

HSIE Results Daily

Contents

Results Reviews

- Siemens:** SIL delivered Revenue/EBIDTA/APAT beat of 1.5%/6.2/1.6%, the result came in largely on expected lines. Margins across all segments, except Energy and Portfolio companies, saw YoY dip. 2QFY21E will give an even better visibility on normalised margins going ahead as some impact of COVID-19 may still be reflecting upon overall execution and profitability. SIL had earlier indicated good margins in order backlog backed by corrective cost optimization measures and some of it sustaining. Whilst we acknowledge Govt intent to drive infrastructure creation and gradual recovery in private capex on back of improving capacity utilization, recent run up and punchy valuation limit further re-rating. We roll forward our valuation (35x) to Mar-23E and arrive at TP of Rs 1,662 vs Rs 1,489 Dec-22E. We maintain REDUCE on Siemens India Ltd. (SIL). We have upgraded FY21/22/23E EPS on account of improved execution by 5/6.8/6.8% respectively.
- GIC Reinsurance:** GICRE is India's largest reinsurer, but it continues to make significant underwriting losses (3QFY21 COR: 107.9%). A calibrated approach to underwriting is expected to change this over FY21-23E. While we are not entirely convinced about the pathway to underwriting profitability, we are enthused by the company's exit from weak portfolios; inexpensive valuations—FY22E P/ABV of 0.5x—result in our BUY recommendation with a target price of Rs 178. We estimate an FY22/23E adj. RoE of 9.4/11.5%, and value GICRE at 0.7x Sep-22E ABV less 10% discount for an additional 10.8% stake to be sold by GoI.
- Phoenix Mills:** Phoenix Mills (PHNX) reported strong recovery as revenue came in 7% ahead of our estimate and surprised positively on EBITDA margin for the quarter (47% vs 40% est.). Consequently, PAT came in at Rs 654mn, against our estimated loss of Rs 60mn (aided buy Rs 249mn of MAT credit reinstatement). Consumption recovered to 67% of 3QFY20 level during 3QFY21 on the back of festive season and further improved to 83% in Jan-21. Revenue from commercial was at 94% of 3QFY20. Residential segment also posted strong recovery with sales of Rs 556mn. Hospitality business has started breaking even from 3QFY21. Despite the near term challenges, we expect PHNX FY22E rental to be at par with FY20E as discount unwinds to pre-COVID contract rentals including FY21 escalations. Maintain BUY with unchanged TP of Rs 982/sh.
- Prestige Estates Projects:** PEPL reported an operationally strong 3QFY21 with pre-sales of Rs20.2bn (+55% YoY, Prestige share – Rs 15.6bn, +44% YoY). Gross bookings came in at 3mn sq ft (+85% YoY). Collections were also healthy at Rs 14.3bn (+26% YoY, PEPL share Rs 11.3bn, +27% YoY). PEPL expects to maintain similar pre-sales momentum for 4QFY21 in residential segment with further ramp-up in new launches. On financial front, revenue/EBITDA/APAT beat/(miss) estimates by 3/(10)/(23)%. Net debt reduced marginally from Rs 86.7bn on Sep 20-end to Rs 84.6bn. Blackstone deal is in the final stages of closure. PEPL has embarked on a new asset Capex cycle in Bengaluru/Mumbai and, given the launches ramp-up by peers, it may see some saturation setting in on residential segment. We maintain ADD with SOTP-based target price unchanged at Rs 324/sh.

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- **Computer Age Management Services:** Being a market leader in a two-player RTA market with a market share of 73.0% (inc. FT AMC), CAMS is a play on India's growing asset management industry. Significant entry barriers coupled with customer stickiness puts the company in a uniquely advantageous position. We expect FY21-23E revenue/operating profit (OP) CAGR of 15.3/19.5%, which we expect would be driven by a resurgence in flows and improved performance of nascent businesses i.e., payments, AIF, and insurance. We maintain our ADD rating on the stock with a DCF-based target price of INR 1,751. The stock is currently trading at FY22E/23E EV/NOPLAT of 39.8/34.1 and P/E of 39.1/33.3x. Equity market declines impacting AAUMs, high client concentration impacting pricing power and any major IT system disruptions remain key risks.
- **Dilip Buildcon:** Dilip Buildcon (DBL) reported in-line revenue at Rs 24.7bn (5%/28% YoY/QoQ). However, APAT beat stood at 11% owing to better-than-expected EBITDA margin. DBL has won orders worth Rs 158bn in FY21 till now, taking the order book to Rs 261bn (~3x FY20 revenue). While NWC days increased marginally from 101 days to 104 days in 3QFY21, net debt remained stable at Rs 34bn. The company unveiled its 5-year strategy to achieve 15-20% top-line growth by focusing on diversification and churning the capital by monetising the assets. We maintain BUY on DBL, with a target price of Rs 640/sh, given its (1) diversified and robust order book of Rs 256bn and (2) continued focus on asset recycling. We have valued the EPC business at 10x Dec-22E EPS and HAM at 1x P/BV.

Siemens

Largely in-line quarter, margins beat

SIL delivered Revenue/EBIDTA/APAT beat of 1.5%/6.2/1.6%, the result came in largely on expected lines. Margins across all segments, except Energy and Portfolio companies, saw YoY dip. 2QFY21E will give an even better visibility on normalised margins going ahead as some impact of COVID-19 may still be reflecting upon overall execution and profitability. SIL had earlier indicated good margins in order backlog backed by corrective cost optimization measures and some of it sustaining. Whilst we acknowledge Govt intent to drive infrastructure creation and gradual recovery in private capex on back of improving capacity utilization, recent run up and punchy valuation limit further re-rating. We roll forward our valuation (35x) to Mar-23E and arrive at TP of Rs 1,662 vs Rs 1,489 Dec-22E. We maintain REDUCE on Siemens India Ltd. (SIL). We have upgraded FY21/22/23E EPS on account of improved execution by 5/6.8/6.8% respectively.

- 1QFY21 Highlights:** Revenue: Rs 29bn (+8.7%/-17.6% YoY/QoQ, 1.5% beat). EBITDA: Rs 3.6bn (+7.3%/-22% YoY/QoQ, beat of 6.2%). EBITDA margin: 12.4% (-16/-42bps YoY/QoQ) vs est of Rs 11.9%. Profit from operations of mechanical drives business (sold to Flender in Jan-21) for the quarter stood at Rs 278mn. Consequently, APAT: Rs 2.6bn (-0.2%/-21% YoY/QoQ, 1.6% beat). Order inflow stood at Rs 32.1bn (+4.2% YoY, driven by DI and MO) and order backlog at Rs 128bn (+3% YoY). SIL highlighted slowdown in the energy transmission business due to delay in TBCB projects awards.
- Segmental performance:** Gas & Power (34% revenue contribution): Revenue at Rs 10.2bn (+14/-36% YoY/QoQ) and margins at 12.6% (+160/+42 bps YoY/QoQ). Smart infrastructure (30%): revenue at Rs 8.8bn (+16%/-4% YoY/QoQ) and margins at 7.5% (-230/-306bps YoY/QoQ). Mobility (6%): revenue at Rs 1.9bn (-11%/-38% YoY/QoQ) and margins at 9% (-230/-474bps YoY/QoQ). Digital Industries (26%): revenue at Rs 7.7bn (+28/+22% YoY/QoQ) and margins at 10.4% (-8/+253bps YoY/QoQ). Portfolio of companies(3%): revenue at Rs 936mn (-7/-27% YoY/QoQ) and margins at 5.3% (+265/-320bps YoY/QoQ). Quarterly outperformance was driven by Gas & Power and Digital Industries.

Financial summary

(Rs mn, Sep YE)	1QFY21	1QFY20	YoY (%)	4QFY20	QoQ (%)	FY20	FY21E	FY22E	FY22E
Net Revenues	29,011	26,686	8.7	35,190	(17.6)	98,694	1,36,326	1,58,874	1,77,939
EBITDA	3,611	3,365	7.3	4,529	(20.3)	9,903	16,840	20,404	23,551
APAT	2,622	2,627	(0.2)	3,331	(21.3)	7,574	13,035	15,731	18,098
Diluted EPS (Rs)	7.4	7.4	(0.2)	9.4	(21.3)	21.3	36.6	44.2	50.8
P/E (x)						79.1	46.0	38.1	33.1
EV / EBITDA (x)						54.9	32.5	26.4	22.7
RoE (%)						8.2	13.1	14.3	14.7

Source: Company, HSIE Research

Change in Estimates

Standalone Rs Mn	FY21E			FY22E			FY23E		
	Old	Revised	% Chg	Old	Revised	% Chg	Old	Revised	% Chg
Net Sales	1,29,886	1,36,326	5.0	1,48,724	1,58,874	6.8	1,66,570	1,77,939	6.8
EBITDA	15,408	16,840	9.3	19,101	20,404	6.8	22,046	23,551	6.8
EBIDTA Margin (%)	11.9	12.4	49.0	12.8	12.8	0.0	13.2	13.2	0.0
Adj PAT	11,877	13,035	9.7	14,618	15,731	7.6	16,742	18,098	8.1
AEPS (Rs)	33.4	36.6	9.7	41.1	44.2	7.6	47.0	50.8	8.1

Source: Company, HSIE Research

REDUCE

CMP (as on 12 Feb 2021)	Rs 1,846
Target Price	Rs 1,662
NIFTY	15,163

KEY CHANGES	OLD	NEW	
Rating	REDUCE	REDUCE	
Price Target	Rs 1,489	Rs 1,662	
EPS change %	FY21E 9.7	FY22E 7.6	FY23E 8.1

KEY STOCK DATA

Bloomberg code	SIEM IN
No. of Shares (mn)	356
MCap (Rs bn) / (\$ mn)	657/9,037
6m avg traded value (Rs mn)	989
52 Week high / low	Rs1,900/947

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	31.4	57.4	29.7
Relative (%)	12.5	23.1	5.7

SHAREHOLDING PATTERN (%)

	Sep-20	Dec-20
Promoters	75.00	75.00
FIIs & Local MFs	10.44	10.56
FPIs	4.07	4.22
Public & Others	10.49	10.22
Pledged Shares	-	-

Source : BSE

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GIC Reinsurance

Weak CoRs yet again

GICRE is India's largest reinsurer, but it continues to make significant underwriting losses (3QFY21 COR: 107.9%). A calibrated approach to underwriting is expected to change this over FY21-23E. While we are not entirely convinced about the pathway to underwriting profitability, we are enthused by the company's exit from weak portfolios; inexpensive valuations—FY22E P/ABV of 0.5x—result in our BUY recommendation with a target price of Rs 178. We estimate an FY22/23E adj. RoE of 9.4/11.5%, and value GICRE at 0.7x Sep-22E ABV less 10% discount for an additional 10.8% stake to be sold by GoI.

- **3QFY21 highlights:** NEP grew +14.9/-4.1% YoY/QoQ to Rs 91.7bn as crop segment delivered strong 32.1% YoY growth. COR (cal.) at 107.9% (-2,136/-1,421bps YoY/QoQ) was broadly in line with estimates as ICR came down 1,835/1,137bps YoY/QoQ to 88.7%. This was mainly due to lower losses in property and health segments. Commission ratio declined 252/210bps YoY/QoQ to 18.4%.
- **Crop (23.3% of 9MFY21 NWP)** declined 40.6% YoY (9MFY21) as management consciously reduced exposure to loss-making geographies such as MP and TN (for rabi season). CORs are high at 111.8% as the segment was seeing loss development of the business underwritten in FY19 resulting in higher CORs. Additionally, management stated that it had provided an ICR of 83% for the kharif season, for which it expected a final loss ratio of only 75%; potential reserve releases to the tune of Rs 5bn may materialise in 4Q if all goes well. Despite price hikes, the **Property segment (23.8% of 3Q NWP)** reported a COR of 114.8% in 9MFY21, mainly due to provisions related to CAT events in Japan and hurricanes in the U.S. **Motor (22.7% of 3Q NWP)** reported CoR of 101.3% due to better underwriting in the international book. Loss ratios remain high in domestic business at 108.2%. Management stated that provisioning is conservative and that there may be reserve releases in 4Q. **International:** Renewals in Jan-21 have been lower by 18%, despite price hikes of 8-15%. This should aid profits in FY22.
- Investment book grew 10.7% QoQ to Rs 881bn as equity markets posted strong gains. Realised investment yields (net of provisions) came in at 12.0% (annualized) as the corporation booked equity gains. GICRE provided Rs 0.9bn for bad investments in R Cap and Simplex Infra. Solvency deteriorated to 153%.
- **Outlook: GICRE claims that it is exiting weak portfolios and moving towards underwriting profitability; we await better performance.**

Quarterly financial summary

(Rs bn)	3Q FY21	3Q FY20	YoY (%)	2Q FY21	QoQ (%)	FY19	FY20	FY21E	FY22E	FY23E
Premium (NEP)	91.72	79.82	14.9	95.60	-4.1	382.5	443.5	409.1	445.1	482.6
COR (%)	107.9	129.2	-2,136bps	122.1	-1,421bps	105.1	114.1	112.5	106.0	103.7
APAT	9.31	-10.36	NM	2.28	307.79	27.6	-2.7	16.1	17.8	28.7
AEPS	5.3	-5.9	NM	1.3	307.8	15.7	-1.6	9.2	10.1	16.4
P/E (x)						9.1	NM	15.6	14.1	8.7
P/ABV (x)						0.5	0.7	0.6	0.5	0.5
Adj. ROE (%)						6.9	-28.8	24.6	9.4	11.5

Estimate Change

Rs bn	FY21E			FY22E			FY23E		
	Revised	Old	Change %/bps	Revised	Old	Change %/bps	Revised	Old	Change %/bps
Premium (NWP)	414	426	(2.9)	459	460	(0.3)	500	502	(0.3)
Premium (NEP)	409	407	0.5	445	442	0.7	483	484	(0.3)
COR (%)	112.5	112.0	43bps	106.0	106.2	-18bps	103.7	103.8	-5bps
COR (%) IRDAI	112.5	112.0	43bps	106.0	106.2	-18bps	103.7	103.8	-5bps
APAT	16	11	53.1	18	17	2.2	29	28	1.8

Source: Company, HSIE Research

BUY

CMP (as on 12 Feb 2021)	Rs 143
Target Price	Rs 178
NIFTY	15,163

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 165	Rs 178
EPS %	FY21E	FY22E
	53.1%	2.2%

KEY STOCK DATA

Bloomberg code	GICRE IN
No. of Shares (mn)	1,754
MCap (Rs bn) / (\$ mn)	250/3,437
6m avg traded value (Rs mn)	75
52 Week high / low	Rs 243/82

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	14.3	(0.3)	(40.1)
Relative (%)	(4.6)	(34.6)	(64.1)

SHAREHOLDING PATTERN (%)

	Sep-20	Dec-20
Promoters	85.8	85.8
FIs & Local MFs	12.0	11.8
FPIs	0.3	0.2
Public & Others	2.0	2.2
Pledged Shares	Nil	Nil

Source : BSE

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Phoenix Mills

All-round recovery

Phoenix Mills (PHNX) reported strong recovery as revenue came in 7% ahead of our estimate and surprised positively on EBITDA margin for the quarter (47% vs 40% est.). Consequently, PAT came in at Rs 654mn, against our estimated loss of Rs 60mn (aided buy Rs 249mn of MAT credit reinstatement). Consumption recovered to 67% of 3QFY20 level during 3QFY21 on the back of festive season and further improved to 83% in Jan-21. Revenue from commercial was at 94% of 3QFY20. Residential segment also posted strong recovery with sales of Rs 556mn. Hospitality business has started breaking even from 3QFY21. Despite the near term challenges, we expect PHNX FY22E rental to be at par with FY20E as discount unwinds to pre-COVID contract rentals including FY21 escalations. Maintain BUY with unchanged TP of Rs 982/sh.

- 3QFY21 consumption recovers to 67% of 3QFY20** : PHNX registered QoQ growth of 57% in revenue as consumption reached 67% of pre-COVID level. Revenue from retail segment reached 69% of 3QFY20 as ~70% of the stores have crossed threshold in December for MG rent to kick in. Management expects rent to normalise from 1QFY22E. Hospitality revenue grew by 26% QoQ. EBITDA came in at Rs 1.6bn, 24% ahead of our estimate on better-than-expected margin (47% vs 40% est.). Finance cost reduced sequentially from Rs 945mn to Rs 857mn. Taxes were negative at Rs 249mn on reinstatement of MAT credit in some of the subsidiaries. Consequently, PAT came in at Rs 654mn, decline of 29% YoY (vs est. loss of Rs 60mn).
- Balance sheet remains stable with strong liquidity**: Consolidated gross debt reduced to Rs 44bn (PML net debt share - Rs 27bn) from Rs 46.4bn in Sep 20-end. The average cost of borrowing further reduced by 42bps to 8.46% in 3QFY21 and is likely to decrease further by FY21-end. Debt to remain at similar level in FY22, as management is not looking draw-down debt for Capex at under-construction assets. PHNX generated positive operating cash flow of Rs 1bn during the quarter. Talks with GIC are progressing well for retail-led mixed-use development platform. The company acquired a land parcel in Kolkata, which would see capital outlay of Rs 8.2bn for Phase-1 development and expects to earn first rental income by FY25E.

Consolidated Quarterly/Annual Financial summary

YE March (Rs mn)	3QFY21	3QFY20	YoY (%)	2QFY21	QoQ (%)	FY20	FY21E	FY22E	FY23E
Net Sales	3,378	5,118	(34.0)	2,149	57.2	19,411	10,917	18,850	21,841
EBITDA	1,588	2,593	(38.8)	917	73.2	9,671	5,192	9,628	11,994
APAT	654	919	(28.8)	(359)	(282.2)	3,347	350	3,021	4,487
Diluted EPS (Rs)	3.8	5.4	(28.8)	(2.1)	(282.2)	21.9	2.04	17.6	26.1
P/E (x)						37.3	401.3	46.4	31.3
EV / EBITDA (x)						17.3	33.3	18.4	14.6
RoE (%)						8.4	0.4	5.4	7.8

Consolidated Estimate Change Summary

Consolidated (Rs mn)	FY21E			FY22E			FY23E		
	New	Old	% Chg.	New	Old	% Chg.	New	Old	% Chg.
Revenue	10,917	10,917	-	18,850	18,850	-	21,841	21,841	-
EBITDA	5,192	4,880	6.4	9,628	9,636	(0.1)	11,994	12,003	(0.1)
EBITDA margin	47.6	44.7	286.4	51.1	51.1	(4.3)	54.9	55.0	(4.1)
APAT	350	(157)	(322.6)	3,021	2,843	6.3	4,487	4,301	4.3
AEPS (Rs/sh.)	2.0	(0.9)	(322.6)	17.6	16.6	6.3	26.1	25.0	4.3

Source: Company, HSIE Research

BUY

CMP (as on 12 Feb 2021)	Rs 816
Target Price	Rs 982
NIFTY	15,163

KEY CHANGES	OLD	NEW	
Rating	BUY	BUY	
Price Target	Rs 982	Rs 982	
EPS %	FY21E	FY22E	FY23E
	NA	6.3	4.3

KEY STOCK DATA

Bloomberg code	PHNX IN
No. of Shares (mn)	172
MCap (Rs bn) / (\$ mn)	140/1,926
6m avg traded value (Rs mn)	369
52 Week high / low	Rs 980/465

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	35.3	36.4	(7.5)
Relative (%)	16.4	2.0	(31.5)

SHAREHOLDING PATTERN (%)

	Sep-20	Dec-20
Promoters	45.56	45.53
FIs & Local MFs	15.67	16.78
FPIs	33.91	33.45
Public & Others	4.86	4.24

Pledged Shares - -

Source : BSE

Pledged shares as % of total shares

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Prestige Estates Projects

Capex cycle to gather pace

PEPL reported an operationally strong 3QFY21 with pre-sales of Rs20.2bn (+55% YoY, Prestige share – Rs 15.6bn, +44% YoY). Gross bookings came in at 3mn sq ft (+85% YoY). Collections were also healthy at Rs 14.3bn (+26% YoY, PEPL share Rs 11.3bn, +27% YoY). PEPL expects to maintain similar pre-sales momentum for 4QFY21 in residential segment with further ramp-up in new launches. On financial front, revenue/EBITDA/APAT beat/(miss) estimates by 3/(10)/(23)%. Net debt reduced marginally from Rs 86.7bn on Sep 20-end to Rs 84.6bn. Blackstone deal is in the final stages of closure. PEPL has embarked on a new asset Capex cycle in Bengaluru/Mumbai and, given the launches ramp-up by peers, it may see some saturation setting in on residential segment. We maintain ADD with SOTP-based target price unchanged at Rs 324/sh.

- 3QFY21 financial highlights:** Revenue: Rs 18.5bn (3% beat). EBITDA: Rs 4.5bn (10% miss). Margins came in at 24.2% (vs estimate of 27.7%). Interest cost was Rs 2.4bn (in-line). Depreciation at Rs 1.4bn (vs est. of 1.6bn). Other income was higher at Rs 0.8bn on repeal of land acquisition compensation by the government. The share of loss from associates is at Rs 112mn while Minority Interest is at Rs 291mn. Consequently, RPAT came in at Rs 587mn, 23% miss.
- 3QFY21 operational highlights:** Pre-sales (PG share): Rs 15.8bn (vs Rs 8.4bn QoQ). Collections (PG share): Rs 11.3bn (vs Rs 9.1bn QoQ). Rental Income (PG): Rs 2.1bn (vs Rs 2.2bn). Leased 0.02mn sq ft during 3QFY21. Launches: 3.15mn sq ft (vs 3.95mn sq ft QoQ). PEPL expects sales momentum to continue, given the strong pipeline of new launches.
- Blackstone deal progressing well:** Net debt stood at Rs 84.6bn (vs Rs 86.7bn QoQ) with net D/E at 1.47x (vs 1.5x QoQ). Average borrowing cost further reduced by 35bps QoQ to 9.3%. With proceeds from Blackstone deal, Prestige will enter in a new Capex cycle. PEPL has 63/37/7 mn sqft residential / commercial / retail projects, which are ongoing / under construction at the end of 3QFY21. While the company intends to be largely debt free in residential business, going forward, debt would be a function of new Capex on office/retail assets.

Financial Summary (Consolidated)

YE March (Rs mn)	3QFY21	3QFY20	YoY (%)	2QFY21	QoQ (%)	FY20	FY21E	FY22E	FY23E
Net Sales	18,476	26,809	(31.1)	18,750	(1.5)	81,248	69,015	77,392	85,131
EBITDA	4,476	7,188	(37.7)	5,351	(16.4)	23,560	19,526	22,530	24,516
APAT	587	1,618	(63.7)	596	(1.5)	3,651	2,090	4,500	5,256
Diluted EPS (Rs)	1.5	4.3	(66.1)	1.6	(7.9)	9.1	5.2	11.2	13.1
P/E (x)						31.5	55.0	25.6	21.9
EV / EBITDA (x)						8.1	10.1	8.8	7.9
RoE (%)						14.4	8.8	10.5	10.7

Estimate Change Summary (Consolidated)

Consolidated (Rs mn)	FY21E			FY22E			FY23E		
	New	Old	% Chg.	New	Old	% Chg.	New	Old	% Chg.
Revenues	69,015	66,664	3.5	77,392	77,869	(0.6)	85,131	85,656	(0.6)
EBITDA	19,526	20,062	(2.7)	22,530	22,949	(1.8)	24,516	24,976	(1.8)
Margins (%)	28.3	30.1	(180)	29.1	29.5	(36)	28.8	29.2	(36)
APAT	2,090	2,121	(1.4)	4,500	4,466	0.8	5,256	5,202	1.0
AEPS (Rs/sh.)	5.2	5.3	(1.4)	11.2	11.1	0.8	13.1	13.0	1.0

Source: Company, HSIE Research

ADD

CMP(as on 12 Feb 2021)	Rs 286
Target Price	Rs 324
NIFTY	15,163

KEY CHANGES	OLD	NEW	
Rating	ADD	ADD	
Price Target	Rs 324	Rs 324	
EPS	FY21E	FY22E	FY23E
Change %	(1.4)	0.8	1.0

KEY STOCK DATA

Bloomberg code	PEPL IN
No. of Shares (mn)	401
MCap (Rs bn) / (\$ mn)	115/1,577
6m avg traded value (Rs mn)	170
52 Week high / low	Rs 381/134

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	9.7	23.6	(23.1)
Relative (%)	(9.2)	(10.8)	(47.1)

SHAREHOLDING PATTERN (%)

	Sep-20	Dec-20
Promoters	65.48	65.48
FIs & Local MFs	2.91	2.42
FPIs	29.66	29.45
Public & Others	1.95	2.65
Pledged Shares	-	-

Source : BSE

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Computer Age Management Services

Well-positioned for strong growth!

Being a market leader in a two-player RTA market with a market share of 73.0% (inc. FT AMC), CAMS is a play on India's growing asset management industry. Significant entry barriers coupled with customer stickiness puts the company in a uniquely advantageous position. We expect FY21-23E revenue/operating profit (OP) CAGR of 15.3/19.5%, which we expect would be driven by a resurgence in flows and improved performance of nascent businesses i.e., payments, AIF, and insurance. We maintain our ADD rating on the stock with a DCF-based target price of INR 1,751. The stock is currently trading at FY22E/23E EV/NOPLAT of 39.8/34.1 and P/E of 39.1/33.3x. Equity market declines impacting AAUMs, high client concentration impacting pricing power and any major IT system disruptions remain key risks.

- **3QFY21 highlights:** CAMS printed revenues at INR 1,860mn (+5.6/8.7% YoY/QoQ), 3.6% ahead of estimates. Higher staff and operating expenses meant that the core operating profit beat estimates by only 0.7% coming in at INR 692mn (+27.5/13.4% YoY/QoQ). Higher-than-estimated treasury income of INR 64mn (-5.0/26.1% YoY/QoQ) drove APAT to INR 564mn (+22.0/15.3% YoY/QoQ).
- CAMS' MF 9MFY21 AAUM market share rose 170bps to 70.4% resulting in MF AAUM at INR 20.8trn. MF asset-based revenue grew 11.0/8.3% YoY/QoQ as share of equity declined in overall mix, which was partly compensated by higher flows in debt. Non-asset-based revenues grew 14.5/20.4% YoY/QoQ as transaction revenue picked up. Paper-based transactions have dropped to 15% in 3Q, management expects it to grow to ~20-25%, which should aid yields. Non-MF based revenue declined 31.3/4.2% YoY/QoQ as a result of (1) drop in ECS processing mandates and lower Insurance revenues, and (2) winding down of banking/NBFC outsourcing business.
- **Outlook:** Over FY21-23E, we expect a gradual recovery in assets and earnings. For FY21E, we expect revenue/NOPLAT to grow by 1.3/12.6% YoY.

Financial Summary

(Rs bn)	3Q FY21	3Q FY20	YoY (%)	2Q FY21	QoQ (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenues	1.9	1.8	5.6	1.7	8.7	6.9	7.0	7.1	8.4	9.4
Operating profits	0.7	0.5	27.5	0.6	13.4	2.0	2.3	2.5	3.0	3.5
OP margin (%)	37.2	30.8	638bps	35.7	156bps	29.0	32.7	34.7	36.2	37.3
NOPLAT	0.5	0.4	25.6	0.5	14.3	1.3	1.6	1.8	2.3	2.6
APAT	0.6	0.5	22.0	0.5	15.3	1.4	1.8	2.1	2.4	2.8
EV/NOPLAT (x)						69.8	56.2	50.5	39.8	34.1
P/E (x)						66.2	53.3	45.9	39.1	33.3
ROIC (%)						71.2	92.1	93.3	110.8	127.1

Source: Company, HSIE Research

Change in estimates

(Rs bn)	FY21E			FY22E			FY23E		
	Revised	Old	Change (%)	Revised	Old	Change (%)	Revised	Old	Change (%)
Revenues	7.1	6.9	3.1	8.4	7.8	8.3	9.4	8.7	8.5
OP	2.5	2.3	7.2	3.0	2.8	6.9	3.5	3.4	4.5
OP margin (%)	34.7	33.4	130bps	36.2	36.6	-48bps	37.3	38.8	-145bps
NOPLAT	1.8	1.7	7.2	2.3	2.1	6.9	2.6	2.5	4.5
APAT	2.1	1.9	7.2	2.4	2.3	6.1	2.8	2.7	4.5
RoE (%)	41.4	32.6	882bps	48.2	32.9	1539bps	46.7	33.1	1361bps

Source: Company, HSIE Research

ADD

CMP (as on 12 Feb 2021)	Rs 1,930
Target Price	Rs 1,751
NIFTY	15,163

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	Rs 1,680	Rs 1,751
EPS %	FY21E 7.2%	FY22E 6.1%

KEY STOCK DATA

Bloomberg code	CAMS IN
No. of Shares (mn)	49
MCap (Rs bn) / (\$ mn)	94/1,294
6m avg traded value (Rs mn)	-
52 Week high / low	Rs 2,025/1,260

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	47.9	-	-
Relative (%)	29.0	-	-

SHAREHOLDING PATTERN (%)

	Sep-20	Dec-20
Promoters	31.0	31.0
FIs & Local MFs	32.2	32.3
FPIs	8.7	22.1
Public & Others	28.2	14.6
Pledged Shares	Nil	Nil

Source : BSE

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Dilip Buildcon

Marginal beat, monetisation awaited

Dilip Buildcon (DBL) reported in-line revenue at Rs 24.7bn (5%/28% YoY/QoQ). However, APAT beat stood at 11% owing to better-than-expected EBITDA margin. DBL has won orders worth Rs 158bn in FY21 till now, taking the order book to Rs 261bn (~3x FY20 revenue). While NWC days increased marginally from 101 days to 104 days in 3QFY21, net debt remained stable at Rs 34bn. The company unveiled its 5-year strategy to achieve 15-20% top-line growth by focusing on diversification and churning the capital by monetising the assets. We maintain BUY on DBL, with a target price of Rs 640/sh, given its (1) diversified and robust order book of Rs 256bn and (2) continued focus on asset recycling. We have valued the EPC business at 10x Dec-22E EPS and HAM at 1x P/BV.

- **APAT beat driven by margin outperformance:** DBL reported revenue at Rs 24.7bn, in line with our estimate. EBITDA/APAT came in at Rs 4.1/1.1bn, 5/11% ahead of our estimate, on better-than-expected margin (16.5% vs 15.8% estimate). Margins are expected to remain in the 16-17% range despite the increase in commodity prices due to built-in price escalation clause. DBL has guided for flattish revenue growth for 4QFY21 and 15-20% for FY22E.
- **Strong order booking led by non-roads sector; diversification achieved:** DBL won new orders worth Rs 158bn FYTD21 across road, irrigation and tunnel segments and expects to win additional orders of Rs 50-70bn with likely FY21E order backlog of Rs 280-300bn. The company has already bid for tenders worth Rs 200bn, while the bid pipeline is at Rs 1tn till Mar-21. It has successfully diversified its order book over the past few years as roads contribute only 44% in outstanding work, compared to 87% at FY18-end. With closing order book at Rs 256bn, DBL has three-year revenue visibility.
- **Monetisation of the assets at the final stage:** Net debt remained stable at Rs 34bn with net D/E at 0.9x. DBL expects to bring down net D/E to 0.3x in the next three years with ~Rs 20bn proceeds from monetisation of the HAM assets. The deal for monetisation of the 7 HAM assets is in advance stages and is expected to be closed soon. DBL generated positive cash flow of Rs 1.4bn during the quarter.

Quarterly/Annual Financial summary

YE March (Rs mn)	3QFY21	3QFY20	YoY (%)	2QFY21	QoQ (%)	FY20	FY21E	FY22E	FY23E
Net Sales	24,667	23,480	5.1	19,252	28.1	88,556	89,794	105,445	120,735
EBITDA	4,069	3,871	5.1	3,060	33.0	14,438	14,102	16,844	19,348
APAT	1,111	1,230	(9.7)	473	135.0	4,160	3,069	5,416	7,211
Diluted EPS (Rs)	8.1	9.0	(9.7)	3.5	135.0	30.4	22.4	39.6	52.7
P/E (x)						17.2	23.3	13.2	9.9
EV / EBITDA (x)						7.0	7.4	1.9	1.5
RoE (%)						12.2	8.2	13.0	15.2

Estimate change summary

DBL (Rs mn)	FY21E			FY22E			FY23E		
	New	Old	% Chg.	New	Old	% Chg.	New	Old	% Chg.
Revenues	89,794	89,794	-	105,445	105,445	-	120,735	120,735	-
EBITDA	14,102	13,903	1.4	16,844	16,844	-	19,348	19,348	-
Margins (%)	15.7	15.5	22	16.0	16.0	-	16.0	16.0	-
APAT	3,069	3,111	(1.3)	5,416	5,416	-	7,211	7,211	-
AEPS	22.4	22.7	(1.3)	39.6	39.6	-	52.7	52.7	-

Source: Company, HSIE Research, Standalone financials

BUY

CMP (as on 12 Feb 2021)	Rs 523
Target Price	Rs 640
NIFTY	15,163

KEY CHANGES	OLD	NEW	
Rating	BUY	BUY	
Price Target	Rs 640	Rs 640	
EPS %	FY21E (1.3)	FY22E -	FY23E -

KEY STOCK DATA

Bloomberg code	DBL IN
No. of Shares (mn)	137
MCap (Rs bn) / (\$ mn)	72/984
6m avg traded value (Rs mn)	120
52 Week high / low	Rs 547/190

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	48.2	52.2	37.1
Relative (%)	29.3	17.9	13.1

SHAREHOLDING PATTERN (%)

	Sep -20	Dec-20
Promoters	75.00	75.00
FIs & Local MFs	7.17	7.14
FPIs	8.83	8.84
Public & Others	9.00	9.02
Pledged Shares	18.92	18.92

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
Parikshit Kandpal	Siemens, Phoenix Mills, Prestige Estates Projects, Dilip Buildcon	CFA	NO
Rohan Rustagi	Siemens, Phoenix Mills, Prestige Estates Projects, Dilip Buildcon	MBA	NO
Chintan Parikh	Siemens, Phoenix Mills, Prestige Estates Projects, Dilip Buildcon	MBA	NO
Madhukar Ladha	GIC Reinsurance, Computer Age Management Services	CFA	NO
Krishnan ASV	GIC Reinsurance, Computer Age Management Services	PGDM	NO
Sahej Mittal	GIC Reinsurance, Computer Age Management Services	ACA	NO

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