INSTITUTIONAL RESEARCH

HSIE Results Daily

Contents

Results Reviews

- **UltraTech Cement:** We maintain BUY on UltraTech (UTCEM) with an unchanged target price of INR 8,670 (16x Mar-25E consolidated EBITDA). We continue to like the company for its robust growth and margin outlook and balance sheet management. UTCEM delivered strong 14/23% YoY/QoQ volume growth, led by healthy demand and a gain in market share. Unit EBITDA recovered INR 150/MT QoQ to INR 1,050 per MT, led by op-lev gains and lower fuel cost. The company also tightened its working capital (to net cash in Mar-23) during H2FY23, which bloated in Sep-22. UTCEM's phase-2 expansion is expected to be completed by FY26E.
- **SBI Cards and Payment Services:** SBI Cards' (SBICARD) earnings were marginally below our estimates due to higher-than-expected credit costs, partially offset by healthy traction in fee income. While the QoQ receivables mix remained steady with Revolve/EMI loans at 24%/37%, NIMs declined 10bps QoQ (11.5%) and are close to bottoming out with renewed management focus on raising the share of instalment loans. Business momentum remained strong in terms of card acquisitions (+22% YoY) as well as retail per-card spends (+11% YoY). Asset quality witnessed marginal deterioration with GS-III at 2.4% and credit costs at 6.3% (20bps one-off impact from change in ECL estimates). We marginally reduce our FY24/FY25 earnings estimates to factor in lower revolve share, partly offset by lower credit costs and maintain BUY with a revised TP of INR960 (implied 25x FY25 EPS). We remain bullish on the overall credit card opportunity and the ability of SBICARD to deliver consistently superior profitability (5%+ RoA, 25%+ RoE).
- **Shriram Finance:** Shriram Finance's (SHFL) Q4FY23 earnings were impacted by merger-related expenses and higher provisioning. Balance sheet growth was robust with AUM growth of 15.9%/4.6% YoY/QoQ, driven by PV, 2W and PL, with steady growth in the CV portfolio (+13% YoY). However, P&L outcomes were impacted by the impairment of intangibles (INR3bn) and higher credit costs (INR3bn) on the back of an increase in the probability of default for various product categories. Asset quality witnessed marginal deterioration with high write-offs (INR8.1bn). SHFL's incremental efforts to drive revenue synergies through cross-sell remains in the early stages. We tweak our FY24/FY25 estimates to factor in higher loan growth, partially offset by impairment of intangibles and maintain ADD with a revised SoTP-based TP of INR1,645 (earlier INR 1,717), implying 1.3x Mar-25 ABVPS.
- **Star Health and Allied Insurance:** STARHEAL printed soft NEP growth (+11% YoY, 4% below our estimates), impacted by a slowdown in group business; however, loss ratios clocked in at 62% (-1.8pps QoQ, in-line) driving COR to 91.4% (-3.4pps QoQ). While FY23 RoE was sub-optimal at ~12% due to soft growth (+15% YoY), we expect STARHEAL to deliver a rebound in growth (~22% CAGR over FY23-25E) and stable loss ratios, supported by a price hike in its flagship product and tighter underwriting and claims review process. As the largest standalone health insurer (FY23 retail GDPI market share of 34%), our thesis on STARHEAL is anchored in a very strong distribution network, retail-dominated business mix and best-in-class opex ratios. We expect STARHEAL to deliver revenue/APAT CAGR of 22/41% over FY23-25E and RoEs in the range of 17/18% for FY24E/25E and maintain BUY with an unchanged TP of INR795 (DCF derived multiple at 38x Mar-25E P/E and 6x Mar-25E P/ABV).

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- **Mphasis:** Mphasis (MPHL) posted weak revenue print, yet maintained its margin. FY23 growth of 9.7% CC was impacted by -4% from a decline in Digital Risk and -1.6% from a decline in DXC business. The residual business of Digital Risk and DXC still accounts for 10.5% of revenue, which remains in a state of decline and will be a drag on overall growth even for FY24E (4.5% drag even if business remains at Q4 rate). Even the stronger Direct International (ex-Digital Risk) declined and the outlook is for soft Q1 and sequential recovery subsequently. While MPHL has historically gained a share from peers (especially in BFSI), the tighter spends and lower conversions limit the share gains as well as increase the ask-rate for bookings (which was lower in Q4 adj. for large deals). The increase in deal pipeline by 35% YoY including higher growth in non-BFSI deal pipeline is a sign of portfolio diversification and/or relative stress in BFSI (60% of revenue). Despite continued risk on Digital Risk and DXC combined (USD 173mn on Q4 annualised run-rate), net new TCV bookings average of >USD 1bn+ (5Y avg) can support USD 120mn+ incremental revenue over FY23-25E. Maintain ADD with a TP of INR 2,010, based on 20x Dec-24E EPS.
- **IndiaMART InterMESH:** IndiaMART posted a strong 4Q with better-than-expected revenue growth (+6.9% QoQ) and impressive cash collections (+31% YoY). The growth was led by strong supplier addition (~9K) and improving realisations (+2.3% QoQ). The company invested in a sales engine in FY23, which has moderated margins but accelerated growth. The strong cash collections provide visibility for >25% YoY growth in FY24E. The margin will gradually expand to >30% as most are the investments are behind and headcount growth will be in line with paid supplier growth. The management expects that paid supplier addition will be maintained at ~8-9K per quarter and ARPU will continue to improve as customers move up the value chain. We maintain our positive view on IndiaMart based on (1) better growth visibility led by strong collections; (2) lower churn across client buckets; (3) margin expansion possibility; and (4) an increase in realisation led by platinum clients. We maintain our EPS estimates and have a BUY rating with a DCF-based TP of INR 5,960 (~34x Dec-24E EV/EBITDA), supported by revenue CAGR of 24% over FY23-25E.

UltraTech Cement

Strong volume growth; a healthy margin

We maintain BUY on UltraTech (UTCEM) with an unchanged target price of INR 8,670 (16x Mar-25E consolidated EBITDA). We continue to like the company for its robust growth and margin outlook and balance sheet management. UTCEM delivered strong 14/23% YoY/QoQ volume growth, led by healthy demand and a gain in market share. Unit EBITDA recovered INR 150/MT QoQ to INR 1,050 per MT, led by op-lev gains and lower fuel cost. The company also tightened its working capital (to net cash in Mar-23) during H2FY23, which bloated in Sep-22. UTCEM's phase-2 expansion is expected to be completed by FY26E.

- **Q4FY23 performance:** UTCEM's consolidated revenue/ EBITDA/ APAT grew 18/8/13% YoY respectively. It delivered strong 14/23% YoY/QoQ volume growth, driven by robust demand and capacity ramp-up (gained market share). Marginal correction in grey cement pricing and lower white/ putty sales QoQ led to a 2% fall in blended NSR. Even opex fell 5% QoQ, mainly on op-leverage gains/ fuel cost cool-off by INR 150/100 per MT). Fuel cost reduced to INR 2.5/ kcal in Q4FY23 (back to Q2FY23 levels) vs INR 2.6/kcal in Q3FY23. Freight costs also cooled off by 2% QoQ. Unit EBITDA, thus recovered INR 150/MT QoQ (-6/+15% YoY) to INR 1,050 per MT.
- **Con-call KTAs, Capex updates and outlook**: The demand environment continues to stay strong and the company expects to outperform industry growth by ~400-500bps. It also guided for INR 60bn FY23 Capex run-rate in FY24/25E. UTCEM added 43MW WHRS in FY23 and will be adding another 90MW in FY24E. It is also adding solar/wind capacity and also purchasing green power from the grid. These will accelerate the share of total green power from 25% in Q4FY23 to 34% by FY24 end, reducing costs. Phase-I expansion ~2mn MT pending capacity will be commissioned by the Q1FY24 end. Phase-II expansion (22.6mn MT) is expected to be completed by FY26E. We broadly maintain our FY24/25E estimates.

Consolidated quarterly/annual financial summary

YE Mar (INR bn)	Q4 FY23	Q4 FY22	*YoY (%)*	Q3 FY23	*QoQ (%)*	FY21	FY22	FY23	FY24E	FY25E
Sales (mn MT)	31.7	27.7	*14.4*	25.9	*22.5*	86.4	94.0	105.7	117.6	126.9
NSR (INR/MT)	5,892	5,694	*3.5*	6,002	*(1.8)*	5,175	5,595	5,983	5,983	5,983
EBITDA(INR/MT)	1,049	1,110	*(5.5)*	903	*16.1*	1,338	1,225	1,005	1,198	1,200
Net Sales	186.6	157.7	*18.4*	155.2	*20.2*	447.3	526.0	632.4	703.8	759.2
EBITDA	33.2	30.7	*8.1*	23.4	*42.2*	115.7	115.1	106.2	141.0	152.2
APAT	16.7	14.8	*12.8*	10.6	*57.4*	55.8	56.7	50.6	75.0	82.7
AEPS (INR)	57.7	51.2	*12.8*	36.7	*57.4*	193.3	196.3	175.4	259.8	286.3
EV/EBITDA (x)						19.5	19.3	20.8	15.5	14.0
EV/MT (INR bn)						19.05	18.30	16.48	15.69	14.43
P/E (x)						39.0	38.4	43.0	29.0	26.3
RoE (%)						*13.4*	*12.0*	*9.7*	*13.1*	*13.0*

Source: Company, HSIE Research

Consolidated Estimates revision summary

INR bn	FY24E Old	FY24E Revised	*Change %*	FY25E Old	FY25E Revised	*Change %*
Net Sales	710.8	703.8	*-1.0*	766.8	759.2	*-1.0*
EBITDA	141.4	141.0	*-0.3*	152.8	152.2	*-0.4*
APAT	74.3	75.0	*0.9*	82.3	82.7	*0.4*

Source: Company, HSIE Research

BUY

CMP *(as on 28 Apr 2023)*	INR 7,540
Target Price	**INR 8,670**
NIFTY	**18,065**

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 8,670	INR 8,670
EBITDA %	FY24E *(0.3)*	FY25E *(0.4)*

KEY STOCK DATA	
Bloomberg code	UTCEM IN
No. of Shares (mn)	289
MCap (INR bn) / ($ mn)	2,165/26,460
6m avg traded value (INR mn)	2,672
52 Week high / low	INR 7,825/5,157

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	11.7	16.5	14.5
Relative (%)	9.5	15.0	7.8

SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	59.96	59.96
FIs & Local MFs	17.50	17.03
FPIs	13.69	15.30
Public & Others	7.85	7.72
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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SBI Cards and Payment Services

Portfolio rebalancing remains WIP

SBI Cards' (SBICARD) earnings were marginally below our estimates due to higher-than-expected credit costs, partially offset by healthy traction in fee income. While the QoQ receivables mix remained steady with Revolve/EMI loans at 24%/37%, NIMs declined 10bps QoQ (11.5%) and are close to bottoming out with renewed management focus on raising the share of instalment loans. Business momentum remained strong in terms of card acquisitions (+22% YoY) as well as retail per-card spends (+11% YoY). Asset quality witnessed marginal deterioration with GS-III at 2.4% and credit costs at 6.3% (20bps one-off impact from change in ECL estimates). We marginally reduce our FY24/FY25 earnings estimates to factor in lower revolve share, partly offset by lower credit costs and maintain BUY with a revised TP of INR960 (implied 25x FY25 EPS). We remain bullish on the overall credit card opportunity and the ability of SBICARD to deliver consistently superior profitability (5%+ RoA, 25%+ RoE).

- **Elevated provisions offset healthy PPOP growth**: SBICARD reported steady NII/PPOP growth of 17%/22% YoY, driven primarily by strong traction in unit spends, offset by NIM compression. Fee income witnessed strong traction sequentially across categories (spends-based, instance-based fees etc.).
- **Thrust on mix of instalment loans:** The marginal 10bps NIM compression, alongside steady mix of receivables, suggests that NIMs are likely to have bottomed out. Management remains focused on improving the share of EMI loans in order to drive higher NII.
- **Market leadership in issuance; strong unit spends:** SBICARD's industry-leading pace of credit card issuances and sustained traction in unit spends have helped the company clock market share gains. While this is likely to increase near-term opex intensity, recent efforts at cost optimisation (in line with industry) are likely to help sustain steady-state, consistently superior, and best-in-class return ratios (RoA of ~5-6%, and RoE of over 25%).

Financial summary

(INR bn)	Q4FY23	Q4FY22	*YoY (%)*	Q3FY23	*QoQ (%)*	FY22	FY23	FY24E	FY25E
NII	11.7	10.0	*16.7*	11.4	*1.8*	38.4	45.1	58.9	78.8
PPOP	14.3	11.7	*22.0*	12.2	*17.4*	44.3	51.9	65.9	85.2
PAT	6.0	5.8	*2.7*	5.1	*17.1*	16.2	22.6	28.2	36.1
EPS (INR)	6.3	6.1	*2.8*	5.4	*17.2*	17.2	23.9	29.8	38.1
ROAE (%)						23.0%	25.7%	25.5%	26.2%
ROAA (%)						5.2%	5.6%	5.4%	5.4%
ABVPS (INR)						79.9	101	125	156
P/ABV (x)						9.7	7.7	6.2	4.9
P/E (x)						44.9	32.3	25.9	20.3

Change in estimates

INR bn	FY24E			FY25E		
	Old	New	Δ	Old	New	Δ
AUM	527	527	0.0%	674	680	0.8%
NIM (%)	13.0	12.1	-93 bps	13.9	12.5	-142 bps
NII	62.3	58.9	-5.4%	86.0	78.8	-8.4%
PPOP	68.5	65.9	-3.9%	90.2	85.2	-5.5%
PAT	28.9	28.2	-2.7%	37.8	36.1	-4.6%
ABVPS (INR)	125	125	0.3%	158	156	-0.8%

Source: Company, HSIE Research

BUY

CMP *(as on 28 Apr 2023)*	**INR 772**
Target Price	**INR 960**
NIFTY	**18,065**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR 1020	INR960
EPS %	FY24E	FY25E
	-2.7%	-4.6%

KEY STOCK DATA	
Bloomberg code	SBICARD IN
No. of Shares (mn)	946
MCap (INR bn) / ($ mn)	742/9,066
6m avg traded value (INR mn)	906
52 Week high / low	INR 1,029/656

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	12.1	(8.6)	(5.2)
Relative (%)	9.9	(10.1)	(11.9)

SHAREHOLDING PATTERN (%)	**Dec-22**	**Mar-23**
Promoters	69.1	69.0
FIs & Local MFs	16.7	17.5
FPIs	9.1	8.5
Public & Others	5.1	5.1
Pledged Shares	0	0

Source : BSE

Pledged shares as % of total shares

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Shriram Finance

Impairment 'tangible'; synergies 'intangible'

Shriram Finance's (SHFL) Q4FY23 earnings were impacted by merger-related expenses and higher provisioning. Balance sheet growth was robust with AUM growth of 15.9%/4.6% YoY/QoQ, driven by PV, 2W and PL, with steady growth in the CV portfolio (+13% YoY). However, P&L outcomes were impacted by the impairment of intangibles (INR3bn) and higher credit costs (INR3bn) on the back of an increase in the probability of default for various product categories. Asset quality witnessed marginal deterioration with high write-offs (INR8.1bn). SHFL's incremental efforts to drive revenue synergies through cross-sell remains in the early stages. We tweak our FY24/FY25 estimates to factor in higher loan growth, partially offset by impairment of intangibles and maintain ADD with a revised SoTP-based TP of INR1,645 (earlier INR 1,717), implying 1.3x Mar-25 ABVPS.

- **Tepid P&L outcomes:** SHFL reported sequentially flat NII (including INR1.45bn gain due to accounting adjustment post-merger), while PPoP declined 7% QoQ due to INR3bn adverse impact of impairment of intangibles. As per management, a further INR12bn impairment is expected to be absorbed in the P&L over the next sixteen quarters. NIM was broadly flat sequentially (8.55%).
- **Asset quality witnesses marginal deterioration:** SHFL reported GS-II + GS-III at 15.1% (50bps improvement sequentially). However, this improvement was on the back of elevated write-offs (INR8.1bn) during the quarter. Further, the portfolio stress test led to additional provisions (INR2.95bn), which alongside the utilisation of Covid provisions (INR5.4bn) resulted in credit costs of 2.7%. Management has maintained their credit cost guidance of 2%.
- **Steady balance sheet growth, cross-sell outcomes key monitorable:** SHFL reported healthy 15.9% YoY AUM growth, with CV portfolio growth of 12.6% YoY. While the guidance of 15% AUM growth remains unchanged, we believe that the actual growth outcomes are anchored on the merged entity's ability to improve its cross-sell value proposition between customers and products of the erstwhile franchises (SCUF and SHTF), which was an important plank and, hence, an important monitorable for the effectiveness of the merger.

Financial summary

(INR bn)	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	FY22	FY23	FY24E	FY25E
NII	41.8	25.2	65.6	41.9	-0.3	89.1	160.6	173.2	193.2
PPOP	30.8	21.1	45.9	33.0	-6.7	74.1	123.4	130.4	144.3
PAT	13.1	10.9	20.5	17.8	-26.4	27.1	59.8	61.6	69.7
EPS (INR)	34.8	40.2	-13.4	47.3	-26.4	100.1	159.7	164.4	186.1
ROAE (%)						11.4	13.8	13.5	13.6
ROAA (%)						2.0	2.9	2.8	2.8
ABVPS (INR)						794	1,005	1,117	1,235
P/ABV (x)						1.7	1.3	1.2	1.1
P/E (x)						13.3	8.3	8.1	7.2

Note: Q4FY22 and FY22 numbers are prior to the merger and hence not comparable

Change in estimates

(INR bn)	FY24E			FY25E		
	Old	New	Δ	Old	New	Δ
AUM	2,085	2,141	2.7%	2,370	2,434	2.7%
NIM (%)	8.7	8.7	-4 bps	8.5	8.4	-1 bps
NII	169.2	173.2	2.4%	188.4	193.2	2.6%
PPOP	126.8	130.4	2.8%	140.7	144.3	2.5%
PAT	61.5	61.6	0.1%	69.9	69.7	-0.3%
Adj. BVPS (INR)	1,068	1,117	4.5%	1,215	1,235	1.6%

Source: Company, HSIE Research

ADD

CMP *(as on 28 Apr 2023)*	INR 1,332
Target Price	INR 1,645
NIFTY	18,065

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR1717	INR1645
EPS %	FY24E	FY25E
	0.1%	-0.3%

KEY STOCK DATA	
Bloomberg code	SHFL IN
No. of Shares (mn)	374
MCap (INR bn) / ($ mn)	526/6,431
6m avg traded value (INR mn)	1,247
52 Week high / low	INR 1,509/1,047

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	13.3	12.7	23.2
Relative (%)	11.0	11.2	16.4

SHAREHOLDING PATTERN (%)	Dec-22	Mar-23
Promoters	25.3	25.5
FIs & Local MFs	11.1	11.7
FPIs	42.9	49.8
Public & Others	20.7	13.0
Pledged Shares	0.0	

Source : BSE

Pledged shares as % of total shares

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Star Health and Allied Insurance

Growth to drive rerating; maintain BUY

STARHEAL printed soft NEP growth (+11% YoY, 4% below our estimates), impacted by a slowdown in group business; however, loss ratios clocked in at 62% (-1.8pps QoQ, in-line) driving COR to 91.4% (-3.4pps QoQ). While FY23 RoE was sub-optimal at ~12% due to soft growth (+15% YoY), we expect STARHEAL to deliver a rebound in growth (~22% CAGR over FY23-25E) and stable loss ratios, supported by a price hike in its flagship product and tighter underwriting and claims review process. As the largest standalone health insurer (FY23 retail GDPI market share of 34%), our thesis on STARHEAL is anchored in a very strong distribution network, retail-dominated business mix and best-in-class opex ratios. We expect STARHEAL to deliver revenue/APAT CAGR of 22/41% over FY23-25E and RoEs in the range of 17/18% for FY24E/25E and maintain BUY with an unchanged TP of INR795 (DCF derived multiple at 38x Mar-25E P/E and 6x Mar-25E P/ABV).

- **Loss ratios surprise positively:** NEP at INR29.1bn grew 11% YoY (4% below estimate), on account of its conscious decision to shed group business (NEP: -44% YoY) and deceleration in retail segment (NEP +18% YoY). Loss ratios improved sharply to 62% (-1.8pps QoQ, albeit in-line), owing to a tighter claims review process aimed at eliminating fraudulent claims. Commission ratios inched up marginally to 14.1% (+39bps QoQ), owing to a higher retail mix; this, alongside lean expense ratio at 15.3% (-207bps QoQ), drove COR to 91.4% (-3.4pps QoQ) and PAT (in-line) to INR1.02bn.
- **Ask rate on growth seems doable:** Management stated that the company has clocked strong growth of 27% YoY and better MoM loss ratios in Apr-23 MTD. Given the combination of a favourable base and a 25% price hike in its flagship product "Family Health Optima (FHO)" (>50% of retail GDPI), we believe the company can deliver growth in the range of 20-22%. We firmly believe that this flagship product repricing will help contain loss ratios and CORs.
- **Renewal mix key monitorable for FY24:** Given the sharp price hike in the flagship product effective May-23 onwards, we await to see the renewal rates in this product. Given the increase in banca tie-up limit, we await evidence of STARHEAL's progress in forging partnerships with new banks; this can significantly improve profitability from benefit-based products.

Financial summary

(INR bn)	Q4 FY23	Q4 FY22	YoY (%)	Q3 FY23	QoQ (%)	FY22	FY23	FY24E	FY25E
Net earned premium (NEP)	29.13	26.21	11.1	28.67	1.6	98.1	112.6	138.2	167.4
Underwriting profits	-0.65	-2.17	NM	1.26	NM	-21.5	0.5	3.9	3.9
EBIT	1.35	-1.17	NM	2.80	-51.9	-13.6	8.9	15.3	17.1
EBIT margin (%)	4.6	-4.5	NM	9.8	NM	-13.9	7.9	11.1	10.2
PAT	1.02	-0.82	NM	2.10	-51.6	-10.4	6.2	11.0	12.4
P/B (x)						7.4	6.3	5.3	4.4
P/E (x)						NM	55.6	31.2	27.8
ROE (%)						NM	12.3	18.4	17.3

Source: Company, HSIE Research

Change in estimates

(INR bn)	FY24E			FY25E		
	Revised	Old	Change (%)	Revised	Old	Change (%)
Net earned premiums	138.2	138.3	0.0	167.4	168.5	-0.6
Operating profits	15.4	13.6	13.1	17.2	16.1	6.7
CORs	94.3	95.4	-110bps	94.8	95.3	-50bps
APAT	11.0	9.7	13.6	12.4	11.6	6.9
RoE (%)	18.4	16.7	175bps	17.3	16.8	47bps

Source: Company, HSIE Research

BUY

CMP *(as on 28 Apr 2023)*	INR 592
Target Price	INR 795
NIFTY	18,065

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR795	INR795
EPS %	FY24E	FY25E
	+13.6%	+6.9%

KEY STOCK DATA	
Bloomberg code	STARHEAL IN
No. of Shares (mn)	582
MCap (INR bn) / ($ mn)	342/4,177
6m avg traded value (INR mn)	246
52 Week high / low	INR 780/451

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	17.2	(18.1)	(14.2)
Relative (%)	15.0	(19.6)	(20.9)

SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	58.3	58.3
FIs & Local MFs	1.3	1.4
FPIs	10.4	10.6
Public & Others	30.1	29.7
Pledged Shares	0.0	0.0

Source : BSE

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Mphasis

Another disappointment; hope floats

Mphasis (MPHL) posted weak revenue print, yet maintained its margin. FY23 growth of 9.7% CC was impacted by -4% from a decline in Digital Risk and -1.6% from a decline in DXC business. The residual business of Digital Risk and DXC still accounts for 10.5% of revenue, which remains in a state of decline and will be a drag on overall growth even for FY24E (4.5% drag even if business remains at Q4 rate). Even the stronger Direct International (ex-Digital Risk) declined and the outlook is for soft Q1 and sequential recovery subsequently. While MPHL has historically gained a share from peers (especially in BFSI), the tighter spends and lower conversions limit the share gains as well as increase the ask-rate for bookings (which was lower in Q4 adj. for large deals). The increase in deal pipeline by 35% YoY including higher growth in non-BFSI deal pipeline is a sign of portfolio diversification and/or relative stress in BFSI (60% of revenue). Despite continued risk on Digital Risk and DXC combined (USD 173mn on Q4 annualised run-rate), net new TCV bookings average of >USD 1bn+ (5Y avg) can support USD 120mn+ incremental revenue over FY23-25E. Maintain ADD with a TP of INR 2,010, based on 20x Dec-24E EPS.

- **Q4FY23 highlights:** (1) MPHL posted revenue of USD 412mn (HSIE est. USD 425mn), -4.5% QoQ and -3.1% YoY CC, impacted by the decline in Direct International by -3.4% QoQ CC (impacted by 26% QoQ drop in Digital Risk). (2) DXC revenue (3.8% of revenue) declined 24.8% QoQ CC following some stability in the last two quarters. (3) Net new deal TCV of Direct International was USD 309mn (including USD 150mn deal in BFSI), taking the FY23 bookings to USD 1,314mn (-8% YoY). (4) EBITM came at 15.3%, flat sequentially, mitigating the impact of a revenue decline with higher offshore utilisation and fresher deployment. (5) MPHL expects the softness in BFS to continue in Q1FY24 and it expects the margin in the range of 15.25 to 16.25% for all the quarters in FY24E.
- **Outlook:** We have factored Direct International growth ex-DR to moderate from 17.5% in FY23 to 4.3% in FY24E and 12.1% in FY25E, Digital Risk business at USD 85mn (50% decline) and USD 84mn in FY24/25E and DXC business at USD 53mn (30% decline) and USD 47mn in FY24/25E respectively. At CMP, MPHL trades at 20x and 18x FY24E and FY25E EPS.

Quarterly Financial summary

YE March (INR bn)	Q4 FY23	Q4 FY22	*YoY (%)*	Q3 FY23	*QoQ (%)*	FY21	FY22	FY23	FY24E	FY25E
Revenue (USD mn)	412	431	(4.3)	429	(4.1)	1,309	1,593	1,718	1,669	1,842
Net Sales	33.61	32.78	2.5	35.06	(4.1)	97.22	119.62	137.99	138.52	154.73
EBIT	5.15	4.97	3.6	5.35	(3.8)	15.61	18.27	21.09	21.90	24.88
APAT	4.05	3.92	3.4	4.12	(1.7)	12.17	14.46	16.38	16.81	19.27
Diluted EPS (INR)	21.7	20.9	3.5	22.0	(1.7)	65.0	77.3	87.6	89.9	103.0
P/E (x)						27.9	23.5	20.7	20.2	17.6
EV / EBITDA (x)						17.5	15.0	12.9	12.7	10.7
RoE (%)						19.7	21.5	22.0	20.5	21.9

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)	1,778	1,669	*(6.1)*	1,953	1,842	*(5.7)*
Revenue	147.53	138.52	*(6.1)*	164.09	154.73	*(5.7)*
EBIT	22.54	21.90	*(2.9)*	25.08	24.88	*(0.8)*
EBIT margin (%)	15.3	15.8	53bps	15.3	16.1	79bps
APAT	17.30	16.81	*(2.9)*	19.61	19.27	*(1.7)*
EPS (INR)	92.5	89.9	*(2.9)*	104.8	103.0	*(1.7)*

Source: Company, HSIE Research

ADD

CMP *(as on 28 Apr 2023)*	INR 1,814
Target Price	INR 2,010
NIFTY	18,065

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 2,040	INR 2,010
EPS %	FY24E	FY25E
	-2.9	-1.7

KEY STOCK DATA	
Bloomberg code	MPHL IN
No. of Shares (mn)	188
MCap (INR bn) / ($ mn)	336/4,107
6m avg traded value (INR mn)	1,073
52 Week high / low	INR 2,873/1,660

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(13.9)	(9.4)	(36.2)
Relative (%)	(16.1)	(10.9)	(43.0)

SHAREHOLDING PATTERN (%)	Dec-22	Mar-23
Promoters	55.65	55.63
FIs & Local MFs	19.13	20.78
FPIs	18.89	17.72
Public & Others	6.33	5.87
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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IndiaMART InterMESH

Strong cash collections to drive growth

IndiaMART posted a strong 4Q with better-than-expected revenue growth (+6.9% QoQ) and impressive cash collections (+31% YoY). The growth was led by strong supplier addition (~9K) and improving realisations (+2.3% QoQ). The company invested in a sales engine in FY23, which has moderated margins but accelerated growth. The strong cash collections provide visibility for >25% YoY growth in FY24E. The margin will gradually expand to >30% as most are the investments are behind and headcount growth will be in line with paid supplier growth. The management expects that paid supplier addition will be maintained at ~8-9K per quarter and ARPU will continue to improve as customers move up the value chain. We maintain our positive view on IndiaMart based on (1) better growth visibility led by strong collections; (2) lower churn across client buckets; (3) margin expansion possibility; and (4) an increase in realisation led by platinum clients. We maintain our EPS estimates and have a BUY rating with a DCF-based TP of INR 5,960 (~34x Dec-24E EV/EBITDA), supported by revenue CAGR of 24% over FY23-25E.

- **Q4FY23 highlights**: (1) IndiaMART revenue grew 6.9% QoQ to INR 2.69bn (in line with estimate), driven by +4.6/+2.3% growth in paid suppliers/ARPU; (2) cash collections from customers were at INR 4.18bn, up 47.7% QoQ; (3) ~22% of the registered buyers are active on the platform and ~9% of the visitors place a business enquiry; (4) EBITDA margin was down 333bps QoQ at 24.6% (vs estimate of 25.2%), with +13.9/+8.1% QoQ increase in manpower/outsourced sales costs; (5) customer churn for annual customers was at 3% per month and gold and platinum customers at <1% per month; (6) For FY23, BUSY reported revenue of INR 0.43bn, EBITDA margin of 24% and cash collections at INR 0.42bn; (7) net cash stands at INR 23bn (~14% of mcap).
- **Outlook**: We expect revenue growth of +26/22%, based on paid supplier growth of +18/16% and ARPU growth of +8/5% for FY24E/25E respectively. EBITDA margin estimates stand at 30.4/33.1% for FY24E/25E, leading to an EPS CAGR of 35% over FY23-25E.

Quarterly financial summary

YE March (INR mn)	Q4 FY23	Q4 FY22	YoY (%)	Q3 FY23	QoQ (%)	FY21	FY22	FY23	FY24E	FY25E
Net Sales	2,688	2,014	*33.5*	2,514	*6.9*	6,696	7,535	9,854	12,441	15,157
EBITDA	661	572	*15.5*	702	*-5.8*	3,282	3,079	2,679	3,778	5,017
APAT	558	573	*-2.7*	634	*-12.1*	2,798	2,971	2,212	3,167	4,049
EPS (INR)	18.6	18.7	*-0.3*	20.8	*-10.4*	91.0	96.7	72.3	103.6	132.4
P/E (x)						58.9	55.5	74.2	51.8	40.5
EV / EBITDA (x)						43.3	45.8	52.9	36.0	25.7
RoE (%)						29.7	17.0	11.2	14.5	16.4

Source: Company, HSIE Research, Consolidated Financials

Change in estimates

YE March (INR mn)	FY24E Old	FY24E Revised	Change %	FY25E Old	FY25E Revised	Change %
Revenue	12,307	12,441	*1.1*	14,798	15,157	*2.4*
EBITDA	3,844	3,778	*-1.7*	4,981	5,017	*0.7*
EBITDA margin (%)	31.2	30.4	-87 bps	33.7	33.1	-56 bps
APAT	3,187	3,167	*-0.6*	4,034	4,049	*0.4*
EPS (INR)	104.2	103.6	*-0.6*	131.9	132.4	*0.4*

Source: Company, HSIE Research

BUY

CMP *(as on 28 Apr 2023)*	**INR 5,363**
Target Price	**INR 5,960**
NIFTY	**18,065**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR 5,800	INR 5,960
	FY24E	FY25E
EPS %	-0.6	+0.4

KEY STOCK DATA	
Bloomberg code	INMART IN
No. of Shares (mn)	31
MCap (INR bn) / ($ mn)	160/1,963
6m avg traded value (INR mn)	433
52 Week high / low	INR 5,566/3,676

STOCK PERFORMANCE (%)

	3M	**6M**	**12M**
Absolute (%)	18.4	14.9	8.5
Relative (%)	16.1	13.4	1.7

SHAREHOLDING PATTERN (%)

	Dec-22	**Mar-23**
Promoters	49.22	49.22
FIs & Local MFs	5.81	5.63
FPIs	25.38	26.60
Public & Others	19.44	18.44
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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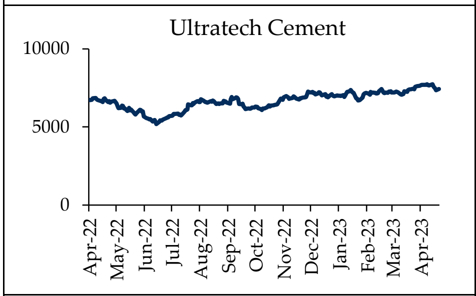
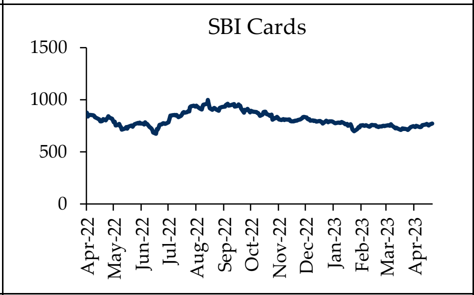
Rating Criteria
BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: > 10% Downside return potential

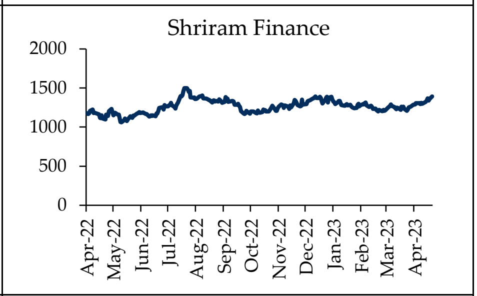
Disclosure:

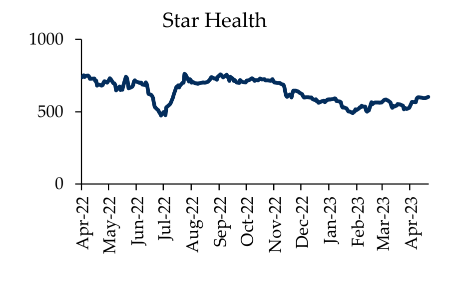
Analyst	Company Covered	Qualification	Any holding in the stock
Rajesh Ravi	UltraTech Cement	MBA	NO
Keshav Lahoti	UltraTech Cement	CA	NO
Krishnan ASV	SBI Cards and Payment Services, Shriram Finance, Star Health and Allied Insurance	PGDM	NO
Deeapk Shinde	SBI Cards and Payment Services, Shriram Finance	PGDM	NO
Neelam Bhatia	SBI Cards and Payment Services	PGDM	NO
Sahej Mittal	Star Health and Allied Insurance	ACA	NO
Apurva Prasad	Mphasis	MBA	NO
Amit Chandra	Mphasis, IndiaMART InterMESH	MBA	NO
Vinesh Vala	Mphasis	MBA	NO
Vivek Sethia	IndiaMART InterMESH	CA	NO

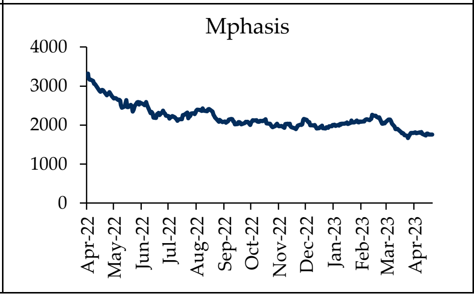
1 Yr Price Movement

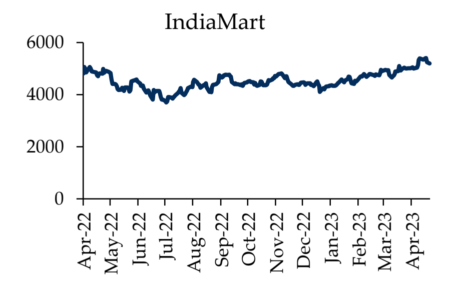












Disclosure:

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