

# HSIE Results Daily

## Contents

### Results Reviews

- **Reliance Industries:** Our ADD rating on Reliance Industries (RIL) with a price target of INR 2,735/sh is premised on (1) recovery in the O2C businesses; (2) EBITDA growth in the digital business, driven by improvement in ARPU, subscriber addition, and new revenue streams; and (3) potential for further value unlocking in the digital and retail businesses. RIL's consolidated EBITDA stood at INR 352bn (+19% YoY; +13% QoQ, HSIE: INR 344bn), above our estimate, while APAT stood at INR 158bn (-3.2% YoY, +16% QoQ), marginally below our estimate. Earnings were mainly driven by improvement in the O2C and E&P segments.
- **ICICI Bank:** ICICI Bank (ICICIB) reported yet another quarter of all-round impressive balance sheet performance with loan growth (+20% YoY), NIMs (4.7%) and asset quality (GNPA at 3.1%), reflecting in strong profitability vectors (standalone RoE of ~18%). Net slippages continued to remain benign (+0.5% annualised); however, the bank further shored up its contingent provisions, taking the stock of contingent provisions prudently to 130bps. Given the benign credit cycle, we believe that the bank is currently witnessing a profitability overshoot, which is difficult to sustain. With deposit mobilisation lagging loan growth and timing differences in repricing, we believe that peak NIMs are now behind (expecting moderation in FY24E). We tweak our FY23E/FY24E earnings estimates by 2-5% and maintain BUY with an SOTP-based TP of INR1,105 (standalone at 3.0x Sep-24 ABVPS).
- **Kotak Mahindra Bank:** Kotak Mahindra Bank (KMB) clocked a strong beat, led by solid loan growth (+23% YoY), reflation in NIMs (+30bps QoQ), and lower-than-expected credit cost (20bps annualised) as the bank continued to marginally absorb its surplus provisions. Loan growth was steady across segments, with continued strong traction in unsecured retail credit (9.3% of loans). KMB is on track to increase the mix of unsecured high-yielding loans to the mid-teens by end-FY24. However, deposit growth continues to lag, resulting in a loan-to-deposit ratio running stretched at ~90%. While KMB's move to chase super-normal yields through a higher mix of unsecured has merit, we believe overall loan growth could be constrained by the soft pace of deposit mobilisation. We tweak our FY23/FY24 estimates to adjust for higher opex, offset by rising yields; maintain ADD with a SOTP-based target price of INR2,290 (standalone bank at 3.5x Sep-24 ABVPS).
- **SBI Life Insurance:** SBILIFE's adj. VNB came in 3% below the estimate at INR14.5bn (+19% YoY), as VNB margin moderated 483bps QoQ to 26.6% on the back of a higher share of ULIPs in the mix (65%). While the management continues to remain upbeat about growth in the NPAR savings business (+3% QoQ), we continue to watch out for stronger sequential trends. The company's three growth levers stay in place: (1) SBI's massive distribution network (24k+ branches); (2) a healthy mix of protection and NPAR; and (3) the lowest opex ratio among peers (9MFY23: 9.7%). We expect SBILIFE to deliver a healthy FY22-25E APE/VNB CAGR of 17/22% and retain BUY with an unchanged TP of INR1,850 (3x Sep-24E).
- **LTIMindtree:** LTIMindtree (LTIM) delivered its first quarterly performance as a combined entity clocking quarterly revenue of USD 1.05bn and recording deal bookings of USD 1.2bn. We believe that LTIM can take market share from

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tier-1 IT (LTIM 5% of India tier-1 IT but 8-10% share of incremental growth). LTIM expects ~USD 1bn in revenue synergies over 4-5 years and ~200bps cost synergies. Our TP of INR 4,920 and rating of BUY is based on a 15% revenue CAGR and 17% earnings CAGR over FY22-25E and is supported by (1) an increase in deal pipeline and a greater proportion of large deals supported by strong client mining credentials (T10 accounts have grown at >4% CQGR and USD 10mn+ up >20% in last six quarters); (2) strong cross-sell and up-sell opportunity supported by vertical and service-line synergies with limited client overlap; and (3) operational synergies supported by access to wider talent pool (86k+ employees), SG&A optimisation and consolidation of delivery centres (India and Europe overlap). We also believe that risk mitigation will be work in progress as the attrition risk at the senior leadership level persists (recent exit being joint President Sales). While vertical-specific (hi-tech) challenges have increased, the supply side factors have become favourable since the announcement of the deal in May'22. The opportunities of transition from mid-tier IT to tier-1 are greater than the risks of this transition. We value LTIM at 25x Sep-24E EPS implying a PEG of <1.5x.

- **JSW Energy:** JSW Energy Q3FY23 sales were 10% above the consensus estimate at INR22.5bn (+18.7% YoY), driven by higher blended realisation, which was up 30.3% YoY to INR5.5/unit. Net generation, however, declined 4.8% YoY to 4.3bn due to a relatively weaker merchant market as coal prices increased by 37% YoY to \$227/ton during the quarter. Accordingly, EBITDA and PAT declined 21% YoY and 41.8% YoY to INR6.2bn and INR1.9bn respectively. Receivables days stood at 69 days vs 66 QoQ due to the seasonality factor in the hydro business. A committed pipeline of 10GW by FY25 is well on time. Over and above this, JSW Energy received an LoA for the SECI wind project and plans to start its construction in the next 18-21 months. Acquisition of Mytrah Energy is expected to be completed in Q4FY23 (delayed by a quarter), which along with the phase-wise commissioning of SECI IX-810MW and X-450 MW will take the total operational capacity to 9.1GW by FY24 (65% RE). Further, JSW Energy completed the acquisition of the Utkal Ind-Bharath project having 700MW capacity pursuant to NCLT under IBC whose project revival plan is in progress and commissioning is expected in the next 24 months. JSW Energy is generating INR24-25bn p.a. in cash profit, which is sufficient to fund its pipeline projects and aims to maintain the debt/EBITDA level below 4-5x. However, the valuation looks expensive at INR262 (RoE - ~8.9%, FY25 P/E - 23.6x, P/BV - 2.0x); thus, we maintain SELL with a SoTP of INR186.
- **Bandhan Bank:** Bandhan Bank's Q3FY23 earnings missed estimates on account of high interest reversals impacting NIMs and a higher credit cost as management continues to build buffers (added INR4bn from the recently-announced ARC transaction). Continued elevated slippages (15.2% annualised) from the restructured and EEB portfolio, partly offset by write-offs, resulted in a flat GNPA/NNPA print. While the management seemed confident of the ongoing borrower behaviour corrections reflecting in the gradual abating of stress in its core EEB portfolio, we are cautious about any near-term outcomes from the bank's hard pivot ahead. We hack our FY23 estimates by 18% and our FY24/FY25 forecasts by 5-6%; maintain ADD with a revised TP of INR255 (1.9x Sep-24 ABVPS).
- **Petronet LNG:** Our REDUCE recommendation on Petronet LNG (PLNG) with a TP of INR 215 is based on: (1) an adverse impact of high spot LNG price and (2) rising domestic gas production on spot LNG demand in the medium term. Q3 reported EBITDA was at INR 17bn (-3% YoY, +43% QoQ), while PAT came in at INR 12bn (+3% YoY, +59% QoQ), above our estimates, supported by income towards 'use or pay charges' of INR 8.5bn for CY22 and higher-

than-expected other income of INR 1.8bn. Volumes came below estimates at 167tbtu (-20% YoY, -13% QoQ).

- **IndiaMART InterMESH:** IndiaMART posted an in-line revenue growth (+4.5% QoQ) and cash collection from customers (+28% YoY) was better than expected. The company has made investments in its sales engine over the last few quarters (headcount +37% YoY) to revive growth but it has led to margin erosion. Most of the major investments are now over and the sales headcount growth will be in line with paid supplier growth, resulting in operating leverage in FY24E. The paid supplier addition of ~6.3K in Q3 was soft but management has indicated that it will continue the rate of ~8-9K suppliers per quarter. The ARPU will improve as the customers move up the value chain. We maintain our positive stance, based on (1) growth visibility led by improving cash collections; (2) investments in growth engine; (3) improving margin outlook; and (4) lower churn in top customers. We keep our estimates and TP unchanged, we have a BUY rating with a DCF-based TP of INR 5,500 (~31x Dec-24E EV/EBITDA), supported by revenue CAGR of 24% over FY22-25E.
- **Aether Industries:** We retain our BUY rating on Aether Industries, with a target price of INR 1,121 on the back of (1) capacity expansion-led growth, (2) advanced R&D capabilities, (3) technocratic management, (4) market leading position in most of its products, (5) strong product pipeline, and (6) marquee customer base. EBITDA/APAT were 10/5% below our estimates, mainly owing to a 10% fall in revenue.
- **RBL Bank:** RBL Bank's (RBK) Q3FY23 earnings disappointed on account of elevated opex intensity and moderately higher provisions. Gross/net slippages and write-offs, while sequentially lower, remain high at 3.9%/2.4% and 2.4% (annualised), with the bulk of the stress continuing to emanate from credit cards and MFI businesses. Loan growth improved (+15% YoY) as retail credit (~53% of loans) continued to gain traction, driven by credit cards and new segments (home loans, tractors, etc.). Despite a sequential pick-up, deposit mobilisation (+2.9% QoQ) is likely to be incrementally challenging, given the tight liquidity environment and a relatively weak competitive positioning. We believe this calls for sustained investment in distribution (branches, people, higher deposit pricing, etc.), and investment in new businesses, which is likely to keep medium-term opex ratios elevated. Despite lower credit costs driving a 4% upward revision to our FY23E/FY24E earnings estimates, we expect return ratios to stay sub-par and, hence, maintain REDUCE with a revised TP of INR150 (0.6x Sep-24 ABVPS).

# Reliance Industries

## Earnings remain strong

Our ADD rating on Reliance Industries (RIL) with a price target of INR 2,735/sh is premised on (1) recovery in the O2C businesses; (2) EBITDA growth in the digital business, driven by improvement in ARPU, subscriber addition, and new revenue streams; and (3) potential for further value unlocking in the digital and retail businesses. RIL's consolidated EBITDA stood at INR 352bn (+19% YoY; +13% QoQ, HSIE: INR 344bn), above our estimate, while APAT stood at INR 158bn (-3.2% YoY, +16% QoQ), marginally below our estimate. Earnings were mainly driven by improvement in the O2C and E&P segments.

- **Oil to chemicals (O2C) segment:** O2C EBITDA improved to INR 139bn (+3% YoY, +16% QoQ), owing to an improvement in middle distillate cracks; however, it was partially offset by weak margins in light distillates, polymer and polyester chain products. The O2C earnings were impacted by INR 19bn due to the continued levy of special additional export duty on transportation fuels. Crude throughput came in at 18.8mmt (+1% QoQ), while production meant for sale stood at 16.2mmt, flat QoQ, due to planned maintenance and inspection activity in Q3.
- **Oil & gas:** Revenue grew to INR 45bn (~2x YoY, +16% QoQ) while EBITDA improved to INR 39bn (~2x YoY, +22% QoQ), led by improvement in price realisation and higher production from the KG D6 block. The average KG D6 production for Q3 was at ~19MMSCMD, up +6% YoY, flat QoQ. Production may improve further as the MJ field is likely to start production from Q4FY23 onwards.
- **RJPL:** Revenue improved to INR 292bn (+21% YoY, +2% QoQ) due to a higher ARPU of INR 178 (+18% YoY, +1% QoQ). Gross subscriber addition in Q3 was at 34.2mn, while net subscriber addition improved by 5.3mn QoQ. The total customer base stood at 432.9mn in Q3. In Q3, RIL's net debt increased to INR 1,102bn (vs net debt of INR 933bn, as of Sep-22) largely on account of higher Capex funding towards 5G roll out and ramp-up in retail operations.
- **Reliance Retail (RR):** Net revenue grew +19% YoY to INR601bn (largely in-line). Core retail revenue is estimated to have clocked ~17% YoY (three-year CAGR: 18%) to ~INR 444bn (HSIE: 449bn). RR's registered customer base hit 235mn; +31% YoY. Digital+New Commerce contribution remains healthy at 18% of core retail sales. Adj EBITDA (excl. INR 1.2bn investment income) grew 33% (3-year CAGR: 20%) to INR 47bn (HSIE: INR 46bn). Adj/core retail EBITDAM expanded 82/125 bps YoY to 7.7/9.4% (HSIE: 7.7/9.2%). RR added 789 stores/6mn sq. ft in Q3 taking the store count to 17,225 stores).
- **Valuation:** We use EV/EBITDA to value downstream at Mar-24E EV/e, retail on peer benchmarked EV/e and E&P and Jio on DCF. The stock is currently trading at 10.7x Mar-24E EV/EBITDA and 19.8x Mar-24E EPS.

### Financial summary – consolidated

Year Ending March (INR bn)	Q3 FY23	Q2 FY23	QoQ (%)	Q3 FY22	YoY (%)	FY21	FY22	FY23E	FY24E	FY25E
Net Sales	2,172	2,301	(5.6)	1,850	17.4	4,669	7,000	11,190	11,329	12,184
EBITDA	352	312	12.9	297	18.7	807	1,105	1,434	1,721	1,870
PAT	158	137	15.6	163	(3.2)	437	584	693	834	890
Diluted EPS (INR)	23.3	20.2	15.6	24.1	(3.2)	67.8	86.4	102.4	123.3	131.5
P/E (x)						36.0	28.3	23.9	19.8	18.6
EV / EBITDA (x)						23.0	17.3	12.9	10.7	9.8
RoE (%)						7.6	7.9	8.5	9.5	9.3

Source: Company, HSIE Research

# ADD

CMP (as on 20 Jan 2023) INR 2,443

Target Price INR 2,735

NIFTY 18,028

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 2,708	INR 2,735
EPS %	FY23E	FY24E
	-8.4%	-7.8%

### KEY STOCK DATA

Bloomberg code	RIL IN
No. of Shares (mn)	6,765
MCap (INR bn) / (\$ mn)	16,526/2,03,581
6m avg traded value (INR mn)	13,978
52 Week high / low	INR 2,856/2,180

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(2.3)	(2.4)	(1.4)
Relative (%)	(4.7)	(11.8)	(3.3)

### SHAREHOLDING PATTERN (%)

	Sep-22	Dec-22
Promoters	50.57	50.49
FIs & Local MFs	16.07	15.34
FPIs	22.61	23.49
Public & Others	10.75	10.68
Pledged Shares	0.0	0.0

Source : BSE

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# ICICI Bank

## Profitability overshoot offers room for building buffers

ICICI Bank (ICICIB) reported yet another quarter of all-round impressive balance sheet performance with loan growth (+20% YoY), NIMs (4.7%) and asset quality (GNPA at 3.1%), reflecting in strong profitability vectors (standalone RoE of ~18%). Net slippages continued to remain benign (+0.5% annualised); however, the bank further shored up its contingent provisions, taking the stock of contingent provisions prudently to 130bps. Given the benign credit cycle, we believe that the bank is currently witnessing a profitability overshoot, which is difficult to sustain. With deposit mobilisation lagging loan growth and timing differences in repricing, we believe that peak NIMs are now behind (expecting moderation in FY24E). We tweak our FY23E/FY24E earnings estimates by 2-5% and maintain BUY with an SOTP-based TP of INR1,105 (standalone at 3.0x Sep-24 ABVPS).

- **Sharp margin reflation drives NII:** ICICIB delivered robust NII growth (+35% YoY), led by strong loan growth and NIM reflation (+35bps QoQ). Asset yields were relatively more elastic, reflecting in all-time high NIMs at 4.65%.
- **Lead-lag in deposit re-pricing:** With 45% of loans linked to the repo rate, ICICIB has witnessed peak NIM reflation over the past few quarters. However, with the scramble for deposits in the system and the loan-to-deposit ratio at an all-time high, we believe that deposit re-pricing is likely to begin catching up, reflecting in NIM compression during FY24E.
- **Sustaining sector leadership is key; consistent beat may be challenging:** We remain constructive on ICICIB for its ability to optimally invest in building new growth runways; however, incrementally enhancing the medium-term return ratios appears a steep ask. We believe that the bank will need to sustain its accelerated efforts at gaining market share through continued investments in new avenues and further leveraging ecosystem banking (wholesale banking) and NTB customer funnels (retail banking).

### Financial summary

(INR bn)	Q3FY23	Q3FY22	YoY(%)	Q2FY23	QoQ(%)	FY22	FY23E	FY24E	FY25E
NII	164.6	122.4	34.6%	147.9	11.3%	474.7	583.9	654.4	763.5
PPOP	132.7	101.5	30.8%	116.8	13.6%	392.5	465.8	567.0	659.8
PAT	83.1	61.9	34.2%	75.6	10.0%	233.4	302.5	352.3	400.9
EPS (INR)	11.7	8.7	33.6%	10.6	9.8%	33.6	43.5	50.7	57.7
ROAE (%)						14.7	16.4	16.5	16.3
ROAA (%)						1.8	2.0	2.1	2.0
ABVPS (INR)						225.5	262.0	300.4	345.4
P/ABV (x)						3.9	3.3	2.9	2.5
P/E (x)						26.0	20.1	17.2	15.2

### Change in estimates

(INR bn)	FY23E			FY24E			FY25E		
	Old	New	Δ	Old	New	Δ	Old	New	Δ
Net advances	10,209	10,209	0.0%	12,009	11,957	-0.4%	14,124	13,945	-1.3%
NIM (%)	4.1	4.3	25 bps	4.1	4.2	19 bps	4.1	4.2	16 bps
NII	551.9	583.9	5.8%	630.7	654.4	3.8%	744.2	763.5	2.6%
PPOP	457.8	465.8	1.8%	543.6	567.0	4.3%	640.7	659.8	3.0%
PAT	296.4	302.5	2.0%	334.4	352.3	5.4%	385.3	400.9	4.0%
Adj. BVPS (INR)	261.2	262.0	0.3%	296.9	300.4	1.2%	339.4	345.4	1.8%

Source: Company, HSIE Research

## BUY

CMP (as on 20 Jan 2023)	INR 870
Target Price	INR 1,105
NIFTY	18,028

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1087	INR 1105
	FY23E	FY24E
EPS %	2.0%	5.4%

### KEY STOCK DATA

Bloomberg code	ICICIB IN
No. of Shares (mn)	6,978
MCap (INR bn) / (\$ mn)	6,073/74,815
6m avg traded value (INR mn)	10,605
52 Week high / low	INR 958/642

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(2.1)	11.1	7.4
Relative (%)	(4.4)	1.7	5.5

### SHAREHOLDING PATTERN (%)

	Sep-22	Dec-22
Promoters	0	0
FIs & Local MFs	45.2	44.5
FPIs	44.8	45.1
Public & Others	9.9	10.1
Pledged Shares	0	0

Source : BSE

Pledged shares as % of total shares

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# Kotak Mahindra Bank

## Best-in-class franchise needs to solve for deposits

Kotak Mahindra Bank (KMB) clocked a strong beat, led by solid loan growth (+23% YoY), reflation in NIMs (+30bps QoQ), and lower-than-expected credit cost (20bps annualised) as the bank continued to marginally absorb its surplus provisions. Loan growth was steady across segments, with continued strong traction in unsecured retail credit (9.3% of loans). KMB is on track to increase the mix of unsecured high-yielding loans to the mid-teens by end-FY24. However, deposit growth continues to lag, resulting in a loan-to-deposit ratio running stretched at ~90%. While KMB's move to chase super-normal yields through a higher mix of unsecured has merit, we believe overall loan growth could be constrained by the soft pace of deposit mobilisation. We tweak our FY23/FY24 estimates to adjust for higher opex, offset by rising yields; maintain ADD with a SOTP-based target price of INR2,290 (standalone bank at 3.5x Sep-24 ABVPS).

- **All-round beat on numbers:** KMB reported a strong operating performance with healthy NII growth (+30% YoY) as NIMs benefitted from a large floating-rate book (~70%). Loan growth was strong across segments, although the mortgage book witnessed signs of moderation (+29% YoY) amidst pricing pressure even as demand stayed robust. Asset quality stayed impressive with net negative slippages and healthy collections across asset classes.
- **Strategically front-loading tech investments:** KMB ramped up investments in tech on retail assets/liabilities, merchant acquisitions and payments/ETB-NTB customer journeys. As a result, the opex-to-assets ratio continued to stay elevated at 3.5% and is expected to sustain at this level for a couple of quarters. Management expects operating leverage to kick in post-H1FY24 as the bank begins building for productivity gains.
- **Deposit mobilisation roadblock; maintain ADD:** KMB is well-placed to sustain its superior profitability and gain market share with its focus on risk-adjusted growth. The subsidiaries too continue to deliver, contributing ~30% of the consolidated PAT. We argue that KMB needs to incrementally dial up its pace of deposit mobilisation in order to sustain its loan growth aspirations, which could reflect in incremental margin compression.

### Financial summary

(INR bn)	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	FY22	FY23E	FY24E	FY25E
NII	56.5	43.3	30.4%	51.0	10.9%	168.2	210.4	236.8	265.4
PPOP	38.5	27.0	42.5%	35.7	7.9%	120.5	140.4	169.2	194.9
PAT	27.9	21.3	31.0%	25.8	8.2%	85.7	101.4	115.6	130.5
EPS (INR)	14.1	10.7	31.3%	13.0	8.5%	43.2	51.1	58.2	65.7
ROAE (%)						12.6	13.1	13.2	13.2
ROAA (%)						2.1	2.2	2.2	2.2
ABVPS (INR)						341.7	390.7	442.7	501.2
P/ABV (x)						5.2	4.5	4.0	3.5

### Change in estimates

(INR bn)	FY23E			FY24E			FY25E		
	Old	New	Δ	Old	New	Δ	Old	New	Δ
Net advances	3,250	3,250	0.0%	3,712	3,712	0.0%	4,248	4,248	0.0%
NIM (%)	4.7	4.9	28 bps	4.7	5.0	25 bps	4.6	4.9	33 bps
NII	199.0	210.4	5.7%	225.8	236.8	4.9%	248.8	265.4	6.7%
PPOP	136.6	140.4	2.8%	163.2	169.2	3.7%	174.8	194.9	11.5%
PAT	94.0	101.4	7.9%	107.9	115.6	7.1%	114.9	130.5	13.5%
Adj. BVPS (INR)	387.5	390.7	0.8%	435.8	442.7	1.6%	487.5	501.2	2.8%

Source: HSIE Research

## ADD

CMP (as on 20 Jan 2023) INR 1,763

Target Price INR 2,290

NIFTY 18,028

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR2270	INR2290
EPS %	FY23E	FY24E
	7.9%	7.1%

### KEY STOCK DATA

Bloomberg code	KMB IN
No. of Shares (mn)	1,986
MCap (INR bn) / (\$ mn)	3,501/43,132
6m avg traded value (INR mn)	4,897
52 Week high / low	INR 1,998/1,630

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(5.4)	(3.5)	(6.9)
Relative (%)	(7.8)	(13.0)	(8.8)

### SHAREHOLDING PATTERN (%)

	Sep-22	Dec-22
Promoters	26.0	26.0
FIs & Local MFs	20.0	20.1
FPIs	40.6	40.9
Public & Others	13.4	13.0
Pledged Shares	0.0	0.0

Source : BSE

Pledged shares as % of total shares

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# SBI Life Insurance

## Higher share of ULIP leads to margin miss

SBILIFE's adj. VNB came in 3% below the estimate at INR14.5bn (+19% YoY), as VNB margin moderated 483bps QoQ to 26.6% on the back of a higher share of ULIPs in the mix (65%). While the management continues to remain upbeat about growth in the NPAR savings business (+3% QoQ), we continue to watch out for stronger sequential trends. The company's three growth levers stay in place: (1) SBI's massive distribution network (24k+ branches); (2) a healthy mix of protection and NPAR; and (3) the lowest opex ratio among peers (9MFY23: 9.7%). We expect SBILIFE to deliver a healthy FY22-25E APE/VNB CAGR of 17/22% and retain BUY with an unchanged TP of INR1,850 (3x Sep-24E).

- **ULIPs lead to margin miss:** SBILIFE reported total APE at INR54.4bn (+19% YoY, in line with estimate). The high-margin NPAR savings clocked softer QoQ growth (+3.2%), indicating pressure from competing products (deposits) in the banca channel. With capital markets stabilising, ULIPs grew 15% YoY, suggesting a revival in the segment. Retail protection exhibited early signs of recovery, growing 18% QoQ (+3% YoY) after a weak H1. With the share of NPAR savings in the mix moderating to 18% (-608bps QoQ), adj. VNB margin clocked in at 26.6% (-483bps QoQ, -139bps vs. estimate), driving adj. VNB to INR14.5bn (+19% YoY, a 3% miss). Persistency improved across cohorts in the range of 18-801bps except for the 25<sup>th</sup> month. ULIPs grew (+23% YoY) in the banca channel whereas other channels reported de-growth.
- **NPAR mix to hover around 20% level:** The management continues to be bullish on the growth outlook of the NPAR savings business. With a sharp rise in deposit pricing (competitive product), we expect repricing in NPAR guaranteed savings products, which is likely to pose margin pressure.
- **Group credit life to support margins:** With group protection growing 18% YoY, the management stated that this was predominantly in the credit life business. Given the strong system-wide credit growth trend and 50% attachment rate (in the parent banca channel), we expect this business to cushion margins.

### Financial summary

(INR bn)	Q3 FY23	Q3 FY22	YoY (%)	Q2 FY23	QoQ (%)	FY22	FY23E	FY24E	FY25E
NBP	68.2	72.9	-6.4	90.9	-25.0	254.6	306.8	363.3	439.8
APE	54.4	45.8	18.8	39.2	38.8	143.0	171.6	198.4	228.7
Adj. VNB	14.5	12.1	19.4	12.3	17.4	37.0	49.8	57.9	67.7
Adj. VNB (%)	26.6	26.5	13bps	31.4	-483bps	25.9	29.0	29.2	29.6
EV						412.9	480.0	576.6	683.0
MCap/EV (x)						3.1	2.7	2.2	1.9
P/VNB (x)						25.6	17.8	14.1	10.6
RoEV(%)						18.3	16.9	21.0	20.5

Source: Company, HSIE Research

### Change in estimates

(INR bn)	FY23E			FY24E			FY25E		
	Revised	Old	Change % / bps	Revised	Old	Change % / bps	Revised	Old	Change % / bps
APE	171.6	171.6	0.0	198.4	198.4	0.0	228.7	228.7	0.0
VNB	49.8	49.8	0.0	57.9	57.9	0.0	67.7	67.7	0.0
VNB (%)	29.0	29.0	0	29.2	29.2	0	29.6	29.6	0
EV	480.0	480.0	0.0	576.6	576.6	0.0	683.0	683.0	0.0

Source: Company, HSIE Research

**BUY**

CMP (as on 20 Jan 2023) INR 1,296

Target Price INR 1,850

NIFTY 18,028

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,850	INR 1,850
VNB %	FY23E	FY24E
	+0.0%	+0.0%

### KEY STOCK DATA

Bloomberg code	SBILIFE IN
No. of Shares (mn)	1,001
MCap (INR bn) / (\$ mn)	1,297/15,980
6m avg traded value (INR mn)	1,416
52 Week high / low	INR 1,340/1,004

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	6.0	9.3	4.6
Relative (%)	3.6	(0.1)	2.7

### SHAREHOLDING PATTERN (%)

	Sep-22	Dec-22
Promoters	55.5	55.5
FIs & Local MFs	11.7	14.9
FPIs	24.3	25.1
Public & Others	8.5	4.5
Pledged Shares	Nil	Nil

Source : BSE

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# LTIMindtree

## Change of orbit

LTIMindtree (LTIM) delivered its first quarterly performance as a combined entity clocking quarterly revenue of USD 1.05bn and recording deal bookings of USD 1.2bn. We believe that LTIM can take market share from tier-1 IT (LTIM 5% of India tier-1 IT but 8-10% share of incremental growth). LTIM expects ~USD 1bn in revenue synergies over 4-5 years and ~200bps cost synergies. Our TP of INR 4,920 and rating of BUY is based on a 15% revenue CAGR and 17% earnings CAGR over FY22-25E and is supported by (1) an increase in deal pipeline and a greater proportion of large deals supported by strong client mining credentials (T10 accounts have grown at >4% CQGR and USD 10mn+ up >20% in last six quarters); (2) strong cross-sell and up-sell opportunity supported by vertical and service-line synergies with limited client overlap; and (3) operational synergies supported by access to wider talent pool (86k+ employees), SG&A optimisation and consolidation of delivery centres (India and Europe overlap). We also believe that risk mitigation will be work in progress as the attrition risk at the senior leadership level persists (recent exit being joint President Sales). While vertical-specific (hi-tech) challenges have increased, the supply side factors have become favourable since the announcement of the deal in May'22. The opportunities of transition from mid-tier IT to tier-1 are greater than the risks of this transition. We value LTIM at 25x Sep-24E EPS implying a PEG of <1.5x.

- **Synergy benefits:** LTIM management expects USD 1bn in revenue synergies over 4-5 years and 200bps cost synergies over the same period from the combined entity. LTI's strong credentials in client mining (USD 20mn+ and USD 1mn+ logos have doubled in five years) combined with its scaled competencies in SAP, AWS and Temenos (recent US BFS cross-sell deal) and strong tiering in partnerships will be the drivers as enterprises place greater focus on cost optimisation deals. Additionally, the strong digital prowess of Mindtree, especially in front-end, and customer success with competencies in Salesforce, Adobe, and Microsoft align well with LTI's strong sub-vertical capabilities and will support participation in multi-services deals.
- **Outlook:** While LTIM has a dominant position in the BFSI vertical (37% of revenue) and CMT/hi-tech vertical (24% of revenue), the market share displacement opportunity in both verticals is very large and will be supported by vendor consolidation. New logo signings and rate increases will support the BFSI vertical growth. Hi-tech vertical recovery is expected in Q4 (as compared to a furlough impact in Q3), supported by renewals of large managed services deals. We have factored in USD revenue growth of 18/13/14% for FY23/24/25E and margins recovering to pre-merger, factoring in an EBITM of 15.9/17.0/17.7%, which translates into an EPS CAGR of 17% over FY22-25E. Valuation at 24x FY24E and 20x FY25E is attractive, supported by ~30% RoE.

### Financial Summary

YE March (INR bn)	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	FY22*	FY23E	FY24E	FY25E
Revenue (USD mn)	1,047	918	14.0	1,022	2.4	3,502	4,136	4,669	5,306
Net Sales	86.20	68.81	25.3	82.28	4.8	261.11	333.92	387.52	445.70
EBIT	11.97	12.75	(6.1)	14.40	(16.9)	46.41	53.24	65.92	78.76
APAT	10.01	10.50	(4.7)	11.89	(15.8)	39.33	43.09	52.87	63.37
Diluted EPS (INR)	33.9	35.5	(4.7)	40.2	(15.8)	133.0	145.8	178.8	214.4
P/E (x)						32.1	29.3	23.9	19.9
EV / EBITDA (x)						22.7	19.2	15.4	12.7
RoE (%)						30.4	27.7	28.8	29.2

Source: Company, HSIE Research, \*FY22 numbers is Proforma

## BUY

CMP (as on 20 Jan 2023) INR 4,268

Target Price INR 4,920

NIFTY 18,028

KEY CHANGES	OLD	NEW
Rating	NA	BUY
Price Target	NA	INR 4,920
EPS %	FY24E	FY25E
	NA	NA

### KEY STOCK DATA

Bloomberg code	LTIM IN
No. of Shares (mn)	296
MCap (INR bn) / (\$ mn)	1,262/15,553
6m avg traded value (INR mn)	1,952
52 Week high / low	INR 6,982/3,733

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(10.3)	(4.0)	(35.4)
Relative (%)	(12.7)	(13.4)	(37.3)

### SHAREHOLDING PATTERN (%)

	Nov-22	Dec-22
Promoters	68.69	68.69
FIs & Local MFs	9.99	10.29
FPIs	9.64	9.21
Public & Others	11.68	11.81
Pledged Shares	0.00	0.00

Source : BSE

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# JSW Energy

## Weaker merchant market led to a dip in margin

JSW Energy Q3FY23 sales were 10% above the consensus estimate at INR22.5bn (+18.7% YoY), driven by higher blended realisation, which was up 30.3% YoY to INR5.5/unit. Net generation, however, declined 4.8% YoY to 4.3bn due to a relatively weaker merchant market as coal prices increased by 37% YoY to \$227/ton during the quarter. Accordingly, EBITDA and PAT declined 21% YoY and 41.8% YoY to INR6.2bn and INR1.9bn respectively. Receivables days stood at 69 days vs 66 QoQ due to the seasonality factor in the hydro business. A committed pipeline of 10GW by FY25 is well on time. Over and above this, JSW Energy received an LoA for the SECI wind project and plans to start its construction in the next 18-21 months. Acquisition of Mytrah Energy is expected to be completed in Q4FY23 (delayed by a quarter), which along with the phase-wise commissioning of SECI IX-810MW and X-450 MW will take the total operational capacity to 9.1GW by FY24 (65% RE). Further, JSW Energy completed the acquisition of the Utkal Ind-Bharath project having 700MW capacity pursuant to NCLT under IBC whose project revival plan is in progress and commissioning is expected in the next 24 months. JSW Energy is generating INR24-25bn p.a. in cash profit, which is sufficient to fund its pipeline projects and aims to maintain the debt/EBITDA level below 4-5x. However, the valuation looks expensive at INR262 (RoE - ~8.9%, FY25 P/E - 23.6x, P/BV - 2.0x); thus, we maintain SELL with a SoTP of INR186.

- **Generation declines marginally:** Net generation declined by 4.8% YoY to 4.3BU due to a weaker merchant market. Generation declined at Barmer (-1.8% YoY), Ratnagiri (-8.3% YoY), Vijaynagar (+10.1% YoY) and hydro stations (-9.1% YoY). Solar plant generation was 89MU during the quarter vs 3MU in Q3FY22. Revenue, however, grew 18.7% YoY to INR22.5bn, led by better realisation (+30.3% YoY to INR5.5/unit). EBITDA declined 21% YoY to INR6.2bn due to inflated fuel expenses and lower merchant sales. Accordingly, PAT decreased 41.8% YoY to INR1.9bn in Q3FY23.
- **Capacity addition at a strong pace:** In Q3FY23, phase-wise commissioning of SECI X (450MW) started with 27MW project. 240MW Kutehr project is also progressing well in line with the scheduled period (90% of tunnelling work completed) and is expected to achieve CoD by Q2FY25. The company has also ventured into BESS and won 500MW/1GWh in SECI tender, for which it received LoA in Jan-23, which is over and above its 10GW of the pipeline.
- **Maintain SELL:** We maintain our PAT estimates for FY24/25. While JSW has one of the strongest balance sheets in the industry (net D/E - 0.4x), we believe that the valuation at CMP of INR262 is highly unjustifiable (RoE - ~8.9%, FY25 P/E - 23.6x, P/BV - 2.0x). Hence, we maintain our SELL rating, with an SoTP TP of INR186.

### Financial summary

(INR mn, Mar YE)	3Q FY23	3Q FY22	YoY (%)	2Q FY23	QoQ (%)	FY22	FY23E	FY24E	FY25E
Net Revenues	22,481	18,935	18.7	23,875	-5.8	75,712	94,527	97,302	99,403
EBITDA	6,249	7,912	-21.0	8,896	-29.7	29,730	37,170	39,471	39,535
APAT	1,867	3,208	-41.8	4,566	-59.1	11,389	15,031	17,132	18,306
Consol EPS (INR)	1.1	2.0	-41.8	2.8	-59.1	6.9	9.2	10.4	11.2
P/E (x)						37.9	28.7	25.2	23.6
Price/BV						2.5	2.3	2.2	2.0
RoE (%)						7.2	8.3	8.9	8.9

Source: Company, HSIE Research

## SELL

CMP(as on 20 Jan 2023)	INR 262
Target Price	INR 186
NIFTY	18,028

KEY CHANGES	OLD	NEW
Rating	SELL	SELL
Price Target	INR186	INR186
	FY23E	FY24E
EPS Change %	-	-

### KEY STOCK DATA

Bloomberg code	JSW IN
No. of Shares (mn)	1,645
MCap (INR bn) / (\$ mn)	431/5,315
6m avg traded value (INR mn)	507
52 Week high / low	INR 369/182

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(17.3)	8.6	(17.3)
Relative (%)	(19.7)	(0.8)	(19.3)

### SHAREHOLDING PATTERN (%)

	Sep-22	Dec-22
Promoters	74.7	74.7
FIs & Local MFs	12.5	10.4
FPIs	5.3	5.1
Public & Others	7.5	9.8
Pledged Shares	8.2	9.7

Source : BSE

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# Bandhan Bank

## Hard pivot calls for complete reset; adjustment phase ahead

Bandhan Bank's Q3FY23 earnings missed estimates on account of high interest reversals impacting NIMs and a higher credit cost as management continues to build buffers (added INR4bn from the recently-announced ARC transaction). Continued elevated slippages (15.2% annualised) from the restructured and EEB portfolio, partly offset by write-offs, resulted in a flat GNPA/NNPA print. While the management seemed confident of the ongoing borrower behaviour corrections reflecting in the gradual abating of stress in its core EEB portfolio, we are cautious about any near-term outcomes from the bank's **hard pivot ahead**. We **hack** our FY23 estimates by 18% and our FY24/FY25 forecasts by 5-6%; maintain ADD with a revised TP of INR255 (1.9x Sep-24 ABVPS).

- **Back-book stress peaking:** Bandhan Bank's GNPA/NNPA remained flat at 7.2%/1.9% despite higher slippages (~15% annualised) driven by accelerated write-offs in the EEB pool (12% annualised). Amidst a steady rise in the fully-paying customers (up 400bps sequentially at 96%), the management believes that slippages from the core EEB portfolio have peaked.
- **Strong traction in disbursements; portfolio diversification on track:** Loan growth (+15% YoY) was led by non-EEB portfolios such as mortgages (+28% YoY), commercial banking (+87% YoY), and individual MFI portfolio (+39% YoY). The bank's strategy to diversify towards secured retail and commercial banking businesses (9MFY23 mix: 63%) remains on track (FY25 target mix: 74%) to build a stronger customer franchise and achieve greater stability.
- **Concerns around customer franchise and return profile:** While the tighter underwriting norms in the core EEB portfolio were necessary, these do raise structural concerns on the core customer franchise. Any evidence of borrower behaviour reset reflecting in better collections from the back book is an upside risk to medium-term profitability. Despite potential near-term margin reflation from recent repricing in its fixed-rate portfolio (70% of loans), our implied multiple (1.9x) assumes a long road towards a new normal on potential return ratios.

### Financial summary

(INR bn)	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	FY22	FY23E	FY24E	FY25E
NII	20.8	21.2	-2.1%	21.9	-5.1%	87.1	90.8	108.0	126.4
PPOP	19.2	19.5	-1.4%	15.5	23.8%	80.1	69.0	81.5	92.9
PAT	2.9	8.6	-66.2%	2.1	38.9%	1.3	22.2	37.5	45.5
EPS (INR)	1.8	5.3	-66.2%	1.3	38.5%	0.8	13.8	23.3	28.2
ROAE (%)						0.7	12.2	18.2	18.7
ROAA (%)						0.1	1.5	2.2	2.2
ABVPS (INR)						98.2	106.2	127.1	149.1
P/ABV (x)						2.4	2.2	1.9	1.6
P/E (x)						303.0	17.2	10.2	8.4

### Change in estimates

(INR bn)	FY23E			FY24E			FY25E		
	Old	New	Δ	Old	New	Δ	Old	New	Δ
Net advances	1,109	1,110	0.1%	1,318	1,328	0.7%	1,575	1,590	1.0%
NIM (%)	7.0	6.6	-35 bps	6.9	6.8	-18 bps	6.9	6.6	-21 bps
NII	95.7	90.8	-5.1%	110.6	108.0	-2.4%	129.8	126.4	-2.6%
PPOP	75.4	69.0	-8.5%	86.2	81.5	-5.4%	99.3	92.9	-6.4%
PAT	26.9	22.2	-17.6%	39.8	37.5	-5.9%	47.8	45.5	-4.9%
Adj. BVPS (INR)	109.8	106.2	-3.3%	132.9	127.1	-4.3%	158.7	149.1	-6.0%

Source: Company, HSIE Research

## ADD

CMP (as on 20 Jan 2023)	INR 237
Target Price	INR 255
NIFTY	18,028

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 309	INR 255
EPS %	FY23E	FY24E
	-18%	-6%

### KEY STOCK DATA

Bloomberg code	BANDHAN IN
No. of Shares (mn)	1,611
MCap (INR bn) / (\$ mn)	382/4,706
6m avg traded value (INR mn)	2,392
52 Week high / low	INR 350/209

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(12.2)	(15.9)	(20.9)
Relative (%)	(14.6)	(25.3)	(22.9)

### SHAREHOLDING PATTERN (%)

	Sep-22	Dec-22
Promoters	40.0	40.0
FIs & Local MFs	17.5	17.5
FPIs	34.2	32.4
Public & Others	8.3	10.1
Pledged Shares	0.0	0.0

Source : BSE

Pledged shares as % of total shares

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# Petronet LNG

## High gas prices impact utilisation

Our REDUCE recommendation on Petronet LNG (PLNG) with a TP of INR 215 is based on: (1) an adverse impact of high spot LNG price and (2) rising domestic gas production on spot LNG demand in the medium term. Q3 reported EBITDA was at INR 17bn (-3% YoY, +43% QoQ), while PAT came in at INR 12bn (+3% YoY, +59% QoQ), above our estimates, supported by income towards 'use or pay charges' of INR 8.5bn for CY22 and higher-than-expected other income of INR 1.8bn. Volumes came below estimates at 167tbtu (-20% YoY, -13% QoQ).

- Financial performance:** Reported EBITDA, at INR 17bn, (-3% YoY, +43% QoQ), came in above estimates, supported by income towards use or pay charges of INR 8.5bn for CY22 recognised in Q3. PAT for Q3 stood at INR 12bn, (+3% YoY; +59% QoQ), supported by higher other income of INR 1.8bn owing to a favourable arbitration claim of INR 792mn towards liquidated damages from a contractor in connection with the project at the Dahej terminal. Earnings were also supported by trading gains of INR 250mn and an inventory gain of INR 950mn in Q3.
- Terminal-wise Q3 performance:** Utilisation was 69% at Dahej and 20% at Kochi. Volumes at Dahej and Kochi were 154tbtu and 13tbtu, with total volume at 167tbtu (HSIE 178tbtu; -20% YoY, -13% QoQ). Dahej's services volume declined sharply to 47tbtu (-38% YoY, -39% QoQ) due to high spot LNG prices, a lower number of spot cargoes to India and the availability of gas from difficult fields on IGX. However, management has indicated that utilisation has currently improved to 81% with spot LNG prices softening over the last few weeks, ranging between USD 16 to 20/mmbtu.
- Con call takeaways:** (1) PLNG is looking at undertaking implementation and other agreements with the Gopalpur Port Trust and thereafter proceeding with the tendering process for the Gopalpur terminal. (2) Two LNG tanks at Dahej are 50% complete. (3) Capacity expansion of 2.5MTPA at Dahej to be completed by Q3FY25 and the remaining 2.5MTPA to be completed by Mar-25. (4) Capex guidance is INR 12bn for FY23 and INR 18bn for FY24.
- DCF valuation:** Our TP of INR 215 is based on Mar-24E cash flow (WACC 11%, terminal growth rate 3%). The stock is trading at 16.8x FY24E EPS.

### Financial summary

YE March (INR bn)	Q3 FY23	Q2 FY23	QoQ (%)	Q3 FY22	YoY (%)	FY21	FY22	FY23E	FY24E	FY25E
Revenues	158	160	(1.3)	126	25.2	260	432	552	518	556
EBITDA	17	12	42.8	17	(3.3)	47	53	43	36	42
APAT	12	7	58.6	11	3.2	29	34	30	20	23
AEPS (INR)	7.9	5.0	58.6	7.6	3.2	19.7	22.3	20.3	13.2	15.6
P/E (x)						11.3	10.0	11.0	16.8	14.2
EV/EBITDA (x)						6.6	6.0	6.9	8.3	7.1
RoE (%)						26.1	26.7	21.7	13.5	15.6

Source: Company, HSIE Research

### Change in estimates

	FY23E			FY24E			FY25E		
	Old	New	Ch%	Old	New	Ch%	Old	New	Ch%
EBITDA (INR bn)	35.6	43.4	21.9	36.7	35.8	(2.5)	42.9	42.0	(2.3)
AEPS (INR/sh)	14.4	20.3	40.7	13.5	13.2	(2.2)	15.8	15.6	(1.1)

Source: Company, HSIE Research

## REDUCE

CMP (as on 20 Jan 2023)	INR 223
Target Price	INR 215
NIFTY	18,028

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 205	INR 215
	<b>FY23E</b>	<b>FY24E</b>
EPS change	+40.7%	-2.2%

### KEY STOCK DATA

Bloomberg code	PLNG IN
No. of Shares (mn)	1,500
MCap (INR bn) / (\$ mn)	334/4,120
6m avg traded value (INR mn)	361
52 Week high / low	INR 225/184

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	13.8	2.0	6.7
Relative (%)	11.4	(7.4)	4.8

### SHAREHOLDING PATTERN (%)

	Sep-22	Dec-22
Promoters	50.00	50.00
FIs & Local MFs	4.05	4.12
FPIs	34.83	34.85
Public & Others	11.12	11.03
Pledged Shares	0.00	0.00

Source: BSE

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# IndiaMART InterMESH

## Gaining momentum

IndiaMART posted an in-line revenue growth (+4.5% QoQ) and cash collection from customers (+28% YoY) was better than expected. The company has made investments in its sales engine over the last few quarters (headcount +37% YoY) to revive growth but it has led to margin erosion. Most of the major investments are now over and the sales headcount growth will be in line with paid supplier growth, resulting in operating leverage in FY24E. The paid supplier addition of ~6.3K in Q3 was soft but management has indicated that it will continue the rate of ~8-9K suppliers per quarter. The ARPU will improve as the customers move up the value chain. We maintain our positive stance, based on (1) growth visibility led by improving cash collections; (2) investments in growth engine; (3) improving margin outlook; and (4) lower churn in top customers. We keep our estimates and TP unchanged, we have a BUY rating with a DCF-based TP of INR 5,500 (~31x Dec-24E EV/EBITDA), supported by revenue CAGR of 24% over FY22-25E.

- **Q3FY23 Highlights:** (1) IndiaMART revenue grew 4.5% QoQ to INR 2.52bn (in-line vs our estimate), driven by +3.2/+1.5 growth in paid suppliers/ARPU; (2) cash collections from customers were at INR 2.83bn, up 27.5% YoY; (3) ~22% of the registered buyers are active on the platform and ~9% of the visitors place a business enquiry; (4) EBITDA margin was flat QoQ at 28% (in line with estimate), with +7.8% QoQ increase in manpower cost, partially offset by 2.5% decline in outsourced cost; (5) customer churn for annual customers was at 2% per month and gold and platinum customers at <1% per month; (6) BUSY has revenue of INR 104mn, collections of INR 120mn, EBITDA margin of 16% and generated OCF of INR 43mn; (7) other income included one-time gains of INR 0.67bn resulting from the sale of investment; (8) net cash stands at INR 21bn (~15% of Mcap).
- **Outlook:** We expect revenue growth of +30/21/20%, based on paid supplier growth of +20/18/16% and ARPU growth of 3.9/3.2/3.5% for FY23/24/25E respectively. EBITDA margin estimates stand at 28.1/31.4/34.8% for FY23/24/25E, leading to an EPS CAGR of 11% over FY22-25E (~29% EPS CAGR over FY23-25E).

### Quarterly financial summary

YE March (INR mn)	Q3 FY23	Q3 FY22	YoY (%)	Q2 FY23	QoQ (%)	FY21	FY22	FY23E	FY24E	FY25E
Net Sales	2,515	1,881	33.7	2,406	4.5	6,696	7,535	9,781	11,837	14,232
EBITDA	703	788	-10.8	672	4.6	3,282	3,079	2,753	3,721	4,955
APAT	635	702	-9.6	582	9.2	2,798	2,971	2,412	3,101	4,022
EPS (INR)	20.8	22.8	-9.2	19.0	9.1	91.0	96.7	78.9	101.4	131.5
P/E (x)						49.0	46.2	56.6	44.0	33.9
EV / EBITDA (x)						34.8	36.8	39.8	28.2	19.9
RoE (%)						29.7	17.0	12.1	13.8	15.9

Source: Company, HSIE Research, Consolidated Financials

### Change in estimates

YE March (INR mn)	FY23E Old	FY23E Revised	Change %	FY24E Old	FY24E Revised	Change %	FY25E Old	FY25E Revised	Change %
Revenue	9,781	9,781	0.0	11,930	11,837	-0.8	14,319	14,232	-0.6
EBITDA	2,751	2,753	0.1	3,833	3,721	-2.9	5,053	4,955	-1.9
EBITDA margin (%)	28.1	28.1	3 bps	32.1	31.4	-69 bps	35.3	34.8	-48 bps
APAT	2,384	2,412	1.2	3,097	3,101	0.1	4,042	4,022	-0.5
EPS (INR)	78.0	78.9	1.2	101.3	101.4	0.1	132.2	131.5	-0.5

Source: Company, HSIE Research

**BUY**

CMP (as on 20 Jan 2023)	INR 4,550
Target Price	INR 5,500
NIFTY	18,028

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 5,500	INR 5,500
	FY24E	FY25E
EPS %	+0.1	-0.5

### KEY STOCK DATA

Bloomberg code	INMART IN
No. of Shares (mn)	31
MCap (INR bn) / (\$ mn)	139/1,716
6m avg traded value (INR mn)	523
52 Week high / low	INR 6,450/3,676

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	3.0	9.3	(28.4)
Relative (%)	0.6	(0.1)	(30.3)

### SHAREHOLDING PATTERN (%)

	Sep-22	Dec-22
Promoters	49.22	49.22
FIs & Local MFs	5.25	5.81
FPIs	25.00	25.38
Public & Others	20.33	19.44
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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# Aether Industries

## Margin improves on lower input cost

We retain our BUY rating on Aether Industries, with a target price of INR 1,121 on the back of (1) capacity expansion-led growth, (2) advanced R&D capabilities, (3) technocratic management, (4) market leading position in most of its products, (5) strong product pipeline, and (6) marquee customer base. EBITDA/APAT were 10/5% below our estimates, mainly owing to a 10% fall in revenue.

- Financial performance:** Revenue was up 19/11% QoQ/YoY to INR 1,671mn. All three businesses witnessed growth during the quarter. The company is witnessing numerous enquiries from Europe, especially for its CRAMS and contract manufacturing businesses. It has added three new customers in CRAMS and seven in LSM. EBITDA increased by 28/21% QoQ/YoY to INR 473mn in Q3, with EBITDA margin improving by 200bps sequentially at ~28%. Margin improvement is owing to softening of raw material prices. APAT came in at INR 350mn (+29/+38% QoQ/YoY).
- Key con call takeaways:** (1) Segmental revenue break-up for Q3FY23 was: 50% LSM, 13% CRAMS and 35% contract manufacturing. (2) Aether's production capacity increased by ~57% to ~9,600 TPA post commissioning of facility 3 in Jan-23. Trial runs for five new products have been started and the commercial production of the plant will start this month-end. Peak revenue potential from facility 3 is ~INR4bn. (3) The company has acquired land adjacent to facility 3. It will invest INR600mn to INR700mn in this new facility, termed facility 3+. By the end of FY24, the company is planning to launch indigenously developed three new products for the agrochemical industry in the LSM business. Peak revenue potential from facility 3+ is ~INR2bn. (4) Land parcel for facility 4 has been increased from 8,000sq. m. to 18,000 sq. m. Approval for amalgamation is in progress. (5) The company will develop the next two greenfield projects (facilities 4 and 5) simultaneously.
- Change in estimates:** We cut our FY23/24 EPS estimates marginally by 0.2/4.2% to INR 12.4/18.9, to factor in the change in the Capex plan and weak Q3 result.
- DCF-based valuation:** Our target price is INR 1,121 (WACC 11%, terminal growth 6%). The stock is trading at 47x FY24E EPS.

### Financial summary

INR mn	Q3 FY23	Q2 FY23	QoQ (%)	Q3 FY22	YoY (%)	FY21	FY22	FY23E	FY24E	FY25E
Net Sales	1,671	1,402	19.3	1,513	10.5	4,498	5,900	7,344	10,554	15,188
EBITDA	473	369	28.3	392	20.6	1,122	1,681	2,145	3,290	4,843
APAT	350	272	28.8	254	37.9	711	1,089	1,540	2,348	3,267
AEPS (INR)	2.8	2.2	28.8	2.0	37.9	5.7	8.8	12.4	18.9	26.2
P/E (x)						156.7	102.3	72.3	47.4	34.1
EV/EBITDA(x)						101.1	67.9	50.0	33.1	22.8
RoE (%)						56.3	38.8	18.3	16.6	19.3

Source: Company, HSIE Research

### Change in estimates

Y/E Mar	FY23E Old	FY23E New	% Ch	FY24E Old	FY24E New	% Ch	FY25E Old	FY25E New	% Ch
EBITDA (INR mn)	2,150	2,145	(0.2)	3,522	3,290	(6.6)	4,940	4,843	(2.0)
Adj. EPS (INR/sh)	12.4	12.4	(0.2)	19.7	18.9	(4.2)	26.9	26.2	(2.3)

Source: Company, HSIE Research

## BUY

CMP (as on 20 Jan 2023)	INR 895
Target Price	INR 1,121
NIFTY	18,028

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,070	INR 1,121
EPS %	FY23E -0.2%	FY24E -4.2%

### KEY STOCK DATA

Bloomberg code	AETHER IN
No. of Shares (mn)	125
MCap (INR bn) / (\$ mn)	111/1,373
6m avg traded value (INR mn)	91
52 Week high / low	INR 1,050/700

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(5.1)	(2.8)	-
Relative (%)	(7.5)	(12.3)	-

### SHAREHOLDING PATTERN (%)

	Sept-22	Dec-22
Promoters	87.09	87.07
FIs & Local MFs	8.39	8.35
FPIs	1.49	1.56
Public & Others	3.03	3.02
Pledged Shares	0.00	0.00

Source: BSE

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# RBL Bank

## Multiple moving parts; searching for a new normal

RBL Bank's (RBK) Q3FY23 earnings disappointed on account of elevated opex intensity and moderately higher provisions. Gross/net slippages and write-offs, while sequentially lower, remain high at 3.9%/2.4% and 2.4% (annualised), with the bulk of the stress continuing to emanate from credit cards and MFI businesses. Loan growth improved (+15% YoY) as retail credit (~53% of loans) continued to gain traction, driven by credit cards and new segments (home loans, tractors, etc.). Despite a sequential pick-up, deposit mobilisation (+2.9% QoQ) is likely to be incrementally challenging, given the tight liquidity environment and a relatively weak competitive positioning. We believe this calls for sustained investment in distribution (branches, people, higher deposit pricing, etc.), and investment in new businesses, which is likely to keep medium-term opex ratios elevated. Despite lower credit costs driving a 4% upward revision to our FY23E/FY24E earnings estimates, we expect return ratios to stay sub-par and, hence, maintain REDUCE with a revised TP of INR150 (0.6x Sep-24 ABVPS).

- **NIM reflation along expected lines:** RBK reported healthy NII growth (+14% YoY) on the back of 20bps NIM reflation (4.7% for Q3) and steady loan growth (+15% YoY). However, credit costs remained elevated at 1.9%, partly offset by a reversal of surplus provisions on restructured loans.
- **Simultaneous rebalance of both sides of the balance sheet a challenge:** RBK is focused on increasing the share of secured retail (housing and tractors) to de-risk the portfolio from high volatility and over-dependence on the cards + MFI business. However, a weak deposit franchise (retail deposit mix at 42%) is likely to pose a challenge to the bank's loan growth aspirations. We argue that simultaneous recalibration of the balance sheet is a steep ask.
- **Opex intensity to remain elevated; maintain REDUCE:** RBK continues to invest in branches, people, and digital channels to garner granular retail deposits in an increasingly tight liquidity environment. This is likely to keep opex ratios elevated and drag the pace of RoA improvement.

### Financial summary

(INR bn)	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	FY22	FY23E	FY24E	FY25E
NII	11.5	10.1	13.6%	10.6	7.9%	40.3	44.4	49.7	56.9
PPOP	5.7	6.3	-10.1%	5.1	10.7%	27.5	22.1	29.5	33.9
PAT	2.1	1.6	33.9%	2.0	3.7%	(0.7)	8.5	12.3	15.9
EPS (INR)	3.5	2.6	33.5%	3.4	3.3%	(1.2)	14.2	20.6	26.6
ROAE (%)						(0.6)	6.5	8.9	10.6
ROAA (%)						(0.1)	0.8	1.0	1.2
ABVPS (INR)						197.0	209.6	227.9	248.3
P/ABV (x)						0.9	0.8	0.7	0.7
P/E (x)						(136.7)	12.0	8.3	6.4

### Change in estimates

(INR bn)	FY23E			FY24E			FY25E		
	Old	New	Δ	Old	New	Δ	Old	New	Δ
Net advances	697	699	0.3%	796	800	0.6%	910	916	0.6%
NIM (%)	4.6	4.8	20 bps	4.8	4.8	7 bps	4.9	4.9	-3 bps
NII	42.5	44.4	4.4%	48.7	49.7	1.9%	57.0	56.9	0.0%
PPOP	23.5	22.1	-6.1%	30.4	29.5	-3.1%	36.7	33.9	-7.7%
PAT	8.2	8.5	3.7%	11.9	12.3	3.4%	14.7	15.9	8.4%
Adj. BVPS (INR)	211.3	209.6	-0.8%	226.0	227.9	0.8%	246.8	248.3	0.6%

Source: Company, HSIE Research

## REDUCE

CMP (as on 20 Jan 2023)	INR 170
Target Price	INR 150
NIFTY	18,028

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 133	INR 150
	FY23E	FY24E
EPS %	1.8%	2.2%

### KEY STOCK DATA

Bloomberg code	RBK IN
No. of Shares (mn)	600
MCap (INR bn) / (\$ mn)	102/1,254
6m avg traded value (INR mn)	2,660
52 Week high / low	INR 189/74

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	31.8	85.7	12.1
Relative (%)	29.5	76.3	10.2

### SHAREHOLDING PATTERN (%)

	Sep-22	Dec-22
Promoters	0.0	0.0
FIs & Local MFs	14.2	20.2
FPIs	27.2	28.9
Public & Others	56.2	50.8
Pledged Shares	0.0	

Source : BSE

Pledged shares as % of total shares

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**Rating Criteria**

BUY: &gt;+15% return potential

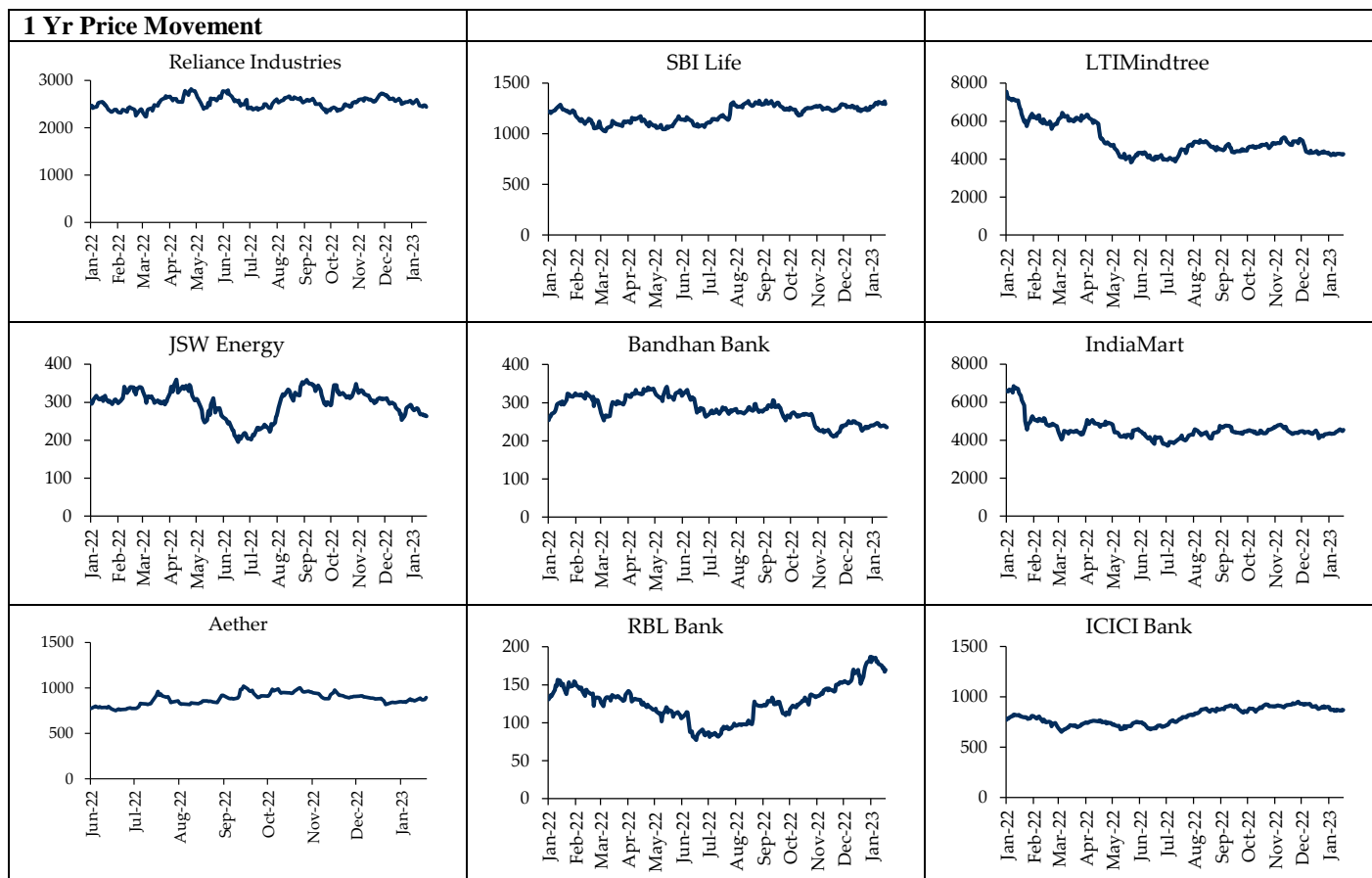
ADD: +5% to +15% return potential

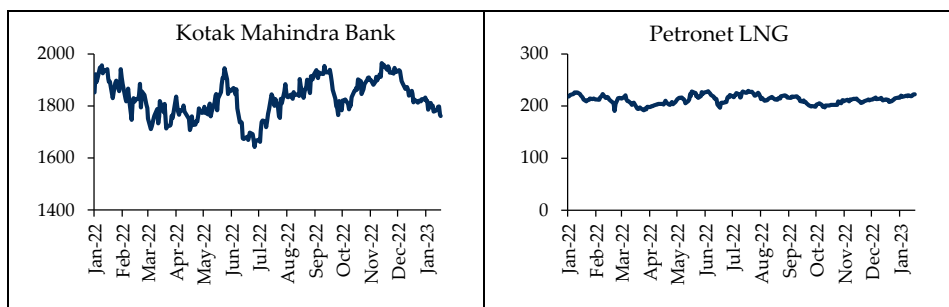
REDUCE: -10% to +5% return potential

SELL: &gt; 10% Downside return potential

**Disclosure:**

Analyst	Company Covered	Qualification	Any holding in the stock
Harshad Katkar	Reliance Industries, Aether Industries, Petronet LNG	MBA	NO
Nilesh Ghuge	Reliance Industries, Aether Industries, Petronet LNG	MMS	NO
Jay Gandhi	Reliance Industries	MBA	NO
Akshay Mane	Reliance Industries, Aether Industries, Petronet LNG	PGDM	NO
Rutvi Chokshi	Reliance Industries, Aether Industries, Petronet LNG	CA	NO
Krishnan ASV	SBI Life Insurance, Bandhan Bank, RBL Bank, ICICI Bank, Kotak Mahindra Bank	PGDM	NO
Sahej Mittal	SBI Life Insurance	ACA	NO
Apurva Prasad	LTIMindtree	MBA	NO
Amit Chandra	LTIMindtree, IndiaMART InterMESH	MBA	NO
Vinesh Vala	LTIMindtree	MBA	NO
Anuj Upadhyay	JSW Energy	MBA	NO
Hinal Choudhary	JSW Energy	CA	NO
Deepak Shinde	Bandhan Bank, RBL Bank, ICICI Bank, Kotak Mahindra Bank	PGDM	NO
Neelam Bhatia	Bandhan Bank, RBL Bank, ICICI Bank, Kotak Mahindra Bank	PGDM	NO
Vivek Sethia	IndiaMART InterMESH	CA	NO





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