Market snapshot

Equities - India	Close	Chg .%	CY20.%
Sensex	49,398	1.7	19.6
Nifty-50	14,521	1.7	19.2
Nifty-M 100	21,969	2.3	28.2
Equities-Global	**Close**	**Chg .%**	**CY20.%**
S&P 500	3,799	0.8	16.6
Nasdaq	13,197	1.5	45.1
FTSE 100	6,713	-0.1	-11.7
DAX	13,815	-0.2	3.2
Hang Seng	11,734	2.4	3.7
Nikkei 225	28,633	1.4	21.0
Commodities	**Close**	**Chg .%**	**CY20.%**
Brent (US$/Bbl)	55	2.2	-16.5
Gold ($/OZ)	1,840	-0.1	21.3
Cu (US$/MT)	7,951	-0.2	29.0
Almn (US$/MT)	1,961	0.0	10.5
Currency	**Close**	**Chg .%**	**CY20.%**
USD/INR	73.2	-0.2	2.7
USD/EUR	1.2	0.4	8.2
USD/JPY	103.9	0.2	-4.5
YIELD (%)	**Close**	**1MChg**	**CY20 chg**
10 Yrs G-Sec	5.9	-0.01	-0.6
10 Yrs AAA Corp	6.6	0.00	-1.0
Flows (USD b)	**19-Jan**	**MTD**	**CY21**
FIIs	0.04	2.60	2.56
DIIs	-0.03	-1.72	-1.69
Volumes (INRb)	**19-Jan**	**MTD***	**YTD***
Cash	654	761	761
F&O	26,949	31,497	31,497

Note: *Average

Today's top research idea

IndiaMART: Higher resilience in margin offers a positive outlook

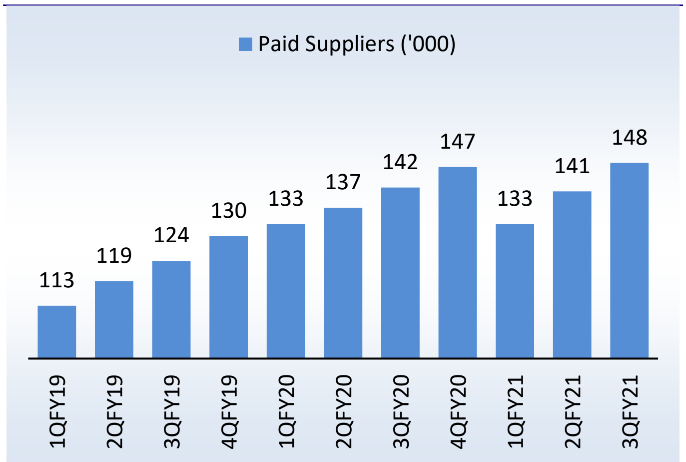
- IndiaMART saw a strong operational performance during the quarter primarily led robust increase in paid suppliers (at 7K vs. their target range of ~5K). Company also showed great resilience on margins reporting highest ever EBIT margins of 48.4% (est. of 39.8%), this was on account of lower variable pay and stable employee count.
- While we concur that margins are not sustainable at the current levels, overall company is seeing a structural shift in operations from pre-covid scenario. Half of savings led by cost optimization should continue to flow through in operations on a sustainable level.
- We have increased our EPS estimate by 17%/16% for FY22/23, as we anticipate greater resilience in margins for a longer duration. We value IndiaMART on DCF basis at INR9,000 per share (+22% upside) on an assumption of 11% WACC and 5% terminal growth rate, implying a 62x multiple of FY23 EPS.

Research covered

Cos/Sector	Key Highlights
IndiaMART	Higher resilience in margin offers a positive outlook
L&T Infotech	Strong broad-based topline performance
Tata Comm	Below estimates
Alembic Pharma	DF/Non-US/API drive earnings
Trident	Textiles segment drives overall performance
CEAT	Above est.; led by strong revenue growth, lower RM cost inflation
IRB Infra	Weak order book increases dependency on new order wins
Tata Steel	TSBSL reports strong beat on EBITDA

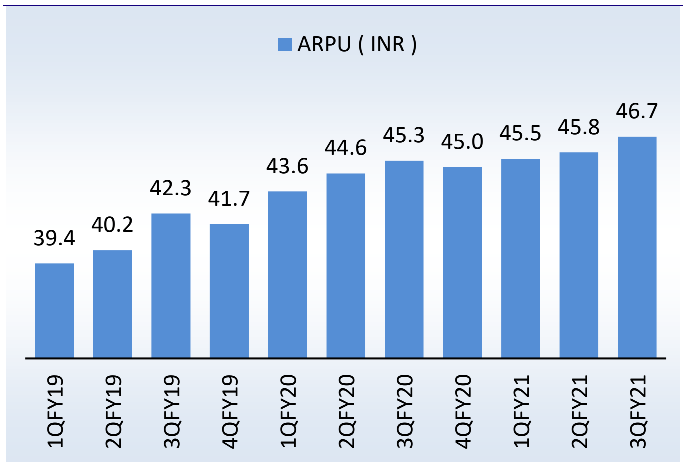
Chart of the Day: IndiaMART (Higher resilience in margin offers a positive outlook)

Sharp rebound in paid suppliers



Source: Company, MOFSL

...with consistent ARPU



Source: Company, MOFSL

Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

India's oil imports at near 3 year high in December

India's crude oil imports in December soared to the highest levels in nearly three years to more than 5 million barrels per day (bpd) as its refiners cranked up output to meet a rebound in fuel demand, data from trade sources showed. India's year-end rush for crude supplies coincided with stronger demand…

2

Government To Sell Residual Stake In Tata Communications This Fiscal

The government will sell its entire 26.12% stake in Tata Communications Ltd., erstwhile Videsh Sanchar Nigam Ltd., through offer for sale and strategic sale route in the current fiscal. In a notice, the Department of Investment and Public Asset Management said a part of the shareholding will be offered through OFS and the balance, including any leftover portion in the OFS, will be offered to strategic partner Panatone Finvest Ltd. The transaction is to be completed by March 20, 2021, the DIPAM said. Shares of Tata Communications closed at Rs 1,129.95, up 1.08%...

3

Escorts becomes first company to get regulatory nod to sell electric tractors in India

Leading tractor maker Escorts on Monday received certification for compliance to Central Motor Vehicles Rules for its electric tractors, becoming the first company in India to get the regulatory nod to sell tractors with an electric drivetrain. The company has been exporting its electric tractors since 2019…

4

P-notes investment climbs to 31-month high of Rs 87,132 cr in Dec

Investment through participatory notes (P-notes) in the domestic capital market rose to a 31-month high of Rs 87,132 crore at December-end, reflecting the bullish stance of FPIs. According to Sebi data, the value of P-note investments in Indian markets — equity, debt, and hybrid securities — increased…

5

Jan Dhan accounts cross 41 crore: Finance Ministry

The Finance Ministry on Tuesday said that more than 41 crore people benefited from the Pradhan Mantri Jan Dhan Yojana (PMJDY), a flagship scheme of the government to promote financial inclusion. As on January 6, 2021, the total number of Jan Dhan accounts stood at 41.6 crore…

6

Suzuki takes SUV battle to Hyundai

Suzuki Motor Corp. is developing a mid-size sport-utility vehicle (SUV) for India, aiming to mount a bigger challenge to South Korea's Hyundai Motor Group, which dominates this fast-growing segment, said three people directly aware of the matter. The new vehicle, code-named 'YFG', is based on…

7

NTPC's electricity generation up by 4% during April-December

In an indication of Indian economy' recovery, state run NTPC Group registered a 3.8% increase in electricity generation during April to December, as compared to the corresponding period last fiscal. After electricity demand was severely hit by the coronavirus pandemic,…

19 January 2021

3QFY21 Results | Sector: Technology

IndiaMART

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	INMART IN
Equity Shares (m)	29
M.Cap.(INRb)/(USDb)	215.7 / 3
52-Week Range (INR)	8375 / 1641
1, 6, 12 Rel. Per (%)	16/227/228
12M Avg Val (INR M)	563

Financials & Valuations (INR b)

Y/E Mar	2021E	2022E	2023E
Sales	6.7	8.4	10.3
EBITDA	3.3	3.7	4.5
PAT	3.1	3.5	4.2
EPS (INR)	105.1	120.4	145.3
EPS Gr. (%)	104.9	14.5	20.7
BV/Sh. (INR)	300.6	468.2	675.6
Ratios			
RoE (%)	74.1	49.8	40.4
RoCE (%)	75.0	49.8	40.4
Payout (%)	11.5	12.5	10.3
Valuations			
P/E (x)	70.4	61.5	50.9
P/BV (x)	24.6	15.8	11.0

Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	52.0	52.0	52.3
DII	5.0	5.7	2.6
FII	24.8	22.3	11.8
Others	18.2	20.0	33.3

FII Includes depository receipts

CMP: INR 7,406 TP: INR 9,000 (+22%) Buy

Higher resilience in margin offers a positive outlook

- IndiaMART delivered strong operational performance during 3QFY21, led by robust increase in paid suppliers (at 7k v/s their target range of ~5k). Collections were up 9% sequentially but flat on a YoY basis.
- Margin showed great resilience, with the company reporting the highest ever EBIT margin of 48.4% (v/s our estimate of 39.8%) on lower variable pay and stable employee count.
- Leading indicators such as traffic and business inquiries are up 35% and 38% YoY, offering confidence on the sustenance of the current momentum.
- While we concur that margin at current levels are not sustainable, the company will see a structural shift in operations from pre-COVID levels. Half of the savings, led by cost optimization, would continue to flow through on: 1] permanent optimization in G&A (reduction in offices to 40 from 80), 2] sales through channel partners are making cost more variable (would lead to reduction in total employees), 3] movement of BPO to cloud telephony system (would lead to 10% savings per seat), and 4] reduction in travel expenses by shifting some of the meetings to video conferencing. **For 9MFY21, revenue/EBIT/PAT grew by 4.6%/128%/178%.**
- The company has taken Board's approval to raise INR11b. The same would be majorly used to pursue inorganic opportunities around: 1] SaaS products, 2] fintech, and 3] vertical commerce. We view the business model diversification as a positive step to upscale into the SME value chain.
- We increase our FY22E/FY23E EPS estimate by 17%/16% as we anticipate greater resilience on the margin front over the longer term.
- We value IndiaMART on a DCF basis at INR9,000 per share (+22% upside) assuming 11% WACC and 5% terminal growth rate, implying 62x FY23E EPS. **Reiterate Buy**.

Beat on all fronts! Board approves INR11b in fund raising

- Revenue stood at INR1.7b (3% beat on our estimates), up 5.3% YoY and 6.4% QoQ.
- Total collections have now recovered back to pre COVID-19 levels at INR 1.8b, implying a sequential growth of 10%.
- EBIT margin was the highest ever at 48.4% (v/s our estimate of 40%), +26pp YoY and +100bp QoQ. This was led by continued optimization across all cost items.
- All traffic on the platform was organic in nature. The company has not incurred any advertisement expenses.
- PAT rose 102% YoY to INR802m, implying a PAT margin of 46%.
- The Board has approved raising of funds, not exceeding INR11b. An extraordinary general meeting is scheduled on 10 Feb'21 to seek approval of its members for the proposed fund raising.
- Traffic grew 35% YoY to 253m in 3QFY21 v/s 188m in 3QFY20.

- Total suppliers on the platform stood at 6.4m, an increase of 9% YoY.
- Total paid suppliers stood at 148k (v/s our estimate of 147k), an increase of 4% YoY and 5% QoQ. ARPU increased by 3% YoY to INR 46.7k.
- Deferred revenue stood at INR 6,330m, a marginal decline of 2% YoY, but an increase of 1% QoQ.
- Total cash and Investments stood at INR 11.4B, an increase of 33% YoY.
- OCF stood at INR 770m, up 9% YoY, implying an OCF-to-PAT ratio of 96%.

Highlights from the management commentary

- During 3QFY21, IndiaMART added 7k suppliers. Of this, 1.5k were suppliers that returned due to the previous churn and the rest were new additions.
- Business for 90% categories are back to pre-COVID levels. However, 10% are yet to recover.
- EBIT margin in 9MFY21 more than doubled (47% in 9MFY21 v/s 22% in 9MFY20), led by: 1) reduction in employee expenses on non-payment of variable pay, 2) re-negotiation on pricing and reduction in outsourcing sales contracts, and 3) optimization in other expenses on closure of offices.
- The management intends to make long-term investments, along with one or two acquisitions, and some minority investments. The latter could be a customer acquisition, payment facilitation (credit), API banking, or business insurance, where it can leverage IndiaMART.
- It has changed the price of its base package to INR3k plus taxes from INR3k per month plus INR5k setup fees. This would help in reducing one-time higher upfront payment.
- It has launched quarterly and six monthly premium plans to reduce higher payments up front and also introduced the concept of daily buying of leads.

Valuation and view

- Apart from the strong recovery in paid suppliers, collections, and revenue growth, the company has shown higher resilience on the margin front. While we concur that margin at current levels are not sustainable, the company would see positive benefits from cost optimization and operating leverage. We increase our FY22E/FY23E EPS estimate by 17%/16% to factor in a robust operating performance.
- We remain confident of strong fundamental growth in operations, led by: a) high growth in digitization among SMEs (~25%), b) the need for out-of-the-circle buyers, c) a strong network effect, d) over 70% market share in the underlying industry, e) the ability to increase ARPU on low price sensitivity, and f) high operating leverage.
- We arrived at our DCF-based target price of INR9,000 per share assuming 11% WACC and 5% terminal growth rate. Our TP implies an upside of 22%. **Reiterate Buy**.

Consolidated quarterly earnings model (INR m)

Y/E March	FY20				FY21				FY20	FY21E		Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QFY21E	
Gross Sales	**1,470**	**1,566**	**1,649**	**1,701**	**1,531**	**1,632**	**1,736**	**1,821**	**6,386**	**6,720**	**1,687**	**2.9**
YoY Change (%)	30.1	28.4	23.1	23.3	4.1	4.2	5.3	7.1	26.0	5.2	2.3	300bp
Total Expenditure	1,110	1,203	1,213	1,178	798	815	858	975	4,704	3,446	969	-11
EBITDA	**360**	**363**	**436**	**523**	**733**	**817**	**878**	**847**	**1,682**	**3,275**	**717**	**22**
Margin (%)	24.5	23.2	26.4	30.7	47.9	50.1	50.6	46.5	26.3	48.7	42.5	800bp
Depreciation	40	50	58	59	44	44	38	40	207	166	45	-16
Interest	0	7	5	17	18	18	16	0	29	52	0	NA
Other Income	140	205	166	172	337	179	246	258	683	1,020	181	36
PBT before EO expense	**460**	**511**	**539**	**619**	**1,008**	**934**	**1,070**	**1,065**	**2,129**	**4,077**	**852**	**26**
PBT	**460**	**511**	**761**	**612**	**1,004**	**932**	**1,065**	**1,065**	**2,344**	**4,066**	**852**	**25**
Tax	140	422	141	169	263	234	263	262	872	1,022	214	23
Rate (%)	30.4	82.6	18.5	27.6	26.2	25.1	24.7	24.6	37.2	25.1	25.1	-40bp
Minority Interest and Profit/Loss of Asso. Cos.	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	**320**	**89**	**620**	**443**	**741**	**698**	**802**	**803**	**1,472**	**3,044**	**639**	**26**
Adjusted PAT	**320**	**89**	**398**	**450**	**745**	**700**	**802**	**803**	**1,257**	**3,050**	**639**	**26**
YoY Change (%)	-156.1	-55.5	37.2	55.2	132.8	686.5	101.5	78.5	498.6	142.7	60.5	4100bp
Margin (%)	21.8	5.7	24.1	26.5	48.7	42.9	46.2	44.1	19.7	45.4	37.9	830bp

E: MOFSL estimates

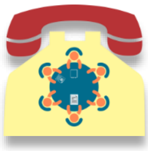
Key performance indicators

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Revenue indicators										
Paid suppliers ('000)	133.0	137.0	142.0	147.0	133.0	141.0	148.0	154.4	559	576
ARPU ('000)	43.6	44.6	45.3	45.0	45.5	45.8	46.7	47.2	42	44
Cost indicators										
Employees	3160	3324	3373	3307	3150	2917	2826	2826	3307	2826
Outsourcing sales employees	1138	1350	1374	1374	1315	1000	874	874	1374	874
Other expenses (INR m)	350	335	305	320	198	196	211	328	1310	933

L&T Infotech

BSE SENSEX	S&P CNX
49,398	14,521

Conference Call Details



Date: 20th Jan 2021
Time: 17:30 IST
Dial-in details:
+91-22 6280 1104

Financials & Valuations (INR b)

Y/E Mar	2021E	2022E	2023E
Sales	123.7	147.1	168.9
EBIT Margin (%)	18.6	18.8	19.0
PAT	18.3	22.4	26.0
EPS (INR)	104.1	127.0	147.5
EPS Gr. (%)	20.1	22.1	16.1
BV/Sh. (INR)	377.6	460.3	556.8
Ratios			
RoE (%)	30.5	30.5	29.2
RoCE (%)	24.2	24.4	24.0
Payout (%)	35.0	35.0	35.0
Valuations			
P/E (x)	39.3	32.2	27.8
P/BV (x)	10.8	8.9	7.4
EV/EBITDA (x)	25.6	21.1	17.8
Div yld (%)	0.9	1.1	1.3

CMP: INR4,095 — Neutral

Strong broad-based topline performance

LTI reported revenue (USD) / EBIT / PAT growth of 8%/42%/38% YoY v/s our estimate of 7%/35%/29% YoY. For 9MFY21, revenue (USD) / EBIT / PAT growth stood at 10%/40%/27% YoY.

Revenue ahead of estimates

- LTI reported revenue growth of 5.3% QoQ CC, ahead of our estimates (+4.0% QoQ CC).
- Barring Insurance (-1% QoQ CC) and Energy and Utilities (-0.3% QoQ CC), other verticals posted robust sequential growth, with Manufacturing (9.2% QoQ CC) and BFSI (7.5% QoQ CC) witnessing strong growth. Others vertical reported 10.8% QoQ CC growth.
- While Analytics, AI & Cognitive reported strong growth of 18.5% QoQ CC, ADM and Testing remained a drag (-1.5% QoQ CC).
- In terms of geography, North America (4.4% QoQ CC) and Europe (3.9% QoQ CC) reported robust growth. India posted strong growth (29.7% QoQ CC), while RoW declined (5.2% QoQ CC).

Margin performance aided by elevated utilization and offshore shift

- Increase in utilization (+210bp) and the offshore mix (+220bp) drove improvement of 20.6% in the EBIT margin (+70bps QoQ / +440bps YoY). This was ahead of our flattish estimate of 19.7%.
- PAT of INR5.2b was ahead of our expectation of INR4.8b, led by topline and margin beat.
- Attrition declined further by 110bp QoQ to 12.4%.
- Overall DSO (including unbilled) reduced by 1 day QoQ to 93 days.
- OCF/EBITDA stood at 83% and OCF/PAT at 116.4%.
- The company announced two large deals with cumulative net new TCV of USD278m, including a USD200m+ deal win announced in December in the UAE.

Valuation and view: We would revisit our estimates post the earnings call. Commentary on the near-term outlook, verticals, and deal wins would be keenly watched. Based on current estimates, the stock trades at 32x/28x FY22/FY23E EPS. Maintain **Neutral**.

Quarterly Performance (INR m)

Y/E March	FY20				FY21E			FY20	FY21E	Est.	Var. (% / bp)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q			3QFY21	
Revenue (USD m)	357	364	394	410	390	405	428	1,525	1,658	423	1.2
QoQ (%)	0.8	2.0	8.4	3.9	-4.8	3.6	5.8	13.1	8.8	4.5	127
Revenue (INR m)	24,849	25,707	28,111	30,119	29,492	29,984	31,528	1,08,786	1,23,717	31,194	1.1
YoY (%)	15.3	10.3	13.7	21.2	18.7	16.6	12.2	15.2	13.7	11.0	119
GPM (%)	33.1	31.8	31.7	32.8	32.5	34.8	35.0	32.4	33.8	35.0	(4)
SGA (%)	14.7	13.7	13.0	13.6	12.4	12.0	11.7	13.7	12.3	12.4	(66)
EBITDA	4,579	4,658	5,274	5,781	5,920	6,856	7,320	20,292	26,589	7,050	3.8
EBITDA Margin (%)	18.4	18.1	18.8	19.2	20.1	22.9	23.2	18.7	21.5	22.6	62
EBIT	3,968	3,994	4,565	5,034	5,139	5,957	6,501	17,561	23,046	6,145	5.8
EBIT Margin (%)	16.0	15.5	16.2	16.7	17.4	19.9	20.6	16.1	18.6	19.7	92
Other income	812	739	433	479	450	174	492	2,463	1,432	312	58
ETR (%)	25.6	23.9	24.6	22.5	25.5	25.5	25.8	24.1	25.2	25.0	
Adj PAT	3,557	3,603	3,767	4,274	4,164	4,568	5,192	15,201	18,300	4,843	7.2
QoQ (%)	-6.1	1.3	4.6	13.5	-2.6	9.7	13.7			6.0	
YoY (%)	-1.5	-10.0	0.3	12.9	17.1	26.8	37.8	0.3	20.4	28.6	
EPS (INR)	20.3	20.5	21.5	24.3	23.7	26.0	29.5	86.6	104.1	27.5	7.3

E: MOFSL Estimates

Tata Communications

BSE SENSEX	S&P CNX
49,398	14,521

Conference Call Details

Date: 20th January 2021

Time: 02:30pm IST

INR million	FY20	FY21E	FY22E
Net Sales	170.7	173.2	180.4
EBITDA	32.9	43.1	45.6
Adj. PAT	3.0	13.4	15.5
EBITDA Margin (%)	19.3	24.9	25.3
Adj. EPS (INR)	10.6	47.0	54.3
EPS Gr. (%)	-582.2	344.8	15.6
BV/Sh. (INR)	NM	NM	53.8
Ratios			
Net D:E	NM	NM	1.8
RoE (%)	NM	NM	203.9
RoCE (%)	-7.2	19.3	17.3
Payout (%)	NM	10.5	8.6
Valuations			
EV/EBITDA (x)	12.0	8.9	8.0
P/E (x)	107.0	24.0	20.8
P/BV (x)	NM	NM	21
Div. Yield (%)	0.4	0.4	0.4

CMP: INR1,130 — Neutral

Revenue/EBITDA down 4.1%/9.6% QoQ; miss of 5.6%/9.5%

- Consolidated revenues fell 4.1% QoQ to INR42.2b (5.6% miss) on the back of decline in the Voice and Data segments. The Voice segment's revenue stood at INR6.7b (11.2% down QoQ) and Data segment's revenue was down 2.6% QoQ to INR35.5b. This was attributable to factors such as seasonality and COVID-related weakness in deal conversions.
- EBITDA declined 9.6% QoQ to INR10.5b (9.5% miss), weighed by 60%/7.4% decline in Voice/Data to INR200m/INR10.3b. Subsequently, the EBITDA margin shrank 150bp to 24.8%. Adjusted for a ~INR700m one-off benefit in 2QFY21 related to COVID and another one-time benefit, EBITDA declined 4% QoQ.
- TCOM has reported exceptional items of INR114m toward interest on unpaid provisions for licensee fees – for which the company made provisions of INR3.4b toward the DoT's demands in the AGR case in 4QFY20 and an additional INR223m in 1HFY21.
- Other income declined 89% QoQ to INR82m. Subsequently, TCOM's PAT decreased 19.6% QoQ to INR3.1b; adjusted PAT (for exceptional items) stood at INR3.2b – down 27% QoQ, indicating a 13% miss.
- Capex stood at INR3.4b in 3QFY21 v/s INR3.2b in 2QFY21. Net debt fell by INR6.6b QoQ to INR79.7b.

Segmental details

- Data revenue / EBITDA declined 2.6%/7.4% QoQ to INR35.5b/INR10.3b (contributing 98% to total EBITDA), with margins at 28.9%. Revenue was lower due to a seasonally weak quarter and fewer deal conversions (COVID-related). Adjusted for an INR430m one-off benefit in 2QFY21, EBITDA decline 4% QoQ.
- The Traditional segment (contributing ~two-thirds to data revenue) grew 0.7% QoQ to INR22.9b, led by growth in the Enterprise and OTT segments. EBITDA fell 3.4% to INR9.8b and the EBITDA margin shrank 190bp QoQ to 42.9%.
- The Growth segment saw 10.7%/16% revenue/EBITDA decline to INR8.1b/INR1.3b due to seasonality and slower deal conversions (COVID-related); the EBITDA margin shrank 100bp to 15.6%.
- The Innovation segment's revenue decreased 11.1% QoQ to INR320m and EBITDA loss increased to INR1.03b (v/s loss of INR800m in 2QFY21).
- The Transformation segment saw QoQ revenue decline of 3.3% to INR3.2b; it once again turned EBITDA-negative, with loss of INR90m (v/s EBITDA of INR40m in 2QFY21). This segment's revenue/profitability is impacted due to lower transaction volumes, while transaction costs continue. The company has deals in the order book, but the execution is taking longer as COVID restrictions persist.
- The Voice segment's revenue/EBITDA declined 11.2%/60% QoQ to INR6.7b/INR200m. Adjusted for an INR310m one-off benefit in 2QFY21, due to the timing of the booking cost, EBITDA grew 5% QoQ.
- The Payment Solutions segment's revenue was up 1.7% QoQ to INR590m, and EBITDA turned positive at INR50m (v/s EBITDA loss of INR40m in 2QFY21). Revenue was affected by the lockdown as average transactions fell to 77 in 3QFY21 (v/s 89 in 3QFY20).

Cons. Quarterly Earnings Model (INR m)

Y/E March	FY20				FY21E				FY20	FY21E	3Q	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			FY21E	Var (%)
Revenue	**41,686**	**42,728**	**42,287**	**43,979**	**44,029**	**44,011**	**42,228**	**42,898**	**1,70,680**	**1,73,168**	**44,742**	-6
YoY Change (%)	5.7	5.0	-1.0	3.6	5.6	3.0	-0.1	-2.5	3.3	1.5	5.8	
Total Expenditure	33,430	34,391	34,679	35,291	33,612	32,436	31,767	32,259	1,37,790	1,30,074	33,185	-4
EBITDA	**8,256**	**8,337**	**7,608**	**8,688**	**10,418**	**11,575**	**10,461**	**10,639**	**32,890**	**43,094**	**11,556**	-9
YoY Change (%)	40.7	32.3	-9.7	26.8	26.2	38.8	37.5	22.5	19.8	31.0	51.9	-1440bps
Depreciation	5,522	5,583	5,605	6,867	5,899	5,719	5,570	5,833	23,577	23,021	5,756	-3
Interest	1,157	1,157	1,161	1,232	1,163	1,064	1,044	1,007	4,707	4,279	1,054	-1
Other Income	88	95	140	373	147	761	82	357	697	1,347	225	-63
PBT before EO expense	**1,666**	**1,692**	**981**	**963**	**3,503**	**5,553**	**3,929**	**4,155**	**5,302**	**17,142**	**4,970**	-21
Exceptional (gain)/loss	65	59	0	3,781	105	540	114	0	3,905	759	0	
PBT	**1,601**	**1,632**	**981**	**-2,818**	**3,398**	**5,013**	**3,815**	**4,155**	**1,397**	**16,383**	**4,970**	-23
Tax	852	1,107	406	-98	812	1,153	711	1,080	2,267	3,757	1,292	
Rate (%)	53.2	67.8	41.3	3.5	23.9	23.0	18.6	26.0	162.3	22.9	26.0	
MI & P/L of Asso. Cos.	-18	-14	-9	30	8	15	12	-46	-11	-11	3	
Reported PAT	**766**	**539**	**585**	**-2,750**	**2,578**	**3,845**	**3,092**	**3,120**	**-860**	**12,635**	**3,681**	-16
Adj PAT	**796**	**598**	**585**	**1,031**	**2,683**	**4,384**	**3,206**	**3,120**	**3,011**	**13,393**	**3,681**	-13
YoY Change (%)	NM	NM	NM	-479.8	236.9	632.8	447.6	202.7	-582.2	344.8	528.7	

E: MOFSL Estimates

19 January 2021

3QFY21 Results Update | Sector: Healthcare

Alembic Pharma

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	ALPM IN
Equity Shares (m)	189
M.Cap.(INRb)/(USDb)	202.4 / 2.9
52-Week Range (INR)	1150 / 436
1, 6, 12 Rel. Per (%)	-12/-28/53
12M Avg Val (INR M)	381

Financials & Valuations (INR b)

Y/E MARCH	2021E	2022E	2023E
Sales	55.0	60.8	67.5
EBITDA	15.9	14.7	16.3
Adj. PAT	11.7	10.3	11.3
EBIT Margin (%)	25.6	20.8	20.4
Cons. Adj. EPS (INR)	59.4	52.4	57.3
EPS Gr. (%)	35.1	-11.8	9.4
BV/Sh. (INR)	248.6	288.9	334.2
Ratios			
Net D:E	0.1	0.1	0.0
RoE (%)	29.4	20.1	19.0
RoCE (%)	21.5	16.7	16.4
Payout (%)	20.3	23.0	21.0
Valuations			
P/E (x)	17.4	19.7	18.0
EV/EBITDA (x)	12.4	13.3	11.9
Div. Yield (%)	1.0	1.0	1.0
FCF Yield (%)	2.8	1.7	2.4
EV/Sales (x)	3.6	3.2	2.9

Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	69.8	69.8	73.0
DII	10.1	9.4	6.7
FII	7.0	7.0	9.2
Others	13.1	13.8	11.1

FII Includes depository receipts

CMP: INR1,030 TP: INR1,070 (+4%) Neutral

DF/Non-US/API drive earnings

US sales moderate on increased competition in some products

- Alembic Pharma (ALPM) missed 3QFY21 earnings, weighed by lower-than-expected sales in the US. The adverse impact of lower price of Sartans in the US was offset, to some extent, by a) healthy sales growth in the Domestic Formulation (DF) / Non-US / API segment and b) stable other operating expenses.
- Physical inspections by the USFDA across sites for the industry in India are delayed due to restrictions on international travel. However, ALPM may face the inspection earlier (over the next 3–6M) as it has filed for products on the shortage list.
- We lower our PAT estimate by 3%/4% for FY22/FY23, factoring in higher competition for Sartans and delay in approvals for injectable products. We continue to value ALPM at 19x (in line with its five-year average) 12M forward earnings to arrive at TP of INR1,070. Maintain Neutral.

Better product mix benefit offset by higher opex

- ALPM's 3QFY21 sales were up 8.7% YoY to INR13.1b (est. INR14.8b), driven by DF, Non-US, and API sales. DF sales were up 14% YoY to INR4.2b (32% of sales), Non-US sales were up 15% YoY to INR1.7b (13% of sales), and API sales were up 21% YoY to INR2.1b (16% of sales). US sales were flat YoY at INR5.1b (39% of sales).
- Gross margin expanded 240bps YoY to 77.7% owing to a better product mix.
- However, the EBITDA margin expanded just 90bp YoY to 27.8% (our est.: 28.9%), dragged down by higher employee costs / other expenses (+120bp/+110bp as a percentage of sales). This was partially offset by lower R&D cost (-80bp as a percentage of sales).
- EBITDA was up 12.3% YoY to INR3.7b (est. INR4.3b).
- Adj. PAT grew at a higher rate of 24.9% YoY to INR2.9b (est. INR3b), led by profit share from associates/JV (INR264m for 3QFY21 v/s loss of INR3.7m for 3QFY20).
- Sales/EBITDA/PAT for 9MFY21 was up 21%/36%/47% YoY to INR41b/INR12b/INR9b.

Highlights from management commentary

- ALPM remains confident of tracking USD400–500m US sales by FY24 on the back of new launches in the Injectables, Oral Solids, Derma, and Ophthalmology segments.
- ALPM plans to launch 5+ products in the US market in 4QFY21. Sales from the recent niche launches would be reflected fully in the coming quarter.
- Operating cost related to the DF business has now normalized at pre-COVID levels.
- R&D expense would be INR6.3–6.5b for FY21 v/s earlier guidance of INR7b.
- ALPM remains confident of outperforming the market in focus therapies in DF – on the back of new launches and better traction from existing products.

Valuation and view

- On the high base of FY20, we expect a PAT CAGR of 9% over FY20–23, led by a 21%/18%/12%/10% sales CAGR in the Non-US/API/US/DF segment.
- We lower our EPS estimate by 3%/4% for FY22/FY23, factoring in price erosion in Sartans on account of peers' re-entry and the delayed commercialization at the injectables facility. We value ALPM at 19x 12M forward earnings and arrive at TP of INR1,070. Maintain Neutral.

Quarterly perf. (Consol.) (INR m)

Y/E March	FY20				FY21E				FY20	FY21E	FY21E	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	vs Est
Net Sales	**9,489**	**12,409**	**12,091**	**12,068**	**13,413**	**14,571**	**13,143**	**13,891**	**46,060**	**55,019**	**14,827**	**-11.4%**
YoY Change (%)	10.0	10.1	18.8	30.2	41.4	17.4	8.7	15.1	17.0	19.4	22.6	
Total Expenditure	7,240	8,954	8,841	8,793	9,340	10,137	9,493	10,140	33,827	39,108	10,542	
EBITDA	**2,249**	**3,455**	**3,251**	**3,275**	**4,074**	**4,434**	**3,651**	**3,752**	**12,233**	**15,910**	**4,285**	**-14.8%**
YoY Change (%)	49.0	14.3	34.2	84.0	81.1	28.3	12.3	14.5	39.9	30.1	**32**	
Margins (%)	23.7	27.8	26.9	27.1	30.4	30.4	27.8	27.0	26.6	28.9	28.9	
Depreciation	354	360	418	441	415	438	470	494	1,573	1,817	450	
EBIT	**2,603**	**3,815**	**3,669**	**3,717**	**4,489**	**4,872**	**4,121**	**4,246**	**13,806**	**17,727**	**4,735**	
YoY Change (%)	28.3	25.6	44.0	47.4	72.4	27.7	12.3	14.2	39.5	28.4	**29**	
Interest	50	71	74	78	67	45	23	24	272	158	30	
Other Income	33	4	4	9	3	32	25	22	49	83	12	
PBT before EO expense	**1,878**	**3,029**	**2,763**	**2,765**	**3,595**	**3,984**	**3,183**	**3,255**	**10,437**	**14,017**	**3,817**	**-16.6%**
Extra-Ord expense	328	0	0	109	0	0	0	0	436	0	0	
PBT	**1,550**	**3,029**	**2,763**	**2,660**	**3,595**	**3,984**	**3,183**	**3,255**	**10,001**	**14,017**	**3,817**	**-16.6%**
Tax	360	525	486	621	668	730	591	604	1,992	2,593	840	
Rate (%)	23.2	17.3	17.6	23.4	18.6	18.3	18.6	18.6	19.9	18.5	22.0	
MI & P/L of Asso. Cos.	-47	41	-65	-214	-87	-80	-334	251	-285	-250	-45	
Reported PAT	**1,237**	**2,463**	**2,342**	**2,252**	**3,015**	**3,334**	**2,926**	**2,400**	**8,294**	**11,674**	**3,022**	**-3.2%**
Adj PAT	**1,504**	**2,463**	**2,342**	**2,334**	**3,015**	**3,334**	**2,926**	**2,400**	**8,643**	**11,674**	**3,022**	**-3.2%**
YoY Change (%)	66.2	23.1	37.9	88.2	100.4	35.4	24.9	2.8	47.7	35.1	29.0	
Margins (%)	15.9	19.8	19.4	19.3	22.5	22.9	22.3	17.3	18.8	21.2	20.4	

Key performance Indicators (Consolidated)

Y/E March	FY20				FY21E				FY20	FY21E	FY21E	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	vs Est
India	3240	3910	3680	3420	3060	4150	4180	4031	14250	15421	4269	-2%
YoY Change (%)	(2.1)	1.6	0.8	13.2	(5.6)	6.1	13.6	17.9	3.0	8.2	16.0	
Exports	4,530	6,460	6,640	7,100	7,710	7,790	6,830	7,366	24,730	29,696	7,903	-14%
YoY Change (%)	28.7	10.1	48.2	79.7	70.2	20.6	2.9	3.7	38.7	20.1	19.0	
APIs	1,720	2,040	1,770	1,550	2,640	2,630	2,140	2,492	7,080	9,902	2,655	-19%
YoY Change (%)	(4.4)	31.6	(13.7)	(32.6)	53.5	28.9	20.9	60.8	(8.1)	39.9	50.0	
Cost Break-up												
RM Cost (% of Sales)	21.5	22.0	24.7	21.9	25.2	21.4	22.3	24.0	22.6	23.2	21.5	
Staff Cost (% of Sales)	22.6	17.5	18.8	20.5	20.5	18.9	20.0	19.4	19.7	19.7	19.0	
R&D Expenses (% of Sales)	14.8	14.0	12.1	15.3	10.6	12.7	11.3	11.7	14.0	11.6	13.0	
Other Cost (% of Sales)	17.3	18.6	17.6	15.2	13.3	16.5	18.7	17.9	17.2	16.6	17.6	
Gross Margins(%)	78.5	78.0	75.3	78.1	74.8	78.6	77.7	76.0	77.4	76.8	78.5	
EBITDA Margins(%)	23.7	27.8	26.9	27.1	30.4	30.4	27.8	27.0	26.6	28.9	28.9	
EBIT Margins(%)	27.4	30.7	30.3	30.8	33.5	33.4	31.4	30.6	30.0	32.2	31.9	

Trident

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	TRID IN
Equity Shares (m)	4,978
M.Cap.(INRb)/(USDb)	77.2 / 1
52-Week Range (INR)	17 / 3
1, 6, 12 Rel. Per (%)	56/105/87
12M Avg Val (INR M)	159

Financials & Valuations (INR b)

Y/E Mar	2021	2022	2023
Sales	45.5	56.6	61.1
EBITDA	8.3	10.8	12.0
PAT	3.4	5.1	6.3
EBITDA (%)	11.0	12.8	13.7
EPS (INR)	0.7	1.0	1.3
EPS Gr. (%)	5.6	52.0	22.0
BV/Sh. (INR)	6.8	7.7	8.8
Ratios			
Net D/E	0.3	0.3	0.1
RoE (%)	10.6	14.2	15.3
RoCE (%)	8.4	11.7	12.6
Payout (%)	7.2	12.0	12.0
Valuations			
P/E (x)	22.3	14.7	12.0
EV/EBITDA (x)	2.2	2.0	1.7
Div Yield (%)	0.3	0.7	0.8
FCF Yield (%)	7.5	0.2	13.1

Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	73.0	71.8	71.1
DII	0.9	1.0	1.0
FII	3.6	1.6	2.2
Others	22.5	25.6	25.8

CMP: INR15 TP: INR19 (+25%) Buy

Textiles segment drives overall performance

Paper business yet to recover

- Trident (TRID) reported strong performance on the back of a demand revival in the Home Textiles segment. The demand trend is expected to continue in upcoming quarters on six months of order book visibility. The Paper segment is expected to recover in coming quarters as offices and educational institutions start opening up.
- Although performance was in line with our estimates, factoring in improved demand visibility in Textiles and a recovery in demand in the Paper segment, we have increased our FY22E/FY23E PAT estimates by 16%/11%. We value the company at 15x FY23E EPS to arrive at our TP of INR19. Maintain Buy.

Bath/Bed Linen revenue grew 45%/81% YoY

- TRID reported standalone revenue of INR12.9b, up 19% YoY. EBITDA margin expanded 530bp to 18.3% on 290bp gross margin expansion (to 55.1%) and operating leverage. EBITDA (adjusted for forex) stood at INR2.4b, up 68% YoY. Adjusted PAT increased 2.5x YoY to INR1,027m on higher EBITDA growth and lower interest cost, which was offset by lower other income and a higher tax rate.
- On a QoQ basis, revenue/EBITDA/PAT grew 10%/5%/2%.
- Revenue from the Textiles segment grew 30% YoY to INR11.1b, with EBIT margin expanding 11.7pp to 12.8% (after forex adjustments). Capacity utilization in 3QFY21 for Towel and Bed Linen stood at 62% (v/s 61% in 2QFY21) and 101% (v/s 90% in 2QFY21), respectively. On a QoQ basis, revenue/EBIT grew 12%/22%.
- Capacity utilization in Yarn stood at 97%. The business registered 30% QoQ revenue growth. Around 55% of Yarn produced was captively consumed within the Home Textiles segment.
- Revenue from Paper and Chemicals declined 22% YoY to INR1.8b, with EBIT margin contracting 890bp YoY to 21.3%. Capacity utilization for the Paper segment stood at 87% (v/s 80% in 2QFY21). On a QoQ basis, revenue grew 1%, whereas EBIT declined 20% YoY.

Highlights from the press release

- Net debt reduced significantly as of Dec'20 to INR9.9b on prepayment of loans worth INR5.7b as against INR16.1b as of Mar'20. Net debt-to-equity ratio stood at 0.3x.
- On a full-year basis, TRID is aiming to achieve an EBITDA margin of 18-20% on a sustained basis.
- Demand momentum in Home Textiles sustained in 3QFY21, with the Bath/Bed Linen segment registering a revenue growth of 45%/81% YoY.

Valuation and view

- TRID reported strong operating performance in 3QFY21 led by the Textiles segment. Performance in the Paper segment was impacted by the gradual opening up of educational institutions and offices. Demand is expected to improve going forward.
- Work from home in majority of the big cities across the world has also contributed to the demand revival for Home Textiles, with people spending more on home improvement products as the same has become their primary workplace. Revival in demand was further supported by government stimulus, focus of consumers on health and hygiene, etc.
- The company has seen a strong 2Q and 3QFY21 for Home Textiles. The same is expected to continue in upcoming quarters on order book visibility, which exist for the next six months.
- The management has unveiled its 'VISION 2025,' where it is targeting to achieve a revenue of INR250b by CY25, with 12% bottomline. The Board has authorized its Strategy Committee to examine various rapid growth strategies to achieve its vision. The committee would explore various options, including but not limited to the following: i) unlocking value for shareholders through restructuring of existing businesses, ii) capital allocation strategies to improve return ratios, iii) expansion of existing businesses/diversification into new businesses through organic/inorganic growth, and iv) penetration into new markets, product development, e-commerce, and brand building. We await further clarity on how the management would achieve its said vision.
- Although performance was in line with our estimates, factoring in improved demand visibility in the Textiles segment and recovery in demand in the Paper segment, we have increased our FY22E/FY23E PAT estimates by 16%/11%.
- We value TRID at 15x FY23E EPS to arrive at our TP of INR19. Maintain **Buy**.

Standalone - Quarterly perf. (INR M)

Y/E March	FY20				FY21				FY20	FY21E	FY21	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	(%)
Net Sales	**13,053**	**13,219**	**10,817**	**9,905**	**7,079**	**11,714**	**12,899**	**13,789**	**46,995**	**45,482**	**12,507**	**3**
YoY Change (%)	15.4	-5.0	-16.2	-29.5	-45.8	-11.4	19.3	39.2	-10.0	-3.2	15.6	
Total Expenditure	10,143	10,692	9,416	8,562	5,898	9,467	10,545	11,224	38,813	37,134	10,193	
EBITDA	**2,911**	**2,527**	**1,401**	**1,343**	**1,181**	**2,247**	**2,355**	**2,565**	**8,182**	**8,348**	**2,314**	**2**
Margins (%)	22.3	19.1	12.9	13.6	16.7	19.2	18.3	18.6	17.4	18.4	18.5	
Depreciation	846	849	822	815	824	831	830	845	3,333	3,330	840	
Interest	325	271	234	278	231	123	132	150	1,108	636	200	
Other Income	78	37	97	68	54	32	50	64	280	200	92	
PBT before EO expense	**1,817**	**1,445**	**441**	**317**	**181**	**1,325**	**1,443**	**1,634**	**4,020**	**4,582**	**1,366**	
Extra-Ord expense	0	0	0	0	0	0	-570	0	0	-570	0	
Forex (gain)/loss	-18	-26	-39	-109	49	9	-27	0	-192	31	0	
PBT	**1,835**	**1,470**	**480**	**427**	**132**	**1,316**	**2,040**	**1,634**	**4,212**	**5,122**	**1,366**	
Tax	603	99	61	31	31	313	443	411	794	1,198	344	
Rate (%)	32.8	6.8	12.8	7.3	23.5	23.8	21.7	25.2	18.9	23.4	25.2	
MI & P/L of Asso. Cos.	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	**1,232**	**1,371**	**419**	**396**	**101**	**1,002**	**1,598**	**1,223**	**3,418**	**3,924**	**1,022**	
Adj PAT	**1,232**	**1,371**	**419**	**396**	**101**	**1,002**	**1,027**	**1,223**	**3,418**	**3,353**	**1,022**	**1**
YoY Change (%)	110.6	26.5	-62.4	-57.3	-91.8	-26.9	145.3	209.1	-7.9	-1.9	144.0	
Margins (%)	9.4	10.4	3.9	4.0	1.4	8.6	8.0	8.9	7.3	7.4	8.2	

CEAT

BSE SENSEX	S&P CNX
49,398	14,521

Conference Call Details

Date: 20th Jan 2021
Time: 4 PM IST
Dial-in details:
+91 22 6280 1224
+91 22 7115 8125

Financials & Valuations (INR b)

Y/E March	FY20	FY21E	FY22E
Sales	67.8	71.5	84.6
EBITDA	7.2	8.8	10.8
EBIDTA Margin (%)	10.7	12.3	12.8
Adj. PAT	2.3	3.3	4.0
EPS (Rs)	57.1	82.5	99
EPS Growth (%)	-14.7	44.5	20.0
BV/Share (Rs)	719	781	865
Ratios			
RoE (%)	8.1	11	12
RoCE (%)	7.0	9.4	9.2
Payout (%)	25.3	17.6	14.6
Valuations			
P/E (x)	22.3	15.4	12.9
P/BV (x)	1.8	1.6	1.5
Div. Yield (%)	0.9	0.9	0.9
FCF Yield (%)	-3.1	-0.7	2.0

Above est.; led by strong revenue growth, lower RM cost inflation

- Consol. net sales grew 26% YoY to INR22.2b (v/s est. ~INR20.2b).
- Gross margins expanded 260bp YoY (-90bp QoQ) to ~45.5% (v/s est. 44%), reflecting a rise in rubber and other RM prices in 3QFY21. Contrary to our expectations, RM cost inflation is yet to fully reflect in the P&L – due to higher inventory as well price increases taken during the quarter.
- EBITDA grew ~79% YoY to ~INR3.28b (v/s est. ~INR2.5b).
- The EBITDA margin expanded 440bp YoY to 14.8% (v/s est. 12.6%), further boosted by operating leverage.
- Adj. profit grew 170% to~INR1.43b (v/s INR1.03b in 3QFY20).
- Exceptional expense of INR123m is attributed to VRS expense during the quarter.
- Gross debt declined ~INR2.5b QoQ to ~INR15.6b. The debt/equity ratio improved to 0.49x in 3QFY21 (v/s 0.59x in 2QFY21 and 0.69x in 1QFY21).
- We would have further details post the earnings call tomorrow at 4pm IST (Dial-in: +91 22 62801224/ +91 22 7115 8125).
-

Valuation and view: The stock trades at 15.4x/12.9x FY21E/FY22E EPS.

Consolidated - Quarterly Earnings Model (INR m)

Y/E March	FY20				FY21E				FY20	FY21E	FY21E
	1Q	2Q	3Q	4QE	1Q	2Q	3Q	4QE			3QE
Net operating revenues	**17521**	**16916**	**17618**	**15734**	**11202**	**19785**	**22213**	**18277**	**67788**	**71476**	**20,260**
Change (%)	2.7	-4.6	1.8	-10.6	-36.1	17.0	26.1	3.7	-294.5	544.0	15.0
EBITDA	**1671.3**	**1703.7**	**1832.1**	**2003.5**	**1020.1**	**2924.7**	**3276.6**	**1534.4**	**7,238**	**8,756**	2,545
EBITDA Margins (%)	9.5	10.1	10.4	12.7	9.1	14.8	14.8	8.4	10.7	12.3	12.6
Depreciation	644.2	670.7	705.3	744.9	785.4	839.2	872.9	858.93	2,765	3,356	855.0
EBIT	**1027.1**	**1033**	**1126.8**	**1258.6**	**234.7**	**2085.5**	**2403.7**	**675.47**	**4473.2**	**5,399**	1,690
EBIT Margins (%)	5.9	6.1	6.4	8.0	2.1	10.5	10.8	3.7	6.6	7.6	8.3
Interest	349	374	380	407	488	450	419	581	1,509	1,937	490
Non-operating income	120	43	36	35	28	38	41	94	205	200	50
PBT after EO items	**1095**	**693**	**780**	**605**	**-443**	**1674**	**1903**	**188**	**3174**	**3322**	1,250
Effective Tax Rate (%)	30	44	39	19	13	-1	37	-103	33	13	22.0
PAT	**826**	**440**	**528**	**519**	**-348**	**1819**	**1321**	**247**	**2312**	**3040**	1,030
Adjusted PAT	**626**	**445**	**530**	**708**	**-158**	**1819**	**1428**	**247**	**2309**	**3336**	1,030
Change (%)	-14.7	-30.9	0.4	-11.6	-125.2	308.5	169.7	-65.0	-14.7	44.5	94.4
Key Performance Indicators											
RM Cost (% of sales)	60.5	58.9	57.0	54.4	59.7	53.5	54.5	59.0	57.8	56.2	56.0
Staff Cost (% of sales)	7.7	7.2	8.2	9.0	13.5	8.1	8.1	8.0	8.0	9.0	8.0
Other Cost (% of sales)	22	24	24	24	18	24	23	25	24	23	23.4
Gross margin (%)	39.5	41.1	43.0	45.6	40.3	46.5	45.5	41.0	42.2	0.0	44.0
EBITDA Margins (%)	9.5	10.1	10.4	12.7	9.1	14.8	14.8	8.4	10.7	12.3	12.6
EBIT Margins (%)	5.9	6.1	6.4	8.0	2.1	10.5	10.8	3.7	10.7	12.3	8.3

E:MOFSL Estimates

IRB Infrastructure

Estimate change	↓
TP change	↑
Rating change	↔

Bloomberg	IRB IN
Equity Shares (m)	351
M.Cap.(INRb)/(USDb)	40.6 / 0.5
52-Week Range (INR)	139 / 46
1, 6, 12 Rel. Per (%)	-1/-36/-3
12M Avg Val (INR M)	220

Financials & Valuations (INR b)

Y/E Mar	2020	2021E	2022E
Sales	68.5	51.2	54.2
EBITDA	29.7	24.7	27.5
PAT	6.6	1.4	2.1
EBITDA (%)	43.4	48.1	50.8
EPS (INR)	18.9	3.9	5.9
EPS Gr. (%)	-21.9	-79.2	51.2
BV/Sh. (INR)	190.2	191.7	195.2
Ratios			
Net D/E	0.8	1.8	1.8
RoE (%)	10.2	2.1	3.1
RoCE (%)	12.0	9.2	7.8
Payout (%)	11.7	61.3	40.6
Valuations			
P/E (x)	6.1	29.4	19.5
P/BV (x)	0.6	0.6	0.6
EV/EBITDA (x)	3.1	6.7	5.9
Div Yield (%)	1.7	1.7	1.7

Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	58.6	58.0	57.6
DII	11.4	11.3	11.9
FII	16.3	15.4	19.6
Others	13.7	15.3	10.9

FII Includes depository receipts

CMP: INR116 TP: INR122 (+6%) Neutral

Weak order book increases dependency on new order wins

- IRB's consolidated financials are not comparable YoY due to the monetization of nine assets through the InvIT route and consolidation of the Mumbai-Pune Phase II project. The Construction business reported a revenue/EBITDA/adjusted PAT decline of 22%/22%/53% YoY. Normalcy in traffic led to strong (32% QoQ) growth in collections across 13 toll assets of IRB and IRB InvIT. Though losses from the associates reduced sequentially, higher depreciation from Mumbai-Pune Phase II project led to a 29% miss on our earnings estimate in spite of a beat on our revenue estimate. For 9MFY21, adjusted PAT stood at INR197m (v/s INR5.7b in 9MFY20).
- Cash flow visibility has improved meaningfully due to the Mumbai-Pune Phase II project. Construction order book (OB) remains weak, with OB-to-revenue ratio of 1.1x, thereby increasing dependency on new order wins.
- We cut our FY21E/FY22E/FY23E EPS by 7%/5%/10% due to higher depreciation in the BOT segment. Though NHAI has ramped up ordering, with 4QFY21 expected to witness higher order wins, any weakness in order wins may pose a downside risk to our earnings estimates. We maintain Neutral, with a SoTP-based TP of INR122 per share. Any favorable outcome from the Ahmedabad-Vadodara Expressway arbitration may pose an upside risk to our TP.

EPC execution remains strong; toll collections surprise sequentially

- **Consolidated earnings miss expectation:** Consolidated revenue declined 11% YoY to INR15.5b (17% ahead of our estimate) on stronger than expected execution in the EPC segment. EBITDA was flat YoY at INR7.2b (6% ahead of our estimate). Higher revenue from lower margin construction business implies a lower beat on EBITDA. Due to higher depreciation and losses from associates, adjusted PAT declined 57% YoY to INR695m and missed our expectation by 29%.
- **Segmental highlights – EPC business:** Revenue declined 22% YoY to INR10.8b (27% ahead of our expectation). Stronger execution led to a 14% decline in the EPC order book (excluding O&M). **The order book stands at INR42.8b, with OB-to-revenue ratio of just 1.1x**. Net profit declined 53% YoY to INR1b. **BOT business:** Revenue increased 30% YoY to INR4.7b (in line with our expectation). Like-for-like toll collection grew 3.7% YoY. On account of higher depreciation and losses from associates, adjusted PAT loss stood at INR315m v/s a loss of INR546m last year. *YoY headline numbers are not entirely comparable owing to transfer of assets into the second InvIT and accretion of Mumbai-Pune Phase II project.*

Key takeaways from the management commentary

- Toll collections from Mumbai-Pune Expressway grew 42% sequentially and crossed INR36m/day in Dec'20.

- NHAI has lined up INR600b worth of bids until FY21-end. Of this, IRB aims to bid for INR60-80b. The management is hopeful that NHAI would bid out the entire pipeline in 4QFY21.
- Owing to raw material cost inflation, Construction margin is expected to remain soft. In BOT projects, cost inflation has to be borne by IRB, while the same is borne by NHAI in HAM projects.
- An arbitration panel on Ahmedabad-Vadodara Expressway has now been setup, and IRB expects some visibility before 4QFY21-end.

Valuation and view

- We cut our FY21E/FY22E/FY23E EPS by 7%/5%/10% due to higher depreciation in the BOT segment. Though NHAI has ramped up ordering, with 4QFY21 expected to witness higher order wins across players, weak order inflows may pose a downside risk to our earnings estimates. We maintain Neutral, with a SoTP-based TP of INR122 per share. Any favorable outcome from the Ahmedabad-Vadodara Expressway arbitration may pose an upside risk to our TP.

Quarterly performance INR m

Y/E March	FY20				FY21E				FY20	FY21E	Mosl	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			3QE	%
Net Sales	**17,730**	**17,521**	**17,426**	**15,845**	**10,223**	**11,233**	**15,472**	**14,295**	**68,522**	**51,222**	**13,199**	**17**
YoY Change (%)	15.3	22.3	-2.6	-18.7	-42.3	-35.9	-11.2	-9.8	2.2	-25.2	-24.3	
EBITDA	**8,554**	**7,474**	**7,137**	**6,549**	**4,776**	**5,550**	**7,200**	**7,125**	**29,714**	**24,651**	**6,779**	**6**
Margins (%)	48.2	42.7	41.0	41.3	46.7	49.4	46.5	49.8	43.4	48.1	51.4	
Depreciation	1,535	1,139	955	1,054	844	1,285	1,914	1,929	4,683	5,972	1,600	
Interest	3,628	3,813	4,099	4,104	3,656	4,350	4,407	4,189	15,644	16,602	4,200	
Other Income	481	490	475	504	512	455	477	687	1,950	2,130	500	
Extra-Ord expense	0	0	0	574	0	0	0	0	574	0	0	
PBT	**3,872**	**3,012**	**2,558**	**1,895**	**788**	**370**	**1,355**	**1,695**	**11,337**	**4,208**	**1,479**	**-8**
Tax	1,805	1,010	961	767	331	150	468	379	4,544	1,327	346	
Rate (%)	46.6	33.5	37.6	40.5	42.0	40.5	34.5	22.3	40.1	31.5	23.4	
Share of profit in Associates	0	0	0	-158	-759	-417	-192	-132	-158	-1,500	-150	
Reported PAT	**2,066**	**2,002**	**1,597**	**1,543**	**-301**	**-197**	**695**	**1,184**	**7,209**	**1,381**	**983**	**-29**
Adj PAT	**2,066**	**2,002**	**1,597**	**969**	**-301**	**-197**	**695**	**1,184**	**6,635**	**1,381**	**983**	**-29**
YoY Change (%)	-17.4	15.7	-27.0	-53.4	-114.6	-109.8	-56.5	22.1	-21.9	-79.2	-38.5	
Margins (%)	11.7	11.4	9.2	6.1	-2.9	-1.8	4.5	8.3	9.7	2.7	7.4	

Tata Steel

Financials & Valuations (INR b)

Y/E MARCH	2021E	2022E	2023E
Sales	1,431	1,583	1,574
EBITDA	260	284	281
Adj. PAT	53.7	94.9	95.0
EBITDA Margin (%)	18.2	17.9	17.8
Cons. Adj. EPS (INR)	46.9	82.9	83.0
EPS Gr. (%)	417.7	76.7	0.1
BV/Sh. (INR)	623	694	765
Ratios			
Net D:E	1.3	1.1	0.9
RoE (%)	7.8	12.6	11.4
RoCE (%)	8.9	9.6	9.0
Payout (%)	17.3	9.8	9.8
Valuations			
P/E (x)	14.5	8.2	8.2
P/BV (x)	1.1	1.0	0.9
EV/EBITDA(x)	6.6	5.9	5.6
Div. Yield (%)	1.5	1.5	1.5

TSBSL reports strong beat on EBITDA

- Tata Steel BSL (TSBSL), subsidiary of Tata Steel Ltd, reported EBITDA of INR16.2b v/s INR11.1b in 2QFY21 – above our est. of INR12.4b. The beat on EBITDA was driven by higher-than-expected volumes and realization.
- Sales volumes declined 10% QoQ / 8% YoY to 1.15mt (est. 1.05mt) due to the liquidation of inventory in 2QFY21. However, domestic volumes rose 7% QoQ to 0.95mt. As a result, the share of exports declined to ~18% v/s ~31% in 2QFY21. Crude steel production also declined 3% QoQ to 1.11mt.
- Realization improved 19% QoQ (8,065/t) to INR51,185/t (est. INR48,563/t) on higher steel prices and a better product mix.
- EBITDA/t came in at INR14,153 v/s INR8,643 in 2QFY21 (est. INR11,788). This is also all time high EBITDA/t achieved by BSL.
- Interest cost declined 12% QoQ to INR3.8b.
- Reported PAT stood at INR9.0b v/s INR3.3b in 2QFY21. This is also the highest PAT reported by TSBSL since being acquired by Tata Steel.
- TSBSL contributed ~16% to Tata Steel's consolidated EBITDA in FY20.

Maintain Neutral: We value TATA on SoTP based on FY22 EV/EBITDA of 6.0x for India operations and 5.0x for Europe operations. We arrive at TP of INR687/sh. Maintain Neutral.

Exhibit 1: TSBSL's quarterly financials

INR m	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	QoQ (%)	YoY (%)	3QFY21e	vs Est. (%)
Sales – mt	1.25	0.98	0.69	1.28	1.15	-10.2	-8.4	1.05	9.4
Revenue	50,381	42,737	26,970	55,194	58,811	6.6	16.7	50,991	15.3
EBITDA	2,752	7,750	1,520	11,063	16,262	47.0	491.0	12,377	31.4
PAT	-5,042	-19	-6,582	3,281	8,991	174.0		4,667	92.7
Per ton analysis									
Realization	40,176	43,609	38,862	43,120	51,185	18.7	27.4	48,563	5.4
EBITDA	2,194	7,908	2,190	8,643	14,153	63.8	545.0	11,788	20.1

Source: Company, MOSL

Exhibit 2: Sum-of-The-Parts valuations

Y/E March		2017	2018	2019	2020	2021E	2022E
India – Standalone							
EBITDA per ton (USD)		161	201	232	171	208	208
EBITDA per ton (INR)		10,818	12,976	16,180	12,066	15,488	15,387
Sales (m tons)		11.0	12.2	12.7	12.3	12.3	12.8
EBITDA-India Standalone		1,18,760	1,57,790	2,05,629	1,48,616	1,90,441	1,96,958
Target EBITDA multiple							6.0
EV (India) - (a)							**11,81,749**
INR/share							1,032
Subsidiaries							
EBITDA - India subs		4,269	28,298	34,068	32,659	58,848	57,300
Target EBITDA multiple							6.0
EBITDA – Europe		47,049	37,920	54,136	-6,644	10,399	29,742
Target EBITDA multiple							5.0
EV (Subsidiaries) - (b)							**4,92,509**
INR/share							430
Target EV (c=a+b)							**16,74,259**
Net Debt (d)	7,31,855	7,44,767	7,13,229	9,72,250	10,71,166	9,46,979	8,87,186
INR/share		650	623	849	936	827	775
Total equity value (c-d)							**7,87,073**
Target Price (INR /share)							**687**

Mindtree: Confident of keeping margin over 20% going forward; Debashis Chatterjee, MD & CEO

- Deal pipeline has been strong
- Deal size continues to increase, closed lot of multi-year deals
- Going beyond North America for business. Some of the deals in Q3 are in continental Europe
- Have been investing in Europe over last few quarters. Few deals have been lopsided towards Europe
- UK & Europe contributing 14-15% of overall revenue which will increase over time
- Utilisation is up as company has re-skilled people on digital platforms
- Have done increments across the board
- Confident of keeping margin over 20% going ahead
- Starting incubating in Healthcare, put leadership in place
- Saw broad-based growth in Q3 across verticals

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IRB Infrastructure: Expect to see strong impetus on highway building; Virendra Mhaiskar, CMD

- Have seen good growth in toll revenue
- Expecting a good Q4 when it comes to toll revenue
- Company has achieved target of returning to profit for this year
- Order book at Rs. 11,500 crore out of which Rs. 4500 crore is the EPC business
- Financial closure for projects so far have been quick. Funding is available for projects with good visibility
- New pipeline looking good, we are at the midst of a heavy bidding season
- Awaiting results on several bids we have put in. Expect FY22 to beat FY20
- Lot of our interactions happening digitally expedited resolution of issues
- Rising commodity prices will be passed through in Hybrid Annuity Projects

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Shakti Pumps: Q3 was not one-off exceptional quarter; expect strength to continue; Akhilesh Maru, Associate Director-Corp Strategy

- Government's Kusum Yojna has worked out well for the company
- Q3 was not a one-off exceptional quarter; expect strength to continue
- Had a policy lockdown last year which is why our revenues were lower then
- Have a strong order book going ahead
- Solar energy pumps contribute 70% to revenue now

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Snowman Logistics: Volume from existing customers has come back to normalcy; Sunil Nair, CEO

- Capacity utilisation at 85% vs 80% last year
- Volume from existing customers has come back to normalcy
- Pharma business is good for company due to long-term arrangements
- Capacity expansion in Mumbai, Siliguri & Krishnapatnam is undwerway
- Will borrow Rs. 45 crore additional debt to fund Rs. 70 crore expansion

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Caplin Point: Canada identified as expansion area; Steriles business around 10% of sales; Vivek Siddharth, COO

- Canada has been one of the expansion area in this year and next; no presence there in terms of sales yet
- Steriles business is around 10% of sales
- Injectables generally have a better margin versus other products
- US is around 10% of total sales comprising purely injectables

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Hatsun Agro: Margins sustainable at current levels, can get better from here; RG Chandramogan, Chairman

- Performance is sustainable and can better this quarter
- Margins sustainable at current levels, can better from here
- Branded sales at 96% of total sales
- Company has no exposure to HoReCa
- Retail outlets now account for 13-14% of sales vs 9% earlier
- Ad spends have softened, that further aided margins
- All of company’s procurement is directly from the farmers

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