

HSIE Results Daily

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Results Reviews

- Mahindra & Mahindra:** Mahindra & Mahindra's Q2 adjusted PAT, at INR 23.4bn, came in above our estimate of INR 19.5bn, primarily due to higher-than-expected other income. EBIT Margin for auto and FES segments both improved by 40bps QoQ to 6.1% and 16.4% respectively. M&M has gained market share across its key categories in H1. We remain optimistic about M&M's aggressive future roadmap for its core auto and FES segments (target of 15-20% revenue growth CAGR over 2025 and 18% RoCE). M&M's new UV models are currently seeing strong demand (order backlog of 260k+ units). On the back of strong demand for its new models, M&M has already recovered a 300bps share in UVs in H1. Further, M&M has maintained its growth guidance for the tractor industry for FY23 at 5% and the positive highlight is that it has gained a 50bps share in H1 to 41.5%. Due to better-than-expected volume pick-up in H1 and a strong outlook for H2, we raise our EPS forecasts by 3-10% over FY23-25E. Maintain BUY, with a revised TP of INR1,528/sh (earlier at INR1,416/share) as we roll forward to September 2024 estimates.
- Ashok Leyland:** Ashok Leyland's Q2 PAT, at INR 1.91bn, was in line with our estimate. Margin improved 210bps QoQ to 6.5% and was driven by price hikes and operating leverage benefits (volume up 14% QoQ). AL has done well so far in H1 and its market share in the MHCV goods segment has improved to 32.3%. However, it has lost 100bps market share in LCV goods. Even in the MHCV passenger segment where it has traditionally been a market leader, its market share declined sharply to 24.7% in H1 (-1,060bps). Thus, the competitive intensity remains high in the CV industry despite a demand revival, and it is reflected in record-high discounts, even in Q2. While we continue to remain positive on the CV cycle, our key rationale for remaining negative on AL is that we believe the margin is unlikely to revert to the previous peak for the CV industry this time, given: (1) the sharp rise in vehicle prices in the last two years, which haven't been fully passed on and (2) intense competition. Given better-than-expected volume in H1, we raise our FY23/24/25 estimates for AL by 13%/3%/2%. Reiterate SELL with a revised TP of INR 116 (earlier INR 108), as we roll forward to Sept2024E earnings.
- Oil India:** Our BUY recommendation on Oil India with a target price of INR 255 is premised on (1) an increase in crude price realisation and (2) an improvement in domestic gas price realisation. Q2FY23 revenue/EBITDA/APAT stood at INR 58/18/17bn, above our estimate, owing to lower-than-expected statutory levies and higher other income. Oil and gas production broadly came in line.
- AGS Transact:** AGS Transact (AGS) reported lower-than-expected revenue and margin performance but new deal wins improve growth visibility for H2. The revenue growth was impacted by the decline in ATM management and banking automation solution (BAS) revenue, offset by strong growth in Digital (payments + OMC POS) and other automation services (retail cash machines). The company has announced two new managed services (MS) deal wins from two PSU banks, which will start contribution from Q3FY23. These are net new customers and do not involve additional Capex. The margin was impacted by a drop in BAS margin while payments solutions

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margin was in line. The company expects to maintain a margin >25%, led by growth in fixed price contracts and better margin in digital. We expect a recovery in the payment solution business, led by (1) two new MS deal wins; (2) implementation of CRM machines; (3) growth in cash management due to compliance-related tailwinds; and (4) growth in digital payment business led by digital adoptions by OMCs. We cut revenue and EPS estimates by ~4-5% for FY23/24E to factor in revenue miss. We maintain BUY on AGS with a target price of INR 120, valuing the stock at 12x Sep-24 EPS (~41% discount to peers).

Mahindra & Mahindra

Strong Q2; positive outlook

Mahindra & Mahindra's Q2 adjusted PAT, at INR 23.4bn, came in above our estimate of INR 19.5bn, primarily due to higher-than-expected other income. EBIT Margin for auto and FES segments both improved by 40bps QoQ to 6.1% and 16.4% respectively. M&M has gained market share across its key categories in H1. We remain optimistic about M&M's aggressive future roadmap for its core auto and FES segments (target of 15-20% revenue growth CAGR over 2025 and 18% RoCE). M&M's new UV models are currently seeing strong demand (order backlog of 260k+ units). On the back of strong demand for its new models, M&M has already recovered a 300bps share in UVs in H1. Further, M&M has maintained its growth guidance for the tractor industry for FY23 at 5% and the positive highlight is that it has gained a 50bps share in H1 to 41.5%. Due to better-than-expected volume pick-up in H1 and a strong outlook for H2, we raise our EPS forecasts by 3-10% over FY23-25E. Maintain BUY, with a revised TP of INR1,528/sh (earlier at INR1,416/share) as we roll forward to September 2024 estimates.

- Q2 PAT beats estimates:** M&M Q2 adjusted PAT at INR 23.4bn came in above our estimates of INR 19.5bn, primarily due to higher-than-expected other income, which in turn was boosted by dividend income from subsidiaries. EBITDA margin largely remained flat QoQ at 12% and was above our estimate of 11.3%. The EBIT Margin for the auto and FES segments both improved by 40bps QoQ to 6.1% and 16.4% respectively. The auto margin improvement in Q2 was driven by: (1) the end of introductory pricing for Thar and XUV700; (2) operating leverage benefits; (3) a structured cost reduction program. Overall, the standalone EBIT margin declined 30bps QoQ to 8.9% due to a lower tractor mix.
- Call takeaways:** (1) Some of the accolades achieved by M&M in H1 include: (a) UV market share in H1 improving 300bps to 17%; (b) tractor market share for H1 improving 50bps YoY to 41.5%; (c) the 3.5T LCV segment's market share increasing to a record high level of 46.9% in Q2 vs 34.9% YoY; (d) M&M's market share in EV 3Ws at 67.2% for Q2, with the highest-ever 3W EV wholesales of 10,625 units in Q2. (2) Order backlog for its popular SUV models has now increased to 260k units as of 1 Nov and details are as follows: XUV 700 (80k units), Scorpio N including Classic (130k units), Thar (20k units), Bolero and XUV300 (13k units each). (3) Most major launches for M&M are now done and it would target to ramp up production to meet customer demand. From here on, it would launch a Thar-5 door (likely in CY24), apart from a Thar refresh, XUV400 and a few other variant refreshes over the next couple of years. (4) Retail sales for tractors in the festive season were close to double-digit growth. (5) Management has maintained their FY23 guidance for the tractor industry's growth at 5%, given the relatively large base for Q4.

Quarterly/annual financial summary

YE Mar (INR mn)	Q2 FY23	Q2 FY22	YoY (%)	Q1 FY23	QoQ (%)	FY22	FY23E	FY24E	FY25E
Net Sales	2,08,393	1,33,054	56.6	1,96,126	6.3	5,74,460	8,14,034	8,86,612	9,48,168
EBITDA	24,964	16,598	50.4	23,410	6.6	70,423	101,760	1,16,379	1,23,746
APAT	23,378	16,230	44.0	14,711	58.9	50,917	71,188	81,225	86,712
Diluted EPS (INR)	19.5	13.5	44.0	12.3	58.9	42.4	59.3	67.7	72.3
P/E (x)						30.3	21.7	19.0	17.8
EV / EBITDA (x)						18.7	13.0	11.0	10.0
RoCE (%)						14.1	18.2	18.6	18.1

Source: Company, HSIE Research

BUY

CMP (on 11 Nov 2022)	INR 1,287
Target Price	INR 1,528
NIFTY	18,350

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,416	INR 1,528
	FY23E	FY24E
EPS %	10.0%	9.0%

KEY STOCK DATA

Bloomberg code	MM IN
No. of Shares (mn)	1,243
MCap (INR bn) / (\$ mn)	1,600/19,806
6m avg traded value (INR mn)	4,501
52 Week high / low	INR 1,367/671

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	1.7	45.1	39.2
Relative (%)	(2.5)	30.9	36.1

SHAREHOLDING PATTERN (%)

	Mar-22	Jun-22
Promoters	19.47	19.45
FIs & Local MFs	14.21	15.02
FPIs	37.30	37.94
Public & Others	22.39	27.59
Pledged Shares	0.01	0.01

Source : BSE

Pledged shares as % of total shares

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Ashok Leyland

Margin unlikely to revert back to the previous peak

Ashok Leyland's Q2 PAT, at INR 1.91bn, was in line with our estimate. Margin improved 210bps QoQ to 6.5% and was driven by price hikes and operating leverage benefits (volume up 14% QoQ). AL has done well so far in H1 and its market share in the MHCV goods segment has improved to 32.3%. However, it has lost 100bps market share in LCV goods. Even in the MHCV passenger segment where it has traditionally been a market leader, its market share declined sharply to 24.7% in H1 (-1,060bps). Thus, the competitive intensity remains high in the CV industry despite a demand revival, and it is reflected in record-high discounts, even in Q2. While we continue to remain positive on the CV cycle, our key rationale for remaining negative on AL is that we believe the margin is unlikely to revert to the previous peak for the CV industry this time, given: (1) the sharp rise in vehicle prices in the last two years, which haven't been fully passed on and (2) intense competition. Given better-than-expected volume in H1, we raise our FY23/24/25 estimates for AL by 13%/3%/2%. Reiterate SELL with a revised TP of INR 116 (earlier INR 108), as we roll forward to Sept2024E earnings.

- **Q2 earnings in line with estimates:** Q2 revenue came in at INR82.7bn and was in line with our estimate. The EBITDA margin grew by 210bps QoQ to 6.5% and was largely in line with our estimate. Margin improvement QoQ is led by: (1) improvement of 130bps QoQ in GM, driven by price hikes in H1: 2% in Q1 and by 1% in Q2; (2) operating leverage benefits (other exp/rev down 100bps QoQ).
- **Call takeaways:** (1) AL's market share in MHCV goods has sharply improved to 32.3% (up 120bps QoQ). Management attributes this improvement in market share to (a) extremely strong feedback for its AVTR range of products that offer superior mileage and TCO relative to peers and (b) rationalisation of its distribution network in the north and west; (2) AL has raised its product prices by 1.8-1.9% in Q1, by 1% in Q2 and by another 1.5% in Q3; (3) discounts were high but stable QoQ, and management is hopeful that discounts will reduce in ensuing quarters as CV demand goes up; (4) net debt has increased to INR26.8bn, from INR 22.8 bn QoQ due to increased working capital requirement to INR 4.9bn, from INR1.7bn QoQ. Management expects to see a gradual debt reduction in H2; (5) Capex guidance for FY23 is at INR6bn with the company incurring Capex of INR1bn in Q2 and INR2.2bn in H1; (6) AL is actively pursuing capital raise in Switch for the last few quarters. While a lot of sovereign funds and PE funds have evinced interest, they have not yet been able to finalise the right partner at the right valuation. AL has recently issued an ICD to Switch worth INR 2bn to fund its recent order wins from STUs. (7) Hinduja Leyland Finance (HLFL) is expected to list by June2023, post regulatory approvals. The GNPA at HLFL stands at 6.3% with NNPA at 4.2%

Quarterly/annual financial summary

YE Mar (INR mn)	Q2 FY23	Q2 FY23	YoY (%)	Q1 FY23	QoQ (%)	FY22	FY23E	FY24E	FY25E
Net Sales	82,660	44,579	85.4	72,229	14.4	2,16,883	3,03,903	3,40,145	3,71,531
EBITDA	5,373	1,347	298.9	3,203	67.8	9,945	18,538	28,912	33,438
APAT	1,911	(832)	NM	550	247.2	310	5,689	13,973	17,029
Diluted EPS (INR)	0.7	-0.3	NM	0.2	247.2	0.1	1.9	4.8	5.8
P/E (x)						NM	76.2	31.0	25.5
EV / EBITDA (x)						41.3	22.3	14.0	11.7
RoCE (%)						2.9	10.2	18.0	19.7

Source: Company, HSIE Research

SELL

CMP (on 11 Nov 2022)	INR 148
Target Price	INR 116
NIFTY	18,350

KEY CHANGES	OLD	NEW
Rating	SELL	SELL
Price Target	INR 108	INR 116
EPS %	FY23E	FY24E
	13.4%	3.4%

KEY STOCK DATA

Bloomberg code	AL IN
No. of Shares (mn)	2,936
MCap (INR bn) / (\$ mn)	434/5,370
6m avg traded value (INR mn)	2,196
52 Week high / low	INR 169/93

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	1.3	27.0	0.9
Relative (%)	(2.8)	12.7	(2.2)

SHAREHOLDING PATTERN (%)

	Jun-22	Sep-22
Promoters	51.54	51.12
FIs & Local MFs	16.21	16.92
FPIs	13.45	17.57
Public & Others	18.8	14.39
Pledged Shares	10.36	11.06

Source : BSE

Pledged shares as % of total shares

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Oil India

Windfall tax limits earnings growth

Our BUY recommendation on Oil India with a target price of INR 255 is premised on (1) an increase in crude price realisation and (2) an improvement in domestic gas price realisation. Q2FY23 revenue/EBITDA/APAT stood at INR 58/18/17bn, above our estimate, owing to lower-than-expected statutory levies and higher other income. Oil and gas production broadly came in line.

- **Standalone financial performance:** Sales in Q2 were INR 58bn (+74% YoY, -3% QoQ). EBITDA stood at INR 18bn (+2x YoY, -30% QoQ), above our estimate, owing to lower-than-expected statutory levies. Net crude realisation post windfall tax in rupee terms was at INR 5,864/bbl, (USD 23.8/bbl, +14% YoY, -31% QoQ). APAT stood at INR 17bn (+3.4x YoY, +11% QoQ), above our estimate led by higher other income of INR 9bn.
- **Standalone operational performance:** In Q2, gross crude oil realisation was at USD 97.3/bbl, (+40% YoY, -11% QoQ) while the implied net crude oil realisation adjusting for the windfall tax stood at USD 73.5/bbl; gas realisation was at USD 6.1/mmbtu, (+3.3x YoY, flat QoQ). Oil and gas production was in line at 0.79mmt and 0.82bcm. Oil sales volume was at 0.78mmt (+5% YoY, +2% QoQ), in line with our estimate, while gas sales volume was at 0.66bcm (-3% YoY, +10% QoQ), above our estimate.
- **Call takeaways:** (1) The management has maintained their standalone Capex guidance for FY23/24 at ~INR 40-45bn. (2) The company has guided oil production at 3.2/3.6mmt and gas production at 3.5/4bcm for FY23/24 respectively, driven by accelerated production from the existing fields; the company targets to improve the oil production to 4.2mmt and gas production to 5bcm by FY25. (3) The Numaligarh Refinery (NRL) expansion from 3MTPA to 9MTPA is on schedule and is expected to be completed by end of 2025; NRL Capex incurred to date stood at INR 65bn. (4) Out of the total Capex incurred for NRL expansion, only INR 13-16bn has been drawn out of debt; most of the Capex is currently being funded through internal accruals. (5) Q2 consolidated gross debt stood at INR 175bn vs INR 150bn at the end of Q1.
- **Change in estimates:** We revise upwards our consolidated EPS estimates for FY23/24 by +1.7/+6.8% to INR 71.1/56.5, to factor in higher oil and gas production for the standalone business, higher GRM estimates for NRL, partially offset by lower gas prices for FY24 and higher expenses. Our target price remains unchanged at INR 255/sh.
- **We value Oil India's standalone business at INR 117 (3x Mar-24E EPS) and its investments at INR 138. The stock is currently trading at 3.5x FY24E EPS.**

Standalone financial summary

YE March (INR bn)	Q2 FY23	Q1 FY23	QoQ (%)	Q2 FY22	YoY (%)	FY21*	FY22*	FY23E*	FY24E*	FY25E*
Revenues	58	60	(3.2)	33	74.4	225	300	531	515	533
EBITDA	18	26	(29.9)	9	102.3	57	105	131	109	107
APAT	17	16	10.6	5	241.1	46	67	77	61	58
AEPS (INR)	15.9	14.3	10.6	4.7	241.1	42.2	62.0	71.1	56.5	53.3
P/E (x)						4.7	3.2	2.8	3.5	3.7
EV/EBITDA (x)						7.1	3.7	2.7	3.1	2.9
RoE (%)						19.5	24.8	22.1	14.4	11.7

Source: Company, HSIE Research | *Consolidated

BUY

CMP (as on 11 Nov 2022)	INR 198
Target Price	INR 255
NIFTY	18,350

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 255	INR 255
	FY23E	FY24E
EPS change	+1.7%	+6.8%

KEY STOCK DATA

Bloomberg code	OINL IN
No. of Shares (mn)	1,084
MCap (INR bn) / (\$ mn)	214/2,652
6m avg traded value (INR mn)	804
52 Week high / low	INR 306/168

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	5.1	(10.4)	(8.8)
Relative (%)	1.0	(24.6)	(11.9)

SHAREHOLDING PATTERN (%)

	Jun-22	Sep-22
Promoters	56.66	56.66
FIs & Local MFs	15.53	15.37
FPIs	12.42	11.78
Public & Others	15.39	16.20
Pledged Shares	0.00	0.00

Source : BSE

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AGS Transact

Changing track, new deal wins encouraging

AGS Transact (AGS) reported lower-than-expected revenue and margin performance but new deal wins improve growth visibility for H2. The revenue growth was impacted by the decline in ATM management and banking automation solution (BAS) revenue, offset by strong growth in Digital (payments + OMC POS) and other automation services (retail cash machines). The company has announced two new managed services (MS) deal wins from two PSU banks, which will start contribution from Q3FY23. These are net new customers and do not involve additional Capex. The margin was impacted by a drop in BAS margin while payments solutions margin was in line. The company expects to maintain a margin >25%, led by growth in fixed price contracts and better margin in digital. We expect a recovery in the payment solution business, led by (1) two new MS deal wins; (2) implementation of CRM machines; (3) growth in cash management due to compliance-related tailwinds; and (4) growth in digital payment business led by digital adoptions by OMCs. We cut revenue and EPS estimates by ~4-5% for FY23/24E to factor in revenue miss. We maintain BUY on AGS with a target price of INR 120, valuing the stock at 12x Sep-24 EPS (~41% discount to peers).

- Q2FY23 highlights:** AGS reported revenue of INR 4.14bn, lower than our estimate of INR 4.63 bn. Revenue from ATM management/Digital/BAS/OAS stood at INR 2.59/0.68/0.46/0.41bn -2.7%/+10.5%/-8.3%/+30.2% QoQ. The number of ATM/CRM under management stood at 28/4.7K -2.5/+10.5% QoQ. AGS has added ~632 CRMs in H1 and expects healthy additions in H2. Managed services ATMs increased to 57% and fixed-fee ATMs stood at 56%. The focus is to drive MS and fixed-fee ATMs. The POS installations increased 1.7% QoQ to 245K, led by 4.9% growth in OMC POS to 51.8K. GTV/POS/month for OMC POS declined to INR 0.3mn from INR 0.35mn in Q1. The GTV will grow with a higher adoption of digital payments at petrol pumps. The net debt stood at INR 6.68bn and working capital increased slightly, while OCF/EBITDA stood at 85%.
- Outlook:** We expect revenue growth of 6.7/10.8/6.9% in FY23/24/25E and an EBITDA margin of 26/26.1/26.3% respectively, leading to a revenue CAGR of 8% over FY22-25E and an EPS CAGR of 15% over FY23-25E.

Quarterly Financial summary

YE March (INR mn)	Q2 FY23	Q2 FY22	YoY (%)	Q1 FY23	QoQ (%)	FY21	FY22	FY23E	FY24E	FY25E
Net Sales	4,136	4,822	(14.2)	4,175	(0.9)	17,589	17,719	18,902	20,936	22,371
EBITDA	1,088	1,333	(18.4)	1,127	(3.5)	4,386	4,109	4,913	5,463	5,879
APAT	207	41	400.5	192	7.6	548	-825	944	1,119	1,256
EPS (INR)	1.7	0.3	405.9	1.6	7.6	4.5	-6.8	7.8	9.3	10.4
P/E (x)						18.3	-12.2	10.6	9.0	8.0
EV / EBITDA (x)						3.5	4.0	3.2	2.6	2.2
RoE (%)						9.8	-17.1	16.4	16.3	15.4

Source: Company, HSIE Research

Change in estimates

YE March (INR mn)	FY23E Old	FY23E Revised	Change %	FY24E Old	FY24E Revised	Change %
Revenue	19,727	18,902	-4.2	21,680	20,936	-3.4
EBITDA	5,080	4,913	-3.3	5,636	5,463	-3.1
EBITDA margin (%)	25.7	26.0	24bps	26.0	26.1	10bps
APAT	991	944	-4.7	1,157	1,119	-3.3
EPS (INR)	8.2	7.8	-4.7	9.6	9.3	-3.3

Source: Company, HSIE Research

BUY

CMP (as on 11 Nov 2022)	INR 78
Target Price	INR 120
NIFTY	18,350

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 123	INR 120
	FY23E	FY24E
EPS %	-4.7	-3.3

KEY STOCK DATA

Bloomberg code	AGSTRA IN
No. of Shares (mn)	120
MCap (INR bn) / (\$ mn)	9/117
6m avg traded value (INR mn)	28
52 Week high / low	INR 182/66

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(9.6)	(21.5)	-
Relative (%)	(13.7)	(35.8)	-

SHAREHOLDING PATTERN (%)

	Jun-22	Sep-22
Promoters	65.52	66.19
FIs & Local MFs	7.46	7.38
FPIs	5.60	4.62
Public & Others	20.40	21.81
Pledged Shares	0.00	0.00

Source : NSE

Pledged shares as % of total shares

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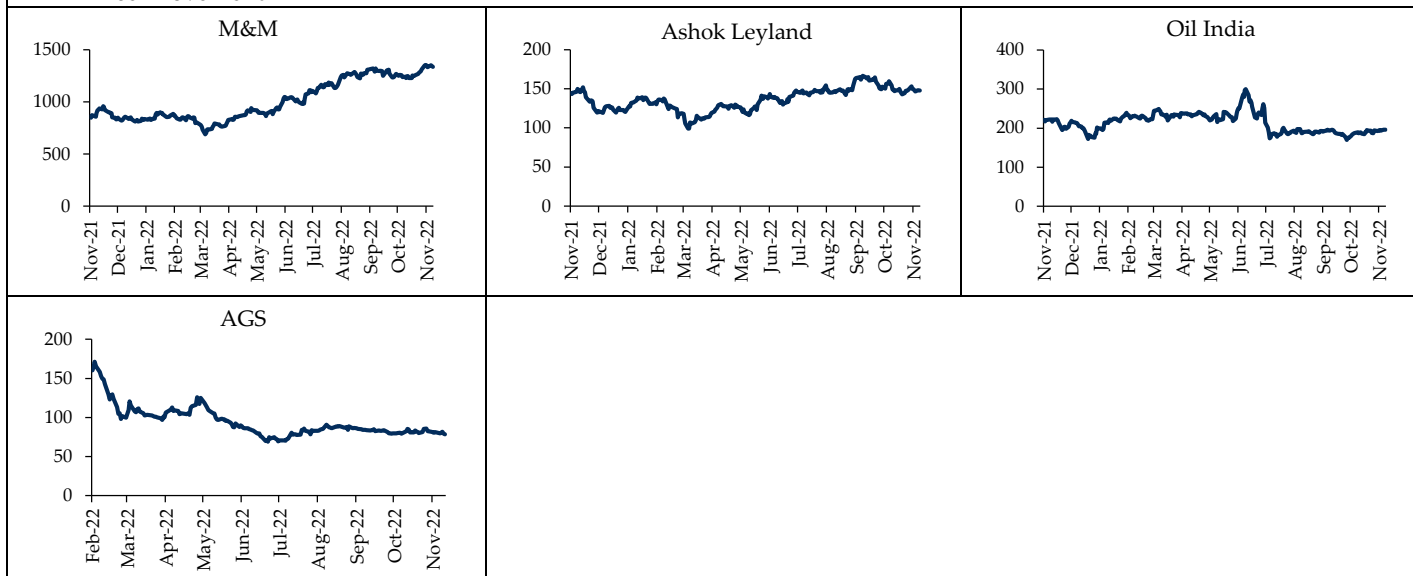
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Rating Criteria

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
Aniket Mhatre	Mahindra & Mahindra, Ashok Leyland	MBA	NO
Sonaal Sharma	Mahindra & Mahindra, Ashok Leyland	MBA	NO
Harshad Katkar	Oil India	MBA	NO
Nilesh Ghuge	Oil India	MMS	NO
Akshay Mane	Oil India	PGDM	NO
Rutvi Chokshi	Oil India	CA	NO
Amit Chandra	AGS Transact	MBA	NO
Vivek Sethia	AGS Transact	CA	NO

1 Yr Price Movement


Disclosure:

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