						24.5	21.2	19.2	18.0
EV / EBITDA (x)						17.6	14.5	13.1	12.2
Core RoCE (%)						37.6	43.9	46.9	49.5

Source: Company, HSIE Research

BUY

CMP (as on 18 May 22)	INR 267
Target Price	INR 285
NIFTY	16,240

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 285	INR 285
EPS %	FY23E	FY24E
	0%	0%

KEY STOCK DATA

Bloomberg code	ITC IN
No. of Shares (mn)	12,323
MCap (INR bn) / (\$ mn)	3,288/44,182
6m avg traded value (INR mn)	5,599
52 Week high / low	INR 273/201

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	20.2	12.3	27.0
Relative (%)	26.5	21.4	19.0

SHAREHOLDING PATTERN (%)

	Dec-21	Mar-22
Promoters	0.00	0.00
FIs & Local MFs	43.79	42.77
FPIs	9.99	11.99
Public & Others	46.22	45.24
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Indian Oil Corporation

Refining segment offsets marketing weakness

Our ADD rating on Indian Oil Corporation (IOCL) with a target price of INR 135 is premised on (1) recovery in domestic demand for petroleum products, (2) improvement in refining margins for FY23/24, and (3) gradual improvement in marketing margins over FY23-24 vis-à-vis FY22 levels.

- Reported EBITDA/APAT stood at INR 118/60bn, 11/21% below our estimates, owing to higher-than-expected other expenses and finance costs. Earnings, however, were supported by above-estimate GRMs, inventory gains and refinery and marketing throughput. Reported GRM stood at USD 18.5/bbl (HSIE: USD 15/bbl).
- Refining:** Crude throughput in Q4 was above the estimate at 18.3mmt (+4% YoY and +5% QoQ). Capacity utilisation stood at 105.7%, on an average. Reported GRM stood at USD 18.5/bbl vs USD 12/bbl in Q3FY22 and USD 10.6/bbl in Q4FY21. Our derived refining EBITDA, at INR 109bn (+71% YoY, +44% QoQ), improved substantially, driven by higher GRMs and throughput. We estimate core GRMs for IOCL at USD 9.5/8.8 per bbl in FY23/24E.
- Marketing:** Domestic marketing sales volume stood at 20.1mmt (+3.4% YoY) while exports were at 1.5mmt (+10% YoY). Marketing EBITDA loss stood at INR 21.9bn, impacted by weak marketing margins. We, therefore, expect blended gross margins of INR 3.2/3.7 per liter in FY23/24E.
- Updates:** (1) The board declared final dividend of INR 3.6/sh, aside from the interim dividend of INR 9/sh for FY22. (2) It also recommended issue of bonus shares in the ratio 1:2, subject to shareholders' approval, and has fixed 1 Jul-22 as its record date. (3) Borrowings, as of Mar-22 end, stood at INR 1,108bn, up by 25% QoQ. (4) A forex loss of INR 10bn was reported in Q4.
- Change in estimates:** We revise our FY23/24 EPS estimates upwards by +32/+54% to INR 19.8/22.3 on account of higher refining margins estimates, which offset the decline in estimated marketing margins for FY23/24.
- Our SOTP target, at INR 135/sh, is based on 5x Mar-24E EV/e for standalone refining and petchem businesses, 6x Mar-24E EV/e for marketing business and pipeline business respectively, and INR 37/sh for other investments. The stock is currently trading at 5.3x on FY24E EPS. Maintain ADD.**

Standalone financial summary

YE March (INR bn)	Q4 FY22	Q3 FY22	QoQ (%)	Q4 FY21	YoY (%)	FY20*	FY21*	FY22P*	FY23E*	FY24E*
Revenue	1,773	1,668	6.3	1,237	43.3	4,838	3,639	5,893	6,700	6,287
EBITDA	118	99	19.6	135	(12.7)	162	417	475	382	422
APAT	60	59	2.7	88	(31.4)	(159)	228	250	182	205
AEPS (INR)	6.6	6.4	2.7	9.6	(31.4)	(5.0)	23.6	27.5	19.8	22.3
P/E (x)						(23.8)	5.0	4.3	6.0	5.3
EV / EBITDA (x)						13.8	4.9	4.9	5.9	5.2
RoE (%)						(15.3)	22.0	20.4	12.9	13.3

Source: Company, HSIE Research | *Consolidated

Change in estimates (consolidated)

	FY23E			FY24E		
	Old	New	Ch%	Old	New	Ch%
EBITDA (INR bn)	307	382	24.6	309	422	36.7
AEPS (INR/sh)	15.0	19.8	32.3	14.5	22.3	53.8

Source: Company, HSIE Research

ADD

CMP (as on 18 May 22)	INR 118
Target Price	INR 135
NIFTY	16,240

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 140	INR 135
EPS change	FY23E +32.3%	FY23E +53.8%

KEY STOCK DATA

Bloomberg code	IOCL IN
No. of Shares (mn)	9,414
MCap (INR bn) / (\$ mn)	1,111/14,934
6m avg traded value (INR mn)	1,562
52 Week high / low	INR 142/102

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(2.6)	(8.7)	11.8
Relative (%)	3.7	0.4	3.8

SHAREHOLDING PATTERN (%)

	Dec-21	Mar-22
Promoters	51.50	51.50
FIs & Local MFs	12.62	11.43
FPIs	7.94	8.36
Public & Others	27.94	28.71
Pledged Shares	0.0	0.0

Source : BSE

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DLF

Robust presales recovery

DLF booked record presales of INR 27.3bn (+2.6x/+36.5% YoY/QoQ) on the back of continued sales momentum in Camellias at INR 5.9bn (+2x/+1.7% YoY/QoQ) and One Midtown at INR 12.5bn (+78% QoQ). With FY22 presales at INR 72.7bn (+2.4x YoY, highest-ever in last 10 years), DLF has surpassed its FY22 presales guidance of INR 60-65bn. Revenue/APAT degrew to INR 15.5bn/4.1bn due to higher operating expenses and lower other income. Net debt stood at INR 26.8bn, as of Mar-22 vs. INR 32.2bn, as of Dec-21. Office physical occupancy is expected to normalise by Q2FY23; Q4FY22 physical office occupancy at Cyber city/Chennai SEZ/Hyderabad SEZ/Kolkata IT Park stood at 36%/80%/20%/25%. Given that there are (1) price hikes in premium projects; (2) robust launch plans; and (3) expected increase in office occupancy levels, we maintain BUY. However, we reduce our TP to INR 450/share due to adverse impact of rising interest rates, higher cost of capital, and cap rates expansion.

- Financial highlights:** Revenue was INR 15.5bn (-9.7%/-0.2% YoY/QoQ, a miss of 6.3%). EBITDA was INR 3.7bn (-19%/-29.5% YoY/QoQ, a 33% miss due to mix and scale-up of marketing and brokerage expenses). EBITDA margin came in at 23.8% (-275 bps/-989 bps YoY/QoQ, a 910bps miss). Share of profits & associates and JVs: INR 1.8bn (-16.8%/-3.3% YoY/QoQ). APAT came in at INR 4.1bn (-15%/-25.7% YoY/QoQ, a 21.2% miss). DCCDL revenue - INR 11.9bn (-7.8%/+4.6% YoY/QoQ); EBITDA - INR 9bn (-9.5%/-1.39% YoY/QoQ due to lower other income); and PAT - INR 2.9bn (-13.8%/+2.5% YoY/QoQ).
- Robust presales in new projects; physical occupancy to normalise by Q2FY23:** Presales for Q4FY22, at INR 27.3bn (+2.6x/+36.5% YoY/QoQ), were robust, with Camellias bookings at INR 5.9bn (+2x/+1.7% YoY/QoQ) and One Midtown at INR 12.5bn (+78% QoQ). With FY22 presales at INR 72.7bn (+2.4x YoY, highest-ever in last 10 years), DLF has surpassed its FY22 presales guidance of INR 60-65bn. The DCCDL office portfolio collection was at 100%, with occupancy flat QoQ at 88%. Office rentals are witnessing steady growth of 4% YoY whereas retail revenues were impacted by COVID-induced restrictions at the start of the quarter. The physical office occupancy at Cyber city/Chennai SEZ/Hyderabad SEZ/Kolkata IT park stood at 36%/80%/20%/25%. The occupancy levels at Cyber city is expected to reach by 70-75% by Q2FY23 whereas, for Hyderabad SEZ and Kolkata IT Park, the occupancy will normalise and reach healthy levels by Q2FY23.
- Better realisation provides cushion against inflation:** DLF sold 0.6/0.1msf of ONE Midtown/Camellias projects at an APR of INR 21,000/45,550 per sq. ft. DLF took a price hike of INR 3,000-3,500 per sq. ft in One Midtown and INR 5,000 per sq. ft. in Camellias.
- Robust balance sheet:** DLF generated cash surplus of INR 5.4bn, which reduced net debt to INR 26.8bn as of Mar-22, vs. INR 32.2bn as of Dec-21; net D/E at 0.07x (vs. 0.09x at Dec-21 end). The cost of debt has reduced to 7.03%, from 7.66% in Dec-21. Construction outflow is expected to double in FY24.

Consolidated financial summary (INR mn)

Particulars	4QFY22	4QFY21	YoY(%)	3QFY22	QoQ(%)	FY21	FY22	FY23E	FY24E
Net Sales	15,473	17,126	(9.7)	15,497	(0.2)	54,141	57,174	66,402	67,383
EBITDA	3,675	4,539	(19.0)	5,213	(29.5)	14,178	17,426	19,956	20,313
APAT	4,055	4,774	(15.0)	5,456	(25.7)	11,538	16,664	20,383	22,035
EPS (INR)	1.6	1.9	(15.0)	2.2	(25.7)	4.4	6.3	8.2	8.9
P/E (x)						73.6	51.3	39.5	36.5
EV/EBITDA (x)						60.4	47.9	41.9	40.7
RoE (%)						3.1	4.2	5.5	5.7

Source: Company, HSIE Research

BUY

CMP (as on 18 May 22)	INR 325
Target Price	INR 450
NIFTY	16,240

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 486	INR 450
EPS Change %	FY23E	FY24E
	-	-

KEY STOCK DATA

Bloomberg code	DLFU IN
No. of Shares (mn)	2,475
MCap (INR bn) / (\$ mn)	804/10,809
6m avg traded value (INR mn)	2,543
52 Week high / low	INR 450/261

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(9.6)	(21.9)	24.1
Relative (%)	(3.4)	(12.8)	16.1

SHAREHOLDING PATTERN (%)

	Dec-21	Mar-22
Promoters	74.95	74.95
FIs & Local MFs	2.67	3.14
FPIs	16.46	15.39
Public & Others	5.92	6.52
Pledged Shares	-	-

Source: BSE

Pledged shares as % of total shares

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Indraprastha Gas

Margin beat drives earnings

Our BUY recommendation on Indraprastha Gas (IGL) with a target price of INR 545 is based on (1) robust volume growth at ~15% CAGR over FY22-24E, (2) regulatory support from the government to curb pollution in the Delhi/NCR region, and (3) a strong portfolio of mature, semi-mature, and new geographical areas. Q4FY22 EBITDA was 61% above our estimate and PAT was 90% above, owing to higher realisation, 18% lower-than-expected raw material cost, and higher other income of INR 774mn (+2.8x YoY, +2.5x QoQ, HSIE: INR 336mn).

- Volumes:** Blended volume remained robust at 7.75mmscmd (+14% YoY, +1% QoQ), but below HSIE: 8.06mmscmd. CNG volume stood at 5.66mmscmd (+16% YoY), domestic PNG at 0.57mmscmd (+13% YoY), industrial/commercial at 1mmscmd (+3% YoY) and trading volumes at 0.5mmscmd, (+7% YoY). Overall PNG volume was at 2.1mmscmd, up 7% YoY, 3% QoQ.
- Margins:** Per-unit gross spread in Q4 was at INR 12.7 (-7% YoY, +8% QoQ; HSIE: INR 9.3) due to lower-than-expected gas cost of INR 21.8 (+87% YoY, +11% QoQ). Per-unit EBITDA came in at INR 7.2, (-10% YoY, +8% QoQ), as against HSIE's INR 4.3/scm. Per-unit opex was at INR 5.6 (-1% YoY, +8% QoQ, HSIE INR 5/scm).
- Outlook on volume:** We expect average CNG volume to increase by 19% YoY to 6mmscmd in FY23E. Total volume is estimated to increase to 8.3/9.3mmscmd in FY23/24E.
- Outlook on per-unit EBITDA:** Per-unit EBITDA is expected to decline by 4% in FY23 to INR 7/scm on account of elevated gas cost and improve to INR 7.5/scm in FY24E. Consolidated EBITDA should grow by 13% YoY in FY23E to INR 21bn and 19% YoY in FY24E to INR 25bn, led by strong volume growth, positive outlook, and steady per-unit margins, despite the high gas cost environment.
- Change in estimates:** We revise our EPS estimates by -7.6/+2.2% for FY23/24E to INR 22.7/26.3, factoring in lower margins in FY23 and strong volumes over FY23/24. We cut our TP to INR 545/sh to factor higher WACC.
- DCF-based valuation:** Our target price is INR 545 (WACC 11%, terminal growth rate 3.0%). The stock is trading at 14.8x FY24E PE.

Standalone financial summary

YE March (INR bn)	Q4 FY22	Q3 FY22	QoQ (%)	Q4 FY21	YoY (%)	FY20*	FY21*	FY22P*	FY23E*	FY24E*
Revenues	24.06	22.15	8.6	15.51	55.2	64.85	49.41	77.10	102.18	119.51
EBITDA	5.00	4.70	6.6	4.92	1.8	15.20	14.83	18.81	21.30	25.39
APAT	3.62	3.09	17.2	3.31	9.2	10.95	10.47	12.77	14.50	18.12
AEPS (INR)	5.2	4.4	17.2	4.7	9.2	17.8	16.8	21.5	22.7	26.3
P/E (x)						21.8	23.2	18.1	17.2	14.8
EV/EBITDA (x)						16.5	17.6	13.8	11.2	8.9
RoE (%)						25.8	20.1	21.6	19.3	19.1

Source: Company, HSIE Research | *Consolidated

Change in estimates (Consolidated)

	FY23E			FY24E		
	Old	New	Ch%	Old	New	Ch%
EBITDA (INR bn)	22	21	(3.9)	24	25	3.9
AEPS (INR/sh)	24.5	22.7	(7.6)	25.7	26.3	2.2

Source: Company, HSIE Research

BUY

CMP (as on 18 May 22)	INR 389
Target Price	INR 545
NIFTY	16,240

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 605	INR 545
	FY23E	FY24E
EPS change	-7.6%	+2.2%

KEY STOCK DATA

Bloomberg code	IGL IN
No. of Shares (mn)	700
MCap (INR bn) / (\$ mn)	272/3,661
6m avg traded value (INR mn)	1,257
52 Week high / low	INR 604/321

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	3.0	(20.6)	(24.1)
Relative (%)	9.3	(11.5)	(32.1)

SHAREHOLDING PATTERN (%)

	Dec-21	Mar-22
Promoters	45.00	45.00
FIs & Local MFs	21.68	21.90
FPIs	20.23	19.88
Public & Others	13.09	13.22
Pledged Shares	0.00	0.00

Source: BSE

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IRB Infra

Mixed performance

IRB reported revenue/EBITDA/PAT of INR 14.3/6.4/1.7bn, beat/miss/beat on our estimates. EBITDA margin was 44.8%, missing our estimate on account of preferential allotment issues expenses and cost booked on Panaji Goa claims. Higher inflation, however, benefitted BOT projects with tariff revised upwards by 10%. This will also result in lower losses for private InvIT expected at INR 1.5bn in FY23 (INR 4bn in FY22). In the quarter, Fitch upgraded the long-term rating to BB+ from BB. This will expectedly reduce the overall interest cost by 1.1bn annually. IRB expects more execution from HAM projects in FY23 and, consequently, the EBITDA margin is expected to come down to 24%. IRB expects to transfer projects worth INR 25bn (in equity value) to public InvIT by the start of the next calendar year. The concept paper is expected in coming months. We maintain ADD and reduce SOTP TP to INR 279/sh to account for the lower EBITDA margin, owing to commodity inflation and change in mix towards HAM.

- Q4FY22 financial highlights:** Revenue came in at INR 14.3bn (-10.7%/+12.1% YoY/QoQ, 13% beat). EBITDA was INR 6.4bn (-15.6%/-13.1% YoY/QoQ, 14% miss). EBITDA margin was 44.8% (-258/-1297bps YoY/QoQ, vs est. of 58.5%), affected by higher raw material cost impacting overall cost and one-time issue expense of INR 1.6bn. Other income: INR 2.5bn (+5.5x/+14% YoY/QoQ) includes INR 1.7bn of arbitration claim received in favour of IRB Goa tollway. RPAT was INR 2.4bn (+86%/+39%, YoY/QoQ). IRB's share of losses from Private InvIT was INR 604mn (INR 962mn in Q3FY22). Consequently, APAT came in at INR 1.7bn (+79%/+140%, YoY/QoQ, a 98% beat on account of higher than estimated other income). IRB received revised toll tariff, which is up 10% from Apr-22 for Ahmedabad-Vadodara, all Private InvIT assets, and four of the Public InvIT assets. In FY23, blended EBITDA margin is expected around 24%.
- Robust order book:** The total order inflow in FY22 was INR 76bn, taking the order book to INR 160bn as of Mar-22, with EPC contributing 65.2% and O&M contributing 34.8%. IRB has started reporting OB, excluding GST, which optically reduces the OB size from the last quarter. This will lead to a better looking EPC margin. IRB bid for a few BOT projects in Q4FY22 and avoided HAM projects on account of heightened competition.
- Better credit rating to reduce interest cost:** Long-term credit rating was upgraded by Fitch to BB+ from BB, which will result in cost saving of INR 1.1bn annually at the consolidated level. The consolidated net debt was up at INR 111bn (vs INR 93bn in Dec-21), with net D/E at 0.89x, on account of debt drawn for Mumbai-Pune expressway offset partially by INR 16bn of prepayment in Jan-22. Loss funding for its private BOT project will be self funded by higher tariff as majority of the losses are non-cash on account of fair valuation adjustment.

Consolidated financial summary

(INR mn)	4QFY22	4QFY21	YoY (%)	3QFY22	QoQ (%)	FY21	FY22	FY23E	FY24E
Net Sales	14,336	16,058	(10.7)	12,791	12.1	52,986	58,037	65,311	74,875
EBITDA	6,416	7,601	(15.6)	7,384	(13.1)	25,127	27,975	29,488	34,592
APAT	1,745	975	79.0	727	140.1	1,171	3,614	4,080	7,015
EPS (INR)	2.9	1.6	79.0	1.2	140.1	1.9	6.0	6.8	11.6
P/E (x)						109.6	35.5	42.5	24.7
EV/EBITDA (x)						10.3	11.3	9.8	9.7
RoE (%)						1.7	3.7	3.2	5.4

Consolidated estimate change summary

Particulars (INR in mn)	FY23E			FY24E		
	New	Old	Chg. (%)	New	Old	Chg. (%)
Revenues	65,311	65,311	-	74,875	74,875	-
EBITDA	29,488	30,239	(2.5)	34,592	35,266	(1.9)
EBITDA margin (%)	45.2	46.3	(115)	46.2	47.1	(90)
APAT	4,080	4,901	(16.8)	7,015	7,884	(11.0)
EPS	6.8	8.1	(16.8)	11.6	13.1	(11.0)

Source: Company, HSIE Research

ADD

CMP (as on 18 May 22)	INR 213
Target Price	INR 279
NIFTY	16,240

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 302	INR 279
EPS %	FY23E (16.8)	FY24E (11.0)

KEY STOCK DATA

Bloomberg code	IRB IN
No. of Shares (mn)	604
MCap (INR bn) / (\$ mn)	128/1,725
6m avg traded value (INR mn)	520
52 Week high / low	INR 347/106

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(17.0)	(4.0)	98.3
Relative (%)	(10.7)	5.1	90.3

SHAREHOLDING PATTERN (%)

	Dec-21	Mar-22
Promoters	34.02	34.02
FIs & Local MFs	5.69	6.14
FPIs	48.15	48.79
Public & Others	12.14	11.05
Pledged Shares	16.80	16.80

Source: BSE

Pledged shares as % of total shares

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Galaxy Surfactants

Volumes under pressure

Our BUY recommendation on GALSURF with a price target of INR 3,295 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. Q4 EBITDA/APAT were 115/151% higher than our estimates, owing to a 7% rise in the revenue and lower-than-expected raw material cost (courtesy inventory gains), but were offset by lower-than-expected other income and higher-than-expected tax outgo.

- **Q4 revenue** grew 13/34% QoQ/YoY to INR 10.5bn, led by favourable product mix skewed towards speciality surfactants and better realisations.
- **Q4 margins:** Gross margin grew 552bps QoQ and fell 357bps YoY to 33%. The sequential uptick was mainly due to inventory gains in Q4. EBITDAM grew 554bps QoQ, and fell by 121bps YoY to 14%, mainly due to the trickle-down effect of a higher GM.
- **Q4 volume:** Total volume in Q4 came in at 58kT (-1/-9% QoQ/YoY), owing to reduced demand of performance surfactants in an inflationary environment and the down trading taking place in AMET region. Performance surfactants (62% of the volume mix) volume came in at 35kT (-4/-15% QoQ/YoY), and specialty care (38%) volume came in at 22kT (+5/+4% QoQ/YoY). India's market grew 3% YoY, AMET de-grew 29% YoY, and the rest of the world grew 11% YoY in Q4.
- **Change in estimates:** We cut our FY23/24 EPS estimates by 4.4/10.5% to INR 85.7/98.5 to account for higher input costs and reduced volumes.
- **DCF-based valuation:** Our price target is INR 3,295 (WACC 10%, terminal growth 4%). The stock is trading at 27x FY24E EPS.

Financial summary (consolidated)

INR mn	Q4 FY22	Q3 FY22	QoQ (%)	Q4 FY21	YoY (%)	FY20	FY21	FY22P	FY23E	FY24E
Net Sales	10,529	9,291	13.3	7,835	34.4	25,964	27,841	36,857	40,915	45,332
EBITDA	1,450	764	89.7	1,174	23.5	3,689	4,488	4,007	4,514	5,114
APAT	984	456	115.6	787	25.1	2,244	3,021	2,628	3,037	3,491
AEPS (INR)	27.8	12.9	115.6	22.2	25.1	65.0	85.2	74.1	85.7	98.5
P/E (x)						41.5	31.6	36.4	31.5	27.4
EV/EBITDA(x)						25.0	20.9	23.1	20.8	18.6
RoE (%)						23.1	25.5	18.3	17.9	17.9

Source: Company, HSIE Research

Change in estimates (Consolidated)

Y/E Mar	FY23E Old	FY23E New	% Ch	FY24E Old	FY24E New	% Ch
EBITDA (INR bn)	4.74	4.51	(4.8)	5.67	5.11	(9.8)
Adj. EPS (INR/sh)	89.6	85.7	(4.4)	110.1	98.5	(10.5)

Source: Company, HSIE Research

BUY

CMP (as on 18 May 22)	INR 2,688
Target Price	INR 3,295
NIFTY	16,240

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 3,430	INR 3,295
EPS %	FY23E	FY24E
	-4.4%	-10.5%

KEY STOCK DATA

Bloomberg code	GALSURF IN
No. of Shares (mn)	35
MCap (INR bn) / (\$ mn)	95/1,281
6m avg traded value (INR mn)	75
52 Week high / low	INR 3,600/2,561

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(9.1)	(10.2)	(14.6)
Relative (%)	(2.8)	(1.1)	(22.6)

SHAREHOLDING PATTERN (%)

	Dec-21	Mar-22
Promoters	70.93	70.93
FIs & Local MFs	13.37	13.78
FPIs	2.05	1.89
Public & Others	13.65	13.40
Pledged Shares	0.0	0.0

Source: BSE

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Multi Commodity Exchange

Options the key driver

We maintain BUY on MCX, following better-than-expected revenue and margin performance, led by options. Futures ADTV grew 9.4% QoQ, after five consecutive quarter of decline, led by recovery in energy (+16% QoQ) and bullion (+11% QoQ). The option volume increased 78% QoQ, resulting in revenue of INR 220mn (+113% QoQ) vs. estimate of INR 150mn driven by higher realisation. MCX has launched a new smaller duration Gold options contract, which will lower the dominance of crude in options volume. We expect options to be ~85% of futures volume and ~25% of revenue in FY24E. The launch of new products like electricity futures, spot bullion segment, natural gas options, index options and splitting of bi-monthly contracts are future volume drivers. The shift to the new trading platform (current contract ending in Sep-22) is crucial and remains the key management focus. This will lead to significant cost savings (shift from variable to fixed cost model), resulting in margin tailwind in FY23/24E. We increase our EPS estimates for FY23/24E by 1.3/3.4%, led by better options revenue. We assign 35x P/E to Mar-24E core PAT and add net cash (ex-SGF) to arrive at a target price of INR 2,000.

- Q4FY22 highlights:** MCX revenue stood at INR 1.07bn (+18.9/+9.8% QoQ/YoY), higher than our expectation of INR 0.92bn. The total traded value for futures was at INR 16.41trn (+4.5/-17.3% QoQ/YoY) and ADTV stood at INR 260bn (+9.4/-17.3% QoQ/YoY). Bullion/energy ADTV was up 11/16% QoQ, while metals/agri ADTV declined by 0.2/33% QoQ. EBITDA margin stood at 50%, up 727bps QoQ, on account of lower employee expenses. Active UCC was up 14/65% QoQ/YoY, indicating higher retail participation. Options notional/premium ADTV stood at INR 150/4.07bn and contributed ~INR 0.22bn in Q4FY22, which is ~21% total revenue.
- Outlook:** We estimate a 17/93% futures/options ADTV CAGR over FY22-24E, resulting in +24/+45% revenue/EBITDA CAGRs over FY22-24E. The change in technology vendor should lead to a cost benefit of INR 0.20bn over FY23-24E, resulting in margin expansion of ~500 bps.

Quarterly financial summary

YE March (INR mn)	Q4 FY22	Q4 FY21	YoY (%)	Q3 FY22	QoQ (%)	FY20	FY21	FY22	FY23E	FY24E
Net Revenues	1,065	970	9.8	896	18.9	3,978	3,906	3,668	4,584	5,668
EBITDA	532	443	20.3	383	39.1	1,784	1,852	1,622	2,484	3,413
APAT	570	384	48.2	345	65.3	2,365	2,252	1,639	2,581	3,488
Diluted EPS (INR)	11.2	7.6	48.2	6.8	65.3	46.5	44.3	32.2	50.7	68.5
P/E (x)						27.8	29.2	40.1	25.5	18.8
EV / EBITDA (x)						31.0	29.4	32.7	20.9	14.9
RoE (%)						18.1	16.2	11.6	17.9	23.1

Source: Company, HSIE Research, Consolidated Financials

Change in estimates

YE March (INR mn)	FY23E Old	FY23E Revised	Change %	FY24E Old	FY24E Revised	Change %
Revenue	4,519	4,584	1.4	5,609	5,668	1.0
EBITDA	2,437	2,484	1.9	3,385	3,413	0.8
EBITDA Margin (%)	53.9	54.2	26bps	60.3	60.2	-13bps
APAT	2,548	2,581	1.3	3,374	3,488	3.4
EPS (INR)	50.1	50.7	1.3	66.3	68.5	3.4

Source: Company, HSIE Research

BUY

CMP (as on 18 May 22)	INR 1,291
Target Price	INR 2,000
NIFTY	16,240

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 2,050	INR 2,000
	FY23E	FY24E
EPS %	+1.3	+3.4

KEY STOCK DATA

Bloomberg code	MCX IN
No. of Shares (mn)	51
MCap (INR bn) / (\$ mn)	66/885
6m avg traded value (INR mn)	940
52 Week high / low	INR 2,135/1,142

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(7.9)	(28.7)	(20.0)
Relative (%)	(1.6)	(19.6)	(28.0)

SHAREHOLDING PATTERN (%)

	Dec-21	Mar-22
Promoters	0.00	0.00
FIs & Local MFs	43.78	46.66
FPIs	31.35	26.52
Public & Others	24.87	26.82
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Teamlease Services

Geared for growth

Teamlease reported a muted quarter (+3.1% QoQ, lower than estimate) but the margin performance was in line. The core staffing volume growth of 4.3% QoQ was boosted by NETAP trainees (+8.4% QoQ), while the general staffing volume growth stood at 2.7% QoQ, impacted by higher attrition. The hiring activity has improved in key verticals (ecommerce, telecom, consumer, and BFSI) and the company has invested to deliver ~20% growth in the core staffing segment (~90% of revenue). Specialised staffing (8% of revenue) will continue to grow, led by traction in IT hiring, increase in open positions, and hiring across domains. We expect gradual improvement in general staffing EBITDA margin, led by mark-up improvement and automation; HR services target is >10% and specialised staffing margin will stabilise at 9-10%. We have cut our revenue estimate by 2-3% due to Q4 miss and EPS estimates by ~6% after adjusting for higher tax rate. Our target price of INR 4,850 is based on 40x Mar-24E EPS (five-year average PE of ~35x). The stock is trading at a PE of 36/28x FY23/24E EPS. Maintain BUY.

- Q4FY22 highlights:** Revenue stood at INR 18.2bn, up 3.1% QoQ, vs. our estimate of INR 18.7bn. Core/specialised/HR services revenue was up +2.7%/+7.9%/+5.7% QoQ. The mark-up decreased by -2.5% QoQ to INR 708 and the associate to core ratio declined to 347 (-10.4% QoQ). EBITDA margin for core staffing/specialised staffing/HR services stood at 1.7/8.6/8.2%. The company focuses on making organic investments in talent and technology, indicating an improving demand environment.
- Outlook:** We expect revenue growth of 26.4/21.4% in FY23/24E and EBITDA margin of 2.3/2.4% respectively, leading to revenue/EPS CAGRs of 24% and 37% over FY22-24E.

Quarterly financial summary

YE March (INR bn)	Q4 FY22	Q4 FY21	YoY (%)	Q3 FY22	QoQ (%)	FY20	FY21	FY22	FY23E	FY24E
Net Revenue	18.17	13.41	35.6	17.62	3.1	52.01	48.81	64.80	81.92	99.42
EBITDA	0.41	0.26	57.2	0.38	8.9	0.95	0.98	1.42	1.91	2.40
APAT	0.31	0.20	56.7	0.30	2.4	0.85	0.81	1.11	1.60	2.08
Diluted EPS (INR)	18.1	11.6	56.7	17.7	2.4	49.5	47.6	65.1	93.3	121.5
P/E (x)						68.9	71.5	52.4	36.5	28.1
EV / EBITDA (x)						61.2	55.7	38.8	28.3	21.8
RoE (%)						15.2	13.3	16.5	20.6	21.7

Source: Company, HSIE Research

Change in estimates

YE March (INR bn)	FY23E Old	FY23E Revised	Change %	FY24E Old	FY24E Revised	Change %
Revenue	84.07	81.92	(2.6)	100.97	99.42	(1.5)
EBITDA	1.93	1.91	(1.3)	2.44	2.40	(1.6)
EBITDA margin (%)	2.3	2.3	3bps	2.4	2.4	0bps
APAT	1.71	1.60	(6.5)	2.22	2.08	(6.4)
EPS (INR)	99.8	93.3	(6.5)	129.7	121.5	(6.4)

Source: Company, HSIE Research

BUY

CMP (as on 18 May 22)	INR 3,407
Target Price	INR 4,850
NIFTY	16,240

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 5,200	INR 4,850
	FY23E	FY24E
EPS %	-6.5	-6.4

KEY STOCK DATA

Bloomberg code	TEAM IN
No. of Shares (mn)	17
MCap (INR bn) / (\$ mn)	58/783
6m avg traded value (INR mn)	138
52 Week high / low	INR 5,550/3,200

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(14.2)	(14.8)	3.0
Relative (%)	(7.9)	(5.7)	(5.0)

SHAREHOLDING PATTERN (%)

	Dec-21	Mar-22
Promoters	32.51	32.51
FIs & Local MFs	12.50	15.92
FPIs	38.21	37.43
Public & Others	16.78	14.14
Pledged Shares	1.51	1.56

Source: BSE

Pledged shares as % of total shares

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NOCIL

Volume growth sustains

Our BUY recommendation on NOCIL with a TP of INR 310 is premised on (1) ramp-up in capacity utilisation; (2) robust volume growth on the back of pick-up in demand in the tyre industry; and (3) expansion of margin with focus on specialised rubber chemicals. Q4 EBITDA/PAT were 135/132% above our estimates, owing to 23% higher revenue, lower-than-expected raw material cost courtesy inventory gains, and lower-than-anticipated opex, but were offset by higher-than-expected depreciation and tax outgo.

- Financial performance:** Revenue grew 19/44% QoQ/YoY to INR 4.6bn, the highest-ever booked in any quarter until date, owing to higher realisations on account of price hikes implemented in Q4 and a better product mix. Operating activities remained stable despite the impact of the omicron variant of COVID-19. Gross margin came in at ~50% (+932/+584bps QoQ/YoY) in Q4, on account of inventory gains. EBITDA grew 121/120% QoQ/YoY to INR 1bn, with EBITDA margin coming in at 24% (+1,104/+827bps QoQ/YoY), owing to the trickle-down effect of a higher GM, lower employee costs, and other expense.
- Con call takeaways:** (1) The company registered 16% YoY volume growth and surpassed its earlier guidance of more than 10%. (2) Utilisation levels continue to grow on a sequential basis. The plants are currently operating at a ~75% utilisation. The company plans to reach full capacity utilisation by Sep-23. (3) Exports constituted 36% of the total revenue in FY22 and were negatively impacted by supply chain issues persisting in the year. (4) Speciality products' share in the total revenue was ~25%, leading to better realisations.
- Change in estimates:** We raise our FY23/24E EPS estimates by 2.9/3.0% to INR 9.7/12.4 to factor in a higher realisation assumption.
- DCF-based valuation:** Our price target is INR 310 (WACC 11%, terminal growth 4%). The stock is trading at 21x FY24E EPS.

Financial summary

INR mn	Q4 FY22	Q3 FY22	QoQ (%)	Q4 FY21	YoY (%)	FY20	FY21	FY22P	FY23E	FY24E
Net Sales	4,627	3,889	19.0	3,220	43.7	8,463	9,247	15,713	19,043	21,428
EBITDA	1,105	500	121.3	503	119.8	1,765	1,269	2,829	2,558	3,181
APAT	685	299	129.1	360	90.1	1,309	865	1,760	1,613	2,063
AEPS (INR)	4.1	1.8	129.1	2.2	90.1	7.9	5.2	10.6	9.7	12.4
P/E (x)						32.4	49.1	24.1	26.3	20.6
EV/EBITDA(x)						23.9	32.6	14.9	16.3	13.1
RoE (%)						11.2	7.1	13.0	11.0	13.5

Source: Company, HSIE Research

Change in estimates

Y/E Mar	FY23E Old	FY23E New	% Ch	FY24E Old	FY24E New	% Ch
EBITDA (INR mn)	2,465	2,558	3.8	3,063	3,181	3.9
Adj. EPS (INR/sh)	9.4	9.7	2.9	12.0	12.4	3.0

Source: Company, HSIE Research

BUY

CMP (as on 18 May 22)	INR 254
Target Price	INR 310
NIFTY	16,240

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 340	INR 310
	FY23E	FY24E
EPS %	+2.9%	+3.0%

KEY STOCK DATA

Bloomberg code	NOCIL IN
No. of Shares (mn)	167
MCap (INR bn) / (\$ mn)	42/569
6m avg traded value (INR mn)	221
52 Week high / low	INR 321/191

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	21.0	2.6	21.1
Relative (%)	27.3	11.7	13.1

SHAREHOLDING PATTERN (%)

	Dec-21	Mar-22
Promoters	33.86	33.85
FIs & Local MFs	4.52	4.27
FPIs	2.74	2.54
Public & Others	58.88	59.34
Pledged Shares	2.93	3.38

Source: BSE

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Star Cement

Robust volume uptick; improving working capital

We maintain BUY on Star Cement (Star), with a revised TP of INR 115/share (8x its Mar-24E consolidated EBITDA). Star's consolidated sales volume surged 27% YoY on continued ramp-up of Siliguri plant and healthy demand in the northeast (NE) region. Star's consolidated revenue/EBITDA/APAT rose 24/9/4% YoY. Unitary EBITDA rebounded QoQ on better realisation, higher volume, and lower opex. Star is working on major expansions - planning to more than double its clinker capacity, adding ~65% to its grinding capacity and 23MW to WHRS by FY24E.

- Q4FY22 performance:** Star reported a 27/32% YoY/QoQ jump in sales volume, led by continued ramp-up of Siliguri plant in the east (volume up 122% YoY; utilisation up 65% in Q4), and healthy traction in the NE region (up 8% YoY). Price hikes in the east and NE improved realisation QoQ. Stable input costs QoQ and opex gains reduced opex. Unitary EBITDA, thus, rebounded strongly QoQ (+27%) from its multi-year lows.
- Capex update and outlook:** Star plans to more than double its clinker capacity to 5.8mn MT and increase cement capacity by ~65% to 9.7mn MT by FY24E end (all of these in the NE region). This will further strengthen its leadership position in the region. This would entail ~INR 20bn in Capex. It is also adding 23MW WHRS (12/11 MW by Oct-22/end FY24). We expect the Capex to spread across FY23-25E and these capacities to be operational by early FY25E. Star is also working to increase its AFR usage to >15% by Q3FY23 (vs 10% currently). The upcoming green infra will reduce energy cost pressure, boosting the margin. Star has also significantly reduced its non-cash working capital, from the peak of INR 9bn in FY18 to INR 1.2bn in FY22, boosting its balance sheet and return ratios. We trim our EBITDA estimates by 4% each for FY23/ FY24E, factoring in rising energy costs.

Quarterly/annual financial summary (consolidated)

YE Mar (INR mn)	Q4 FY22	Q4 FY21	YoY (%)	Q3 FY22	QoQ (%)	FY20	FY21	FY22P	FY23E	FY24E
Sales Vol (mn MT)	1.15	0.91	27.2	0.87	31.8	3.0	2.70	3.40	3.90	4.41
NSR (INR/MT)	6,504	6,651	-2.2	6,349	2.4	5,912	6,220	6,529	6,660	6,859
EBITDA (INR/MT)	984	1,152	-14.6	772	27.4	1,337	1,233	1,015	1,034	1,153
Net Sales	7,492	6,026	24.3	5,549	35.0	18,439	17,199	22,218	25,970	30,227
EBITDA	1,134	1,044	8.6	675	67.9	3,951	3,326	3,453	4,031	5,080
APAT	884	853	3.7	438	101.8	2,863	2,401	2,468	2,666	3,450
AEPS (INR)	2.2	2.1	5.8	1.1	101.8	6.9	5.8	6.1	6.6	8.5
EV/EBITDA (x)						8.9	9.8	8.9	8.5	7.5
EV/MT (INR bn)						9.8	7.9	7.0	7.3	7.7
P/E (x)						13.0	15.5	15.1	13.9	10.8
RoE (%)						15.4	12.0	11.6	11.7	13.6

Source: Company, HSIE Research

Estimates revision summary

INR mn	FY23E Old	FY23E Revised	Change %	FY24E Old	FY24E Revised	Change %
Net Sales	25,875	25,970	0.4	30,441	30,227	-0.7
EBITDA	4,214	4,031	-4.3	5,272	5,080	-3.6
APAT	2,987	2,666	-10.7	3,805	3,450	-9.3

Source: Company, HSIE Research

BUY

CMP (as on 18 May 22) INR 91

Target Price INR 115

NIFTY 16,240

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 120	INR 115
EBITDA revision %	FY23E (4.3)	FY24E (3.6)

KEY STOCK DATA

Bloomberg code	STRCEM IN
No. of Shares (mn)	412
MCap (INR bn) / (\$ mn)	37/503
6m avg traded value (INR mn)	18
52 Week high / low	INR 120/82

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(2.4)	(6.9)	(15.1)
Relative (%)	3.8	2.2	(23.1)

SHAREHOLDING PATTERN (%)

	Dec-21	Mar-22
Promoters	67.06	67.33
FIs & Local MFs	6.33	6.15
FPIs	0.18	0.2
Public & Others	26.43	26.32
Pledged Shares	0.03	0.13

Source : BSE

Pledged shares as % of total shares

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Rating Criteria

BUY: >+15% return potential

ADD: +5% to +15% return potential

REDUCE: -10% to +5% return potential

SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Varun Lohchab	ITC	PGDM	NO
Harshad Katkar	Indian Oil Corporation, Indraprastha Gas, Galaxy Surfactants, NOCIL	MBA	NO
Nilesh Ghuge	Indian Oil Corporation, Indraprastha Gas, Galaxy Surfactants, NOCIL	MMS	NO
Rutvi Chokshi	Indian Oil Corporation, Indraprastha Gas, Galaxy Surfactants, NOCIL	CA	NO
Akshay Mane	Indian Oil Corporation, Indraprastha Gas, Galaxy Surfactants, NOCIL	PGDM	NO
Parikshit Kandpal	DLF, IRB Infra	CFA	NO
Manoj Rawat	DLF, IRB Infra	MBA	NO
Nikhil Kanodia	DLF, IRB Infra	MBA	NO
Amit Chandra	Multi Commodity Exchange, Teamlease Services	MBA	NO
Vinesh Vala	Multi Commodity Exchange, Teamlease Services	MBA	NO
Rajesh Ravi	Star Cement	MBA	NO
Keshav Lahoti	Star Cement	CA	NO

Disclosure:

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