INSTITUTIONAL RESEARCH

HSIE Results Daily

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Results Reviews

- **Nestle India:** Nestle reported a largely in-line Q2CY23 print as revenue grew by 15% while margins (both GM/EBITDAM) expanded. Domestic revenue growth of 15% YoY was broad-based across categories (all grew in double-digits for the 5th consecutive quarter) and channels. Prudent pricing was supported by mix and volume (around mid-single-digit volume growth). With a stable RM basket and higher net realization, GM expanded by 90bps YoY to 54.8% (57% two years back). Most RM prices (except green coffee) are now trading at a lower range (wheat, edible oil, packaging material, fuels) or are stable (milk) which shall aid gradual recovery in margins. EBITDA margin expanded by 170bps YoY to 22.9% on better cost control. EBITDA grew by 25% YoY (HSIE 20%). Nestle continues to focus on distribution strengthening, category expansion and capacity building. We remain positive on OOH products and sustain growth for in-home products. We maintain our EPS estimates. We value Nestle at 52x P/E on Jun-25E EPS to derive a TP of INR 19,500. With a rich valuation, the absolute upside is limited in the medium term. Maintain REDUCE.
- **Bharat Petroleum Corporation:** Our BUY rating on Bharat Petroleum (BPCL), with a target price of INR 465, is premised on robust refining margins, a sharp recovery in auto-fuel gross marketing margins and the reduction in LPG under-recoveries. Q1FY24 EBITDA stood at INR 158bn, while APAT was at INR 106bn, coming in well above our estimates, supported by a strong performance from the marketing segment. Reported GRMs came in at USD 12.6/bbl (-USD 14.9/bbl YoY, -USD 7.7/bbl QoQ, HSIE: USD 11.7/bbl).
- **Shree Cement:** We maintain our REDUCE rating on Shree Cement, with an unchanged SOTP target price of INR 22,600/share. Cement volume grew 19/1% YoY/ QoQ in Q1FY24, led by strong demand and market share gains in the east and south. In our view, unitary cement EBITDA (ex-power) broadly remained flattish QoQ at INR 1,000 per MT as lower fuel cost benefit was set off by correction in cement prices. Shree is targeting ~13% volume growth in FY24 and is also confident of margin expansions, mainly due to energy cost reduction. It announced new expansions of 7.2/12mn MT clinker/cement capacity by Mar-25.
- **Shriram Finance:** Shriram Finance's (SHFL) Q1FY24 earnings were marginally ahead of estimates, largely due to lower-than-expected provisioning. AUM growth continued to stay robust at 18.6%/4.1% YoY/QoQ and north of management guidance (15% YoY), driven by PV, MSME and PL, with steady growth in the CV portfolio (+13% YoY). However, pressure on NIMs in a rising interest rate environment, along with merger-related costs, led to muted PPoP growth (+5.3% YoY). Asset quality remained steady with a marginal improvement across segments, in a seasonally weak quarter, resulting in benign credit costs (200bps). While the P&L outcomes are yet to stabilise post-merger, SHFL continues to explore opportunities for synergies to drive strong growth and profitability. We tweak our FY24/FY25 estimates to factor in higher loan growth and maintain ADD with a revised SoTP-based TP of INR1,895 (implying 1.5x Mar-25 ABVPS).

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- **Westlife Foodworld:** Westlife continued to report healthy performance despite some slowdown seen in QSR demand. Revenue, restaurant EBITDA and EBITDA grew by 14/21/14% YoY. SSSG at 7% (HSIE: 6%) was led by an increase in guest count, product innovation (Piri Piri McSpicy, Jain Menu) and McSaver value platform. GM expansion of 260bps was partly offset by normalizing payroll expenses and a 50bps increase in Royalty, which limited RoM expansion to 135bps YoY at 23% (HSIE: in-line). Notwithstanding near-term pressure, Westlife remains confident of high single-digit SSSG with 40-45 store addition in the medium term. We expect Westlife to continue to fare better vs. its peers, given (1) wide menu catering to various price segments across day parts; (2) sustained dine-in footfall; and (3) there are enough levers for margin expansion (full McCafe roll-out, menu expansion, etc.). We raise our FY24 earnings by 4% and value Westlife at 55x P/E on Sep'25 EPS to arrive at a TP of INR 850. Maintain ADD.

- **Fine Organic Industries:** Our ADD recommendation on Fine Organics with a TP of INR 4,781 is premised on (1) leadership in oleo-chemical-based additives in the domestic and global markets with a loyal customer base; (2) unique business model with high entry barriers; (3) diversified product portfolio; and (4) pricing power. Q1 EBITDA/APAT were 25/31% below our estimates, owing to a 7% fall in revenue, higher-than-expected raw material costs, lower-than-expected other income, and higher-than-expected tax outgo.

- **Ujjivan Small Finance Bank:** Ujjivan SFB once again clocked an all-time high PAT, led by robust loan growth (+35% YoY), and a moderate improvement in NIMs (+10bps QoQ). Despite strong sequential traction in deposits (+4% QoQ), back-book repricing in the MFI portfolio supported NIM expansion. GNPA clocked in at 2.6%, witnessing a 26bps QoQ improvement on the back of strong upgrades/write-offs despite seasonally higher slippages. While Ujjivan has absorbed most of the surplus liquidity on its balance sheet, incremental pressure on funding costs and high opex intensity from franchise-building investments are likely to restrict productivity gains. We adjust our FY24/25 estimates for improvement in yields and credit costs; maintain ADD with a revised TP of INR50.

- **Mahindra Lifespaces:** In the absence of new launches, Mahindra Lifespaces Developers Ltd (MLDL) reported subdued presales of INR 3.5bn (-43%/-4% YoY/QoQ), with volume at 0.42msf (-35%/-14% YoY/QoQ). MLDL launched its first plotted development in Chennai, selling 70% of the launched inventory (Q2FY24). It also laid out its plan to achieve annual presales of INR 80-100bn (5x, 5yrs) by FY28, including INR 5bn annual IC&IC lease income (MMR/Pune/Bengaluru are expected to contribute INR 60/20-30/20-30bn). For this, MLDL expects to add GDV worth INR 400-500bn, funded through internal accruals, debt and current/prospective partners. The current BD pipeline is worth INR 55bn, excluding INR 80bn worth of Thane land parcel, which will be a mixed development with 50% residential and 50% commercial projects. For FY24, nine launches are planned; two are key launches i.e. Kandivali Ph1 with a GDV of INR 12bn and Citadel Ph2 with a GDV of INR 7-8bn. Given the management guidance of 5x growth in five years, we have increased our NAV premium from 25% to 35%. We have also recalibrated our realisation higher by 10-15% to factor in new BD accretion at higher price realisation vs. our estimates. We maintain BUY and increase our TP from INR 521/sh to INR 622/sh.

- **Symphony:** Symphony reported a weak operating print with standalone revenue/ EBITDA/ PAT falling by 17/85/45% YoY. Domestic revenue/EBIT fell by 15/36% as peak summer months were disrupted by unseasonal rains. Domestic revenue was in line but EBIT saw a miss. The RoW business was aided by 40% growth in IMPCO Mexico, while CT, Australia continued to remain impacted by the weak macro environment. With domestic channel inventory lower compared to the last three years and buoyed by healthy collection in July, Symphony remains optimistic about delivering growth in both revenue and EBITDA in FY24. With the aim of de-risking its business from seasonality, Symphony continues to focus on (1) geography expansion; (2) channel diversification; and (3) product expansion into adjacent segments. RoW execution is still WIP and consistent performance is still missing. We cut our FY24 EPS by 3%, value the stock at 30x P/E on Jun'25E EPS and derive a TP of INR 900. Maintain REDUCE.

- **PSP Projects:** With decent execution in the quarter, PSP Projects (PSP) reported revenue/EBITDA/APAT at INR 5.1/0.6/0.4bn, (missing)/beating our estimates by (4.8)/4.9/6.9%. In Q1FY24, it was awarded orders worth INR 7.6bn (excluding GST; +37.8% YoY), which took its OB (as of Jun'23) to INR 53.2bn (an all-time high; ~2.8x FY23 revenue). The current bid pipeline stands at INR 60bn. The increase in gross debt from INR 1.5bn as of Mar'23 to INR 2.8bn as of Jun'23 is majorly on account of the execution ramp-up in UP projects. The revenue guidance for FY24 remains unchanged at INR 26bn, with a margin of 11-13% and an OI of ~INR 30bn. Given the limited upside from current levels, we continue with our ADD rating on the stock with an increased TP to INR 809/sh (13x Jun-25E EPS rolled over).

Nestle India

Broad-based growth; margin recovery continues

Nestle reported a largely in-line Q2CY23 print as revenue grew by 15% while margins (both GM/EBITDAM) expanded. Domestic revenue growth of 15% YoY was broad-based across categories (all grew in double-digits for the 5th consecutive quarter) and channels. Prudent pricing was supported by mix and volume (around mid-single-digit volume growth). With a stable RM basket and higher net realization, GM expanded by 90bps YoY to 54.8% (57% two years back). Most RM prices (except green coffee) are now trading at a lower range (wheat, edible oil, packaging material, fuels) or are stable (milk) which shall aid gradual recovery in margins. EBITDA margin expanded by 170bps YoY to 22.9% on better cost control. EBITDA grew by 25% YoY (HSIE 20%). Nestle continues to focus on distribution strengthening, category expansion and capacity building. We remain positive on OOH products and sustain growth for in-home products. We maintain our EPS estimates. We value Nestle at 52x P/E on Jun-25E EPS to derive a TP of INR 19,500. With a rich valuation, the absolute upside is limited in the medium term. Maintain REDUCE.

- **Sustains double-digit growth trend:** Revenue grew by 15% YoY (+16% in Q2CY22 and +21% in Q1CY23, HSIE: 16%). Domestic revenue grew by 15% YoY (HSIE: 16%) while export revenue grew by 25% (HSIE: 7%). Revenue growth was broad-based across categories, supported by pricing, mix and volume. All product groups delivered double-digit growth for the fifth consecutive quarter. All the channels sustained strong momentum, with e-com now at 6.5% of sales. Momentum in e-com continued to be driven by quick commerce while store expansion and improved footfall enabled strong broad-based growth across categories in organised trade. OOH saw a strong performance. Growth remained strong across megacities, metros, Tier 1-6 and rural markets. We model a 12% revenue CAGR during CY22-25E.
- **Margin recovery continues:** Despite prices of key commodities remaining elevated, GM expanded by 90bps YoY (+100bps QoQ) to 54.8%, aided by higher net realizations. Persistent commodity inflation has impacted Nestle's gross margin over the last two years; GM was at 58% in CY20. Employee/other expenses were up by 12/13% YoY. EBITDA expanded by 170bps YoY to 22.9% (HSIE: 22.1%). EBITDA was up by 25% YoY (HSIE 20% YoY). Prices of edible oils, wheat and packaging materials have been in the lower price range while the reversal of the price trend is seen in fuels. In fresh milk, there has been some stability, but green coffee prices are expected to remain elevated and volatile. We model 24/25% EBITDA margin during CY23/24/25E.
- **Press release takeaways:** (1) Maggi Noodles was aided by media and distribution expansion. (2) Milk products & nutrition saw strong double-digit growth, led by Milkmaid and Peptamen. (3) KITKAT & MUNCH led strong growth in confectionary. (4) Double-digit growth in beverages was led by greater penetration. (5) Nestle's 10th factory to come up in Odisha. (6) Changing financial reporting to Apr- March.

Quarterly/annual financial summary

YE Dec (INR mn)	Q2CY23	Q2CY22	YoY(%)	Q1CY23	QoQ(%)	CY21	CY22	CY23E	CY24E	CY25E
Net Revenue	46,585	40,457	15.1	48,305	(3.6)	1,47,406	1,68,970	1,92,269	2,12,998	2,36,502
EBITDA	10,663	8,562	24.5	11,242	(5.2)	35,960	38,146	45,832	51,907	59,642
APAT	7,008	5,320	31.7	7,474	(6.2)	22,761	24,241	30,360	33,873	38,505
EPS (Rs)	72.7	55.2	31.7	77.5	(6.2)	236.1	251.4	314.9	351.3	399.3
P/E (x)						94.6	88.9	70.9	63.6	55.9
EV/EBITDA(x)						59.5	56.0	46.6	41.3	35.8
Core RoCE(%)						60.8	52.0	57.8	52.4	52.7

Source: Company, HSIE Research

REDUCE

CMP *(as on 27 Jul 2023)*	INR 22,325
Target Price	INR 19,500
NIFTY	19,660

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 19,500	INR 19,500
EPS %	CY23E	CY24E
	0%	0%

KEY STOCK DATA	
Bloomberg code	NEST IN
No. of Shares (mn)	96
MCap (INR bn) / ($ mn)	2,153/26,320
6m avg traded value (INR mn)	1,428
52 Week high / low	INR 23,395/17,880

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	5.6	16.2	20.4
Relative (%)	(3.7)	4.5	1.7

SHAREHOLDING PATTERN (%)	Mar-23	Jun-23
Promoters	62.76	62.76
FIs & Local MFs	9.19	9.05
FPIs	12.06	12.38
Public & Others	15.99	15.81
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Bharat Petroleum Corporation

Strong gains from marketing segment

Our BUY rating on Bharat Petroleum (BPCL), with a target price of INR 465, is premised on robust refining margins, a sharp recovery in auto-fuel gross marketing margins and the reduction in LPG under-recoveries. Q1FY24 EBITDA stood at INR 158bn, while APAT was at INR 106bn, coming in well above our estimates, supported by a strong performance from the marketing segment. Reported GRMs came in at USD 12.6/bbl (-USD 14.9/bbl YoY, -USD 7.7/bbl QoQ, HSIE: USD 11.7/bbl).

- **Refining:** BPCL's reported crude throughput was at 10.36mmt, (+7% YoY, -2.5% QoQ, HSIE: 10.24mmt). The overall GRM stood at USD 12.6/bbl, with the Mumbai refinery GRM at USD 6.5/bbl, the Kochi refinery GRM at USD 15.5/bbl and the Bina refinery GRM at USD 18.8/bbl. Mumbai refinery GRM was lower due to the lower quantity of High Sulphur grade crude processed. We estimate GRM for FY24/25E at USD 8.4/8 per bbl.
- **Marketing:** Domestic marketing sales volume was at 12.8mmt (+8% YoY, -1% QoQ). The blended gross marketing margin for Q1 stood at INR 9.6/lit, supported by higher gross marketing margins for petrol and diesel owing to moderation in crude oil prices. We factor blended gross marketing margins (for all petroleum products) of INR 4.6/4.9 per lit in FY24/25E respectively.
- **Key highlights:** (1) BPCL's gross debt in Q1 declined sharply to INR 279bn, down 22% QoQ; (2) The company has recovered some of the losses incurred in FY23 due to weak marketing segment performance; however the recovery of the remaining losses depends on the crude prices which have moved up by ~USD 5-6/bbl from Q1 avg. crude price. (3) For Rights Issue, the company is in the process of appointing a transaction advisor and merchant banker; the proceeds of INR 180bn would be utilized towards energy transition, energy security and their net-zero targets. (4) Capex guidance of INR 150-170bn for FY24-25; BPCL has planned capex of ~INR 1.4-1.5trn over the next five years.
- **Change in estimates:** We revise upwards our FY24/25E EPS by 9.9/5.4% to INR 51.2/54.3, to factor in higher marketing margins. Our target price is revised to INR 465/sh as we roll forward to Sep-24, partially offset by higher capex over FY24-25.
- **SOTP-based valuation: Our target price comes to INR 465/sh (5x Sep-24E EV/e for refining business, 5x Sep-24E EV/e for marketing business and pipeline businesses, and INR 159/sh for other investments). The stock is currently trading at 7.2x on Sep-24E EPS.**

Standalone financial summary

YE March (INR bn)	Q1 FY24	Q4 FY23	QoQ (%)	Q1 FY23	YoY (%)	FY21*	FY22*	FY23P*	FY24E*	FY25E*
Revenues	1,130	1,181	(4.3)	1,210	(6.7)	2,302	3,468	4,732	4,600	4,704
EBITDA	158	72	119.4	(59)	369.6	213	191	109	200	212
APAT	106	78	34.6	(63)	268.5	162	117	21	109	116
AEPS (INR)	49.5	36.8	34.6	(29.4)	268.5	75.9	54.9	10.0	51.2	54.3
P/E (x)						5.0	6.9	37.9	7.4	7.0
EV/EBITDA (x)						5.3	6.6	12.0	7.1	6.7
RoE (%)						35.9	22.2	4.0	18.6	17.2

Source: Company, HSIE Research | *Consolidated

Change in estimates (consolidated)

	FY24E			FY25E		
	Old	New	Ch%	Old	New	Ch%
AEPS (INR/sh)	46.6	51.2	9.9	51.5	54.3	5.4

Source: Company, HSIE Research

BUY

CMP *(as on 27 Jul 2023)*	INR 379
Target Price	INR 465
NIFTY	19,660

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 442	INR 465
EPS %	FY24E	FY25E
	+9.9%	+5.4%

KEY STOCK DATA	
Bloomberg code	BPCL IN
No. of Shares (mn)	2,169
MCap (INR bn) / ($ mn)	823/10,059
6m avg traded value (INR mn)	1,222
52 Week high / low	INR 398/288

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	6.6	12.7	16.8
Relative (%)	(2.6)	1.0	(1.9)

SHAREHOLDING PATTERN (%)	Mar-23	Jun-23
Promoters	52.98	52.98
FIs & Local MFs	22.59	23.11
FPIs	12.58	12.55
Public & Others	11.54	11.36
Pledged Shares	0.00	0.00

Source: BSE

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INSTITUTIONAL RESEARCH

Shree Cement

Strong volume; in-line margin

We maintain our REDUCE rating on Shree Cement, with an unchanged SOTP target price of INR 22,600/share. Cement volume grew 19/1% YoY/ QoQ in Q1FY24, led by strong demand and market share gains in the east and south. In our view, unitary cement EBITDA (ex-power) broadly remained flattish QoQ at INR 1,000 per MT as lower fuel cost benefit was set off by correction in cement prices. Shree is targeting ~13% volume growth in FY24 and is also confident of margin expansions, mainly due to energy cost reduction. It announced new expansions of 7.2/12mn MT clinker/cement capacity by Mar-25.

- **Q1FY24 performance:** Shree delivered strong results: cement volume grew 19/1% YoY/ QoQ (5% beat vs estimate). It delivered double-digit volume growth YoY in all regions (north 12%, south 20%, east 25-30%). In our view, its sales in the east grew ~10% QoQ, driving 1% total vol growth. Share of premium cement sales rose to 8.8% vs 6.3/7.5% YoY/QoQ. Cement NSR declined 2% QoQ owing to weak pricing in the east and south. Non-cement revenue rose 31/3% YoY/QoQ. In our view, unitary cement EBITDA (ex-power) broadly remained flattish QoQ at INR 1,000 per MT, as the benefits of lower fuel costs were offset by the cement price decline.
- **Con call updates and outlook**: It maintained a 13% volume growth outlook for FY24E. It is looking at major fuel cost tailwinds going ahead. Shree also targets to double its premium cement sales share to 15% in FY25. Tax officials conducted a survey in Jun 2023 at its premises. Management claims that it has been tax compliant and has never faced penalties for such matters. Purulia (WB) 3mn MT GU commenced trial production at Jun-23 end; Nawalgarh (Rajasthan) IU 3.5mn MT is expected by Q3FY24 end; Guntur, AP IU by Q2FY25. It announced new expansions of 7.2/12mn MT clinker/cement capacity by Mar'25 across Rajasthan, Uttar Pradesh and Karnataka at a total Capex of INR 70bn. It also announced to enter the RMC business with a plan to set up five ready mix units by this year-end. We have raised our Capex estimates for FY24/FY25E to INR 45/49bn (to factor in new expansions). We have marginally increased our EBITDA estimates by 1/2% for FY24/25E. We value its standalone cement business at 16.5x Mar-25E EBITDA and the UAE business at 1x BV to arrive at a TP of INR 22,600/share.

Quarterly/annual financial summary (standalone)

YE Mar (INR bn)	Q1 FY24	Q1 FY23	*YoY (%)*	Q4 FY23	*QoQ (%)*	FY21	FY22	FY23	FY24E	FY25E
Sales Vol (mn MT)	8.9	7.5	*18.8*	8.8	*1.0*	26.8	27.7	31.8	36.6	41.3
NSR (INR/MT)	5,432	5,602	*(3.0)*	5,420	*0.2*	4,720	5,089	5,292	5,159	5,185
EBITDA (INR/MT)	1,046	1,091	*(4.2)*	1,011	*3.5*	1,483	1,315	925	1,073	1,069
Net Sales	48.43	42.03	*15.2*	47.85	*1.2*	126.69	141.16	168.37	188.79	214.40
EBITDA	9.33	8.19	*13.9*	8.92	*4.5*	39.80	36.48	29.42	39.26	44.19
APAT	5.81	3.16	*84.2*	3.92	*48.3*	23.02	22.72	11.74	17.31	17.63
AEPS (INR)	161.1	87.5	*84.2*	108.6	*48.3*	637.9	629.7	325.3	479.9	488.6
EV/EBITDA (x)						19.9	21.7	26.9	20.5	18.2
EV/MT (INR bn)						18.3	17.1	17.1	15.2	14.4
P/E (x)						37.5	38.0	73.5	49.8	48.9
RoE (%)						*16.3*	14.0	6.6	*9.1*	*8.7*

Source: Company, HSIE Research, EBITDA (INR/MT) is blended and includes merchant power

REDUCE

CMP *(as on 27 Jul 2023)*	INR 23,870
Target Price	INR 22,600
NIFTY	19,660

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 22,600	INR 22,600
EBITDA revision %	FY24E *1.0*	FY25E *1.8*

KEY STOCK DATA	
Bloomberg code	SRCM IN
No. of Shares (mn)	36
MCap (INR bn) / ($ mn)	861/10,531
6m avg traded value (INR mn)	1,273
52 Week high / low	INR 27,049/20,040

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	0.5	9.0	13.5
Relative (%)	(8.7)	(2.7)	(5.2)

SHAREHOLDING PATTERN (%)	Mar-23	Jun-23
Promoters	62.55	62.55
FIs & Local MFs	11.75	12.00
FPIs	12.82	12.62
Public & Others	12.88	12.82
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Shriram Finance

Strong balance sheet growth; margin pressure ahead

Shriram Finance's (SHFL) Q1FY24 earnings were marginally ahead of estimates, largely due to lower-than-expected provisioning. AUM growth continued to stay robust at 18.6%/4.1% YoY/QoQ and north of management guidance (15% YoY), driven by PV, MSME and PL, with steady growth in the CV portfolio (+13% YoY). However, pressure on NIMs in a rising interest rate environment, along with merger-related costs, led to muted PPoP growth (+5.3% YoY). Asset quality remained steady with a marginal improvement across segments, in a seasonally weak quarter, resulting in benign credit costs (200bps). While the P&L outcomes are yet to stabilise post-merger, SHFL continues to explore opportunities for synergies to drive strong growth and profitability. We tweak our FY24/FY25 estimates to factor in higher loan growth and maintain ADD with a revised SoTP-based TP of INR1,895 (implying 1.5x Mar-25 ABVPS).

- **Margin pressure drives muted NII/PPoP growth:** SHFL reported muted NII/PPoP growth of 9.7%/5.3% YoY (on a like-to-like basis), despite strong AUM growth (+18.6% YoY). NIMs moderated sequentially by >20bps to 8.3% (Q4FY23: 8.55%) due to a shift in the asset mix and higher cost of funds, as per management. Opex was elevated (3.1% of AUM) on account of the alignment of employees' salaries and merger-related costs (impairment of intangibles).
- **Benign asset quality:** SHFL reported a 120bps QoQ improvement in its stress pool (GS-II + GS-III at 13.9%) despite a seasonally weak quarter. Credit costs were steady at 2% (including the drawdown of COVID provisions to the tune of INR1bn). A benign macro environment and high fleet utilisation levels resulted in a sustained improvement in asset quality.
- **Strong balance sheet growth, seeking more legs to growth:** SHFL reported a strong AUM growth on the back of healthy disbursals growth (+21.3% YoY). While the CV portfolio growth remained steady, PVs, MSME and PL were other major drivers of growth. SHFL continues to seek ways to improve its cross-sell value proposition between customers and products of the erstwhile franchises (SCUF and SHTF), which remains an important monitorable for the effectiveness of the merger.

Financial summary

(INR bn)	Q1FY24	Q1FY23	*YoY (%)*	Q4FY23	*QoQ (%)*	FY22	FY23	FY24E	FY25E
NII	42.0	38.3	*9.7*	41.8	*0.5*	89.1	160.6	174.0	196.6
PPOP	31.3	29.7	*5.3*	30.8	*1.5*	74.1	123.4	130.9	147.6
PAT	16.8	13.4	*25.1*	13.1	*28.1*	27.1	59.8	64.7	71.7
EPS (INR)	44.6	35.7	*24.9*	34.8	*28.1*	100.1	159.7	172.7	191.6
ROAE (%)						11.4	13.7	14.1	14.0
ROAA (%)						2.0	2.9	3.0	2.9
ABVPS (INR)						794	1,005	1,105	1,255
P/ABV (x)						2.2	1.8	1.6	1.4
P/E (x)						18.2	11.4	10.6	9.5

Note: FY22 numbers are prior to the merger and hence not comparable

Change in estimates

(INR bn)	FY24E			FY25E		
	Old	New	Δ	Old	New	Δ
AUM	2,141	2,152	0.5%	2,434	2,452	0.7%
NIM (%)	7.8	7.8	1 bps	7.6	7.7	7 bps
NII	173.2	174.0	0.5%	193.2	196.6	1.8%
PPOP	130.4	130.9	0.4%	144.3	147.6	2.3%
PAT	61.6	64.7	5.0%	69.7	71.7	2.9%
Adj. BVPS (INR)	1,117	1,105	-1.0%	1,235	1,255	1.6%

Source: Company, HSIE Research

ADD

CMP *(as on 27 Jul 2023)*	INR 1,812
Target Price	INR 1,895
NIFTY	19,660

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR1,645	INR1,895
EPS %	FY24E	FY25E
	5.0%	2.9%

KEY STOCK DATA	
Bloomberg code	SHFL IN
No. of Shares (mn)	375
MCap (INR bn) / ($ mn)	679/8,308
6m avg traded value (INR mn)	1,938
52 Week high / low	INR 1,868/1,146

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	28.9	46.0	24.9
Relative (%)	19.6	34.3	6.1

SHAREHOLDING PATTERN (%)

	Mar-23	Jun-23
Promoters	25.5	25.5
FIs & Local MFs	11.7	14.7
FPIs	49.8	55.4
Public & Others	13.0	4.5
Pledged Shares	0.0	

Source : BSE

Pledged shares as % of total shares

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Westlife Foodworld

Dine-in outperformance continues

Westlife continued to report healthy performance despite some slowdown seen in QSR demand. Revenue, restaurant EBITDA and EBITDA grew by 14/21/14% YoY. SSSG at 7% (HSIE: 6%) was led by an increase in guest count, product innovation (Piri Piri McSpicy, Jain Menu) and McSaver value platform. GM expansion of 260bps was partly offset by normalizing payroll expenses and a 50bps increase in Royalty, which limited RoM expansion to 135bps YoY at 23% (HSIE: in-line). Notwithstanding near-term pressure, Westlife remains confident of high single-digit SSSG with 40-45 store addition in the medium term. We expect Westlife to continue to fare better vs. its peers, given (1) wide menu catering to various price segments across day parts; (2) sustained dine-in footfall; and (3) there are enough levers for margin expansion (full McCafe roll-out, menu expansion, etc.). We raise our FY24 earnings by 4% and value Westlife at 55x P/E on Sep'25 EPS to arrive at a TP of INR 850. Maintain ADD.

- **Revenue grows 14% YoY, SSSG at 7%:** Net revenue grew by 14% YoY (HSIE: in-line) to INR 6.1bn. SSSG stood at 7%, led by increased guest counts. On-premise revenue grew 18% YoY (60% mix) while delivery grew by 9% on a high base. Average sales per store (TTM) improved to INR 66.9mn (INR 66.2mn in Mar 2023). Westlife management continues to maintain high single-digit SSSG in FY24 with base normalising. However, with QSR demand seeing some softness given the deceleration seen in discretionary demand, we bake in 5.5/7.5/7.5% SSSG for FY24/25/FY26. We estimate revenue to grow at 16% CAGR over FY23-26E.
- **Opens four stores in Q1FY24; maintains FY24 target of 40-45 store addition:** Westlife opened four McD stores in Q1FY24 and added 2 new cities. McD is now present across 58 cities through its 361 stores. Of the total stores, 87% have McCafes while 72% are EOTF stores. We are building in a store addition of 130 over FY24-26.
- **PBT grew by 28% YoY:** GM expanded by 260bps to 70.6%, led by a stable input cost basket, cost optimization and earlier pricing actions. Despite a 50bps increase in royalty, RoM expanded by 135bps YoY. However, with the normalization of G&A costs, EBITDAM (post-IND AS) was flat YoY (+60bps QoQ) to 17.1%. RoM/EBITDA margin stood at 23/17.1% in Q1FY24. While EBITDA grew 14% YoY, PBT (better metric post-IND AS) grew 28% YoY. PBT margin was up 70bps/150bps YoY/QoQ to 6.6%.
- **Call and BS/CF takeaways:** (1) Broad-based growth despite subdued consumption trends seen by the QSR industry. (2) Sales in the metro grew ahead of non-metro. However, vs pre-covid, non-metro growing faster. (3) Chicken offerings continue to gain scale. Had best monthly sales in Jun'23. (4) Recently launched McDelivery app well received by customers. Committed to growing own delivery platform. (5) By 2027, 100% of stores (excl. food court stores) to be in EOTF format. (6) Digital sales improved and are now at 64% of sales. 25% YoY rise in MAUs. Cumulative app downloads at 25mn+. (7) Board announced an interim dividend of INR 3.45 per share.

Quarterly/annual financial summary

(INR mn)	Q1FY24	Q1FY23	YoY (%)	Q4FY23	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	6,145	5,379	14.2	5,564	10.5	15,765	22,782	26,026	30,702	35,939
EBITDA	1,053	921	14.3	919	14.6	2,071	3,931	4,424	5,462	6,706
APAT	288	236	22.0	201	43.5	(17)	1,116	1,296	1,914	2,738
EPS (INR)	1.85	1.52	22.0	1.29	43.5	(0.1)	7.2	8.3	12.3	17.6
P/E (x)						na	125.8	108.3	73.3	51.3
EV / EBITDA (x)						108.2	46.8	41.6	33.0	25.9
RoCE (%)						4.4	12.5	12.5	15.0	18.3

Source: Company, HSIE Research

ADD

CMP *(as on 27 Jul 2023)*	INR 898
Target Price	INR 850
NIFTY	19,660

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 850	INR 850
EPS %	FY24E	FY25E
	+4%	0%

KEY STOCK DATA	
Bloomberg code	WESTLIFE IN
No. of Shares (mn)	156
MCap (INR bn) / ($ mn)	140/1,713
6m avg traded value (INR mn)	126
52 Week high / low	INR 942/511

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	21.1	26.0	75.0
Relative (%)	11.9	14.3	56.3

SHAREHOLDING PATTERN (%)	Mar-23	Jun-23
Promoters	56.22	56.22
FIs & Local MFs	24.14	24.13
FPIs	9.61	9.70
Public & Others	10.03	9.95
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Fine Organic Industries

Disappointing performance

Our ADD recommendation on Fine Organics with a TP of INR 4,781 is premised on (1) leadership in oleo-chemical-based additives in the domestic and global markets with a loyal customer base; (2) unique business model with high entry barriers; (3) diversified product portfolio; and (4) pricing power. Q1 EBITDA/APAT were 25/31% below our estimates, owing to a 7% fall in revenue, higher-than-expected raw material costs, lower-than-expected other income, and higher-than-expected tax outgo.

- **Financial performance**: Revenue de-grew 8/27% QoQ/YoY to INR ~5bn in Q1, owing to (1) sluggish demand for products in the US and European markets, largely from cosmetics and polymer industry customers and (2) higher fall in product realisations as compared to that of their raw material prices. EBITDA came in at INR 1bn, -30/-34% QoQ/YoY, with EBITDA margin coming in at 25.8% (-812/-289bps QoQ/YoY). Exports fell by 36/45% QoQ/YoY to INR 2,874mn, which resulted in a fall in freight cost. Other expenses which are mostly freight costs are down 18/40% QoQ/YoY to INR 513mn. APAT came in at INR 998mn (-33/-38% QoQ/YoY).
- **Con call highlights**: (1) In the coming quarters, long-term contracts shall renew and the benefit of reduction in raw material prices will be passed on to customers. Therefore, the company expects a further correction in product prices. (2) The contribution of exports to total revenue was 54% in Q1FY24 (vs. 68% in FY23). (3) All plants (excluding the Patalganga plant) are expected to run at full capacity by Mar-24. (4) The company expects land allocation from the Gujarat government in the next two months. (5) The company plans to commission the Thailand plant by Sept-23. (6) The management guided that the sustainable EBITDA margin should be ~18-20%. (6) Domestic market has shown robust growth in Q1FY24.
- **Change in estimates:** We change our FY24/25 EPS estimates by -4.3/+0.4% to INR 148.4/168.5 to factor in softening of demand and correction in realisations.
- **DCF-based valuation:** Our target price is INR 4,781 (WACC 12%, terminal growth 6.0%). The stock is trading at 26.5x FY25E EPS.

Financial summary (consolidated)

INR mn	1QFY24	4QFY23	*QoQ(%)*	1QFY23	*YoY(%)*	FY21	FY22	FY23P	FY24E	FY25E
Net Sales	5,472	5,966	*(8.3)*	7,477	*(26.8)*	11,332	18,763	30,231	21,093	24,801
EBITDA	1,412	2,024	*(30.2)*	2,146	*(34.2)*	1,993	3,645	8,311	5,964	6,695
APAT	998	1,494	*(33.2)*	1,598	*(37.6)*	1,203	2,597	6,181	4,550	5,166
AEPS (INR)	32.5	48.7	*(33.2)*	52.1	*(37.6)*	39.3	84.7	201.6	148.4	168.5
P/E (x)						113.6	52.7	22.1	30.1	26.5
EV/EBITDA(x)						67.8	37.0	15.9	21.1	18.1
RoE (%)						17.8	30.7	49.4	25.9	23.2

Source: Company, HSIE Research

Change in estimates (consolidated)

Y/E Mar	FY24E Old	FY24E New	% Ch	FY25E Old	FY25E New	% Ch
EBITDA (INR mn)	6,341	5,964	*-5.9%*	6,785	6,695	*-1.3%*
Adj. EPS (INR/sh)	155.0	148.4	*-4.3%*	167.9	168.5	*0.4%*

Source: Company, HSIE Research

ADD

CMP *(as on 27 Jul 2023)*	INR 4,462
Target Price	**INR 4,781**
NIFTY	**19,660**

KEY CHANGES	**OLD**	**NEW**
Rating	ADD	ADD
Price Target	INR 4,694	INR 4,781
EPS %	**FY24E**	**FY25E**
	-4.3%	+0.4%

KEY STOCK DATA	
Bloomberg code	FINEORG IN
No. of Shares (mn)	31
MCap (INR bn) / ($ mn)	137/1,673
6m avg traded value (INR mn)	227
52 Week high / low	INR 7,329/4,031

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	2.8	(14.0)	(13.9)
Relative (%)	(6.5)	(25.7)	(32.6)

SHAREHOLDING PATTERN (%)	**Mar-23**	**Jun-23**
Promoters	75.00	75.00
FIs & Local MFs	12.09	12.24
FPIs	4.83	3.78
Public & Others	8.08	8.98
Pledged Shares	0.00	0.00

Source: BSE

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Ujjivan Small Finance Bank

Approaching normalisation; return ratios to stay strong

Ujjivan SFB once again clocked an all-time high PAT, led by robust loan growth (+35% YoY), and a moderate improvement in NIMs (+10bps QoQ). Despite strong sequential traction in deposits (+4% QoQ), back-book repricing in the MFI portfolio supported NIM expansion. GNPA clocked in at 2.6%, witnessing a 26bps QoQ improvement on the back of strong upgrades/write-offs despite seasonally higher slippages. While Ujjivan has absorbed most of the surplus liquidity on its balance sheet, incremental pressure on funding costs and high opex intensity from franchise-building investments are likely to restrict productivity gains. We adjust our FY24/25 estimates for improvement in yields and credit costs; maintain ADD with a revised TP of INR50.

- **Strong disbursals ex-MSE drive AUM:** Disbursals grew +22%YoY to INR53bn (on account of Q1 seasonality), led by all-round momentum across MFI, affordable housing and FIG lending (ex-MSE). In order to build a high-quality, granular portfolio, Ujjivan remains committed to improving its secured mix to 50% in the next 3-5 years by further lending to segments such as gold and vehicle finance. Meanwhile, the MFI portfolio (~73% of the mix) continues to witness strong traction across group and individual loans.
- **Credit costs likely to normalise:** GNPAs improved to 2.6%, led by elevated slippages (2.1% annualised), offset by recoveries and w-offs, translating into credit costs of 54bps. Management guided for a 1% annualised credit cost as recoveries normalise, resulting in steady state credit costs.
- **Balance sheet rejig to cap return ratios:** Ujjivan's accelerated focus on brand building, new customer acquisition and retail granular deposits, coupled with ongoing investments in distribution and digital initiatives, is likely to keep operating costs elevated in the medium term. The management also guided for a catch-up in deposit repricing, which is likely to result in higher funding costs. We watch out for the trajectory of funding costs and sustainability of asset yields, given the limited room for repricing in the MFI portfolio.

Financial summary

(INR bn)	Q1FY24	Q1FY23	YoY (%)	Q4FY23	QoQ (%)	FY22	FY23	FY24E	FY25E
NII	7.9	6.0	32.2%	7.4	7.4%	17.7	27.0	32.4	38.5
PPOP	4.6	3.0	52.2%	4.1	11.5%	5.9	14.9	18.9	22.3
PAT	3.2	2.0	59.5%	3.1	4.7%	(4.1)	11.0	12.7	14.2
EPS (INR)	1.7	1.2	41.0%	1.5	7.8%	(2.4)	5.6	6.5	7.3
ROAE (%)						(13.8)	31.4	26.9	24.4
ROAA (%)						(1.9)	3.9	3.4	3.1
ABVPS (INR)						15.6	21.5	26.6	32.4
P/ABV (x)						2.8	2.0	1.6	1.3
P/E (x)						(18.2)	7.8	6.7	6.0

Change in estimates

(INR bn)	FY24E			FY25E		
	Old	New	Change	Old	New	Change
Net advances	265	270	1.6%	329	333	1.3%
NIM (%)	9.8	10.1	24 bps	9.9	10.1	19 bps
NII	31.5	32.4	2.8%	37.4	38.5	3.1%
PPOP	17.1	18.9	10.8%	19.5	22.3	14.2%
PAT	10.5	12.7	20.2%	12.0	14.2	17.8%
Adj. BVPS (INR)	25.8	26.6	2.9%	30.9	32.4	5.1%

Source: Company, HSIE Research

ADD

CMP *(as on 27 Jul 2023)*	INR 44
Target Price	INR 50
NIFTY	19,660

KEY STOCK DATA	
Bloomberg code	UJJIVANS IN
No. of Shares (mn)	1,955
MCap (Rs bn) / ($ mn)	86/1,054
6m avg traded value (Rs mn)	412
52 Week high / low	Rs 45/19

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	55.0	60.4	123.9
Relative (%)	45.7	48.7	105.1

Ujjivan Financial Services

ADD

CMP *(as on 27 Jul 2023)*	INR 462
Target Price	INR 472
NIFTY	19,660

KEY STOCK DATA	
Bloomberg code	UJJIVAN IN
No. of Shares (mn)	122
MCap (Rs bn) / ($ mn)	56/687
6m avg traded value (Rs mn)	186
52 Week high / low	Rs 465/169

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	63.8	73.1	164.6
Relative (%)	54.6	61.5	145.9

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Mahindra Lifespaces

Upping the game

In the absence of new launches, Mahindra Lifespaces Developers Ltd (MLDL) reported subdued presales of INR 3.5bn (-43%/-4% YoY/QoQ), with volume at 0.42msf (-35%/-14% YoY/QoQ). MLDL launched its first plotted development in Chennai, selling 70% of the launched inventory (Q2FY24). It also laid out its plan to achieve annual presales of INR 80-100bn (5x, 5yrs) by FY28, including INR 5bn annual IC&IC lease income (MMR/Pune/Bengaluru are expected to contribute INR 60/20-30/20-30bn). For this, MLDL expects to add GDV worth INR 400-500bn, funded through internal accruals, debt and current/prospective partners. The current BD pipeline is worth INR 55bn, excluding INR 80bn worth of Thane land parcel, which will be a mixed development with 50% residential and 50% commercial projects. For FY24, nine launches are planned; two are key launches i.e. Kandivali Ph1 with a GDV of INR 12bn and Citadel Ph2 with a GDV of INR 7-8bn. Given the management guidance of 5x growth in five years, we have increased our NAV premium from 25% to 35%. We have also recalibrated our realisation higher by 10-15% to factor in new BD accretion at higher price realisation vs. our estimates. We maintain BUY and increase our TP from INR 521/sh to INR 622/sh.

- **Q1FY24 financial highlights:** Revenue: INR 980mn (+3.7%/-62% YoY/QoQ, a miss of 23%). It was a loss at the EBITDA level of INR 431mn (INR -320/-274mn in Q1FY23/Q4FY23, vs est. loss of INR 218mn). Profit from JV/Associates came in at INR 247mn (-61%/+8% YoY/QoQ, vs INR 150mn estimate). RPAT/APAT was loss of INR 43mn (INR 500mn/INR 5mn Q1FY23/Q4FY23 vs est. profit of INR 13mn).
- **Robust launch pipeline:** MLDL recorded presales of INR 3.5bn (-43%/-4% YoY/QoQ), and volume stood at 0.42msf (-35%/-14% YoY/QoQ). The average price realisation was INR 8,214 (-11%/+12% YoY/QoQ). For FY24, a total of nine launches are planned, which include Kandivali Ph1 with INR 12bn worth of GDV and Citadel Ph 2 with INR 7-8b worth of GDV as key launches, both of which are expected to get launched by Q3FY24. The two redevelopment projects in MMR are expected to get launched in Q4FY24. During the quarter, the company launched a plotted development project Lakefront Estates in Chennai with 0.37msf of saleable area. Within IC&IC, the company leased 3 acres for INR 140mn (-88%/-93% YoY/QoQ). The per acre realisation stood at INR 47mn (+67%/+60% YoY/QoQ).
- **Robust BD pipeline:** MLDL has a current BD pipeline of INR 55bn, excluding the Thane land parcel whose GDV value is revised upward to an estimated value of INR 80bn after the new Integrated IT Township (IITT) policy. Collections were decent at INR 2.8bn (+1.8%/-9.2% YoY/QoQ). Residential net cash stood at INR 360mn (vs net cash of INR 340mn in Q4FY24) and IC&IC net debt decreased to INR 2.5bn (vs INR 3.3bn in Q4FY24).

Consolidated financial summary (INR mn)

(INR mn)	Q1FY24	Q1FY23	YoY (%)	Q4FY23	QoQ (%)	FY23	FY24E	FY25E	FY26E
Net Sales	980	946	3.7	2,554	(61.6)	6,066	7,905	8,878	10,050
EBITDA	(431)	(320)	(34.9)	(274)	(57.5)	(1,101)	(921)	818	1,122
APAT	(43)	500	(108.6)	5	(909.4)	421	521	1,805	2,167
Diluted EPS (INR)	(0.3)	3.2	(108.6)	0.0	(909.4)	2.7	3.4	11.7	14.0
P/E (x)						179	145	42	35
EV / EBITDA (x)						(70)	(85)	95	69
RoE (%)						5.7	2.8	9.3	10.1

Consolidated estimate change summary

(INR mn)	FY24E			FY25E		
	New	Old	% Cha.	New	Old	% Cha.
Revenue	7,905	7,905	-	8,878	11068	(20)
EBITDA	(921)	(921)	-	818	1667	(51)
EBITDA Margin	(11.65)	(11.65)	-	9.22	15.06	(584)
APAT	521	771	(32)	1,805	3006	(40)

Source: Company, HSIE Research

BUY

CMP *(as on 27 Jul 2023)*	INR 489
Target Price	INR 622
NIFTY	19,660

KEY CHANGES	OLD		NEW
Rating	BUY		BUY
Price Target	INR 521		INR 622
EPS change %	FY24E	FY25E	FY26E
	(32)	(40)	-

KEY STOCK DATA	
Bloomberg code	MLIFE IN
No. of Shares (mn)	155
MCap (INR bn) / ($ mn)	76/927
6m avg traded value (INR mn)	104
52 Week high / low	INR 555/316

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	34.5	41.4	13.3
Relative (%)	25.2	29.7	(5.4)

SHAREHOLDING PATTERN (%)	Mar-23	Jun-23
Promoters	51.28	51.20
FIs & Local MFs	19.44	19.86
FPIs	11.31	11.46
Public & Others	17.97	17.48
Pledged Shares	-	-

Source: BSE

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Symphony

Weak performance on a disrupted summer

Symphony reported a weak operating print with standalone revenue/ EBITDA/ PAT falling by 17/85/45% YoY. Domestic revenue/EBIT fell by 15/36% as peak summer months were disrupted by unseasonal rains. Domestic revenue was in line but EBIT saw a miss. The RoW business was aided by 40% growth in IMPCO Mexico, while CT, Australia continued to remain impacted by the weak macro environment. With domestic channel inventory lower compared to the last three years and buoyed by healthy collection in July, Symphony remains optimistic about delivering growth in both revenue and EBITDA in FY24. With the aim of de-risking its business from seasonality, Symphony continues to focus on (1) geography expansion; (2) channel diversification; and (3) product expansion into adjacent segments. RoW execution is still WIP and consistent performance is still missing. We cut our FY24 EPS by 3%, value the stock at 30x P/E on Jun'25E EPS and derive a TP of INR 900. Maintain REDUCE.

- **Disrupted summer leads to weak revenue performance:** Standalone revenue fell 17% YoY (100% in Q1FY23, -5% in Q4FY23). Domestic revenue fell 15% YoY to INR 1.6bn, impacted by unseasonal rains in peak summer months. Despite this, vis-à-vis the best of pre-covid first quarters, sales were still up 9%. Symphony has further cemented its #1 position in the organized market by gaining a 300-bps share as of Jun'23. Exports fell 40% YoY to INR 120mn, while the RoW was flat YoY. Despite the disrupted summer sales, channel inventory remains at comfortable levels while collections in Jul'23 have been encouraging. IMPCO Mexico delivered the highest quarterly revenue while Climate Tech remains impacted by macro headwinds in Australia. We estimate a revenue CAGR of 8% CAGR over FY23-26E.
- **Domestic profitability below expectations:** Standalone GM improved by 70/270bps YoY/QoQ to 51.7%, aided by price hikes, value engineering, and softening RM basket. Employee/other expenses were up by 13/16% YoY, while A&P spending was flat. As a result, the standalone EBITDA margin contracted 10.7ppt (down 500bps QoQ) to 2.3%. Domestic EBIT fell 36% YoY while margins contracted by 330bps YoY. Domestic EBIT will continue to drive overall profitability. We build improvement in CT business in FY24 on a favourable base.
- **Con call takeaways:** (1) Domestic industry too saw de-growth. Symphony's decline was lower than industry. (2) Channel inventory is lower compared to the last three years. (3) The US has seen healthy sales despite macro headwinds. Home Depot to see stock out before September. (4) In Q1FY24, CT reported revenue of INR 510mn, with a loss of INR 50mn; IMPCO registered INR 770mn revenue with PAT of INR 100mn. GSK China's revenue was at INR 120mn with PAT of INR 10mn. (5) Targeting pre-covid EBITDAM.

Quarterly/annual financial summary

(INR mn)	Q1 FY24	Q1 FY23	YoY (%)	Q4 FY23	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	1,720	2,080	(17.3)	2,390	(28.0)	10,390	11,880	11,698	13,377	14,896
EBITDA	40	270	(85.2)	480	(91.7)	1,610	1,380	1,854	2,309	2,644
APAT	140	250	(44.0)	430	(67.4)	1,211	1,158	1,617	2,042	2,296
EPS (INR)	2.0	3.6	(44.0)	6.1	(67.4)	17.3	16.6	23.1	29.2	32.8
P/E (x)						50.6	53.0	37.9	30.0	26.7
EV / EBITDA (x)						35.9	41.7	30.3	23.9	20.3
Core RoCE (%)						21.6	17.3	26.4	36.9	43.3

Source: Company, HSIE Research, * Quarter numbers are standalone

REDUCE

CMP *(as on 27 Jul 2023)*	**INR 875**
Target Price	**INR 900**
NIFTY	**19,660**

KEY CHANGES	**OLD**	**NEW**
Rating	REDUCE	REDUCE
Price Target	INR 900	INR 900
EPS %	FY24E	FY25E
	-3%	0%

KEY STOCK DATA	
Bloomberg code	SYML IN
No. of Shares (mn)	69
MCap (INR bn) / ($ mn)	60/738
6m avg traded value (INR mn)	109
52 Week high / low	INR 1,219/821

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	(10.9)	(7.6)	(7.5)
Relative (%)	(20.2)	(19.3)	(26.2)

SHAREHOLDING PATTERN (%)	**Mar-23**	**Jun-23**
Promoters	73.25	73.39
FIs & Local MFs	11.10	10.69
FPIs	3.74	3.63
Public & Others	11.91	12.29
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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PSP Projects

In-line execution; an all-time high OB

With decent execution in the quarter, PSP Projects (PSP) reported revenue/EBITDA/APAT at INR 5.1/0.6/0.4bn, (missing)/beating our estimates by (4.8)/4.9/6.9%. In Q1FY24, it was awarded orders worth INR 7.6bn (excluding GST; +37.8% YoY), which took its OB (as of Jun'23) to INR 53.2bn (an all-time high; ~2.8x FY23 revenue). The current bid pipeline stands at INR 60bn. The increase in gross debt from INR 1.5bn as of Mar'23 to INR 2.8bn as of Jun'23 is majorly on account of the execution ramp-up in UP projects. The revenue guidance for FY24 remains unchanged at INR 26bn, with a margin of 11-13% and an OI of ~INR 30bn. Given the limited upside from current levels, we continue with our ADD rating on the stock with an increased TP to INR 809/sh (13x Jun-25E EPS rolled over).

- **Q1FY24 financial highlights:** PSP posted revenue of INR 5.1bn (+47.6/-29.9% YoY/QoQ, a 4.8% miss). EBITDA came in at INR 646mn (+37.2/-16.7% YoY/QoQ, a beat of 4.9%). EBITDA margin came in at 12.7% (-96/+201bps YoY/QoQ, vs. our estimate of 11.5%, owing to lower input and raw material prices, partly offset by lower overhead absorption and higher employee expenses). RPAT/APAT came in at INR 367mn (+28.9/-20.7% YoY/QoQ, a beat of 6.9%). With INR 2bn revenue booked in Q1FY24, from all seven UP projects, total revenue to date stands at INR 9.2bn. PSP reiterated its FY24 revenue guidance of INR 26bn with margins of 11-13%.
- **All-time OB; robust bid pipeline:** In Q1FY24, PSP was awarded orders worth INR 7.6bn (excluding GST; +37.8% YoY), taking the OB as of Jun'23 to INR 53.2bn (an all-time high; ~2.8x FY23 revenue), with all projects under execution. Government and institutional orders comprised a major chunk of the OB at 55/27%, as of Jun'23. Nearly 79% of the OB comes from Gujarat and the balance 21% from UP. The bid pipeline stands robust at INR 60bn. During the quarter, PSP completed five projects. With this, the total number of projects completed to date is 210. PSP reiterated its FY24 OI guidance of exceeding INR 30bn.
- **Elevated debt levels:** Standalone gross debt decreased to INR 2.8bn as of Jun'23 vs. INR 1.5bn as of Mar'23, with gross D/E at 0.34x, as of Jun'23. The increase in debt is commensurate with execution ramp-up in UP projects, the majority of which are expected to be completed by FY24-end. PSP guided for FY24-end gross debt at INR 1-1.5bn. With ~86.5% of the sanctioned limits being utilized, the company is planning to increase its sanctioned limits from INR 10.5bn to INR 15bn and has taken approval from its board to increase it up to INR 30bn.

Standalone financial summary (INR mn)

Particulars	1QFY24	1QFY23	YoY (%)	4QFY23	QoQ (%)	FY23	FY24E	FY25E	FY26E
Net Sales	5,096	3,452	47.6	7,274	(29.9)	19,266	24,200	27,830	32,005
EBITDA	646	471	37.2	777	(16.7)	2,250	3,016	3,484	3,992
APAT	367	285	28.9	463	(20.7)	1,330	1,888	2,170	2,451
Diluted EPS (INR)	10.2	7.9	28.9	12.9	(20.7)	36.9	52.4	60.3	68.1
P/E (x)						20.0	14.1	12.2	10.8
EV / EBITDA (x)						12.0	8.9	7.6	6.4
RoE (%)						17.9	21.4	20.7	19.8

Source: Company, HSIE Research

Standalone Estimate Change Summary

Particulars	FY24E			FY25E			FY26E		
	New	Old	Chg. (%)	New	Old	Chg. (%)	New	Old	Chg. (%)
Revenues	24,200	24,200	0.0	27,830	27,830	0.0	32,005	-	-
EBITDA	3,016	3,040	-0.8	3,484	3,484	0.0	3,992	-	-
EBITDA (%)	12.5	12.6	-10.0	12.5	12.5	0.0	12.5	-	-
APAT	1,888	1,907	-1.0	2,170	2,182	-0.6	2,451	-	-

Source: Company, HSIE Research

ADD

CMP (*as on 27 July 2023*)	INR 737
Target Price	INR 809
NIFTY	19,660

KEY CHANGES		OLD	NEW
Rating		ADD	ADD
Price Target		INR 788	INR 809
EPS change %	FY24E	FY25E	FY26E
	-1.0	-0.6	-

KEY STOCK DATA	
Bloomberg code	PSPPL IN
No. of Shares (mn)	36
MCap (INR bn) / ($ mn)	27/324
6m avg traded value (INR mn)	68
52 Week high / low	INR 799/560

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	8.3	7.9	18.2
Relative (%)	(0.9)	(3.8)	(0.5)

SHAREHOLDING PATTERN (%)	Mar-23	Jun-23
Promoters	67.59	66.22
FIs & Local MFs	4.55	5.37
FPIs	2.47	4.20
Public & Others	25.39	24.20
Pledged Shares	-	-

Source: BSE

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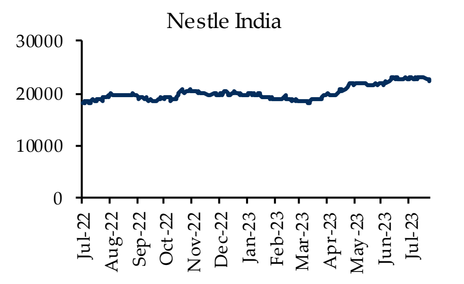
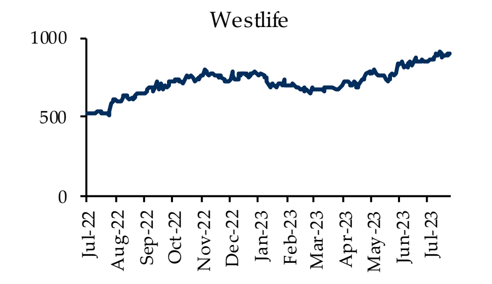
Rating Criteria
BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: > 10% Downside return potential

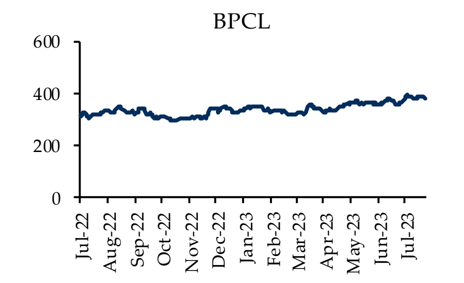
Disclosure:

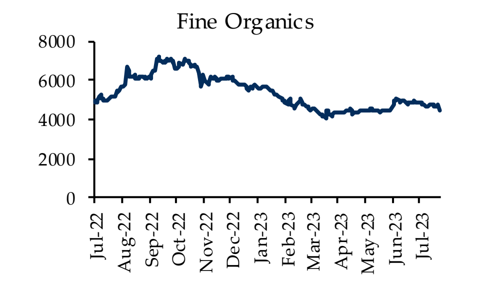
Analyst	Company Covered	Qualification	Any holding in the stock
Varun Lohchab	Nestle India, Westlife Foodworld	PGDM	NO
Naveen Trivedi	Nestle India, Westlife Foodworld, Symphony	MBA	NO
Paarth Gala	Nestle India, Westlife Foodworld, Symphony	BCom	NO
Riddhi Shah	Nestle India, Symphony	MBA	NO
Harshad Katkar	Bharat Petroleum Corporation, Fine Organic Industries	MBA	NO
Nilesh Ghuge	Bharat Petroleum Corporation, Fine Organic Industries	MMS	NO
Akshay Mane	Bharat Petroleum Corporation, Fine Organic Industries	PGDM	NO
Rutvi Chokshi	Bharat Petroleum Corporation, Fine Organic Industries	CA	NO
Rajesh Ravi	Shree Cement	MBA	NO
Keshav Lahoti	Shree Cement	CA	NO
Krishnan ASV	Shriram Finance, Ujjivan Small Finance Bank	PGDM	NO
Deepak Shinde	Shriram Finance, Ujjivan Small Finance Bank	PGDM	NO
Neelam Bhatia	Shriram Finance, Ujjivan Small Finance Bank	PGDM	NO
Parikshit Kandpal	Mahindra Lifespaces, PSP Projects	CFA	YES, NO
Manoj Rawat	Mahindra Lifespaces, PSP Projects	MBA	NO
Nikhil Kanodia	Mahindra Lifespaces, PSP Projects	MBA	NO

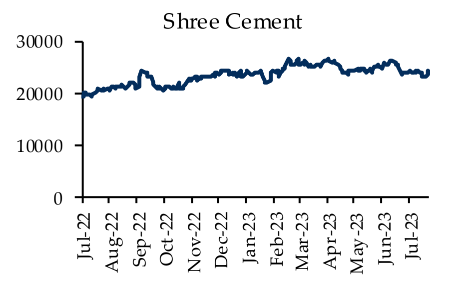
1 Yr Price Movement

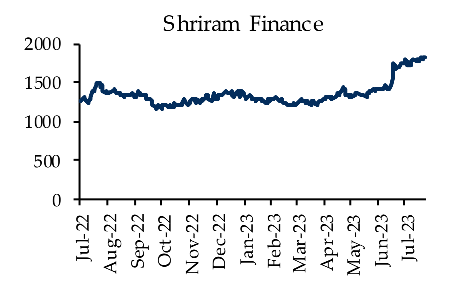


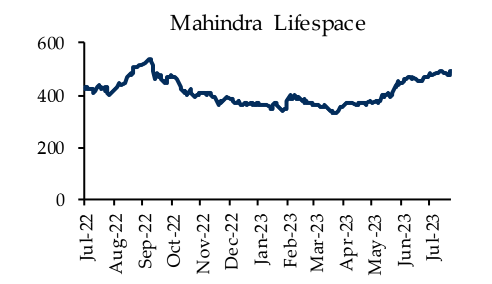


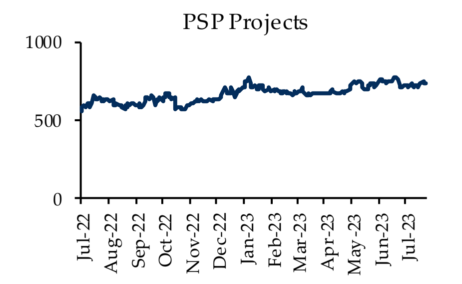


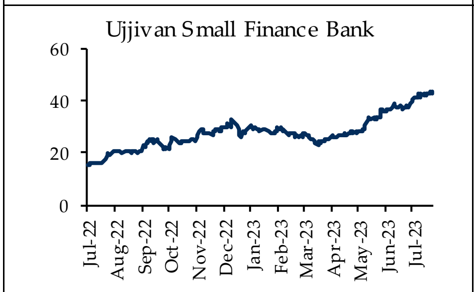












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