

Q4FY2023 Results Review

Sector: Infra/Logistics/BM/Realty

Sector View: Positive

Our Coverage Universe

Companies	CMP (Rs)	Reco./View	PT (Rs)
Infrastructure			
KNR Constructions	243	Buy	301
PNC Infratech	322	Buy	390
Building Materials			
Century Plyboards	572	Buy	671
Greenlam Industries	413	Buy	UR
Pidilite Industries	2651	Hold	UR
APL Apollo Tubes	1177	Buy	1425
Hitech pipes	80	Positive	105
Supreme Industries	2838	Buy	3200
Kajaria Ceramics	1254	Buy	1420
Astral	1923	Hold	UR
Logistics			
Gateway Distriparks	71	Buy	80
Gati	117	Positive	143
Mahindra Logistics	362	Buy	455
TCI Express	1645	Buy	2070
TCI	701	Buy	785
Real Estate			
Mahindra Lifespace	462	Buy	500
Oberoi Realty	804	Positive	1103
DLF	496	Positive	514
Prestige Estates Projects	423	Positive	581
Puravankara	89	Positive	100
Macrotech Developers	593	Positive	UR
Sobha	545	Positive	635
Indiabulls Real Estate	67	Positive	85

Source: Company, Sharekhan Research

Summary

- In Q4FY2023, building materials companies saw a healthy beat on net profit as OPM exceeded estimates driven by easing raw material costs and lower gas prices.
- Logistics players reported largely in-line performance as weak demand and lack of pricing power kept PAT flat y-o-y although outlook is improving. Infrastructure remained a mixed bag although order book & revenue guidance for FY2024 remained intact.
- Real estate players ended FY2023 on a strong note with pre-sales growth of over 50% y-o-y catapulted by Oberoi and DLF. Strong launch pipeline & peaking out of interest rates remain key positives.
- Preferred Picks** - KNR Construction, PNC Infratech, Century Plyboards, Greenlam Industries, Supreme Industries, APL Apollo, TCI Express, TCI Ltd., Mahindra Lifespaces, DLF, Oberoi Realty, Prestige Estates and Macrotech Developers

For Q4FY2023, the building materials sector reported healthy beat on net profit (up 19.7% y-o-y) led by better than expected OPMs (up 153 bps y-o-y) while net revenues were up 6.6% y-o-y. All companies barring Hi-tech pipes saw OPMs expand q-o-q aided by easing raw material costs. Excluding Pidilite, APL Apollo and Hi-tech pipes, all companies reported strong beat on net earnings. The infrastructure sector reported mixed performance with PNC Infratech reporting a beat on net earnings while KNR Construction lagged. However, KNR's order book (2.4x TTM standalone revenues) and PNC Infratech (3x) remained healthy and both retaining standalone revenue growth guidance for FY2024. The logistics sector reported largely in-line performance with revenues (up 11.6% y-o-y), OPM (down 76 bps y-o-y) and net earnings (flat y-o-y). Weak domestic demand post-festive season along with weak exports continued to impact the logistics sector's ability to take price hikes. However, companies witnessed green shoots in domestic and export demand post Q4FY2023 with optimistic outlook on pricing environment for FY2024. Our real estate coverage universe ended FY2023 on a strong note with pre-sales booking rising 1.5x y-o-y driven by over 2x y-o-y jump in pre-sales by Oberoi Realty (driven by Three sixty west project) and DLF (The Arbour project). However, our universe of realty players (ex-IBREL) reported an 8%/-0.4%/36.8% y-o-y revenue/operating profit/net profit growth which was below estimates on OPM and net profit fronts. Realtors remain optimistic on demand as peaking out of interest rates is a key tailwind.

Building materials – Positive OPM surprise by most companies: The building materials sector reported a 6.6% y-o-y revenue growth (Century, Supreme and Astral higher beat) led by a healthy demand for both piping and wood panel companies. Further, excluding Pidilite and Hi-tech pipes, all companies reported better-than-expected OPM (up 153 bps y-o-y). The wood panel and piping companies benefitted from easing raw material prices leading to healthy volume growth and OPM expansion. Century Plyboards, Greenlam, Supreme and Astral reported strong beat on OPMs. Hi-tech reported an in-line performance while Pidilite lagged due to lower-than-expected OPM. Tile companies benefitted from healthy domestic and exports demand coupled with lower gas prices. Consequently, Kajaria reported better-than-expected performance. Overall, building materials positively surprised on net earnings driven by healthy beat on OPMs in wood panel and piping companies.

Logistics stayed muted; infrastructure a mixed bag: The logistics sector reported largely in-line performance with net revenues (up 11.6% y-o-y), OPM (down 76 bps y-o-y) and net profit (flat y-o-y). Gateway Distriparks and TCI Express reported better than expected net earnings despite weak demand and poor pricing power. However, margin pressures remained y-o-y excluding Mahindra Logistics and Gati, which saw OPM expansion due to a low base. The infrastructure sector reported a mixed performance with PNC Infratech reporting beat on earnings while KNR lagged. Both KNR and PNC Infratech ended FY2023 on a healthy order book of 2.4x and 3x TTM standalone revenues respectively. Healthy order book and optimistic order intake expectations for FY2024 has led to both companies retaining their FY2024 guidance.

Real Estate – Ends FY2023 on strong pre-sales booking: Our real estate coverage universe (excluding Indiabulls Real Estate) reported 92% y-o-y jump (up 111% q-o-q) in residential pre-sales booking for Q4FY2023, catapulted by strong performance by Oberoi (up 6.5x y-o-y) and DLF (up 3.1x y-o-y). However, Macrotech and IBREL registered a 12.5% y-o-y decline and 47.5% y-o-y decline respectively. Overall, the sector ended FY2023 on a strong note with pre-sales booking growth of 52% y-o-y (ex-IBREL). Realty universe (ex-IBREL) reported an 8%/-0.4%/36.8% y-o-y revenue/operating profit/net profit growth which was lower on OPM and net earnings front. Realty companies remain optimistic on the demand environment for FY2024 with peaking out of interest rates a key tailwind for the sector.

Outlook and Valuation

We expect building materials sectors to benefit from a strong domestic demand environment and improving exports. Lower raw material costs and gas prices provide room for OPM expansion. For infrastructure, order inflows would be keenly looked at as upcoming general elections might lead to lower tendering towards fag end of the current fiscal year. However, the companies strong order book provide revenue visibility over the next two years. The logistics space is expected to benefit from a pickup in economic activities and easing pricing pressure along with key structural triggers playing out like GST, National Logistics Policy and PLI schemes, among others. The real estate sector is expected to maintain healthy pre-sales growth momentum for FY2024 with strong launch pipeline and peaking of interest rates providing a key tailwind for the sector.

Key risks

Macroeconomic weakness would lead to a lowering of companies' earnings estimates and valuation multiples

Leaders for Q4FY23: PNC Infratech, TCI Express, Century Plyboards, Greenlam Industries, Pidilite Industries, Supreme Industries, Kajaria Ceramics, Astral, Prestige Estates, Macrotech Developers, Sobha Ltd

Laggards for Q4FY23: KNR Construction, Gati, Transport Corporation of India, Mahindra Lifespaces, Oberoi Realty, Puravankara,

Preferred Picks: KNR Construction, PNC Infratech, Century Plyboards, Greenlam Industries, Supreme Industries, APL Apollo, TCI Express, TCI Ltd., Mahindra Lifespaces, DLF, Oberoi Realty, Prestige Estates and Macrotech Developers.

Q4FY2023 Result Snapshot

Coverage	Sales (Rs. cr)				OPM (%)				Adj. PAT (Rs. cr)			
	Q4 FY23	Q4 FY22	y-o-y (%)	q-o-q (%)	Q4 FY23	Q4 FY22	y-o-y (bps)	q-o-q (bps)	Q4 FY23	Q4 FY22	y-o-y (%)	q-o-q (%)
Construction												
Active coverage												
KNR Construction	830	766	8.3	-2.0	18.8	20.7	-194	-348	86	79	7.8	-20.5
PNC Infratech	2,115	1,917	10.3	30.0	13.3	11.7	157	50	184	138	33.5	42.5
Total	2,945	2,684	9.7	19.0	14.8	14.3	55	-120	270	218	24.1	13.9
Logistics												
Gateway Distriparks	377	359	5.0	10.5	24.8	26.4	-167	-190	68	52	32.2	25.0
Gati Limited	416	377	10.3	-5.8	2.7	0.9	183	-167	-10	0	-	-
Mahindra Logistics	1,273	1,089	16.9	-4.3	5.0	4.7	28	29	-1	7	-	-
TCI Express	326	298	9.4	3.8	16.6	16.8	-24	194	38	36	7.0	20.1
Transport Corp of India	979	898	9.1	1.3	11.0	13.3	-226	-80	85	85	-0.6	-1.0
Total	3,371	3,020	11.6	-0.7	9.8	10.6	-76	-2	181	180	0.1	5.5
Building materials												
Active coverage												
Century Plyboards*	962	895	7.4	9.6	16.6	17.8	-120	205	111	91	22.2	33.0
Greenlam Industries	534	463	15.2	6.0	13.9	10.7	318	299	46	26	80.6	62.9
Pidilite Industries	2,689	2,507	7.3	-10.3	17.1	16.0	108	53	286	254	12.4	-7.1
APL Apollo Tubes	4,431	4,215	5.1	2.4	7.3	6.3	98	98	202	177	14.1	19.5
Hi-Tech Pipes	702	595	18.0	23.3	4.8	5.0	-21	-12	16	11	41.2	21.7
Supreme Industries	2,598	2,557	1.6	12.4	18.5	15.3	318	536	359	324	11.0	71.1
Kajaria Ceramics	1,205	1,102	9.4	10.4	14.6	15.1	-46	241	112	96	17.3	51.2
Astral Ltd	1506	1391	8.3	18.8	20.5	15.6	492	581	208	141	46.7	123.1
Total	14,627	13,725	6.6	4.9	13.8	12.2	153	228	1,340	1,120	19.7	36.9
Real Estate												
Mahindra Lifespace	255	162	57.9	36.6	-10.7	-22.1	-	-	1	40	-	-
Oberoi Realty	961	823	16.8	-41.0	38.3	42.7	-437	-	480	232	106.7	-31.6
DLF	1,456	1,547	-5.9	-2.6	27.4	23.8	360	-457	570	405	40.6	9.8
Prestige Estates	2,632	2,400	9.6	13.6	25.9	20.8	510	112	191	131	45.6	49.7
Puravankara	389	296	31.6	-0.9	4.2	13.6	-948	-	27	-20	-	18.3
Macrotech Developers	3,255	3,445	-5.5	83.5	23.7	26.3	-259	94	528	535	-1.3	30.6
Sobha	1,210	731	65.4	39.4	9.6	27.9	-	-67	49	25	94.4	52.8
Indiabulls Real Estate	108	253	-57.2	-18.7	1.6	-3.2	-	-	-377	-60	-	-
Total	10,267	9,657	6.3	16.7	22.7	24.1	-142	-392	1,469	1,290	13.9	-6.5

Source: Company, Sharekhan Research *Consolidated financials

Valuations

Company	Reco	Price Target (Rs)	CMP (Rs)	EV/EBITDA (x)			P/E (x)		
				FY23	FY24E	FY25E	FY23	FY24E	FY25E
Infrastructure									
KNR Construction	Buy	301	243	9.2	8.7	7.6	18.9	15.7	14.5
PNC Infratech	Buy	390	322	8.7	7.4	6.2	13.5	11.9	10.7
Logistics									
Gateway Distriparks	Buy	80	71	10.7	9.1	7.6	14.8	14.8	12.4
Gati Limited	Positive	143	117	22.1	13.6	9.2	-	58.6	23.7
Mahindra Logistics	Buy	455	362	10.7	8.0	6.0	99.2	76.2	31.2
TCI Express	Buy	2070	1645	32.1	25.4	20.1	45.2	36.3	29.2
Transport Corp of India	Buy	785	701	12.5	10.5	8.6	16.9	14.9	13.3
Building Materials									
Century Plyboards	Buy	671	572	22.8	19.3	16.3	32.9	29.6	24.7
Greenlam Industries	Buy	UR	413	23.9	17.8	12.2	40.9	30.4	19.8
Pidilite Industries	Hold	UR	2,651	66.4	45.8	39.1	-	69.5	59.1
APL Apollo Tubes	Buy	1425	1177	29.3	19.7	13.2	50.8	33.3	21.9
Hi-Tech Pipes	Positive	105	80	10.5	8.0	4.3	23.1	22.7	15.4
Supreme Industries	Buy	3200	2838	29.6	20.7	17.8	42.8	30.2	25.8
Kajaria Ceramics	Buy	1420	1254	33.4	25.4	20.3	56.6	43.6	33.7
Astral Limited	Hold	UR	1923	63.1	52.4	41.9	113.3	92.5	71.3
Real Estate									
Mahindra Lifespace Developers	Buy	500	462	-	-	-	212.0	197.6	52.2
Oberoi Realty	Positive	1103	804	15.5	14.4	11.6	15.3	18.0	14.9
DLF	Positive	514	496	71.6	65.4	58.7	60.3	55.5	51.2
Prestige Estates Projects	Positive	581	423	11.2	11.4	11.5	46.0	40.3	31.9
Puravankara	Positive	100	89	20.4	12.6	10.2	31.7	19.5	10.3
Macrotech Developers	Positive	UR	593	17.3	14.0	10.7	17.2	16.8	13.4
Sobha	Positive	635	545	18.2	13.7	9.1	49.6	23.8	12.6
Indiabulls Real Estate	Positive	85	67	-	-	-	-	-	-

Source: Company, Sharekhan Research * Standalone financials

Revision in earnings estimates

Company	Change in Estimates	Reason	Reco	Price Target (Rs.)
Infrastructure				
KNR Constructions	Down-wards	We have cut our net earnings estimates for FY2024-FY2025, factoring lower OPMs.	Buy	301
PNC Infratech	Upwards	We have marginally increased our estimates for FY2024-FY2025 factoring higher execution run-rate.	Buy	390
Logistics				
Gateway Distriparks	Fine-tuned	We have fine-tuned our net earnings estimates for FY2024-FY2025.	Buy	80
Gati Limited	Down-wards	We have downwardly revised our net earnings estimates for FY2024 and FY2025, factoring in delay in OPM expansion.	Positive	143
Mahindra Logistics	Down-wards	We have lowered our revenue estimates for FY2024-FY2025, factoring downsizing of Key account leading to slower growth in non-M&M business. FY2024 earnings downgrade is led by higher depreciation and interest expenses.	Buy	455
TCI Express	Fine-tuned	We have fine-tuned our earnings estimates for FY2024-FY2025.	Buy	2070
Transport Corporation of India	Fine-tuned	We have fine-tuned our earnings estimates for FY2024-FY2025.	Buy	785
Building Materials				
Century Plyboards	Upwards	We have increased our net earnings estimates for FY2024-FY2025, factoring in higher volume growth in Plywood and MDF verticals.	Buy	671
Greenlam Industries	Upwards	We have increased our net earnings estimates for FY2024-FY2025, factoring higher OPM in laminates due to softening of raw material prices and sea freight costs	Buy	UR
Pidilite Industries	Fine-tuned	We broadly maintain our earnings estimates for FY2024 and FY2025. We shall keenly monitor the moment in the key input prices (including VAM) to make any revision in the earnings estimates	Hold	UR
APL Apollo Tubes	Down-wards / Fine-tuned	We have lowered our FY24 earnings estimate to factor lower margin assumption and have fine-tune our FY25 earnings estimates.	Buy	1425
Hi-Tech Pipes	Down-wards / Fine-tuned	We have lowered our net profit estimates for FY2024, factoring the decline in steel prices, while we have largely maintained our estimates for FY2025.	Positive	105
Supreme Industries	Fine-tuned	We have fine-tuned our estimates for FY2024-FY2025.	Buy	3200
Kajaria Ceramics	Upwards	We have marginally increased our earnings estimates for FY2024-FY2025E	Buy	1420
Astral Ltd.	Upwards	We have increased our net earnings estimates for FY2024-FY2025, factoring higher OPM.	Hold	UR

Revision in earnings estimates

Company	Change in Estimates	Reason	Reco	Price Target (Rs.)
Real Estate				
Mahindra Lifespaces Developers	Downwards	We have lowered our earnings estimates for FY2024 factoring weaker execution and have fine-tunes FY2025 estimates.	Buy	500
Oberoi Realty	Downwards	We have lowered our net earnings estimates for FY2024-FY2025, factoring in lower OPM.	Positive	1103
DLF	Fine-tuned	We have fine-tuned our estimates for FY2024-FY2025.	Positive	514
Prestige Estates Projects	Upwards	We have increased our net earnings estimates for FY2024-FY2025 factoring higher residential revenue bookings	Positive	581
Puravankara	Downwards	We have lowered our net earnings estimates for FY2024-FY2025 factoring lower OPMs owing to increased overheads	Positive	100
Macrotech Developers	Downwards	We have lowered our estimates for FY2024-FY2025E, factoring in the delay in project delivery.	Positive	UR
Sobha	Downwards / Fine-tuned	We have lowered our earnings estimates for FY2024 factoring in lower OPMs in both residential and contractual businesses and have fine-tuned earnings estimates for FY2025.	Positive	635
Indiabulls Real Estate	Downwards	We have lowered our earnings estimates for FY2024-FY2025 factoring cost overruns and lower profitability in existing projects.	Positive	85

Source: Company, Sharekhan Research;

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a position in the companies mentioned in the article.

DISCLAIMER

This information/document has been prepared by Sharekhan Ltd. (SHAREKHAN) and is intended for use only by the person or entity to which it is addressed to. This Document may contain confidential and/or privileged material and is not for any type of circulation and any review, retransmission, or any other use is strictly prohibited. This information/ document is subject to changes without prior notice.

Recommendation in reports based on technical and derivatives analysis is based on studying charts of a stock's price movement, trading volume, outstanding positions, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals. However, this would only apply for information/document focused on technical and derivatives research and shall not apply to reports/documents/ information focused on fundamental research.

This information/document does not constitute an offer to sell or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Though disseminated to all customers who are due to receive the same, not all customers may receive this report at the same time. SHAREKHAN will not treat recipients as customers by virtue of their receiving this information/report.

The information contained herein is obtained from publicly available data or other sources believed to be reliable and SHAREKHAN has not independently verified the accuracy and completeness of the said data and hence it should not be relied upon as such. While we would endeavour to update the information herein on reasonable basis, SHAREKHAN, its subsidiaries and associated companies, their directors and employees ("SHAREKHAN and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent SHAREKHAN and affiliates from doing so. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Recipients of this report should also be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved) and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. We do not undertake to advise you as to any change of our views. Affiliates of Sharekhan may have issued other recommendations/ reports that are inconsistent with and reach different conclusions from the information presented in this recommendations/report.

This information/recommendation/report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject SHAREKHAN and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

The analyst certifies that the analyst might have dealt or traded directly or indirectly in securities of the company and that all the views expressed in this document accurately reflect his or her personal views about the subject company or companies and its or their securities and do not necessarily reflect those of SHAREKHAN. The analyst and SHAREKHAN further certifies that either he or his relatives or Sharekhan associates might have direct or indirect financial interest or might have actual or beneficial ownership of 1% or more in the securities of the company at the end of the month immediately preceding the date of publication of the research report. The analyst and SHAREKHAN encourages independence in research report/ material preparation and strives to minimize conflict in preparation of research report. The analyst and SHAREKHAN does not have any material conflict of interest or has not served as officer, director or employee or engaged in market making activity of the company. The analyst and SHAREKHAN has not been a part of the team which has managed or co-managed the public offerings of the company, and no part of the analyst's compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this document. Sharekhan Ltd or its associates or analysts have not received any compensation for investment banking, merchant banking, brokerage services or any compensation or other benefits from the subject company or from third party in the past twelve months in connection with the research report.

Either SHAREKHAN or its affiliates or its directors or employees / representatives / clients or their relatives may have position(s), make market, act as principal or engage in transactions of purchase or sell of securities, from time to time or may be materially interested in any of the securities or related securities referred to in this report and they may have used the information set forth herein before publication. SHAREKHAN may from time to time solicit from, or perform investment banking, or other services for, any company mentioned herein. Without limiting any of the foregoing, in no event shall SHAREKHAN, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind.

Forward-looking statements (if any) are provided to allow potential investors the opportunity to understand management's beliefs and opinions in respect of the future so that they may use such beliefs and opinions as one factor in evaluating an investment. These statements are not a guarantee of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or result expressed or implied by such forward-looking statements. Sharekhan/its affiliates undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable securities laws. The reader/ investors are cautioned not to place undue reliance on forward-looking statements and use their independent judgement before taking any investment decision.

Investment in securities market are subject to market risks, read all the related documents carefully before investing. The securities quoted are for illustration only and are not recommendatory. Registration granted by SEBI, and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Client should read the Risk Disclosure Document issued by SEBI & relevant exchanges and the T&C on www.sharekhan.com

Registration and Contact Details: Name of Research Analyst - Sharekhan Limited, Research Analyst Regn No.: INH000006183. (CIN): - U99999MH1995PLC087498. Registered Office: The Ruby, 18th Floor, 29 Senapati Bapat Marg, Dadar (West), Mumbai – 400 028, Maharashtra, INDIA. Tel: 022-6115000.

Other registrations of Sharekhan Ltd.: SEBI Regn. Nos.: BSE / NSE / MSEI (CASH / F&O / CD) / MCX - Commodity: INZ000171337; DP: NSDL/CDSL-IN-DP-365-2018; PMS: INP000005786; Mutual Fund: ARN 20669.

Compliance Officer: Ms. Binkle Oza; Tel: 022-61169602; email id: complianceofficer@sharekhan.com

For any complaints/grievance, email us at igc@sharekhan.com or you may even call Customer Service desk on - 022- 41523200/022- 33054600