

# HSIE Results Daily

## Contents

### Results Reviews

- Hindustan Unilever:** HUL's revenue growth of 11% YoY was below our expectations (HSIE: 15%), with volumes growing by 4% (3% four-year CAGR, HSIE 7%). Home care continued to outperform with revenue/EBIT growth of 19/13%. BPC clocked revenue/EBIT growth of 10/10% YoY and F&R grew by 3/-5% YoY. In addition to the sustained increasing premium mix in its portfolio, 75%+ of its business continues to gain market share. Home Care has been consistently delivering above par, thereby aiding HUL to register better-than-industry volume (single-digit volume decline in FY23). GM and EBITDA margins improved QoQ but contracted YoY, resulting in EBITDA growth of 7% (HSIE 11%). While HUL expects the near-term operating environment to remain volatile, it will focus on (1) rebalancing price and volume growth; (2) building back gross margins; (3) stepping up A&P investments; and (4) defending market share. We continue to model that demand pick-up will be gradual while margin recovery will be faster. We maintain our EPS estimate for FY24/25. We value the stock on 47x P/E on Mar-25E EPS to derive a TP of INR 2,450. Maintain REDUCE.
- Axis Bank:** Axis Bank (AXSB) reported a one-time loss from accounting for its merger with Citi Bank's India consumer business, ex of which it delivered a beat, led by strong loan growth (+16% YoY standalone), healthy fee income and lower credit costs (22bps annualised). NIMs moderated marginally (-4bps QoQ) on account of excess liquidity on the balance sheet (LCR at 129%) and catch-up in funding costs following accelerated deposit mobilisation. That said, the loan-to-deposit ratio (~89%) continues to remain high and we believe AXSB will have to further accelerate efforts to match its targeted loan growth (management has guided for loan growth of 400-600bps above industry), which is likely to impede medium-term NIMs. We tweak our FY24/FY25E earnings estimates by +3% each to adjust for normalised credit costs and higher opex on continued investments in growth. Maintain BUY with a revised SOTP-based target price of INR1,130 (standalone bank at 2.0x Mar-25 ABVPS).
- Wipro:** Wipro (WPRO) reported in-line revenue and operating performance but provided a weak outlook for Q1FY24E. WPRO's Q4 revenue growth of -0.6% QoQ and guidance of -3% to -1% QoQ for Q1FY24E is based on cuts in discretionary spend (BFSI and tech verticals) and postponement of programs. WPRO's higher mix of consulting services (post its recent acquisitions) is impacting the portfolio disproportionately. The disconnect between revenue trajectory and strong deal bookings (large deal TCV at USD 3.9bn in FY23 vs. USD 2.3bn in FY22) reflects high deal termination or higher-than-usual leakage between bookings to revenue. WPRO lagged peers in growth, which is expected to continue into FY24E, impacted by a weak start. Management expects the growth trajectory to improve in H2FY24, which is in line with the company's seasonality. There are lack of positive triggers in the near term and buyback (4.9% of equity) cushions the valuation (16.6x FY24E). Maintain ADD with lowered TP of INR 400, based on 16x Dec-24E EPS (10Y average at 16x), factoring 9% EPS CAGR over FY23-25E.

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- **LTIMindtree:** LTI Mindtree (LTIM) posted soft revenue performance, yet better sequential (and FY) growth than tier-1 IT peers. We believe LTIM will continue its growth premium vs. tier-1 IT peers and the company will grab market share from tier-1 IT (5% of India tier-1 IT but ~9% share of incremental growth). Our TP of INR 5,090 and rating of BUY (preferred pick in large-cap IT) is based on 20% EPS CAGR over FY23-25E, aided by (1) an increase in deal pipeline and a greater proportion of large deals, supported by strong client mining credentials (total book-to-bill of 1.19x in FY23 with Q4 at 1.28x); (2) strong cross-sell and up-sell opportunity, supported by vertical and service-line synergies and improving tiering with large cloud partners; and (3) operational synergies, supported by access to wider talent pool (85k+ employees), SG&A optimisation and consolidation of delivery centres reflected in improving margin trajectory (Q4 operational outperformance). Post modest growth in Q1FY24E, which corresponds with large account renewals, LTIM's growth rate is expected to accelerate. Management's 'double-digit' growth outlook for FY24E provides some upside risk to our growth estimates. Key catalysts can be large deal wins (multiple large BFSI deals in the pipeline) as well as stability in the hi-tech vertical (onsemi deal).
- **Tech Mahindra:** Tech Mahindra (TECHM) delivered soft yet in-line revenue and deal intake, but a lower-than-expected margin in Q4FY23. Growth in Q4 was led by the CME vertical, which was offset by a sequential decline in the enterprise segment (retail and transport). FY23 revenue growth of 10.1% is expected to moderate to 4.3% in FY24E before recovering to 9.8% in FY25E. TECHM continues towards the organic growth focus (vs. acquisition playbook earlier) with less than three quarters remaining for CEO transition. In an environment with fewer supply-side concerns, the room for TECHM to improve margin is significant, supported by growth recovery (SG&A leverage) and levers of sub-con, offshoring and business mix. The structural improvement in margins over the medium term remains the big catalyst for rerating (low probability currently). The continued decline in T5 accounts and muted commentary on the communication vertical (TECHM's largest vertical) by peers remain concerning. Higher payout (dividend yield >5%) and >4% FCF yield will support TECHM's valuations (16x FY24E vs. 10Y average at 15x). Maintain ADD on TECHM with a reduced TP of INR 1,060, at 15x Dec-24E EPS based on 14% EPS CAGR over FY23-25E.
- **Trent:** Trent continued its stellar topline growth. Standalone revenue grew 75% YoY (4-year CAGR: 33%) to INR20.8bn. Both flagship formats (Westside/Zudio) fired. Westside's strong growth was SSSG-heavy (23%). Zudio's blitz scaling continues to be the big needle-mover. The F&G format Star is finding its bearings too and improving its value proposition/sales density. However, with aggressive expansion comes costs. Hence, profitability disappointed. EBITDAM contracted 264bps YoY (10.2% vs HSIE: 13.7%; 12.9% in Q4FY20) due to front-loading of Zudio-related costs. We expect FY24/25 to mark higher absorption of fixed costs; hence we marginally increase our estimates (3/1% respectively). Maintain SELL, with a SOTP-based TP of INR1,110/sh.
- **Voltas:** Voltas positively surprised on both UCP revenue and margins despite twin challenges of weak consumer sentiment and delayed summer. UCP business grew by 13% YoY (HSIE +10%) with volumes growing across categories. The UCP EBIT margin came in at 10% (HSIE 9.4%). Voltas continues to retain its #1 position in RAC, but YTD market share in Feb'23 further dipped to 21.9% (vs 22.5% YTD Dec'22). Market share in Jan/Feb was even low at 18%. After last year's market share loss, we had modelled a lower EBIT margin but stability in market share. The consistent fall in market share is reflecting inadequate efforts to fix the competitive pressure. Furthermore, the summer season is still not set fully, leading to a miss in industry tailwinds.

We cut our FY24/FY25 EPS estimates by 3/4% to factor in weak RAC dynamics and cut our target UCP multiple to 32x (earlier 38x). Our SoTP (UCP/EMPS/EPS P/E at 32/15/15x and Volt-Beko P/S of 4x) on Mar-25 derives a TP of INR 750. Downgrade to REDUCE.

- **Tanla Platforms:** Tanla reported a revenue decline but the margin recovery in the enterprise segment came as a positive surprise. The enterprise revenue declined 5% QoQ, owing to seasonal and soft promotional volume but the platform revenue grew 4.1% QoQ led by Wisely Network and OTT platform. The enterprise business growth will be volume led and the proposed NLD rate hike will act as a booster. The platform segment growth will be powered by Wisely platforms. Wisely ATP (anti-phishing product) is a promising product, which has received Sandbox approval from TRAI and is under POC with large banks. Wisely Network and OTT (WhatsApp) have started yielding results, while Wisely Communicate (encrypted OTP) and Wisely Engage (performance marketing) are future drivers. The EBITDA margin has recovered >20% levels in Q4, given price negotiations with telcos and reduced input costs. We are building in improved margins for FY24E and revised our EPS estimate upward by 2.6/3.3% for FY24/25E. We maintain our BUY rating with a TP of INR 1,050, based on 22x Dec-24E EPS, supported by a 23% EPS CAGR over FY23-25E and an RoE of ~31%. The stock is trading at 17x FY24E EPS (~34% below its 3Y average).
- **UTI Asset Management Company:** UTIAM reported yet another weak quarter across most operational parameters, with 5/28% sequentially lower revenue/core operating profits, owing to sharp compression in equity yields (-5bps QoQ), elevated admin expenses (+28% QoQ), and loss in equity market share (-19bps QoQ). UTIAM's equity yield trend was on similar lines as QoQ deterioration was reported by HDFCAMC and NAM. Amongst the listed AMCs, UTIAM has the maximum levers to improve core profitability; however, near-term execution has been disappointing and poses a tall ask. We flag sustained medium-term pressure on core yields and staff costs and consequently cut our earnings estimates for FY24E/25E by 17.9%/16.5% to factor in lower equity yields and higher opex. We expect UTIAM to deliver 6%/12% revenue/operating profit CAGR over FY23-25E on the back of healthy AUM growth and marginal cost rationalisation. Given its attractive valuation, we maintain BUY, with a lower TP of INR770 (15x Mar-25E NOPLAT + Mar-24E cash and investments less 15% execution discount; rolling forward adjustment to multiple from 19.5x to 15x and regulatory uncertainty).
- **Shoppers Stop:** STOP's revenue grew 4% (four-year CAGR) to ~ INR 9.2 bn (up 29% YoY; in-line). Sales density has normalised to pre-pandemic levels. Margins surprised us positively this quarter (up 304bps YoY; 43.2% vs HSIE: 40%). The margin beat was led by (1) the improving private label mix; (2) better vendor sourcing; (3) higher outright purchases; (4) lower shrinkage; and (5) weeding out of loss-making stores. FY23 Pre-IND AS 116 EBITDAM stood at 7.1% (vs 7.3% in FY19). We revise our FY24/25 EBITDA estimates upwards by ~4/6% each to account for higher GMs by virtue of (1) a better private label portfolio and (2) enhanced outright purchasing. But we maintain our SELL rating with a revised DCF-based TP of INR520/sh (15x FY25 EV/EBITDA) as the department store format remains at risk from e-tailers.

# Hindustan Unilever

## Uninspiring show

HUL's revenue growth of 11% YoY was below our expectations (HSIE: 15%), with volumes growing by 4% (3% four-year CAGR, HSIE 7%). Home care continued to outperform with revenue/EBIT growth of 19/13%. BPC clocked revenue/EBIT growth of 10/10% YoY and F&R grew by 3/-5% YoY. In addition to the sustained increasing premium mix in its portfolio, 75%+ of its business continues to gain market share. Home Care has been consistently delivering above par, thereby aiding HUL to register better-than-industry volume (single-digit volume decline in FY23). GM and EBITDA margins improved QoQ but contracted YoY, resulting in EBITDA growth of 7% (HSIE 11%). While HUL expects the near-term operating environment to remain volatile, it will focus on (1) rebalancing price and volume growth; (2) building back gross margins; (3) stepping up A&P investments; and (4) defending market share. We continue to model that demand pick-up will be gradual while margin recovery will be faster. We maintain our EPS estimate for FY24/25. We value the stock on 47x P/E on Mar-25E EPS to derive a TP of INR 2,450. Maintain REDUCE.

- **Weak volume leads to a miss in revenue:** Revenue grew 11% YoY (11% in Q4FY22 and 16% in Q3FY23), with home care/BPC/F&R growing 19/10/3% YoY. Domestic volume growth, at 4%, was below our estimate (HSIE: 7%), a 3% four-year CAGR. In home care, fabric wash grew in double digits, led by the premium portfolio while household care saw a strong double-digit value and volume growth. In BPC, skin cleansing grew in double digits, led by Lux. With softening palm oil prices, the soap portfolio saw a price reduction in Q4FY23. Hair care registered volume-led mid-single-digit growth, while Skin Care grew in strong double digits. In F&R, tea strengthened value and volume market leadership. However, the category was impacted by down trading from 'premium' to 'loose' tea due to high inflation. HFD portfolio grew in the mid-single-digit, with the category remaining subdued due to high inflation. We expect volume recovery to be gradual in FY24.
- **Margins remain steady sequentially:** GM improved sequentially by 120bps to 48.7% but contracted 80bps YoY. Employee/other expenses are up by 26/14% YoY, while A&P remained flat. EBITDA margin contracted by 80bps YoY to 23.3% (HSIE 23.2%). EBITDA grew by 7% vs. the expectation of 11%. With a softening RM basket, we model an EBITDA margin expansion in FY24/FY25 (despite the royalty increase).
- **Call takeaways:** (1) FMCG market grew 8%, volumes fell 4% in Q4. (2) Currently, urban recovery is faster while rural remains muted. In medium to long term, expect rural to continue growing faster than urban. (3) Near-term demand will remain volatile; need to be watchful of the onset and intensity of monsoon. (4) Premiumisation as a trend will continue as long as the economy grows by 6-7%. Currently, products sold above 1.2x the market average are considered premium. (5) As RM costs continue to soften, the company will add back grammage in small packets, which will aid volume growth.

### Quarterly/annual financial summary

YE Mar (INR mn)	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	FY22	FY23	FY24E	FY25E
Net Sales	1,48,930	1,34,620	10.6	1,52,280	(2.2)	5,24,460	6,05,800	6,61,550	7,23,948
EBITDA	34,710	32,450	7.0	35,370	(1.9)	1,28,570	1,41,490	1,58,436	1,73,926
APAT	24,924	22,830	9.2	25,807	(3.4)	89,200	1,01,898	1,12,533	1,23,592
Diluted EPS (INR)	10.6	9.7	9.2	11.0	(3.4)	38.0	43.4	47.9	52.6
P/E (x)						67.3	58.9	53.3	48.6
EV / EBITDA (x)						46.1	41.9	37.4	33.9
RoCE (%)						17.0	18.9	20.2	21.3

Source: Company, HSIE Research

## REDUCE

CMP (as on 27 Apr 2023) INR 2,469

Target Price INR 2,450

NIFTY 17,915

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 2,450	INR 2,450
EPS %	FY24E 0%	FY25E 0%

### KEY STOCK DATA

Bloomberg code	HUVR IN
No. of Shares (mn)	2,350
MCap (INR bn) / (\$ mn)	5,801/70,886
6m avg traded value (INR mn)	3,755
52 Week high / low	INR 2,742/2,100

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(5.5)	(2.0)	15.1
Relative (%)	(7.7)	(3.5)	8.4

### SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	61.90	61.90
FIs & Local MFs	11.65	11.58
FPIs	14.05	14.36
Public & Others	12.40	12.16
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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# Axis Bank

## Searching for a new normal

Axis Bank (AXSB) reported a one-time loss from accounting for its merger with Citi Bank's India consumer business, ex of which it delivered a beat, led by strong loan growth (+16% YoY standalone), healthy fee income and lower credit costs (22bps annualised). NIMs moderated marginally (-4bps QoQ) on account of excess liquidity on the balance sheet (LCR at 129%) and catch-up in funding costs following accelerated deposit mobilisation. That said, the loan-to-deposit ratio (~89%) continues to remain high and we believe AXSB will have to further accelerate efforts to match its targeted loan growth (management has guided for loan growth of 400-600bps above industry), which is likely to impede medium-term NIMs. We tweak our FY24/FY25E earnings estimates by +3% each to adjust for normalised credit costs and higher opex on continued investments in growth. Maintain BUY with a revised SOTP-based target price of INR1,130 (standalone bank at 2.0x Mar-25 ABVPS).

- **Healthy loan growth, fee income drive beat on a steady-state basis:** AXSB reported strong NII growth (+33% YoY), despite slight moderation in margins (4.3%) due to higher liquidity on the balance sheet and disproportionate growth in the corporate and SME loans, in addition to the repricing of deposits. Further, overall loan growth print was healthy (+16% YoY ex of Citi portfolio), driven by business banking (+50%) and credit cards (+42%).
- **Impressive asset quality:** Gross slippages, despite a higher base, continue to remain elevated to 1.9%, largely from the retail book, which was partly offset by higher write-offs resulting in optically better GNPA at ~2%. The sub-investment grade and the restructured portfolio moderated (33bps and 9bps respectively), as AXSB continued to hold surplus provisions (1.4% of loans). PCR was strong (>80%), providing comfort on credit cost trajectory.
- **RoA accretive elements in place; but margins may be difficult:** With the Citi portfolio acquisition, Axis Bank remains committed to its narrative around sustainable growth through additional investments into tech, people and phygital distribution. Multiple levers are now in play around the change in book composition, adequate liquidity and drawdown in RIDF for margins to improve from here on, partly getting offset by higher incremental deposit rates.

### Financial summary

(INR bn)	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	FY22	FY23	FY24E	FY25E
NII	117.4	88.2	33.1%	114.6	2.5%	331.3	429.5	479.0	536.2
PPOP	91.7	64.7	41.8%	92.8	-1.2%	247.4	320.5	378.1	441.0
PAT	(57.3)	41.2	-239.1%	58.5	-197.9%	130.3	95.8	246.7	282.5
EPS (INR)	(18.6)	13.4	-239.0%	18.8	-198.9%	42.4	31.1	80.2	91.8
ROAE (%)						12.0	8.0	18.1	17.6
ROAA (%)						1.2	0.8	1.8	1.8
ABVPS (INR)						350.0	389.0	459.9	541.8
P/ABV (x)						2.5	2.3	1.9	1.6
P/E (x)						20.8	28.3	11.0	9.6

### Change in estimates

(INR bn)	FY24E			FY25E		
	Old	New	Change	Old	New	Change
Net advances	9,158	9,315	1.7%	10,425	10,641	2.1%
NIM (%)	3.99	3.99	1 bps	3.88	4.02	13 bps
NII	465.9	479.0	2.8%	509.3	536.2	5.3%
PPOP	370.5	378.1	2.1%	429.6	441.0	2.7%
PAT	239.5	246.7	3.0%	274.2	282.5	3.0%
Adj. BVPS (INR)	489.6	459.9	-6.1%	566.7	541.8	-4.4%

Source: Company, HSIE Research

## BUY

CMP (as on 27 Apr 2023)	INR 881
Target Price	INR 1,130
NIFTY	17,915

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR1,118	INR1,130
EPS %	FY24E	FY25E
	3.0%	3.0%

### KEY STOCK DATA

Bloomberg code	AXSB IN
No. of Shares (mn)	3,077
MCap (INR bn) / (\$ mn)	2,712/33,142
6m avg traded value (INR mn)	9,532
52 Week high / low	INR 970/618

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	0.9	(3.7)	15.1
Relative (%)	(1.3)	(5.2)	8.3

### SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	8.2	8.2
FIs & Local MFs	31.5	32.0
FPIs	49.5	49.1
Public & Others	10.8	10.8
Pledged Shares	0.0	0.0

Source : BSE

Pledged shares as % of total shares

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# Wipro

## Buyback cushions the valuation

Wipro (WPRO) reported in-line revenue and operating performance but provided a weak outlook for Q1FY24E. WPRO's Q4 revenue growth of -0.6% QoQ and guidance of -3% to -1% QoQ for Q1FY24E is based on cuts in discretionary spend (BFSI and tech verticals) and postponement of programs. WPRO's higher mix of consulting services (post its recent acquisitions) is impacting the portfolio disproportionately. The disconnect between revenue trajectory and strong deal bookings (large deal TCV at USD 3.9bn in FY23 vs. USD 2.3bn in FY22) reflects high deal termination or higher-than-usual leakage between bookings to revenue. WPRO lagged peers in growth, which is expected to continue into FY24E, impacted by a weak start. Management expects the growth trajectory to improve in H2FY24, which is in line with the company's seasonality. There are lack of positive triggers in the near term and buyback (4.9% of equity) cushions the valuation (16.6x FY24E). Maintain ADD with lowered TP of INR 400, based on 16x Dec-24E EPS (10Y average at 16x), factoring 9% EPS CAGR over FY23-25E.

- **Q4FY23 highlights:** (1) WPRO posted Q4 revenue of USD 2,823mn, -0.6% QoQ CC and +6.5% YoY CC (HSIE est. USD 2,804mn) and FY23 revenue at USD 11.2bn, 11.5% CC (7.8% in USD terms). (2) Within verticals, the performances of BFSI (34.2% of revenue), technology (11% of revenue) and communication (4.5% of revenue) verticals were weak with a sequential decline of 2.4%, 2.7% and 4.4% respectively; outperformers were the healthcare vertical (12.2% of revenue) and E&U vertical (12.3% of revenue). (3) Within services, iCORE did better than iDEAS; 15 large deal bookings with USD 1.1bn TCV and total bookings of USD 4.1bn in Q4. (4) IT services EBITM was flat at 16.3% (HSIE est. 16.1%) and a wage hike in Q2FY24 will impact the margin. (5) WPRO announced a buyback of INR 120bn at a price of INR 445 per share via the tender offer route.
- **Outlook:** We have factored WPRO's USD revenue to grow 2.5% and 8.9% in FY24E and FY25E (10Y at 6% CAGR) and factored consolidated EBITM at 15.6% and 16.3%, following 14.9% in FY23, translating into EPS CAGR of 9% over FY23-25E (10Y at 6% CAGR). At CMP, WPRO trades at 16.6x and 14.6x FY24E and FY25E EPS.

### Quarterly Financial summary

YE March (INR bn)	Q4 FY23	Q4 FY22	YoY (%)	Q3 FY23	QoQ (%)	FY21	FY22	FY23	FY24E	FY25E
IT revenue (USD Mn)	2,823	2,722	3.7	2,804	0.7	8,137	10,356	11,160	11,434	12,453
Net Sales	231.90	208.60	11.2	232.29	(0.2)	619.43	790.93	904.88	960.49	1,058.80
EBIT	36.59	34.03	7.5	36.25	0.9	120.14	133.75	135.13	149.49	172.51
APAT	30.75	30.87	(0.4)	30.53	0.7	107.95	122.19	113.50	117.87	134.22
Diluted EPS (INR)	5.6	5.6	(0.5)	5.6	0.6	20.7	23.4	21.7	22.6	25.7
P/E (x)						18.1	16.0	17.2	16.6	14.6
EV / EBITDA (x)						11.6	10.8	10.2	9.6	8.2
RoE (%)						19.4	20.2	15.8	15.4	17.4

Source: Company, HSIE Research, Consolidated Financials

### Change in Estimates

YE March (INR bn)	FY24E Old	FY24E Revised	Change %	FY25E Old	FY25E Revised	Change %
IT revenue (USD Mn)	11,718	11,434	(2.4)	12,781	12,453	(2.6)
Revenue	985.93	960.49	(2.6)	1,087.69	1,058.80	(2.7)
EBIT	159.06	149.49	(6.0)	176.46	172.51	(2.2)
EBIT margin (%)	16.1	15.6	-57bps	16.2	16.3	7bps
APAT	132.64	117.87	(11.1)	145.09	134.22	(7.5)
EPS (INR)	24.2	22.6	(6.6)	26.4	25.7	(2.8)

Source: Company, HSIE Research

## ADD

CMP (as on 27 Apr 2023)	INR 374
Target Price	INR 400
NIFTY	17,915

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 445	INR 400
EPS %	FY24E	FY25E
	-6.6	-2.8

### KEY STOCK DATA

Bloomberg code	WPRO IN
No. of Shares (mn)	5,488
MCap (INR bn) / (\$ mn)	2,055/25,107
6m avg traded value (INR mn)	1,844
52 Week high / low	INR 530/352

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(5.9)	(2.2)	(27.9)
Relative (%)	(8.2)	(3.6)	(34.6)

### SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	72.94	72.92
FIs & Local MFs	7.84	8.01
FPIs	6.30	6.38
Public & Others	12.92	12.69
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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# LTIMindtree

## Growth premium to continue

LTIMindtree (LTIM) posted soft revenue performance, yet better sequential (and FY) growth than tier-1 IT peers. We believe LTIM will continue its growth premium vs. tier-1 IT peers and the company will grab market share from tier-1 IT (5% of India tier-1 IT but ~9% share of incremental growth). Our TP of INR 5,090 and rating of BUY (preferred pick in large-cap IT) is based on 20% EPS CAGR over FY23-25E, aided by (1) an increase in deal pipeline and a greater proportion of large deals, supported by strong client mining credentials (total book-to-bill of 1.19x in FY23 with Q4 at 1.28x); (2) strong cross-sell and up-sell opportunity, supported by vertical and service-line synergies and improving tiering with large cloud partners; and (3) operational synergies, supported by access to wider talent pool (85k+ employees), SG&A optimisation and consolidation of delivery centres reflected in improving margin trajectory (Q4 operational outperformance). Post modest growth in Q1FY24E, which corresponds with large account renewals, LTIM's growth rate is expected to accelerate. Management's 'double-digit' growth outlook for FY24E provides some upside risk to our growth estimates. Key catalysts can be large deal wins (multiple large BFSI deals in the pipeline) as well as stability in the hi-tech vertical (onsemi deal).

- **Q4FY23 highlights:** (1) LTIM posted revenue of USD 1,058mn (HSIE est. USD 1,072mn), +0.7% QoQ CC and 13.5% YoY CC. (2) Growth was led by the BFSI vertical, which grew +2.7% QoQ and retail, CPG & travel (Currys deal win recently) with a growth of 2.4% QoQ, which was offset by a 2.2% QoQ decline in the health, life-sciences & public services and a 1.5% QoQ decline in hi-tech vertical (impacted by a decline in the top 5 accounts, -2.4% QoQ). (3) T21-40 accounts posted growth of 5.1% QoQ while T20 declined -1.9% QoQ. (4) EBITM improved by 247bps QoQ to 16.4% (15.8% HSIE est.), supported by higher gross margins and SG&A leverage. (5) There has been a net headcount reduction of 1,916 employees during the quarter and TTM attrition declined to 20.2% with quarterly annualised attrition of <14%.
- **Outlook:** We have factored USD revenue growth of 9.9% and 14% for FY24E and FY25E, implying CQGR of 2.4% and 3.3% respectively. EBITM is factored at 17.1% and 18.1%, translating to an EPS CAGR of 20% over FY23-25E. At CMP, LTIM trades at 24.6x and 20.2x FY24E and FY25E EPS

### Quarterly Financial summary

YE March (INR bn)	Q4 FY23	Q4 FY22	YoY (%)	Q3 FY23	QoQ (%)	FY22	FY23	FY24E	FY25E
Revenue (USD mn)	1,058	945	11.9	1,047	1.0	3,502	4,106	4,513	5,143
Net Sales	86.91	71.29	21.9	86.20	0.8	261.09	331.83	374.60	432.02
EBIT	14.21	12.89	10.2	11.97	18.8	46.52	53.85	63.98	78.22
APAT	11.14	11.09	0.5	10.01	11.3	39.48	44.08	51.98	63.17
Diluted EPS (INR)	37.7	37.5	0.5	33.9	11.3	133.6	149.1	175.8	213.7
P/E (x)						32.3	29.0	24.6	20.2
EV / EBITDA (x)						23.0	19.7	16.3	13.1
RoE (%)						30.5	28.6	28.7	29.5

Source: Company, HSIE Research, Consolidated Financials

### Change in Estimates

YE Mar (INR bn)	FY24E Old	FY24E Revised	Change %	FY25E Old	FY25E Revised	Change %
Revenue (USD mn)	4,579	4,513	(1.4)	5,216	5,143	(1.4)
Revenue	380.04	374.60	(1.4)	438.18	432.02	(1.4)
EBIT	64.88	63.98	(1.4)	78.84	78.22	(0.8)
EBIT margin (%)	17.1	17.1	1bps	18.0	18.1	11bps
APAT	52.95	51.98	(1.8)	63.92	63.17	(1.2)
EPS (INR)	179.1	175.8	(1.8)	216.2	213.7	(1.2)

Source: Company, HSIE Research

## BUY

CMP (as on 27 Apr 2023) INR 4,320

Target Price INR 5,090

NIFTY 17,915

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 5,140	INR 5,090
	FY24E	FY25E
EPS %	-1.8	-1.2

### KEY STOCK DATA

Bloomberg code	LTIM IN
No. of Shares (mn)	296
MCap (INR bn) / (\$ mn)	1,278/15,616
6m avg traded value (INR mn)	2,183
52 Week high / low	INR 5,361/3,733

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(1.8)	(7.6)	(10.3)
Relative (%)	(4.0)	(9.1)	(17.1)

### SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	68.69	68.68
FIs & Local MFs	10.47	11.66
FPIs	9.21	8.41
Public & Others	11.63	11.25
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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# Tech Mahindra

## Uninspiring outlook

Tech Mahindra (TECHM) delivered soft yet in-line revenue and deal intake, but a lower-than-expected margin in Q4FY23. Growth in Q4 was led by the CME vertical, which was offset by a sequential decline in the enterprise segment (retail and transport). FY23 revenue growth of 10.1% is expected to moderate to 4.3% in FY24E before recovering to 9.8% in FY25E. TECHM continues towards the organic growth focus (vs. acquisition playbook earlier) with less than three quarters remaining for CEO transition. In an environment with fewer supply-side concerns, the room for TECHM to improve margin is significant, supported by growth recovery (SG&A leverage) and levers of sub-con, offshoring and business mix. The structural improvement in margins over the medium term remains the big catalyst for rerating (low probability currently). The continued decline in T5 accounts and muted commentary on the communication vertical (TECHM's largest vertical) by peers remain concerning. Higher payout (dividend yield >5%) and >4% FCF yield will support TECHM's valuations (16x FY24E vs. 10Y average at 15x). Maintain ADD on TECHM with a reduced TP of INR 1,060, at 15x Dec-24E EPS based on 14% EPS CAGR over FY23-25E.

- **Q4FY23 highlights:** (1) TECHM posted revenue of USD 1,668mn (HSIE est. USD 1,661mn) which was flat sequentially (0.3% QoQ CC); FY23 revenue stood at USD 6.6bn, up 10.1%. (2) Net new deals came at USD 592mn in Q4 and was USD 2.9bn in FY23, down 11.4%. (3) T5 clients (17% of revenue) declined 5% QoQ and the cohort was down 8% in FY23. (4) EBITM came lower than expected at 11.2%, -83bps QoQ, impacted by higher SG&A expense in Q4; EBITM for FY23 was 11.4% vs 14.6% in FY22, impacted by supply-side challenges (H1FY23) and deal ramp-up cost. (5) RPAT was impacted by INR 2.12bn exceptional impact from impairment of goodwill pertaining to prior acquisition (Europe mortgage) and profit was boosted by higher other income. (6) FCF/APAT stood at 70% in FY23, which is similar to 5Y cumulative conversion.
- **Outlook:** We have factored in USD revenue growth of 4.3% and 9.8% for FY24E and FY25E respectively, following 10.1% in FY23 and 10Y CAGR at 9.6%. EBITM factored at 12.5% and 13.4% for FY24E and FY25E respectively (10Y average of >14%), translating into 14% EPS CAGR over FY23-25E (vs. 10Y at >9% CAGR). At CMP, TECHM trades at 16.1x and 13.3x FY24E and FY25E EPS.

### Quarterly Financial summary

YE March (INR bn)	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	FY21	FY22	FY23	FY24E	FY25E
Revenue (USD mn)	1,668	1,608	3.7	1,668	(0.0)	5,111	5,998	6,606	6,892	7,569
Net Revenue	137.18	121.16	13.2	137.35	(0.1)	378.55	446.46	532.90	572.03	635.76
EBIT	15.30	16.04	(4.6)	16.46	(7.0)	53.89	65.00	60.72	71.40	85.33
APAT	13.30	15.06	(11.7)	12.97	2.6	44.79	55.66	50.68	55.09	66.67
Diluted EPS (INR)	15.1	17.1	(11.7)	14.7	2.6	50.8	63.1	57.5	62.5	75.6
P/E (x)						19.8	15.9	17.5	16.1	13.3
EV / EBITDA (x)						11.3	10.2	10.3	9.0	7.7
RoE (%)						19.2	21.5	18.5	19.3	22.5

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)	6,936	6,892	(0.6)	7,639	7,569	(0.9)
Revenue	575.68	572.03	(0.6)	641.70	635.76	(0.9)
EBIT	74.64	71.40	(4.3)	89.92	85.33	(5.1)
EBIT margin (%)	13.0	12.5	-48bps	14.0	13.4	-59bps
APAT	56.94	55.09	(3.3)	69.48	66.67	(4.0)
EPS (INR)	64.6	62.5	(3.3)	78.8	75.6	(4.0)

Source: Company, HSIE Research

## ADD

CMP (as on 27 Apr 2023) INR 1,003

Target Price INR 1,060

NIFTY 17,915

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 1,120	INR 1,060
EPS %	FY24E	FY25E
	-3.3	-4.0

### KEY STOCK DATA

Bloomberg code	TECHM IN
No. of Shares (mn)	974
MCap (INR bn) / (\$ mn)	977/11,941
6m avg traded value (INR mn)	2,840
52 Week high / low	INR 1,258/914

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(2.6)	(5.1)	(17.9)
Relative (%)	(4.8)	(6.6)	(24.6)

### SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	35.19	35.18
FIs & Local MFs	23.94	24.55
FPIs	27.95	26.87
Public & Others	12.92	13.40
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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# Trent

## Stellar growth; front-loading of costs weighs on margins

Trent continued its stellar topline growth. Standalone revenue grew 75% YoY (4-year CAGR: 33%) to INR20.8bn. Both flagship formats (Westside/Zudio) fired. Westside's strong growth was SSSG-heavy (23%). Zudio's blitz scaling continues to be the big needle-mover. The F&G format Star is finding its bearings too and improving its value proposition/sales density. However, with aggressive expansion comes costs. Hence, profitability disappointed. EBITDAM contracted 264bps YoY (10.2% vs HSIE: 13.7%; 12.9% in Q4FY20) due to front-loading of Zudio-related costs. We expect FY24/25 to mark higher absorption of fixed costs; hence we marginally increase our estimates (3/1% respectively). Maintain SELL, with a SOTP-based TP of INR1,110/sh.

- Q4FY23 highlights:** Standalone revenue grew 75.3% YoY (INR 20.78bn vs HSIE: INR 18.01bn). Four-year revenue CAGR stood at 33%. Westside clocked an LFL growth of 23% YoY in Q4FY23. While Westside's growth was SSSG-heavy (on a low base), the big swing in topline is a consequence of Zudio's blitz scaling. In FY23, Westside/Zudio added 14/119 stores (net), taking their total store counts to 214/352 respectively. Online sales now contribute 6% of Westside's revenue. Emerging categories contributed 18% of standalone revenue. Trent's F&G format Star grew 46% YoY in Q4. Standalone GM contracted 833bps YoY to 40.8% as (1) the revenue mix continues to tilt towards Zudio (value fashion) and (2) the high base effect of inventory provisioning reversals in Q4FY22 wanes. An FY20 vs FY23 comparison is more representative of performance. Operating EBIT margin for FY23 was 7.7% (7.4% for FY22 and 6.6% for FY20). Q4 PBT grew 31.5% YoY to INR1.24bn (HSIE: INR1.03bn), primarily aided by other income. PAT grew 40% YoY to INR1.05bn (HSIE: INR0.79bn).
- Outlook:** Trent continues to run circles around peers in terms of growth. Its disciplined working capital management and well-capitalised balance sheet do not allow us to fault the business. However, its heady valuation (53x FY25 EV/EBITDA—consolidated) restrains us from becoming constructive on the stock. Hence, we maintain SELL with a SOTP-based TP of INR 1,110/sh.

### Quarterly financial summary (standalone)

(INR mn)	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	FY22	FY23E	FY24E	FY25E	FY26E
Net Revenue	20,772	11,853	75.3	21,715	(4.3)	38,807	77,152	83,851	96,266	1,08,059
EBITDA	2,120	1,523	39.2	3,356	(36.8)	6,335	11,193	12,715	15,570	17,575
APAT	1,051	750	40.1	1,610	(34.7)	2,496	5,546	4,868	6,483	7,678
EPS (Rs)	3.0	2.1	40.3	4.5	(34.7)	7.0	15.6	13.7	18.2	21.6
P/E (x)						186.7	88.5	100.8	75.7	63.9
EV/EBITDA (x)						83.4	47.1	42.2	32.4	28.8
Core RoCE(%)						5.3	7.9	8.6	9.6	10.0

Source: Company, HSIE Research, Standalone Financials

### Change in estimates

(Rs mn)	FY23E			FY24E			FY25E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	77,152	74,396	3.7	83,851	81,074	3.4	96,266	94,183	2.2
Gross Profit	34,996	35,275	(0.8)	38,202	37,711	1.3	44,653	44,247	0.9
Gross Profit Margin (%)	45.4	47.4	(206 bps)	45.6	46.5	(95 bps)	46.4	47.0	(59 bps)
EBITDA	11,193	11,545	(3.1)	12,715	12,305	3.3	15,570	15,394	1.1
EBITDA margin (%)	14.5	15.5	(101 bps)	15.2	15.2	(1 bps)	16.2	16.3	(17 bps)

Source: Company, HSIE Research

## SELL

CMP (as on 27 Apr 2023) INR 1,382

Target Price INR 1,110

NIFTY 17,915

KEY CHANGES	OLD	NEW
Rating	SELL	SELL
Price Target	INR 1,100	INR 1,110
EBITDA %	FY24E +3.3	FY25E +1.1

### KEY STOCK DATA

Bloomberg code	TRENT IN
No. of Shares (mn)	355
MCap (INR bn) / (\$ mn)	491/6,005
6m avg traded value (INR mn)	852
52 Week high / low	INR 1,571/983

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	17.5	(5.5)	12.8
Relative (%)	15.3	(7.0)	6.1

### SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	37.01	37.01
FIs & Local MFs	9.47	8.91
FPIs	20.23	24.43
Public & Others	33.29	29.65
Pledged Shares	0	0

Source : BSE

Pledged shares as % of total shares

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# Voltas

## Market share loss sustains; downgrade to REDUCE

Voltas positively surprised on both UCP revenue and margins despite twin challenges of weak consumer sentiment and delayed summer. UCP business grew by 13% YoY (HSIE +10%) with volumes growing across categories. The UCP EBIT margin came in at 10% (HSIE 9.4%). Voltas continues to retain its #1 position in RAC, but YTD market share in Feb'23 further dipped to 21.9% (vs 22.5% YTD Dec'22). Market share in Jan/Feb was even low at 18%. After last year's market share loss, we had modelled a lower EBIT margin but stability in market share. The consistent fall in market share is reflecting inadequate efforts to fix the competitive pressure. Furthermore, the summer season is still not set fully, leading to a miss in industry tailwinds. We cut our FY24/FY25 EPS estimates by 3/4% to factor in weak RAC dynamics and cut our target UCP multiple to 32x (earlier 38x). Our SoTP (UCP/EMPS/EPS P/E at 32/15/15x and Volt-Beko P/S of 4x) on Mar-25 derives a TP of INR 750. Downgrade to REDUCE.

- **Beat on UCP revenue:** Consolidated revenue grew by 11% YoY and was largely in line with our estimates. UCP segment registered 13/33% YoY growth in Q4/FY23 (HSIE: 10%). Despite weak consumer sentiment and delayed summer in March, volumes grew across UCP categories (RAC, CR, AR). Although the quarter started on a positive note, incessant rains in March impacted demand, leading to higher channel inventory. However, April has seen an improvement in demand; thus, inventory is now at normal levels. Summer is yet not set completely and as per IMD, there are chances of unseasonal rains too. It will lead to industry tailwinds which could cover some losses in market share YoY. EMPS revenue grew by 8% YoY (HSIE +12%), while EPS revenue grew by 15% YoY. We model a 10% revenue CAGR for UCP business for FY23-25.
- **UCP margin surprises positively; EMPS losses impact overall:** GM contracted by 120bps YoY to 21.6% (22.8% in Q4FY22, 24.1% in Q3FY23). Employee expenses grew 4.9% while other expenses grew 35%. UCP EBIT margin was at 10% (10.6% in Q4FY22, 7.4% in Q3FY23; HSIE 9.4%). EMPS EBIT margin was at -1.9% (+6.9% in Q4FY22, -7.1% in Q3FY23; HSIE 3%). EMPS margin was impacted by provisions made on account of delay in collections. Volt-Beko losses were at INR 282mn vs INR 289mn YoY. We model a 9/4% EBIT margin for UCP/EMPS for FY24.
- **Con-call takeaways:** (1) Although channel inventory was high as on Mar'23 due to unseasonal rain, it has been cleared up in April. Remain positive on summer season sales in May/June. (2) Voltas has not taken any price hikes in April. (3) Some other brands have initiated price cuts. Voltas believes it is not sustainable and will continue to focus on both market share gains and margins. (4) Volt-Beko revenue grew by 26/15% in Q4/FY23. The washing machine market share was 5.3%. (6) Higher demand was witnessed in water coolers and dispensers. (7) Setting up RAC plant with 1mn capacity. (8) Capex will be INR 3.5-5bn over the next 18 months. (9) The domestic/ international order book stood at INR 58/24bn.

### Quarterly/annual financial summary

YE Mar (Rs mn)	Q4FY23	Q4FY22	YoY (%)	Q3FY22	QoQ (%)	FY22	FY23	FY24E	FY25E
Net Sales	29,568	26,666	10.9	20,056	47.4	79,345	94,988	1,09,476	1,21,668
EBITDA	2,182	2,610	(16.4)	764	185.7	6,816	5,724	8,028	8,874
APAT	1,432	1,827	(21.6)	427	235.5	5,060	3,639	6,489	7,648
Diluted EPS (Rs)	4.3	5.5	(21.6)	1.3	235.5	15.3	11.0	19.6	23.1
P/E (x)						52.7	73.3	41.1	34.9
EV / EBITDA (x)						38.8	46.4	33.0	29.8
RoCE (%)						22.2	10.0	20.1	19.6

Source: Company, HSIE Research

## REDUCE

CMP (as on 27 Apr 2023)	INR 808
Target Price	INR 750
NIFTY	17,915

KEY CHANGES	OLD	NEW
Rating	ADD	REDUCE
Price Target	INR 925	INR 750
	FY24E	FY25E
EPS %	-3%	-4%

### KEY STOCK DATA

Bloomberg code	VOLT IN
No. of Shares (mn)	331
MCap (INR bn) / (\$ mn)	267/3,268
6m avg traded value (INR mn)	1,127
52 Week high / low	INR 1,302/737

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	8.5	(7.5)	(36.2)
Relative (%)	6.3	(9.0)	(42.9)

### SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	30.30	30.30
FIs & Local MFs	31.67	33.37
FPIs	21.58	20.57
Public & Others	16.45	15.76
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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# Tanla Platforms

## Margins back on track; Wisely powering platform

Tanla reported a revenue decline but the margin recovery in the enterprise segment came as a positive surprise. The enterprise revenue declined 5% QoQ, owing to seasonal and soft promotional volume but the platform revenue grew 4.1% QoQ led by Wisely Network and OTT platform. The enterprise business growth will be volume led and the proposed NLD rate hike will act as a booster. The platform segment growth will be powered by Wisely platforms. Wisely ATP (anti-phishing product) is a promising product, which has received Sandbox approval from TRAI and is under POC with large banks. Wisely Network and OTT (WhatsApp) have started yielding results, while Wisely Communicate (encrypted OTP) and Wisely Engage (performance marketing) are future drivers. The EBITDA margin has recovered >20% levels in Q4, given price negotiations with telcos and reduced input costs. We are building in improved margins for FY24E and revised our EPS estimate upward by 2.6/3.3% for FY24/25E. We maintain our BUY rating with a TP of INR 1,050, based on 22x Dec-24E EPS, supported by a 23% EPS CAGR over FY23-25E and an RoE of ~31%. The stock is trading at 17x FY24E EPS (~34% below its 3Y average).

- Q4FY23 highlights:** The enterprise segment (90% of revenue and 66% of gross profit) declined 5.0% QoQ to INR 7.52bn (estimate of INR 7.75bn) while gross margin expanded 177bps QoQ to 20.1%. Platform revenue (10% of revenue and 34% of gross profit) increased 4.2% QoQ to INR 0.82bn (vs estimate of INR 0.77bn) and gross margin stood at 95.8%. The consolidated revenue decreased by 4.2%, while the EBITDA margin expanded by 253bps to 19.9%. The A2P volumes are down due to lower promotional campaigns by enterprises. Wisely Network (AI/ML-based firewall) is on track to reach INR 1bn GM run rate. The WhatsApp business is up ~3.5x YoY and has reached an ARR of INR 1.5bn.
- Outlook:** We estimate +18/23% revenue/EPS CAGRs over FY23-25E, led by +24/17% revenue CAGRs and +17/22% gross profit CAGRs for platform/enterprise segment respectively.

### Quarterly financial summary

YE March (INR bn)	Q4 FY23	Q4 FY22	YoY (%)	Q3 FY23	QoQ (%)	FY21	FY22	FY23	FY24E	FY25E
Net Sales	8.33	8.53	(2.3)	8.70	(4.2)	23.41	32.06	33.54	39.40	46.35
Gross Profit	2.29	2.43	(5.9)	2.17	5.6	5.78	9.08	8.36	10.05	12.05
EBITDA	1.66	1.84	(9.8)	1.51	9.8	4.33	7.00	5.88	7.34	8.86
APAT	1.20	1.41	(14.5)	1.17	3.2	3.56	5.39	4.48	5.55	6.76
EPS (INR)	8.9	10.4	(14.2)	8.6	3.5	26.3	39.8	33.0	41.0	49.9
P/E (x)						25.9	17.1	20.6	16.6	13.7
EV / EBITDA (x)						20.0	12.0	14.6	11.1	8.7
RoE (%)						44.7	48.0	31.2	32.1	30.5

Source: Company, HSIE Research, Consolidated Financials

### Change in estimates

YE March (INR bn)	FY24E Old	FY24E Revised	Change %	FY25E Old	FY25E Revised	Change %
Revenue	39.17	39.40	0.6	46.07	46.35	0.6
EBITDA	7.10	7.34	3.4	8.53	8.86	3.9
EBITDA margin (%)	18.1	18.6	50bps	18.5	19.1	60bps
APAT	5.41	5.55	2.6	6.54	6.76	3.3
EPS (INR)	39.9	41.0	2.6	48.3	49.9	3.3

Source: Company, HSIE Research

## BUY

CMP (as on 27 Apr 2023)	INR 681
Target Price	INR 1,050
NIFTY	17,915

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,010	INR 1,050
	FY24E	FY25E
EPS %	+2.6	+3.3

### KEY STOCK DATA

Bloomberg code	TANLA IN
No. of Shares (mn)	134
MCap (INR bn) / (\$ mn)	91/1,118
6m avg traded value (INR mn)	286
52 Week high / low	INR 1,510/493

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	5.3	(8.6)	(53.6)
Relative (%)	3.1	(10.1)	(60.4)

### SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	43.73	44.17
FIs & Local MFs	0.08	0.08
FPIs	14.02	14.23
Public & Others	42.17	41.51
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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# UTI Asset Management Company

## Weak quarter

UTIAM reported yet another weak quarter across most operational parameters, with 5/28% sequentially lower revenue/core operating profits, owing to sharp compression in equity yields (-5bps QoQ), elevated admin expenses (+28% QoQ), and loss in equity market share (-19bps QoQ). UTIAM's equity yield trend was on similar lines as QoQ deterioration was reported by HDFCAMC and NAM. Amongst the listed AMCs, UTIAM has the maximum levers to improve core profitability; however, near-term execution has been disappointing and poses a tall ask. We flag sustained medium-term pressure on core yields and staff costs and consequently cut our earnings estimates for FY24E/25E by 17.9%/16.5% to factor in lower equity yields and higher opex. We expect UTIAM to deliver 6%/12% revenue/operating profit CAGR over FY23-25E on the back of healthy AUM growth and marginal cost rationalisation. Given its attractive valuation, we maintain BUY, with a lower TP of INR770 (15x Mar-25E NOPLAT + Mar-24E cash and investments less 15% execution discount; rolling forward adjustment to multiple from 19.5x to 15x and regulatory uncertainty).

- **Core yields continue to disappoint:** Revenue came in 5% below estimates at INR2.7bn (-9/-5% YoY/QoQ) as equity yields witnessed a sharp correction (-5bps QoQ). Staff costs at INR1.06bn (+2% QoQ) remained elevated, weighing on profitability. Admin expenses remained volatile and shot up 27% QoQ (on account of investments in tech, CSR expense, marketing exp, etc; ~40% of these expenses are one-off in nature), dragging core operating profits to INR0.91bn (-21/-26% YoY/QoQ). Treasury gains clocked in at INR392mn (vs. losses at INR74mn in Q3), driving APAT to INR0.86bn (+59%/43% YoY/QoQ).
- **Yield compression remains a concern:** The sharp correction in yields (devoid of one-offs) despite no material increase in the equity AUM or the AUM mix raises concerns. Management stated that 80% of the equity AUM represents a new book and 20% is an old book with higher yields; expect relaxed moderation in yields from FY24E onwards.
- **Concerns:** With the performance of a few schemes on the wane, equity/hybrid market share further dipped 19/14bps QoQ to 4.6%/4.5%. NPS AUM market share slipped 23bps QoQ to 27%. SIP book growth was muted at 1% QoQ to INR16.7bn, constituting only 7% of equity AUM.

### Financial summary

(INR bn)	Q4 FY23	Q4 FY22	YoY (%)	Q3 FY23	QoQ (%)	FY22	FY23	FY24E	FY25E
Revenue	2.69	2.95	-8.6	2.84	(5.0)	11.2	11.3	11.6	12.7
Operating profits	0.78	1.03	-23.8	1.10	(28.7)	4.5	4.3	4.3	5.4
OP Margin (%)	29.0	34.8	-579bps	38.7	-968bps	40.4	37.7	37.5	42.2
APAT	0.86	0.54	59.0	0.60	42.8	5.3	4.4	4.8	5.6
EV/NOPLAT (x)						14.2	15.4	14.7	11.3
P/E (x)						15.6	19.1	17.3	14.8
ROE (%)						15.6	11.8	12.4	13.8

Source: Company, HSIE Research

### Change in estimates

(INR bn)	FY24E			FY25E		
	Revised	Old	Change (%)	Revised	Old	Change (%)
Revenues	11.6	12.5	-7.7	12.7	13.9	-8.4
EBIT	4.4	5.4	-18.5	5.5	6.6	-16.7
EBIT margin (%)	38.3	43.4	-511bps	42.9	47.2	-431bps
NOPLAT	3.2	4.0	-18.7	4.0	4.8	-16.7
APAT	4.8	5.9	-17.9	5.6	6.8	-16.5

Source: Company, HSIE Research

## BUY

CMP (as on 27 Apr 2023)	INR 657
Target Price	INR 770
NIFTY	17,915

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 950	INR 770
EPS %	FY24E	FY25E
	-17.9%	-16.5%

### KEY STOCK DATA

Bloomberg code	UTIAM IN
No. of Shares (mn)	127
MCap (INR bn) / (\$ mn)	84/1,019
6m avg traded value (Rs mn)	247
52 Week high / low	INR 908/595

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(11.0)	(9.8)	(23.6)
Relative (%)	(13.2)	(11.3)	(30.3)

### SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	0.0	0.0
FIs & Local MFs	47.9	60.3
FPIs	6.3	6.1
Public & Others	45.8	33.7
Pledged Shares	Nil	Nil

Source : BSE

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# Shoppers Stop

## Margins surprise positively

STOP's revenue grew 4% (four-year CAGR) to ~ INR 9.2 bn (up 29% YoY; in-line). Sales density has normalised to pre-pandemic levels. Margins surprised us positively this quarter (up 304bps YoY; 43.2% vs HSIE: 40%). The margin beat was led by (1) the improving private label mix; (2) better vendor sourcing; (3) higher outright purchases; (4) lower shrinkage; and (5) weeding out of loss-making stores. FY23 Pre-IND AS 116 EBITDAM stood at 7.1% (vs 7.3% in FY19). We revise our FY24/25 EBITDA estimates upwards by ~4/6% each to account for higher GMs by virtue of (1) a better private label portfolio and (2) enhanced outright purchasing. But we maintain our SELL rating with a revised DCF-based TP of INR520/sh (15x FY25 EV/EBITDA) as the department store format remains at risk from e-tailers.

- **Q4FY23 highlights:** STOP continues to normalise operations. Revenue grew 29/4% (YoY/4-year CAGR) to INR 9.2 bn (HSIE: 9.08bn). Revenue/sq ft too is back to pre-pandemic levels (~INR9,400/sq. ft). STOP added 10 (net) stores in FY23—the highest since FY14; however, the retail area has grown at 3% YoY—a consequence of weeding out loss-making stores. In Q4, it added 2/1 department/beauty stores. Ticket sizes were up 5% YoY. GM surprised us positively this quarter (up 304bps YoY; 43.2% vs HSIE: 40%). The margin beat was led by (1) the improving private label mix; (2) better vendor sourcing; (3) more outright purchases; (4) lower shrinkage; and (5) the closure of loss-making stores. GM beat trickled down to EBITDAM too (up 633bps YoY to 17.1% vs HSIE: 14.1%). Note: Pre-IND-AS EBITDAM stood at 4.9% in Q4 vs 7.5% in Q4FY19). APAT stood at INR163mn. The company incurred a capex of INR1.45bn in FY23, primarily driven by new store openings and digital initiatives. FY24 capex guidance is pegged at INR1.5-2bn as the expansion drive continues.
- **Outlook:** STOP's scale recovery and aggressive focus on store expansion and assortment management are certainly encouraging. However, long-term risks of business relevance/longevity remain as the company directly contends with deep-pocketed e-tailers. Hence, while we revise our FY24/25 EBITDA estimates upwards by 4/6% respectively to account for higher productivity, we maintain our SELL recommendation, with a revised DCF-based TP of INR520/sh (earlier INR470/sh), implying 15x Mar-25 EV/EBITDA.

### Quarterly financial summary

(Rs mn)	4Q FY23	4Q FY22	YoY (%)	3Q FY23	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Revenue	9,165	7,099	29.1	11,317	(19.0)	24,938	39,984	43,725	48,624	53,307
Adj EBITDA	1,571	767	104.7	2,121	(25.9)	(1,745)	2,828	3,182	3,708	4,252
APAT	163	(161)	(200.9)	620	(73.8)	(1,469)	1,333	1,161	1,526	1,862
EPS (Rs)	1.49	(1.47)	(200.9)	5.67	(73.8)	(13.4)	12.2	10.6	14.0	17.0
EV/EBITDA (x)						(30.0)	18.5	16.1	13.8	11.9
Core RoCE(%)						(30.0)	12.8	13.5	15.7	16.7

Source: Company, HSIE Research, Standalone Financials

### Change in estimates

(Rs mn)	FY23			FY24E			FY25E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	39,984	39,895	0.2	43,725	43,725	-	48,624	48,416	0.4
Gross Profit	16,710	16,381	2.0	18,391	18,172	1.2	20,548	20,170	1.9
Gross Profit Margin(%)	41.8	41.1	73 bps	42.1	41.6	50 bps	42.3	41.7	60 bps
EBITDA	2,828	2,609	8.4	3,182	3,050	4.3	3,708	3,498	6.0
EBITDA margin (%)	7.1	6.5	53 bps	7.3	7.0	30 bps	7.6	7.2	40 bps

Source: Company, HSIE Research

## SELL

CMP (as on 27 Apr 2023)	INR 644
Target Price	INR 520
NIFTY	17,915

KEY CHANGES	OLD	NEW
Rating	SELL	SELL
Price Target	INR 460	INR 520
	FY25E	FY25E
EBITDA %	+9.1	+6.0

### KEY STOCK DATA

Bloomberg code	SHOP IN
No. of Shares (mn)	110
MCap (INR bn) / (\$ mn)	71/864
6m avg traded value (INR mn)	51
52 Week high / low	INR 820/397

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(1.6)	(11.4)	29.4
Relative (%)	(3.8)	(12.9)	22.6

### SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	65.46	65.46
FIs & Local MFs	18.64	19.04
FPIs	7.04	6.82
Public & Others	8.86	8.68
Pledged Shares	6.46	6.46

Source : BSE

Pledged shares as % of total shares

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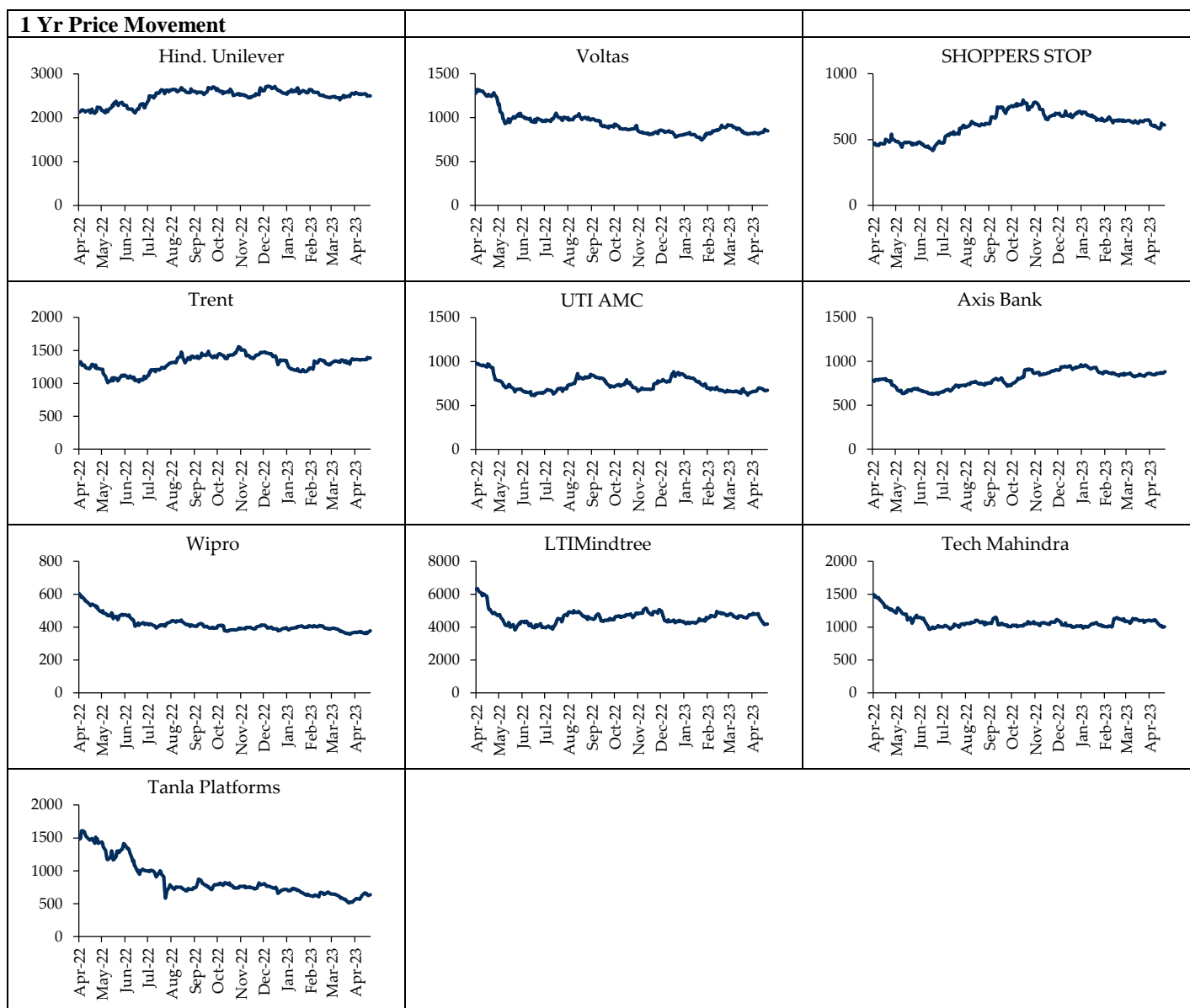
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**Rating Criteria**

**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
Varun Lohchab	Hindustan Unilever	PGDM	NO
Naveen Trivedi	Hindustan Unilever, Voltas	MBA	NO
Paarth Gala	Hindustan Unilever, Voltas	BCom	NO
Riddhi Shah	Hindustan Unilever, Voltas, Trent, Shoppers Stop	MBA	NO
Jay Gandhi	Trent, Shoppers Stop	MBA	NO
Krishnan ASV	UTI Asset Management, Axis Bank	PGDM	NO
Sahej Mittal	UTI Asset Management, Axis Bank	ACA	NO
Deepak Shinde	Axis Bank	PGDM	NO
Neelam Bhatia	Axis Bank	PGDM	NO
Apurva Prasad	Wipro, LTIMindtree, Tech Mahindra	MBA	NO
Amit Chandra	Wipro, LTIMindtree, Tech Mahindra, Tanla Platforms	MBA	NO
Vinesh Vala	Wipro, LTIMindtree, Tech Mahindra	MBA	NO
Vivek Sethia	Tanla Platforms	CA	NO



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