FIRST LIGHT

31 May 2022

RESEARCH

Astral | Target: Rs 2,205 | +30% | BUY

Emerging as a one-stop building materials player; raise to BUY

Dixon Technologies | Target: Rs 4,600 | +21% | BUY

A play on PLI

India Strategy | Market Outlook

Navigating index peaks and troughs

Crompton Greaves | Target: Rs 500 | +42% | BUY

Prudent cost management aids Q4

Sun Pharma | Target: Rs 1,100 | +24% | BUY

Strong India growth; cost normalisation impacts margins

Voltas | Target: Rs 1,250 | +24% | BUY

Annual report analysis: Reinforcing its #1 position

Blue Star | Target: Rs 1,200 | +20% | HOLD

AC industry growth to double amid 'golden era'

Daily macro indicators

Indicator	26-May	27-May	Chg (%)
US 10Y yield (%)	2.75	2.74	(1bps)
India 10Y yield (%)	7.29	7.35	6bps
USD/INR	77.58	77.57	0.0
Brent Crude (US$/bbl)	117.4	119.4	1.7
Dow	32,637	33,213	1.8
Hang Seng	20,116	20,697	2.9
Sensex	54,253	54,885	1.2
India FII (US$ mn)	**25-May**	**26-May**	**Chg ($ mn)**
FII-D	33.8	51.5	17.6
FII-E	(208.6)	(72.7)	135.9

Source: Bank of Baroda Economics Research

SUMMARY

Astral

- Consolidated Q4 revenue grew 23% YoY with pipe/adhesive segments up 22%/27%; pipe volumes increased 11%
- Operating margin declined 700bps YoY to 15.6% as pipe/adhesive margins contracted 550bps/670bps
- Retain TP of Rs 2,205, valuing ASTRA at 62x FY24E P/E, but upgrade from HOLD to BUY given the recent price correction

Click here for the full report.

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Dixon Technologies

- Mobiles segment drove 40% YoY Q4 topline growth; calibrated pricing action and cost-saving initiatives helped improve margins sequentially
- Strong order book from Motorola guided to nearly triple revenue from mobiles business in FY23; exports also remain the next big catalyst
- PLI story intact; recent sell-off provides opportunity to reenter – we assume coverage with BUY and TP of Rs 4,600

Click here for the full report.

India Strategy: Market Outlook

- We analyse sector out/underperformance during the peak and trough phases of a market cycle
- Mid- and small-caps generally outperform during the latter part of a market rally but underperform en route to a trough
- Autos and private banks generally do well as the market emerges from a trough; FMCG and pharma outperform when headed toward a bottom

Click here for the full report.

Crompton Greaves

- Q4 margin well maintained led by key initiatives of brand building, fortifying the distribution network and cost cutting
- Retains leadership position in fans with exit market share of 29%, a 3ppt gain in FY22
- We remain positive on Crompton due to leadership in ECD and new growth avenue from BGAL; BUY, TP Rs 500

Click here for the full report.

Sun Pharma

- Q4 EBITDA/adj. PAT declined 17%/28% QoQ (+6%/-5% YoY) due to 350bps QoQ contraction in operating margin
- Specialty and India business continued to outperform despite lower Covid contribution, led by traction in existing business and launches
- We broadly maintain FY23-FY24 estimates and reiterate BUY with a TP of Rs 1,100

Click here for the full report.

Voltas

- Retains leadership in RAC segment with 23.4% market share; bolstering supply chain through JV with Highly
- Continued traction in Voltbek; management confident of 10% market share in home appliances by 2025
- Balance sheet strong with cash & cash equivalents improving; ROCE remains muted given VOLT's investment mode. Maintain BUY, TP Rs 1,250

Click here for the full report.

Blue Star

- Management expects AC market to clock 20% CAGR over five years (vs. 7-10% historically) buoyed by increased affordability and reach
- Focus on AC cost optimisation and distribution reach to boost BLSTR's market share; targeting 15% share from the current 13%
- Projects business and exports guided to perform well. Maintain HOLD with TP of Rs 1,200 in light of margin pressures

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BUY
TP: Rs 2,205 | ⮝ 30%

ASTRAL | Plastic Products | 31 May 2022

Emerging as a one-stop building materials player; raise to BUY

- **Consolidated Q4 revenue grew 23% YoY with pipe/adhesive segments up 22%/27%; pipe volumes increased 11%**
- **Operating margin declined 700bps YoY to 15.6% as pipe/adhesive margins contracted 550bps/670bps**
- **Retain TP of Rs 2,205, valuing ASTRA at 62x FY24E P/E, but upgrade from HOLD to BUY given the recent price correction**

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Steady revenue growth led by pipe volume revival: ASTRA's consolidated Q4FY22 revenue grew 23% YoY to Rs 14bn with plastics/adhesives revenue up 22%/27%. Standalone revenue increased 22% YoY on better PVC pipe realisations (at Rs 235/kg vs. Rs 214/kg YoY) and an 11% jump in volumes. Management expects piping and adhesive division to do 15% CAGR each in the next 5 years.

Margin declines as RM costs climb: Consolidated EBITDA margin declined 700bps YoY to 15.6% as both of ASTRA's business segments saw cost inflation. EBITDA margin in pipes fell 550bps YoY to 18% due to higher raw material cost (+320bps) and lower volumes (-4%). Adhesive margins contracted 670bps to 11% owing to high chemical costs and price hikes coming into effect with a lag.

Full expansion benefits to kick in from FY24: ASTRA has completed the following expansion projects: (a) Hosur plastic water tank, (b) Bhubaneshwar machine installation, (c) valve project at Dholka, (d) pipe manufacturing at Aurangabad, and (e) blow molding water tanks at Santej and Ghiloth. The company has finalised the design and vendors for sanitaryware and faucetware, and plans to commercially launch products in these segments in Jun'22. Its adhesive plant in the Dahej (Gujarat) Chemical Zone will be ready by FY23-end.

Value Added Products: The company expects news business like water tank, faucet, sanitaryware, paint, valve and drain pro to contribute Rs 15bn of revenue in the next 5 years.

Upgrade to BUY: We like ASTRA for its strong growth prospects, market leadership, above industry volume growth (9.5% in FY22), net debt-free balance sheet, wide distribution network and healthy return ratios. The stock is currently trading at ~48x FY24E P/E vs. its 5Y median of ~71x. In our view, ASTRA merits a premium to peers owing to its recent entry in faucets & sanitaryware on top of its portfolio of pipes & fittings, adhesives, corrugated pipes and water tanks, which makes it a complete building material player. We continue to value 62x FY24E TP of Rs 2,205 and upgrade to BUY from HOLD on recent ~20% price correction.

Key changes

Target	Rating
◀ ▶	▲

Ticker/Price	ASTRA IN/Rs 1,699
Market cap	US$ 4.4bn
Free float	44%
3M ADV	US$ 9.2mn
52wk high/low	Rs 2,525/Rs 1,610
Promoter/FPI/DII	56%/18%/26%

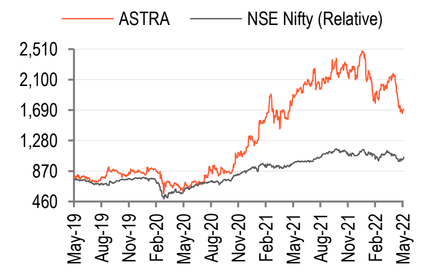
Source: NSE | Price as of 30 May 2022

Key financials

Y/E 31 Mar	FY22P	FY23E	FY24E
Total revenue (Rs mn)	43,940	52,095	59,596
EBITDA (Rs mn)	7,553	9,159	10,781
Adj. net profit (Rs mn)	4,906	5,839	7,141
Adj. EPS (Rs)	24.4	29.1	35.5
Consensus EPS (Rs)	24.4	30.7	38.2
Adj. ROAE (%)	23.2	22.5	22.7
Adj. P/E (x)	69.6	58.4	47.8
EV/EBITDA (x)	45.0	36.8	30.9
Adj. EPS growth (%)	20.9	19.0	22.3

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE

RESULT REVIEW

BUY

TP: Rs 4,600 | ⮝ 21%

DIXON TECHNOLOGIES | Consumer Durables | 30 May 2022

A play on PLI

- **Mobiles segment drove 40% YoY Q4 topline growth; calibrated pricing action and cost-saving initiatives helped improve margins sequentially**
- **Strong order book from Motorola guided to nearly triple revenue from mobiles business in FY23; exports also remain the next big catalyst**
- **PLI story intact; recent sell-off provides opportunity to reenter – we assume coverage with BUY and TP of Rs 4,600**

Vinod Chari | Tanay Rasal
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Strong topline in a difficult environment: DIXON's Q4FY22 revenue increased 40% YoY to Rs 29.5bn on the back of strong sales from the mobiles/home appliances segments which grew 346%/60%. Consumer electronics/ lighting products, however, declined by 14%/20% YoY. Gross margin contracted 100bps YoY to 9.2% but was up 75bps QoQ due to calibrated pricing actions and cost-saving initiatives. EBIT margin improved both YoY (+15bps) and QoQ (+90bps) to 3.4% due to operating leverage and an improved product mix. Net income increased 43% YoY to Rs 631mn.

Mobile business to lead growth: DIXON recently added Motorola to its customer roster and business is expected to ramp up this year, likely driving growth in FY23. The company expects the mobiles segment (excluding set top boxes and medical equipment) to generate revenue of Rs 70bn-75bn in FY23 as against Rs 27bn this year; of this, Rs 60bn-65bn is expected to come from Motorola alone.

PLI play continues: DIXON is a prime beneficiary of the government's production-linked incentive (PLI) scheme and of India's evolution into a major manufacturing hub for consumer electronics and durables. It has applied for five PLI schemes and, despite the current raw material shortage, was successful in meeting the threshold for two PLIs in the first year itself. It became the first company to meet the investment and ceiling revenue requirements for mobile phones; in laptops, it met the investment and minimum revenue threshold. The company expects to generate Rs 80mn-90mn in incentives from the two PLI schemes.

BUY, TP Rs 4,600: DIXON has emerged as a major player in contract manufacturing for consumer electronics and durable goods. Recent product additions and customer acquisitions have further enhanced its growth prospects. Additionally, we expect the PLI scheme to offer sizeable benefits to the company due to its low cost structure and ability to scale up manufacturing. We value the stock at 55x FY24E EPS, a 20% premium over its 4Y average, for a TP of Rs 4,600 – assume coverage with BUY.

Key changes

Target	Rating
▼	▲

Ticker/Price	DIXON IN/Rs 3,804
Market cap	US$ 2.9bn
Free float	66%
3M ADV	US$ 19.1mn
52wk high/low	Rs 6,244/Rs 3,181
Promoter/FPI/DII	34%/16%/8%

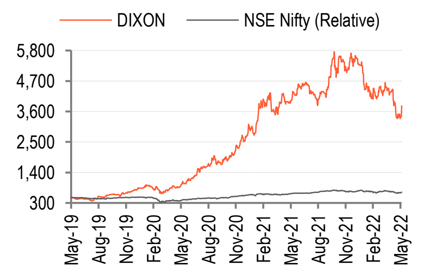
Source: NSE | Price as of 30 May 2022

Key financials

Y/E 31 Mar	FY22P	FY23E	FY24E
Total revenue (Rs mn)	1,06,971	1,71,070	2,20,356
EBITDA (Rs mn)	3,842	6,418	8,430
Adj. net profit (Rs mn)	1,910	3,487	4,801
Adj. EPS (Rs)	32.6	59.5	81.9
Consensus EPS (Rs)	32.6	69.4	100.3
Adj. ROAE (%)	22.0	29.8	30.3
Adj. P/E (x)	116.7	63.9	46.4
EV/EBITDA (x)	58.4	35.3	27.1
Adj. EPS growth (%)	18.9	82.6	37.7

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE

MARKET OUTLOOK

30 May 2022

Navigating index peaks and troughs

- **We analyse sector out/underperformance during the peak and trough phases of a market cycle**
- **Mid- and small-caps generally outperform during the latter part of a market rally but underperform en route to a trough**
- **Autos and private banks generally do well as the market emerges from a trough; FMCG and pharma outperform when headed toward a bottom**

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Our analysis: The Nifty 50 is down ~10 % from its recent Oct'21 peak. This fall can be ascribed to a combination of factors, including the war in Europe, soaring inflation, interest rate hikes by several central banks including the US Fed, and renewed lockdowns in China. Although the market has recovered from the recent bottom, we believe it would remain volatile near term. We, therefore, evaluate how various sectors perform versus the index during market cycles.

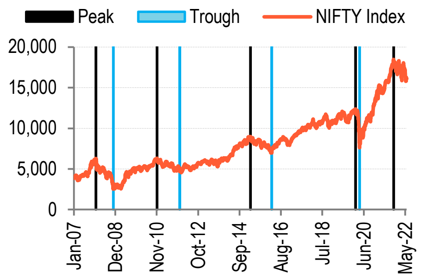
Methodology: We analysed market behaviour for a +/-12-month period around peaks and troughs that occurred over the last 15 years. Our study covered troughs during the global financial crisis in 2008, European sovereign debt crisis in 2011, China slowdown in 2015, and Covid crisis in 2020. For the peaks, in addition to the above periods we also included the recent market high in Oct'21.

We then assigned a probability to the sector behaviour based on the number of occurrences of such behaviour in the past. That said, it is likely that certain sectors were influenced by factors specific to a particular cycle and market conditions. We have, however, attempted to analyse the repetition in trends/ performance over cycles.

Conclusion: As the market approaches a peak, small- and mid-caps stocks generally outperform large-caps, but thereafter underperform when coming off the peak. On the other hand, on the way up from a trough, mid-caps tend to have better chances of outperforming large-caps than small-caps.

Sector-wise, BFSI has a high probability of outperforming the index while approaching a peak. In contrast, IT, pharma and consumer stocks tend to do better while coming off the peak and continue to outperform as the market approaches a trough. Auto, private banks and commodities have generally beaten the index when the market is emerging from a bottom.

Peaks and troughs in Nifty 50



Source: BOBCAPS Research, Bloomberg

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BUY

TP: Rs 500 | ⮝ 42%

CROMPTON GREAVES | Consumer Durables | 30 May 2022

Prudent cost management aids Q4

- **Q4 margin well maintained led by key initiatives of brand building, fortifying the distribution network and cost cutting**
- **Retains leadership position in fans with exit market share of 29%, a 3ppt gain in FY22**
- **We remain positive on Crompton due to leadership in ECD and new growth avenue from BGAL; BUY, TP Rs 500**

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Cost initiatives support performance: Crompton's Q4FY22 revenue increased 2% YoY to Rs 15.5bn as 3% growth in the ECD segment offset a 4% decline in lighting products. The pumps business remained weak which impacted the ECD segment, while B2G and B2C conventional business continued to erode lighting product sales. Gross margin declined by just 100bps YoY to 29.9%, relatively well managed as the impact of commodity cost inflation was mitigated by accelerated cost savings worth Rs 680mn and an improved product mix. EBITDA margin declined 115bps YoY to 13.8% as investment continued in keys initiatives such as brand building, R&D ramp-up and strengthening of the distribution network.

BGAL integration on track: Crompton completed the Butterfly Gandhimathi Appliances (BGAL) acquisition on 30 March. In Q4, BGAL booked non-recurring charges (pre-acquisition) related to stock reduction in distribution channels due to the uncertainty created by the transaction, lag between commodity price increase and passing on the prices, additional provision for old and ageing inventory, and expected credit loss. Management maintained its guidance of the deal being earnings-neutral in FY23 and accretive in FY24.

Maintains leadership in fans: Management indicated that the company's exit market share for fans stood at 29% (+3ppt above the previous year), and Crompton remains the market leader. The company took an overall price hike of 15% in the ECD segment and 7% in lighting in FY22, while volume growth for ECD (ex-pumps)/lighting stood at 17%/19%.

BUY, TP Rs 500: We are positive on Crompton given its leadership position in the ECD category and demonstrated market share gains. Further, the BGAL acquisition opens up new growth avenues in kitchen appliances. We value the stock at 35x FY24E EPS, in line with its 5Y average, and assume coverage with a BUY rating for a TP of Rs 500.

Key changes

Target	Rating
▼	◀▶

Ticker/Price	CROMPTON IN/Rs 352
Market cap	US$ 2.8bn
Free float	94%
3M ADV	US$ 8.1mn
52wk high/low	Rs 513/Rs 324
Promoter/FPI/DII	6%/38%/44%

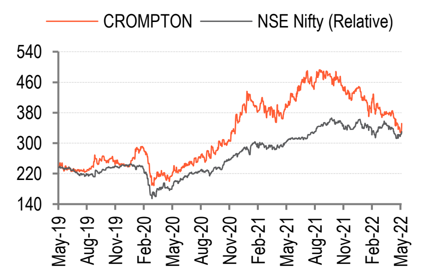
Source: NSE | Price as of 30 May 2022

Key financials

Y/E 31 Mar	FY22P	FY23E	FY24E
Total revenue (Rs mn)	53,941	74,589	85,017
EBITDA (Rs mn)	7,694	10,185	12,173
Adj. net profit (Rs mn)	5,914	7,342	9,373
Adj. EPS (Rs)	9.3	11.3	14.4
Consensus EPS (Rs)	9.3	11.4	13.3
Adj. ROAE (%)	27.0	25.5	25.1
Adj. P/E (x)	37.6	31.1	24.4
EV/EBITDA (x)	28.6	21.9	18.5
Adj. EPS growth (%)	(4.1)	21.0	27.1

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE

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BUY

TP: Rs 1,100 | ⮝ 24%

SUN PHARMA | Pharmaceuticals | 31 May 2022

Strong India growth; cost normalisation impacts margins

- **Q4 EBITDA/adj. PAT declined 17%/28% QoQ (+6%/-5% YoY) due to 350bps QoQ contraction in operating margin**
- **Specialty and India business continued to outperform despite lower Covid contribution, led by traction in existing business and launches**
- **We broadly maintain FY23-FY24 estimates and reiterate BUY with a TP of Rs 1,100**

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Q4 loss due to litigation settlement and one-off expenses: SUNP reported Q4FY22 revenue slightly below consensus (-1%), but EBITDA/adj. PAT were significantly lower (-14%/-12%) due to a QoQ increase in costs. Revenue at Rs 94.5bn declined 4% QoQ (+11% YoY). EBITDA margin contracted 350bps QoQ to 23.1% (flat gross margin) owing to higher SG&A expenses as travel normalised and Covid-related cost savings were reversed. On account of litigation settlements, SUNP reported exceptional expenses of Rs 39.4bn which resulted in a loss of Rs 22.8bn in Q4. Adjusting for the one-of expenses, PAT was at ~Rs 15bn.

Strong India business; US revenue declines QoQ due to flattish specialty sales and generic competition: US revenue declined 2% QoQ CC to US$ 389mn due to flattish sales in the global specialty segment and increased competition in generic Absorica. On a YoY basis, US revenue grew 5% backed by traction in Ilumya, Cequa and Odomzo plus the launch of Winlevi in Q3FY22. India business recorded strong growth of 16% YoY in Q4 amid normalised market conditions, improved patient flow to clinics and new launches (11 in Q4). Management expects overall FY23 revenue growth to be in high-single-digits to low-double-digits with stable margins.

Healthy outlook: Management intends to raise its domestic field force by ~10% in FY23 to expand geographically and strengthen brand focus. R&D expense for FY23 would be at 7-8% of sales (FY22: 5.6%) with increased clinical trial activities and higher patient recruitment. Despite these additional expenses, the company intends to maintain margins via new launches and traction in existing business.

Retain BUY with TP at Rs 1,100: We marginally lower our FY23-FY24 EBITDA estimates by 3% each as we factor in increased costs toward the new field force, SG&A, launches and R&D spend. We continue to value SUNP at an unchanged 18.5x EV/EBITDA multiple – a premium of 30% to large-cap peers such as CIPLA and DRRD due to its high-margin specialty presence in the developed markets of US, Europe and Japan. Retain BUY with an unchanged TP of Rs 1,100.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	SUNP IN/Rs 888
Market cap	US$ 27.5bn
Free float	45%
3M ADV	US$ 34.0mn
52wk high/low	Rs 967/Rs 653
Promoter/FPI/DII	54%/12%/22%

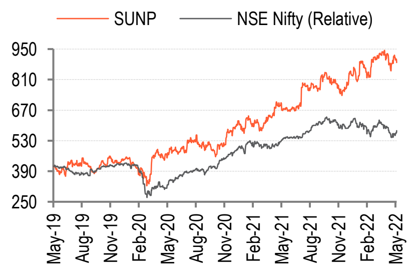
Source: NSE | Price as of 30 May 2022

Key financials

Y/E 31 Mar	FY22P	FY23E	FY24E
Total revenue (Rs mn)	3,84,265	4,30,371	4,73,116
EBITDA (Rs mn)	1,02,395	1,17,965	1,32,047
Adj. net profit (Rs mn)	76,855	88,016	1,02,815
Adj. EPS (Rs)	32.0	36.7	42.9
Consensus EPS (Rs)	32.0	35.4	40.8
Adj. ROAE (%)	15.3	16.1	16.4
Adj. P/E (x)	27.7	24.2	20.7
EV/EBITDA (x)	19.8	16.8	14.6
Adj. EPS growth (%)	6.6	14.5	16.8

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE

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BUY
TP: Rs 1,250 | ⮝ 24%

VOLTAS | Consumer Durables | 30 May 2022

Annual report analysis: Reinforcing its #1 position

- **Retains leadership in RAC segment with 23.4% market share; bolstering supply chain through JV with Highly**
- **Continued traction in Voltbek; management confident of 10% market share in home appliances by 2025**
- **Balance sheet strong with cash & cash equivalents improving; ROCE remains muted given VOLT's investment mode. Maintain BUY, TP Rs 1,250**

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We analysed VOLT's FY22 annual report – key takeaways:

Recent market share loss not a worry: VOLT has maintained its leadership position in the room AC (RAC) category with 23.4% market share in FY22. While its share is down from 25.2% in FY21, the marginal loss was due to an extended summer in the north (non-core market) and aggressive pricing by competitors in its core southern market. Nonetheless, the company has stated that it has a strategy in place to revive market share to 25% by Jun-Jul'22 through differentiated product offerings and consumer financing.

Voltbek profitability remains the key: Voltbek has demonstrated revenue scalability over the last four years with a CAGR of 112% over FY19-FY22, but losses have continued. Management remains optimistic of achieving 10% market share (from 3%+ currently) in the home appliances segment by 2025, which would imply a 3.3x increase in revenue. Given the high level of competition, it remains to be seen whether management intends to achieve growth at the expense of margins.

Capex plan to expand offering: VOLT has planned Rs 5bn in capex over the next three years, primarily for (i) backward integration of inverter AC compressors in the JV with Hong Kong-based Highly International, and (ii) capacity expansion for RAC and commercial refrigerators as part of the PLI scheme. We thus anticipate that ROCE will be relatively muted at 13% in FY23.

Reiterate BUY: Being the market leader in RAC with best-in-class margins and a well-defined growth strategy, we expect VOLT to buck the trend and expand market share. The company has internally restructured its business to drive B2C and B2B sales, strengthening the supply chain for compressors, and has focus on home appliances. Cash & cash equivalents has improved from Rs 25bn to Rs 28bn and the balance sheet remains strong. We are confident of VOLT's growth trajectory and continue to value the stock at 50x FY24E EPS, a 40% premium to its 5Y average, for an unchanged TP of Rs 1,250.

Key changes

Target	Rating
◀▶	◀▶

Ticker/Price	VOLT IN/Rs 1,008
Market cap	US$ 4.3bn
Free float	70%
3M ADV	US$ 22.4mn
52wk high/low	Rs 1,357/Rs 923
Promoter/FPI/DII	30%/26%/28%

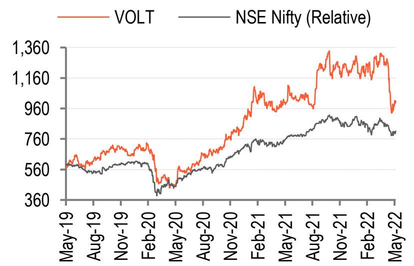
Source: NSE | Price as of 27 May 2022

Key financials

Y/E 31 Mar	FY22P	FY23E	FY24E
Total revenue (Rs mn)	78,411	91,792	1,10,200
EBITDA (Rs mn)	5,861	8,308	10,902
Adj. net profit (Rs mn)	4,107	6,130	8,210
Adj. EPS (Rs)	12.4	18.5	24.8
Consensus EPS (Rs)	12.4	23.8	29.6
Adj. ROAE (%)	7.8	10.6	12.6
Adj. P/E (x)	81.2	54.4	40.6
EV/EBITDA (x)	56.0	39.5	29.8
Adj. EPS growth (%)	(3.6)	49.3	33.9

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE

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HOLD
TP: Rs 1,200 | ⮝ 20%

BLUE STAR | Consumer Durables | 30 May 2022

AC industry growth to double amid 'golden era'

- **Management expects AC market to clock 20% CAGR over five years (vs. 7-10% historically) buoyed by increased affordability and reach**
- **Focus on AC cost optimisation and distribution reach to boost BLSTR's market share; targeting 15% share from the current 13%**
- **Projects business and exports guided to perform well. Maintain HOLD with TP of Rs 1,200 in light of margin pressures**

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AC industry to clock 20% CAGR: BLSTR expects the next five years to be a "golden era for the AC industry", marked by a robust 20% CAGR – well ahead of the 7-10% CAGR seen over the past two decades. Management's forecast is predicated on two factors – continued growth from first-time AC buyers and greater inroads by players into tier-2-and-below cities. Moreover, the capacities created under the government's PLI scheme will make ACs more affordable and, in turn, deepen the market.

Current summer growth at 25% of previous peak: BLSTR estimates that the AC industry is currently growing at just 20-25% of the previous summer peak season in 2019. Management indicated that BLSTR has outperformed the industry at 25-30%. For Q1FY23, it expects margins across segments to be similar to Q4.

Cost optimisation yielding market share gains: BLSTR has focused on design optimisation and sourcing over the last two years. This has helped the company compete at lower price ranges, which was not the case two years ago. Apart from cost, it has also focused on distribution, especially in North Indian markets. The company believes the combination of product and distribution will propel it towards its targeted market share of 15% vs. the current 13%.

Exports a sunrise opportunity: Western countries, especially the US and EU, are gradually embracing the idea of India being a credible alternative to their China-Plus-One strategy. Heating using reverse cycle and VRF systems is gaining acceptance as an alternate to gas-based systems. BLSTR, which has current exports of US$ 100mn, expects sales to hit US$ 300mn in the medium term.

Projects unaffected by interest cycle: Per management, the projects business is unaffected by the rate cycle/inflation and hence unlikely to face major issues in FY23.

Maintain HOLD: Despite BLSTR' s various growth initiatives, we believe the current inflationary climate could take a toll on margins. Our TP remains at Rs 1,200, set at 40x FY24E EPS, a 16% premium to the stock's 5Y average. Factoring in recent stock price volatility, we retain HOLD.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	BLSTR IN/Rs 1,004
Market cap	US$ 1.2bn
Free float	61%
3M ADV	US$ 1.8mn
52wk high/low	Rs 1,225/Rs 758
Promoter/FPI/DII	39%/12%/22%

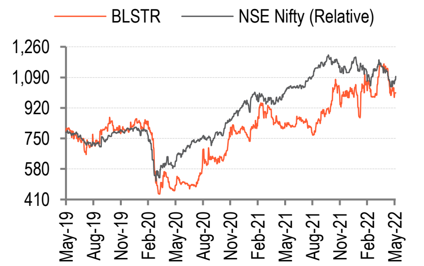
Source: NSE | Price as of 30 May 2022

Key financials

Y/E 31 Mar	FY22P	FY23E	FY24E
Total revenue (Rs mn)	60,456	70,203	80,924
EBITDA (Rs mn)	3,465	4,362	5,027
Adj. net profit (Rs mn)	1,677	2,531	2,790
Adj. EPS (Rs)	17.4	26.3	29.0
Consensus EPS (Rs)	27.7	35.2	34.7
Adj. ROAE (%)	17.6	23.7	23.9
Adj. P/E (x)	57.6	38.2	34.6
EV/EBITDA (x)	27.9	22.2	19.6
Adj. EPS growth (%)	148.8	50.9	10.2

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE

Disclaimer

Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

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