INSTITUTIONAL RESEARCH

HSIE Results Daily

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Results Reviews

- **LIC Housing Finance:** LICHF's earnings were ahead of our estimates due to sustained healthy NIMs, partially offset by muted loan growth (+5% YoY) and high credit costs (60bps). LICHF's NIMs continued to surprise positively at 3% (-4bps QoQ) due to muted balance sheet growth; however, the lower incremental spreads amidst elevated competitive intensity, moderation in demand and rising cost of funds are likely to normalise margins near steady state during FY25. Loan growth remains tepid (+5% YoY) across segments due to organisational and tech changes as per management and remains a key concern. The focus on sustaining margins continues to take a toll on loan growth and remains a key monitorable, going ahead. We revise our FY24/FY25 earnings estimates upwards by 9%/4% to factor in higher NIMs, partially offset by lower loan growth and maintain REDUCE, with a revised RI-based TP of INR530 (implying 1x Sep-25 ABVPS).

- **BSE:** BSE delivered a strong revenue growth of 18% QoQ while the PAT was impacted by a higher SGF contribution of INR 0.92bn in the quarter. The growth was led by strong cash volumes and higher revenue from the derivative segment. There was only two months' impact of higher pricing for the SENSEX contract, while BANKEX is still offered at a steep discount. BSE derivatives have reached a notional/premium market share of ~16/5.4% in Dec-23. The go-live of large discount brokers and increase in active UCCs (~2mn vs ~5mn for NSE) is driving volume for BSE. We expect the derivative segment to be the prime revenue driver with a premium market share of ~3.8/9/13% in FY24/25/26E. The clearing cost was high but will gradually come down with scale. The higher SGF contribution in the quarter was for the currency segment, with a total SGF of INR 9.22bn. The SGF contribution depends on factors such as implied volatility, single-member peak exposure, duration of exposure etc; just higher volume does not require higher SGF. We expect SGF to reach INR 12.78bn and require a contribution of ~INR 2.7bn over the next two years. We expect a revenue/PAT CAGR of ~43/57% over FY23-26E led by options revenue. We increase our EPS estimates by ~6/10% for FY25/26E and assign a SoTP-based TP of INR 3,050, based on 40x core FY26E PAT + CDSL stake + net cash ex SGF. The stock is trading at a core P/E of 39/31x FY25/26E. Maintain BUY.

- **Century Plyboards India:** We downgrade our rating on Century Ply to ADD (from BUY) with a lower target price of INR 785/sh (35x its Mar'26E consolidated EPS). The company reported poor performance in Q3FY24. Revenue growth slowed to 6% YoY on weak offtake across plywood, MDF and particle board. Further, elevated competition in MDF, continued pain in particle board, elevated timber cost and higher branding and consulting expenses pulled down consolidated EBITDA/APAT by 18/23% YoY. The laminate segment witnessed a slight margin expansion QoQ, supported by gross margin expansion. Century's MDF and particle board expansions are progressing on track.

- **Mahindra Lifespaces:** Mahindra Lifespaces Developers Ltd (MLDL) reported in-line presales of INR 4.4bn (-1.8%/-2.6% YoY/QoQ). Volume stood at 0.53msf (-13.1%/-22.1% YoY/QoQ). As of 9MFY24, the total presales stood at INR 12.4bn (-14% YoY). This was on account of 74% of presales in 9MFY24 being sustenance sales compared to 23% in 9MFY23. The total sustenance

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sales was driven by new phase launches in Citadel and other projects. Chennai plotted project was new launch. We expect launch momentum to pick up for the rest of 4QFY24 with the new launch GDV planned at INR 35bn (vs. INR 18bn in FY23). MLDL has a 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 50-60bn, excluding INR 80bn worth of Thane land parcel, which will be a mixed development with 50% residential and 50% commercial projects. We maintain BUY on MLDL with an unchanged TP of INR 700/sh.

- **Greenlam Industries:** We maintain ADD on Greenlam Industries, with a lower target price of INR 575/share (33x its Mar'26E consolidated APAT). In Q3FY24, its revenue/EBITDA grew 12/30% YoY owing to better volume and improvement in gross margin. APAT declined 12% YoY owing to higher capital charges, lower other income and higher tax rates. It expects 15/20% revenue growth in FY24/25. The greenfield particle board plant (231K CBM) is delayed by two quarters to Q2FY25. We estimate the AP laminate expansions at Q2FY24-end and entry in new segments will drive a healthy 20% revenue CAGR during FY23-26E (laminates 14% CAGR). A huge capex should keep net debt to EBITDA elevated at more than 2x during FY24/25E.

- **HG Infra:** HG Infra (HG) reported an in-line quarter, with a beat on revenue/EBITDA/APAT by 3.1/3.7/6.3%. The OB as of Dec'23 stood at INR 96.3bn (~2.2x FY23 revenue). Its FY24 revenue guidance stands at INR 50-54bn (~20% YoY) with an EBITDA margin of ~16%. On the order inflow front, we expect INR 50-60bn, given a truncated ordering period owing to elections and weaker-than-expected NHAI ordering. Equity infusion guidance for Q4FY24/FY25/26 stands at INR 0.7/4.6/2bn. The standalone gross/net debt, as of Dec'23 stood at INR 4.7/3.3bn vs. INR 6/4.8bn, as of Sep'23. We have marginally increased our EPS estimates to reflect better EBITDA margins. Given robust OB, likely pick-up in project execution and a healthy balance sheet, we maintain BUY on HG, with an increased TP of INR 1,338 (14x Dec-25E EPS).

- **Sudarshan Chemical:** We maintain REDUCE on Sudarshan Chemical (SCIL), with a price target of INR 487 (WACC 11%, terminal growth 3.5%). SCIL has product offerings like those of the global players but it has been unable to gain market share after the exit of the global majors. The stock is trading at 24x FY25E EPS, which we believe is contextually high (RoE of 11/18% for FY24/FY25E). Q3 EBITDA/APAT was 21/56% below our estimate, owing to lower-than-expected total revenue.

- **Stylam Industries:** We maintain our BUY rating with an unchanged target price of INR 2,550/sh (22x its Mar'26E consolidated EPS). In Q3FY24, Stylam's revenue declined 8/8% QoQ/YoY owing to weak demand. EBITDAM improved 200bps QoQ to an all-time high of 22.3% on continued gross margin expansion (recovered QoQ for the seventh consecutive quarter). Thus, EBITDA/APAT rose 21/30% YoY. Stylam's ongoing laminate debottlenecking is completed, and the brownfield expansion is expected by Q3FY25. Both of these expansions will double the company's laminate revenue potential. It expects to maintain its gross and EBITDA margin. We like Stylam for its industry-leading growth and EBITDA margin, healthy balance sheet, and return ratio profile.

LIC Housing Finance

Growth continues to take a back seat

LICHF's earnings were ahead of our estimates due to sustained healthy NIMs, partially offset by muted loan growth (+5% YoY) and high credit costs (60bps). LICHF's NIMs continued to surprise positively at 3% (-4bps QoQ) due to muted balance sheet growth; however, the lower incremental spreads amidst elevated competitive intensity, moderation in demand and rising cost of funds are likely to normalise margins near steady state during FY25. Loan growth remains tepid (+5% YoY) across segments due to organisational and tech changes as per management and remains a key concern. The focus on sustaining margins continues to take a toll on loan growth and remains a key monitorable, going ahead. We revise our FY24/FY25 earnings estimates upwards by 9%/4% to factor in higher NIMs, partially offset by lower loan growth and maintain REDUCE, with a revised RI-based TP of INR530 (implying 1x Sep-25 ABVPS).

- **Robust NIMs; expect moderation ahead:** LICHF reported a strong NIM of 3% (-4bps QoQ) despite the rising cost of funds and elevated competitive intensity. Sustained healthy NIMs of ~3% have been largely driven by back-book repricing (250bps due to repo rate hikes), while incremental loan book is witnessing lower spreads (~170-180bps), which indicates NIM compression going ahead. Marginal cost of funds continued to inch up (7.8%), although management has indicated some respite during Q4.
- **Loan growth uptick taking long to fructify:** LICHF's loan growth continued to be disappointing (AUM/disbursements growth of +4.8%/-6% YoY), indicating a loss of market share across segments. Management has attributed tech transformation in H1 and organisational changes (decentralisation at cluster level) to muted disbursements and the company could witness an uptick from Q4 onwards. LICHF continues to grapple with a growth-margin trade-off with incremental loan growth at much lower spreads. Management has indicated a cautious approach in project loans amidst high competitive intensity, with growth likely to remain muted in the near term.
- **Asset quality stabilising, provisioning remains high:** GS-II/GS-III improved QoQ to 4.5%/4.3% (Q2FY24: 5.1%/4.3%) with improvement across segments. Management continues to explore avenues for the resolution of stressed assets in the project finance portfolio, including ARCs and expects some resolutions, going ahead. Credit cost guidance remains ~40-50bps going ahead.

Financial Summary

(INR bn)	Q3FY24	Q3FY23	YoY(%)	Q2FY24	QoQ(%)	FY23	FY24E	FY25E	FY26E
NII	21.1	11.6	*81.2*	22.1	*(4.7)*	63.3	82.9	83.8	90.8
PPOP	19.0	9.4	*101.1*	20.1	*(5.5)*	55.0	74.4	73.8	79.5
PAT	11.9	3.0	*293.7*	13.2	*(10.1)*	28.9	46.6	47.0	50.2
EPS (INR)	21.6	5.5	*289.9*	24.1	*(10.2)*	52.6	84.8	85.4	91.4
ROAE (%)						11.2%	16.0%	14.2%	13.4%
ROAA (%)						1.1%	1.6%	1.5%	1.4%
ABVPS (INR)						372.0	452.3	521.0	591.4
P/ABV (x)						1.7	1.4	1.2	1.1
P/E (x)						12.3	7.6	7.5	7.0

Change in estimates

INR bn	FY24E			FY25E			FY26E		
	Old	New	Chg	Old	New	Chg	Old	New	Chg
AUM	3,014	2,950	-2.2%	3,322	3,252	-2.1%	3,661	3,586	-2.1%
NIM (%)	2.7	2.8	15bps	2.5	2.6	11bps	2.5	2.5	8bps
NII	79.4	82.9	4.4%	82.2	83.8	1.9%	89.8	90.8	1.1%
PPOP	70.0	74.4	6.3%	72.0	73.8	2.5%	78.3	79.5	1.5%
PAT	42.6	46.6	9.5%	45.1	47.0	4.1%	47.8	50.2	5.1%
ABVPS (INR)	434	452	4.3%	496	521	5.0%	561	591	5.4%

Source: Company, HSIE Research

REDUCE

CMP *(as on 05 Feb 2024)*	INR 640
Target Price	INR 530
NIFTY	21,772

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 435	INR 530
EPS %	FY24E	FY25E
	9.5%	4.1%

KEY STOCK DATA	
Bloomberg code	LICHF IN
No. of Shares (mn)	550
MCap (INR bn) / ($ mn)	352/4,307
6m avg traded value (INR mn)	1,497
52 Week high / low	INR 656/315

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	38.5	50.1	60.2
Relative (%)	27.0	41.0	42.3

SHAREHOLDING PATTERN (%)	Sep-23	Dec-23
Promoters	45.2	45.2
FIs & Local MFs	21.5	21.8
FPIs	21.2	21.9
Public & Others	12.0	11.1
Pledged Shares	0.0	

Source: BSE

Pledged shares as % of total shares

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BSE

Scaling new highs

BSE delivered a strong revenue growth of 18% QoQ while the PAT was impacted by a higher SGF contribution of INR 0.92bn in the quarter. The growth was led by strong cash volumes and higher revenue from the derivative segment. There was only two months' impact of higher pricing for the SENSEX contract, while BANKEX is still offered at a steep discount. BSE derivatives have reached a notional/premium market share of ~16/5.4% in Dec-23. The go-live of large discount brokers and increase in active UCCs (~2mn vs ~5mn for NSE) is driving volume for BSE. We expect the derivative segment to be the prime revenue driver with a premium market share of ~3.8/9/13% in FY24/25/26E. The clearing cost was high but will gradually come down with scale. The higher SGF contribution in the quarter was for the currency segment, with a total SGF of INR 9.22bn. The SGF contribution depends on factors such as implied volatility, single-member peak exposure, duration of exposure etc; just higher volume does not require higher SGF. We expect SGF to reach INR 12.78bn and require a contribution of ~INR 2.7bn over the next two years. We expect a revenue/PAT CAGR of ~43/57% over FY23-26E led by options revenue. We increase our EPS estimates by ~6/10% for FY25/26E and assign a SoTP-based TP of INR 3,050, based on 40x core FY26E PAT + CDSL stake + net cash ex SGF. The stock is trading at a core P/E of 39/31x FY25/26E. Maintain BUY.

- **Q3FY24 highlights**: Revenue increased by 18/82% YoY/QoQ to INR 3.72bn. The transaction revenue grew +68/163% YoY/QoQ with growth in both normal and special rates, derivatives contributed revenue of INR 0.57bn in the quarter. SENSEX with the new pricing contributed for two months in the quarter. The clearing cost stood at INR 0.45bn vs INR 0.20bn last quarter. The StAR MF revenue grew +56/12% YoY/QoQ to INR 0.33bn. The normalised EBITDA margin expanded by 438bps to 49.8% led by operating leverage and a drop in employee/tech cost (-2/-15% QoQ). Net cash ex SGF stands at INR 21bn (~6% of market cap).
- **Outlook:** We expect revenue growth of 62/45/25% and EBITDA margins of 44.6/55.6/57.9% in FY24/25/26E respectively. We estimate derivatives revenues of INR 1.80/7.00/10.15bn in FY24/25/26E. Core profits after taxes for FY24/25/26E stand at INR 3.96/6.84/9.06bn.

Quarterly Financial Summary

YE March (INR mn)	Q3 FY24	Q3 FY23	YoY (%)	Q2 FY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	3,715	2,040	*82.2*	3,145	*18.1*	7,432	8,155	13,235	19,221	24,086
EBITDA	1,852	648	*185.9*	1,430	*29.5*	2,772	2,887	5,904	10,691	13,939
PAT	1,082	516	*109.5*	1,205	*(10.2)*	2,543	2,207	8,190	7,859	10,079
APAT	1,782	710	*151.1*	1,215	*46.7*	3,024	2,891	5,332	8,827	11,221
EPS (INR)	13.2	5.2	*151.1*	9.0	*46.7*	22.4	21.3	39.4	65.2	82.9
P/E (x)						114.6	120.0	65.0	39.3	30.9
EV / EBITDA (x)						118.6	113.8	55.1	30.5	23.3
RoE (%)						11.7	10.8	18.3	27.6	31.9

Source: Company, HSIE Research

Change in estimates

YE March	FY24E	FY24E	Change	FY25E	FY25E	Change	FY26E	FY26E	Change
Revenue	12,296	13,235	*7.6*	18,295	19,221	*5.1*	22,092	24,086	*9.0*
EBITDA	5,529	5,904	*6.8*	9,707	10,691	*10.1*	12,181	13,939	*14.4*
EBITDA %	45.0	44.6	-36bps	53.1	55.6	256bps	55.1	57.9	273bps
APAT	5,019	5,332	*6.2*	8,318	8,827	*6.1*	10,157	11,221	*10.5*
EPS (INR)	37.1	39.4	*6.2*	61.4	65.2	*6.1*	75.0	82.9	*10.5*

Source: Company, HSIE Research

BUY

CMP *(as on 05 Feb 2024)*	INR 2,561
Target Price	**INR 3,050**
NIFTY	**21,772**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR 2,490	INR 3,050
	FY25E	FY26E
EPS %	+6.1	+10.5

KEY STOCK DATA	
Bloomberg code	BSE IN
No. of Shares (mn)	135
MCap (INR bn) / ($ mn)	347/4,242
6m avg traded value (INR mn)	3,109
52 Week high / low	INR 2,599/406

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	42.3	197.3	412.1
Relative (%)	30.9	188.2	394.2

SHAREHOLDING PATTERN (%)	**Sep-23**	**Dec-23**
Promoters	0.00	0.00
FIs & Local MFs	4.80	5.36
FPIs	7.90	12.03
Public & Others	87.30	82.61
Pledged Shares	0.00	0.00

Source : NSE

Pledged shares as % of total shares

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Century Plyboards India

A tough quarter

We downgrade our rating on Century Ply to ADD (from BUY) with a lower target price of INR 785/sh (35x its Mar'26E consolidated EPS). The company reported poor performance in Q3FY24. Revenue growth slowed to 6% YoY on weak offtake across plywood, MDF and particle board. Further, elevated competition in MDF, continued pain in particle board, elevated timber cost and higher branding and consulting expenses pulled down consolidated EBITDA/APAT by 18/23% YoY. The laminate segment witnessed a slight margin expansion QoQ, supported by gross margin expansion. Century's MDF and particle board expansions are progressing on track.

- **Q3FY24—weak quarter:** Revenue rose a modest 6% YoY owing to muted growth across ply (6%)/laminates (3%) revenues and a decline in particle board revenue (-5%). The MDF revenue rose 13% YoY, mainly on the ramp-up of the Hoshiarpur plant. However, EBITDA/APAT fell 18/23% YoY as the margin fell sharply across all segments. Consolidated EBITDAM contracted 320/330bps QoQ/YoY. Falling raw material has led to a slight uptick in laminates margin QoQ, while all the other three panel segments reported a decline QoQ/YoY. MDF margin is impacted by the ramp-up of domestic capacities of Greenply, Action Tesa and Century Ply and has resulted in a 7-8% correction in domestic realisation in the north during H2FY24. Timber cost continues to rise (demand-supply mismatch). Additionally, the margin suffered due to higher branding, consulting, and employee expenses.
- **Con call KTAs and outlook:** Century guided in Q4FY24, the ply and laminates volume will grow in single digits and MDF volumes will grow at least 20%. It expects a recovery in ply margin and flattish margin for laminates, while MDF and particle board could see further margin compression QoQ. It guided for a capex of INR 9/5.5bn in FY24/FY25E for ongoing expansions: ply capacity to increase by 80K CBM by FY25 end, greenfield MDF plant (AP: 313K CBM) by Q4FY24, greenfield laminates (in AP commenced operation in Jan-24), greenfield particle board (240K CBM in AP by FY25 end). The company expects panel demand to revive in 2025 when real estate projects will be delivered to customers. While BIS implementation for plywood is delayed, India has made BIS mandatory for MDF and particle board w.e.f 11the Feb 2024. Management believes the domestic MDF industry will benefit from this after a few months when imported inventory stocks are exhausted. We trim our FY24/25/26E EPS by 19/9/4%, factoring in weak Q3, delays in demand revival outlook and elevated cost pressure.

Quarterly/annual financial summary (consolidated)

YE Mar (INR mn)	Q3 FY24	Q3 FY23	YoY (%)	Q2 FY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	9.37	8.84	*6.1*	9.97	*(6.0)*	30.27	36.47	38.16	44.26	52.58
EBITDA	1.06	1.29	*(17.6)*	1.44	*(26.5)*	5.31	6.06	5.21	6.82	8.26
EBITDAM (%)	11.3	14.6		14.5		17.5	16.6	13.6	15.4	15.7
APAT	0.63	0.82	*(23.3)*	0.97	*(34.9)*	3.13	4.30	3.24	3.89	4.99
AEPS (INR)	2.8	3.7	*(23.3)*	4.4	*(34.9)*	14.1	19.3	14.6	17.5	22.4
EV/EBITDA (x)						31.6	27.8	33.1	25.5	20.4
P/E (x)						53.3	38.8	51.5	42.9	33.5
RoE (%)						22.2	24.8	*15.7*	*16.2*	*17.6*

Source: Company, HSIE Research

ADD

CMP (*as on 05 Feb 2024*)	INR 748
Target Price	INR 785
NIFTY	21,772

KEY CHANGES	OLD	NEW
Rating	BUY	ADD
Price Target	INR 820	INR 785
EPS revision %	FY24E *(19.0)*	FY25E *(8.8)*

KEY STOCK DATA	
Bloomberg code	CPBI IN
No. of Shares (mn)	222
MCap (INR bn) / ($ mn)	166/2,032
6m avg traded value (INR mn)	155
52 Week high / low	INR 850/436

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	19.0	14.9	47.7
Relative (%)	7.5	5.8	29.8

SHAREHOLDING PATTERN (%)	Sep-23	Dec-23
Promoters	73.04	73.04
FIs & Local MFs	14.49	14.75
FPIs	5.61	5.45
Public & Others	6.86	6.76
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Mahindra Lifespaces

Launch visibility picking up

Mahindra Lifespaces Developers Ltd (MLDL) reported in-line presales of INR 4.4bn (-1.8%/-2.6% YoY/QoQ). Volume stood at 0.53msf (-13.1%/-22.1% YoY/QoQ). As of 9MFY24, the total presales stood at INR 12.4bn (-14% YoY). This was on account of 74% of presales in 9MFY24 being sustenance sales compared to 23% in 9MFY23. The total sustenance sales was driven by new phase launches in Citadel and other projects. Chennai plotted project was new launch. We expect launch momentum to pick up for the rest of 4QFY24 with the new launch GDV planned at INR 35bn (vs. INR 18bn in FY23). MLDL has a 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 50-60bn, excluding INR 80bn worth of Thane land parcel, which will be a mixed development with 50% residential and 50% commercial projects. We maintain BUY on MLDL with an unchanged TP of INR 700/sh.

- **Q3FY24 financial highlights:** Revenue: INR 820mn (-56%/+361% YoY/QoQ, a miss of 12%). It was a loss of INR 390mn at the EBITDA level (INR -114/-349mn in Q3FY23/Q2FY24, vs est. loss of INR 251mn). Profit from JV/associates came in at INR 754mn (16x/136x YoY/QoQ). APAT stood at INR 500mn (INR +77mn/INR -199mn Q3FY23/Q2FY24 vs est. loss of INR 86mn). For now, profits are largely driven by land monetization in the IC & IC business. Going forward as the share of own project improves, along with the mix moving towards premium housing, profitability is expected to significantly improve.
- **Robust launch pipeline:** MLDL recorded presales of INR 4.4bn (-1.8%/-2.6% YoY/QoQ) and volume stood at 0.53msf (-13.1%/-22.1% YoY/QoQ). The average price realisation was INR 8,358 (13%/25% YoY/QoQ). For Q4FY24, MLDL expects to launch Kandivali Ph1 with INR 12bn worth of GDV, Malgudi Bengaluru with INR 5bn worth of GDV, Wagholi INR 7bn, Plotted Chennai INR 2.5bn and Malad redevelopment INR 11bn. The Santacruz project is expected to spill over to FY25. The total GDV value of the launches in Q4FY24 is expected to be around ~INR 35bn. During the quarter, the company launched Phase 2 of Citadel (selling 40% of launched inventory). Within IC&IC, the company leased 77.4 acres for INR 2.2bn (3.2x/7x YoY/QoQ).
- **Business development pipeline robust:** MLDL has a current BD pipeline of INR 50-60bn (MMR-50-60%, Pune - 15-20%, Bengaluru – 15-20%), excluding the Thane land parcel whose GDV value is estimated at INR 80bn after the new Integrated IT Township (IITT) policy. 50% of the Thane land is to be earmarked for commercial property as per the new policy. Collections were decent at INR 3.9bn (+27%/+24% YoY/QoQ). Overall, net debt at the group level is at INR 3.1bn. Residential net debt stood at INR 1.9bn (vs net cash of INR 80mn in Q2FY24) and IC&IC net debt is at INR 1.3bn (vs INR 2.4bn in Q2FY24).

Consolidated financial summary (INR mn)

(INR mn)	3QFY24	3QFY23	YoY (%)	2QFY24	QoQ (%)	FY23	FY24E	FY25E	FY26E
Net Sales	820	1,869	(56.1)	178	361.4	6,066	7,905	8,878	10,050
EBITDA	(390)	(114)	(241.3)	(349)	(11.7)	(1,101)	(921)	818	1,122
APAT	500	77	547.5	(190)	364.0	421	521	1,805	2,167
Diluted EPS (INR)	3.2	0.5	547.5	(1.2)	364.0	2.7	3.4	11.7	14.0
P/E (x)						222	179	52	43
EV / EBITDA (x)						(86)	(104)	117	85
RoE (%)						5.7	2.8	9.3	10.1

Source: Company, HSIE Research

BUY

CMP *(as on 05 Feb 2024)*	INR 603
Target Price	INR 700
NIFTY	21,772

KEY CHANGES	OLD		NEW
Rating	BUY		BUY
Price Target	INR 700		INR 700
EPS change %	FY24E	FY25E	FY26E
	-	-	-

KEY STOCK DATA	
Bloomberg code	MLIFE IN
No. of Shares (mn)	155
MCap (INR bn) / ($ mn)	94/1,143
6m avg traded value (INR mn)	169
52 Week high / low	INR 633/316

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	23.1	19.1	58.7
Relative (%)	11.6	9.9	40.8

SHAREHOLDING PATTERN (%)	Sep-23	Dec-23
Promoters	51.19	51.18
FIs & Local MFs	20.17	23.18
FPIs	11.87	8.53
Public & Others	16.77	17.10
Pledged Shares	-	-

Source: BSE

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Greenlam Industries

Weak demand hampers performance

We maintain ADD on Greenlam Industries, with a lower target price of INR 575/share (33x its Mar'26E consolidated APAT). In Q3FY24, its revenue/EBITDA grew 12/30% YoY owing to better volume and improvement in gross margin. APAT declined 12% YoY owing to higher capital charges, lower other income and higher tax rates. It expects 15/20% revenue growth in FY24/25. The greenfield particle board plant (231K CBM) is delayed by two quarters to Q2FY25. We estimate the AP laminate expansions at Q2FY24-end and entry in new segments will drive a healthy 20% revenue CAGR during FY23-26E (laminates 14% CAGR). A huge capex should keep net debt to EBITDA elevated at more than 2x during FY24/25E.

- **Q3FY24 performance:** Consolidated revenue/EBITDA grew 12/30% YoY owing to better volume and improvement in gross margin to an all-time high (cool off in raw material prices). Revenue also grew owing to the foray in ply segment (3% of revenue). INR 200mn export sales (4% of revenue) were pushed to Q4FY24 owing to higher stock at the port at Q3 end (Red Sea freight issue). Laminates volume grew 9% YoY (-6% QoQ) owing to growth in both domestic/export volume of 11/6% YoY. Laminates NSR has been flat YoY/QoQ. Its laminate OPM expanded by 340bps YoY to 15.8%. Veneer segment performance has improved. The engineered wooden flooring business has turned EBITDA positive. The plywood segment just operated at ~15% utilisation in Q3 in the second full quarter of operation. Plywood EBITDA loss declined to 83mn in Q3 vs INR 101mn QoQ. APAT declined 12% YoY owing to higher capital charges, lower other income and higher tax rates.
- **Project update and outlook:** It expects 15/20% revenue growth in FY24/25. The greenfield particle board plant (231K CBM) is delayed by two quarters to Q2FY25 (capex INR 7.75bn). We estimate the AP laminate expansions at Q2FY24-end and entry in new segments will drive a healthy 20% revenue CAGR during FY23-26E (laminates segment 14% CAGR). However, huge capex should keep net debt to EBITDA elevated at more than 2x during FY24/25E. Owing to weak Q3, slow ramp-up of ply and deferment of particle board expansion, we cut our FY24/25/26E APAT estimates by 16/9/5%. We like Greenlam for its leadership position in laminates. However, we are cautious regarding ramping up plants in new ply and particle board segments. We maintain ADD with a lower TP of INR 575/sh.

Quarterly/annual financial summary (consolidated)

YE Mar (INR mn)	Q3 FY24	Q3 FY23	YoY (%)	Q2 FY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Sales (mn sheet)	4.65	4.26	9.2	4.93	(5.6)	16.5	17.1	19.0	21.3	23.9
NSR (per sheet)	1,075	1,078	*(0.3)*	1,079	*(0.3)*	942	1,081	1,087	1,108	1,129
Laminates EBITDAM (%)	*15.8*	*12.4*		*16.4*		*12.7*	*13.1*	*15.6*	*16.2*	*16.7*
Net Sales	5,634	5,035	*11.9*	6,036	*(6.7)*	17,034	20,260	23,144	28,558	34,843
EBITDA	711	548	*29.9*	756	*(5.9)*	1,870	2,329	2,979	3,781	4,941
EBITDAM (%)	*12.6*	*10.9*		*12.5*		*11.0*	*11.5*	*12.9*	*13.2*	*14.2*
APAT	253	287	*(11.5)*	390	*(35.2)*	933	1,284	1,364	1,623	2,204
AEPS (INR)	2.0	2.2	*(11.5)*	3.1	*(35.2)*	7.7	10.1	10.7	12.8	17.4
EV/EBITDA (x)						36.0	28.7	23.7	20.0	15.0
P/E (x)						69.8	50.7	47.8	40.1	29.6
RoE (%)						15.2	15.8	*13.2*	*13.9*	*16.5*

Source: Company, HSIE Research

ADD

CMP *(as on 05 Feb 2024)*	INR 518
Target Price	INR 575
NIFTY	21,772

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 605	INR 575
EPS revision %	FY24E *(16.2)*	FY25E *(8.9)*

KEY STOCK DATA	
Bloomberg code	GRLM IN
No. of Shares (mn)	128
MCap (INR bn) / ($ mn)	66/807
6m avg traded value (INR mn)	57
52 Week high / low	INR 626/282

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(6.5)	15.5	68.2
Relative (%)	(17.9)	6.3	50.3

SHAREHOLDING PATTERN (%)

	Sep-23	Dec-23
Promoters	51.22	50.98
FIs & Local MFs	15.58	15.54
FPIs	1.37	1.28
Public & Others	31.82	32.20
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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HG Infra

In-line performance

HG Infra (HG) reported an in-line quarter, with a beat on revenue/EBITDA/APAT by 3.1/3.7/6.3%. The OB as of Dec'23 stood at INR 96.3bn (~2.2x FY23 revenue). Its FY24 revenue guidance stands at INR 50-54bn (~20% YoY) with an EBITDA margin of ~16%. On the order inflow front, we expect INR 50-60bn, given a truncated ordering period owing to elections and weaker-than-expected NHAI ordering. Equity infusion guidance for Q4FY24/FY25/26 stands at INR 0.7/4.6/2bn. The standalone gross/net debt, as of Dec'23 stood at INR 4.7/3.3bn vs. INR 6/4.8bn, as of Sep'23. We have marginally increased our EPS estimates to reflect better EBITDA margins. Given robust OB, likely pick-up in project execution and a healthy balance sheet, we maintain BUY on HG, with an increased TP of INR 1,338 (14x Dec-25E EPS).

- **Q3FY24 financial highlights:** Revenue of INR 13.5bn (+19/+55% YoY/QoQ, a beat of 3.1%). EBITDA: INR 2.1bn (+13.2/+55% YoY/QoQ, a beat of 3.7%). EBITDA margin came in at 15.9% (-83/-0.4bps YoY/QoQ, vs. our estimate of 15.8%). HG reported INR 1.1bn as an exceptional gain on earlier divested road assets. RPAT/APAT: INR 2.1/1.2bn (+6/+91% YoY/QoQ, a beat of 6.3%). Its FY24 revenue growth guidance stands at ~20% with an EBITDA margin of ~16%.
- **Robust and well-diversified OB:** The OB as of Dec'23 stood at INR 96.3bn (~2.2x FY23 revenue). It is well-diversified at the client level, with government/private orders contributing toward 73/27%. 51% of the OB consisted of EPC orders, 37% were HAM orders and 12% belonged to railways. Geography-wise, 33% of orders were from Uttar Pradesh, followed by Jharkhand, Odisha, Telangana, Haryana, Karnataka and Delhi at 20/10/9/9/7/5%. Regarding the order inflow, we expect an influx of INR 50-60bn in FY24.
- **Business update:** During the quarter, it received the appointed date (AD) for the Kanpur Central Railways project. It achieved a completion certificate for the Maharashtra Pckg-7 EPC project and COD for the Rewali Ateli Mandi HAM project. It expects the AD for its Varanasi-Ranchi-Kolkata Pckg-13 and 10 projects by Q4FY24/Q1FY25.
- **Reduction in standalone debt levels:** The standalone gross/net debt, as of Dec'23 stood at INR 4.7/3.3bn vs. INR 6/4.8bn, as of Sep'23. The total equity requirement in HAM projects is INR 13.3bn, of which INR 6bn is already infused. HG guided for infusing INR 0.7/4.6/2bn in Q4FY24/FY25/26.

Standalone financial summary – INR mn

YE Mar – INR mn	3QFY24	3QFY23	YoY (%)	2QFY24	QoQ (%)	FY23	FY24E	FY25E	FY26E
Net Sales	13,464	11,312	*19.0*	8,695	*54.9*	44,185	52,082	59,113	67,980
EBITDA	2,142	1,893	*13.2*	1,384	*54.8*	7,103	8,298	9,159	10,419
APAT	1,181	1,114	*5.9*	617	*91.4*	4,214	4,625	5,207	5,999
EPS (INR)	18.1	17.1	*5.9*	9.5	*91.4*	64.7	71.0	79.9	92.1
P/E (x)						14.8	13.5	12.0	10.4
EV/EBITDA (x)						9.3	7.9	7.1	6.1
RoE (%)						26.8	23.2	21.0	19.8

Source: Company, HSIE Research

Change in estimates

INR mn	FY24E			FY25E			FY26E		
	New	Old	% Change	New	Old	% Change	New	Old	% Change
Revenues	52,082	52,082	-	59,113	59,113	-	67,980	67,980	-
EBIDTA	8,298	7,947	4.4	9,159	8,707	5.2	10,419	10,225	1.9
EBIDTA Margins (%)	15.9	15.3	4.4	15.5	14.7	5.2	15.3	15.0	1.9
APAT	4,625	4,538	1.9	5,207	4,922	5.8	5,999	5,878	2.1

Source: Company, HSIE Research

BUY

CMP (*as on 05 Feb 2024*)	INR 960
Target Price	INR 1,338
NIFTY	21,772

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,304	INR 1,338

EPS Change %	FY24E	FY25E	FY26E
	1.9	5.8	2.1

KEY STOCK DATA	
Bloomberg code	HGINFRA
No. of Shares (mn)	65
MCap (INR bn) / ($ mn)	63/765
6m avg traded value (INR mn)	123
52 Week high / low	INR 1,019/634

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	4.1	3.0	42.1
Relative (%)	(7.3)	(6.2)	24.2

SHAREHOLDING PATTERN (%)	Sep-23	Dec-23
Promoters	74.53	74.53
FIs & Local MFs	13.05	12.45
FPIs	1.67	1.56
Public & Others	10.74	11.47
Pledged Shares	-	-

Source: BSE

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Sudarshan Chemical

Expected demand uplift

We maintain REDUCE on Sudarshan Chemical (SCIL), with a price target of INR 487 (WACC 11%, terminal growth 3.5%). SCIL has product offerings like those of the global players but it has been unable to gain market share after the exit of the global majors. The stock is trading at 24x FY25E EPS, which we believe is contextually high (RoE of 11/18% for FY24/FY25E). Q3 EBITDA/APAT was 21/56% below our estimate, owing to lower-than-expected total revenue.

- **Financial performance:** Revenue grew 7% YoY and fell 6% QoQ to INR 5,658mn.EBITDA grew 49% YoY and fell 6% sequentially to INR 619mn. EBITDA margin came in at 11% (+306/+3bps YoY/QoQ), owing to the softening of raw material and coal costs. Gross profit margin remained at 45%.
- **Pigment segment:** Revenue grew by 7.9% YoY (while remaining stagnant QoQ) to INR 5,215mn and EBIT grew 354/3% YoY/QoQ to INR 392mn. Revenue growth is largely driven by volumes and a change in the product mix and offset by corrections in product prices. EBIT margin for the segment came in at 7.5%, +573/+22bps YoY/QoQ.
- **Call takeaways**: (1) Exports accounted for 47% of revenue for the pigment segment compared to 48% in Q3. Demand is expected to pick up domestically and in the US market in Q4FY24 as destocking is on the verge of ending; however, demand remains subdued in the European market. (2) Specialty pigments constituted 69% of the revenue for the pigment segment in Q3. (3) The plastics industry is witnessing favourable demand in the domestic market and export demand is also expected to pick up. (4) The WC cycle reduced to 88 days in Q3FY24 from 112 in Q3FY23. (5) There is healthy and progressive engagement with customers for new products, which should reach optimum capacity within four years. The current contribution from these products is insignificant. (6) Losses in the non-pigment segment can be attributed to overrun in costs due to delays in the execution of projects. (8) The company reduced its net debt to INR 4.34bn from INR 9.46 bn in Q3FY23. (9) Freight costs increased because of the Red Sea crisis and the company can pass on the same to the customer. (10) The management expects that the company will be able to sustain a gross margin at ~45%, given the softening of raw material prices and the change in product mix.

Financial summary (consolidated)

INR mn	3Q FY24	2Q FY24	QoQ (%)	3Q FY23	YoY (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	5,658	6,007	(5.8)	5,280	7.2	22,008	23,017	23,921	26,890	29,933
EBITDA	619	656	(5.6)	416	48.7	2,748	2,106	2,790	3,555	3,887
APAT	146	871	(83.2)	6	2,398.6	1,300	448	969	1,648	1,999
AEPS (INR)	2.1	12.6	(83.2)	0.1	2,398.6	18.8	6.5	14.0	23.8	28.9
P/E (x)						27.3	79.3	36.7	21.5	17.8
EV/EBITDA(x)						15.8	20.6	13.8	10.5	9.3
RoE (%)						16.5	5.4	11.3	17.7	19.4

Source: Company, HSIE Research

Change in estimates (consolidated)

Y/E Mar	FY24E Old	FY24E New	% Ch	FY25E Old	FY25E New	% Ch	FY26E Old	FY26E New	% Ch
EBITDA (INR mn)	2,959	2,790	(5.7)	3,522	3,555	0.9	3,833	3,887	1.4
Adj. EPS (INR/sh)	16.1	14.0	(13.0)	23.9	23.8	(0.3)	28.7	28.9	0.6

Source: Company, HSIE Research

REDUCE

CMP *(as on 05 Feb 2024)*	INR 533
Target Price	INR 487
NIFTY	21,772

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 479	INR 487
	FY24E	FY25E
EPS %	+116%	+70%

KEY STOCK DATA	
Bloomberg code	SCHI IN
No. of Shares (mn)	69
MCap (INR bn) / ($ mn)	37/451
6m avg traded value (INR mn)	91
52 Week high / low	INR 567/341

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	9.2	1.0	44.6
Relative (%)	(2.2)	(8.2)	26.7

SHAREHOLDING PATTERN (%)	Sep-23	Dec-23
Promoters	35.82	35.82
FIs & Local MFs	13.68	13.60
FPIs	4.64	4.21
Public & Others	45.86	46.37
Pledged Shares	0.00	0.00

Source: BSE

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Stylam Industries

Weak volume; all-time high EBITDA margin

We maintain our BUY rating with an unchanged target price of INR 2,550/sh (22x its Mar'26E consolidated EPS). In Q3FY24, Stylam's revenue declined 8/8% QoQ/YoY owing to weak demand. EBITDAM improved 200bps QoQ to an all-time high of 22.3% on continued gross margin expansion (recovered QoQ for the seventh consecutive quarter). Thus, EBITDA/APAT rose 21/30% YoY. Stylam's ongoing laminate debottlenecking is completed, and the brownfield expansion is expected by Q3FY25. Both of these expansions will double the company's laminate revenue potential. It expects to maintain its gross and EBITDA margin. We like Stylam for its industry-leading growth and EBITDA margin, healthy balance sheet, and return ratio profile.

- **Q3FY24 performance:** Stylam's revenue declined 8/8% QoQ/YoY in Q3FY24 owing to weak demand in domestic markets and lower export sales (pulled down by the Israel-Palestine conflict with a ~9% revenue impact). On a YoY basis, while domestic volume rose 1%, export volume remained 13% lower. Acrylic revenue was muted at INR 54mn in Q3 (3% of revenue). EBITDAM improved 200bps QoQ to 22.3% (up 550bps YoY) on continued gross margin expansion. Gross margin expanded 200/500bps QoQ/YoY to 49%. Stylam reported its best-ever quarterly EBITDAM during the quarter (QoQ recovery for the seventh consecutive quarter). Thus, EBITDA/ APAT rose 21/30% YoY.
- **Outlook:** The company sees big growth in the US (~5% of revenue). It believes the US revenue can increase multifold and contribute 10-15% growth in revenue at a consolidated level. It expects gross and EBITDA margins to remain stable (except Q4FY24). Owing to the Red Sea crisis, ocean freight rates have increased which will be passed on with a lag effect, so Q4FY24 margin can take a hit. It is possible that within the next year, the Government might levy an anti-dumping duty for acrylic imports (an investigation on this started two weeks back). Stylam has completed laminates debottlenecking expansion in Q3FY24. It is working on laminates brownfield expansion costing INR 2-2.25bn with INR 8bn peak revenue potential. This project is expected to be commissioned by Q3FY25. Debottlenecking and brownfield expansion will double the laminate segment revenue potential. Considering the ongoing war in Israel, weak volume in the domestic market, and the expansion delays, we have cut its volume estimate by ~5% each for FY24-26. However, the higher margin lowers its impact on EBITDA/APAT. We cut our APAT estimate by 1/4% for FY24/25E and maintain the FY26 estimate. We maintain BUY with an unchanged TP of INR 2,550/sh (22x its Mar'26E consolidated EPS).

Quarterly/annual financial summary (consolidated)

YE Mar (INR mn)	Q3 FY24	Q3 FY23	YoY (%)	Q2 FY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	2,296	2,368	*(3.1)*	2,146	*7.0*	6,593	9,521	9,040	10,811	13,493
EBITDA	481	405	*18.8*	478	*0.7*	1,037	1,548	1,846	2,260	2,860
EBITDAM (%)	21.0	17.1		22.3		15.7	16.3	20.4	20.9	21.2
APAT	325	268	*21.4*	313	*3.7*	611	960	1,239	1,538	1,958
AEPS (INR)	19.2	15.8	*21.4*	18.5	*3.7*	36.1	56.6	73.1	90.8	115.5
EV/EBITDA (x)						26.7	17.6	14.3	11.9	9.0
P/E (x)						44.2	28.1	21.8	17.6	13.8
RoE (%)						21.2	26.4	26.5	26.0	26.1

Source: Company, HSIE Research

BUY

CMP *(as on 05 Feb 2024)*	**INR 1,584**
Target Price	**INR 2,550**
NIFTY	**21,772**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR 2,550	INR 2,550
EPS revision %	FY24E *(0.5)*	FY25E *(3.5)*

KEY STOCK DATA	
Bloomberg code	SYIL IN
No. of Shares (mn)	17
MCap (INR bn) / ($ mn)	27/328
6m avg traded value (INR mn)	81
52 Week high / low	INR 1,980/942

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	(8.8)	(6.0)	46.6
Relative (%)	(20.3)	(15.1)	28.7

SHAREHOLDING PATTERN (%)	**Sep-23**	**Dec-23**
Promoters	54.61	54.61
FIs & Local MFs	11.60	12.02
FPIs	4.00	3.80
Public & Others	29.80	29.56
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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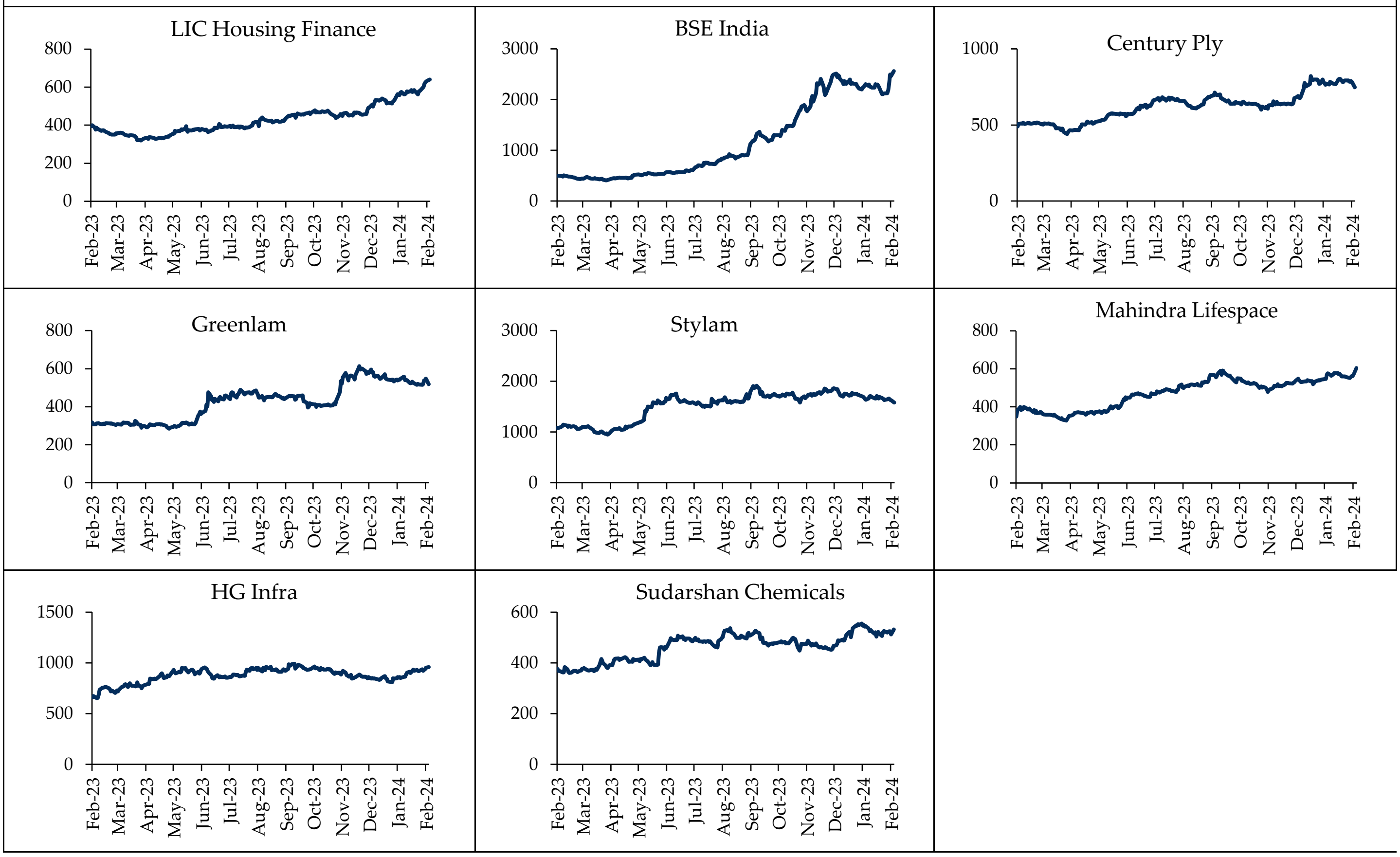
Rating Criteria

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
Krishnan ASV	LIC Housing Finance	PGDM	NO
Deepak Shinde	LIC Housing Finance	PGDM	NO
Akshay Badlani	LIC Housing Finance	CA	NO
Amit Chandra	BSE	MBA	NO
Rajesh Ravi	Century Plyboards India, Greenlam Industries, Stylam Industries	MBA	NO
Keshav Lahoti	Century Plyboards India, Greenlam Industries, Stylam Industries	CA	NO
Parikshit Kandpal	Mahindra Lifespaces	CFA	YES
Parikshit Kandpal	HG Infra	CFA	NO
Nilesh Ghuge	Sudarshan Chemical	MMS	NO
Harshad Katkar	Sudarshan Chemical	MBA	NO
Prasad Vadnere	Sudarshan Chemical	MSC	NO
Akshay Mane	Sudarshan Chemical	PGDM	NO

1 Yr Price movement



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