

HSIE Results Daily

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Results Reviews

- Bajaj Finance:** Bajaj Finance (BAF) delivered yet another strong operating performance with RoA at over 5% and earnings growth of 30% YoY, despite a rising interest rate environment. Asset quality improved further, with GS-II/GS-III at 1.2%/0.9% (FY22: 2%/1.6%), normalised credit costs, and all businesses tagged green. With most digital initiatives having already gone live (and the rest expected by H1FY24), BAF is poised to deliver steady loan growth consistent with its Long-Range Strategy (LRS) (25-30% AUM/PAT CAGR during 2022-2027), driven by robust customer acquisition, mining of the existing customer franchise and the addition of new loan products. However, increasing scale of operations, concomitant with elevated competitive intensity, is likely to reflect in a slower pace of AUM growth (sub-25%). Further, we are cautious about the quality of earnings from the new-to-franchise (NTF) customers and new businesses. We tweak our FY24/FY25 earnings estimates (+5%/+3%) to factor in higher-than-expected margins, lower credit costs, and roll over our TP to FY25. Maintain ADD with revised TP of INR6780 (implied P/E of 25x FY25 EPS).
- Maruti Suzuki:** MSIL's Q4 PAT, at INR 26.2bn, came in slightly below our estimate of INR 27.2bn, due to a slight miss in EBITDA, and higher depreciation and interest burden. While margins were in line with our estimate, the EBITDA miss was due to a lower-than-expected average ASP. In the recent past, the stock has underperformed on concerns of whether MSIL would be able to recover lost share in UVs, given heightened competition. In our view, MSIL seems to be on the right path of recovering back its lost share: it has launched three new models in the SUV segment (Grand Vitara, Jimny and Fronx) in a span of six months. On the back of these new launches, MSIL's order backlog has now increased to 420k units. Given this and further new launches expected in FY24, MSIL expects to sharply improve its market share to 25% in FY24 in the SUV segment, from 11% in FY23 (already improved to 18% in Q4). Also, MSIL remains a major beneficiary of the recent BS6-phase2 norms as it will drive shift in demand further towards petrol variants. We expect the stock to get rerated once MSIL starts recovering lost market share. We upgrade the stock to BUY (from ADD earlier) with a revised TP of INR 10,214 / share (from INR 9,959 earlier) as we roll forward to FY25 earnings (from Sep 2024 earnings).
- SBI Life Insurance:** SBILIFE's adj. VNB came in 4% above estimates at INR15bn (+35% YoY), as VNB margin expanded 630bps QoQ to 32.9% on the back of a higher share of NPAR savings in the mix (Q4FY23: 23%). While the management remains upbeat about achieving a 20-25%YoY APE growth in FY24E, we continue to watch out for sensitivity to insurance sales from the removal of (a) tax incentives in the new tax regime and (b) tax exemption in NPAR savings with ticket size >INR0.5mn. The company's three long-term growth levers are in place: (a) SBI's massive distribution network (26k+ branches); (b) a healthy mix of protection and NPAR; and (c) the lowest opex ratio among peers (FY23: 9.6%). We expect SBILIFE to deliver FY23-25E APE/VNB CAGRs of 12/12% and retain BUY with a lower TP of INR1,580 (2.4x Mar-25E; rolling forward multiple adjustment and factoring in high uncertainty to FY24E estimates).

HSIE Research Team

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- **L&T Technology Services:** L&T Technology Services (LTTS) delivered nearly in-line Q4 performance but modest revenue guidance for FY24E (>10% organic), following 15.8% growth in FY23. From the peak EBITM of 18.5% in FY23, margins will moderate to 17% and 17.5% in FY24/25E due to the consolidation of SWC acquisition and business mix (higher growth in the transportation vertical ahead, supported by recent large wins). LTTS maintained its medium-term growth outlook (USD 1.5bn revenue rate by FY25E). Near-term margin headwinds of SWC consolidation (in Q1FY24E - 180bps QoQ impact) and wage increase (in Q2) will be offset by medium-term levers of higher offshoring (60% targeted) and better revenue profile of SWC post integration with a focus on services revenue. FCF generation in FY23 improved to 97% (FCF/PAT), from 88% in FY22, but cash generation will be impacted in FY24E as LTTS integrates SWC. We have built low-teens organic revenue CAGR over FY23-25E, which is higher than its historical 12% CAGR (~300bps above tier-1 IT), supported by a strong and diversified engineering services pedigree. Near-term upside potential is limited. Maintain ADD, with a TP of INR 3,585 based on 25x Dec-24E EPS (in-line with average multiple) and supported by 17% EPS CAGR over FY23-25E.
- **Dalmia Bharat:** We maintain our BUY rating on Dalmia Bharat with an unchanged TP of INR 2,350/sh (13x its Mar-25E consolidated EBITDA). We continue to like DALBHARA for its robust volume and margin outlook. Dalmia reported strong volume growth (+13/19% YoY/QoQ). Weak pricing in the south and a high inventory adjustment impact in Q4 led to a unitary EBITDA fall of 7% QoQ to INR 945 per MT. Dalmia expects a major fall in fuel costs in H1FY24. It is also scaling up blended cement production and green power consumption, boosting its margin. We believe Dalmia will also continue to gain market share due to its aggressive expansions (without straining the balance sheet). Dalmia is among our top picks in the cement sector.
- **Nippon Life India Asset:** Nippon Life Asset Management (NAM) clocked a 1.5/2.4% sequential dip in revenue/core operating profits on the back of muted AUM growth, alongside marginal yield compression. We draw comfort from the improvement (+44bps QoQ) in SIP market share (7.7%) and argue this is key for long-term franchise strength and sustainability. We are wary of the potential risk from the inclusion of brokerage in overall TER, which could result in further dilution of yields (estimated impact of ~4-8% on yields). We expect NAM to capitalise on its rising credibility to raise HNI/institutional capital. We build in FY23-25E revenue/NOPLAT CAGRs of 11/17%. We maintain ADD with a revised TP of INR320 (21x Mar-25E EV/NOPLAT + cash and investments; lowering multiple from 24x to 21x to factor in earnings roll forward and regulatory uncertainties).
- **Mahindra Lifespaces:** Mahindra Lifespaces Developers Ltd (MLDL) reported the highest ever annual presales of INR 18.1bn (+77% YoY), with volume at 2.2msf (+73% YoY). This was backed by robust launches of 3.19msf (+51% YoY). For FY24, nine project launches are planned with Kandivali, Bengaluru, one society redevelopment and Citadel Ph 2 as key launches. The GDV of these launches is estimated at INR 50bn with a large part front loaded (INR 25bn) in H1FY24. MLDL added INR 32bn worth of GDV and expects to add 35-40bn worth of GDV in FY24, backed by a robust business development pipeline of INR 55bn. Within IC&IC, the company leased 158 acres for INR 4.6bn (+53% YoY). This is near its FY25 target of INR 5bn for an annual lease. Given the tailwinds in the industrial business, the upcycle in the residential business, a robust balance sheet, a trustworthy brand image, and a robust business development pipeline, we remain constructive on MLDL and maintain a BUY rating, with NAV-based TP of INR 521/sh.

Bajaj Finance

Yet another strong quarter but tailwinds receding

Bajaj Finance (BAF) delivered yet another strong operating performance with RoA at over 5% and earnings growth of 30% YoY, despite a rising interest rate environment. Asset quality improved further, with GS-II/GS-III at 1.2%/0.9% (FY22: 2%/1.6%), normalised credit costs, and all businesses tagged green. With most digital initiatives having already gone live (and the rest expected by H1FY24), BAF is poised to deliver steady loan growth consistent with its Long-Range Strategy (LRS) (25-30% AUM/PAT CAGR during 2022-2027), driven by robust customer acquisition, mining of the existing customer franchise and the addition of new loan products. However, increasing scale of operations, concomitant with elevated competitive intensity, is likely to reflect in a slower pace of AUM growth (sub-25%). Further, we are cautious about the quality of earnings from the new-to-franchise (NTF) customers and new businesses. We tweak our FY24/FY25 earnings estimates (+5%/+3%) to factor in higher-than-expected margins, lower credit costs, and roll over our TP to FY25. Maintain ADD with revised TP of INR6780 (implied P/E of 25x FY25 EPS).

- **Steady operating metrics:** BAF reported steady NII/PPoP growth (+30%/29% YoY), led by healthy AUM growth (+25% YoY) and steady NIMs (11.2%) despite a rising interest rate environment. Cost-to-income ratio clocked in at 34% and is likely to stay elevated in the near term, driven by investments in distribution, and customer acquisition efforts, partly offset by productivity gains from new digital initiatives. Asset quality was pristine (credit costs at 150bps; NNPA at 34bps) as all the businesses were tagged green.
- **Investments in place; scale emerging as a barrier:** BAF is increasing its focus on multichannel customer acquisition and cross-selling existing and to-be-launched new products as part of its medium-term strategy. However, BAF's broad markers around growth and profitability appear ambitious, especially given its planned foray into below-prime customer segments, coupled with continued elevated competitive intensity on a rising scale.

Financial summary

(INR bn)	Q4FY23	Q4FY22	YoY(%)	Q3FY23	QoQ(%)	FY22	FY23	FY24E	FY25E
NII	62.5	48.0	30.2	59.2	5.6	175.2	229.9	275.2	341.3
PPOP	51.2	39.7	29.0	48.5	5.5	143.1	187.2	221.2	276.4
PAT	31.6	24.2	30.4	29.7	6.2	70.3	115.1	138.5	167.0
EPS (INR)	52.0	39.9	30.5	49.0	6.2	116.5	190.2	229.0	276.1
ROAE (%)						17.4%	23.5%	22.9%	22.6%
ROAA (%)						3.7%	4.7%	4.5%	4.4%
ABVPS (INR)						703	885	1,074	1,306
P/ABV (x)						8.6	6.8	5.6	4.6
P/E (x)						52.0	31.9	26.5	21.9

Change in estimates

INR bn	FY24E			FY25E		
	Old	New	Chg	Old	New	Chg
AUM	3,120	3,076	-1.4%	3,846	3,789	-1.5%
NIM (%)	9.8	9.9	13 bps	9.8	9.9	19 bps
NII	274.8	275.2	0.1%	339.7	341.3	0.5%
PPOP	218.8	221.2	1.1%	270.0	276.4	2.4%
PAT	132.0	138.5	4.9%	162.2	167.0	3.0%
ABVPS (Rs)	1,047	1,074	2.6%	1,287	1,306	1.5%

Source: Company, HSIE Research

ADD

CMP (as on 26 Apr 2023) INR 6,056

Target Price INR 6,780

NIFTY 17,814

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR6700	INR 6780
EPS %	FY24E	FY25E
	4.9%	3.0%

KEY STOCK DATA

Bloomberg code	BAF IN
No. of Shares (mn)	605
MCap (INR bn) / (\$ mn)	3,666/44,856
6m avg traded value (INR mn)	6,766
52 Week high / low	INR 7,778/5,220

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	4.5	(14.7)	(16.4)
Relative (%)	4.3	(16.0)	(21.5)

SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	55.9	55.9
FIs & Local MFs	12.4	12.9
FPIs	19.9	19.2
Public & Others	11.6	12.0

Pledged Shares -

Source : BSE

Pledged shares as % of total shares

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Maruti Suzuki

Market share recovery to drive rerating

MSIL's Q4 PAT, at INR 26.2bn, came in slightly below our estimate of INR 27.2bn, due to a slight miss in EBITDA, and higher depreciation and interest burden. While margins were in line with our estimate, the EBITDA miss was due to a lower-than-expected average ASP. In the recent past, the stock has underperformed on concerns of whether MSIL would be able to recover lost share in UVs, given heightened competition. In our view, MSIL seems to be on the right path of recovering back its lost share: it has launched three new models in the SUV segment (Grand Vitara, Jimny and Fronx) in a span of six months. On the back of these new launches, MSIL's order backlog has now increased to 420k units. Given this and further new launches expected in FY24, MSIL expects to sharply improve its market share to 25% in FY24 in the SUV segment, from 11% in FY23 (already improved to 18% in Q4). Also, MSIL remains a major beneficiary of the recent BS6-phase2 norms as it will drive shift in demand further towards petrol variants. We expect the stock to get rerated once MSIL starts recovering lost market share. We upgrade the stock to BUY (from ADD earlier) with a revised TP of INR 10,214 / share (from INR 9,959 earlier) as we roll forward to FY25 earnings (from Sep 2024 earnings).

- **MSIL Q4 earnings slightly below our estimate:** MSIL's Q4 PAT, at INR 26.2bn, came in slightly below our estimate of INR 27.2bn due to a slight miss in the EBITDA and higher depreciation and interest burden. While margins came in line with our estimate, the EBITDA miss (INR 33.5bn vs estimate of INR 34.2bn) was largely due to a lower-than-expected ASP increase (flat QoQ vs our estimate of 1% increase led by improved mix).
- **Call takeaways:** (1) The PV industry is expected to grow at 5-7% for FY24 and MSIL expects to outperform the industry. Within PVs, cars are likely to remain flat YoY. (2) Discounts for Q4 stood at INR 13,269/unit, higher than the INR 11,130/unit for Q4FY22. (3) Channel inventory is below normal at 2-3 weeks as of Q4 end. (4) The mandatory 6-air-bag rule is still in the draft stage and the industry continues to be in discussion with the government. While MSIL hopes it will be able to arrive at a workable solution on the same, it is unlikely to be implemented in FY24. (5) While precious metals have corrected well, steel price (which is almost 50% of RM) has started rising again and remains a key monitorable. (6) The current capacity of Maruti is 1.5mn units between Gurgaon and Manesar plants with SMG adding 0.75mn units. It has already announced a capacity addition of 100k units at Manesar, which is likely to be operational in FY24. Further, another 250k capacity addition has been announced at the Kharkhoda site in Haryana (expandable to 1mn units over time), which should come up by FY25. In addition, it has taken Board approval to invest in one more 1mn capacity plant (details yet to be decided). The capex for FY23 was at INR60bn while the same for FY24 has increased to INR80bn, given the capex plans above.

Quarterly/annual financial summary

YE Mar (INR mn)	Q4 FY23	Q4 FY22	YoY (%)	Q3 FY23	QoQ (%)	FY22	FY23	FY24E	FY25E
Net Sales	3,08,218	2,55,140	20.8	2,78,492	10.7	8,37,981	11,23,958	13,31,186	15,12,019
EBITDA	33,503	24,268	38.1	28,331	18.3	57,012	1,10,077	1,46,020	1,65,945
APAT	26,236	18,389	42.7	23,513	11.6	37,663	80,492	1,07,951	1,23,389
Diluted EPS (INR)	86.9	60.9	42.7	77.9	11.6	124.7	266.5	357.5	408.6
P/E (x)						68.2	31.9	23.8	20.8
EV / EBITDA (x)						37.4	19.1	14.2	12.0
RoCE (%)						8.7	16.9	19.5	19.9

Source: Company, HSIE Research

BUY

CMP (as on 26 Apr 2023) INR 8,507

Target Price INR10,214

NIFTY 17,814

KEY CHANGES	OLD	NEW
Rating	ADD	BUY
Price Target	INR 9,959	INR 10,214
EPS %	FY24E	FY25E
	0.0%	0.0%

KEY STOCK DATA

Bloomberg code	MSIL IN
No. of Shares (mn)	302
MCap (INR bn) / (\$ mn)	2,570/31,439
6m avg traded value (INR mn)	4,530
52 Week high / low	INR 9,769/7,062

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(3.2)	(5.5)	7.6
Relative (%)	(3.3)	(6.8)	2.5

SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	56.37	56.48
FIs & Local MFs	18.13	18.57
FPIs	21.49	21.11
Public & Others	4.01	3.84
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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SBI Life Insurance

Impressive end to FY23; FY24 looks challenging

SBILIFE's adj. VNB came in 4% above estimates at INR15bn (+35% YoY), as VNB margin expanded 630bps QoQ to 32.9% on the back of a higher share of NPAR savings in the mix (Q4FY23: 23%). While the management remains upbeat about achieving a 20-25%YoY APE growth in FY24E, we continue to watch out for sensitivity to insurance sales from the removal of (a) tax incentives in the new tax regime and (b) tax exemption in NPAR savings with ticket size >INR0.5mn. The company's three long-term growth levers are in place: (a) SBI's massive distribution network (26k+ branches); (b) a healthy mix of protection and NPAR; and (c) the lowest opex ratio among peers (FY23: 9.6%). We expect SBILIFE to deliver FY23-25E APE/VNB CAGRs of 12/12% and retain BUY with a lower TP of INR1,580 (2.4x Mar-25E; rolling forward multiple adjustment and factoring in high uncertainty to FY24E estimates).

- Higher NPAR mix leads to beat on margin:** SBILIFE clocked total APE at INR45.7bn (+11% YoY, in line with estimate). The high-margin NPAR savings picked up sequentially (+3.2%); however, the mix of business continues to be sporadic. Despite capital markets stabilising, ULIPs de-grew 9% YoY. Retail protection continues to exhibit signs of recovery, growing 15% QoQ (-3% YoY) after a weak H1. With the share of NPAR savings in the mix rebounding to 23% (+511bps QoQ), adj. VNB margin clocked in at 32.9% (+630bps QoQ, +140bps vs. estimate), driving adj. VNB to INR15bn (+35% YoY, a 4% beat). Persistency deteriorated across cohorts in the range of 29-241bps except for the 37th /61st month which saw substantial improvement at 344/652bps.
- NPAR mix to hover around 20-25% levels:** Given SBILIFE has a relatively lower mix of NPAR savings business over INR500k ticket size, the company continues to be bullish on the growth outlook for the NPAR savings business.
- APE growth in FY24E remains a steep ask:** With the increased exemption slab limits in the new tax regime kicking in from 1 April 2023 onwards, we await the sensitivity of insurance sales to the removal of income tax incentives. While the management remains confident of clocking in 20-25% APE growth in FY24E, our estimates factor in a below-guidance 10% growth.

Financial summary

(INR bn)	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	FY22	FY23	FY24E	FY25E
NBP	80.8	66.6	21.3	68.2	18.5	254.6	300.6	335.1	388.8
APE	45.7	41.3	10.7	54.4	-16.0	143.0	165.4	182.4	208.6
Adj. VNB	15.0	11.1	35.5	14.5	3.9	37.0	50.7	55.9	64.2
Adj. VNB (%)	32.9	26.9	603bps	26.6	630bps	25.9	30.7	30.7	30.8
EV						412.9	477.2	570.4	672.5
MCap/EV (x)						2.7	2.3	2.0	1.7
P/VNB (x)						20.7	13.9	11.5	8.5
RoEV (%)						18.3	16.1	20.3	19.8

Source: Company, HSIE Research

Change in estimates

(INR bn)	FY24E			FY25E		
	Revised	Old	Change (% / bps)	Revised	Old	(Change % / bps)
APE	182.4	198.4	-8.1	208.6	228.7	-8.8
VNB	55.9	57.9	-3.5	64.2	67.7	-5.3
VNB (%)	30.7	29.2	145	30.8	29.6	115
EV	570.4	576.6	-1.1	672.5	683.0	-1.5

Source: Company, HSIE Research

BUY

CMP (as on 26 Apr 2023)	INR 1,117
Target Price	INR 1,580
NIFTY	17,814

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,850	INR 1,580
	FY24E	FY25E
VNB %	-3.5%	-5.3%

KEY STOCK DATA

Bloomberg code	SBILIFE IN
No. of Shares (mn)	1,000
MCap (INR bn) / (\$ mn)	1,119/13,694
6m avg traded value (INR mn)	1,422
52 Week high / low	INR 1,340/1,033

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(11.1)	(10.9)	2.1
Relative (%)	(11.2)	(12.2)	(3.0)

SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	55.5	55.5
FIs & Local MFs	14.9	15.1
FPIs	25.1	25.1
Public & Others	4.5	4.3
Pledged Shares	Nil	Nil

Source : BSE

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L&T Technology Services

In-line Q4; near-term upside capped

L&T Technology Services (LTTs) delivered nearly in-line Q4 performance but modest revenue guidance for FY24E (>10% organic), following 15.8% growth in FY23. From the peak EBITM of 18.5% in FY23, margins will moderate to 17% and 17.5% in FY24/25E due to the consolidation of SWC acquisition and business mix (higher growth in the transportation vertical ahead, supported by recent large wins). LTTs maintained its medium-term growth outlook (USD 1.5bn revenue rate by FY25E). Near-term margin headwinds of SWC consolidation (in Q1FY24E -180bps QoQ impact) and wage increase (in Q2) will be offset by medium-term levers of higher offshoring (60% targeted) and better revenue profile of SWC post integration with a focus on services revenue. FCF generation in FY23 improved to 97% (FCF/PAT), from 88% in FY22, but cash generation will be impacted in FY24E as LTTs integrates SWC. We have built low-teens organic revenue CAGR over FY23-25E, which is higher than its historical 12% CAGR (~300bps above tier-1 IT), supported by a strong and diversified engineering services pedigree. Near-term upside potential is limited. Maintain ADD, with a TP of INR 3,585 based on 25x Dec-24E EPS (in-line with average multiple) and supported by 17% EPS CAGR over FY23-25E.

- Q4FY23 highlights:** (1) LTTs reported USD revenue growth of +2.9/10% QoQ/YoY (+2.2/12.1% QoQ/YoY CC) at USD 255mn (HSIE est. USD 252mn), supported by healthy growth in medical devices (+7.7% QoQ) and plant engineering (+6.2% QoQ). FY23 revenue growth was at 15.8% YoY CC vs. the guidance of 15% (lowered post-Q3). (2) Growth was broad-based across the verticals during the quarter, barring transportation, which declined 1.3% QoQ. (3) EBITM remained flat at 18.7% in Q4, impacted by higher employee cost and offset by operational efficiency and SG&A leverage. (4) LTTs added 584 net employees in Q4 and has fully integrated 800 employees of SWC. (5) The management has guided for 20%+ revenue growth (including 10%+ organic growth) in FY24E and retained its USD 1.5bn revenue outlook by FY25E.
- Outlook:** We have factored in USD revenue growth of +23/14% and EBITM of 17.0/17.5% for FY24/25E respectively. LTTs is currently trading at 27x FY24E and 23x FY25E, with FY23-25E EPS CAGR at 17%.

Quarterly financial summary

YE March (INR bn)	Q4 FY23	Q4 FY22	YoY (%)	Q3 FY23	QoQ (%)	FY21	FY22	FY23	FY24E	FY25E
Revenue (USD mn)	255	232	10.0	248	2.9	737	880	990	1,220	1,390
Net Sales	20.96	17.56	19.4	20.49	2.3	54.50	65.70	80.14	101.26	116.74
EBIT	3.93	3.27	19.9	3.83	2.6	7.89	12.01	14.79	17.22	20.44
APAT	3.10	2.62	18.2	3.04	2.0	6.27	9.57	11.70	13.41	15.88
Diluted EPS (INR)	29.3	24.8	18.2	28.8	2.0	59.4	90.7	110.8	127.1	150.5
P/E (x)						58.1	38.0	31.1	27.1	22.9
EV / EBITDA (x)						34.4	24.2	19.6	16.4	13.6
RoE (%)						20.1	25.1	25.7	25.0	25.5

Source: Company, HSIE Research, Consolidated Financials

Change in Estimates

YE March (INR bn)	FY24E Old	FY24E Revised	Change %	FY25E Old	FY25E Revised	Change %
Revenue (USD mn)	1,233	1,220	(1.0)	1,403	1,390	(1.0)
Revenue	102.30	101.26	(1.0)	117.86	116.74	(1.0)
EBIT	17.13	17.22	0.5	20.11	20.44	1.6
EBIT margin (%)	16.7	17.0	26bps	17.1	17.5	44bps
APAT	13.15	13.41	2.0	15.43	15.88	2.9
EPS (INR)	124.6	127.1	2.0	146.2	150.5	2.9

Source: Company, HSIE Research

ADD

CMP (as on 26 Apr 2023) INR 3,447

Target Price INR 3,585

NIFTY 17,814

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 3,530	INR 3,585
	FY24E	FY25E
EPS %	+2.0	+2.9

KEY STOCK DATA

Bloomberg code	LTTs IN
No. of Shares (mn)	106
MCap (INR bn) / (\$ mn)	364/4,454
6m avg traded value (INR mn)	1,085
52 Week high / low	INR 4,319/2,923

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	4.2	(3.3)	(14.7)
Relative (%)	4.0	(4.5)	(19.8)

SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	73.85	73.85
FIs & Local MFs	7.69	8.41
FPIs	7.22	6.69
Public & Others	11.24	11.05
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Dalmia Bharat

Strong volume; cost-led margin miss

We maintain our BUY rating on Dalmia Bharat with an unchanged TP of INR 2,350/sh (13x its Mar-25E consolidated EBITDA). We continue to like DALBHARA for its robust volume and margin outlook. Dalmia reported strong volume growth (+13/19% YoY/QoQ). Weak pricing in the south and a high inventory adjustment impact in Q4 led to a unitary EBITDA fall of 7% QoQ to INR 945 per MT. Dalmia expects a major fall in fuel costs in H1FY24. It is also scaling up blended cement production and green power consumption, boosting its margin. We believe Dalmia will also continue to gain market share due to its aggressive expansions (without straining the balance sheet). Dalmia is among our top picks in the cement sector.

- Q4FY23 performance:** Revenue/EBITDA grew 16/4% YoY in Q4, led by strong +13% YoY (+19% QoQ) volume offtake (in line est.). Weak pricing in the south pulled down NSR 1.6% QoQ (in line with est.). Cement opex stood flat QoQ (+5% YoY). The benefit of lower unit employee costs QoQ was offset by the rise in unit input costs (inventory adjustment led). Even unit other expenses remained flat QoQ (on higher ad spends) despite strong volumes. These led to ~INR 100/MT EBITDA miss. Unit EBITDA fell 7/9% QoQ/YoY to INR 945 per MT.
- Capex and outlook:** In Q4FY23, it commissioned a cement/clinker capacity of 1.6/0.8mn MT. In April'23, Dalmia commissioned its second SGU at Bokaro (2.5mn MT). It has deferred its 2.5mn MT greenfield SGU at Bihar (earlier expected in FY24). Dalmia is acquiring the central cement assets of JPA (9.4/6.6mn MT cement/clinker) in FY24E. Dalmia will spend ~INR 55bn (~INR 35bn for JP) in FY24E. The company expects a 5/10% QoQ cool-off in fuel prices in Q1/Q2FY24. Dalmia is also increasing blended cement production and green power consumption. All these should boost its margin. Despite its aggressive expansions, Dalmia's balance sheet will remain comfortable, in our view.

Quarterly/annual financial summary (consolidated)

YE Mar (INR bn)	Q4 FY23	Q4 FY22	YoY (%)	Q3 FY23	QoQ (%)	FY21	FY22	FY23	FY24E	FY25E
Sales (mn MT)	7.5	6.6	13.3	6.3	18.5	20.7	22.2	25.8	29.8	35.4
NSR (INR/MT)	5,231	5,121	2.2	5,319	(1.6)	4,884	5,084	5,250	5,198	5,302
EBITDA(INR/MT)	945	1,035	(8.6)	1,021	(7.4)	1,334	1,093	898	1,015	1,050
Net Sales	39.12	33.80	15.7	33.55	16.6	101.10	112.86	135.40	154.82	187.92
EBITDA	7.07	6.83	3.5	6.44	9.8	27.62	24.26	23.16	30.22	37.20
APAT	2.05	2.61	125.7	2.00	188.7	11.48	8.10	6.56	8.55	10.33
AEPS (INR)	10.9	14.0	(21.8)	10.7	2.5	60.8	43.8	35.5	46.2	55.8
EV/EBITDA (x)						13.6	15.2	16.5	13.6	11.4
EV/MT (INR bn)						12.2	10.3	9.9	8.0	7.6
P/E (x)						30.6	43.4	54.7	42.0	34.8
RoE (%)						9.8	5.6	4.1	5.3	6.1

Source: Company, HSIE Research

Estimates revision summary

INR bn	FY24E Old	FY24E Revised	Change %	FY25E Old	FY25E Revised	Change %
Net Sales	157.25	154.82	(1.5)	190.87	187.92	(1.5)
EBITDA	30.13	30.22	0.3	37.43	37.20	(0.6)
APAT	8.62	8.55	(0.7)	9.84	10.33	5.0

Source: Company, HSIE Research

BUY

CMP (as on 26 Apr 2023) INR 1,934

Target Price INR 2,350

NIFTY 17,814

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 2,350	INR 2,350
EBITDA revision %	FY24E 0.3	FY25E (0.6)

KEY STOCK DATA

Bloomberg code	DALBHARA IN
No. of Shares (mn)	187
MCap (INR bn) / (\$ mn)	362/4,436
6m avg traded value (INR mn)	581
52 Week high / low	INR 2,168/1,213

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	11.9	26.2	22.2
Relative (%)	11.7	25.0	17.0

SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	55.86	55.86
FIs & Local MFs	8.14	8.55
FPIs	12.43	12.87
Public & Others	23.57	22.72
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Nippon Life India Asset

Near-term headwinds persist

Nippon Life Asset Management (NAM) clocked a 1.5/2.4% sequential dip in revenue/core operating profits on the back of muted AUM growth, alongside marginal yield compression. We draw comfort from the improvement (+44bps QoQ) in SIP market share (7.7%) and argue this is key for long-term franchise strength and sustainability. We are wary of the potential risk from the inclusion of brokerage in overall TER, which could result in further dilution of yields (estimated impact of ~4-8% on yields). We expect NAM to capitalise on its rising credibility to raise HNI/institutional capital. We build in FY23-25E revenue/NOPLAT CAGRs of 11/17%. We maintain ADD with a revised TP of INR320 (21x Mar-25E EV/NOPLAT + cash and investments; lowering multiple from 24x to 21x to factor in earnings roll forward and regulatory uncertainties).

- Equity yields headed further south:** Revenue clocked in at INR3.5bn (+3.1/-1.5% YoY/QoQ, 3% miss) as equity yields drifted further lower. Core revenue yields dipped 0.8bps sequentially to 47.5bps despite the stable mix of equity and debt. The silver lining was NAM's improved SIP market share at 7.7% (+40bps QoQ, 9-quarter high), which is expected to offer the necessary stickiness. Higher admin expenses (+5% QoQ) from one-off tech spends were offset by lower staff costs (-5% QoQ), as core profits clocked in at INR2bn (2% miss). Debt yields moderated, resulting in in-line treasury income at INR397mn, driving APAT of INR1.98bn (+13/-4% YoY/QoQ).
- SIP market-share gains aid equity market-share:** While NAM witnessed lumpsum outflows in the equity segment, its superior equity performance reflects in sustained improvement in SIP market-share at 7.7% (+44bps QoQ), driving overall equity QAAUM market-share at 6.2% (-4bps QoQ).
- Back-book largely churned out:** Management stated that ~70% of the equity AUM stock (high-yielding) has churned out, and the residual book comprises largely sticky SIP AUM. We opine that equity yield compression from back book substitution is largely behind us; however, the competitive intensity for MF flows continues to be elevated and is likely to keep yields under check.

Financial Summary

(INR bn)	Q4FY23	Q4FY22	YoY(%)	Q3FY22	QoQ(%)	FY22	FY23	FY24E	FY25E
Revenue	3.48	3.38	3.1	3.54	-1.5	13.1	13.5	15.0	16.7
Operating profits	2.00	2.00	-0.2	2.04	-2.4	7.6	7.6	8.9	10.4
OP Margin (%)	57.6	59.5	-187bps	58.1	-48bps	58.1	56.4	59.5	62.0
APAT	1.98	1.75	13.1	2.05	-3.5	7.4	7.2	8.6	9.8
EV/NOPLAT (x)						20.8	20.0	16.6	13.9
P/E (x)						19.9	20.4	17.3	15.1
ROE (%)						22.6	20.7	23.7	25.4

Source: Company, HSIE Research

Change in estimates

(INR bn)	FY24E			FY25E		
	Revised	Old	Change (%)	Revised	Old	Change (%)
Revenues	15.0	15.2	-1.1	16.7	16.9	-1.0
EBIT	9.0	9.2	-2.7	10.4	10.6	-2.1
EBIT margin (%)	59.7	60.7	-96bps	62.3	63.0	-70bps
NOPLAT	6.7	6.9	-2.7	7.8	8.0	-2.1
APAT	8.5	8.8	-3.2	9.8	10.1	-2.9
RoE (%)	23.7	23.9	-20bps	25.4	24.7	68bps

Source: Company, HSIE Research

ADD

CMP (as on 26 Apr 2023)	INR 236
Target Price	INR 320
NIFTY	17,814

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 350	INR 320
EPS %	FY24E	FY25E
	-3.2%	-2.9%

KEY STOCK DATA

Bloomberg code	NAM IN
No. of Shares (mn)	623
MCap (INR bn) / (\$ mn)	147/1,800
6m avg traded value (INR mn)	110
52 Week high / low	INR 335/197

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(2.3)	(11.9)	(28.1)
Relative (%)	(2.5)	(13.2)	(33.3)

SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	73.7	73.7
FIs & Local MFs	9.1	9.4
FPIs	5.8	5.0
Public & Others	11.5	12.0
Pledged Shares	Nil	Nil

Source : BSE

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Mahindra Lifespaces

Strong launch pipeline to drive further rerating

Mahindra Lifespaces Developers Ltd (MLDL) reported the highest ever annual presales of INR 18.1bn (+77% YoY), with volume at 2.2msf (+73% YoY). This was backed by robust launches of 3.19msf (+51% YoY). For FY24, nine project launches are planned with Kandivali, Bengaluru, one society redevelopment and Citadel Ph 2 as key launches. The GDV of these launches is estimated at INR 50bn with a large part front loaded (INR 25bn) in H1FY24. MLDL added INR 32bn worth of GDV and expects to add 35-40bn worth of GDV in FY24, backed by a robust business development pipeline of INR 55bn. Within IC&IC, the company leased 158 acres for INR 4.6bn (+53% YoY). This is near its FY25 target of INR 5bn for an annual lease. Given the tailwinds in the industrial business, the upcycle in the residential business, a robust balance sheet, a trustworthy brand image, and a robust business development pipeline, we remain constructive on MLDL and maintain a BUY rating, with NAV-based TP of INR 521/sh.

- Q4FY23 financial highlights:** Revenue: INR 2.6bn (+58%/+37% YoY/QoQ, a beat of 13%). It was a loss at the EBITDA level of INR 274mn (INR -357/-114mn in Q4FY22/Q3FY23, vs est. INR 110mn profit). Profit from JV/Associates came in at INR 229mn (-14%/+380% YoY/QoQ, vs INR 282mn estimate). RPAT/APAT was INR 5mn (-99%/+168% YoY/QoQ vs. INR 426mn est.). MLIFE generated INR 6.5bn of operating cash flow during FY23.
- Strong presales; robust launch pipeline:** MLDL recorded presales of INR 3.6bn (+10%/-20% YoY/QoQ and volume stood at 0.49msf (+26%/-20% YoY/QoQ). For FY23, presales were highest ever at INR 18.1bn (+77% YoY) and volume stood at 2.2msf (+73% YoY). For FY24, INR 22.5bn of presales is expected. MLDL launched 0.41msf of saleable area (0.32msf of RERA carpet area) in two projects, viz. Mahindra Nestalgia at Pune and Meridian plotted development at Alibaug. For FY24, a total of nine launches are planned which includes Kandivali and Citadel Ph 2 as key launches, which are expected to get launched by H1FY24. Also, one of the redevelopment projects will also be launched in FY24. Dahisar and Thane's launches are likely by FY25 as certain policies and approvals are awaited. Within IC&IC, for Q4FY23, the company leased 69 acres for INR 2bn (+185%/+191% YoY/QoQ). For FY23, leasing stood at INR 4.6bn (+53% YoY).
- Robust BD pipeline:** MLDL has a current BD pipeline of INR 55bn, excluding the recent INR 8.5bn society redevelopment project won in Q1FY24. For FY23, MLDL added INR 32bn worth of GDV. Residential net cash stood at INR 340mn (vs net debt of INR 940mn in Q3FY23) and IC&IC net debt increased to INR 3.3bn (vs INR 2.7bn in Q3FY23).

Consolidated financial summary (INR mn)

(INR mn)	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	FY22	FY23	FY24E	FY25E
Net Sales	2,554	1,618	57.9	1,869	36.6	3,936	6,066	7,905	11,068
EBITDA	(274)	(357)	23.3	(114)	(139.7)	(895)	(1,101)	(798)	1,806
APAT	5	642	(99.2)	(8)	168.8	173	421	771	3,006
Diluted EPS (INR)	0.0	4.2	(99.2)	(0.0)	168.8	1.1	2.7	5.0	19.5
P/E (x)						327	135	74	19
EV / EBITDA (x)						(64)	(54)	(76)	33
RoE (%)						9.5	5.7	4.3	14.8

Source: Company, HSIE Research

Consolidated estimate change summary

Particulars	FY24E			FY25E		
	New	Old	Chg.(%)	New	Old	Chg.(%)
Revenues	7,905	10,171	(22)	11,068	14,240	(22)
EBITDA	(798)	384	-	1,806	1,057	71
EBITDA (%)	(10.09)	3.78	-	16.31	7.42	889
APAT	771	1,583	(51)	3,006	1,569	92

Source: Company, HSIE Research

BUY

CMP (as on 26 Apr 2023)	INR 367
Target Price	INR 521
NIFTY	17,814

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 521	INR 521
EPS Change %	FY24E (51)	FY25E +92

KEY STOCK DATA

Bloomberg code	MLIFE IN
No. of Shares (mn)	155
MCap (INR bn) / (\$ mn)	57/695
6m avg traded value (INR mn)	81
52 Week high / low	INR 555/309

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	3.9	(10.2)	(1.5)
Relative (%)	3.7	(11.5)	(6.6)

SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	51.30	51.28
FIs & Local MFs	18.34	19.44
FPIs	11.42	11.31
Public & Others	18.93	17.97
Pledged Shares	-	-

Source: BSE

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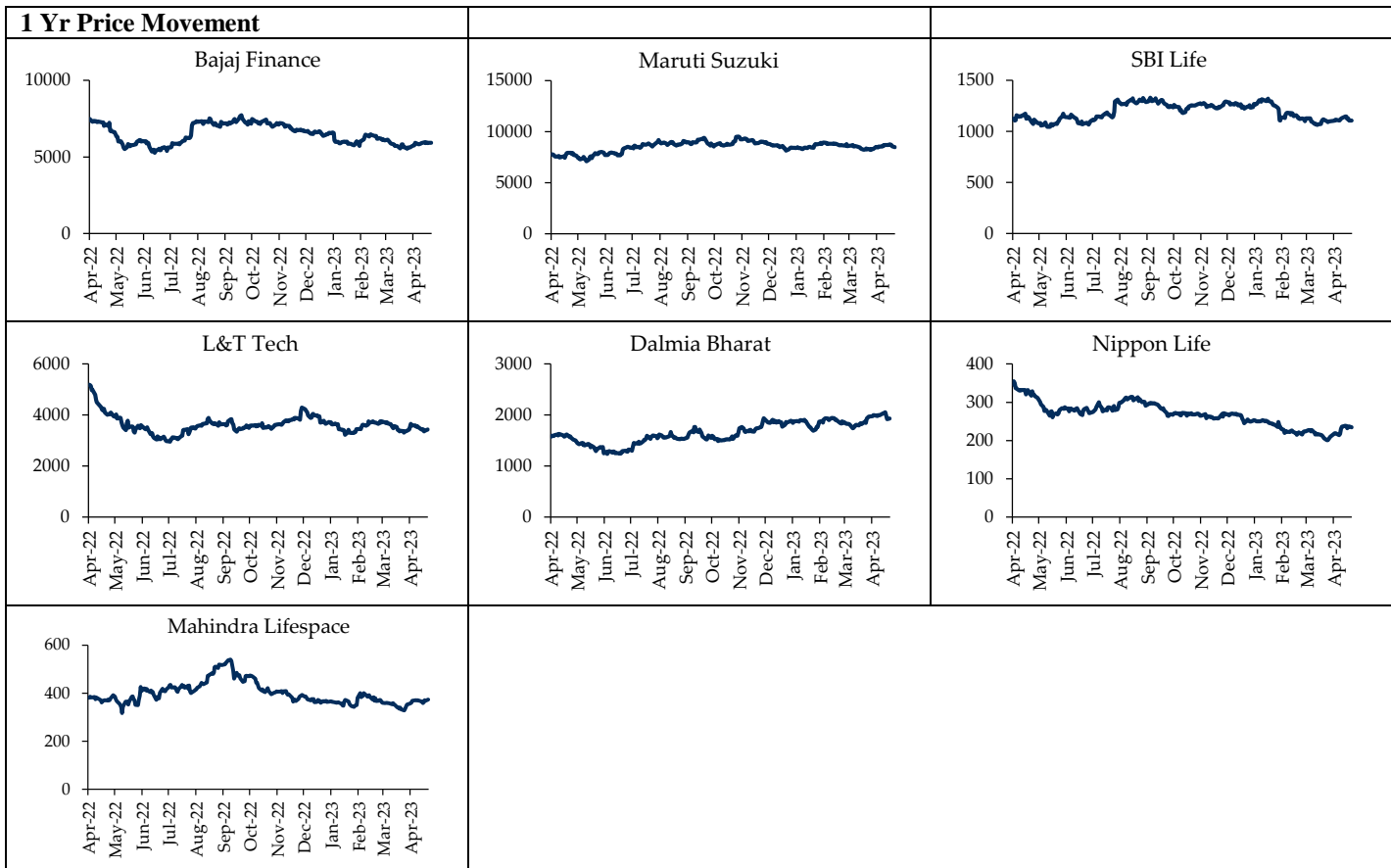
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Rating Criteria

- 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
Krishnan ASV	Bajaj Finance, SBI Life Insurance, Nippon Life India Asset	PGDM	NO
Deepak Shinde	Bajaj Finance	PGDM	NO
Neelam Bhatia	Bajaj Finance	PGDM	NO
Aniket Mhatre	Maruti Suzuki	MBA	NO
Sonaal Sharma	Maruti Suzuki	MBA	NO
Sahej Mittal	SBI Life Insurance, Nippon Life India Asset	ACA	NO
Apurva Prasad	L&T Technology Services	MBA	NO
Amit Chandra	L&T Technology Services	MBA	NO
Vinesh Vala	L&T Technology Services	MBA	NO
Rajesh Ravi	Dalmia Bharat	MBA	NO
Keshav Lahoti	Dalmia Bharat	CA	NO
Parikshit Kandpal	Mahindra Lifespaces	CFA	YES
Manoj Rawat	Mahindra Lifespaces	MBA	NO
Nikhil Kanodia	Mahindra Lifespaces	MBA	NO



Disclosure:

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