

# HSIE Results Daily

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### Results Reviews

- **Asian Paints:** APNT delivered a strong surprise in 3QFY21 with top-line growth of 25% YoY. Growth was all-round. Domestic decorative business clocked 33/26% volume/value growth underpinned by (1) Strong pent-up + festive/marriage demand, (2) pick-up in Metros and Tier 1/2 cities (double-digit volume growth). Projects and large institutional business performed well too. EBITDAM expanded 440bp to 26.3% courtesy high GMs and strong cost control. While the rebound in demand has certainly surprised us, normalisation trend is unlikely to change in a category like Paints. We marginally revise our FY22/23 EPS estimates upwards (~3% resp), consequently, our DCF-based TP stands revised to Rs. 2,300/sh (earlier TP: Rs. 2,250/sh) implying 56x FY23 P/E. Maintain Sell.
- **Havells India:** Havells posted a stellar revenue/EBITDA growth of 40/89% YoY, beating our as well as the street's expectations. Such performances in adverse phase reiterate Havells' superior execution and strong business model. Company capitalised improving consumer sentiments (with ease in lockdown), festive demand, pre-buying, market share gains and distribution expansion. Broad based growth was heartening and gives confidence on improving underlying demand. Lloyd recovery (65% growth in the last 2 quarters) was also driven by several initiatives (pricing, product, distribution and confidence boost to trade partners) taken in the last 12 months. Commodity inflation is kicking in and leading into pricing action. With supply constraints, share gain, and oplev, we do not foresee impact on operating margin. We increase EPS by 21/15/9% for FY21/22/23. We value Havells at 50x P/E on Mar-23E EPS to derive a target price of Rs 1,150. We believe rich valuation will sustain owing to non-linear growth and several growth drivers (PLI also on cards). Maintain ADD.
- **Bandhan Bank:** BANDHAN's 3QFY21E PAT disappointed on account of higher-than-anticipated provisions as it sought to insulate the balance sheet from stress emanating from its Assam portfolio. We will continue to closely track progress on this front, and we have reduced our earnings estimates to account for this. Low-cost deposit traction remains impressive in its granularity- this along with BANDHAN's strong RoAE potential underpin our stance. Maintain BUY with a target price of Rs 406.
- **Cyient:** We maintain ADD on Cyient, based on improving growth outlook in the services business and strong margin recovery in DLM. The services segment (~82% of revenue) was up 0.3% QoQ CC, led by ENU (+13.9% QoQ) and Communication (+5.2% QoQ), offset by A&D (-5.7% QoQ) and Transportation (-2.5% QoQ). The aerospace vertical (27% of rev) has been under stress due to the pandemic and gradual recovery is expected in FY22E. The focus is on growing services business by winning large deals (won 5 deals with TCV of USD 106mn) and mining Top-30 clients. The growth outlook for Transportation, Medical, and Communication are positive while A&D will stabilise in 4QFY21. Services margin contracted only 90bps QoQ despite wage hike and furlough impact, offset by offshoring benefit and lower sub-con. DLM (+24.9% QoQ) is driving growth and reported a margin of 10.5% (+597bps QoQ), which is sustainable. The FCF generation is strong (FCF/EBITDA at 113%), led by higher collections and net cash stands at Rs 7.7bn (~18% of Mcap). Based on better margin performance, we increase our EPS estimate by +2.7/6.7% for FY22/23E. Our target price stands at Rs 600, based on 14x Dec-22E EPS, ~8% premium to 5Y average 1Y-fwd P/E multiple. The stock trades at 15.5/13.5x FY21/22E, a discount of ~50% to LTTS.

HSIE Research Team

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- **Shoppers Stop:** STOP (while recovering) continues to be among the worst hit within our apparel universe, given its pre-dominant mall-based presence (~87% of stores). Topline recovery at ~71% was marginally better than expected (HSIE: 70%). Gross margin still remains lower than 3QFY20; improving sequentially though (GAAP: 38.6% vs HSIE: 37.5%). However, cost savings were lower than expected (Post IND-AS 116 Cost of retailing stood at 25.2% vs HSIE: 21%) as mean reversion in rental concessions and employee expenses outpaced topline recovery. We continue to remain circumspect on the longevity of the business as cost arbitrage between pure-play department stores and online platforms continues to shrink with each passing year. Maintain FY22/23 EPS estimates and SELL recommendation with an unchanged DCF-based TP of Rs. 175/sh.

# Asian Paints

## Bolt out of the blue

APNT delivered a strong surprise in 3QFY21 with top-line growth of 25% YoY. Growth was all-round. Domestic decorative business clocked 33/26% volume/value growth underpinned by (1) Strong pent-up + festive/marriage demand, (2) pick-up in Metros and Tier 1/2 cities (double-digit volume growth). Projects and large institutional business performed well too. EBITDAM expanded 440bp to 26.3% courtesy high GMs and strong cost control. While the rebound in demand has certainly surprised us, normalisation trend is unlikely to change in a category like Paints. We marginally revise our FY22/23 EPS estimates upwards (~3% resp), consequently, our DCF-based TP stands revised to Rs. 2,300/sh (earlier TP: Rs. 2,250/sh) implying 56x FY23 P/E. Maintain Sell.

**3QFY21 highlights:** Revenue grew 25% YoY to Rs. 67.9bn (HSIE: Rs. 61.9bn) as all business vectors fired. Decorative volume/value grew 33/26% YoY underpinned by (1) pent-up demand from 1H and festive/marriage demand, (2) pick-up in Metros and Tier 1/2 cities. Projects and large institutional business performed well too. GMs expanded 207bp to 45.1% (in-line), aided by benign RM prices and better sourcing efficiency. Note: RM prices are likely to inch up in 4Q post their recent December spike. EBITDA grew 50% YoY to Rs. 17.8bn (HSIE: Rs. 15.4bn). EBITDAM expanded 440bp YoY to 26.3% (HSIE: 24.8%) as GM savings trickled down and management continued to keep a tight leash on operating costs. International revenue grew 22.4/1.3% YoY to Rs. 7/17.56bn in 3Q/9MFY21 and PBT grew 171/46% YoY to Rs. 740/1,470mn respectively in 3Q/9M. Industrial Paints too pivoted to growth (double-digit volume growth).

- Outlook:** While the demand rebound has certainly surprised us (courtesy pent-up demand timing), the normalisation trend is unlikely to change in a category like Paints. We marginally revise our FY22/23 EPS estimates upwards (~3% resp), and consequently, our DCF-based TP stands revised to Rs. 2,300/sh (earlier TP: Rs. 2,250/sh), implying 56x FY23 P/E. Maintain SELL.

### Quarterly financial summary

(Rs mn)	3QFY21	2QFY20	YoY (%)	1QFY21	QoQ (%)	FY19	FY20	FY21E	FY22E	FY23E
Net Revenue	67,885	54,203	25.2	53,502	26.9	193,415	202,113	205,014	244,027	273,559
EBITDA	17,879	11,894	50.3	12,652	41.3	35,245	41,618	45,316	51,997	57,681
APAT	12,654	7,797	62.3	8,519	48.5	21,595	27,101	28,879	34,113	39,154
EPS (Rs)	13.2	8.1	62.3	8.88	48.5	22.5	28.3	30.1	35.6	40.8
P/E (x)						120.1	95.7	89.8	76.0	66.3
EV/EBITDA (x)						73.7	62.2	56.9	49.2	44.1
Core RoCE(%)						25.2	27.7	27.2	31.4	35.9

Source: Company, HSIE Research, Standalone Financials

### Change in estimates

(Rs mn)	FY21E			FY22E			FY23E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	205,014	198,690	3.2	244,027	236,490	3.2	273,559	265,118	3.2
Gross Profit	91,129	88,166	3.4	105,856	102,802	3.0	118,004	114,606	3.0
Gross Profit Margin (%)	44.5	44.4	8 bps	43.4	43.5	(9 bps)	43.1	43.2	(9 bps)
EBITDA	45,316	42,922	5.6	51,997	50,369	3.2	57,681	55,880	3.2
EBITDA margin (%)	22.1	21.6	50 bps	21.3	21.3	1 bps	21.1	21.1	1 bps
APAT	28,879	27,222	6.1	34,113	33,143	2.9	39,154	38,063	2.9
APAT margin (%)	14.1	13.7	39 bps	14.0	14.0	(4 bps)	14.3	14.4	(4 bps)
EPS (Rs)	30.1	28.4	6.1	35.6	34.6	2.9	40.8	39.7	2.9

Source: Company, HSIE Research

**SELL**

CMP (as on 21 Jan 2021)	Rs 2,716
Target Price	Rs 2,300
NIFTY	14,590

KEY CHANGES	OLD	NEW
Rating	SELL	SELL
Price Target	Rs 2,250	Rs 2,300
EPS %	FY22E	FY23E
	+2.9	+2.9

### KEY STOCK DATA

Bloomberg code	APNT IN
No. of Shares (mn)	959
MCap (Rs bn) / (\$ mn)	2,606/35,693
6m avg traded value (Rs mn)	5,447
52 Week high / low	Rs 2,873/1,431

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	29.4	60.2	52.7
Relative (%)	7.4	29.4	32.6

### SHAREHOLDING PATTERN (%)

	Sep-20	Sep-20
Promoters	52.79	52.79
FIs & Local MFs	3.23	2.79
FPIs	19.84	21.13
Public & Others	24.14	23.29
Pledged Shares	6.26	5.63

Source : BSE

Pledged shares as % of total shares

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# Havells India

## Beat across the board; justifying rich valuation

Havells posted a stellar revenue/EBITDA growth of 40/89% YoY, beating our as well as the street's expectations. Such performances in adverse phase reiterate Havells' superior execution and strong business model. Company capitalised improving consumer sentiments (with ease in lockdown), festive demand, pre-buying, market share gains and distribution expansion. Broad based growth was heartening and gives confidence on improving underlying demand. Lloyd recovery (65% growth in the last 2 quarters) was also driven by several initiatives (pricing, product, distribution and confidence boost to trade partners) taken in the last 12 months. Commodity inflation is kicking in and leading into pricing action. With supply constraints, share gain, and opelev, we do not foresee impact on operating margin. We increase EPS by 21/15/9% for FY21/22/23. We value Havells at 50x P/E on Mar-23E EPS to derive a target price of Rs 1,150. We believe rich valuation will sustain owing to non-linear growth and several growth drivers (PLI also on cards). Maintain ADD.

- Robust growth across segments:** Revenue grew by 39% YoY (HSIE 18%). Switchgears/Cables/Lighting/ECD/Others grew by 32/27/28/46/28% YoY. Consumer and Residential portfolio registered ~40% growth whereas Industrial and Infra grew mid-teens. Lloyd sustained its momentum with a robust 70% YoY growth (-16% in 3QFY20 and +56% in 2QFY21). Festive demand was encouraging and supported growth along with distribution expansion and supply chain constraints for marginal players. Havells saw market share gains, led by supply chain disruptions for marginal players.
- EBITDA margin expansion continues:** Contribution margin was flat at 23.6% due to commodity inflation. Employee/Other expenses grew by 7/24% YoY while ASP fell by 34% YoY despite sharp cut in 1HFY21. EBITDA margin expanded by 420bps YoY to 16% (+15bps in 3QFY20 and +662bps in 2QFY21). EBITDA grew by 89% YoY (HSIE +45%). EBIT margin was up by 495/57/554/358/1,030 bps YoY for Switchgears/Cables/Lighting/ECD/Lloyd to 31/11/23/18/6%. PAT grew by robust 75% to Rs 3.5bn.
- Concall takeaways:** (1) Rural revenue clocked >100% YoY growth; (2) rural and e-comm revenue mix stood at 12%; (3) copper related products like wires saw 15% price hike in 3QFY21; (4) all ECD categories could see double digit price hike if inflation sustains; (5) operating margin will be healthy.

### Quarterly/Annual Financial summary

YE Mar (Rs mn)	3Q FY21	3Q FY20	YoY (%)	2Q FY21	QoQ (%)	FY20	FY21E	FY22E	FY23E
Net Sales	31,659	22,699	39.5	24,518	29.1	94,292	1,03,775	1,29,319	1,45,123
EBITDA	5,081	2,690	88.9	4,207	20.8	10,274	15,269	17,828	20,207
APAT	3,491	1,995	75.0	3,249	7.5	7,330	10,415	12,219	14,238
Diluted EPS (Rs)	5.6	3.2	75.0	5.2	7.5	11.7	16.6	19.5	22.8
P/E (x)						96.5	67.9	57.9	49.7
EV / EBITDA (x)						67.8	45.2	38.2	33.3
RoCE (%)						21.2	29.1	33.2	37.3

### Change in Estimates

(Rs mn)	FY21E			FY22E			FY23E		
	New	Old	Chg (%)	New	Old	Chg (%)	New	Old	Chg (%)
Sales	1,03,775	95,352	8.8	1,29,319	1,18,912	8.8	1,45,123	1,33,449	8.7
EBITDA	15,269	12,811	19.2	17,828	15,981	11.6	20,207	18,777	7.6
PAT	10,415	8,602	21.1	12,219	10,646	14.8	14,238	13,012	9.4
EPS	16.6	13.7	21.1	19.5	17.0	14.8	22.8	20.8	9.4

Source: HSIE Research

## ADD

CMP (as on 21 Jan 2021)	Rs 1,131
Target Price	Rs 1,150
NIFTY	14,590

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	Rs 1,040	Rs 1,150
EPS %	FY22E 15%	FY23E 9%

### KEY STOCK DATA

Bloomberg code	HAVL IN
No. of Shares (mn)	626
MCap (Rs bn) / (\$ mn)	709/9,707
6m avg traded value (Rs mn)	1,971
52 Week high / low	Rs 1,148/447

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	56.4	93.6	88.5
Relative (%)	34.5	62.8	68.4

### SHAREHOLDING PATTERN (%)

	Sep-20	Dec-20
Promoters	59.50	59.50
FIs & Local MFs	9.86	8.36
FPIs	22.22	24.36
Public & Others	8.42	7.78
Pledged Shares	0.05	0.05

Source : BSE

Pledged shares as % of total shares

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# Bandhan Bank

## Prudently cushioning for potential event risk

BANDHAN's 3QFY21E PAT disappointed on account of higher-than-anticipated provisions as it sought to insulate the balance sheet from stress emanating from its Assam portfolio. We will continue to closely track progress on this front, and we have reduced our earnings estimates to account for this. Low-cost deposit traction remains impressive in its granularity- this along with BANDHAN's strong RoAE potential underpin our stance. Maintain BUY with a target price of Rs 406.

- Worrisome trends surface:** While EEB (micro-credit) collection efficiencies (CE) remained stable until December at ~92%, they have deteriorated significantly since. This trend has been led by BANDHAN's Assam portfolio, in the case of which, below average CE (88% in December) plummeted to 78% in the first fortnight of January. Pro forma NPAs jumped to ~7.2%, however, in this calculation, the bank appears to have included part payment cases. Unsurprisingly, ~95% of the incremental stress is emanating from the bank's Assam portfolio. BANDHAN's prospects are now, more than ever, hinged upon its eastern/ north-eastern portfolio. We have raised our FY21E GNPA estimates to 5.8%.
- Prudent provisioning build-up for potential event risk:** BANDHAN stepped up the balance sheet insulation process, in anticipation of stress, building an additional ~Rs 10bn of provisions. This takes aggregate stock of COVID-19 related provisions to Rs 31.2bn (~4.1% of total advances). Further, pro forma net NPAs stood at ~2.4%. The management raised its credit cost guidance to ~4.5% for FY21E. We conservatively build in ~5% (vs. 3.2% earlier) and we have raised our cumulative credit costs over FY22-23E by 106bps to 2.1% ann..
- Individual loans lead EEB growth:** The EEB segment continued to see strong growth at 32.3/6.6% and constitutes 66.1% of overall AUMs. Growth within this space, in turn, was led by a ~8x growth in individual loans, which now form ~10% of overall EEB loans.

### Financial summary

(Rs mn)	3Q FY21	3Q FY20	YoY (%)	2Q FY21	QoQ (%)	FY20	FY21E	FY22E	FY23E
NII	20,717	15,402	34.5%	19,231	7.7%	63,239	75,669	90,402	1,07,713
PPOP	19,141	12,638	51.5%	16,275	17.6%	54,466	66,550	77,630	90,510
PAT	6,326	7,309	-13.5%	9,200	-31.2%	30,237	21,296	39,153	52,615
EPS (Rs)	3.9	4.5	-13.5%	5.7	-31.2%	18.8	13.2	24.3	32.7
ROAE (%)						22.9	13.1	20.4	22.5
ROAA (%)						4.08	2.14	3.32	3.73
ABVPS (Rs)						91.9	101.0	122.9	150.7
P/ABV (x)						3.71	3.38	2.77	2.26
P/E (x)						18.2	25.8	14.0	10.4

### Changes in estimates

Rs bn	FY21E			FY22E			FY23E		
	Old	New	Chg	Old	New	Chg	Old	New	Chg
Loan	836	840	0.5%	995	1,014	1.9%	1,239	1,246	0.5%
NIM (%)	7.9	8.0	12 bps	7.9	7.9	4 bps	8.1	7.9	-25 bps
NII	73.7	75.7	2.6%	87.8	90.4	3.0%	108.5	107.7	-0.7%
PPOP	62.9	66.5	5.7%	74.2	77.6	4.6%	90.3	90.5	0.3%
PAT	28.6	21.3	-25.6%	42.2	39.2	-7.1%	55.7	52.6	-5.6%
ABVPS (Rs)	106.4	101.0	-5.1%	128.4	122.9	-4.2%	159.1	150.7	-5.3%

Source: Bank, HSIE Research

## BUY

CMP (as on 21 Jan 2021)	Rs 341
Target Price	Rs 406
NIFTY	14,590

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 443	Rs 406
	FY21E	FY22E
EPS %	-25.6%	-7.1%

### KEY STOCK DATA

Bloomberg code	BANDHAN IN
No. of Shares (mn)	1,610
MCap (Rs bn) / (\$ mn)	549/7,516
6m avg traded value (Rs mn)	5,566
52 Week high / low	Rs 488/152

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	9.8	(0.9)	(28.3)
Relative (%)	(12.1)	(31.8)	(48.4)

### SHAREHOLDING PATTERN (%)

	Sept-20	Dec-20
Promoters	40.0	40.0
FIs & Local MFs	20.1	16.4
FPIs	32.2	35.2
Public & Others	7.7	8.4
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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# Cyient

## Gradual acceleration

We maintain ADD on Cyient, based on improving growth outlook in the services business and strong margin recovery in DLM. The services segment (~82% of revenue) was up 0.3% QoQ CC, led by ENU (+13.9% QoQ) and Communication (+5.2% QoQ), offset by A&D (-5.7% QoQ) and Transportation (-2.5% QoQ). The aerospace vertical (27% of rev) has been under stress due to the pandemic and gradual recovery is expected in FY22E. The focus is on growing services business by winning large deals (won 5 deals with TCV of USD 106mn) and mining Top-30 clients. The growth outlook for Transportation, Medical, and Communication are positive while A&D will stabilise in 4QFY21. Services margin contracted only 90bps QoQ despite wage hike and furlough impact, offset by offshoring benefit and lower sub-con. DLM (+24.9% QoQ) is driving growth and reported a margin of 10.5% (+597bps QoQ), which is sustainable. The FCF generation is strong (FCF/EBITDA at 113%), led by higher collections and net cash stands at Rs 7.7bn (~18% of Mcap). Based on better margin performance, we increase our EPS estimate by +2.7/6.7% for FY22/23E. Our target price stands at Rs 600, based on 14x Dec-22E EPS, ~8% premium to 5Y average 1Y-fwd P/E multiple. The stock trades at 15.5/13.5x FY21/22E, a discount of ~50% to LTTS.

- 3QFY21 highlights:** (1) USD revenue grew 4.7% QoQ vs. expectation of 2.0% QoQ. (2) Services EBIT margin declined 90 bps QoQ to 11.3% (estimate 9.5%) due to wage hike (-150 bps), furlough (-90 bps) offset by cost optimization (+150 bps). (3) DLM margin was at 10.5% vs. 0.3% YoY. (4) Management indicated a recovery in deal activity and growth in DLM to continue.
- Outlook:** We have factored in -11.7/+9.2% USD revenue growth for FY21/22E respectively; FY21E implies -16.6/+24.6% growth in Services /DLM. EBIT margin in 4Q will be better than 3Q. We have factored in 9.8/10.8% EBIT margin for FY21/22E resulting in EPS CAGR of 9.4% over FY20-23E.

### Quarterly Financial summary

YE March (Rs bn)	3Q FY21	3Q FY20	YoY (%)	2Q FY21	QoQ (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue (USD Mn)	141	155	-8.9	135	4.7	660	625	552	603	674
Net Sales	10.44	11.06	-5.6	10.03	4.1	46.18	44.27	41.12	45.52	51.87
EBIT	1.16	1.06	9.6	1.11	5.3	5.33	4.08	4.03	4.93	6.10
APAT	0.95	1.08	-11.9	0.84	13.5	4.90	3.73	3.60	4.13	4.88
Diluted EPS (Rs)	8.7	9.8	-11.9	7.6	13.5	44.4	33.9	32.7	37.6	44.4
P/E (x)						11.4	15.0	15.5	13.5	11.4
EV / EBITDA (x)						7.7	8.5	8.1	6.7	5.4
RoE (%)						20.0	14.5	13.6	14.8	16.4

Source: Company, HSIE Research, Consolidated Financials

### Change in Estimates

YE March (Rs Bn)	FY21E Old	FY21E Revised	Change %	FY22E Old	FY22E Revised	Change %	FY23E Old	FY23E Revised	Change %
Revenue (USD mn)	546	552	1.2	596	603	1.1	656	674	2.6
Revenue	40.60	41.12	1.3	45.04	45.52	1.1	50.54	51.87	2.6
EBIT	3.74	4.03	7.7	4.77	4.93	3.3	5.85	6.10	4.4
EBIT margin (%)	9.2	9.8	59bps	10.6	10.8	24bps	11.6	11.8	20bps
APAT	3.26	3.60	10.3	4.02	4.13	2.7	4.57	4.88	6.7
EPS (Rs)	29.7	32.7	10.3	36.6	37.6	2.7	41.6	44.4	6.7

Source: Company, HSIE Research

## ADD

CMP (as on 21 Jan 2021)	Rs 508
Target Price	Rs 600
NIFTY	14,590

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	Rs 565	Rs 600
	FY21E	FY22E
EPS %	+10.3	+2.7

### KEY STOCK DATA

Bloomberg code	CYL IN
No. of Shares (mn)	110
MCap (Rs bn) / (\$ mn)	56/765
6m avg traded value (Rs mn)	267
52 Week high / low	Rs 563/184

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	19.2	70.5	4.8
Relative (%)	(2.7)	39.7	(15.3)

### SHAREHOLDING PATTERN (%)

	Sep-20	Dec-20
Promoters	23.48	23.48
FIs & Local MFs	22.11	21.31
FPIs	34.38	35.70
Public & Others	20.03	19.51
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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# Shoppers Stop

## Still not out of the woods!

STOP (while recovering) continues to be among the worst hit within our apparel universe, given its pre-dominant mall-based presence (~87% of stores). Topline recovery at ~71% was marginally better than expected (HSIE: 70%). Gross margin still remains lower than 3QFY20; improving sequentially though (GAAP: 38.6% vs HSIE: 37.5%). However, cost savings were lower than expected (Post IND-AS 116 Cost of retailing stood at 25.2% vs HSIE: 21%) as mean reversion in rental concessions and employee expenses outpaced topline recovery. We continue to remain circumspect on the longevity of the business as cost arbitrage between pure-play department stores and online platforms continues to shrink with each passing year. Maintain FY22/23 EPS estimates and SELL recommendation with an unchanged DCF-based TP of Rs. 175/sh.

- 3QFY21 highlights:** Revenue declined 29% to Rs. 7.07bn (HSIE: Rs.6.96bn) as footfalls continued to recover from the wrath of COVID-19 (now 50% of 3QFY20). E-Comm initiatives continue to track well. (Up 3x YoY). GM (GAAP/Non-GAAP) declined to 404/120bp YoY to 38.6/32% (underpinnings: ~Rs 30mn inventory provision and higher discount on Private label). Reported EBITDA declined by 52% YoY to Rs 949 mn due to (1) GM contraction and higher-than-expected mean-reversion of rental concessions and employee expenses. Net losses stood at -Rs. 207mn (HSIE: -Rs. 34mn). Management intends to commence expansion plans by 2HFY22. The recent Rs. 3bn rights issue is likely to come in handy.
- Outlook:** Company remains debt-free (post the Rs. 3bn rights issue). We continue to remain circumspect on the longevity of the format (pure-play department stores) as their cost arbitrage vis-à-vis online platforms continues to shrink rapidly. This makes the former less competitive with time. Hence, we maintain our SELL recommendation on the stock with unchanged FY22/23 EPS estimates and DCF-based TP of Rs. 175/sh (implying 10x FY23 EV/EBITDA).

### Quarterly financial summary

(Rs mn)	3QFY21	3QFY20	YoY (%)	2QFY21	QoQ (%)	FY19	FY20E	FY21E	FY22E	FY23E
Net Revenue	7,076	9,941	(28.8)	2,924	142.0	34,813	33,810	16,743	29,411	32,490
Adj EBITDA	949	1,975	(51.9)	(347)	(373.5)	2,533	1,807	(1,417)	1,496	1,978
APAT	(207)	(52)	296.7	(1,023)	(79.8)	788	(1,299)	(493)	(360)	(108)
EPS (Rs)	(1.89)	(0.59)	219.2	(11.62)	(83.7)	9.0	(14.8)	(5.6)	(4.1)	(1.2)
EV/EBITDA (x)						12.2	17.9	(23.0)	21.1	15.4
Core RoCE(%)						9.7	(63.5)	96.0	14.6	4.8

Source: Company, HSIE Research, Standalone Financials

### Change in estimates

(Rs mn)	FY21E			FY22E			FY23E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	16,743	16,743	-	29,411	29,411	-	32,490	32,490	-
Gross Profit	6,201	6,201	-	12,217	12,217	-	13,821	13,821	-
Gross Profit Margin (%)	37.0	37.0	-	41.5	41.5	-	42.5	42.5	-
EBITDA	(1,417)	(1,417)	-	1,496	1,496	-	1,978	1,978	-
EBITDA margin (%)	(8.5)	(8.5)	-	5.1	5.1	-	6.1	6.1	-
APAT	(493)	(493)	-	(360)	(360)	-	(108)	(108)	-
APAT margin (%)	(2.9)	(2.9)	-	(1.2)	(1.2)	-	(0.3)	(0.3)	-
EPS (Rs)	(5.6)	(5.6)	-	(4.1)	(4.1)	-	(1.2)	(1.2)	-

Source: Company, HSIE Research

## SELL

CMP (as on 21 Jan 2021)	Rs 204
Target Price	Rs 175
NIFTY	14,590

KEY CHANGES	OLD	NEW
Rating	SELL	SELL
Price Target	Rs 175	Rs 175
EPS %	FY22E	FY23E
	-	-

### KEY STOCK DATA

Bloomberg code	SHOP IN
No. of Shares (mn)	109
MCap (Rs bn) / (\$ mn)	22/306
6m avg traded value (Rs mn)	62
52 Week high / low	Rs 412/124

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	18.2	36.6	(47.9)
Relative (%)	(3.7)	5.7	(68.0)

### SHAREHOLDING PATTERN (%)

	Sep-20	Dec-20
Promoters	63.86	65.46
FIs & Local MFs	14.64	15.12
FPIs	6.58	5.58
Public & Others	14.92	13.84
Pledged Shares	8.04	6.47

Source : BSE

Pledged shares as % of total shares

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**Rating Criteria**

BUY: &gt;+15% return potential

ADD: +5% to +15% return potential

REDUCE: -10% to +5% return potential

SELL: &gt;10% Downside return potential

**Disclosure:**

Analyst	Company Covered	Qualification	Any holding in the stock
Jay Gandhi	Asian Paints, Shoppers Stop	MBA	NO
Naveen Trivedi	Havells India	MBA	NO
Aditya Sane	Havells India	CA	NO
Krishnan ASV	Bandhan Bank	PGDM	NO
Aakash Dattani	Bandhan Bank	ACA	NO
Punit Bahlani	Bandhan Bank	ACA	NO
Amit Chandra	Cyient	MBA	NO
Apurva Prasad	Cyient	MBA	NO
Vinesh Vala	Cyient	MBA	NO



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