Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	36,487	1.3	-11.6
Nifty-50	10,764	1.5	-11.5
Nifty-M 100	15,297	1.7	-10.6
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	3,180	1.6	-1.6
Nasdaq	10,434	2.2	16.3
FTSE 100	6,286	2.1	-16.7
DAX	12,733	1.6	-3.9
Hang Seng	10,727	4.7	-4.0
Nikkei 225	22,714	1.8	-4.0
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	42	0.3	-36.0
Gold ($/OZ)	1,785	0.5	17.6
Cu (US$/MT)	6,135	1.9	-0.2
Almn (US$/MT)	1,601	1.2	-10.1
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	74.7	0.0	4.6
USD/EUR	1.1	0.5	0.9
USD/JPY	107.4	-0.1	-1.2
YIELD (%)	**Close**	**1MChg**	**CYTDchg**
10 Yrs G-Sec	5.8	-0.01	-0.7
10 Yrs AAA Corp	6.7	-0.01	-0.9
Flows (USD b)	**6-Jul**	**MTD**	**CYTD**
FIIs	0.05	-0.22	-2.71
DIIs	0.04	0.29	12.12
Volumes (INRb)	**6-Jul**	**MTD***	**CYTD***
Cash	580	548	512
F&O	10,302	17,352	14,746

Note: *Average

Today's top research idea

Technology - 1QFY21 Preview: Deal signings to be key monitorable

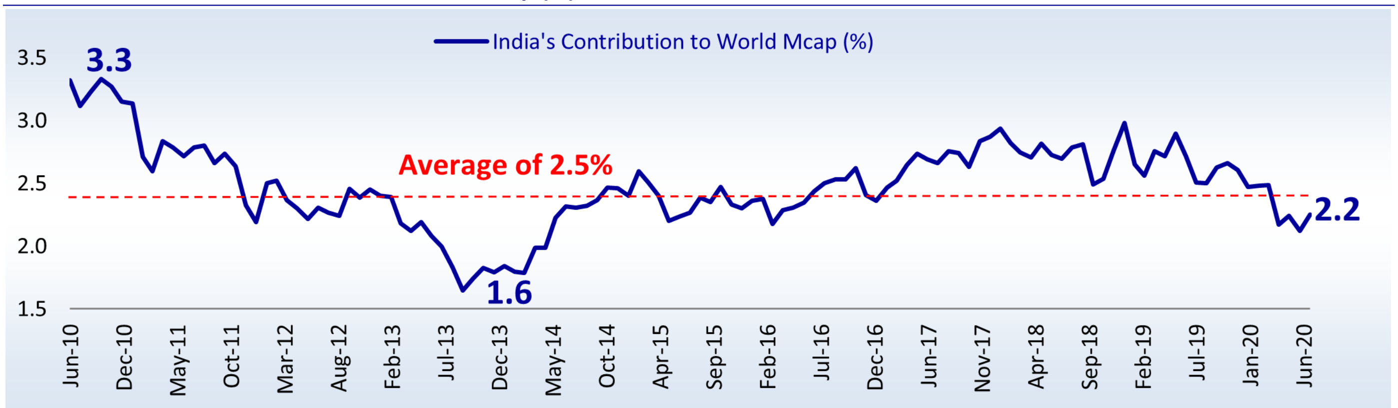
- Accenture's recent result and commentary have set a baseline expectation for Indian IT companies. While supply-side issues eased in the quarter, demand issues persist and are more pronounced in some verticals (e.g., Retail, Travel, Transportation and Hospitality, and Aerospace).
- For Q1FY20, we expect the sector aggregate revenue (USD) / revenue (INR) / EBIT / PAT to grow by -4%/5%/5%/0% YoY.
- We expect margin disruption to not be as severe as feared due to a lower-than-anticipated pricing impact and other tailwinds (deferred wage hikes, currency depreciation, absence of certain G&A/PM Cares fund related expenses) partially offsetting the COVID-19 impact.
- Deal signings in 1QFY21 and commentary around the pipeline are likely to be the key focus areas for investors as this is the latest available proxy for demand.
- Despite near-term uncertainties due to COVID-19 as well as the US elections, we continue to like Infosys/TCS/HCLT among Tier I and LTI/Mindtree among Tier II.

Research covered

Cos/Sector	Key Highlights
Technology (1QFY21 Preview)	Deal signings to be key monitorable
Bulls & Bears	Market resumes upward journey in Jun'20
Bajaj Finance	Sharp decline in morat. rate | Upgrade est. by ~15%
Godrej Consumer Prod.	1QFY21 performance likely to be better than peers
Bandhan Bank	Collection trends improving steadily; Deposit franchise remains strong
Shriram Transport	Getting confidence capital in place
AU Small Finance Bank	Focus remains on building a sustainable retail franchise
Alembic Pharmaceuticals	Huge capex cycle nears completion

Chart of the Day: India's share in world market cap below its historical average

Trend in India's contribution to world market cap (%)



Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

India reviewing around 50 investment proposals from Chinese firms: Sources

The Indian government is reviewing around 50 investment proposals involving Chinese companies under a new screening policy, three sources familiar with the matter told Reuters. Under new rules announced by India in April, all investments by entities based ...

2

Karnataka govt issues notice to Apollo Hospitals for overcharging for Covid-19 test

The Karnataka government on Monday issued a notice to Apollo Hospitals for allegedly overcharging for a Covid-19 test in Bengaluru. The director of the National Health Mission in Karnataka issued a notice to Apollo Hospitals in Seshadripuram for violating Indian Council of Medical Research (ICMR) guidelines on testing costs. "With reference to the above subject, the total cost of Covid-19 testing per patient should not exceed ₹4,500. But it is seen that, in the bill raised by your hospital dated 25 June, 2020 an amount of ₹6,000 is charged," the NHM said in its notice.

3

Maharashtra allows hotels outside containment zones to operate with 33% capacity

Easing the coronavirus-induced lockdown further, the Maharashtra government on Monday allowed hotels, lodges and guest houses outside containment zones to begin operations from July 8. These entities however, can operate only at 33% of their capacity.

4

India-China Border Dispute: India and China agree total de-escalation required for peace and tranquility

Even as there are reports suggesting that the week has started with the Chinese troops moving out of the disputed areas along the Line of Actual Control (LAC), National Security Advisor (NSA) Ajit Doval discussed border tensions with Wang Yi, State Councillor and Minister...

5

Mylan gets DCGI nod for remdesivir in India, to launch at Rs 4,800 per vial

Pharmaceutical major Mylan NV on Monday said it has received approval from Indian drugs regulator DCGI to manufacture and market its remdesivir for restricted emergency use in the country for the treatment of COVID-19. The drug will be priced at Rs 4,800 per 100 mg vial and would be available to the patients in this month, it added. ...

6

ED slaps its biggest ever FEMA show cause notice of ₹7,220 cr on Kolkata firm

The Enforcement Directorate (ED) has slapped its biggest ever FEMA show cause notice of ₹7,220 crore on a Kolkata-based jewellery house for allegedly indulging in illegal foreign exchange abroad, official sources said on Monday. This is linked to a bank loan fraud case, they ...

7

IOC, ONGC, other PSUs implementing Rs 3.57 lakh crore projects: Petroleum Ministry

Oil PSUs such as IOC and ONGC are implementing about Rs 3.57 lakh crore worth of projects across the entire hydrocarbon value chain that will further enhance energy accessibility, create jobs and boost the economy, the Petroleum Ministry said on Monday. In Twitter posts, ...

Technology

Result Preview

- Cyient
- HCL Tech
- Hexaware
- Infosys
- L&T Infotech
- Mindtree
- Mphasis
- NIIT Tech
- Persistent
- TCS
- Tech Mahindra
- Wipro
- Zensar

Deal signings to be key monitorable

Weak growth expectations given COVID-19 disruption

- Accenture's recent result and commentary have set a baseline expectation for Indian IT companies. However, as we highlighted in our earlier note (link), the Healthcare vertical of Indian IT is not as big as that of Accenture (18% of sales).
- Accordingly, while this vertical remained a key growth driver for Accenture, it may not move the needle to that extent in the case of Indian IT. Nevertheless, we believe Indian IT should demonstrate a similar operational resilience.
- As the quarter progressed, supply-side issues eased as most of the countries re-opened their economies. Barring a few areas, such as ER&D, the supply side should not see any further material bottleneck.
- However, demand issues persist and are more pronounced in some verticals (e.g., Retail, Travel, Transportation and Hospitality, and Aerospace).
- For Q1FY20, we expect aggregate revenue (USD)/revenue (INR)/ EBIT/PAT to grow by -4%/5%/5%/0% YoY respectively.
- On a sequential basis, Tier I revenue should move in the range of (8.0)%–(4.5)% (CC) and (8.5)%–(4.8)% (USD), with INFY/TechM leading / lagging behind the pack.
- Across Tier II, revenue should move in the range of (15)%–(3)% (QoQ, CC) and (15)%–(5)% (QoQ USD), with LTI/Cyient leading / lagging behind.

Margin disruption should not be as severe as feared

- Our recent interactions with companies suggest that pricing pressure was not to the extent that was anticipated earlier.
- While a fall in utilization levels and negative operating leverage should hurt margins, they should be partly offset by sharp INR depreciation, the deferral of salary revisions, and the absence of certain G&A / PM CARES fund related expenses.
- Overall, while the sequential EBIT margins of Tier I should contract by (240)–(70)bp, our Tier II coverage should move in the range of (180)–50bp.
- For the full year, we currently build-in a (310)-320bp EBIT margin impact for our coverage universe. However, subject to companies' commentary, there may be an upside risk to our estimates.

Deal wins data a key observable

- Limited visibility on recovery, coupled with the risk of a potential second wave, should render it challenging for companies to provide guidance even this time.
- Despite the partial impact of COVID-19 in 4QFY20, deal bookings (TCS: 44% YoY) remained resilient, even with net new signings showing a strong increase.
- Deal signings in 1QFY21 and commentary around the pipeline are likely to be the key focus areas for investors as this is the latest available proxy for demand.
- Moreover, as this would be the first full quarter where the majority of associates would be working from home, operational metrics (e.g., utilizations and G&A expenses) in the new normal would also be keenly watched.

Compelling long-term outlook; prefer Infosys/TCS/LTI

- Despite near-term uncertainties due to COVID-19 and the US elections, we continue to like Infosys/TCS/HCLT among Tier I and LTI/Mindtree among Tier II.
- This is attributable to their robust business models, high return ratios, strong management teams, and reasonable valuations.
- These companies have had a legacy of overcoming multiple business challenges and technology change cycles in the past. Accordingly, we believe they would be able to adapt and overcome any transient challenges posed by COVID-19.

Expect Tier I revenue (USD) to decline by 6% QoQ

	Revenue (USD m)					Revenue (INR b)				
Company	**1QFY21E**	**4QFY20**	**QoQ (%)**	**1QFY20**	**YoY (%)**	**1QFY21E**	**4QFY20**	**QoQ (%)**	**1QFY20**	**YoY (%)**
TCS	5,172	5,444	-5.0	5,485	-5.7	393	399	-1.6	382	3.0
Infosys	3,044	3,197	-4.8	3,131	-2.8	231	233	-0.6	218	6.1
Wipro	1,926	2,074	-7.1	2,039	-5.5	151	158	-4.5	148	2.0
HCLT	2,350	2,543	-7.6	2,364	-0.6	179	186	-3.9	164	8.7
TECHM	1,185	1,295	-8.5	1,247	-5.0	90	95	-5.1	87	4.0
Aggregate	**13,676**	**14,553**	**-6.0**	**14,266**	**-4.1**	**1,044**	**1,071**	**-2.5**	**999**	**4.5**
	EBIT Margin (%)					**PAT (INR b)**				
Company	**1QFY21E**	**4QFY20**	**QoQ (bp)**	**1QFY20**	**YoY (bp)**	**1QFY21E**	**4QFY20**	**QoQ (%)**	**1QFY20**	**YoY (%)**
TCS	24.4	25.1	-70	24.2	20	81	81	-0.4	82	-1.1
Infosys	20.5	21.2	-70	20.5	0	39	43	-11.1	38	1.3
Wipro	15.3	16.7	-140	16.7	-130	22	23	-7.7	24	-9.9
HCLT	18.5	20.9	-240	17.1	140	27	32	-16.0	22	18.9
TECHM	9.0	10.0	-100	11.5	-250	7	7	3.1	9	-21.1
Aggregate	**19.9**	**20.9**	**-100**	**20.0**	**10**	**175**	**187**	**-6.3**	**175**	**-0.3**

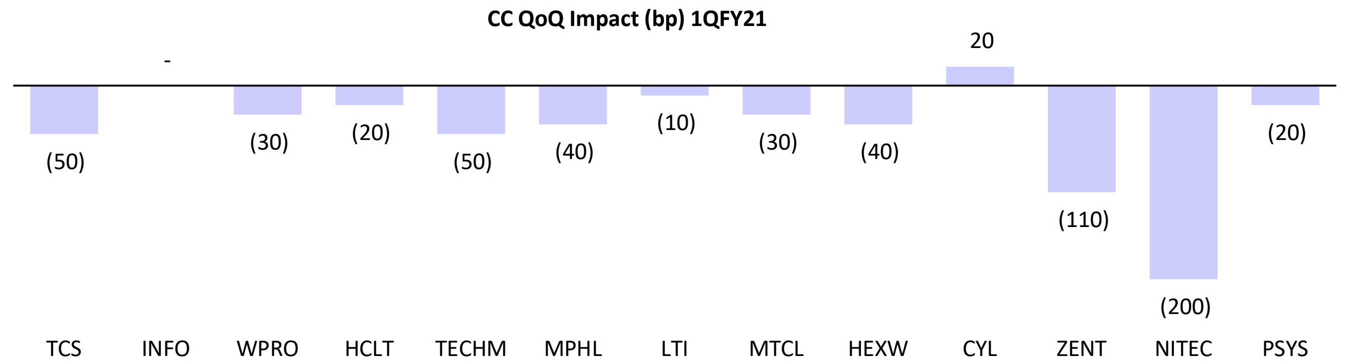
Source: Company, MOFSL

Expect Tier II revenue (USD) to decline by 7% QoQ

	Revenue (USD m)					Revenue (INR b)				
Company	**1QFY21E**	**4QFY20**	**QoQ (%)**	**1QFY20**	**YoY (%)**	**1QFY21E**	**4QFY20**	**QoQ (%)**	**1QFY20**	**YoY (%)**
LTI	389	410	-5.0	357	9.2	30	30	-1.7	25	19.1
Mindtree	256	278	-7.9	264	-3.0	19	21	-5.0	18	6.2
Mphasis	303	320	-5.1	297	2.2	23	23	-2.5	21	11.0
NIIT Tech	147	155	-5.0	138	6.6	11	11	0.3	10	15.9
Hexaware	193	211	-8.5	189	2.2	15	15	-5.0	12	11.9
Persistent	119	127	-6.0	120	-0.1	9	9	-2.0	8	9.1
Zensar	127	141	-10.0	153	-17.4	10	10	-5.5	11	-9.7
Cyient	127	149	-15.1	157	-19.1	10	11	-10.3	11	-11.6
Aggregate	**1,662**	**1,790**	**-7.2**	**1,674**	**-0.7**	**126**	**131**	**-3.6**	**116**	**8.3**
	EBIT Margin (%)					**PAT (INR b)**				
Company	**1QFY21E**	**4QFY20**	**QoQ (bp)**	**1QFY20**	**YoY (bp)**	**1QFY21E**	**4QFY20**	**QoQ (%)**	**1QFY20**	**YoY (%)**
LTI	17.2	16.7	50	16.0	120	3.9	4.3	-9.8	3.6	8.3
Mindtree	13.7	13.8	-10	6.4	730	2.0	2.1	-3.7	0.9	114.1
Mphasis	15.1	16.3	-120	15.5	-40	2.8	3.5	-19.5	2.6	7.5
NIIT Tech	12.6	13.9	-130	12.9	-30	1.3	1.2	2.3	1.0	21.5
Hexaware	10.3	11.8	-150	14.6	-430	1.2	1.7	-33.6	1.5	-23.2
Persistent	7.5	9.2	-170	9.8	-230	0.6	0.8	-26.1	0.8	-24.9
Zensar	8.0	9.8	-190	10.7	-270	0.6	0.7	-22.2	0.8	-29.9
Cyient	7.0	8.4	-140	9.2	-220	0.6	0.8	-19.6	0.9	-31.2
Aggregate	**12.9**	**13.6**	**-70**	**12.4**	**50**	**13**	**15**	**-15.0**	**12**	**5.7**

Source: Company, MOFSL

Cross-currency headwinds driven by USD appreciation



Source: Bloomberg, MOFSL

Bulls & Bears

India Valuations Handbook

Strategy: Market resumes upward journey in Jun'20; Mid-cap index outperforms Nifty

- **Markets up 8% in Jun'20:** After consolidating in May'20 (down 2.8% MoM), the Nifty headed north in Jun'20 (up 7.5% MoM) to cross the 10k mark and close at 10,302. After trudging down to a low of 7,610 on 23rd Mar'20, the Nifty bounced back more than 35% from its lows. Strong momentum in Jun'20 was despite the Indo-China border conflict and weak corporate earnings. FII inflows of USD2.5b in Jun'20 were the highest in 7 months while DII inflows remained muted at USD0.3b. The Nifty Mid-cap index has marginally outperformed the Nifty on YTD'20 basis; even in Jun'20, it surpassed the Nifty and was up 10.8%. The Nifty Mid-cap 100 P/E ratio now trades at 18.8x (v/s 11.6x in Mar'20), a 9% discount to large-caps. Over the last three months, the Top-15 has marginally lagged the Next-35, indicating marginal reversal in the sharp polarisation witnessed within the Nifty since Dec'17.
- **4QFY20 earnings muted as expected:** The 4QFY20 earnings for our Nifty and MOSL Universe were largely in line with our muted expectations. Nifty sales declined 5.1% YoY (v/s est. -10%), while EBITDA/PBT/PAT declined 4.8%/28.6%/20.1% YoY (v/s est. -8.8%/-21.2%/-20%). PAT was dragged by Autos, Oil and Gas (O&G), Metals, Private Banks and NBFCs. Our FY21/FY22E Nifty EPS estimates have been cut by 9%/6% to INR454/INR637 (prior: INR499/INR677). We now expect FY21 Nifty EPS to decline by 3.7%. Direction of earnings revision for the broader markets still remains downward – with 113 companies in the MOFSL Universe witnessing an earnings cut of >5% and 25 witnessing upgrades of >5%+ for FY21.
- **Global markets close higher in Jun'20:** Barring Russia (-2%), which ended lower, Jun'20 saw all key global markets like Brazil (+9%), India (+8%), MSCI EM (+7%) and Taiwan (+6%) close higher in local currency. Over the last 12 months, MSCI EM (-6%) outperformed MSCI India (-11%). Notably, over the last 10 years, MSCI India outperformed MSCI EM by 58%. MSCI India's P/E is at a premium of 70% to MSCI EM's P/E, above its historical average premium of 54%. India's share in world market cap currently stands at 2.2%, below its historical average of 2.5%.
- **All sectors closed higher MoM in Jun'20:** In Jun'20, PSU Banks (+17%), Real Estate (+12%), Private Banks (+11%), Autos (+8%) and NBFCs (+8%) were the top performers. Bajaj Finance (+45%), Bajaj Finserv (+33%), IndusInd Bank (+21%), M&M (+17%) and Reliance Industries (+16%) were the top performers on MoM basis. Zee Ent (-7%), Coal India (-6%), Bharti Infratel (-4%), Dr Reddy's (-3%) and ONGC (-2%) were the key laggards. In this edition, we take a deep-dive into the valuation metrics of the Banking sector.
- **Economic activity and demand side revival remains the key:** The 4QFY20 corporate earnings were muted but on expected lines. Given the disruption owing to the COVID pandemic, earnings recovery seems pushed back by at least a year. Meanwhile, markets are looking beyond FY21, aided by global recovery and gradual return to normalcy. Amidst the overall challenging macros, one silver lining is the 'Rural' economy, which has seen lesser damage from the COVID pandemic. Drivers for rural income remain robust with the strong start to monsoons, robust Kharif sowings, and sharp hike in allocation to MGNREGA. Near-term earnings predictability has been impaired and hopes have now shifted to potential FY22E earnings recovery. After the 39% rally from Mar'20 lows, the Nifty at 20.6x P/E is now trading at a slight premium to its long period average and is not looking as attractive as it did in Mar'20. Further upside, in our view, now rests on the inter-play of the Health crisis and restoration of normalcy in the economy. We advocate a more cautious/defensive portfolio positioning.
- **Top Ideas: Large-caps:** ICICI Bank, Bharti Airtel, Infosys, HUL, HDFC, Dabur, M&M, Reliance Industries.
  Mid-caps: ABFRL, TCPL, Crompton Consumer, Alkem, LT Infotech, Gujarat Gas, JSPL, Motherson Sumi

Bajaj Finance

BSE SENSEX	S&P CNX
36,487	10,764

Stock Info

Bloomberg	BAF IN
Equity Shares (m)	577
M.Cap.(INRb)/(USDb)	1870.7 / 23.6
52-Week Range (INR)	4923 / 1783
1, 6, 12 Rel. Per (%)	24/-12/-9
12M Avg Val (INR M)	12656
Free float (%)	43.8

Financials Snapshot (INR b)

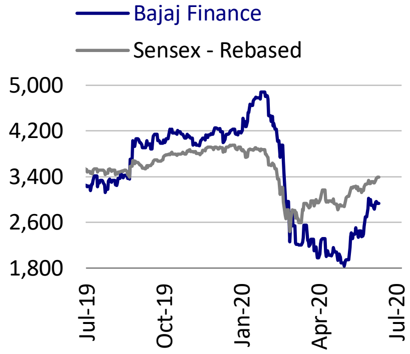
Y/E March	2020	2021E	2022E
Net Income	169.1	171.2	207.8
PPP	112.5	120.7	148.7
PAT	52.6	45.4	70.5
EPS (INR)	87.7	75.7	117.5
EPS Gr. (%)	26.7	-13.7	55.2
BV/Sh. (INR)	540	608	714
Ratios			
NIM (%)	10.5	9.6	10.1
C/I ratio (%)	33.5	29.5	28.4
RoA (%)	3.6	2.6	3.5
RoE (%)	20.2	13.2	17.8
Payout (%)	13.8	10.0	10.0
Valuations			
P/E (x)	35.4	41.1	26.5
P/BV (x)	5.8	5.1	4.4
Div. Yield (%)	0.3	0.3	0.4

Shareholding pattern (%)

As On	Mar-20	Dec-19	Mar-19
Promoter	56.2	56.2	55.2
DII	10.9	10.5	8.5
FII	21.5	22.5	20.9
Others	11.5	10.9	15.5

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR3,110 TP: INR3,000 (-4%) Neutral

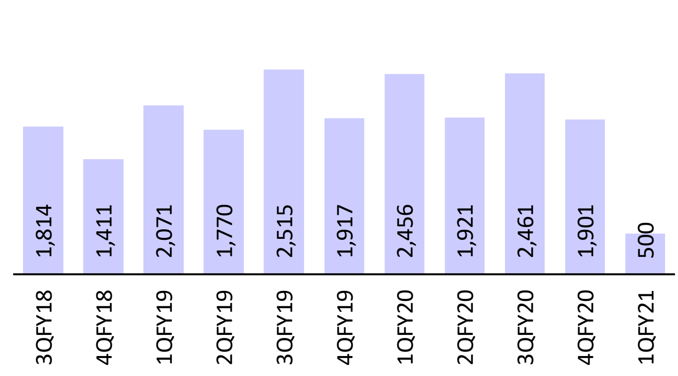
Sharp decline in morat. rate | Upgrade est. by ~15%

QoQ AUM decline in line with expectation

- Bajaj Finance (BAF) released a pre-quarter update on key business details.
- Given the lockdown, which lasted for most of the quarter, BAF's customer franchise grew a modest 1% QoQ to 43m. **Nevertheless, the company acquired 0.5m new customers and disbursed 1.7m loans during the quarter.** The cross-sell ratio to existing customers stood at ~70% (up from 66% YoY).
- As per ALM disclosures in its Annual Report, ~13% of AUM was supposed to be repaid in 1QFY21. However, due to morat., the repayment rate was expected to be lower at 8–9%. With the full resumption of activity in June, BAF was able to restrict **consol. AUM decline to ~6% QoQ to INR1.38t.** With normalization returning sooner than expected, we upgrade our growth estimates to 12% in FY21 v/s 3% earlier.
- The biggest surprise was reflected in the moratorium book: **AUM share under moratorium declined to 15.5% in June from 27% in April.** On an absolute basis, the moratorium book declined 40–45% to INR210b. The development is a welcome surprise, owing to which we now factor lower stress addition. Accordingly, **we cut our FY21/FY22 credit cost by 50bp/25bp to 3.9%/3.1%.** While BAF took INR9b COVID-19-related provisions in 4QFY20, it may consider taking additional COVID-19 provisions in 1QFY21 as well.
- The deposit base declined 7% QoQ to INR200b; we await clarity from the management on the same.
- Liquidity on the balance sheet increased 12% QoQ to INR176b, although it was down 16% from May 15th levels.

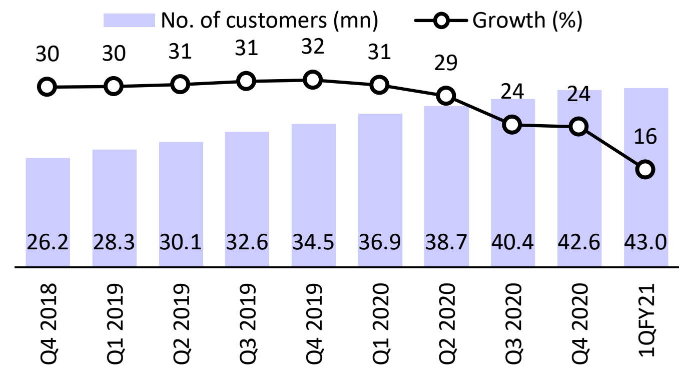
Valuation and view: The sharp reduction in morat. is a big positive in disclosures. Better performance in asset quality would result in big delta to earnings via lower credit cost / margin compression. While QoQ decline in AUM is in line with our expectation, a pickup in economic activities should lead to better AUM growth going forward. On the other hand, BAF is likely to benefit from lower cost of funds from bank loans as well as market borrowings. While we have baked in NIM compression of 90bp, there is room for a surprise. BAF is also aggressively looking to cut the flab in the system and improve opex to assets (we bake in a 100bp YoY drop) to counter pressure on the topline. Overall, we have upgraded our earnings estimates by ~15% for FY21/FY22 to factor better AUM growth, a reduction in credit cost, and slightly better margins. Maintain Neutral, with TP of INR3,000 (4.2x FY22E BVPS; implied 25x PE FY22).

New loans booked during the quarter ('000)



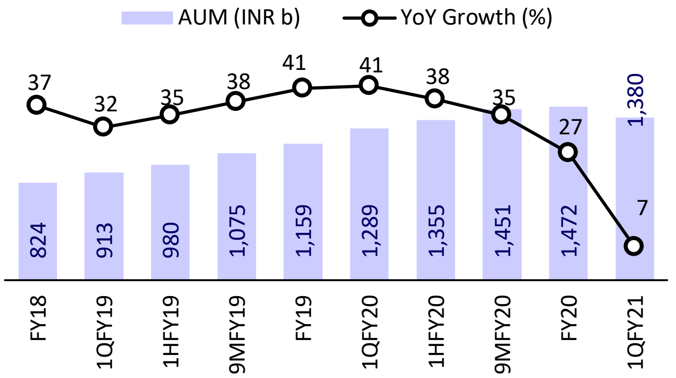
Source: MOFSL, Company

Trend in customer base



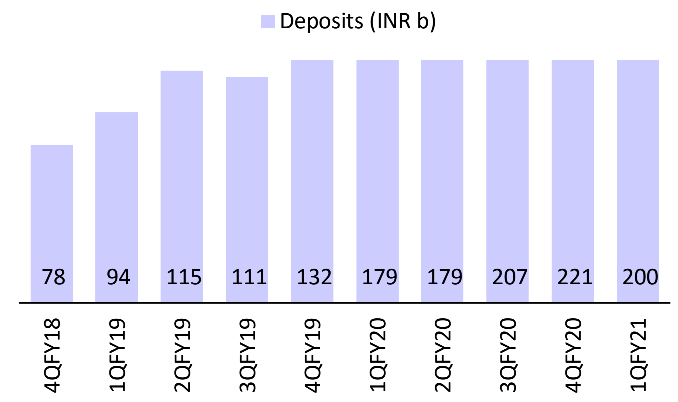
Source: MOFSL, Company

AUM contracts 6% sequentially



Source: MOFSL, Company

Deposit base declines sequentially



Source: MOFSL, Company

We increase our EPS estimates by 13%/15% for FY21/FY22

INR b	Old Est.		New Est.		% Change	
	FY21	FY22	FY21	FY22	FY21	FY22
Net Income	**166.7**	**190.9**	**171.2**	**207.8**	**2.7**	**8.9**
Operating Expenses	49.4	57.9	50.5	59.1	2.1	2.2
Operating Profits	**117.3**	**133.0**	**120.7**	**148.7**	**2.9**	**11.8**
Provisions	63.7	51.2	60.1	54.7	-5.6	6.9
PBT	**53.6**	**81.8**	**60.6**	**94.0**	**13.0**	**14.8**
Tax	13.4	20.5	15.1	23.5	13.0	14.8
PAT	**40.2**	**61.4**	**45.4**	**70.5**	**13.0**	**14.8**
Loans	1,464	1,647	1,599	1,887	9.3	14.6
Borrowings	1,317	1,482	1,455	1,717	10.5	15.9
RoA	**2.4**	**3.4**	**2.6**	**3.5**		
RoE	**11.8**	**15.9**	**13.2**	**17.8**		
AUM	**1,508**	**1,697**	**1,648**	**1,945**	**9.3**	**14.6**

Source: MOFSL, Company

6 July 2020

Update | Sector: Consumer

Godrej Consumer Products

BSE SENSEX	S&P CNX
36,487	10,764

GODREJ | CONSUMER PRODUCTS

Stock Info

Bloomberg	GCPL IN
Equity Shares (m)	1,022
M.Cap.(INRb)/(USDb)	723.4 / 9.8
52-Week Range (INR)	772 / 425
1, 6, 12 Rel. Per (%)	3/12/13
12M Avg Val (INR M)	939
Free float (%)	36.8

Financials Snapshot (INR b)

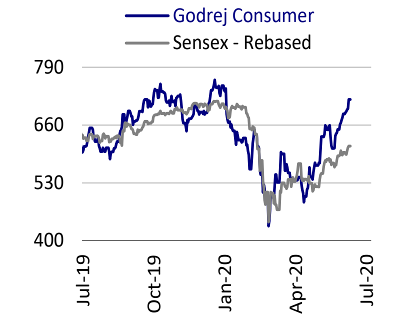
Y/E Mar	2020	2021E	2022E
Sales	99.1	103.1	111.4
Sales Gr. (%)	-3.9	4.0	8.0
EBITDA	21.4	22.4	24.3
Margins (%)	21.6	21.7	21.8
Adj. PAT	14.5	15.1	16.5
Adj. EPS (INR)	14.2	14.7	16.1
EPS Gr. (%)	-2.8	4.0	9.3
BV/Sh.(INR)	77.3	72.4	70.3
Ratios			
RoE (%)	19.1	19.7	22.6
RoCE (%)	16.0	16.7	18.5
Payout (%)	70.6	90.5	94.1
Valuations			
P/E (x)	50.0	48.1	44.0
P/BV (x)	9.2	9.8	10.1
EV/EBITDA (x)	34.7	33.1	30.6
Div. Yield (%)	1.4	1.9	2.1

Shareholding pattern (%)

As On	Mar-20	Dec-19	Mar-19
Promoter	63.2	63.2	63.3
DII	3.1	2.2	2.5
FII	26.3	27.7	27.5
Others	7.3	6.8	6.8

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR708 | TP: INR675(-5%) | Neutral

1QFY21 performance likely to be better than peers

Verbatim from Godrej Consumer Product's (GCPL) pre-quarterly update for 1QFY21.

- **Macros:** 1QFY21 was an unprecedented period due to the spread of the Coronavirus pandemic across the globe, which impacted all geographies that GCPL operated in. While the company saw impact of the lockdown in the earlier part of the quarter, GCPL displayed strong agility in ramping up production and resolving logistical challenges. It also leveraged technology, strong relationships with channel partners and was agile in meeting end-consumer demand. **The demand trends were mixed for categories and geographies of its operations.**
- **In India,** resurgence in the Household Insecticide category continued with strong underlying consumer demand. GCPL witnessed strong momentum in the Hygiene category as well; however, demand for Hair Color and Air Freshener was muted, temporarily impacted by the lockdown. **The company expects close to mid-single digit volume driven sales growth in the quarter.**
- **In Indonesia,** despite the disruptions caused by the Coronavirus**, GCPL expects close to mid-single digit constant currency sales growth**. It is witnessing robust demand in Household Insecticide and strong traction in the Hygiene category.
- **In GAUM (Godrej Africa, the US and the Middle East), GCPL expects sales decline in early-20s in constant currency terms.** Amidst the disruptions caused by the Coronavirus, most key countries were in standstill mode in Apr/ early-May'20, which resulted in sales loss. GCPL has seen strong recovery from mid-May-Jun'20 across most markets that it operates in.
- **Within the 'others' geographies,** performance in Latin America is expected to be steady in constant currency terms. However, in INR terms, GCPL expects the performance to be weak. Performance in SAARC countries remains steady.
- **At consolidated level, the company expects absolute sales to be marginally lower compared to the base quarter in INR terms.**
- **Valuation and view:** Over FY10-20E, GCPL posted healthy growth on all fronts. However, domestic sales slowdown in recent years and continued inability to scale up margins and improve weak RoCEs in the international business have adversely affected GCPL's pace of earnings growth. Apart from the COVID-19 led lockdown challenges, which is more of a short-term phenomenon, the loss of dominance in Hair Color, the advent of unorganized incense stick players in HI and weak execution in the Africa business remain points of worry. Also, based on the management commentary above, there is no indication that pace of earnings will improve vis-à-vis the past five years. **Given the weak earnings outlook and inferior RoCE v/s peers, valuations of 44x FY22E EPS appear fair.**

Bandhan Bank

BSE SENSEX	S&P CNX
36,487	10,764

Stock Info

Bloomberg	BANDHAN IN
Equity Shares (m)	1,610
M.Cap.(INRb)/(USDb)	574.8 / 7.5
52-Week Range (INR)	650 / 152
1, 6, 12 Rel. Per (%)	38/-18/-27
12M Avg Val (INR M)	2155
Free float (%)	39.1

Financials Snapshot (INR b)

Y/E March	FY20	FY21E	FY22E
NII	63.2	75.5	89.4
OP	54.5	61.8	72.3
NP	30.2	32.5	39.7
NIM (%)	9.1	8.2	8.2
EPS (INR)	21.6	20.2	24.7
EPS Gr. (%)	31.9	-6.4	22.2
BV/Sh. (INR)	94	116	134
ABV/Sh. (INR)	93	113	131
RoE (%)	22.9	19.2	19.7
RoA (%)	4.1	3.3	3.4
Valuations			
P/E(X)	16.5	17.7	14.5
P/BV (X)	3.8	3.1	2.7
P/ABV (X)	3.9	3.2	2.7

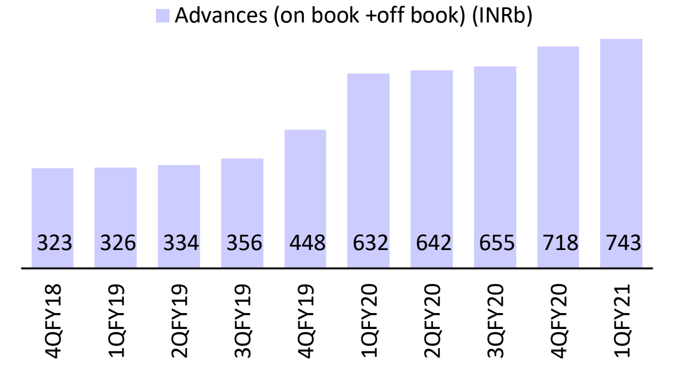
CMP: INR357 TP: INR350 (-2%) Buy

Collection trends improving steadily; Deposit franchise remains strong

Bandhan Bank released its quarterly update highlighting key business numbers for 1QFY21. Here are the main details:

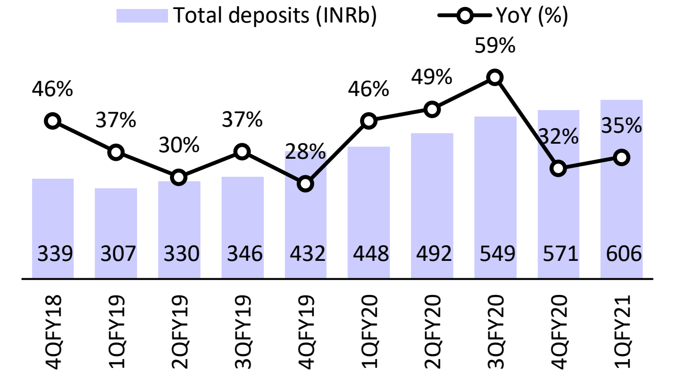
- Advances (on book +off book+ TLTRO investments) grew at 17.7% YoY (3.5% QoQ) despite lockdown witnessed in April'20 and May'20. We believe sequential growth would be enabled by the bank's offering of top-up loans to existing customers to support the immediate business needs impacted due to lockdown.
- Bandhan's collection efficiency on the MFI portfolio began reflecting positive traction from 1st June'20 onward as economic activity started to pick up; thus, collection efficiency had recovered to ~68% as of June'20 (and ~70% as of 3rd July'20). Thus, the share of moratorium availed (100% in the MFI portfolio initially) had reduced to ~30% as of 3rd July'20. Management earlier indicated that ~70% of borrowers (~50% in Agri +~20% in Food Processing and Retail) were largely operational during the lockdown period. Therefore, it believes these borrowers have started repaying their dues.
- Furthermore, collection efficiency in the Non-MFI portfolio had improved to ~84% as of June'20; thus, the share of moratorium in this portfolio stood at ~16%.
- Bandhan continues to report strong deposit growth at ~35.3% YoY / 6.2% QoQ to INR606b, led by growth in CASA deposits at 47.3% YoY / 6.9% QoQ to ~INR225b. Thus, the CASA ratio improved to 37.1% v/s 36.8% in FY20. Overall, the proportion of retail deposits stood stable at ~78%.
- However, the share of micro banking deposits in the total bank deposits declined to 5.0% (v/s 5.7% in FY20 and 6.2% in 1QFY20).
- The LCR ratio stood at ~159% as of 1QFY21.
- **Valuation and view:** As economic activity picks up in India, we are seeing steady improvement in collection trends. Bandhan's collection efficiency has improved to ~70% in the MFI portfolio and ~84% in the Non-MFI portfolio. Thus, the incidence of moratorium availed has been declining. Furthermore, the bank has created COVID-19-related provisions of INR6.9b to deal with higher delinquencies in the near term. LGD should remain lower (v/s that of peers) due to Bandhan's strong market share and higher unique customer base. We maintain a **Buy** rating, with unchanged TP of INR350 (2.6x FY22E); however, we would review our target price in our preview estimates.

Advances grow ~18% YoY (~3.5% QoQ)



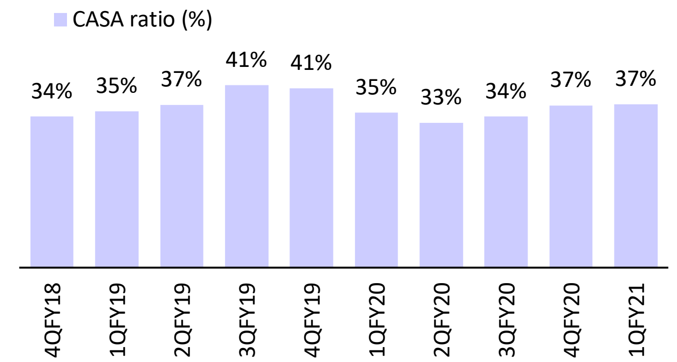
Source: MOFSL, Company; from 1QFY20 onwards reflects merged numbers

Total deposits grow ~35% YoY (~6% QoQ) to INR606b



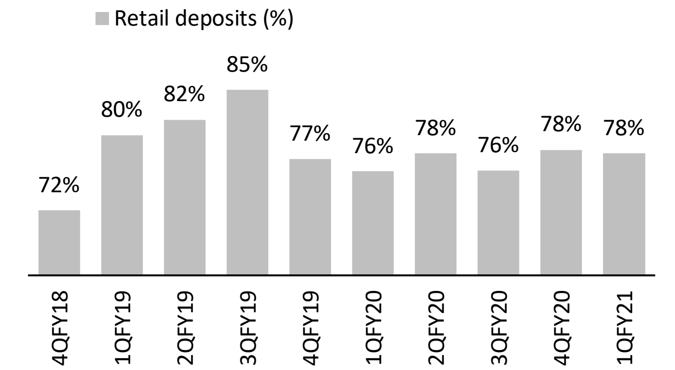
Source: MOFSL, Company

CASA ratio improves by 30bp QoQ to 37.1%



Source: MOFSL, Company

Retail deposit mix improves to ~78%



Source: MOFSL, Company

Shriram Transport

BSE SENSEX	S&P CNX
36,487	10,764
Bloomberg	SHTF IN
Equity Shares (m)	227
M.Cap.(INRb)/(USDb)	158.3 / 2.1
52-Week Range (INR)	1367 / 440
1, 6, 12 Rel. Per (%)	7/-27/-28
12M Avg Val (INR M)	2381
Free float (%)	73.8

Financials & Valuations (INR b)

Y/E March	2020	2021E	2022E
Net Inc.	83.1	75.7	82.1
PPP	62.3	57.3	62.0
PAT	25.0	15.1	26.8
EPS (INR)	110	66	118
EPS Gr. (%)	-2.4	-39.7	77.8
BV/Sh (INR)	794	854	960
Ratios			
NIM (%)	8.0	7.3	7.9
C/I ratio (%)	25.0	24.3	24.5
RoA (%)	2.3	1.4	2.4
RoE (%)	14.9	8.1	13.0
Payout (%)	5.4	12.0	12.0
Valuations			
P/E (x)	6.3	10.5	5.9
P/BV (x)	0.9	0.8	0.7
Div. Yield (%)	0.7	1.0	1.7

CMP: INR698 **TP: INR925(+33%)** **Buy**

Getting confidence capital in place

BV to see ~3% dilution in FY21

- In the board meeting dated 15th June 2020, Shriram Transport (SHTF) passed the resolution to raise INR40b equity capital, INR15b through a rights issue and the rest through other specified modes. In the exchange release dated 6th July 2020, the rights issue record date was announced as 10th July 2020, and promoter and promoter group companies would fully subscribe to their rights entitlement.
- **Details of the issue:** a) The rights entitlement ratio is fixed at 3 shares for every 26 shares held. b) Rights pricing is fixed at INR570/share.
- **Impact on BV/EPS:** a) The rights issue would increase the networth by ~8%. b) As price is below FY20 BV of INR794/share, it is resulting in BV dilution of ~3%. c) Equity dilution would be ~10.4% (post the raise). d) Free funds benefits would lead to a ~7% (FY22/FY23) PAT upgrade; however, EPS would see dilution of ~4%. ROEs are likely to be stable at ~13%. e) The debt-to-equity level is likely to reduce to ~4.8x from ~5.2x.

Valuation and view

Like other vehicle financiers, SHTF has also witnessed meaningful improvement in collections, partially driven by the strategy of aggressively following up on taking part collections. SHTF's targeted segments – Used CV and Driver-cum-operators – are relatively less impacted at present, aided by the BS-VI transition and migrant labor issues at large fleet operators.

SHTF is well-placed in terms of liquidity, with 9–10% of the balance sheet being liquid assets. A rights issue of INR15b would improve the leverage ratio and provide confidence to debt investors and rating agencies. On a large base, near-term AUM growth is likely to be muted, led by moderation in disbursements. We reiterate Buy, with TP of INR925 (1x PBV).

Estimates factor rights issue of INR15b

INR m	Pre Issue			Post Issue		
	FY21	FY22	FY23	FY21	FY22	FY23
No of Shares (m)	**227**	**227**	**227**	**253**	**253**	**253**
NII	72,513	78,350	84,901	74,313	80,750	87,301
Growth (%)		8.0	8.4		8.7	8.1
Operating profits	57,299	61,999	66,864	59,099	64,399	69,264
Growth (%)		8.2	7.8		9.0	7.6
PAT	**15,081**	**26,820**	**31,704**	**16,431**	**28,620**	**33,504**
Growth (%)		77.8	18.2		74.2	17.1
EPS (INR)	66	118	140	65	113	132
BV (INR)	854	960	1,086	829	927	1,039
ROE (%)		**13.0**	**13.7**		**12.9**	**13.5**
PBV	**0.8**	**0.7**	**0.6**	**0.8**	**0.8**	**0.7**
PE	10.5	5.9	5.0	10.8	6.2	5.3

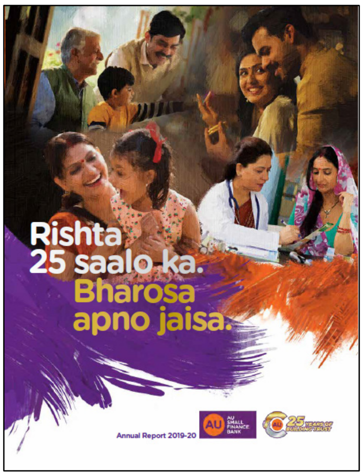
Source: MOFSL, Company

MOTILAL OSWAL | MORNING INDIA

Annual Report Update | Sector: Financials

AU Small Finance Bank

BSE SENSEX	S&P CNX
36,021	10,607



Stock Info

Bloomberg	AUBANK IN
Equity Shares (m)	304
M.Cap.(INRb)/(USDb)	173.6 / 2.4
52-Week Range (INR)	1218 / 366
1, 6, 12 Rel. Per (%)	20/-16/-9
12M Avg Val (INR M)	525
Free float (%)	69.1

Financials Snapshot (INR b)

Y/E March	FY20	FY21E	FY22E
NII	19.1	22.8	28.4
PPoP	12.0	13.7	17.5
PAT	6.7	6.6	9.2
NIM (%)	5.1	5.0	5.1
EPS (INR)	22.6	21.7	30.3
EPS Gr. (%)	71.3	-4.3	40.1
BV/Sh. (INR)	142.2	163.9	194.2
ABV/Sh. (INR)	138.9	155.7	185.5
Ratios			
RoE (%)	18.0	14.2	16.9
RoA (%)	1.8	1.4	1.7
Valuations			
P/E(X)	25.0	26.2	18.7
P/BV (X)	4.0	3.5	2.9
P/ABV (X)	4.1	3.6	3.1

CMP: INR567 TP: INR675 (+19%) Buy

Focus remains on building a sustainable retail franchise

Digitalization to improve cost ratios; PCR improves sharply

- **AUBANK's Annual Report emphasizes the bank's core focus on building a strong retail franchise, with retail AUM comprising ~84% of the loan book (98% secured loans). On the liability side, CASA plus retail TD comprises ~43% of deposits, with the concentration of the top 20 deposits declining to 23.4% v/s 25% in FY20.**
- **For FY20, NII/PPoP grew by 42%/66% while PAT grew by 77% YoY to INR6.7b aided by Aavas stake sale with bank reporting strong RoA/RoE of 1.8%/18%. Capital level remains strong with a Tier 1 ratio of 18.4% (CAR at 22%).**
- **Focused lending toward income generation activities and a lower average ticket size of ~INR0.5m has helped the bank maintain control over credit cost despite facing various headwinds. Retail GNPA improved to 1.7% v/s 2.2% in FY19, and overall GNPA increased to 1.7% v/s 2.0% in FY19. AUBANK follows an accelerated provisioning policy, which has enabled the bank to substantially increase its PCR by ~1,520bp to 53%.**
- **The bank continues to invest in digital capabilities and offers multiple new-age products that are gaining strong traction. Continuous scale-up in the digital channel would enable the bank to achieve higher productivity, thereby improving cost ratios.**
- **AUBANK reported a stable operating performance in FY20, with deposit growth holding strong despite an increasing focus on retail deposits. Collection efficiency remains the key to assessing the overall impact of moratorium, which would keep asset quality under watch. We estimate growth to remain modest, while credit cost would likely remain elevated (estimate of 1.7% for FY21E, in addition to 52bp of COVID-19 provisions made in 4QFY20). Maintain Buy, with unchanged TP of INR675.**

Retail franchise growing well; Used Vehicle segment to drive growth

- AUBANK continues to strengthen its asset book, with retail comprising ~84% of total AUM (98% secured). Focused lending toward income generation activities and a lower average ticket size of ~INR0.5m have enabled the bank to build a granular loan book. New product offerings and geographical expansions would continue to aid expansion in retail assets, while the bank's mantra – **Retail is all about detail –** would help maintain strong control on credit cost.
- As the New Vehicle segment continues to face headwinds, the bank has ramped-up the **mix of used vehicle financing (including cash-on-wheels) to ~37% v/s 28% in FY19. AUBANK financed ~6% of the total used vehicles sold in FY20, driving overall improvement in IRR.** At the system level, the Used Car market has crossed the 4m unit mark, 1.2x that of the New Car market. Furthermore, the Used Car segment is expected to grow faster and shift more toward organized players (share increased to 18% v/s 10% in FY11). We thus expect the bank to continue to show strong traction in this business.

Geographical mix improving; disbursement outside Rajasthan forms ~60%

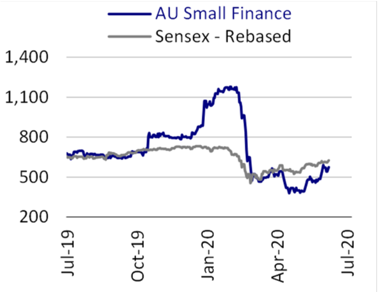
AUBANK continues to witness strong traction in **retail disbursements outside Rajasthan, which grew ~26% YoY and formed ~60% of the total disbursements in FY20.** This resulted in an improved geographical mix, with the **share of the top four states declining to 82% v/s 87% in FY19.** The share of Rajasthan declined to 43% v/s 46% in FY18, while the deposit mix also remains well-diversified. 61% of AU's branches are in rural/semi-urban areas and remain a key focus area.

Shareholding pattern (%)

As On	Mar-20	Dec-19	Mar-19
Promoter	31.0	31.0	32.2
DII	15.4	15.5	14.4
FII	28.7	26.8	23.8
Others	24.9	26.7	29.6

FII Includes depository receipts

Stock Performance (1-year)



Building strong/granular liability franchise; TD customers grow by ~93%

AUBANK has stepped up efforts in building a strong liability franchise, with an enhanced focus on growing its retail term deposits and CASA, which form 43% of the total deposits v/s 38% in FY19. AUBANK was relatively less impacted in the recent withdrawal of deposits witnessed by certain small and mid-sized banks, indicating higher stickiness. **The bank launched AU Royale – a premium savings account targeting high-value customers,** and acquired ~4.7k new-to-bank customers and upgraded ~11k customers with an ATS of INR1m. **Overall, the bank saw an increase of 48% in its deposit customers with the addition of ~493k accounts.** On the other hand, TD customers grew 93% YoY to ~209k accounts v/s ~108k accounts in FY19.

Strong asset quality | Aggressive provisioning policy | PCR improves sharply

A higher proportion of the secured book, coupled with strong underwriting and efficient collection management, has enabled the bank to report stable asset quality despite various headwinds. The GNPA ratio declined to 1.7% (2.0% in FY19), led by improvement in retail GNPA to 1.7% v/s 2.2% in FY19. Overall, ~25% of the book is under moratorium, while SMA a/c where moratorium was extended stood at INR24.7b (excluding INR3b on the securitized portfolio). **The bank follows an accelerated provisioning policy and sharply increased its PCR by ~1,520bp to 52.4% from 37.4% in FY19.** AUBANK has only one NPA (INR64m) in the NBFC book; along with a lower proportion of non-investment grade (~4%) book, this provides further comfort. The bank further carries a standard assets provision of INR1.2b and a COVID-19 related provision of INR1.4b.

Increased focus on cross-selling; Digitalization to help control cost

AUBANK has reached a customer base of 1.7m and is trying to gain on customer wallet share via higher cross-selling. **AUBANK's average product per customer stands at 1.3x v/s an average 4x for large private banks, which provides substantial room for growth via cross-selling.** The bank is investing in building digital capabilities and providing a superior experience to customers. AUBANK has ~0.2m Internet and mobile banking users transacting ~6.3k transactions per day (+167% YoY). The bank has opened a total of ~0.3m SA a/c through tablet devices comprising ~93% of the total SA accounts opened in FY20, taking the total SA accounts to ~1.2m.

RWA density best among peers; concentration ratios improve further

AUBANK has reported an improvement in concentration ratios, with the concentration of the top 20 advances/exposures improving by 193bp/28bp to 3.8%/8.1%. On the liability side, the concentration of the top 20 depositors improved by 160bp to 23.4%. Furthermore, the bank is focused on improving the quality of its loan book; this is reflected in its RWA density, which has improved ~940bp over the past two years to 53% currently. The bank has built a granular book with ~60% of loans <INR0.25m.

Valuation and view

AUBANK reported a steady operating performance for FY20, even as COVID-19 provisions dented earnings. Although asset quality remains stable, trends in collection efficiency remain key to assessing the overall impact of moratorium, which would keep asset quality under watch. Deposit growth, however, has held strong, enabling the bank to maintain strong surplus liquidity. We estimate loan growth trends to remain soft at 15% in FY21, while credit cost could increase to 1.7% in FY21E (in addition to 52bp of COVID-19 provisions made in 4QFY20) as we build-in higher slippages. Maintain Buy, with TP of INR675 (3.5x FY22E BV).

5 July 2020

Update | Sector: Healthcare

Alembic Pharmaceuticals

BSE SENSEX	S&P CNX
35,844	10,552

Stock Info

Bloomberg	ALPM IN
Equity Shares (m)	189
M.Cap.(INRb)/(USDb)	169.1 / 2.3
52-Week Range (INR)	984 / 436
1, 6, 12 Rel. Per (%)	0/72/79
12M Avg Val (INR M)	177
Free float (%)	27.0

Financials Snapshot (INR b)

Y/E MARCH	2020	2021E	2022E
Sales	46.1	50.2	55.7
EBITDA	12.2	11.9	13.6
Adj. PAT	8.6	7.7	8.4
EBIT Margin (%)	23.1	19.6	20.1
Cons. Adj. EPS (INR)	45.9	41.0	44.3
EPS Gr. (%)	47.7	-10.6	8.2
BV/Sh. (INR)	170.8	199.7	232.0
Ratios			
Net D:E	0.6	0.5	0.4
RoE (%)	30.1	22.9	21.2
RoCE (%)	19.7	14.4	14.9
Payout (%)	27.4	29.4	27.2
Valuations			
P/E (x)	19.5	21.9	20.2
EV/EBITDA (x)	12.1	12.4	10.7
Div. Yield (%)	1.1	1.1	1.1
FCF Yield (%)	-1.0	1.5	4.5
EV/Sales (x)	3.2	2.9	2.6

Shareholding pattern (%)

As On	Mar-20	Dec-19	Mar-19
Promoter	73.0	73.0	73.0
DII	6.9	6.7	5.5
FII	8.3	9.2	9.5
Others	11.9	11.1	12.1

FII Includes depository receipts

CMP: INR897 TP: INR975 (+9%) Neutral

Huge capex cycle nears completion

Momentum of filings to improve over medium term

- **Alembic Pharma (ALPM) is building a robust foundation for the next phase of growth in the US through huge capex (INR15b spent over FY16–20). This would be used to enhance its manufacturing strength in dosages other than oral solids (largely Injectables, Ophthalmic, and Derma); the company would be in the late stage of the capex cycle with INR7b in FY21.**
- **This move is supported by an industry-leading R&D spend (at 13–14% of sales) of INR22.9b over FY16–20. It has helped the company develop a strong product pipeline (200+ under development) for different dosages, which is expected to drive growth over the next three to four years. In fact, ALPM has already started filing ophthalmic and derma products from its new facilities.**
- **We raise our EPS estimates by 8%/7% over FY21/FY22 and the PE multiple to 20x (from 17x earlier) to factor better prospects from the ANDA pipeline, minimal regulatory risk, and a changed strategy in the Domestic Formulations (DF) market. We ascribe a 15% premium to its 10-year average to factor potential growth from new investments. Accordingly, we revise our price target to INR975 (from INR705 earlier).**
- **Earnings may appear stable over FY20–22, considering the COVID-19-led slowdown expected in DF for FY21. Moreover, meaningful contribution from the new capex program would reflect from 2HFY22.**
- **However, considering stock appreciation of ~60% over the past six months, we await a better entry point on the stock. Maintain Neutral.**

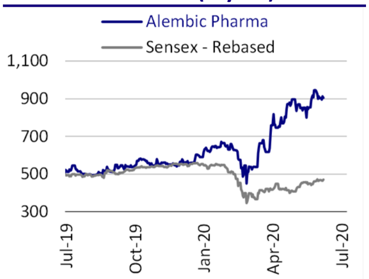
US – Pace of filings/launches to add momentum over next 15–18M

- ALPM delivered a 14% CAGR in US sales to USD280m (43% of sales) on account of 58 launches over FY16–20. Particularly, in FY20, ALPM garnered 49% YoY growth, led by new launches (22) and partly by regulatory concerns witnessed by peers. ALPM has guided for the momentum in launches to sustain in 1HFY21. On a high FY20 base, we expect a 10% CAGR in US sales to USD340m over FY20–22. ALPM would ramp up filings across new dosages (Ophthalmology, General Injectables, Oncology Injectables, and Oral Solids). The considerable share of revenue from new capex / product development would reflect in overall growth in US sales 2HFY22 onward; thus, it forms a marginal portion of the business trajectory over FY20–22.

Consistent compliance minimizes regulatory risk over medium term

- ALPM has had 20+ inspections to date at its four sites and has been consistently compliant. Thus, the company has exhibited a sound inspection track record. Even the new sites (F1 for oral solids and the Aleor derma site) were inspected successfully, with EIR in place. This reduces the regulatory risk for ALPM over the medium term.

Stock Performance (1-year)



India – Expect 12M growth efforts to be dented by COVID-19

- ALPM saw a muted 5% CAGR in DF (31% of sales) over FY16–20, weighed by underperformance in key therapies (Anti-Infectives, Cardiac, Respiratory, Gastrointestinal, Gynecology, Anti-Diabetic). Particularly, the reduced discount strategy implemented over the past 12M impacted YoY growth for FY20. ALPM delivered 13% YoY growth in 4QFY20, reflecting the benefit of the pre-buying of medicines (in anticipation of shortage due to COVID-19) and partly of renewed strategy. While efforts to improve sales growth have been on track, performance could be dented on account of the COVID-19-led slowdown. Accordingly, we expect a 6% CAGR in the DF segment to INR16b over FY20–22.
-

Positive FCF over next 12–24M

- Free cash flow (FCF) has been largely in the negative territory due to the major capex implemented over FY16–20. FCF declined to a negative INR2.2b in FY20 from INR6.5b in FY16, largely on account of capex expansion. Increased working capital needs in 2HFY20 on account of COVID-19 further dragged down FCF for FY20. The company has seen some recovery from debtors and a reduction in inventory requirements in the recent past. Coupled with the completion of the capex cycle over the next 12M and the increased pace of ANDA approvals, we expect FCF to not only turn positive but also improve considerably to INR5.8b by FY22.

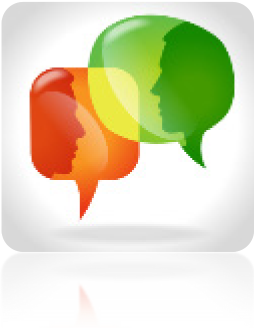
Valuation and view

- We raise our earnings estimate by 8%/7% over FY21/FY22 to factor new launches and better traction from approved products. We also raise our PE multiple to 20x from 17x to factor increased dosage offerings in US Generics and the benefit of renewed strategy in the DF segment. Accordingly, we revise our price target to INR975 (from INR705 earlier) on a 20x 12M forward basis. The stock has appreciated by ~60% over the past six months and captures a lot of near-term positives; hence, we await a better entry point. Maintain Neutral.

Exhibit 1: Valuation matrix

	Market	FY20	3 year	FY20	FY20	EPS (INR)		EV/EBITDA		PE	
Company	**Cap**	**Revenue**	**Revenue**	**EBITDA**	**ROE%**	**FY21E**	**FY22E**	**FY21E**	**FY22E**	**FY21E**	**FY22E**
Large-cap											
Sun Pharma	1,135	323.3	2.2%	20.0%	9.1	19.7	23.5	14.8	12.6	24.1	20.3
Divis	583	53.9	9.6%	34.1%	18.2	60.2	76.3	26.0	20.1	36.4	28.7
Cipla	520	171.3	5.5%	18.7%	9.4	24.1	28.6	13.9	11.7	26.5	22.4
Zydus Cadila*	372	142.5	14.8%	19.8%	11.3	17.3	19.6	13.1	11.6	21.1	18.7
Average				**23.2%**	**12.0**			**17.0**	**14.0**	**27.0**	**22.5**
Mid-cap											
Torrent Pharma	398	79.4	10.7%	27.3%	21.5	72.1	93.7	17.1	14.5	33.2	25.6
Alkem	281	83.4	12.6%	17.9%	19.7	103.3	125.7	16.2	13.2	22.8	18.7
Ipca	209	46.5	13.1%	20.6%	19.3	65.7	77.0	17.2	14.3	25.3	21.6
Alembic	170	46.1	13.7%	26.6%	30.1	37.9	41.4	16.7	14.5	23.7	21.7
Ajanta	125	25.9	8.9%	27.0%	18.7	56.9	69.4	16.3	13.7	24.8	20.3
Average				**23.9%**	**21.9**			**16.7**	**14.0**	**26.0**	**21.6**
Small-cap											
Laurus Labs	56	30.3	14.1%	18.6%	19.3	29.3	36.1	9.6	8.1	18.1	14.7
Strides	37	27.5	-7.6%	19.4%	5.3	34.0	42.3	6.7	5.9	12.2	9.8
Average				19.0%	12.3			8.2	7.0	15.2	12.3
Total Average				**22.7%**	**16.5**			**15.2**	**12.7**	**24.4**	**20.2**

Source: MOFSL, Company, Bloomberg



JSW GROUP: Economy looking better, October this year could be better than October last year; Sajjan Jindal, Chairman

- Think the economy is looking much better and I believe that in the next two months -- maybe September or early October -- the numbers would surprise us. October this year could be better than October last year!
- About steel, believe right now the domestic demand is about 50% of our capacities which is like 50-60 million tonnes for the year. But by the end of the year, we will get to the normal level, which is 110 million tonnes.
- The demand for steel is seeing slow progress. The steel industry in India is balancing that by exporting steel to different parts of the world. Therefore, steel companies in India are running at close to 90% capacity.
- Today we realised that the way the Chinese are behaving, it is not correct for us to rely upon the Chinese supplies. We have to either make in India or buy from some other country. That is exactly what today we are working on to see that our reliance on China comes down to nil as soon as possible.
- Have put in a condition that we will not allow the Chinese equipment manufactured in China or German equipment manufactured in China to come into India to JSW Steel. You better manufacture them in India. Even if they are a little bit more expensive we are willing to pay the extra price.

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HOW INDIA'S DATA TRANSMISSION ARCHITECTURE SHOULD SHAPE UP

- In the next few years, there will be 6 billion connected people, 30 billion devices and 50 billion machines online. Pandemic-related lockdowns have accelerated the need for more effective work-from-home and school-from-home solutions. These "from home" solutions are likely to evolve to "from anywhere" ones, linking nearly everyone using consumer broadband, mobile gaming and connected cars to business networks, planes, ships, emergency responders and farms. Before we tackle the question of the future of internet in India, here is some background. When we speak about accessing content in our homes, we are really speaking about digital data making its way from somewhere to your device. That data then recombines to give you a movie, or a song or a game or a video link with your office. The two principal paths are a broadband/fixed line route or a mobile data route. The broadband comes to your home courtesy of a telecom or cable operator. The mobile data is thanks to the mobile telecom operator. According to Ookla, India ranks 132nd in the world (behind Pakistan and Bangladesh) with a download speed of 9.8 megabits per second (Mbps) for mobile data, and 71 in the world with average broadband speeds of 32.4 Mbps. Today, South Korea has the fastest average mobile data speed of about 88 Mbps. The bottleneck for greater speeds in India has been the capital cost (and resulting congestion) for mobile data and the limitation of the last-mile copper wire for broadband speeds. Unless homes are rewired with fiber-optic wires, broadband speeds are likely to be limited to about 50-60 Mbps. Cable-based systems do provide higher speeds today, but their external wiring makes them vulnerable to weather related events and frequent outages. Elsewhere in the world, broadband services are already at speeds that are close to 1,000 Mbps or 1 Gigabit per second (Gps). One possible future path for broadband is being called "10G". 10G will deliver residential internet speeds of 10 Gps, 10 to 50 times faster than most services today. Its backbone will be multiple fiber-optic wires and technologies, using some innovations that will enable a single fiber to handle signals moving in both directions. 10G promises seamless hand-offs with wi-fi technologies so that people can move freely around cities without any quality deterioration. The future for mobile data is called 5G–the "G" here stands for generation.

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SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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