

Market snapshot



Today's top research idea

Motilal Oswal values your support in the Asiamoney Brokers Poll 2020 for India Research, Sales and Trading team. We request your ballot.



Equities - India	Close	Chg. %	CYTD.%
Sensex	38,041	0.0	-7.8
Nifty-50	11,214	0.1	-7.8
Nifty-M 100	16,103	1.2	-5.8
Equities-Global	Close	Chg. %	CYTD.%
S&P 500	3,351	0.1	3.7
Nasdaq	11,011	-0.9	22.7
FTSE 100	6,032	0.1	-20.0
DAX	12,675	0.7	-4.3
Hang Seng	10,063	-1.4	-9.9
Nikkei 225	22,330	-0.4	-5.6
Commodities	Close	Chg. %	CYTD.%
Brent (US\$/Bbl)	44	-0.4	-33.7
Gold (\$/OZ)	2,036	-1.4	34.2
Cu (US\$/MT)	6,308	-2.7	2.6
Almn (US\$/MT)	1,735	-0.4	-2.6
Currency	Close	Chg. %	CYTD.%
USD/INR	74.9	0.0	5.0
USD/EUR	1.2	-0.8	5.1
USD/JPY	105.9	0.4	-2.5
YIELD (%)	Close	1MChg	CYTDchg
10 Yrs G-Sec	5.8	0.03	-0.7
10 Yrs AAA Corp	6.6	0.03	-1.0
Flows (USD b)	7-Aug	MTD	CYTD
FII	0.05	1.06	-0.28
DII	-0.06	-0.17	10.41
Volumes (INRb)	7-Aug	MTD*	CYTD*
Cash	631	651	532
F&O	9,913	19,363	15,493

Note: *Average

Mahindra & Mahindra: Above est.; Strong performance in FES; Progress on capital allocation continues

- ❖ M&M's 1QFY21 earnings were driven by strong performance in the tractor business. Demand recovery was most prominent in tractors, which has led to supply constraints.
- ❖ MM (incl. MVML)'s revenue/EBITDA/adj. PAT declined by 56%/68%/96% to ~INR55.9b/5.7b/0.4b.
- ❖ It has decided to not bid for US Postal Services order through its US subsidiary (requiring investments of >USD0.5b), as it did not fit 18% RoE criteria.
- ❖ While MM's core business would recover faster than peers, the focus on tightening capital allocation could act as a re-rating catalyst. Hence, we see twin levers of EPS growth and re-rating.
- ❖ We upgrade FY21/FY22E EPS by 9%/3% to reflect the volume upgrade in tractors and UVs, as well as the improving mix. M&M is one of the few Auto stocks still trading at a good discount to LPA. Maintain Buy with TP of INR720 (Sep-22 SOTP based).



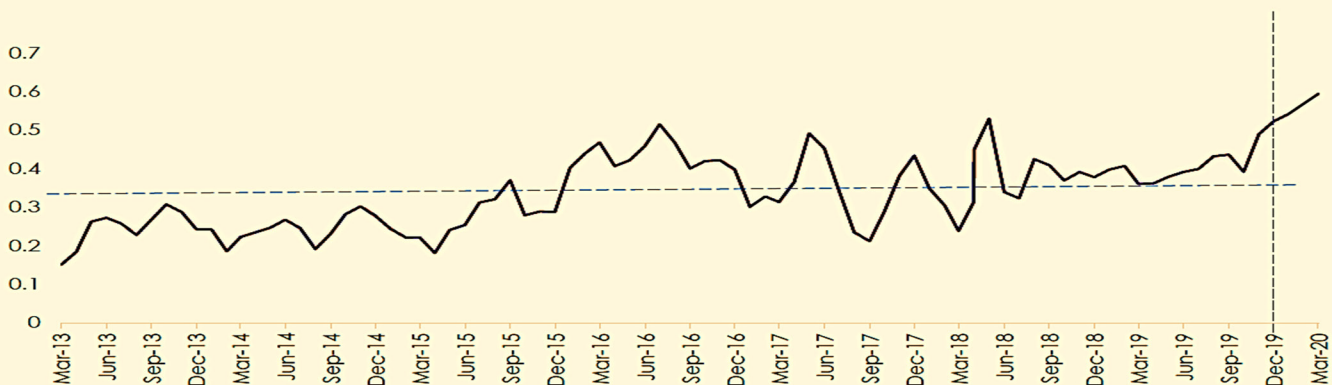
Research covered

Cos/Sector	Key Highlights
Mahindra & Mahindra	Above est.; Strong performance in FES
Strategy	India Politics: PM Modi's approval ratings at a new high
Divi's Lab	Record performance led by robust demand, strong execution
Alkem Laboratories	Big beat; Profits 100% ahead of expectations
Pidilite Industries	Outlook improving gradually, B2B expected to be a laggard
Cipla	Robust India sales, better operating leverage drive earnings
Lupin	Earnings drag on muted US/India sales
Other Notes	HPCL Vodafone Idea Torrent Power Dalmia Bharat Aditya Birla Capital Amara Raja Emami Blue Star Birla Corporation J K Lakshmi Cement DCB Bank India Life Insurance Siemens Container Corpn Mahanagar Gas

Chart of the Day: Mahindra & Mahindra (Above est.; Strong performance in FES)

Rural growth is buoyant

Rural - Govt Spend Index*: Gov spending on Agriculture & Rural Development improved significantly towards Q4 F20



* M&M internal index to measure Government spending on Agriculture & Rural Development

Source: Company

Research Team (Gautam.Duggad@MotilalOswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.



Kindly click on textbox for the detailed news link

1

PM Modi launches financing facility worth Rs 1 lakh crore under Agriculture Infrastructure Fund

Prime Minister Narendra Modi on Sunday launched a financing facility of Rs 1 lakh crore under the Agriculture Infrastructure Fund for agri-entrepreneurs, startups, agri-tech players and farmer groups for post-harvest management and nurturing...

2

Invoking self-reliant India, govt bans import of 101 defence items

Invoking the Prime Minister Narendra Modi's Atmanirbhar Bharat (Self-Reliant India) initiative, the Ministry of Defence (MoD) announced on Sunday a phased, year-wise embargo on the import of 101 items of defence equipment. As an equipment type comes under the import embargo, the military will be required to buy it from Indian defence manufacturers. "This decision will offer great opportunity to the Indian defence industry to manufacture items on the negative list by using its own design and development capabilities or adopting the technologies designed and developed by the Defence R&D Organisation to meet the requirements of the Armed Forces,"...

3

Rs 68K crore of loans released under discoms liquidity package

As much as Rs 68,000 crore worth of loans under Rs 90,000 liquidity package announced for the stressed power distribution utilities have been sanctioned so far which is expected to create buoyancy in the sector. Finance Minister Nirmala Sitharaman in May announced the Rs 90,000 crore liquidity infusion into cash-strapped discoms...

4

IndusInd Bank acquires 7.82% stake in Eveready by invoking pledged shares

Private sector IndusInd Bank on Saturday said it has acquired 7.82 per cent stake in battery maker Eveready Industries by invoking pledged shares following loan default. The bank invoked pledge on 56,83,320 shares forming 7.82 per cent of paid-up equity share capital of Eveready Industries...

5

PM Modi to present new outline for a self-reliant India on 15 Aug: Rajnath Singh

Prime Minister Narendra Modi will present a new outline for a self-reliant India in his address to the nation from the ramparts of the Red Fort on August 15, Defence Minister Rajnath Singh said on Sunday. The defence minister said various departments and ministries of the government are working seriously to implement Modi's initiative for a self-reliant India and that it is an attempt to give a fresh dimension to Mahatma Gandhi's push for 'Swadeshi'...

6

Government proposes separate emission norms for agriculture machinery and construction equipment

The government on Sunday said it has issued draft notification for separate emission norms for agriculture machinery and construction equipment vehicles. The notification also provides for changing the nomenclature of emission norms from Bharat...

7

Pharmaceutical sales flat in July but slow recovery continues

Sales of medicines across the India were flat in July on a year-on-year basis, but continued its slow recovery post the covid-19 related lockdown from March to May, data from market research firm AIOCD-AWACS showed. Medicine sales last month were up 0.2% year-on-year at ₹12,124 crore, with cardiac care...



Mahindra & Mahindra

Estimate change

TP change

Rating change

Motilal Oswal values your support in the Asiamoney Brokers Poll 2020 for India Research, Sales and Trading team. We [request your ballot](#).



Bloomberg	MM IN
Equity Shares (m)	1,209
M.Cap.(INRb)/(USD\$)	746.7 / 10.1
52-Week Range (INR)	625 / 246
1, 6, 12 Rel. Per (%)	4/13/12
12M Avg Val (INR M)	2646

Financials & Valuations (INR b)

Y/E March	FY20	FY21E	FY22E
Sales	455	425	496
EBITDA	58.0	55.4	66.8
Adj. PAT (incl MVML)	35.8	33.7	42.1
Adj. EPS (incl MVML)	30.0	28.2	35.3
EPS Gr. (%)	-30.3	-5.8	25.0
BV/Sh. (INR)	290	313	339

Ratios

RoE (%)	9.7	9.0	10.4
RoCE (%)	5.9	8.3	9.6
Payout (%)	24	21	26

Valuations

P/E (x)	20.0	21.3	17.0
P/BV (x)	2.1	1.9	1.8
Div. Yield (%)	0.4	0.8	1.2
FCF Yield (incl MVML)	0.2	4.0	6.5

Shareholding pattern (%)

As On	Jun-20	Mar-20	Jun-19
Promoter	18.9	18.9	18.9
DII	28.5	26.9	23.1
FII	41.1	41.3	41.9
Others	11.5	12.9	16.1

FII Includes depository receipts

CMP: INR601

TP: INR720 (+20%)

Buy

Above est.; Strong performance in FES

- Mahindra & Mahindra's (MM) 1QFY21 earnings were driven by strong performance in the tractor business. Demand recovery was most prominent in tractors, which has led to supply constraints. While MM's core business would recover faster, the focus on tightening capital allocation could act as a re-rating catalyst. Hence, we see twin levers of EPS growth and re-rating.
- We upgrade FY21/FY22E EPS by 9%/3% to reflect the volume upgrade in tractors and UVs, as well as the improving mix. M&M is one of the few Auto stocks trading at a good discount to LPA. Maintain **Buy** with TP of INR720.

Good operating performance, supported by mix and lower other costs

- MM (incl. MVML)'s revenue/EBITDA/adj. PAT declined by 56%/68%/96%.
- Net realizations declined 1.2% QoQ (flat YoY) to ~INR586.5k (v/s est. INR598.4k). Net sales declined 56% to ~INR55.9b (v/s est. INR57b).
- Gross margins improved ~300bp YoY (-54bp QoQ) to 35.2% (v/s est. 36.5%), driven by favorable mix (tractors contributed 60% v/s 34% in 1QFY20).
- EBITDA margins declined 370bp YoY to 10.3% (v/s est. 7.4%), impacted by op. deleverage. Margin beat was driven by much lower other expenses.
- EBIT margins for tractors improved 110bp YoY to 20.4% (+280bp QoQ), while Autos reported EBIT loss (margins were -28.6% v/s +6.5% in 1QFY20).
- Lower other income restricted adj. PAT to ~INR390m (v/s est. loss of INR109m), implying decline of 96% YoY.

Highlights from management commentary

- **Update on capital allocation:** The company has decided to not bid for US Postal Services order through its US subsidiary, as it does not fit 18% RoI norms and would have required substantial investments of over USD0.5b.
- **Tractors:** FY21 would be a growth year, but supply side would influence demand. The market share loss in 1QFY21 is due to supply side issues.
- Auto demand is yet to be tested as supplies itself are at 50-60% of normal. Rural is doing much better (contribution at 62% v/s 50% normal). Challenge is currently ramping up supplies with demand not an immediate concern.
- **Status of operations:** Capacity utilization stood at FES: >90% and Autos >50%; Number of dealers opened – ~85% for both businesses.
- **Inventory:** Total system stock (company + dealer) for both businesses is at the lowest level over the last three years.
- New launch pipeline: **Thar** will be revealed on 15th Aug'20 with launch during Sep-Oct'20. The **W601 (XUV500)** will be launched during 1QFY22 and the **Z101 (Scorpio)** in 3QFY22.

Valuation and view

- Despite MM's recent outperformance, valuations are still at a substantial discount to its 5-year average (which captures both pain points of deterioration in the UV market share and the subsidiaries' performances).
- Implied Core P/E for MM is 16.1x/12.9x FY21/FY22E EPS and 1.5x/1.3x Core P/BV; this implies 19% discount to the 5-year average P/E and 29% discount to the 5-year average P/B. Maintain **Buy** with TP of INR720.

Quarterly Perf. (incl MVML)										(INR Million)	
Y/E March	FY20				FY21E				FY20	FY21E	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			
Total Volumes (nos)	218,039	191,390	216,816	151,713	95,308	169,562	222,713	217,485	777,958	705,068	
Growth YoY (%)	-9.5	-16.3	-7.3	-35.6	-56.3	-11.4	2.7	43.4	-17.2	-9.4	
Net Realization	587,302	571,349	559,012	593,536	586,460	593,656	596,569	599,148	576,833	595,297	
Growth YoY (%)	5.9	2.1	1.5	1.3	-0.1	3.9	6.7	0.9	2.5	3.2	
Net Op. Income	128,055	109,351	121,203	90,047	55,894	100,662	132,864	130,306	448,751	419,725	
Growth YoY (%)	-4.1	-14.5	-6.0	-34.8	-56.4	-7.9	9.6	44.7	-15.1	-6.5	
RM Cost (% of sales)	67.9	66.0	67.3	64.3	64.8	65.2	65.7	66.6	66.7	65.8	
Staff (% of sales)	6.8	7.4	6.8	7.9	13.8	8.1	6.6	6.5	7.1	7.9	
Oth. Exp. (% of Sales)	11.3	12.4	11.1	14.2	11.1	12.7	12.2	12.0	12.0	12.1	
EBITDA	17,936	15,408	17,888	12,275	5,732	14,045	20,591	19,470	63,839	59,839	
EBITDA Margins (%)	14.0	14.1	14.8	13.6	10.3	14.0	15.5	14.9	14.2	14.3	
Other income	1,919	8,225	2,092	3,155	1,338	5,800	2,500	3,515	15,678	13,153	
Interest	302	331	254	359	768	450	360	359	1,252	1,937	
Depreciation	5,839	5,721	5,900	6,172	5,813	6,350	6,740	7,227	23,676	26,129	
EO Income/(Exp)	13,671	0	-6,006	-35,776	288	0	0	0	-28,112	288	
PBT after EO	27,384	17,582	7,821	-26,877	777	13,045	15,991	15,400	26,477	45,213	
Effective Tax Rate (%)	17.5	22.9	51.4	-21.1	12.7	24.8	24.8	25.5	70.6	24.8	
Reported PAT	22,597	13,548	3,802	-32,550	678	9,804	12,018	11,479	7,793	33,978	
Adj PAT	9,180	13,548	9,810	3,230	390	9,804	12,018	11,479	35,770	33,690	
Change (%)	-25.9	-19.3	-15.8	-69.1	-95.8	-27.6	22.5	255.4	-30.3	-5.8	

Segmental performance

Y/E March	FY20				FY21				FY20	FY21E
Segmental (M&M + MVML)	1Q	2Q	3Q	4Q	1Q					
Segment Revenues										
Auto	79,858	68,928	74,238	55,058	20,395			278,083	236,853	
Farm Equipments	43,822	36,315	42,778	31,110	33,408			154,025	167,317	
Others	5,229	4,873	4,757	4,518	2,205			19,377	15,555	
Total Sales	128,909	110,116	121,773	90,686	56,008			451,484	419,725	
Less: Inter-segment	854	766	571	639	114			2,829		
Net Sales	128,055	109,351	121,203	90,047	55,894			448,655	419,725	
Realizations (INR '000/unit)										
Auto	606	576	561	596	688			584	631	
Farm Equipments	507	506	507	525	509			510	520	
Blended	587	571	559	594	586			577	595	
Segment PBIT										
Auto	5,180	3,973	5,417	2,253	-5,837			16,824	7,589	
Farm Equipments	8,447	7,019	8,309	5,488	6,823			29,262	31,790	
Others	285	183	168	89	-54			726	233	
Total	13,913	11,175	13,894	7,831	932			46,812	39,612	
Segment PBIT Margins (%)										
Auto - PBIT Margins (%)	6.5	5.8	7.3	4.1	-28.6			6.1	3.2	
FES - PBIT Margins (%)	19.3	19.3	19.4	17.6	20.4			19.0	19.0	
Others	5.5	3.8	3.5	2.0	-2.4			3.7	1.5	
Total	10.8	10.1	11.4	8.6	1.7			10.4	9.4	

Key Performance Indicators

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4QE	1Q	2QE	3QE	4QE		
Tractors (incl Exports)	86,350	71,820	84,455	59,290	65,657	85,514	95,864	74,504	301,915	321,539
Change (%)	-14.3	-8.0	-6.9	-2.6	-24.0	19.1	13.5	25.7	-8.6	6.5
Total UV ('000 units)	106,868	91,398	103,392	73,179	27,395	80,691	113,106	117,464	367,264	318,611
Change (%)	-4.7	-22.9	-8.2	-48.0	-74.4	-11.7	9.4	60.5	-21.3	-13.2
Other Autos ('000 units)	24,821	28,172	28,969	19,244	2,256	3,357	13,743	25,516	108,779	64,917
Change (%)	-11.2	-12.0	-5.6	-43.2	-90.9	-88.1	-52.6	32.6	-23.3	-40.3
Cost Break-up										
RM Cost (% of sales)	67.9	66.0	67.3	64.3	64.8	65.2	65.7	66.6	66.7	65.8
Staff Cost (% of sales)	6.8	7.4	6.8	7.9	13.8	8.1	6.6	6.5	7.1	7.9
Other Cost (% of sales)	11.3	12.4	11.1	14.2	11.1	12.7	12.2	12.0	12.0	12.1
Gross Margins (%)	32.1	34.0	32.7	35.7	35.2	34.8	34.3	33.4	33.3	34.2
EBITDA Margins (%)	14.0	14.1	14.8	13.6	10.3	14.0	15.5	14.9	14.2	14.3
EBIT Margins (%)	9.4	8.9	9.9	6.8	-0.1	7.6	10.4	9.4	8.9	8.0

Motilal Oswal values your support in the Asiamoney Brokers Poll 2020 for India Research, Sales and Trading team. We [request your ballot](#).



India Politics – PM Modi’s approval ratings at a new high

Key highlights of India Today’s Mood of The Nation Survey

- Amidst the Covid-19 challenges, geopolitical tensions with China and economic slowdown, prominent media publication, India Today’s biannual **Mood of the Nation** survey released in Aug’20 (Survey based on 12,021 responses) ([link](#)) indicates continued strong popularity of PM Mr. Narendra Modi. Below are the key takeaways from the Aug’20 India Today Mood of the Nation Survey:
- **Mr. Modi’s approval rating at its highest:** 78% of the respondents believe that Mr. Modi’s performance has been good/ outstanding while 5% are of the opinion that performance has been poor. 72% of the respondents are satisfied/very satisfied with the performance of the BJP led NDA government while 8% are not satisfied. Satisfaction with PM Modi is at its highest presently. A like to like comparison of data from the 10 India Today Mood of The Nation polls conducted between February 2016 and August 2020 suggests that performance rating has improved significantly in this survey. **The gap between those who find his performance outstanding/good and poor is a 73 percentage points, the widest till now.**
- **Rising popularity chart:** 44% of the respondents have voted for Mr. Modi as India’s Best PM ever vs. 26% in Aug’18 and 37% in Aug’19. Former PM’s Atal Bihari Vajpayee with 14 per cent votes and Indira Gandhi with 12 per cent votes followed with second and third positions. In Aug’16 survey, Mr. Modi had stood third with 17% of the votes while Mrs. Indira Gandhi was voted Best PM (23%) while Mr. Vajpayee stood second (18%)
- **Mr. Modi – most popular PM choice for 2024:** While next general elections are four years away, 66% of the surveyed respondents believe that Mr. Modi is the best suited to be India’s next PM in 2024. The Indian National Congress’ (INC) Mr. Rahul Gandhi – the next popular choice – stood second with 8% votes.
- **What if General elections are held today?** If the General Elections were to be held today, BJP/Congress is projected to win 283/49 seats. BJP+ / Congress+ is projected to win 316/93 seats.
- **Cabinet Ministers:** Home Minister, Mr. Amit Shah remains the most popular cabinet minister with 39% votes followed by Defence Minister Mr. Rajnath Singh at 17% (39% in Jan’20). Popularity of all other Cabinet ministers has declined vs. Jan’20 survey.
- **UP’s Mr. Yogi Adityanath voted best chief minister (CM) for the third straight survey:** Uttar Pradesh’s (UP) Mr. Yogi Adityanath has held on to the top position as the best CM for the third straight survey (with 24% of total respondents in favor). New Delhi’s CM, Mr. Arvind Kejriwal came in second with 15% votes.
- **More than 3/4th of surveyed happy with PM’s handling of COVID-19:** 77% of the respondents have rated PM Modi’s handling of the pandemic as outstanding/good. Only 5% felt the handling was poor.
- **70%+ satisfied with Modi government’s handling of economy:** 72% of the respondents believe that the Centre’s handling of the economy has been outstanding or good. Only 6% believe it was poor.
- **Atmanirbhar and loan schemes find favor:** 53% of the respondents believe that the PM’s Atmanirbhar campaign is timely. With the various government

schemes launched to tackle the economic crisis, ~58% respondents were positively inclined toward availing loans.

- **Impact of COVID-19 on personal finances:** 63% of respondents have indicated that their incomes have suffered, while 22% have suggested that they have lost their businesses/jobs.
- **Optimism regarding future high among Indians:** 46% respondents are optimistic about the future. Pessimism is rampant among 39% of respondents – they do not expect the situation to improve.

44% respondents believe Modi is India’s best PM

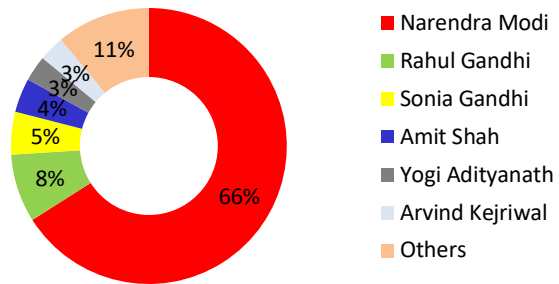
Q. Who, in your opinion, has been the best prime minister of India?
(Tap/hover on circles for data -- figures in %)



Source: India Today

Mr. Narendra Modi – Most popular choice for PM in 2024

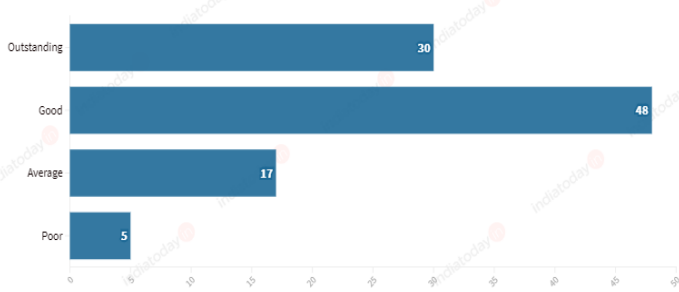
Best suited next PM of India (2024)



Source: India Today

78% respondents rate PM Modi’s performance as good/outstanding

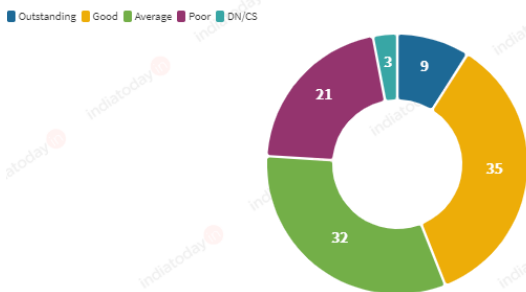
Q. How do you rate the performance of Narendra Modi as PM?
(Figure in %)



Source: India Today

Only 44% responded to INC’s opposition role as good/outstanding

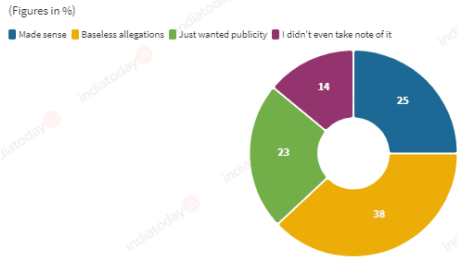
Q. How would you assess the Congress’s role as an opposition party?
(Figures in %)



Source: India Today

25% respondents agreed with Mr. Gandhi’s criticism of Modi government

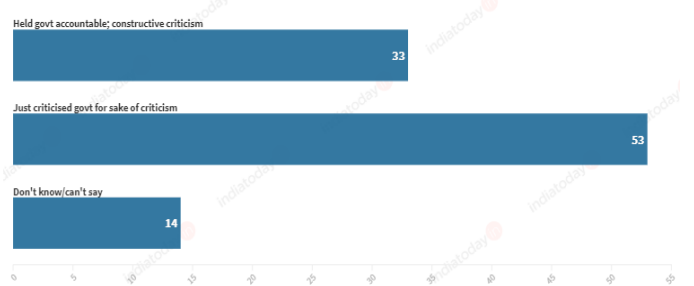
Q. What do you think of Rahul Gandhi’s criticism of the Modi govt during the pandemic?
(Figures in %)



Source: India Today

33% believe the opposition held the government accountable and provided constructive criticism

Q. How would you rate the role of opposition parties during the pandemic?
(Figures in %)



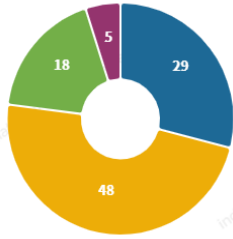
Source: India Today

77% respondents indicate people are happy with PM Modi's handling of COVID crisis

Q. How would you rate Prime Minister Modi's handling of the Covid-19 pandemic?

(Figures in %)

■ Outstanding ■ Good ■ Average ■ Poor

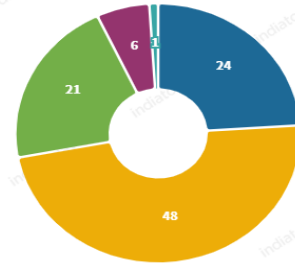


Source: India Today

72% respondents rated Modi government's handling of economy as good/outstanding

Q. How would you rate the Modi gov't's handling of the economy?

■ Outstanding ■ Good ■ Average ■ Poor ■ DN/CS*



*DN/CS = Don't know/can't say

Source: India Today

Atmanirbhar Bharat finds favor with citizens

Q. What do you think of PM Modi's 'Atmanirbhar Bharat' campaign?

It's a timely campaign



No, India doesn't have the capabilities yet



Don't Know/Can't say

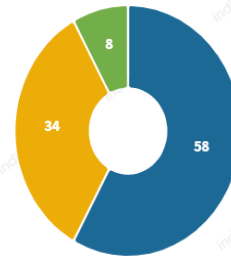


Source: India Today

58% respondents are positive of availing loans

Q. Would you take a loan under various gov't schemes launched to tackle the economic crisis?

■ Yes ■ No ■ DN/CS*



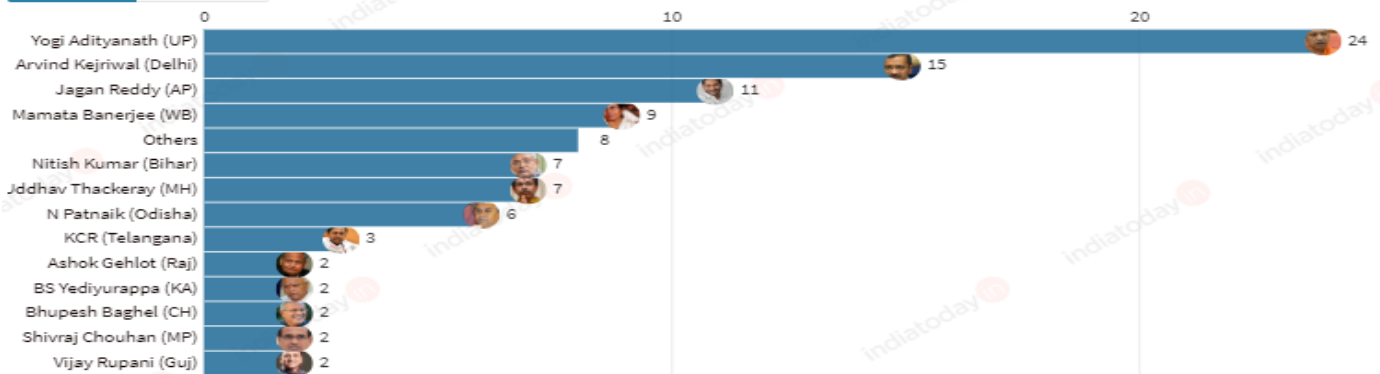
Source: India Today

Mr. Yogi Adityanath remains best CM for third straight survey

Q. Who do you think is the best chief minister in India?

(Figures in %)

■ Most popular ■ Least popular

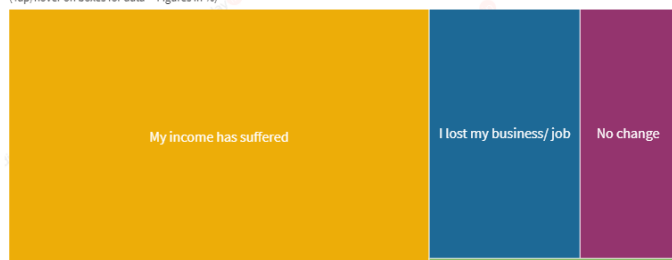


Source: India Today

63% respondents indicated impact on income due to COVID-19

Q. How has Covid-19 affected your economic status?

(Tap/hover on boxes for data -- Figures in %)



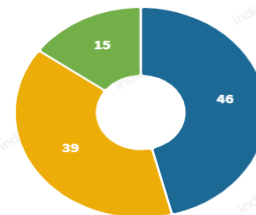
Source: India Today

46% respondents are optimistic of next six months

Q. What's your outlook about the future six months from now?

(Figures in %)

■ I'm optimistic ■ Don't see things improving ■ I'm uncertain



Source: India Today



Divi's Laboratories

Estimate change	↑
TP change	↑
Rating change	↑

CMP: INR2,784 TP: INR3,350 (+20%) Upgrade to Buy

Record performance led by robust demand, strong execution

Best play in CRAMS segment

Motilal Oswal values your support in the Asiamoney Brokers Poll 2020 for India Research, Sales and Trading team. We request your ballot.

- Divi's Lab (DIVI) delivered all-time high sales/EBITDA/PAT for the quarter. Overall performance was led by volumes and did not include any business opportunity related to COVID-19 treatment. The major capex program would be completed in FY21, and the commercial benefit would start accruing in FY22. This would further enhance the earnings trajectory going forward.
- We raise our earnings estimate for FY21/FY22 by 16%/13% to factor robust demand for DIVI's products, improving profitability owing to backward integration, and incremental business from new capex. We value DIVI at 35x (a 25% premium to its three-year average) considering: (a) renewed growth prospects for generic APIs, (b) its strong relationship with innovators, which is improving the scope of business in CRAMS (Contract Research And Manufacturing Services), and (c) capex support to meet the future requirements of customers. Accordingly, we arrive at TP of INR3,350 on a 12M forward earnings basis.
- **We upgrade to Buy**, as we believe DIVI to be well-placed to benefit from renewed API as well as opportunity in CRAMS, supported by strong chemistry skill sets, manufacturing capacity/capabilities, and minimal compliance risk.

Bloomberg	DIVI IN
Equity Shares (m)	265
M.Cap.(INRb)/(USDb)	739.1 / 9.7
52-Week Range (INR)	2815 / 1467
1, 6, 12 Rel. Per (%)	24/41/67
12M Avg Val (INR M)	1626

Financials & Valuations (INR b)

Y/E MARCH	2020	2021E	2022E
Sales	53.9	67.5	80.7
EBITDA	18.4	26.7	32.3
Adj. PAT	13.0	18.5	22.9
EBIT Margin (%)	30.7	35.3	35.8
Cons. Adj. EPS (INR)	48.9	69.7	86.3
EPS Gr. (%)	-2.3	42.4	23.8
BV/Sh. (INR)	275.4	350.9	419.5

Ratios

Net D:E	0.0	-0.1	-0.2
RoE (%)	18.2	22.2	22.4
RoCE (%)	18.5	22.3	22.3
Payout (%)	36.1	20.5	20.5

Valuations

P/E (x)	57.2	40.2	32.5
EV/EBITDA (x)	40.3	27.5	22.4
Div. Yield (%)	0.6	0.4	0.3
FCF Yield (%)	0.1	1.2	2.0
EV/Sales (x)	13.8	10.8	8.9

Shareholding pattern (%)

As On	Jun-20	Mar-20	Jun-19
Promoter	52.0	52.0	52.0
DII	16.8	15.6	14.9
FII	18.2	19.1	21.0
Others	13.1	13.4	12.2

FII Includes depository receipts

Strong beat on revenue/EBITDA/PAT

- DIVI's sales grew 49% YoY to INR17.3b (our est: INR13b) for 1QFY21, led by Custom Synthesis as well as Generics.
- The gross margin expanded 190bp YoY to 63% on a superior product mix and lower raw material cost.
- The EBITDA margin expanded at a higher rate of 670bp YoY to 40.5%, led by lower other expenses / employee cost (-320bps/-150bp YoY as a % of sales).
- EBITDA was up by 78% YoY to INR7b (our est.: INR4.3b) for the quarter.
- Adjusted for INR48m forex gains, adj. PAT was up 74% YoY to INR4.8b (our est.: INR3.1b).

Highlights from management commentary

- The overall outlook for API manufacturers has improved on account of lower supplies from Chinese companies. This could be attributed to manufacturing issues within Chinese companies or resistance in purchasing from them.
- The YoY growth in revenue was led by 39% YoY growth in volumes for the quarter.
- The Generics and Custom Synthesis mix in sales was 59:41 for the quarter.
- DIVI has validated COVID-19-related products such as HCQS, Favipiravir, and Remdesivir. However, these products have not contributed to 1QFY21 revenues.
- The DC-SEZ and DCV-SEZ units, which were partially commercialized in Feb'20/Mar'20, have not contributed to revenue for the quarter.

Valuation and view

- We raise our EPS estimate by 16%/13% for FY21/FY22E to factor favorable demand for DIVI's APIs, margin enhancement owing to an increase in the in-house manufacturing of intermediates, and additional revenue from new capex.
- We expect a 33% earnings CAGR over FY20–22E, led by increased business prospects from Custom Synthesis and Generics as well as ~600bp margin expansion on better operating leverage.
- We value DIVI at 35x 12M forward earnings to arrive at TP of INR3,350. We **upgrade to BUY**, on account of promising demand prospects and multiple levers in place for DIVI (chemistry skill sets, efficient manufacturing capability, and considerable scale of operations to gain market share in focus products).

Quarterly Performance

(INR Million)

Y/E March	FY20				FY21E				FY20	FY21E	FY21	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		1QE	(%)	
Net Op Revenue	11,628	14,456	13,963	13,897	17,305	16,985	16,755	16,492	53,944	67,538	13,023	32.9
YoY Change (%)	16.8	9.2	2.7	9.7	48.8	17.5	20.0	18.7	9.1	25.2	12.0	
EBITDA	3,932	5,106	4,939	4,445	7,001	6,703	6,553	6,421	18,422	26,677	4,287	63.3
YoY Change (%)	11.5	-2.1	-7.3	-4.4	78.0	31.3	32.7	44.5	-1.6	44.8	9	
Margins (%)	33.8	35.3	35.4	32.0	40.5	39.5	39.1	38.9	34.1	39.5	32.9	
Depreciation	438	459	467	498	562	650	750	860	1,862	2,822	490	
EBIT	3,494	4,646	4,472	3,947	6,439	6,053	5,803	5,560	16,559	23,855	3,797	69.6
YoY Change (%)	12.4	-3.0	-8.8	-6.6	84.3	30.3	29.8	40.9	-2.8	44.1	9	
Margins (%)	30.0	32.1	32.0	28.4	37.2	35.6	34.6	33.7	30.7	35.3	29	27.6
Interest	3	38	16	4	2	5	7	12	61	26	14	
Other Income	303	338	237	196	125	140	170	155	1,075	590	230	
PBT before EO Income	3,794	4,947	4,694	4,139	6,562	6,188	5,966	5,704	17,574	24,420	4,013	
Forex gain /(Loss)	-61	-68	180	571	48	0	0	0	621	48	0	
PBT	3,733	4,879	4,873	4,710	6,610	6,188	5,966	5,704	18,195	24,468	4,013	64.7
Tax	1,009	1,311	1,282	827	1,689	1,485	1,402	1,296	4,429	5,872	883	
Rate (%)	27.0	26.9	26.3	17.6	25.6	24.0	23.5	22.7	23.5	24.0	22.0	
PAT	2,724	3,568	3,591	3,884	4,921	4,703	4,564	4,407	13,765	18,595	3,130	57.2
Adj. PAT	2,768	3,618	3,459	3,145	4,818	4,703	4,564	4,407	12,990	18,492	3,130	53.9
YoY Change (%)	11.6	-1.1	-11.2	-3.6	74.0	30.0	32.0	40.1	-2.3	42.4	13.1	
Margins (%)	23.4	24.7	25.7	28.0	28.4	27.7	27.2	26.7	25.5	27.4	24.0	

Key perf. Indicators (Consol.)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Cost Break-up										
RM Cost (% of Sales)	38.9	41.1	39.2	37.1	37.0	37.0	36.3	35.7	39.1	36.5
Staff Cost (% of Sales)	12.1	10.4	11.2	12.5	10.6	11.0	11.6	11.6	11.5	11.2
Other Expenses(% of Sales)	15.2	13.2	14.2	18.5	11.9	12.5	13.0	13.8	15.3	12.8
Tax rate (%)	27.0	26.9	26.3	17.6	25.6	24.0	23.5	22.7	24.3	24.0
Gross Margins(%)	61.1	58.9	60.8	62.9	63.0	63.0	63.7	64.3	60.9	63.5
EBITDA Margins(%)	33.8	35.3	35.4	32.0	40.5	39.5	39.1	38.9	34.1	39.5
EBIT Margins(%)	30.0	32.1	32.0	28.4	37.2	35.6	34.6	33.7	30.7	35.3



Alkem Laboratories

Estimate change	↑
TP change	↑
Rating change	↔

CMP: INR2,980 TP: INR3,665 (+23%) Buy

Big beat; Profits 100% ahead of expectations

Raise earnings by 30%/15% for FY21/22E

- ALKEM exhibited strong traction in US generics and significant savings on opex in 1QFY21, which more than offset the YoY decline in domestic formulation (DF) sales, resulting in record high quarterly earnings. The pandemic has showcased strong brand recall for ALKEM's products in the DF segment and superior execution in US generics.
- We have raised our EPS estimates by 30%/15% for FY21/FY22E to factor in cost rationalization initiatives and improving profitability in the US generics segment. We value ALKEM at 23x (10% discount to its 3-year average) to arrive at price target of INR3,665 on 12M forward earnings basis. We remain positive on the outperformance of Chronic therapy in DF, trade generics segment and healthy ANDA pipeline for the US market. Re-iterate **Buy**.

Lower operating cost leads record high quarterly PAT

- 1QFY21 revenues grew ~7% YoY to INR19.8b (v/s est. INR18.2b).
- International business reported sales growth of ~33% YoY to INR7.9b, led by revenue growth of (a) 38% YoY in the US to INR6.7b (33% of sales), and (b) ~9% YoY in other International markets to INR1.2b (6% of sales). DF sales declined ~5.5% YoY to INR11.6b (58% of sales), due to COVID related decline in patients visiting clinics.
- Gross margin expanded by ~140bp YoY to 63.4% due to better product mix.
- EBITDA margin improved further by ~1,140bp YoY to 25.6% (v/s est. 15.7%), due to lower other costs (-920bp as % of sales) and improved GMs.
- R&D expense stood at INR1.2b, 5.9% of sales for the quarter.
- EBITDA was up 92% YoY to INR5.1b (v/s est. INR2.9b).
- ALKEM received research linked milestone income of USD3.5m. Adjusting for the same, PAT grew at a higher rate of 114% YoY to INR4b (v/s est. INR2b) due to higher other income.

Highlights from management commentary

- Branded generics and trade generics composition was 72:28 in the domestic business for 1QFY21. Trade generics grew in healthy mid-teens.
- 1QFY21 saw the DF segment seeing spillover of some business from 4QFY20. Spillover of some business from 1QFY21 to 2QFY21 is expected as well.
- There was considerable reduction in marketing and promotion expenses for the quarter, which is expected to increase in the coming quarters, starting 2QFY21. At the same time, revenue growth prospects are also improving.
- Accordingly, 2QFY21 is expected to be better than 1QFY21 for DF.
- The company intends to launch 10-12 ANDAs in the US in FY21.

Valuation and view

- We expect 24% earnings CAGR over FY20-22E, led by 16%/8% sales CAGR in the US/DF generics on new launches and better traction in existing products. The reduced promotional expense in DF and improving profitability in the US should drive 520bp margin expansion over FY20-22E.

Motilal Oswal values your support in the Asiamoney Brokers Poll 2020 for India Research, Sales and Trading team. We [request your ballot.](#)



Bloomberg	ALKEM IN
Equity Shares (m)	120
M.Cap.(INRb)/(USDb)	356.3 / 4.6
52-Week Range (INR)	3090 / 1682
1, 6, 12 Rel. Per (%)	24/26/71
12M Avg Val (INR M)	287

Financials & Valuations (INR b)

Y/E MARCH	2020	2021E	2022E
Sales	83.4	89.1	100.8
EBITDA	15.0	21.0	23.3
Adj. PAT	11.4	15.7	17.5
EBIT Margin (%)	15.1	20.5	20.2
Cons. Adj. EPS (INR)	95.4	131.5	146.1
EPS Gr. (%)	49.5	37.8	11.1
BV/Sh. (INR)	515.3	618.7	731.9

Ratios

Net D:E	0.1	-0.1	-0.1
RoE (%)	19.7	23.2	21.6
RoCE (%)	17.6	19.8	19.0
Payout (%)	22.5	22.5	22.5

Valuations

P/E (x)	31.4	22.8	20.5
EV/EBITDA (x)	24.4	16.8	14.9
Div. Yield (%)	0.6	0.8	0.9
FCF Yield (%)	0.6	3.8	2.9
EV/Sales (x)	4.4	4.0	3.4

Shareholding pattern (%)

As On	Jun-20	Mar-20	Jun-19
Promoter	62.4	65.9	66.0
DII	12.3	11.8	6.3
FII	3.5	3.6	2.4
Others	21.8	18.7	25.3

FII Includes depository receipts

- We have raised our EPS estimates by 30%/15% for FY21/FY22E to factor in cost saving on enhanced use of digital promotions/reduced travelling expenses, and robust traction in US generics (driving revenue growth as well as profitability).
- Accordingly, we have revised our price target to INR3,665 on 23x 12-month forward earnings. Re-iterate **Buy**.

Quarterly Perf. (Consolidated)

Y/E March	FY20				FY21E				FY20	FY21E	(INR m)	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4Q			1QE	Vaq %
Net Revenues	18,495	22,640	21,818	20,490	19,775	24,258	24,010	21,068	83,444	89,112	18,199	8.7
YoY Change (%)	10.8	18.0	13.3	10.6	6.9	7.1	10.0	2.8	29.7	21.1	-1.6	
EBITDA	2,645	4,752	4,533	3,030	5,072	5,989	5,788	4,182	14,960	21,030	2,853	77.8
YoY Change (%)	23.5	30.7	44.8	28.4	91.8	26.0	27.7	38.0	41.6	88.3	8	
Margins (%)	14.3	21.0	20.8	14.8	25.6	24.7	24.1	19.8	17.9	23.6	15.7	
Depreciation	558	564	595	631	668	680	710	720	2,348	2,778	550	
EBIT	2,087	4,188	3,938	2,400	4,404	5,309	5,078	3,462	12,612	18,252	2,303	
YoY Change (%)	21.5	31.7	48.4	34.2	111.0	26.8	28.9	44.3	38.0	97.6	10	
Margins (%)	11.3	18.5	18.0	11.7	22.3	21.9	21.1	16.4	15.1	20.5	12.7	
Interest	161	178	170	142	171	160	190	310	651	831	155	
Other Income	175	314	279	275	435	220	240	256	1,042	1,151	140	
PBT before EO Exp	2,100	4,325	4,046	2,533	4,668	5,369	5,128	3,407	13,004	18,572	2,288	104.0
EO Exp/(Inc)		226		180	-260	0			406	-260		
PBT	2,100	4,098	4,046	2,353	4,928	5,369	5,128	3,407	12,598	18,832	2,288	
Tax	227	293	147	438	696	752	692	497	1,105	2,636	275	
Rate (%)	10.8	6.8	3.6	17.3	14.9	14.0	13.5	14.6	8.5	14.2	12.0	
PAT (pre Minority Interest)	1,873	3,805	3,900	1,915	4,232	4,618	4,435	2,910	11,493	16,195	2,013	
Minority Interest	18	97	80	28	11	55	85	100	222	251	0	
Reported PAT	1,855	3,708	3,820	1,888	4,221	4,563	4,350	2,810	11,271	15,944	2,013	109.6
YoY Change (%)												
Adj Net Profit	1,855	3,918	3,481	2,153	3,961	4,563	4,350	2,810	11,407	15,720	2,013	96.7
YoY Change (%)	36.2	54.3	58.9	45.1	113.5	16.4	25.0	30.5	49.5	37.8	8.5	

Key performance Indicators (Consolidated)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
INRM										
India formulations	12,222	15,503	14,239	12,576	11,550	16,278	15,948	13,218	54,540	56,994
YoY Change (%)	12.1	17.6	14.1	3.3	(5.5)	5.0	12.0	5.1	11.9	4.5
Us generics	4,817	5,276	5,837	6,068	6,664	6,595	6,713	6,967	21,997	26,939
YoY Change (%)	13.7	11.7	12.6	25.8	38.3	25.0	15.0	14.8	16.0	22.5
International (Ex-US)	1,095	1,415	1,416	1,455	1,189	1,585	1,600	1,654	5,382	6,028
YoY Change (%)	(11.9)	30.5	4.9	14.1	8.6	12.0	13.0	13.7	8.7	12.0
Cost Break-up										
RM Cost (% of Sales)	38.5	38.9	38.2	43.7	37.1	37.5	37.5	37.0	39.8	37.3
Staff Cost (% of Sales)	21.1	17.2	18.1	16.1	19.9	17.5	17.0	16.3	18.0	17.7
R&D Expenses(% of Sales)	5.6	5.5	5.5	6.1	6.0	5.5	5.5	6.2	5.7	5.8
Other Cost (% of Sales)	20.5	17.4	18.0	19.3	11.3	14.5	15.5	20.7	18.6	15.6
Gross Margins(%)	61.5	61.1	61.8	56.3	62.9	62.5	62.5	63.0	60.2	62.7
EBITDA Margins(%)	14.3	21.0	20.8	14.8	25.6	24.7	24.1	19.8	17.9	23.6
EBIT Margins(%)	11.3	18.5	18.0	11.7	22.3	21.9	21.1	16.4	15.1	20.5



Pidilite Industries

Estimate change	↑
TP change	↓
Rating change	↔

CMP: INR1,377 **TP: INR1,335 (-3%)** **Neutral**

Outlook improving gradually, B2B expected to be a laggard

Motilal Oswal values your support in the Asiamoney Brokers Poll 2020 for India Research, Sales and Trading team. We [request your ballot](#).



Bloomberg	PIDI IN
Equity Shares (m)	513
M.Cap.(INRb)/(USDb)	699.6 / 9
52-Week Range (INR)	1710 / 1186
1, 6, 12 Rel. Per (%)	-5/-4/3
12M Avg Val (INR M)	1140
Free float (%)	29.8

Financials & Valuations (INR b)

Y/E March	2020	2021E	2022E
Sales	72.9	62.7	83.2
Sales Gr. (%)	3.0	-14.0	32.6
EBITDA	15.8	12.7	18.3
EBITDA Margin (%)	21.6	20.2	22.0
Adj. PAT	11.7	8.7	13.0
Adj. EPS (INR)	23.1	17.1	25.6
EPS Gr. (%)	24.5	-26.2	50.3
BV/Sh.(INR)	87.7	95.6	112.1
Ratios			
RoE (%)	27.3	18.6	24.7
RoCE (%)	25.0	17.3	23.3
Payout (%)	30.2	44.0	29.3
Valuations			
P/E (x)	59.6	80.7	53.7
P/BV (x)	15.7	14.4	12.3
EV/EBITDA (x)	43.4	53.5	36.8

Shareholding pattern (%)

As On	Jun-20	Mar-20	Jun-19
Promoter	70.2	69.9	69.8
DII	8.1	8.0	8.0
FII	11.2	11.5	11.5
Others	10.5	10.6	10.8

FII Includes depository receipts

- Pidilite (PIDI) reported 56.5% decline in consolidated sales (58.3% volume decline), with EBITDA/PAT decline of 85%/95%. However, the performance came in better than our expectation of loss in both EBITDA and PAT.
- The improving demand scenario is likely to lead to positive topline and earnings growth in 2HFY21. However, the B2C nature of the business and a continued wariness among the urban consumer mean earnings growth over FY20–22 is likely to be muted. As PIDI delivered a profit against our expectations of a loss in 1QFY21, we have increased our PAT estimates for FY21 and FY22 by 26.1% and 4.7%, respectively. We expect sales/EBITDA/PAT CAGR at 6.8%/7.8%/5.3% over FY20–22E, continuing the trend of 7–8% sales/EBITDA and PBT growth in the last four years. While the structural investment case remains intact, the recent earnings track record, lower ROCEs (in the mid-20 levels) v/s consumer peers, and valuations of 54x FY22 do not leave much room for us to turn constructive from a one-year perspective. Maintain **Neutral**.

Performance hard hit by lockdown, but better than expected

- **PIDI's 1QFY21 consolidated net sales declined 56.5% YoY to INR8.8b** (est.: INR7.1b). EBITDA plunged 85% YoY to INR664m (est.: –INR636m). PBT decreased 92.9% YoY to INR312m (est.: –INR811m). Adj. PAT declined 94.8% YoY to INR154m (est.: –INR811m).
- Overall gross margins expanded 210bp YoY to 53.5%. Higher employee expenses as a percentage of sales (up 1250bp YoY to 24.6%) and higher other expenses as a percentage of sales (up 400bp YoY to 21.3%) led to contraction in the EBITDA margin by 1440bp YoY to 7.6% (est.: -9%).
- **The standalone Consumer and Bazaar (C&B) segment's** revenues were down 57.2% YoY to INR6.1b. Segmental EBIT declined 66.6% YoY to INR1.5b. Segmental EBIT margins contracted 670bp YoY to 23.8%.
- Standalone Business to Business (B2B) segmental revenues declined by 52.7% YoY to INR1.7b. Segmental margins contracted 1220bp to 3.7%.
- **Subsidiaries' performances:** Revenue from overseas subsidiaries fell 35.9% YoY to INR953m in 1QFY21; EBITDA stood at –INR1m, against INR93m in 1QFY20. Revenue from domestic subsidiaries declined 82.2% YoY to INR295m in 1QFY21; EBITDA stood at –INR308m v/s INR176m in 1QFY20.

Highlights from management commentary

- Recovery was witnessed in June and July, although the management was unable to quantify how much of this was pent-up demand.
- Consumers remain reluctant about allowing laborers into their houses for furniture making. The company is looking to tackle this problem by providing certifications for contractors stating they are following all the prudent measures.
- VAM costs for the quarter were in the USD650–700 range due to low demand. The management expects this to continue in the near term, with the caveat that these low levels are unlikely to sustain as the demand environment improves.

Valuation and view

- Improvement in the demand scenario is likely to lead to positive topline and earnings growth in 2HFY21. However, the B2C nature of the business and a continued wariness among the urban consumer mean earnings growth over FY20–22 is likely to be muted. We expect sales/EBITDA/PAT CAGR at 6.8%/7.8%/5.3% over FY20–22E, continuing the trend of 7–8% sales/EBITDA and PBT growth in the last four years.
- While the structural investment case remains intact, the recent earnings track record, lower ROCEs (in the mid-20 levels) v/s consumer peers, and valuations of 54x FY22 do not leave much room for us to turn constructive from a one-year perspective. Maintain **Neutral**, with TP of INR1,335 (50x Jun'22 EPS).

Consol. Quarterly perf.

(INR m)

Y/E March	FY20				FY21				FY20	FY21E	FY21	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Net Sales	20,166	18,066	19,266	15,447	8,778	16,259	20,229	17,479	72,945	62,746	7,058	24.4
YoY change (%)	10.0	2.8	4.2	-5.8	-56.5	-10.0	5.0	13.2	3.1	-14.0	-65.0	
Gross Profit	10,361	9,644	10,363	8,552	4,694	8,943	11,429	9,861	38,920	34,927	4,164	
Margin (%)	51.4	53.4	53.8	55.4	53.5	55.0	56.5	56.4	53.4	55.7	59.0	
EBITDA	4,437	3,682	4,632	3,009	664	3,343	4,779	3,907	15,760	12,692	-636	-204.4
YoY change (%)	16.3	0.5	37.5	7.9	-85.0	-9.2	3.2	29.8	15.6	-19.5	-114.3	
Margins (%)	22.0	20.4	24.0	19.5	7.6	20.6	23.6	22.3	21.6	20.2	-9.0	
Depreciation	377	402	419	501	461	470	480	500	1,699	1,911	400	
Interest	73	83	82	98	91	90	85	71	336	337	75	
Other Income	399	558	398	140	200	250	310	375	1,494	1,135	300	
PBT	4,385	3,755	4,530	2,550	312	3,033	4,524	3,710	15,219	11,579	-811	-138.5
Tax	1,444	293	1,084	656	159	728	1,041	988	3,477	2,915	0	
Rate (%)	32.9	7.8	23.9	25.7	50.8	24.0	23.0	26.6	23.7	25.2	0.0	
Adj PAT	2,941	3,462	3,445	1,894	154	2,305	3,484	2,723	11,742	8,665	-811	-118.9
YoY change (%)	22.4	48.2	58.0	-23.1	-94.8	-33.4	1.1	43.8	25.1	-26.2	-127.6	
Margins (%)	14.6	19.2	17.9	12.3	1.7	14.2	17.2	15.6	16.1	13.8	-11.5	

E: MOFSL Estimates

Key Performance Indicators

Y/E March	FY20				FY21
	1Q	2Q	3Q	4Q	1Q
2Y average growth (%)					
Sales	15.0	8.8	12.0	2.3	-23.3
EBITDA	17.6	-1.0	14.2	4.8	-34.4
PAT	14.4	20.5	25.0	-11.6	-36.2
% of Sales					
COGS	48.6	46.6	46.2	44.6	46.5
Operating Expenses	29.4	33.0	29.7	35.9	45.9
Depreciation	1.9	2.2	2.2	3.2	5.3
YoY change (%)					
COGS	8.1	-5.3	-8.7	-15.4	-58.3
Operating Expenses	8.7	18.9	6.9	1.6	-32.0
Other Income	24.1	101.9	29.9	-75.2	-49.8
EBIT	15.5	-2.1	38.3	4.6	-95.0



Estimate change	↑
TP change	↑
Rating change	↔

CMP: INR729 TP: INR790 (+8%) Neutral

Robust India sales, better operating leverage drive earnings

On track to build differentiated US Generics pipeline

- Cipla's sales for the quarter were largely in line with our estimates. However, it delivered a strong beat on earnings owing to significant reduction in opex. COVID-19-led disruption has enthused the company to re-imagine the business, to sustain cost saving and enhance resource productivity.
- We raise our EPS estimates by 19%/14% for FY21/FY22 to factor above-market growth in Trade Generics (Gx), ramp-up in Albuterol Sulfate sales, and cost saving benefits. We raise our price target to INR790 as we roll out our price target on a 22x 12M forward basis. Maintain Neutral, as the valuation factors potential upside in earnings over the medium term.

Highest EBITDA margin in the past 20 quarters

- Cipla's 1QFY21 revenues were up 9% YoY at INR43.5b (our est.: INR41.8b).
- Domestic sales grew to INR16.1b (+16% YoY, 37% of sales). Branded Formulations sales in India were up by 9% on a YoY basis and Trade Generics by a strong 46% YoY. SAGA (South Africa Global Access) revenue grew 10% YoY to INR7.6b (18% of sales). Emerging Markets (EM) sales rose 64% YoY to INR4.6b (11% of sales). EU sales grew 19% YoY to INR2.4b (6% of sales).
- North America sales were down 9% YoY to INR10b (USD135m, 23% of sales) on the high base of the past year.
- The gross margin (GM) decreased by ~630bp YoY to 63.4%, attributed to a change in the product mix. However, the EBITDA margin expanded ~140bp YoY to 24.1% on lower other expenses / employee cost (-670bp/-120bp YoY as % of sales).
- EBITDA improved by ~16% YoY to INR10.5b (v/s est. of INR7.1b).
- Adj. PAT grew at a higher rate of 21% YoY to INR5.8b (v/s est. of INR3.2b) on a lower tax rate.

Highlights from management commentary

- Cipla expects INR4–5b savings in opex on an annual basis in FY21, led by lower travel/conference expenses due to COVID-19.
- Cipla has guided for a modest increase in R&D in 2HFY21 as clinical trials for two products would begin in the US.
- Cipla now has 65% of Proventil's market share. It has 6%/8% market share of Albuterol/Albuterol Generics + AG weekly Rx. Albuterol is a 60m unit market. There are opportunities to take market share in the generic Albuterol market rather than just Proventil. Pricing has reduced by 25–30% from Jan'20 levels.
- Cipla's partner for one of the inhaler products is expected to address all of the queries by the end of CY20.

Valuation and view

- We expect a 29% earnings CAGR, led by niche launches in US Generics, coupled with a ramp-up in Albuterol Sulfate and improved growth through renewed strategy in Domestic Formulations (DF). We value Cipla at 22x 12M forward earnings to arrive at TP of INR790. Maintain **Neutral**, as the valuation leaves limited scope for returns from current levels.

Motilal Oswal values your support in the Asiamoney Brokers Poll 2020 for India Research, Sales and Trading team. We request your ballot.

Bloomberg	CIPLA IN
Equity Shares (m)	805
M.Cap.(INRb)/(USDb)	587.5 / 7.9
52-Week Range (INR)	740 / 356
1, 6, 12 Rel. Per (%)	11/72/37
12M Avg Val (INR M)	2947

Financials & Valuations (INR b)

Y/E MARCH	2020	2021E	2022E
Sales	171.3	187.7	208.3
EBITDA	32.1	43.0	47.1
Adj. PAT	15.8	23.0	26.2
EBIT Margin (%)	12.0	16.2	16.4
Cons. Adj. EPS (INR)	19.6	28.6	32.6
EPS Gr. (%)	4.8	45.7	13.9
BV/Sh. (INR)	197.5	223.3	252.2
Ratios			
Net D:E	0.1	0.0	-0.1
RoE (%)	9.9	12.8	12.9
RoCE (%)	8.8	12.0	12.4
Payout (%)	15.6	10.5	11.1
Valuations			
P/E (x)	37.4	25.6	22.5
EV/EBITDA (x)	19.0	13.7	12.2
Div. Yield (%)	0.3	0.3	0.4
FCF Yield (%)	4.8	3.9	3.2
EV/Sales (x)	3.5	3.1	2.8

Shareholding pattern (%)

As On	Jun-20	Mar-20	Jun-19
Promoter	36.7	36.7	36.7
DII	21.3	22.6	16.2
FII	18.7	18.0	25.7
Others	23.4	22.7	21.4

FII Includes depository receipts

Quarterly Performance (Consolidated)

(INR m)

Y/E March	FY20				FY21E				FY20	FY21E	Est. % Var	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				1QE
Net Revenues	39,890	43,958	43,710	43,762	43,462	47,284	48,385	48,598	171,320	187,729	41,752	4.1
YoY Change (%)	1.3	9.6	9.1	-0.6	9.0	7.6	10.7	11.1	4.7	9.6	4.7	
Total Expenditure	30,844	34,863	36,127	37,427	32,973	36,031	37,595	38,140	139,260	144,739	34,654	
EBITDA	9,046	9,095	7,583	6,335	10,488	11,254	10,790	10,458	32,060	42,990	7,098	47.8
YoY Change (%)	24.5	29.5	7.2	-34.1	15.9	23.7	42.3	65.1	3.5	34.1	-22	
Margins (%)	22.7	20.7	17.3	14.5	24.1	23.8	22.3	21.5	18.7	22.9	17.0	
Depreciation	2,680	2,830	2,779	3,134	2,690	2,750	3,044	4,090	11,423	12,574	3,050	
EBIT	6,366	6,265	4,804	3,201	7,799	8,504	7,746	6,368	20,637	30,416	4,048	
YoY Change (%)	31.2	49.1	15.9	-51.6	22.5	35.7	61.2	98.9	4.2	47.4	-36	
Interest	521	461	462	530	460	400	380	331	1,974	1,571	500	
Other Income	784	1,005	721	932	655	690	720	836	3,442	2,900	770	
Profit before Tax	6,629	6,810	5,064	3,603	7,993	8,794	8,086	6,873	22,105	31,745	4,318	
One-time (expense)/income	0	-	0	-324	0	0	0	0	-324	0	0	
PBT after EO expense	6,629	6,810	5,064	3,279	7,993	8,794	8,086	6,873	21,782	31,745	4,318	85.1
Tax	1,922	2,006	1,528	856	2,278	2,418	2,248	1,945	6,312	8,889	1,079	
Rate (%)	29.0	29.4	30.2	23.8	28.5	27.5	27.8	28.3	28.6	28.0	25.0	
Minority Interest	-75.4	90.9	25.5	-36.4	-64.8	35.0	20.0	-90.2	4.6	-100.0	70.0	
Reported PAT	4,782	4,714	3,510	2,460	5,780	6,340	5,818	5,018	15,465	22,957	3,168	82.4
Adj PAT	4,782	4,714	3,510	2,747	5,780	6,340	5,818	5,018	15,752	22,957	3,168	82.4
YoY Change (%)	31.4	59.8	5.7	-46.4	20.9	34.5	65.7	82.7	4.8	45.7	-33.7	

Key performance Indicators (Consolidated)

(INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
INRm										
Domestic formulation	13,880	17,584	17,921	17,504	16,080	18,815	19,355	20,583	66,815	74,833
YoY Change (%)	(10.1)	7.0	13.1	13.5	15.9	7.0	8.0	17.6	4.1	12.0
North America	11,190	9,671	9,616	8,752	10,210	11,246	11,894	13,725	39,404	47,075
YoY Change (%)	31.8	(15.4)	(14.1)	(9.5)	-8.8	28.5	16.5	22.0	15.2	19.5
Europe	2,010	1,758	1,748	2,188	2,400	2,374	2,360	2,545	8,566	9,680
YoY Change (%)	50.0	24.7	(7.5)	(7.3)	19.4	35.0	35.0	16.3	22.0	13.0
South Africa	6,910	7,473	8,305	8,314	7,630	7,772	7,890	8,163	30,838	31,454
YoY Change (%)	19.9	48.6	49.1	1.1	10.4	4.0	(5.0)	(1.8)	(3.3)	2.0
Emerging market	2,792	4,396	3,060	3,938	4,570	4,396	4,131	4,327	15,419	17,423
YoY Change (%)	(65.7)	(44.7)	(54.7)	(3.0)	63.7	-	35.0	9.9	(11.4)	13.0
API	1,820	1,758	1,748	2,626	1,840	1,811	1,836	1,777	6,853	7,264
YoY Change (%)	(9.5)	2.8	15.0	50.9	1.1	3.0	5.0	(32.3)	(2.2)	6.0
Cost Break-up										
RM Cost (% of Sales)	30.0	33.2	37.6	38.6	36.6	35.5	35.2	35.2	35.0	36.6
Staff Cost (% of Sales)	19.0	17.3	17.1	17.5	17.8	17.0	16.5	16.8	17.7	17.8
R&D Expenses(% of Sales)	6.5	6.7	7.0	7.1	4.6	5.7	6.5	7.0	7.0	4.6
Other Cost (% of Sales)	21.8	22.0	20.9	22.4	16.9	18.0	19.5	19.4	21.8	16.9
Gross Margins(%)	70.0	66.8	62.4	61.4	63.4	64.5	64.8	64.8	65.0	63.4
EBITDA Margins(%)	22.7	20.7	17.3	14.5	24.1	23.8	22.3	21.5	18.7	22.9
EBIT Margins(%)	16.0	14.3	11.0	7.3	17.9	18.0	16.0	13.1	12.0	16.2



Estimate change	↓
TP change	↓
Rating change	↔

CMP: INR879 TP: INR1,015 (+15%) Buy

Earnings drag on muted US/India sales

Niche launches to drive US revenues over medium term

- Lupin's (LPC) 1QFY21 PAT was the lowest over the past four years. The significant cost savings benefit was offset by the sharp decline in US sales and higher employee cost. However, based on niche launches like g-albuterol sulfate in the US, biosimilar Enbrel in the EU and gradually improving outlook for domestic formulation (DF), we expect better earnings prospects going forward.
- We have cut our EPS estimate by 11.9%/10.5% for FY21/FY22E to factor in the COVID led impact on DF/ROW and gradual re-building of metformin sales (post recall). We value LPC at 24x (40% discount to its 3-year average) 12M forward earnings to arrive at a price target of INR1,015. We remain positive on LPC due to (a) limited competition product approvals, (b) increase in market share in existing products, and (c) completion of remediation measures at sites under regulatory issues over the near term. Maintain **Buy**.

Motilal Oswal values your support in the Asiamoney Brokers Poll 2020 for India Research, Sales and Trading team. We request your ballot.



Bloomberg	LPC IN
Equity Shares (m)	453
M.Cap.(INRb)/(USD\$)	398.5 / 5.7
52-Week Range (INR)	956 / 505
1, 6, 12 Rel. Per (%)	-3/32/9
12M Avg Val (INR M)	1919

Financials & Valuations (INR b)

Y/E MARCH	2020	2021E	2022E
Sales	153.7	157.3	177.1
EBITDA	23.5	26.6	33.1
Adj. PAT	9.0	11.8	17.0
EBIT Margin (%)	9.0	11.2	13.5
Cons. Adj. EPS (INR)	19.8	26.1	37.6
EPS Gr. (%)	47.7	31.2	44.3
BV/Sh. (INR)	276.7	295.3	322.5

Ratios

Net D:E	0.0	0.1	0.0
RoE (%)	6.8	9.1	12.2
RoCE (%)	4.8	7.5	10.5
Payout (%)	-119.0	31.7	28.0

Valuations

P/E (x)	44.6	33.9	23.5
EV/EBITDA (x)	17.0	15.5	12.1
Div. Yield (%)	1.0	0.8	1.0
FCF Yield (%)	17.4	-1.1	4.2
EV/Sales (x)	2.6	2.6	2.3

Shareholding pattern (%)

As On	Jun-20	Mar-20	Jun-19
Promoter	46.9	46.9	47.0
DII	18.9	16.6	13.4
FII	21.3	22.7	25.2
Others	12.9	13.9	14.4

FII Includes depository receipts

Cost savings benefit more than offset by lower revenues

- LPC's 1QFY21 revenue fell 9% YoY to INR35.3b (v/s est. INR39.6b), led by 21% YoY decline in US sales to INR12b (USD157m; 35% of sales). DF sales (37% of sales) were down 1.7% YoY to INR12.9b. Growth market sales (8% of sales) declined 5.8% YoY to INR2.7b. EMEA sales fell 4% YoY to INR2.5b (7% of sales). API sales were up 17.2% YoY to INR4.1b (11% of sales).
- The gross margin at 63.5% was down 240bp YoY on change in product mix.
- EBITDA margin contracted at higher rate of 490bp YoY to 14.4% due to higher employee cost (+390bp YoY as % of sales), partially offset by lower other expenses (-180bp YoY as % of sales).
- R&D expense for the quarter stood at 10.1% of sales.
- EBITDA at INR5.1b (v/s est. INR5.7b) was down 32% YoY.
- Adj. PAT was down 59% YoY to INR1.2b (v/s est. INR2.3b), weighed by lower margins and higher tax rate.

Highlights from management commentary

- LPC expects approval for g-Proair (Albuterol Sulphate) anytime this month and would launch it in Sep'20 in the US market.
- LPC's employee cost includes cost related to restructuring of marketing resources for the US market and COVID related higher spends. This is expected to be lower than INR7.6b (quarterly) from 2QFY21.
- US revenues declined considerably in 1QFY21 due to lower sales of seasonal product (g-Tamiflu), Metformin recall and demand contraction (due to stocking up of inventory in previous quarters).
- Management has guided for 5-8% of YoY growth in FY21 for the India market.

Valuation and view

- We have reduced our earnings estimate by 11.9%/10.5% for FY21/FY22E to factor in gradual recovery in DF on account of COVID and lower US sales due to the Metformin recall.
- We expect 38% earnings CAGR over FY20-22E, led by (a) limited competition, (b) niche launches (g-Albuterol – to be launched in Sep'20; g-Fostair in EU), (c) improving market share in the US for Levothyroxin, (d) expected sales from Enbrel biosimilar in the EU, (e) better-than-industry growth in DF and (f) partly due to the low base of FY20 (21% compounded decline in earnings over FY18-20). Accordingly, we expect RoE to improve from 7% in FY20 to 12.2% by FY22E.
- We value LPC at 24x 12M forward earnings to arrive at a price target of INR1,015. Maintain **Buy**.

Quarterly Perf. (Consol.)

(INR m)

Y/E March	FY20				FY21E				FY20	FY21E	FY21E % Var	1QE
	1Q	2Q*	3Q	4Q	1Q	2QE	3QE	4QE				
Net Sales	38,777	38,822	37,693	38,457	35,279	37,848	40,511	43,635	1,53,748	1,57,272	39,634	-11.0
YoY Change (%)	0.6	-1.7	-4.5	-1.1	-9.0	-2.5	7.5	13.5	4.8	2.3	-10.3	
Total Expenditure	31,309	32,416	33,002	33,204	30,194	31,906	33,219	35,374	1,30,200	1,30,693	33,966	
EBITDA	7,468	6,406	4,691	5,253	5,085	5,942	7,292	8,260	23,548	26,579	5,668	-10.3
YoY Change (%)	5.5	16.5	-31.2	-32.6	-31.9	-7.2	55.4	57.2	-8.0	12.9	-34.1	
Depreciation	2,502	2,526	2,532	2,143	2,146	2,200	2,250	2,319	9,702	8,916	2,200	
EBIT	4,967	3,880	2,159	3,111	2,938	3,742	5,042	5,941	13,846	17,663	3,468	
YoY Change (%)	10.6	36.5	-53.3	-44.5	-40.8	-3.6	133.6	91.0	-6.2	27.6	-36	
Interest	844	826	886	1,074	443	450	480	531	3,630	1,904	950	
Other Income	666	1,280	936	826	433	460	490	567	3,578	1,950	900	
EO Exp/(Inc)	-384	5,465	3,287	-2,091	204	0	0	0	6,261	204	0	
PBT	5,172	-1,131	-1,078	4,954	2,725	3,752	5,052	5,977	7,533	17,505	3,418	-20.3
Tax	2,155	695	7,670	1,051	1,643	1,763	1,516	854	11,571	5,777	1,128	
Rate (%)	41.7	-61.5	-711.4	21.2	60.3	47.0	30.0	14.3	153.6	33.0	33.0	
Minority Interest	-13	-556	-398	7	-12	-6	-13	-14	-43	-46	2	
Reported PAT	3,031	-1,271	-8,350	3,896	1,069	1,983	3,523	5,108	-3,995	11,683	2,292	-53.4
Adj PAT	2,807	3,373	1,834	2,559	1,150	1,983	3,523	5,108	8,966	11,764	2,292	-49.8
YoY Change (%)	38.4	26.8	-36.2	-0.1	-59.0	-41.2	92.1	99.6	47.7	31.2	-24.4	
Margins (%)	7.2	8.7	4.9	6.7	3.3	5.2	8.7	11.7	5.8	7.5	5.8	

Note:* Q2FY20 nos include Japan business revenues



Estimate change	↔
TP change	↔
Rating change	↔

Motilal Oswal values your support in the Asiamoney Brokers Poll 2020 for India Research, Sales and Trading team. We [request your ballot](#).



Bloomberg	HPCL IN
Equity Shares (m)	1,524
M.Cap.(INRb)/(USD\$)	325.4 / 4.4
52-Week Range (INR)	329 / 155
1, 6, 12 Rel. Per (%)	-3/-4/-16
12M Avg Val (INR M)	1575

Financials & Valuations (INR b)

Y/E March	2020	2021E	2022E
Sales	2,691	1,956	2,479
EBITDA	56.6	125.5	121.9
Adj. PAT	36.4	73.0	69.8
Adj. EPS (INR)	23.9	47.9	45.8
EPS Gr. (%)	(45.6)	100.4	(4.4)
BV/Sh.(INR)	203.3	218.8	233.6

Ratios

Net D:E	0.8	0.9	1.2
RoE (%)	11.9	22.7	20.2
RoCE (%)	12.0	9.8	8.3
Payout (%)	79.8	67.6	67.6

Valuations

P/E (x)	9.0	4.5	4.7
P/BV (x)	1.1	1.0	0.9
EV/EBITDA (x)	12.7	6.2	7.2
Div. Yield (%)	4.6	12.6	12.0
FCF Yield (%)	(33.2)	(12.0)	(17.1)

Shareholding pattern (%)

As On	Jun-20	Mar-20	Jun-19
Promoter	51.1	51.1	51.1
DII	23.6	21.7	17.2
FII	16.1	17.7	19.6
Others	9.2	9.5	12.0

FII Includes depository receipts

CMP: INR214 TP: INR304 (+42%) Buy

Poor refining margin leads miss; Marketing margins to normalize

- HPCL posted a miss on EBITDA, led by poor refining margin (core at -USD0.9/bbl); while refining throughput (4.0mmt), marketing sales (7.6mmt) and margin (INR8.2/liter) were in line with estimates.
- On an average, MS and HSD demand was ~63/66% of normal and LPG was ~114% of normal in the quarter for HPCL. Lubes were ~85% of normal for HPCL (i.e. 15% impact on volumes, while industry had ~30%).
- The company expects some more time before 100% demand is retained, with further pickup in demand from industrial and commercial space. The company foresees demand for MS to be 85-90% and HSD at 80-85% of normal in the near term. LPG demand though should remain strong.
- HPCL plans to maintain full utilization of its refineries (1QFY21 utilization rate was ~101%), leveraging its marketing business.
- Borrowings declined for the company to INR366b in Jun'20 (~INR260b long term and the rest in short-term debt), and it is further down to INR310b in Jul'20 (v/s INR430b at end-FY20).
- While HPCL's leverage to marketing remains the highest, it is the least preferred in our pecking list due to its high ongoing capex (INR115b for FY21), which would raise its net debt. Additionally, the Vizag expansion, involving a slurry hydrocracker, is expected to face challenges related to execution in FY22E, which could hamper its performance/profitability.

Poor refining margin leads to EBITDA miss

- Reported EBITDA stood at INR43.5b. Adjusting for inventory, EBIDTA stood at INR37.2b (v/s est. -9%; INR19.9 in 1QFY20). The higher interest cost was offset by higher other income. Adj. PAT stood at INR28.1b (v/s est. -12%; INR8.1b in 1QFY20), with tax rate of 24.5%.
- Total inventory gain for the quarter stood at INR6.3b (refining at INR2.0b and marketing at INR4.3b), resulting in inventory gain of USD0.9/bbl (v/s est. USD2.5/bbl). Thus, core GRM came in at -USD0.9/bbl (v/s est. USD3/bbl; USD3.3 in 1QFY20).

Key operational performance

- Refining** – Reported GRM stood at USD0.04/bbl. Refining throughput (+1% YoY, -13% QoQ) stood at 4.0mmt (in-line). High sulphur crude processing decreased to 50% during 1QFY21 (v/s 58% in FY20), while distillates' yield remained unchanged at 74.8%.
- Marketing** – Sales and margin were in line: Marketing margin stood at INR8.2/liter (v/s INR3.8/liter in 1QFY20 and INR3.6/liter in 4QFY20). Marketing sales volumes stood at 7.6mmt (-25% YoY, -20% QoQ).

Management commentary highlights

- HPCL foresees marketing margins to normalize around current levels (as per our calculation MS-HSD margins at INR3.5-4.5/liter) and remain the same going ahead as well. While, refining is weak, margins should revive off the trough as activities across the globe pick up.

- Brent prices have marginally picked up recently, though high crude oil inventories across the globe is likely to cap the spike in Brent prices. However, lower volatility in crude prices should help maintain normalized marketing margin and lesser vulnerabilities in inventory gain/loss.
- Our model was in line with the aforementioned developments and we have built in FY21 refining throughput at 17.1mmt (flat YoY) factoring in HPCL's sales/throughput of ~2.3x. Marketing sales volumes are built at ~4% lower YoY at 38mmt (v/s average 5% YoY volumes gain that we assume).
- On margins front, we have built in GRM of USD3.8/6/bbl and marketing margin of INR5.3/INR4.4/liter for FY21/22E.

Capex plan of INR115b for FY21

- Capex plans for FY21 projected at INR115b (v/s INR150b done last year) – Apr-Jul'20 saw spends of ~INR19b despite the lockdowns.
- As of today, most project sites are back to work, though returning of 100% workforce will take some time.
- HPCL is targeting completion of the Mumbai and Vizag expansions in 2021, followed by upgradation at Vizag in 2022 and Rajasthan (Barmer) refinery in 2023. The company expects all pipeline projects to be completed on time as well.

Valuation and View

- The company has reiterated that overall business is a function of both refining and marketing margins, which tends to normalize in the longer term (which is in line with our thesis and our model estimates).
- The stock trades at 4.7x FY22E EPS of INR45.8 and 0.9x FY21E BV of INR234. The company has made strong dividend payout of 80% in FY20, with dividend yield at 4.6%. However, owing to higher capex, FCF generation for the company is forecasted to remain negative.
- We value it at 1.3x FY22E PBV (20% discount to FY15-18 post the reform period, factoring in heavy capex and project execution risk), to arrive at a TP of INR304. **Maintain Buy.**

Standalone - Quarterly Earning Model

Y/E March	FY20				FY21				FY20	FY21E	FY21 1QE	Var. vs est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Net Sales	709.9	608.7	707.5	661.5	377.2	489.9	539.6	547.2	2,687.6	1,953.9	294.9	28%
YoY Change (%)	5.0	-9.8	-1.9	-2.6	-46.9	-19.5	-23.7	-17.3	-2.3	-27.3	-58.5	
Total Expenditure	695.4	584.2	687.1	660.9	333.7	463.8	511.9	519.5	2,627.6	1,828.9	245.1	180%
EBITDA	14.5	24.5	20.4	0.7	43.5	26.1	27.7	27.7	60.0	125.1	49.8	-13%
Margins (%)	2.0	4.0	2.9	0.1	11.5	5.3	5.1	5.1	2.2	6.4	16.9	
Depreciation	8.2	8.1	8.7	8.1	8.7	9.5	9.5	10.3	33.0	37.9	9.5	-9%
Forex loss	-1.9	1.2	1.7	7.7	0.0	0.0	0.0	0.0	8.7	0.0	0.1	
Interest	2.1	2.9	2.5	3.4	3.2	3.5	3.5	3.7	10.8	13.8	1.2	NM
Other Income	6.2	3.9	4.1	4.2	5.6	4.3	4.3	3.0	18.4	17.3	3.8	47%
PBT before EO expense	12.4	16.2	11.5	-14.3	37.3	17.5	19.1	16.7	25.8	90.6	42.9	-13%
Extra-Ord expense	0.0	0.0	0.0	10.0	0.0	0.0	0.0	0.0	10.0	0.0	0.0	
PBT	12.4	16.2	11.5	-24.3	37.3	17.5	19.1	16.7	15.7	90.6	42.9	-13%
Tax	4.3	5.6	4.0	-24.6	9.1	4.4	4.8	4.2	-10.6	22.6	10.8	-15%
Rate (%)	34.6	34.9	35.1	101.1	24.5	25.2	25.2	25.2	-67.7	24.9	25.2	
Adj PAT	8.1	10.5	7.5	10.3	28.1	13.1	14.3	12.5	36.4	68.0	32.1	-12%
YoY Change (%)	-52.8	-3.6	201.8	-65.3	247.0	24.3	90.8	21.6	-39.6	86.8	296.2	
Key Assumptions												
Refining throughput (mmt)	3.9	4.6	4.2	4.5	4.0	4.4	4.4	4.4	17.2	17.1	4.0	-1%
Core GRM (USD/bbl)	3.3	2.5	1.5	9.5	-0.9	5.0	5.0	5.0	4.2	3.5	3.0	NM
Marketing sales incl exports (mmt)	10.1	9.4	10.6	9.6	7.6	9.4	10.6	10.6	39.6	38.2	7.5	2%
Marketing GM incld inv (INR/litre)	3.8	4.5	4.1	3.6	8.2	4.4	4.3	4.4	4.0	5.3	8.2	0%

E: MOFSL Estimates



Vodafone Idea

Estimate changes	↔
TP change	↔
Rating change	↔

Motilal Oswal values your support in the Asiamoney Brokers Poll 2020 for India Research, Sales and Trading team. We request your ballot.



Bloomberg	IDEA IN
Equity Shares (m)	28,735
M.Cap.(INRb)/(USDb)	253.7 / 3.2
52-Week Range (INR)	13 / 3
1, 6, 12 Rel. Per (%)	-12/78/62
12M Avg Val (INR M)	3166

Financials & Valuations (INR b)

Y/E March	FY20	FY21E	FY22E
Sales	449.6	424.7	433.8
EBITDA	149.1	160.0	192.7
Adj. PAT	-217.3	-230.0	-221.4
EBITDA Margin (%)	33.2	37.7	44.4
Adj. EPS (INR)	-7.6	-8.0	-7.7
EPS Gr. (%)	NM	NM	NM
BV/Sh. (INR)	2.1	NM	NM

Ratios

Net D:E	17.7	NM	NM
RoE (%)	NM	NM	NM
RoCE (%)	NM	NM	NM
Payout (%)	0.0	0.0	0.0

Valuations

EV/EBITDA (x)	8.8	9.0	8.1
P/E (x)	NM	NM	NM
P/BV (x)	4.2	NM	NM
Div. Yield (%)	0.0	0.0	0.0
FCF Yield (%)	-0.4	1.7	2.1

Shareholding pattern (%)

As On	Jun-20	Mar-20	Jun-19
Promoter	72.1	72.1	71.6
DII	3.6	6.0	7.2
FII	7.2	8.8	15.7
Others	17.1	13.1	5.6

FII Includes depository receipts

CMP: INR9

Under Review

Benefit of price hike eroded; liquidity remains precarious

- Vodafone Idea's (VIL) adjusted EBITDA (pre Ind-AS 116) was down 10% QoQ (in-line) to INR15.4b, as revenue slid 9% impacted by the lockdown. However, it was much below peers.
- With ballooning net debt of INR1,659b (incl. AGR liability) and cash flow requirement of INR300b to service its debt/capex, VIL awaits clarity from the Supreme Court (SC). It is seeking to double ARPU to make sustainable profits.

Adj. EBITDA down 5% QoQ to INR38b (in-line) on 6% ARPU drop

- Revenues were down 9.3% QoQ to INR106.6b (in-line) on subs/ARPU decline of 4%/6%, owing to the COVID-19 led lockdown and disruption of economic activities.
- EBITDA declined 6% QoQ to INR41b. After adjusting for INR3b one-off credits (INR4b in 4QFY20) related to network cost, license fees/SUC charges, EBITDA declined 5% to INR38b (in-line). EBITDA on pre Ind-AS 116 basis (adj. for one-off credits) stood at INR15.4b, down 10% QoQ (in-line).
- Net loss came in at INR254.6b (v/s INR116.4b in 4QFY20). Adjusted net loss (for exceptional) came in at INR55.4b on post Ind-AS 116 basis (v/s INR55b in 4QFY20 and est. INR63.8b).
- The subscriber and ARPU trend across telcos this quarter should be seen in combination (implying revenue trend) as inactive subscribers during the lockdown were accounted differently as per subscriber definition (Bharti at 30 days; VIL/RJio at 90 days). Therefore, ARPU/subs trends are different across telcos.
- Thus, VIL's 9% YoY revenue decline v/s Bharti/RJio's -1%/12% is far behind peers, losing market share even after accounting for the lockdown. On three-quarter basis (2QFY20-1QFY21), factoring in the price increase/subs trend too, it has declined significantly i.e. -1% v/s Bharti/RJio's increase of 17%/24%.
- VIL lost 11m customers (-3.9% QoQ) to 279.8m (11.4% above est.); active subs declined even steeply by 20.7m to 273m. Data/4G subscribers declined 4m/1m to 135.7m/104.6, while the sticky postpaid subscriber too declined 1.5m.
- ARPU at INR114 was down 5.8% QoQ (v/s Bharti/RJio's 2%/7% QoQ growth).
- Capex intensity reduced to INR6b in 1QFY21 (v/s INR18.2b in 4QFY20 and INR33.3b in 3QFY20) due to the COVID-19 disruption.
- Net Debt stood at INR1,155b (v/s INR1,125.2b in 4QFY20), including INR922.7b deferred spectrum liability. Gross debt stood at INR1,189.4b, excluding lease liabilities. Cash stood at a mere INR34.5b, barely sufficing one quarter's capex and interest cost in a normal scenario.

Highlights from Management commentary

- **Investment strategy:** Management is conscious of its liquidity situation. Thus, it is restricting its investments in 16 priority circles and profitable districts of the remaining 6 circles. These 16 priority circles form 94% of the company's revenue and 87% of industry revenues.
- **ARPU requirement:** Management believes that price is unreasonably low and there is enough room for incremental price hike. To generate healthy returns, ARPU should be in the range of INR230-250.
- **Steps to improve profitability and liquidity:** VIL is discussing with tower operators to reduce loading charges and is looking to control/optimize energy cost along with IT cost. The company has already repaid INR29.4b out of total debt of INR36.3b, which has to be repaid by Mar'21.

Valuation and view

- **Needs cash to survive:** VIL's weak cash position with outstanding cash and equivalents of INR34.5b in 1QFY21 and estimated EBITDA (pre- Ind-AS 116) of 78b in FY21 would be insufficient to service estimated cash requirement of ~INR135b in FY21-22E and much higher INR300b FY23 onwards (as the two-year deferred spectrum payment moratorium ends). Our workings suggest that >70% price hike would be required to service cash obligations.
- **Losing competitive position:** VIL is losing its competitive positioning with continuous subscriber churn. It lost 11m/21m/4m/1m in total/active/data/4G subscribers in 1QFY21. Further, weak liquidity position has restricted VIL's ability to invest in networks, which has led VIL to focus on 16 out of 22 circles. This could limit its growth and further lose competitive position.
- **Stability needed:** The SC verdict on payment timelines would change annual payment from INR51b for 20 years to INR75b for 10 years. With INR300b of cash requirement to service its debt and capex, this alone may not move the needle even if the SC offers a 20-year timeline. The big tariff hike of ~25% in Dec'19 has barely added INR19b of annualized EBITDA (pre Ind-AS 116) v/s our earlier expectation of INR74b, which is insignificant against the cash requirement. Stability of network, subscriber base and steep capital infusion would be key priorities to survive and drive sustainable profits.
- **Maintains under review:** The significant amount of cash requirement to service debt, leaves limited upside opportunity for equity holders, assuming 7x EV/EBITDA and ~INR1,659b net debt (including AGR liability). In such a highly uncertain environment, we continue to place the stock under review until we get clarity on the company's business continuity.

Consolidated - Quarterly Earnings Model

(INR b)

Y/E March	FY20				FY21				FY20	FY21E	1Q FY21E	Est Var (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Revenue	113	108	111	118	107	108	110	100	450	425	107	-0.2
YoY Change (%)	91.4	41.5	-5.7	-0.2	-5.4	-0.6	-0.4	-15.0	21.2	-5.5	-5.2	
Total Expenditure	76	75	77	74	66	70	71	58	300	265	69	-4.4
EBITDA	37	33	34	44	41	38	39	42	149	160	38	7.3
YoY Change (%)	453.5	625.4	200.9	145.3	12.3	12.5	14.0	-3.3	268.8	7.3	4.7	763
Depreciation	61	63	59	60	60	60	62	62	244	244	62	-3.8
Net Finance Costs	34	34	34	40	37	37	37	37	144	150	41	-7.6
PBT before EO expense	-59	-62	-58	-56	-55	-59	-59	-56	-234	-234	-64	NM
Extra-Ord expense	8	308	6	61	199	0	0	0	384	199	0	
PBT	-67	-370	-64	-117	-255	-59	-59	-56	-618	-429	-64	NM
Tax	-18	140	0	-1	0	0	0	0	121	0	0	NM
Rate (%)	27.0	-37.8	-0.3	0.8	0.0	0.0	0.0	0.0	-19.5	0.0	0.0	
Reported PAT	-49	-509	-64	-116	-255	-59	-59	-56	-739	-429	-64	NM
Adj PAT	-42	-62	-58	-55	-55	-59	-59	-56	-217	-230	-64	NM
YoY Change (%)	195.4	38.9	-6.4	35.6	30.8	-4.5	2.1	2.2	34.5	5.9	50.8	

E: MOFSL Estimates

Key Performance Indicators

Y/E March	FY20				FY21				FY20	FY21E	1Q FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
Blended ARPU (INR)	108	107	109	121	114	117	119	106	111	115	119
Subscriber Base (m)	320	311	304	291	280	282	284	285	291	285	251
Data Subscribers (m)	143	140	142	140	136	147	158	171	140	171	151
Data usage/Subs (Mb)	7417	8209	8951	9687	10956	11504	12079	12683	8511	11371	10171
EBITDA Margins (%)	32.4	30.9	30.8	37.3	38.4	34.9	35.3	42.4	33.2	39.0	35.7
EBIT Margin (%)	-22.0	-27.3	-22.2	-14.1	-17.6	-20.9	-20.6	-19.7	-21.0	-17.2	-22.4
Adj. PAT Margins (%)	-37.6	-57.0	-52.4	-46.8	-51.9	-54.8	-53.7	-56.3	-48.3	-53.0	-59.7

E: MOFSL Estimates



Torrent Power

Estimate change	↔
TP change	↑
Rating change	↔

CMP: INR337 TP: INR392 (+16%) Buy

Distribution biz impacted by lower volumes

Motilal Oswal values your support in the Asiamoney Brokers Poll 2020 for India Research, Sales and Trading team. We request your ballot.



Bloomberg	TPW IN
Equity Shares (m)	481
M.Cap.(INRb)/(USD\$)	161.8 / 2.1
52-Week Range (INR)	358 / 240
1, 6, 12 Rel. Per (%)	-3/18/11
12M Avg Val (INR M)	402

Financials & Valuations (INR b)

Y/E MARCH	2020	2021E	2022E
Sales	136.4	135.8	140.0
EBITDA	35.6	33.9	37.2
Adj. PAT	13.5	10.8	14.2
EBITDA Margin (%)	26.1	25.0	26.5
Cons. Adj. EPS (INR)	28.0	22.4	29.6
EPS Gr. (%)	49.7	-19.9	31.9
BV/Sh. (INR)	190.5	210.7	233.8

Ratios

Net D:E	0.9	0.7	0.5
RoE (%)	14.9	11.2	13.3
RoCE (%)	9.5	9.2	10.5
Payout (%)	41.4	29.0	22.0

Valuations

P/E (x)	12.0	15.0	11.3
P/BV (x)	1.8	1.6	1.4
EV/EBITDA(x)	6.8	6.8	5.7
Div. Yield (%)	3.5	1.9	1.9
FCF Yield (%)	14.3	13.0	15.6

Shareholding pattern (%)

As On	Jun-20	Mar-20	Jun-19
Promoter	53.6	53.6	53.6
DII	19.9	19.6	18.2
FII	8.5	8.8	7.9
Others	18.0	18.1	20.3

FII Includes depository receipts

Balance sheet healthy; demand normalization is key

- Torrent Power (TPW)'s results highlight the impact of lower volumes on its Distribution Franchise (DF) business. Reported EBITDA, though, was up 16% YoY to INR9.7b, led primarily by a one-off APTEL order benefit of INR2.5b.
 - The co.'s Distribution business has been impacted by lower volumes due to the impact of COVID-19. However, demand and collections have been recovering, and a healthy balance sheet would help tide over this wave.
- Maintain Buy, with TP of INR392/sh.**

One-off APTEL order boosts profitability

- Torrent Power's 1QFY21 adj. EBITDA declined 16% YoY to INR7.0b (v/s our est. of INR 7.1b) amid higher T&D loss and lower demand for the DF business. This was partly offset by the offtake of the UnoSugen PPA.
- EBITDA is adjusted for one-offs related to: 1) gains of INR3.4b on regulatory orders, 2) an INR0.6b impact of the FC waiver for the Distribution License (DL) business, and 3) INR0.1b of COVID-19-related donations.
- Gains on regulatory orders were led by an INR2.5b benefit from an APTEL order related to carrying cost.
- The DF business (including Shil, Mumbra, and Kalwa) witnessed a 37% YoY drop in demand. Furthermore, given the adverse customer mix, T&D loss at Bhiwandi and Agra increased by 10.2% and 3.7% YoY, respectively.
- Interest cost was down 11% YoY to INR2.2b. Adj. PAT decreased 39% YoY to INR1.7b, led by subdued performance from DF. Reported PAT was up 35% YoY to INR3.7b.

Management commentary highlights

- Demand from end consumers fell sharply in both DF (-37% YoY) and DL (-36% YoY). Given the extension of due dates for consumers, collection was also impacted. However, June onwards, collection has recovered. The company expects receivables to normalize by 1HFY21. Debt reduction would continue in FY21.
- Volumes for the DF business are expected to decline ~20% YoY in FY21. T&D loss for Bhiwandi and Agra is expected at 16% and 12.5%, respectively, for FY21.

Strong positioning and healthy balance sheet; maintain Buy

- COVID-19 has impacted the company's Distribution Franchise business. Accordingly, we expect 20% YoY decline in profitability (on an adjusted basis) for FY21. However, as demand gradually recovers, TPW's medium-term story remains intact. The outlook for TPW's gas plants has improved with low LNG prices and the recent offtake of the UnoSugen PPA. Continued capitalization within regulated distribution and debt repayment would aid earnings. Besides, TPW remains well-poised to capitalize on opportunities from distribution privatization. We value the company at INR392/sh using SOTP (Exhibit 1) approach. The regulated distribution business of Ahmedabad and Surat is valued at a PB of ~1.8x given predictable cash flows on regulated equity model. We assign a value of 6.5x EV/EBITDA to the DF business of Bhiwandi and Agra. Renewables business is valued at 8x EV/EBITDA.

Quarterly Performance (consolidated) – INR m

Y/E March	FY20				FY21				FY20	FY21E	FY20 1QE	vs Est (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Net Sales	37,361	38,420	30,790	29,835	26,631	37,203	30,623	41,306	136,406	135,763	36,422	-27
YoY Change (%)	5.9	11.5	-5.4	2.0	-28.7	-3.2	-0.5	38.4			-2.5	
Total Expenditure	29,025	27,870	22,386	21,565	19,647	28,149	22,610	31,448	100,846	101,854	29,315	-33
EBITDA	8,337	10,550	8,404	8,270	6,984	9,054	8,013	9,858	35,561	33,909	7,107	-2
Margins (%)	22.3	27.5	27.3	27.7	26.2	24.3	26.2	23.9			19.5	
Depreciation	3,206	3,219	3,268	3,350	3,159	3,245	3,294	3,449	13,043	13,147	3,330	-5
Interest	2,477	2,495	2,349	2,224	2,203	2,125	2,063	1,991	9,546	8,383	2,134	3
Other Income	545	493	365	373	347	506	374	595	1,776	1,821	559	-38
PBT before EO expense	3,199	5,329	3,152	3,069	1,968	4,189	3,031	5,013	14,748	14,201	2,201	-11
Extra-Ord expense	0	0	0	10,000	-2,710	0	0	0	10,000	-2,710	0	
PBT	3,199	5,329	3,152	-6,931	4,678	4,189	3,031	5,013	4,748	16,911	2,201	113
Tax	433	-2,227	-1,055	-4,191	940	1,005	727	1,386	-7,040	4,059	528	
Rate (%)	13.5	-41.8	-33.5	60.5	20.1	24.0	24.0	27.7	-148.3		24.0	
MI and Associates	13	12	12	10	12	2	2	-8	47	8	2	
Reported PAT	2,753	7,544	4,194	-2,749	3,727	3,182	2,301	3,634	11,742	12,844	1,671	123
PAT	2,753	4,742	3,148	2,815	1,667	3,182	2,301	3,634	13,458	10,784	1,671	0
YoY Change (%)	21.9	15.1	32.8	1,075.3	-39.4	-32.9	-26.9	29.1	49.7	-19.9	-39.3	
Margins (%)	7.4	12.3	10.2	9.4	6.3	8.6	7.5	8.8	9.9	7.9	4.6	

Source: MOFSL, Company



Dalmia Bharat

Estimate change	↑
TP change	↑
Rating change	↔

CMP: INR764 TP: INR895 (+17%) Buy

Capacity expansion to drive market share gains

Margins strong on account of cost control

- Dalmia Bharat (DBL)'s results surprised, driven by strong realization and cost reduction. EBITDA/t came in at INR1,678 (+15% YoY) – the highest ever for the company. Volumes declined just 20% YoY (v/s ~35% for the industry), aided by robust demand in eastern India.
- We raise our FY21/FY22E EBITDA est. by ~15%/2% on lower costs. Maintain **Buy**, as the commissioning of new capacities and ongoing deleveraging should drive upside.

Motilal Oswal values your support in the Asiamoney Brokers Poll 2020 for India Research, Sales and Trading team. We request your ballot.



Bloomberg	DALBHARA IN
Equity Shares (m)	193
M.Cap.(INRb)/(USD\$b)	143 / 2
52-Week Range (INR)	1071 / 406
1, 6, 12 Rel. Per (%)	3/-7/-28
12M Avg Val (INR M)	159

Cost reduction leads beat on EBITDA; net debt / EBITDA down to 1.0x

- Volumes declined 20% YoY to 3.66mt (our estimate: 3.64mt) due to plant shutdowns in April; however, this was much better than the industry (down ~38% YoY), led by strong IHB demand in the eastern region.
- Realization rose 12% QoQ to INR5,393/t (-3% YoY), driven by price hikes in the southern and eastern regions, 2% higher than our est. of INR5,303/t.
- As a result, revenue fell by 22% YoY to INR19.7b (our estimate: 19.3b).
- Per ton cost fell to INR3,716/t (-10% YoY; -3% QoQ), driven by lower power and fuel cost (utilized low-cost pet coke inventory) at INR697/t (-32% YoY; -7% QoQ). Cost decline was further led by a reduction in fixed costs, which lowered other expenses to INR631/t (-18% YoY; -19% QoQ).
- EBITDA/t of INR1,678/t (+15% YoY, +71% QoQ), its highest ever, beat estimates by ~52% on lower-than-expected costs.
- EBITDA declined 8% YoY to INR6.1b (our estimate: INR4.0b), with the margin expanding 10.60pp QoQ (+4.85pp YoY) to 31.1%. Tax rate stood at 36.3% v/s 63.1% in 4QFY20.
- Adj. PAT was up 29% YoY to INR1.9b v/s our estimate of INR448m loss.
- Gross debt repayment of INR5.1b in the quarter lowered net debt / EBITDA to 1.02x from 1.34x in 4QFY20.

Financial Snapshot (INR b)

Y/E MARCH	2020	2021E	2022E
Sales	96.7	95.9	107.8
EBITDA	21.1	23.3	23.8
Adj. PAT	2.2	5.9	6.2
EBITDA Margin (%)	21.8	24.3	22.1
Adj. EPS (INR)	11.5	30.0	31.9
EPS Gr. (%)	-27.3	161.5	6.2
BV/Sh. (INR)	541.6	569.2	598.2

Ratios

Net D:E	0.3	0.2	0.2
RoE (%)	2.1	5.4	5.5
RoCE (%)	3.3	5.2	5.4
Payout (%)	17.2	6.6	7.7

Valuations

P/E (x)	66.6	25.5	24.0
P/BV (x)	1.4	1.3	1.3
EV/EBITDA(x)	7.5	7.2	6.7
EV/ton (USD)	83.2	70.8	63.5
Div. Yield (%)	0.3	0.3	0.3
FCF Yield (%)	6.4	4.1	5.9

Shareholding pattern (%)

As On	Jun-20	Mar-20	Jun-19
Promoter	55.8	54.3	54.3
DII	4.0	5.6	4.5
FII	14.2	15.3	17.4
Others	26.1	24.9	23.9

FII Includes depository receipts

Highlights from management commentary

- The demand outlook remains uncertain as the COVID-19 spread in eastern states could lead to frequent lockdown; monsoon floods would further dampen demand in Assam and Bihar.
- Variable cost was down, led by reduced power consumption, reduced power rate, and increased blended cement sales. Reduced marketing activity, traveling expenses, office admin expenses, and other overheads have led to a further reduction in cost, but as volume picks up, these costs are expected to normalize.
- In 1QFY21, it repaid debt of INR5.1b, which brought down net debt / EBITDA to 1.02 from 1.34 in 4QFY20.
- Capex guidance stands at INR12.0b for FY21, including spend of INR3.5–4.0b on the Murli Industries acquisition.
- A 3.0mt clinker line at Rajgangpur is undergoing trial runs and is expected to be commissioned in 3QFY21; the Bengal and Cuttack grinding units would be commissioned in Dec'20 and Mar'21, respectively.

Valuation and view

- DBL, with capacity expansion in eastern India, is well-placed to gain market share in the region. We estimate DBL's volume at a 5.4% CAGR in FY20–22E, much higher than the expected industry growth rate.
- The per ton EBITDA margin is, however, expected to be flat in FY20–22, resulting in a 6% EBITDA CAGR during the period.
- DBL should also be able to generate strong FCF and reduce its net debt substantially to INR18b in FY22 from ~INR28b in FY20.
- The stock trades at an attractive valuation of 6.7x FY22E EV/EBITDA and USD63/t EV/capacity. Thus, we assign Buy, valuing the stock at 8.0x FY22E EV/EBITDA, to arrive at TP of INR895 (implied EV/t of USD77 on FY21E capacity).

Quarterly Performance (Consolidated)

(INR m)

Y/E March	FY20				FY21				FY20	FY21E	FY21	Var (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Sales Dispatches (m ton)	4.55	4.47	5.10	5.17	3.66	4.47	5.20	5.78	19.29	19.12	3.64	1
YoY Change (%)	0.9	8.2	14.1	-7.2	-19.6	0.0	2.0	11.9	3.3	-0.9	-20.0	
Realization (INR/ton)	5,576	5,002	4,741	4,803	5,393	5,043	4,843	4,908	5,015	5,015	5,303	2
YoY Change (%)	6.2	-1.6	-2.1	-5.9	-3.3	0.8	2.2	2.2	-1.2	0.0	-4.9	
QoQ Change (%)	9.3	-10.3	-5.2	1.3	12.3	-6.5	-4.0	1.3			10.4	
Net Sales	25,370	22,360	24,180	24,830	19,740	22,544	25,196	28,388	96,740	95,868	19,302	2
YoY Change (%)	7.1	6.5	11.7	-12.6	-22.2	0.8	4.2	14.3	2.0	-0.9	-23.9	
Total Expenditure	18,710	17,610	19,610	19,750	13,600	16,763	20,080	22,164	75,680	72,606	15,273	-11
EBITDA	6,660	4,750	4,570	5,080	6,140	5,782	5,116	6,224	21,060	23,261	4,029	52
Margins (%)	26.3	21.2	18.9	20.5	31.1	25.6	20.3	21.9	21.8	24.3	20.9	
Depreciation	3,420	4,060	4,050	3,750	3,010	3,060	3,335	3,557	15,280	12,962	4,000	
Interest	1,160	1,030	950	1,240	730	850	1,150	1,162	4,380	3,892	1,200	
Other Income	440	490	680	560	550	500	530	580	2,170	2,160	600	
PBT before EO Expense	2,520	150	250	650	2,950	2,372	1,161	2,085	3,570	8,567	-571	-617
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT after EO Expense	2,520	150	250	650	2,950	2,372	1,161	2,085	3,570	8,567	-571	
Tax	1,000	-210	-10	410	1,070	593	290	617	1,190	2,570	-143	
Rate (%)	39.7	-140.0	-4.0	63.1	36.3	25.0	25.0	29.6	33.3	30.0	25.0	
Reported PAT (pre minority)	1,520	360	260	240	1,880	1,779	870	1,468	2,380	5,997	-428	-539
Minority + associate	50	90	20	-20	-20	30	40	90	140	140	20	
PAT Adj for EO items	1,470	270	240	260	1,900	1,749	830	1,378	2,240	5,857	-448	-524
YoY Change (%)	172.1	-2,883.5	-14.3	-88.6	29.3	547.7	246.0	429.8	-27.3	161.5	-130.5	

E: MOFSL Estimates

Per ton analysis (blended) INR/t

Y/E March	FY20				FY21				FY20	FY21E	FY21	Var (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Sales Dispatches (m ton)	4.55	4.5	5.10	5.17	3.66	4.47	5.20	5.78	19.29	19.12	3.64	1
YoY Change (%)	0.9	8.2	14.1	-7.2	-19.6	0.0	2.0	11.9	3.3	-0.9	-20.0	
Net realization	5,576	5,002	4,741	4,803	5,393	5,043	4,843	4,908	5,015	5,015	5,303	2
YoY Change (%)	6.2	-1.6	-2.1	-5.9	-3.3	0.8	2.2	2.2	-1.2	0.0	-4.9	
RM Cost	930	841	845	998	959	840	850	855	905	870	895	7
Employee Expenses	380	378	331	317	475	398	352	324	350	378	440	8
Power, Oil & Fuel	1,020	962	898	747	697	800	920	942	901	856	900	-23
Freight and Handling Outward	1,013	924	1,006	983	954	974	989	1,002	982	982	1,000	-5
Other Expenses	769	834	765	776	631	738	750	709	785	712	962	-34
Total Expenses	4,112	3,940	3,845	3,820	3,716	3,750	3,860	3,832	3,923	3,798	4,196	-11
EBITDA	1,464	1,063	896	983	1,678	1,293	983	1,076	1,092	1,217	1,107	52



Aditya Birla Capital

Estimate change	↑
TP change	↔
Rating change	↔

CMP: INR59 **TP: INR86 (+46%)** **Buy**

Focus on retailization; Asset quality stable

- Aditya Birla Capital (ABCAP) reported 26% YoY decline in PAT to INR2.0b, largely driven by ~50% decline in PBT to INR2.2b for the lending businesses.
- In the NBFC segment, the quarter was characterized by the continued run-down of loans (especially wholesale lending) and INR500m COVID-19-related provisions. In the AMC segment, PAT was largely stable sequentially despite 14% QoQ decline in AAUM. The Life Insurance segment reported 5% YoY growth in individual first-year premium (FYP), compared with 23% YoY decline for the industry.
- We expect the company to focus on strengthening the balance sheet, liquidity, and cost cutting. While profits in the Lending segment would remain muted in FY21, they would be compensated by better performance in other segments. Maintain Buy, with TP of INR86 (FY22E SOTP-based).

Motilal Oswal values your support in the Asiamoney Brokers Poll 2020 for India Research, Sales and Trading team. We request your ballot.

Bloomberg	ABCAP IN
Equity Shares (m)	2,414
M.Cap.(INRb)/(USDb)	142.7 / 1.9
52-Week Range (INR)	115 / 37
1, 6, 12 Rel. Per (%)	-15/-30/-34
12M Avg Val (INR M)	241

Financials & Valuations (INR b)

Y/E March	2020	2021E	2022E
PBT Break-up			
NBFC	10.7	8.2	10.2
Housing	1.4	1.5	1.8
AMC	6.6	5.8	6.6
Life Insurance	1.4	1.4	1.5
Consol PBT	16.9	16.2	19.8
Consol PAT Post MI	9.2	9.1	11.2
Growth (%)	5.8	-0.7	22.5
RoE (%)	8.3	7.0	7.9

Shareholding pattern (%)

As On	Jun-20	Mar-20	Jun-19
Promoter	70.5	70.5	72.7
DII	12.6	12.6	8.3
FII	2.2	2.2	2.9
Others	14.8	14.8	16.1

FII Includes depository receipts

Lending business – 28% of loans under moratorium

- Similar to the trend in the past three quarters, the loan book declined 2% QoQ to INR459b, driven by corporate loans. Over the past year, the corporate loan book has run down by 12%, driven by the halving of the structured finance book. The only product where the corporate loan book has been stable YoY is project loans.
- 28% of the NBFC loan book is under moratorium, down from 33% in April. Only 15% of the moratorium book was 30dpd+ in the three months prior to the lockdown. In addition to the INR900m COVID-19 provisions taken in 4QFY20, ABCAP took additional INR500m provisions in 1QFY21. While management believes the provision buffer is adequate, we expect further strengthening of the buffer in the ensuing quarters.
- In the Housing Finance business, 28% of the retail book is under moratorium; this is in line with some peers such as PNBHF.
- Among other key details: (a) NBFC margins moderated 10bp QoQ due to lower yield and the impact of negative carry, (b) the GNPL ratio was stable at 3.6%, with PCR improving 500bp QoQ to 39%, (c) management expects 50% of GNPL to be recovered/resolved in FY21, (d) the share of retail loans has increased to 19% YoY from 15%, (e) the HFC loan book has been largely flat over the past few quarters at ~INR120b, and (f) NBFC disbursements in July 2020 were close to monthly run-rate levels.

AMC segment – PBT margin expands despite lower equity share

- QAAUM declined 14% QoQ to INR2.26t, with the share of equity declining ~100bp QoQ to 32%. The share of SIP AUM in total equities improved 250bp to 41%, thus improving the stickiness of the portfolio. **ABCAP's SIP market share stands at 10.3%.**
- While revenues were under pressure, they were largely offset by lower opex. Hence, PAT was largely stable QoQ at INR970m. **In fact, the PBT margin actually improved 2bp QoQ to 24bp despite the lower share of equity AUM – 4QFY20 saw MTM impact of INR200m in other income.**

Strong performance in Life Insurance

- Individual FYP grew 5% YoY to INR3.1b, far better than the ~25% decline in individual FYP for the industry as well as the Top 5 players. Over the past year, ABCAP has focused on the Non-PAR segment, the share of which has increased from 35% to 48% YoY. The share of ULIPs remains stable at 32%.
- The persistency ratio improved in all cohorts – 37th/61st month persistency ratios improved 300bp each to 60%/49%. The net VNB margin improved 100bp YoY to 5%.

Highlights from management commentary

- **ABCAP targets an 8% YoY opex reduction on a consolidated basis in FY21.**
- It plans to increase the share of retail and SME loans to 50% by year-end from 46% currently. It would add 50–70 new locations to aid growth in the retail book.
- Improvement in the claims ratio in the Health Insurance segment this quarter (owing to lower elective procedures) is sustainable. Do not expect COVID-19 related claims to impact the profitability of the Health Insurance segment.
- **In the SME segment, the moratorium rate is higher than average. In wholesale lending, it is less than 20%, and in unsecured lending, it is less than 15%.**

Valuation and view

The past four to six quarters have been challenging for the company, with the run-down of the loan book and emergence of asset quality stress due to certain large-ticket accounts. **Over the past quarter, the moratorium rate saw modest decline to 28% from 33%.** However, the key monitorable is how this portfolio behaves once it is free of moratorium in September. We expect provisioning to remain elevated in FY21. **The Asset Management business is likely to have a muted year as the industry combats redemption pressure in equities, along with slowing SIPs. A reduction in operating expenses would be key to maintaining profitability.** The Life Insurance segment is on a robust trajectory. **The business continues to witness improved performance on persistency as well as VNB margins.** We expect some moderation in consolidated PAT in FY21E and a gradual pickup in FY22E, and expect 7–8% consol. RoE over the medium term. Buy, with TP of INR86 (FY22E SOTP-based).

SOTP (Mar'22E-based)

	Stake	Value (INR b)	Value (USD b)	INR per share	% To Total	Rationale
NBFC	100	95	1.5	39	46	1x PBV
HFC	100	14	0.2	6	7	0.8x PBV
AMC	51	63	1.0	26	30	25x Earnings
LI	51	32	0.5	13	15	1x EV
Others		4	0.1	2	2	
Target Value		208	3.2	86	100	
Current market cap.		142	2.2	59		
Upside (%)		46.2	46.2	46.2		

Source: MOFSL, Company

Quarterly Performance

(INR m)

Y/E March	FY20				FY21	FY20
	1Q	2Q	3Q	4Q	1Q	
ABFSL - NBFC arm						
Net Income	6,757	6,430	6,290	6,004	5,709	25,481
Change YoY (%)	24.8	16.5	6.0	-7.9	-15.5	9.0
Opex	1,790	1,909	2,075	2,010	1,780	7,784
Cost to Income Ratio (%)	26.5	29.7	33.0	33.5	31.2	30.5
Operating Profits	4,967	4,521	4,215	3,994	3,929	17,697
Change YoY (%)	34.5	24.9	7.5	-3.0	-20.9	15.3
Provisions	960	1,350	1,490	3,210	2,040	7,010
Profit Before Tax	4,007	3,171	2,725	784	1,889	10,687
Change YoY (%)	19.5	0.0	-15.7	-77.8	-52.9	-19.5
Consolidated Earnings						
Profit Before Tax	4,370	3,710	3,420	1,280	2,235	12,780
Growth YoY %	31.2	30.6	-3.7	-68.7	-48.9	-7.5
Lending	4,395	3,526	3,075	1,052	2,244	12,048
NBFC	4,007	3,171	2,725	784	1,889	10,687
HFC	388	356	351	268	355	1,362
AMC	1,754	1,754	1,734	1,366	1,301	6,607
Life Insurance	249	414	335	377	289	1,375
Others*	-2,027	-1,984	-1,725	-1,514	-1,600	-7,250
Taxes	1,810	1,290	1,010	30	670	4,140
Tax rate %	41.4	34.8	29.5	2.3	30.0	32.4
Profit After Tax	2,560	2,420	2,410	1,250	1,564	8,640
Growth YoY %	31.3	58.2	15.9	-51.0	-38.9	6.5
MI and Others	-140	-130	-90	-180	-100	-540
PAT	2,700	2,550	2,500	1,430	1,664	9,180
Growth YoY %	26.8	37.1	17.4	-44.8	-38.4	5.4
Networth allocation mix						
NBFC	64.6	64.3	58.5	52.9	52.5	
Housing Finance	10.2	10.1	9.2	9.3	9.3	
Life Insurance	21.6	21.4	19.5	18.3	18.5	
AMC	11.4	10.5	10.4	9.0	9.5	
General Ins Adv	0.3	0.1	0.1	0.0	0.2	
Broking	1.8	1.8	1.6	1.4	1.4	
Health Insurance	1.8	2.4	2.6	2.1	2.3	
Others*	-12.1	-12.1	-3.2	4.8	4.6	
Elimination/Unallocated	0.5	1.3	1.3	2.2	1.7	
Details on lending business						
Loans (INR b)	620	604	601	592	581	
Change YoY (%)	15.7	4.3	0.0	-6.3	-6.3	
NBFC	502	484	479	471	459	
Change YoY (%)	13.0	0.6	-2.8	-9.0	-8.4	
HFC	118	121	122	121	121	
Change YoY (%)	28.9	22.2	12.6	6.1	2.6	
Net Interest Margins						
NBFC	5.25	5.28	5.24	5.24	4.88	
HFC	2.98	2.97	2.97	2.96	3.27	
GNPA %						
NBFC	1.69	1.85	2.72	3.62	3.61	
HFC	0.67	0.85	1.05	1.21	1.20	
Details on Other business						
AMC Business						
QAAUM (INR b)	2,704	2,694	2,655	2,627	2,257	
Change YoY (%)	1.2	-0.8	2.6	-0.1	-16.5	
Life Ins - 13th Mt persistency	78.3	80.0	80.9	83.0	81.0	

Source: Company, MOFSL; PBT assuming 100% share of AMC business* Others includes Health Ins, PE, AB Money and inter group adjustment; Numbers may vary from actual reporting due to difference in reporting



Amara Raja

Estimate change	↑
TP change	↑
Rating change	↔

Motilal Oswal values your support in the Asiamoney Brokers Poll 2020 for India Research, Sales and Trading team. We request your ballot.

Bloomberg	AMRJ IN
Equity Shares (m)	171
M.Cap.(INRb)/(USD\$)	122.6 / 1.6
52-Week Range (INR)	814 / 350
1, 6, 12 Rel. Per (%)	-2/-1/8
12M Avg Val (INR M)	609

Financials & Valuations (INR b)

Y/E March	FY20	FY21E	FY22E
Sales	68.4	65.9	74.5
EBITDA	11.0	10.5	11.9
Adj. PAT	6.6	5.8	6.7
EPS (INR)	38.7	33.8	39.1
EPS Gr. (%)	36.7	-12.6	15.6
BV/Sh. (INR)	214	236	262

Ratios

RoE (%)	18.9	15.0	15.7
RoCE (%)	18.6	14.9	15.5
Payout (%)	34.1	34.1	34.1

Valuations

P/E (x)	18.6	21.2	18.4
P/BV (x)	3.4	3.0	2.7
Div. Yield (%)	1.5	1.3	1.5
FCF Yield (%)	3.9	3.5	1.9

Shareholding pattern (%)

As On	Jun-20	Mar-20	Jun-19
Promoter	28.1	28.1	28.1
DII	13.7	11.6	13.9
FII	19.0	20.9	17.3
Others	39.2	39.4	40.8

FII Includes depository receipts

CMP: INR718 TP: INR739(+3%) Neutral

In-line; Replacement demand good, rise in lead price a risk

Market share gains from unorganized to continue

- AMRJ's 1QFY21 performance was supported by a better mix (lower OEM sales) and lower lead prices. While aftermarket recovery was good, recently there has been inflation in lead prices (14.6% increase in spot INR prices v/s 1QFY21 average).
- We have upgraded our FY21/FY22E EPS estimates by 3.5% each to factor in the faster-than-expected replacement recovery and lower depreciation. Maintain **Neutral** with TP of INR739 (18x Sep'22E EPS).

Telecom and aftermarket shines; Margins supported by mix

- 1QFY21 revenue/EBITDA/PAT declined ~37%/45%/56% YoY to ~INR11.5b/INR1.52b/INR0.62b.
- Telecom volumes were flat while all other segments declined – Aftermarket (20-25% down), Home inverter (25% down), UPS (40% down), 2W OEM (60% down) and 4W OEM (80% down).
- Gross margin expanded by 105bp YoY (-280bp QoQ) to ~33.5% (v/s est. ~37%) due to consumption of high-cost inventory. Adjusted for impact in change in inventory, gross margins were stable on QoQ basis. Benefit of mix was off-set by high-cost inventory. Pricing in aftermarket was stable.
- EBITDA margins declined 220bp YoY (-220bp QoQ) to ~13.2% (v/s est. ~14.3%) due to operating deleverage. EBITDA declined 45% YoY to ~INR1.52b (in-line). PAT declined ~56% YoY to ~INR627m (in-line).

Highlights from management commentary

- Status of production** – Currently, capacity utilization is at 80-85%, though it is lower than pre-COVID levels. However, the situation is dynamic due to the sporadic lockdown and its possible impact on supply chain.
- Demand** – Aftermarket demand is good; however, its sustenance after normalization of the current situation is a key monitorable.
- Other expenses** – One-off expense of INR125m for provision in delay for BSNL's receivables.
- Exports** faced major challenges as many countries were either impacted by the lockdowns or disruption in logistics.
- Spot lead prices** have seen inflation of ~14.5% from 1QFY21 average of ~INR127/kg.
- It has launched its e-rickshaw battery in 1QFY21 and expects small sales to happen in 2QFY21.
- Capex** was largely maintained at ~INR4b for FY21. The company is planning to expand its 4W (2m units) and 2W (2-3m units) capacity.

Valuation and view

- We have upgraded our FY21/FY22E EPS estimates by 3.5% each to factor in the faster-than-expected replacement recovery and lower depreciation.
- The stock trades at valuations of 21.2x/18.4x FY21/FY22E EPS. Maintain **Neutral** with TP of INR739 (18x Sep'22E EPS, 10% discount to 10-year LPA).

Quarterly Performance
INR M

March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	18,150	16,953	17,478	15,814	11,510	17,462	19,226	17,735	68,395	65,933
YoY Change (%)	2.0	-3.3	3.1	0.9	-36.6	3.0	10.0	12.1	0.7	-3.6
EBITDA	2,792	2,923	2,840	2,432	1,524	2,888	3,215	2,890	10,986	10,516
Margins (%)	15.4	17.2	16.2	15.4	13.2	16.5	16.7	16.3	16.1	16.0
Depreciation	733	750	765	760	748	760	790	827	3,007	3,125
Interest	29	34	29	30	27	30	30	33	122	120
Other Income	102	180	128	141	88	120	120	122	551	450
PBT after EO	2,132	2,319	2,174	1,783	837	2,218	2,515	2,152	8,407	7,721
Tax Rate (%)	33.9	5.6	24.4	23.4	25.1	25.2	25.2	25.2	21.4	25.2
Adj PAT	1,409	2,189	1,644	1,366	627	1,659	1,881	1,608	6,608	5,775
YoY Change (%)	24.7	82.0	25.6	14.5	-55.5	-24.2	14.4	17.7	36.7	-12.6
Key Performance Indicators										
RM Cost (% of sales)	67.6	64.1	64.5	63.7	66.5	64.0	64.5	63.9	65.0	64.6
Staff Cost (% of sales)	5.4	5.8	5.4	5.9	7.3	5.4	5.1	5.9	5.6	5.8
Other Exp (% of sales)	11.6	12.8	13.9	15.0	13.0	14.0	13.7	13.9	13.3	13.7
Gross Margin (%)	32.4	35.9	35.5	36.3	33.5	36.0	35.5	36.1	35.0	35.5
EBITDA Margin (%)	15.4	17.2	16.2	15.4	13.2	16.5	16.7	16.3	16.1	16.0
Lead Price (INR/Kg)	130.1	141.8	144.5	132.5	126.4	126.9	0.0	0.0	137.2	136.3
Change (%)	-18.1	-2.4	2.7	-7.0	-2.8	-10.5	-100.0	-100.0	-6.5	-0.7

E: MOFSL Estimates



Estimate changes	↑
TP change	↑
Rating change	↔

Motilal Oswal values your support in the Asiamoney Brokers Poll 2020 for India Research, Sales and Trading team. We request your ballot.



Bloomberg	HMN IN
Equity Shares (m)	454
M.Cap.(INRb)/(USDb)	114.5 / 1.4
52-Week Range (INR)	357 / 141
1, 6, 12 Rel. Per (%)	7/-7/-20
12M Avg Val (INR M)	194

Financials & Valuations (INR b)

Y/E March	2020	2021E	2022E
Sales	26.5	26.9	29.4
Sales Gr. (%)	-1.5	1.5	9.0
EBITDA	6.9	7.2	7.8
EBIT Margin (%)	26.0	26.6	26.4
Adj. PAT	5.6	5.4	5.8
Adj. EPS (INR)	12.4	12.2	13.2
EPS Gr. (%)	2.0	-1.3	7.5
BV/Sh.(INR)	40.2	50.6	50.0

Ratios

RoE (%)	28.8	26.7	26.1
RoCE (%)	28.8	28.0	28.0
Payout (%)	44.4	61.3	68.4

Valuation

P/E (x)	20.8	21.1	19.6
P/BV (x)	6.4	5.1	5.1
EV/EBITDA (x)	16.8	15.0	13.9
Div. Yield (%)	2.1	2.9	3.5

Shareholding pattern (%)

As On	Jun-20	Mar-20	Jun-19
Promoter	53.4	52.7	52.7
DII	31.4	31.5	25.1
FII	5.7	7.0	11.9
Others	9.6	8.8	10.2

FII Includes depository receipts

CMP: INR258

TP: INR310 (+20%)

Buy

Ad-spend cuts lead to EBITDA beat; Outlook improving

- Emami's (HMN) sales and gross profits were marginally (~5%) higher than our expectations. However, EBITDA beat was led by 53% YoY decline in ad-spends, the highest amongst FMCG peers so far.
- While sales decline of 25% in 1QFY21 was admittedly sharp, the outlook seems to be improving with sales growth in Jun'20, followed by reportedly double-digit YoY growth in Jul'20.
- While it is too early to call out recovery given the several years of underperformance, we maintain **Buy** as (a) valuations are inexpensive at 19.6x FY22E EPS, (b) sale of the cement business is leading to reduction in pledge, and (c) HMN has a tailwind in FY21 with half of its domestic sales coming from rural (same as other rural peers), where the prospects appear to be brighter than urban growth.

Sales down sharply but still better than expectations

- Consolidated net sales declined 25.8% YoY to INR4.8b** (v/s est. INR4.5b). EBITDA declined 8.3% YoY to INR1.2b (v/s est. INR854m), PBT declined 12.6% YoY to INR1.1b (v/s est. INR715m) while adj. PAT before amortization declined 6.4% YoY to INR973m (v/s est. INR615m).
- Gross margins expanded 230bp YoY** to 66.5% in 1QFY21. EBITDA margin expanded 490bp YoY to 25.5% (v/s est. 18.8%) aided by lower ad-spends (-750bp YoY) but offset by higher employee costs (+430bp YoY), and higher other expenses (+60bp YoY). Absolute ad-spends stood at INR597m (down 53.7% YoY) – the highest cut amongst FMCG peers so far, thereby supporting margins.
- Domestic revenues** declined 26% YoY; Institutional business (CSD) declined 38% while the International business declined 18% YoY in 1QFY21.
- We estimate volumes to have declined by 28% YoY in 1QFY21.
- Within domestic**, Kesh King/ Navratna/ Male Grooming range declined 33%/ 41%/ 70% while Pain Management/ Healthcare/ BoroPlus grew 15%/ 23%/ 28% YoY.

Highlights from management commentary

- Performance in Apr-May'20 was impacted due to the lockdown. Green-shoots were visible in Jun'20 (high-single digit growth). Double-digit growth was witnessed in Jul'20.
- Stocks at distributor level reduced to 19-20 days in Jul'20 (v/s 26 days in Jun'20 and 27-28 days in Mar'20). Secondary sales were higher in Jul'20.
- Credit in domestic business has declined to 4-5 days from 13-14 days in Mar'20.
- Rural has grown in double digits in 1QFY21. Wholesale channel is not under stress and is growing, but retail and MT on the other hand is declining.

Valuation and view

- HMN has disappointed over an elongated period of time with sales/EBITDA/adj. PAT CAGR of only ~4%/~5%/~3% over the past 5 years.
- Nevertheless, better-than-expected results have led to 6.4% upgrade in our FY21E EPS forecasts and marginal upgrade in FY22E EPS.
- While it is too early to call out recovery given several years of underperformance, **we maintain Buy** as (a) valuations are inexpensive at 19.6x FY22E EPS, (b) sale of the cement business has led to reduction in pledge, and (c) just like other rural peers, HMN has a tailwind in FY21 with half of its domestic sales coming from rural where prospects appear to be brighter than urban growth.

Consol. quarterly performance

											(INR Million)	
Y/E MARCH	FY20				FY21				FY20	FY21E	FY21 1QE	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Domestic volume growth (%)	0.0	1.0	-2.0	-20.0	-28.0	5.5	5.5	24.5	-5.3	1.9	-32.0	
Net Sales	6,486	6,601	8,126	5,327	4,813	6,931	8,533	6,661	26,549	26,938	4,547	5.9%
YoY change (%)	5.6	5.1	0.2	-16.8	-25.8	5.0	5.0	25.0	-1.5	1.5	-30.0	
Gross Profit	4,162	4,602	5,545	3,471	3,200	4,659	5,736	4,526	17,788	18,121	3,010	6.3%
Gross margin (%)	64.2	69.7	68.2	65.2	66.5	67.2	67.2	67.9	67.0	67.3	66.2	
EBITDA	1,341	1,930	2,640	985	1,230	2,026	2,772	1,150	6,905	7,178	854	44.0%
Margins (%)	20.7	29.2	32.5	18.5	25.5	29.2	32.5	17.3	26.0	26.6	18.8	
YoY change	11.4	3.0	0.2	-36.6	-8.3	5.0	5.0	16.7	-5.0	4.0	-36.7	
Depreciation	204	178	214	219	194	196	225	227	774	841	187	
Interest	44	93	49	24	47	65	59	54	210	226	37	
Other Income	115	164	156	145	67	74	101	119	571	361	85	
PBT	1,209	1,822	2,533	887	1,056	1,839	2,590	987	6,492	6,472	715	47.8%
Tax	177	211	403	-74	95	322	440	179	713	1,036	100	
Rate (%)	14.6	11.6	15.9	-8.3	9.0	17.5	17.0	18.1	11.0	16.0	14.0	
PAT before Amortization	1,039	1,621	2,146	980	973	1,517	2,149	798	5,833	5,437	615	58.2%
YoY change (%)	18.1	12.6	2.8	-20.0	-6.4	-6.4	0.2	-18.6	5.7	-6.8	-43.1	

E: MOFSL Estimates

Key Performance Indicators

Y/E March	FY20				FY21			
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE
2Y average growth %								
Volumes	9.0	-1.5	0.8	-10.0	-14.0	3.3	1.8	2.3
Sales	10.9	2.6	3.7	-6.5	-10.1	5.0	2.6	4.1
EBITDA	30.8	-2.0	-0.1	-23.4	1.5	4.0	2.6	-9.9
PAT	31.7	1.9	1.0	-9.3	5.9	3.1	1.5	-19.3
% sales								
COGS	35.8	30.3	31.8	34.8	33.5	32.8	32.8	32.1
Other expenditure	43.5	40.5	35.7	46.7	40.9	38.0	34.7	50.7
Depriciation	3.1	2.7	2.6	4.1	4.0	2.8	2.6	3.4
YoY change %								
COGS	12.1	1.4	-3.6	-26.0	-30.6	13.7	8.3	15.0
Other expenditure	-1.6	9.7	3.7	6.1	-30.2	-1.5	2.1	35.8
Other income	128.0	217.4	78.3	-12.4	-41.7	-55.0	-35.0	-17.9
EBIT	16.7	4.8	-1.2	-45.1	-8.9	4.5	5.0	20.5



Blue Star

Estimate change	↓
TP change	↓
Rating change	↔

CMP: INR498 **TP: INR435 (-13%)** **Neutral**

UCP season gone; Projects business faces execution challenges

UCP revenue down 70% YoY as leverage increases

- Blue Star (BLSTR) barely managed to report operating profit in 1QFY21 as revenue for Unitary Cooling Products (UCP) and Electromechanical Projects (EMP) declined 70% and 50%, respectively. Profitability was further affected in the EMP segment as BLSTR took an INR150m provision. Loss of key-season sales in the UCP segment dented profitability in spite of certain cost-cutting initiatives undertaken by the company. While employee cost and other expenses reduced by ~39% and 53%, respectively, we expect most of these cost elements to return once sales normalize.
- To maintain adequate liquidity and working capital requirement, BLSTR opted for debt funding of INR3.5b, leading to net debt of INR4.3b at the end of 1QFY21 v/s nil debt YoY (end-FY20 net debt stood at INR1.5b).
- We have cut our FY21E/FY22E earnings by 59%/12%, as we factor: **(a)** likely weak primary sales in the UCP segment in FY21 until inventory normalizes, and **(b)** weak order inflow and execution in the EMP segment as the company focuses on cash conservation, and **(c)** an increase in interest expense on account of higher borrowings. Our SOTP-based TP stands at INR435 (prior: INR450) – Maintain **Neutral**. We continue to prefer Voltas over BLSTR to play the underpenetrated AC market in India.

Profitability takes a hit on lower operating leverage and provisions

- Revenue declined 60% YoY to INR6.3b and **was 13% below our expectation**. EBITDA declined 99% and barely reached breakeven, although it was better than our expectation of EBITDA loss. Employee cost was cut by 39% YoY. Interest cost jumped to INR185m and was way ahead of our expectation of INR70m. PAT loss stood at INR197m and was better than our expectation of INR329m loss.
- Key segmental highlights: (a) EMP** – Revenue declined 50% to INR3.1b and was 22% below our expectation. The segment reported PBIT loss, with a PBIT margin of -3.4%. **(b) UCP** – Revenue was down 70% to INR2.7b and was 8% below our expectation. The segment reported PBIT loss, with a PBIT margin of -1.4%.

Liquidation of RAC inventory is key; Projects business recovery far off

- UCP: (a)** Secondary sales for Room AC (RAC) recovered to ~70% in June v/s last year, while they stood at ~77% in July'20. In June'20, northern India saw ~85% recovery of last-year sales. **(b)** RAC inventory in the channel is higher than 30 days v/s normal levels. **(c)** Price levels have dropped by 10–12% for the industry post the lockdown as the peak summer season has ended and the focus has been on inventory liquidation.
- Projects business: (a)** The order book stood at INR29.2b (+3% YoY). **(b)** Owing to the ongoing situation, BLSTR made INR150m additional provisions for doubtful receivables. **(c)** BLSTR had ~150 active project sites with ~10.5k laborers. Currently, it operates ~50 active sites with 1,500 laborers (v/s the requirement of 3,000 laborers).

Motilal Oswal values your support in the Asiamoney Brokers Poll 2020 for India Research, Sales and Trading team. We [request your ballot](#).



Bloomberg	BLSTR IN
Equity Shares (m)	96
M.Cap.(INRb)/(USDb)	47.9 / 0.7
52-Week Range (INR)	887 / 425
1, 6, 12 Rel. Per (%)	-4/-31/-32
12M Avg Val (INR M)	56

Financials & Valuations (INR b)

Y/E Mar	2020	2021E	2022E
Sales	53.6	42.9	56.5
EBITDA	2.8	1.6	3.3
PAT	1.5	0.3	1.6
EBITDA (%)	5.3	3.6	5.8
EPS (INR)	15.3	2.7	16.4
EPS Gr. (%)	-21.4	-82.5	512.9
BV/Sh. (INR)	81.2	82.3	88.9

Ratios

Net D/E	0.2	0.5	0.3
RoE (%)	18.8	3.3	18.5
RoCE (%)	13.6	4.9	13.9
Payout (%)	156.2	60.0	60.0

Valuations

P/E (x)	32.6	186.0	30.3
P/BV (x)	6.1	6.1	5.6
EV/EBITDA (x)	17.5	33.1	15.4
Div Yield (%)	4.0	0.3	2.0
FCF Yield (%)	7.8	-3.3	4.6

Shareholding pattern (%)

As On	Jun-20	Mar-20	Jun-19
Promoter	38.8	38.8	38.8
DII	23.0	22.8	19.5
FII	8.8	8.8	10.9
Others	29.5	29.6	30.8

FII Includes depository receipts

Valuation and view

We have cut our FY21E/FY22E earnings by 59%/12%, as we factor: **(a)** likely weak primary sales in the UCP segment in FY21 until inventory normalizes, **(b)** weak order inflow and execution in the EMP segment as the company focuses on cash conservation, and **(c)** an increase in interest expense on account of higher borrowings. We forecast FY20–22E revenue/EBITDA/PAT growth at 3%/8%/4%, with any recovery in FY21E expected only toward 4QFY21. Our SOTP-based TP stands at INR435 (prior: INR450) – Maintain **Neutral**. We continue to prefer Voltas over BLSTR to play the underpenetrated AC market in India.

Quarterly performance

Y/E March	FY20				FY21E				FY20	FY21E	FY20	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1QE	1QE	Vs Est	
Sales	15,755	12,495	12,359	12,994	6,260	9,100	11,600	15,940	53,602	42,900	7,200	-13%
Change (%)	4.5	21.0	12.5	-18.6	-60.3	-27.2	-6.1	22.7	2.4	-20.0	-54.3	
EBITDA	1,149	736	570	373	14	332	485	729	2,828	1,560	-175	NA
Change (%)	-16.0	26.7	34.7	-65.9	-98.8	-54.8	-15.0	95.3	-18.4	-44.8	-115.2	
As of % Sales	7.3	5.9	4.6	2.9	0.2	3.7	4.2	4.6	5.3	3.6	-2.4	
Depreciation	203	216	223	237	209	250	250	240	880	949	250	
Interest	82	68	76	69	185	150	150	115	295	600	70	
Other Income	217	106	61	64	86	70	70	74	447	300	50	
Extra-ordinary Items	0	-17	-16	-8	0	0	0	0	-40	0	0	
PBT	1,080	558	332	131	(295)	2	155	448	2,100	310	-445	NA
Tax	325	169	120	40	-95	3	41	129	653	78	-111	
Effective Tax Rate (%)	30	30	36	30	32	137	27	29	31	25	25	
MI/Share of profit from JV	14	8	(1)	5	3	10	9	4	26	26	5	
Reported PAT	768	379	196	89	(197)	9	122	324	1,433	258	-329	NA
Change (%)	-16.1	94.1	NM	-88.9	-125.6	-97.7	-37.6	263.8	-24.6	-82.0	-142.9	
Adj PAT	768	397	212	96	(197)	9	122	324	1,473	258	(329)	NA
Change (%)	0.6	78.0	239.5	-88.3	-125.6	-97.8	-42.2	235.5	-21.4	-82.5	-142.9	

Segment-wise details

Description	(INR m)									
	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	FY20
EMP & CAS	6,194	6,310	6,555	8,423	6,239	7,835	7,588	6,604	3,124	28,267
PE & IS	577	582	520	499	446	887	569	427	387	2,329
UCP	8,308	3,431	3,915	7,036	9,069	3,772	4,202	5,963	2,749	23,006
Total	15,078	10,322	10,990	15,958	15,755	12,495	12,359	12,994	6,260	53,602
PBIT										
EMP & CAS	397	448	301	363	335	446	390	32	-105	1,203
PE & IS	83	126	69	161	44	244	180	75	102	543
UCP	950	82	94	733	989	120	77	438	-38	1,623
Total PBIT	1,430	655	464	1,257	1,369	810	646	544	-41	3,369
Segment PBIT (%)										
EMP & CAS (%)	6.4	7.1	4.6	4.3	5.4	5.7	5.1	0.5	-3.4	4.3
PE & IS (%)	14.3	21.6	13.2	32.2	9.9	27.5	31.6	17.6	26.3	23.3
UCP (%)	11.4	2.4	2.4	10.4	10.9	3.2	1.8	7.3	-1.4	7.1
Total PBIT (%)	9.5	6.3	4.2	7.9	8.7	6.5	5.2	4.2	(0.7)	6.3



Birla Corporation

Estimate change	
TP change	
Rating change	

CMP: INR653 **TP: INR790 (+21%)** **Buy**

Disappointing results led by slower plant revival

Capacity addition to drive market share gains post FY22

Bloomberg	BCORP IN
Equity Shares (m)	77
M.Cap.(INRb)/(USDb)	50.3 / 0.7
52-Week Range (INR)	808 / 373
1, 6, 12 Rel. Per (%)	5/-5/7
12M Avg Val (INR M)	126

- Birla Corp (BCORP)'s 1QFY21 results disappointed with 39% YoY decline in EBITDA to INR2.33b (14% below estimate), weighed by weaker-than-expected volumes (-34% YoY) and realization.
- We cut our FY21E EBITDA by 18% to factor the miss in 1QFY21 and likely weaker near-term realization. Our FY22 estimates are, however, broadly unchanged. BCORP's longer term outlook remains positive as upcoming capacities in 1HFY22 should drive market share gains. Maintain **Buy**.

Financial Snapshot (INR b)

Y/E MARCH	2020	2021E	2022E
Sales	69.2	61.9	75.4
EBITDA	13.4	11.1	14.5
Adj. PAT	5.1	3.5	5.1
EBITDA Margin (%)	19.3	18.0	19.2
Adj. EPS (INR)	65.6	44.9	66.7
EPS Gr. (%)	97.6	(31.5)	48.5
BV/Sh. (INR)	624	661	716

Ratios

Net D:E	0.8	0.9	0.7
RoE (%)	10.9	7.0	9.7
RoCE (%)	8.2	5.9	7.5
Payout (%)	13.3	18.1	17.4

Valuations

P/E (x)	10.0	14.5	9.8
P/BV (x)	1.0	1.0	0.9
EV/EBITDA(x)	6.2	7.7	5.7
EV/ton (USD)	71	74	57
Div. Yield (%)	1.1	1.1	1.5

Shareholding pattern (%)

As On	Jun-20	Mar-20	Jun-19
Promoter	62.9	62.9	62.9
DII	14.6	15.3	15.0
FII	3.6	4.2	2.5
Others	18.9	17.6	19.5

FII Includes depository receipts

Miss on estimates due to lower volumes

- Consol. volumes at 2.4mt were down ~33.8% YoY and were ~12% lower than our est. of 2.73mt. Volumes were impacted by delay in the resumption of operations due to local restrictions at certain locations.
- Cement realization stood at INR4,935/t (-0.4% YoY; +1% QoQ), 4% below our estimate of INR5,129/t, due to lower sales in higher realization markets.
- Net sales declined 35% YoY to INR12.2b (v/s est. of INR14.5b).
- Total cost/t remained in control despite negative operating leverage and was up just 1% QoQ (flat YoY) to INR4,103/t – 5% lower than our est. of INR4,301. Other expenses declined 11% QoQ to INR559/t as discretionary costs were curtailed to protect margins.
- Blended EBITDA/t declined 8% YoY to INR967 (est.: INR997) on weaker realization and lower contribution from other business segments, such as Jute. The Jute division's revenue fell 59% YoY to INR326m, resulting in EBITDA loss of INR34m (v/s INR48m profit in 1QFY20).
- EBITDA was down 39% YoY / 32% QoQ to INR2.33b (v/s est. of INR2.72b). EBITDA margins stood at 19.1% v/s 20.4% in 1QFY20 (20.4% in 4QFY20).
- PAT stood at INR0.66b (-53% YoY), 14% below our est. of INR0.76b.

Highlights from management commentary

- Capacity utilization stood at 58% (-34pp YoY) in 1QFY21.
- Operations were at a standstill in April, and most plants effectively started up again only in the first week of May, leading to loss of nearly five weeks of operations. Thereafter, operations remained hampered by local lockdowns and restrictions.
- Trade demand picked up in May on the back of pent-up demand and strong rural housing demand. While urban demand remained weak throughout, some green shoots have been visible since Jun-end from infrastructure projects and the govt.'s funding of welfare schemes.
- BCORP undertook cost optimization measures such as transporting fly ash through rail and using more solar power, along with reducing other fixed costs.
- With the onset of the monsoons, cement prices have started to weaken. Management remains cautiously optimistic on gradual recovery in demand.

Valuation and view

- BCORP plans to increase capacity by 25% over the next 15 months, which should support volume growth beyond FY22E. BCORP’s 55% capacity is in central India (our preferred market), which should aid pricing and margins.
- The valuation is attractive at 5.7x FY22E EV/EBITDA (~20% discount to its 10-year average) and USD57/t of capacity (>30% discount to replacement cost). We value BCORP at 7x FY22E EV/EBITDA (earlier 6.5x) to arrive at TP of INR790. Maintain **Buy**.

Consolidated performance

Y/E March	FY20				FY21				FY20	FY21E	FY21E	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		1QE		
Net Sales	18,838	16,269	17,151	16,900	12,220	15,075	16,269	18,344	69,157	61,907	14,461	-16
YoY Change (%)	13.9	11.1	10.2	-9.8	-35.1	-7.3	-5.1	8.5	5.6	-10.5	-23.2	
Total Expenditure	14,992	13,148	14,205	13,453	9,889	12,305	13,595	15,000	55,797	50,789	11,741	-16
EBITDA	3,847	3,121	2,946	3,446	2,331	2,769	2,674	3,344	13,360	11,118	2,721	-14
Margins (%)	20.4	19.2	17.2	20.4	19.1	18.4	16.4	18.2	19.3	18.0	18.8	
Depreciation	862	879	884	894	877	915	920	924	3,519	3,636	900	
Interest	960	1,030	977	909	800	900	930	956	3,877	3,586	950	
Other Income	169	199	203	281	190	190	190	208	851	779	190	
Profit before Tax	2,192	1,411	1,289	1,924	845	1,144	1,014	1,673	6,815	4,676	1,061	-20
EO Income/(Expense)	0	0	0	0	0	0	0	0	0	0	0	
Profit before Tax after EO	2,192	1,411	1,289	1,924	845	1,144	1,014	1,673	6,815	4,676	1,061	-20
Tax	786	527	474	-24	188	309	274	445	1,763	1,216	297	
Rate (%)	35.9	37.4	36.8	-1.2	22.2	27.0	27.0	26.6	25.9	26.0	28.0	
Reported PAT	1,406	883	815	1,947	657	835	740	1,227	5,052	3,460	764	-14
Adj. PAT	1,406	883	815	1,947	657	835	740	1,227	5,052	3,460	764	-14
YoY Change (%)	67.7	442.3	197.8	51.9	-53.2	-5.5	-9.1	-37.0	97.6	-31.5	-45.7	

E: MOFSL Estimates

Key operating indicators

(INR/ton)*									(INR/t)			
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	FY20	FY21E	1QE	Var (%)
Blended Realization	5,175	5,084	5,000	5,121	5,070	5,011	4,941	5,071	5,161	5,022	5,297	-4
YoY Change (%)	10.0	6.5	2.8	5.3	-2.0	-1.4	-1.2	-1.0	7.6	-2.7	2.4	
Raw Material	689	555	872	581	879	685	700	709	686	734	681	29
Staff Cost	277	328	305	296	365	326	304	281	304	314	366	0
Power & Fuel	1,049	1,102	919	1,003	866	1,004	1,094	1,105	1,031	1,031	975	-11
Transport & Forwarding	1,221	1,197	1,152	1,219	1,068	1,126	1,156	1,164	1,213	1,134	1,208	-12
Stores and Spares	388	378	370	352	367	390	375	376	377	377	390	-6
Other Exp	495	549	523	625	559	560	500	513	553	530	680	-18
Total Expenditure	4,119	4,109	4,141	4,077	4,103	4,091	4,129	4,147	4,164	4,120	4,301	-5
EBITDA	1,057	975	859	1,044	967	921	812	925	997	902	997	-3



J K Lakshmi Cement

Estimate change	↑
TP change	↑
Rating change	↔

CMP: INR286 **TP: INR390 (+36%)** **Buy**

Deleveraging continues as capex deferred

Cost reduction leads to EBITDA beat

- JK Lakshmi's (JKLC) 1QFY21 operating results were above est. due to lower-than-expected decline in volumes and lower costs. EBITDA per ton was up 3% YoY to INR752/t. Net debt declined by INR2.0b QoQ to INR8.0b with net debt/EBITDA of 1.25x – lowest in the last 10 years.
- We have raised our FY21/FY22E EPS estimates by 30%/ 17% to factor in the lower costs. We re-iterate **Buy** on expectation of continued deleveraging as the planned expansion in North India has been deferred.

Realization weaker than expected, cost control drives better margin

- Volumes declined 18% YoY to 1.91mt (v/s est. 1.82mt) due to plant shutdowns in Apr'20; however, this was much better than industry volumes (down ~35% YoY).
- Realization was up 1% QoQ to INR4,331/t (-3% YoY) and 3% lower than our est. of INR4,485/t. This was due to higher clinker sales during the quarter.
- As a result, revenue declined 21% YoY to INR8.3b (in-line). Total cost per ton stood at INR3,579/t (-4% YoY; +3% QoQ), led by lower other expenses at INR473/t (-10% YoY; -12% QoQ).
- EBITDA/t improved by 3% YoY to INR752/t (down 8% QoQ) – the weakest so far in our Cement universe.
- EBITDA declined 16% YoY to INR1.43b (v/s est. INR1.20b). Margin contracted 1.67pp QoQ (+1.07pp YoY) to 17.4%. Tax rate stood at 32.0% (v/s 23.1% in 4QFY20).
- Adj. PAT declined 36% YoY to INR444m (72% higher than est. INR259m).

Highlights from management commentary

- Sales volume at 1.9mt included 0.3mt clinker sales while consolidated sales volume stood at 2.07mt. Utilization in Jul'20 was at 67% (same as Jul'19).
- Jun-Jul'20 sales volume stood flat YoY. Cement prices declined marginally in Jul'20 (MoM) and are expected to decline further due to the monsoons.
- Lower profitability in the East resulted in lower EBITDA/t as compared to the industry. EBITDA/t for the Eastern operations stood at ~INR700/t while it was INR1,000/t for the Northern operations.
- Capex plan is on hold and will be decided based on the COVID-19 situation.
- Standalone gross debt stood at INR15b while net debt is down INR2.0b QoQ to INR8.0b.
- JKLC plans to repay debts amounting to INR2.0b each in FY21/FY22E.

Valuation and view

The company has been focusing on deleveraging and plans to repay INR2.0b each in FY21/22E. With minimal planned capex, we expect FCF generation to continue, which should reduce net debt to INR3.5b in FY22E (from INR10.1b in FY20). This implies net debt/EBITDA of 0.5x. JKLC trades at 4.4x FY22E EV/EBITDA and at USD34/t on EV/capacity, which is a ~45% discount to its 10-year average. We value the stock at 6x FY22E EV/EBITDA to arrive at a TP of INR390. Maintain **Buy**.

Motilal Oswal values your support in the Asiamoney Brokers Poll 2020 for India Research, Sales and Trading team. We request your ballot.



	JKLC IN
Bloomberg	JKLC IN
Equity Shares (m)	118
M.Cap.(INRb)/(USD\$)	33.7 / 0.4
52-Week Range (INR)	389 / 180
1, 6, 12 Rel. Per (%)	-3/-12/-18
12M Avg Val (INR M)	69

Financial Snapshot (INR bn)

Y/E Mar	2020	2021E	2022E
Sales	40.4	39.4	43.0
EBITDA	6.7	6.9	7.5
Adj. PAT	2.7	2.7	3.3
EBITDA Margin (%)	16.6	17.6	17.4
Cons. Adj. EPS (INR)	22.6	23.2	28.0
EPS Gr. (%)	233.6	3.0	20.7
BV/Sh. (INR)	146	168	195

Ratios

Net D:E	0.5	0.4	0.2
RoE (%)	16.4	14.8	15.5
RoCE (%)	11.7	11.5	12.7
Payout (%)	19.6	4.3	3.6

Valuations

P/E (x)	12.7	12.4	10.2
P/BV (x)	2.0	1.7	1.5
EV/EBITDA(x)	5.7	5.3	4.4
EV/ton (USD)	40	38	34
Div. Yield (%)	1.1	0.3	0.3

Shareholding pattern (%)

As On	Jun-20	Mar-20	Jun-19
Promoter	46.2	46.2	45.9
DII	20.8	19.8	20.4
FII	10.4	10.6	8.9
Others	22.6	23.4	24.8

FII Includes depository receipts

Quarterly performance												(INR M)
Y/E March	FY20				FY21				FY20	FY21E	FY21E	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	Var (%)
Sales Dispatches (m ton)	2.33	2.06	2.33	2.47	1.91	1.96	2.21	2.93	9.18	9.00	1.82	5
YoY Change (%)	1.9	-3.1	1.0	-16.2	(18.2)	-5.0	-5.0	18.7	-4.9	(2.0)	-22.0	
Realization (INR/ton)	4,472	4,541	4,319	4,305	4,331	4,361	4,336	4,438	4,404	4,374	4,485	-3
YoY Change (%)	10.7	13.4	6.5	8.0	(3.1)	-4.0	0.4	3.1	9.6	(0.7)	0.3	
QoQ Change (%)	12.2	1.6	-4.9	-0.3	0.6	0.7	-0.6	2.3			4.2	
Net Sales	10,419	9,355	10,050	10,612	8,252	8,535	9,586	12,983	40,435	39,356	8,151	1
YoY Change (%)	12.8	9.9	7.5	-9.5	-20.8	-8.8	-4.6	22.3	4.2	-2.7	-21.8	
EBITDA	1,698	1,487	1,519	2,020	1,433	1,542	1,425	2,514	6,724	6,914	1,202	19
Margins (%)	16.3	15.9	15.1	19.0	17.4	18.1	14.9	19.4	16.6	17.6	14.7	
Depreciation	453	437	485	510	484	504	524	548	1,884	2,060	510	
Interest	399	390	428	425	378	350	300	296	1,644	1,325	400	
Other Income	59	68	147	225	82	110	120	178	501	489	100	
PBT before EO expense	905	728	754	1,311	653	798	721	1,847	3,697	4,019	392	
Extra-Ord expense	302	0	0	0	0	0	0	0	302	0	0	
PBT	603	728	754	1,311	653	798	721	1,847	3,394	4,019	392	67
Tax	209	268	262	303	209	271	245	561	1,042	1,286	133	
Rate (%)	34.6	36.9	34.7	23.1	32.0	34.0	34.0	30.4	30.7	32.0	34.0	
Reported PAT	394	459	492	1,008	444	527	476	1,286	2,352	2,733	259	72
Adj PAT	696	459	492	1,008	444	527	476	1,286	2,654	2,733	259	72
YoY Change (%)	406	488	233	133	-36	15	(3)	28	234	3	(63)	
Margins (%)	6.7	4.9	4.9	9.5	5.4	6.2	5.0	9.9	6.6	6.9	3.2	

Per ton analysis (INR/t)

Net realization	4,472	4,541	4,319	4,305	4,331	4,361	4,336	4,438	4,404	4,374	4,485	-3
RM Cost	1,016	1,072	968	958	1,121	960	960	868	927	964	970	16
Employee Expenses	332	360	338	308	424	404	362	279	340	357	424	0
Power, Oil & Fuel	958	1,014	907	813	690	830	910	936	919	855	850	-19
Freight and Handling Outward	914	895	886	868	870	890	910	916	890	899	880	-1
Other Expenses	523	478	566	538	473	490	550	579	595	530	700	-32
Total Expenses	3,743	3,820	3,666	3,485	3,579	3,574	3,692	3,578	3,671	3,605	3,824	-6
EBITDA	729	722	653	820	752	788	645	859	732	768	661	14

E: MOFSL Estimates



DCB Bank

Estimate change	↓
TP change	↑
Rating change	↔

Motilal Oswal values your support in the Asiamoney Brokers Poll 2020 for India Research, Sales and Trading team. We request your ballot.



Bloomberg	DCBB IN
Equity Shares (m)	310
M.Cap.(INRb)/(USD\$b)	25.8 / 0.3
52-Week Range (INR)	219 / 58
1, 6, 12 Rel. Per (%)	-9/-46/-60
12M Avg Val (INR M)	179

Financials & Valuations (INR b)

Y/E MARCH	FY20	FY21E	FY22E
NII	12.6	12.5	13.0
OP	7.5	7.2	7.7
NP	3.4	2.3	3.2
NIM (%)	3.7	3.6	3.6
EPS (INR)	10.9	7.4	10.2
EPS Gr. (%)	3.6	-32.3	38.9
BV/Sh. (INR)	106.0	112.9	122.6
ABV/Sh. (INR)	99.4	101.5	110.5

Ratios

RoE (%)	11.2	7.0	9.0
RoA (%)	0.9	0.6	0.8

Valuations

P/E (x)	7.6	11.3	8.1
P/BV (x)	0.8	0.7	0.7
P/ABV (x)	0.8	0.8	0.8

Shareholding pattern (%)

As On	Jun-20	Mar-20	Jun-19
Promoter	14.9	14.9	14.9
DII	35.9	35.3	27.4
FII	15.1	22.8	24.5
Others	34.1	27.0	33.2

FII Includes depository receipts

CMP: INR83 TP: INR90 (+8%) Neutral

Moratorium book receding gradually; Margins under pressure

PPoP in line; Business growth moderates

- DCB Bank's (DCBB) 1QFY21 operating profits were in line while lower provisions supported earnings. Business growth moderated and is expected to remain weak. Margins are under pressure (declined 22bp sequentially). While the moratorium book plunged to ~26% (v/s 60% earlier), we remain watchful of the outlook ahead.
- We have cut our estimate by ~4% each for FY21/FY22E, factoring in the moderation in business growth/fee income. However, it was slightly offset by lower opex. Maintain **Neutral**.

Moratorium book declined to ~26%; Provision coverage strengthens

- DCBB's PAT declined 2% YoY to INR794m (v/s est. INR599m), supported by lower provisions of INR837m (v/s est. INR1.1b). Provisions of INR320m were made toward COVID-19. Thus, COVID-19 related provision buffer increased to INR950m (~0.4% of loans).
- NII grew 0.6% YoY (-5.2% QoQ) to INR3.1b (4% miss), affected by moderation in loan growth and 22bp QoQ decline in margins to ~3.42%. Other income declined 10.6% YoY, affected by lower fees (51% YoY decline). Thus, overall net revenues declined 1.8% YoY.
- Opex declined 14% YoY to INR1.9b, resulting in an improvement in the C/I ratio by ~80bp QoQ to 50.3%. Overall, PPoP grew 14.8% YoY to INR1.9b (in line) while core PPoP growth moderated to ~2% YoY.
- Loan growth moderated further to ~4% YoY. Corporate/SME/MSME advances declined 4% YoY each while growth of Gold loans was robust at 56% YoY. Deposit growth also moderated ~2% YoY (~3% QoQ decline) to INR294b. Within this, CASA deposits declined 9% YoY while TD grew 8% YoY. However, Retail TD grew 43% YoY, and thus, formed 57% of total deposits.
- On the asset quality front, fresh slippages stood at INR52m due to standstill benefit, and thus, GNPA/NNPA ratio improved by 2bp/17bp QoQ to ~2.4%/~1.0%. PCR, thus, improved to 60% (v/s 53.5% in FY20). Overdue accounts where moratorium got extended declined to INR4.75b as at Jul'20 (v/s INR19.1b in 4QFY20).
- Moratorium update** – Home loans (~29%), LAP (~21%), CV (48%). Overall, 26% of the loan book is under moratorium (where no installments were paid).

Highlights from management commentary

- DCBB's focus over the next 6-9 months is on disbursing loans under the Credit Guarantee Scheme (CGS), Gold loans, Tractor/KCC and Home loans.
- It is likely to continue facing higher delinquencies in the CV portfolio.
- Under the CGS, the bank expects ~40k customers to be eligible and peak disbursements are likely at ~INR14b.

Valuation and view

DCBB reported moderation in business growth and has guided for muted trends. Focus in the near term would be on preservation of balance sheet and controlling risk. On the asset quality front, moratorium book declined to 26% (v/s 60% earlier). SMA/overdue loans, where moratorium has been extended declined to INR4.75b (v/s INR19.0b). However, we remain watchful of the bank's asset quality and expect higher restructuring of loans. Also, we expect DCBB to continue facing higher delinquencies in the CV portfolio. We expect credit cost trends to remain elevated. We have cut our PAT estimates by 4% each to factor in further moderation in business growth/fee income trends, which was slightly offset by lower opex. We estimate DCBB to deliver FY22E RoA/RoE at 0.8%/9.0%. Maintain **Neutral** with revised TP of INR90 (0.8x FY22E ABV).

Quarterly performance

(INRm)

	FY20				FY21E				FY20	FY21E	FY21E 1QE	V/s our Est
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Net Interest Income	3,048	3,134	3,231	3,237	3,067	3,085	3,185	3,203	12,649	12,540	3,209	-4.4
% Change (Y-o-Y)	11.6	11.2	10.0	7.6	0.6	-1.6	-1.4	-1.1	10.1	-0.9	5.3	
Other Income	868	1,014	931	1,099	776	655	706	758	3,911	2,894	1,023	-24.1
Total Income	3,915	4,148	4,162	4,336	3,843	3,740	3,891	3,960	16,560	15,434	4,231	-9.2
Operating Expenses	2,250	2,302	2,263	2,215	1,932	2,042	2,124	2,143	9,029	8,240	2,310	-16.4
Operating Profit	1,665	1,845	1,899	2,121	1,911	1,698	1,767	1,818	7,531	7,194	1,921	-0.5
% Change (Y-o-Y)	17.8	26.3	9.3	14.5	14.8	-8.0	-7.0	-14.3	16.5	-4.5	15.3	
Provisions	406	433	590	1,182	837	1,088	1,123	1,085	2,611	4,134	1,121	-25.3
Profit before Tax	1,259	1,413	1,309	938	1,075	610	644	732	4,919	3,060	800	34.3
Tax	448	499	342	251	281	154	162	175	1,540	771	202	39.2
Net Profit	811	914	967	688	794	456	481	558	3,379	2,289	599	32.6
% Change (Y-o-Y)	16.6	24.5	12.3	-28.6	-2.1	-50.1	-50.2	-18.9	3.9	-32.3	-26.2	
Operating Parameters												
Deposit (INR b)	287.9	293.6	297.3	303.7	294.3	303.7	309.8	318.9	303.7	318.9	314.3	-6.4
Loan (INR b)	240.4	248.0	254.4	253.5	250.6	253.5	247.4	238.2	253.5	238.2	258.5	-3.1
Deposit Growth (%)	15.0	12.2	8.1	6.8	2.2	3.4	4.2	5.0	6.8	5.0	9.2	-6.9
Loan Growth (%)	13.2	12.4	11.1	7.5	4.2	2.2	-2.8	-6.0	7.5	-6.0	7.5	-3.3
Asset Quality												
Gross NPA (%)	2.0	2.1	2.2	2.5	2.4	3.0	3.9	4.7	2.5	4.7	2.7	-0.3
Net NPA (%)	0.8	1.0	1.0	1.2	1.0	1.3	1.7	2.1	1.2	2.1	1.3	-0.3
PCR (%)	58.9	54.5	52.8	53.5	60.0	58.5	57.0	55.8	53.5	55.8	54.0	6.0

E:MOFSL Estimates



India Life Insurance

Insurance Tracker

Motilal Oswal values your support in the Asiamoney Brokers Poll 2020 for India Research, Sales and Trading team. We [request your ballot](#).



Individual WRP and YoY growth (%)

Individual WRP, INRm	Jul-20	YoY growth
Grand Total	58,127	-0.3%
Total Public	26,049	9.6%
Total Private	32,078	-7.1%
SBI Life	7,199	-14.4%
HDFC Life	5,860	12.2%
ICICI Prudential	3,807	-36.5%
Max Life	3,400	-2.0%
Tata AIA	2,228	18.2%
Bajaj Allianz	1,794	28.9%
Birla Sun Life	1,375	0.5%
Kotak Life	1,157	0.8%
PNB Met Life	998	1.1%
Reliance Life	629	-2.9%

Source: Company, MOFSL

Private players' individual WRP declines ~7% YoY in Jul'20

LIC reports growth of ~10% YoY; market share increases 230bp over FY21YTD

- Private players' individual weighted received premium (WRP) declined 7.1% in Jul'20 (similar to the decline in Jun'20) while industry posted muted decline of 0.3% YoY (v/s -1.4% YoY in Jun'20). The overall decline has moderated considerably from the levels seen over Mar-May'20. For FY21YTD, private players' individual WRP declined 18.1% YoY while for the industry, it dropped 12.6% YoY.
- Amongst listed players, HDFC Life reported positive trend with growth of 12% YoY, Max Life witnessed modest decline of 2% while SBI Life witnessed decline of 14% YoY. On the other hand, IPRU Life remained under pressure and posted 36% YoY decline.
- Mid-sized players reported positive trends. Bajaj Allianz/Tata AIA posted 29%/18% YoY growth while Birla Sun Life/Kotak Life reported modest growth of 1% YoY each.
- LIC continued to report positive trend with growth of 9.6% YoY (v/s 7.5% YoY in Jun'20) in individual WRP. During FY21YTD, LIC's individual WRP declined 4.8% YoY.

Private players' individual WRP share plunges to ~55% in Jul'20 (55% as at FY21YTD)

Private players' individual WRP market share contracted ~245bp to ~55% in Jul'20 (v/s 58% in Jun'20) as private players reported decline of ~7% (v/s LIC's growth of ~10%). Market share for LIC thus increases ~230bp to 45.1% in FY21YTD. During FY21YTD, SBI Life (10.8%) remained the largest private insurer in terms of individual WRP, followed by HDFC Life (10.1%) and IPRU life (6.3%). On an un-weighted basis, SBI Life was the largest private insurer with market share of 6.9%, followed by HDFC Life (6.4%) and IPRU Life (3.2%).

Performance of key private players

The combined market share of listed players – SBI Life, ICICI Prudential Life, HDFC Life and Max Life – on an individual WRP basis stood at ~63.2% as at Jul'20 (v/s 62.9% in FY20). Tata AIA, Bajaj Allianz and Birla Sun Life are also getting firmly positioned amongst the 5-7th largest private insurers on individual WRP. Amongst the key listed players, on the basis of individual WRP –

- HDFC Life** reported growth of 12.2% YoY (-10.1% YoY in FY21YTD); total un-weighted premium grew ~41% YoY (-14.0% YoY in FY21YTD).
- SBI Life** reported decline of 14.4% YoY (-28.3% YoY in FY21YTD); total un-weighted premium grew 42% YoY (+10.5% YoY in FY21YTD).
- IPRU Life** reported decline of 36.5% YoY (-45.3% YoY in FY21YTD); total un-weighted premium declined 10.1% YoY (-25.9% YoY in FY21YTD).
- Max Life** reported decline of 2.0% YoY (-3.0% YoY in FY21YTD); total un-weighted premium grew 5.6% YoY (+1.1% YoY in FY21YTD).

Un-weighted new business premium and growth – sorted on Jul'20 basis

INR m	Jul-20	YoY growth	FY21YTD	YoY growth	FY20	YoY Growth
Grand Total	229,861	6.9%	723,215	-12.0%	2,588,966	20.6%
Total Public	151,710	-0.9%	517,010	-14.0%	1,779,771	25.2%
Total Private	78,152	26.1%	206,206	-6.4%	809,196	11.5%
HDFC life	19,758	40.8%	46,289	-14.0%	173,963	16.2%
SBI Life	19,090	42.0%	49,674	10.5%	165,918	20.3%
ICICI Prudential	8,488	-10.1%	23,482	-25.9%	123,482	20.4%
Bajaj Allianz	6,028	77.4%	13,444	-0.7%	51,787	5.2%
Max Life	4,697	5.6%	13,692	1.1%	55,836	8.2%
India First Life	3,859	251.1%	5,721	6.5%	17,725	-14.2%
Birla Sun Life	3,752	40.4%	12,917	66.2%	36,571	-6.6%
Kotak Life	3,103	-12.6%	8,761	-32.2%	51,058	28.4%
TATA AIA	2,649	9.7%	9,800	19.7%	32,411	30.9%

Source: Company, MOFSL

Individual WRP, growth and market share – sorted on Jul'20 basis

INR m	Jul-20	YoY growth	Mkt share	FY21YTD	YoY growth	Mkt share	FY20	YoY growth	Mkt share
Grand Total	58,127	-0.3%	100.0%	163,981	-12.6%	100.0%	734,885	6.2%	100.0%
Total Private	32,078	-7.1%	55.2%	90,060	-18.1%	54.9%	420,314	4.8%	57.2%
Total Public	26,049	9.6%	44.8%	73,920	-4.8%	45.1%	314,572	8.3%	42.8%
SBI Life	7,199	-14.4%	12.4%	17,653	-28.3%	10.8%	97,711	9.1%	13.3%
HDFC Life	5,860	12.2%	10.1%	16,576	-10.1%	10.1%	59,646	19.0%	8.1%
ICICI Prudential	3,807	-36.5%	6.5%	10,364	-45.3%	6.3%	66,427	-6.4%	9.0%
Max Life	3,400	-2.0%	5.8%	9,608	-3.0%	5.9%	40,785	5.2%	5.5%
Tata AIA	2,228	18.2%	3.8%	7,608	17.5%	4.6%	26,918	20.6%	3.7%
Bajaj Allianz	1,794	28.9%	3.1%	5,097	8.2%	3.1%	19,268	10.6%	2.6%
Birla Sun Life	1,375	0.5%	2.4%	4,466	3.6%	2.7%	17,018	0.5%	2.3%
Kotak Life	1,157	0.8%	2.0%	3,512	5.4%	2.1%	16,454	-1.3%	2.2%
PNB Met Life	998	1.1%	1.7%	2,858	-15.4%	1.7%	12,964	-5.5%	1.8%

Source: Company, MOFSL

Market share amongst private players on un-weighted and individual WRP – sorted on individual WRP FY21YTD

(%)	Un weighted Premiums			Individual WRP		
	Jul-20	FY21YTD	FY20	Jul-20	FY21YTD	FY20
Grand Total	229,861	723,215	2,588,966	58,127	163,981	734,885
Total Private	78,152	206,206	809,196	32,078	90,060	420,314
SBI Life	24.4%	24.1%	20.5%	22.4%	19.6%	23.2%
HDFC Life	25.3%	22.4%	21.5%	18.3%	18.4%	14.2%
ICICI Prudential	10.9%	11.4%	15.3%	11.9%	11.5%	15.8%
Max Life	6.0%	6.6%	6.9%	10.6%	10.7%	9.7%
Tata AIA	3.4%	4.8%	4.0%	6.9%	8.4%	6.4%
Bajaj Allianz	7.7%	6.5%	6.4%	5.6%	5.7%	4.6%
Birla Sun life	4.8%	6.3%	4.5%	4.3%	5.0%	4.0%
Kotak Life	4.0%	4.2%	6.3%	3.6%	3.9%	3.9%
PNB Met Life	1.7%	1.8%	2.2%	3.1%	3.2%	3.1%
Reliance Life	0.9%	1.1%	1.2%	2.0%	2.3%	2.1%

Source: Company, MOFSL

BSE SENSEX 38,041
S&P CNX 10,618

CMP:INR1152

Neutral

Conference Call Details



Date: 11th August 2020
Time: 11:00 am
Dial-in details:
+91 22 6280 1519

Financials & Valuations (INR b)

Y/E Sep	2019	2020E	2021E
Sales	136.8	108.6	132.8
EBITDA	14.8	9.0	15.3
PAT	10.9	7.0	11.2
EBITDA (%)	10.8	8.3	11.5
EPS (INR)	30.5	19.8	31.4
EPS Gr. (%)	21.6	-35.3	59.0
BV/Sh. (INR)	254.0	267.8	291.7
Ratios			
Net D/E	-0.5	-0.4	-0.4
RoE (%)	12.0	7.4	10.8
RoCE (%)	12.4	7.8	11.3
Payout (%)	20.0	20.0	20.0
Valuations			
P/E (x)	37.7	58.3	36.7
P/BV (x)	4.5	4.3	4.0
EV/EBITDA (x)	24.5	41.4	23.9
Div Yield (%)	0.6	0.3	0.5
FCF Yield (%)	3.7	3.0	2.5

Revenue disappoints; EBITDA loss lower than expectation

- 1QFY21 revenue declined 59% YoY to INR13.2b and was 15% below our expectation.
- EBITDA could barely break-even. However, loss of INR96m was below our estimated loss of INR400m.
- Adj. PAT stood at INR46m (v/s est. loss of INR299m).
- Order book grew 2% YoY to INR131b, providing good revenue visibility. Implied order inflows stood at INR19.1b (-37% YoY).
- As on date, all factories and ~75% of project sites have reopened and have utilization levels of 20-70%.

3QFY20 segmental snapshot:

- **Gas and Power:** Revenues declined 51% YoY to INR5.5b. EBIT margin stood at 4.2% (v/s 13.6% YoY).
- **Smart Infrastructure:** Revenues declined 66% YoY to INR3.1b. Segment loss stood at INR731m (v/s segment profit of INR717m YoY).
- **Mobility:** Revenues declined 61% YoY to INR970m. EBIT margin stood at 3.4% (v/s 11.9% YoY).
- **Digital Industries:** Revenues declined 71% YoY to INR1.8b. Segment loss stood at INR236m (v/s segment profit of INR421m YoY).
- **Portfolio of companies:** Revenues declined 41% YoY to INR1.7b. Segment loss stood lower at INR151m (v/s segment loss of INR173m YoY).

Quarterly Performance

(INR m)

Y/E September	FY19				FY20E				FY19	FY20E	MOSLe 3QE	Var %
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Total Revenues	28,071	35,496	31,984	41,288	26,686	28,201	13,195	40,534	1,36,839	1,08,616	15,500	-14.9%
Change (%)	15.5	8.1	4.1	4.8	-4.9	-20.6	-58.7	-1.8	7.5	-20.6	-51.5	
EBITDA	3,065	4,257	3,537	4,056	3,365	2,936	-96	2,799	14,915	9,004	-400	NA
Change (%)	12.5	31.9	17.0	-3.1	9.8	-31.0	-102.7	-31.0	13.3	-39.6	-111.3	
As % of Revenues	10.9	12.0	11.1	9.8	12.6	10.4	-0.7	6.9	10.9	8.3	-2.6	
Depreciation	532	571	512	558	611	708	722	585	2,173	2,626	650	
Interest	2	24	2	86	77	111	49	163	114	400	100	
Other Income	877	830	825	1,414	855	806	822	941	3,946	3,424	750	
Extra-ordinary Items	0	-157	0	0	0	-449	0	0	-157	-449	0	
PBT	3,408	4,492	3,848	4,826	3,532	2,923	-45	2,992	16,574	9,402	-400	NA
Tax	1,128	1,532	1,367	1,520	905	753	1	707	5,547	2,366	-101	
Effective Tax Rate (%)	33.1	34.1	35.5	31.5	25.6	25.8	-2.2	23.6	33.5	25.2	25.2	
Reported PAT	2,280	2,803	2,481	3,306	2,627	1,721	-46	2,284	10,870	6,586	-299	NA
Adjusted PAT	2,280	2,960	2,481	3,306	2,627	2,170	-46	2,284	11,027	7,035	-299	NA
Change (%)	19.7	34.7	21.4	18.4	15.2	-26.7	-101.9	-30.9	23.4	-36.2	-112.1	

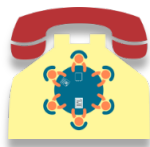
Container Corpn.

BSE SENSEX 38,041
S&P CNX 11,214

CMP: INR456

Buy

Conference Call Details



Date: 10th Aug 2020
Time: 11:00 AM IST
Dial-in details:
+91-22 6280 1384

Financials & Valuations (INR b)

Y/E MARCH	2020	2021E	2022E
Sales	64.7	59.5	72.8
EBITDA	16.7	14.0	18.8
Adj. PAT	10.1	8.3	11.3
EBITDA Margin (%)	25.9	23.5	25.9
Adj. EPS (INR)	16.6	13.5	18.6
EPS Gr. (%)	(16.7)	(18.4)	37.4
BV/Sh. (INR)	165	173	184
Ratios			
Net D:E	(0.4)	(0.3)	(0.4)
RoE (%)	9.9	8.0	10.4
RoCE (%)	9.7	8.0	10.4
Payout (%)	166.5	40.0	40.0
Valuations			
P/E (x)	27.45	33.66	24.49
P/BV (x)	2.76	2.63	2.47
EV/EBITDA(x)	14.4	17.2	12.5
Div. Yield (%)	1.88	1.19	1.63
FCF Yield (%)	11.81	0.58	2.54

EBITDA down 61% YoY due to lower volumes and higher land licensing fee

- EXIM volume stood at 627,905 TEUs (-20% YoY / -19% QoQ) and domestic volume was 104,806 TEUs (-25% YoY / -37% QoQ).
- EXIM realization per TEU stood at INR14,344 (-11%YoY / -2%QoQ) and domestic realization per TEU at INR27,524 (+5% YoY / +4% QoQ).
- Revenue stood at INR11.9b (-27% YoY / -24% QoQ) v/s our estimate of INR12.1b.
- Total expenditure came in at INR10.3b v/s our estimate of INR9.9b.
- Up to FY20, the company has been paying a land licensing fee (LLF) to the Railways on the railway land it has leased on the basis of the number of TEUs handled. However, in Mar'20, the Ministry of Railways communicated a change in LLF payable as 6% of the value of land. The Railways has demanded INR7.76b as LLF for FY21. The company has contested the demand before the Ministry of Railways. However, it recognized an amount of INR1.2b as LLF by applying the extant Policy of Railways under the head 'Other expenses'.
- As a result, EBITDA stood at INR1.6b (-61% YoY / -66% QoQ) v/s our estimate of INR2.15b.
- The EBITDA margin stood at 13.4% (-11.2pp YoY / -16.9pp QoQ).
- Reported PAT came in at INR0.62b (-74% YoY / +80% QoQ) v/s our estimate of INR1.0b.

Container Corp of India

Y/E March	FY20				FY21	FY21	Variance vs Est
	1Q	2Q	3Q	4Q	1Q	1QE	
Net Sales	16,389	17,387	15,276	15,686	11,891	12,081	(2)
YoY Change (%)	9.4	1.0	-2.9	-10.4	-27.4	-26.3	
EBITDA	4,033	4,255	3,717	4,744	1,590	2,149	(26)
Margins (%)	24.6	24.5	24.3	30.2	13.4	17.8	
YoY Change (%)	25.9	5.3	11.3	23.9	-60.6	-46.7	
Depreciation	1,253	1,278	1,263	1,336	1,260	1,364	(8)
Interest	112	81	60	108	85	8	
Other Income	583	637	626	952	588	583	1
PBT before EO expense	3,250	3,532	3,021	4,253	833	1,360	(39)
Extra-Ord expense	0	8,611	0	206	0	0	
PBT	3,250	-5,079	3,021	4,047	833	1,360	
Tax	971	-1,858	1,266	1,102	217	343	
Rate (%)	29.9	36.6	41.9	27.2	26.0	25.2	
Reported PAT	2,278	-3,220	1,755	2,945	616	1,018	(39)
Adj PAT	2,340	2,543	2,175	3,062	616	1,018	(39)
YoY Change (%)	-7.3	-24.3	-20.8	-13.1	-73.7	-56.5	
Margins (%)	14.3	14.6	14.2	19.5	5.2	8.4	

E: MOFSL Estimates

Mahanagar Gas

BSE SENSEX
38,041

S&P CNX
10,386

CMP: INR969

Buy

Conference Call Details



Date: 10th Aug 2020
Time: 04:00pm IST
Dial-in details:
+91-22-6280 1146
+91-22-7115 8047

Marginal EBITDA beat led by better volumes

- EBITDA was 5% higher than est. at INR0.8b (-71% YoY, -67% QoQ).
- Reported PAT stood at INR0.45b (v/s est. 9%; -73% YoY and QoQ), with tax rate for the quarter at 25.5%.
- EBITDA/scm came in lower than est. at INR7.9 (v/s est. INR9.0; INR10.3 in 1QFY20 and INR9.6 in 4QFY20).
- Opex increased ~44% YoY to INR5.8/scm (+15% QoQ).

Total volumes stood at 1.11mmscmd (v/s est. 21%; -62% YoY, -60% QoQ), primarily due to CNG and PNG Industrial/Commercial (I/C).

- CNG volumes were down 78% YoY to 0.48mmscmd.
- PNG domestic was higher by 7% YoY to 0.43mmscmd.
- PNG I/C was down 49% YoY to 0.20mmscmd.

Daily sales volumes in Jun'20 increased to ~50% compared to pre-lockdown volumes. The company expects sales volumes to pick up further with the lockdown easing, vehicular traffic returning to normalcy, opening up of restaurants, industries and other businesses using gas.

Standalone - Quarterly Earning Model

(INR M)

Y/E March	FY20				FY21		Var (%)	YoY (%)	QoQ (%)
	1Q	2Q	3Q	4Q	1QE	1QAct			
Net Sales	7,575	7,836	7,445	6,866	1,798	2,618	46%	-65%	-62%
YoY Change (%)	22.3	12.5	-1.1	-5.0	-76.3	-65.4			
EBITDA	2,768	2,734	2,588	2,438	759	800	5%	-71%	-67%
EBITDA/SCM	10.3	9.9	9.2	9.6	9.0	7.9	-13%	-23%	-18%
Margins (%)	36.5	34.9	34.8	35.5	42.2	30.6			
Depreciation	372	391	415	440	445	423	-5%	14%	-4%
Interest	14	15	16	21	13	15			
Other Income	203	230	287	270	254	245	-3%	21%	-9%
PBT before EO expense	2,586	2,558	2,444	2,247	555	607	9%	-77%	-73%
PBT	2,586	2,558	2,444	2,247	555	607	9%	-77%	-73%
Tax	884	-148	583	581	140	155	11%	-82%	-73%
Rate (%)	34.2	-5.8	23.9	25.9	25.2	25.5			
Reported PAT	1,702	2,706	1,861	1,666	416	453	9%	-73%	-73%
YoY Change (%)	32.7	98.6	25.4	24.8	-75.6	-73.4			
Margins (%)	22.5	34.5	25.0	24.3	23.1	17.3			
Sales Volumes (mmscmd)									
CNG	2.16	2.20	2.22	1.98	0.36	0.48	33%	-78%	-76%
PNG - Domestic	0.40	0.38	0.41	0.42	0.43	0.43	0%	7%	2%
PNG - Industry/ Commercial	0.40	0.42	0.42	0.39	0.13	0.20	52%	-49%	-47%
PNG - Total	0.80	0.80	0.83	0.80	0.56	0.63	12%	-21%	-21%
Total Volumes	2.97	3.00	3.05	2.78	0.92	1.11	21%	-62%	-60%

E: MOFSL Estimates



VIP INDUSTRIES: IN Q1, WE HAVEN'T EVEN DONE 10% OF LAST YEAR'S SALES; Dilip Piramal, Chairman

- In Q1, which is our largest quarter, we have not even done 10% of the sales that we did last year. It is a very bleak situation.
- However, the good point is that we have a very strong balance sheet and even now we are not in any debt at all. We have made adequate provision that we have lined up credit limits which will last us for one year if required and at the moment, there is hardly any activity.
- Company is increasing our own luggage manufacturing but we had not even reached 50% of our soft luggage sales and our own production was not even 50% of our sales. Now that the sales level itself has gone down, it is going to remain like that for a year or 18 months. We will double our efforts in the manufacturing side and start making the handbags also.
- While we cannot reduce the rents for the very large warehouses, definitely in retail shops we have done quite a bit and if required we will do more. It is a very sensitive area because there are closing down costs as well and I would say that our landlords have been very cooperative because they also realise that there is not much of a choice. They also do not have any alternatives so it is better to reduce the rents. We have closed down many retail shops.

[→ Read More](#)



THE MENACE OF COUNTERFEIT DRUGS THAT INDIA MUST FIGHT

- India imports around 70% of its raw materials, like active pharmaceutical ingredients and key excipients, for the manufacture of essential drugs from China, the fraying of ties with which has transformed the course of the country's pharmaceutical business. Even as we promise to "Make in India", we will have to take tough decisions as far as our drug dependence and domestic market are concerned. While the government is working towards making India self-reliant, a potential shortage of drugs and an inward-looking approach could pose another challenge—the perils of counterfeit drugs. Domestically-produced generics have often come under the scanner for failing quality tests. A World Health Organization (WHO) report in 2017 said, "About 10.5% of medicines sold in low and middle-income countries, including India, are substandard and falsified." This is especially alarming at a time when the world is anxious about the adequacy of basic medicine supplies, given the reduced production and increased demand mostly everywhere. India has been battling the challenge of substandard drugs for a while. The problem was in the spotlight when the government launched its Jan Aushadhi initiative, in which five medicines were reportedly recalled in a span of 20 days because of quality lapses. There were also reports of this number rising to 11 in four months. Estimates for 2019-20 reveal that during this period, India had four drugs and 27 batches that were recalled. In fact, for many of these drugs, the shelf-life was only three months. The government must tighten its noose on quality and ensure that patient safety takes precedence over geography for medicines. The idea is to give patients the safest option available, whether it comes from the domestic market or overseas. As per 2019 statistics, India had only 47 drug testing facilities under the National Good Laboratory Practice programme. To make matters worse, we had only six central labs, testing just 8,000 samples per year.

[→ Read More](#)



Company	Reco	CMP (INR)	TP (INR)	% Upside Downside	EPS (INR)			EPS Gr. YoY (%)			P/E (x)		P/B (x)		ROE (%)	
					FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Automobiles																
Amara Raja	Neutral	718	739	3	38.7	33.8	39.1	36.7	-12.6	15.6	21.2	18.4	3.0	2.7	15.0	15.7
Ashok Ley.	Buy	50	60	20	1.2	-0.3	2.0	-83.1	PL	LP	NM	25.2	2.0	2.0	-1.3	8.0
Bajaj Auto	Neutral	3002	2960	-1	187.4	168.3	183.2	13.3	-10.1	8.8	17.8	16.4	3.9	3.6	23.2	22.9
Bharat Forge	Buy	408	444	9	9.2	2.9	15.1	-58.4	-68.8	423.0	141.7	27.1	3.5	3.2	2.5	12.4
Bosch	Neutral	13669	13287	-3	418.8	323.4	429.4	-22.5	-22.8	32.8	42.3	31.8	4.0	3.7	9.9	12.1
CEAT	Buy	892	1038	16	57.1	63.2	75.6	-14.7	10.8	19.5	14.1	11.8	1.2	1.1	8.5	9.5
Eicher Mot.	Buy	21793	22200	2	669.4	483.8	776.7	-17.8	-27.7	60.6	45.1	28.1	5.5	4.7	12.7	18.1
Endurance Tech.	Buy	956	1106	16	38.0	30.0	46.1	5.1	-21.0	53.5	31.8	20.7	4.1	3.6	13.4	18.4
Escorts	Neutral	1124	1175	5	54.0	62.4	71.6	1.4	15.5	14.8	18.0	15.7	2.4	2.1	16.0	14.2
Exide Ind	Buy	162	203	26	9.9	8.9	11.0	9.4	-10.4	24.3	18.2	14.7	2.0	1.9	11.2	12.8
Hero Moto	Neutral	2706	2937	9	153.0	139.8	171.3	-9.7	-8.6	22.5	19.4	15.8	3.7	3.5	19.4	22.7
M&M	Buy	601	720	20	15.0	27.0	36.4	-64.9	80.2	35.0	22.2	16.5	1.9	1.8	9.0	10.4
Mahindra CIE	Buy	109	141	29	9.4	1.9	9.7	-33.2	-80.3	419.9	58.8	11.3	0.9	0.8	1.5	7.5
Maruti Suzuki	Buy	6680	6850	3	188.0	152.1	242.0	-25.8	-19.1	59.1	43.9	27.6	4.1	3.8	9.2	13.6
Motherson Sumi	Buy	100	126	26	3.7	1.2	5.5	-27.5	-67.5	354.6	82.9	18.2	2.7	2.5	3.3	14.3
Tata Motors	Buy	119	127	7	-25.3	-34.4	5.9	480.5	Loss	LP	NM	20.2	0.8	0.8	-21.7	4.3
TVS Motor	Neutral	421	392	-7	13.0	10.3	17.5	-7.8	-20.9	70.4	41.0	24.0	5.1	4.4	13.0	19.8
Aggregate								-50.8	-42.1	271.9	78.4	21.1	2.8	2.6	3.6	12.3
Banks - Private																
AU Small Finance	Buy	709	850	20	22.6	20.7	28.9	71.3	-9	39.9	34.3	24.5	4.4	3.7	13.5	16.3
Axis Bank	Buy	433	600	39	6.0	21.8	39.0	-66.9	262	78.7	19.9	11.1	1.4	1.2	7.0	11.5
Bandhan Bank	Buy	307	425	38	21.6	22.0	28.4	31.9	2	29.0	14.0	10.8	2.6	2.2	20.8	22.1
DCB Bank	Neutral	83	90	8	10.9	7.4	10.2	3.6	-32.3	38.9	11.3	8.1	0.7	0.7	7.0	9.0
Equitas Hold.	Buy	51	65	28	7.1	4.0	7.5	15.5	-43.6	85.7	12.6	6.8	0.6	0.6	4.9	8.7
Federal Bank	Buy	55	65	19	7.8	6.5	8.5	23.4	-16.7	31.0	8.4	6.4	0.7	0.6	8.5	10.3
HDFC Bank	Buy	1044	1280	23	48.0	55.0	65.2	21.2	14.4	18.5	19.0	16.0	2.9	2.5	16.4	16.9
IndusInd	Buy	509	700	37	68.8	62.7	84.4	25.3	-8.8	34.6	8.1	6.0	0.9	0.8	12.0	14.4
Kotak Mah. Bk	Neutral	1342	1300	-3	44.9	41.4	51.5	19.0	-7.9	24.6	32.5	26.0	3.6	3.1	9.9	10.8
RBL Bank	Buy	191	230	20	9.9	10.4	15.8	-51.1	4.2	53.0	18.5	12.1	0.9	0.8	4.9	7.1
Aggregate								14.6	17.2	29.7	19.5	15.0	2.4	2.1	12.4	14.2
Banks - PSU																
BOB	Buy	48	65	34	1.5	4.3	9.8	-8.2	187.1	128.2	11.2	4.9	0.3	0.3	2.7	6.1
SBI	Buy	191	285	49	22.1	23.7	32.5	759.6	7	37.3	8.1	5.9	0.7	0.6	7.1	9.6
Aggregate								643.2	14	45	8	5.7	0.6	0.6	7.2	9.7
NBFCs																
Aditya Birla Cap	Buy	59	86	46	3.8	3.8	4.6	-3.5	-0.7	22.5	15.7	12.8	1.1	1.0	7.0	7.9
Bajaj Fin.	Neutral	3466	3000	-13	87.7	73.9	120.7	26.7	-15.8	63.3	46.9	28.7	5.7	4.8	12.9	18.3
Cholaman. Inv.&F n	Buy	209	245	17	12.8	14.4	19.7	-15.4	12.0	37.3	14.5	10.6	1.9	1.6	13.8	16.6
HDFC Life Insur.	Neutral	607	600	-1	6.4	6.9	7.9	1.3	8.2	14.3	87.4	76.4	4.8	4.1	22.4	17.9
ICICI Pru Life	Buy	471	510	8	7.4	8.0	8.6	-6.3	7.6	7.9	58.7	54.5	2.6	2.2	14.5	14.6
IIFL Wealth Mgt	Buy	1059	1225	16	23.1	37.2	48.9	-47.8	61.1	31.5	28.5	21.6	3.0	2.9	10.7	13.5
L&T Fin Holdings	Buy	63	85	34	10.9	4.9	9.5	-2.7	-54.6	93.1	12.8	6.7	0.8	0.8	6.7	12.0
LIC Hsg Fin	Buy	260	340	31	47.6	42.5	48.0	-1.2	-10.5	12.8	6.1	5.4	0.7	0.6	11.5	11.8
MAS Financial	Buy	648	815	26	32.6	30.8	36.9	17.2	-5.4	19.8	21.0	17.5	3.2	2.8	16.0	16.9
M&M Fin.	Buy	135	320	137	14.7	7.4	8.9	-41.8	-49.9	21.3	18.3	15.1	1.1	1.0	6.8	7.0
Muthoot Fin	Neutral	1217	1105	-9	75.3	89.8	102.4	52.9	19.3	14.0	13.6	11.9	3.4	2.8	27.7	25.6
PNB Housing	Neutral	218	210	-4	38.4	44.7	60.4	-46.0	16.3	35.2	4.9	3.6	0.4	0.4	9.1	11.3
Shriram City Union	Buy	664	910	37	151.6	109.5	115.2	1.2	-27.8	5.3	6.1	5.8	0.6	0.5	9.6	9.2
Shriram Trans.	Buy	677	935	38	110.3	67.4	114.4	-2.4	-38.9	69.6	10.0	5.9	0.8	0.7	8.7	13.0
Aggregate								6.2	-8.0	36.5	19.2	14.0	2.3	2.0	12.1	14.6
Capital Goods																
ABB	Buy	882	1030	17	16.6	7.1	21.5	38.1	-56.9	200.4	123.5	41.1	5.1	4.6	4.1	11.3



Company	Reco	CMP (INR)	TP (INR)	% Upside Downside	EPS (INR)			EPS Gr. YoY (%)			P/E (x)		P/B (x)		ROE (%)	
					FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Bharat Elec.	Buy	99	116	17	7.4	6.8	8.3	-6.9	-8.0	22.7	14.6	11.9	2.3	2.1	15.5	17.5
BHEL	Sell	35	22	-38	-4.2	1.0	1.8	-221.9	LP	75.0	33.7	19.3	0.4	0.4	1.2	2.1
Blue Star	Neutral	498	435	-13	15.3	2.7	16.4	-21.4	-82.5	512.9	185.7	30.3	6.0	5.6	3.3	18.5
CG Cons. Elec.	Buy	261	285	9	7.0	6.7	8.8	16.9	-3.6	31.6	38.8	29.5	9.6	8.0	24.6	27.3
Cummins	Sell	419	330	-21	23.3	15.4	22.1	-10.8	-33.6	43.1	27.1	19.0	2.7	2.6	9.8	13.6
Engineers India	Buy	66	93	40	6.8	6.6	8.3	16.3	-2.6	24.8	10.0	8.0	1.9	1.8	17.5	21.2
Havells	Neutral	610	560	-8	11.7	8.8	13.3	-6.9	-25.0	51.5	69.3	45.8	8.2	7.3	11.8	16.1
K E C Intl	Buy	276	230	-17	22.0	21.2	23.0	16.3	-3.6	8.4	13.0	12.0	2.2	1.9	16.7	15.7
L&T	Buy	916	1080	18	68.0	53.1	69.6	7.1	-21.9	31.2	17.2	13.1	1.8	1.6	9.6	11.6
Siemens	Neutral	1152	-		30.5	19.8	31.4	21.6	-35.3	59.0	58.3	36.7	4.3	4.0	7.4	10.8
Thermax	Neutral	752	757	1	18.9	20.9	34.4	-30.6	10.6	64.8	36.0	21.9	2.7	2.5	7.4	11.3
Voltas	Buy	594	600	1	16.7	10.7	19.9	6.5	-36.3	86.5	55.7	29.9	4.3	3.9	7.8	13.2
Aggregate								-10.6	-11.8	39.0	26.4	19.0	2.2	2.1	8.5	10.9
Cement																
Ambuja Cem.	Neutral	220	207	-6	7.7	7.7	7.4	26.4	0.5	-4.7	28.4	29.8	1.9	1.8	6.7	6.1
ACC	Buy	1397	1570	12	72.3	64.0	72.3	35.1	-11.5	13.0	21.8	19.3	2.1	2.0	10.1	10.5
Birla Corp.	Buy	653	790	21	65.6	44.9	66.7	97.6	-31.5	48.5	14.5	9.8	1.0	0.9	7.0	9.7
Dalmia Bhar.	Buy	764	895	17	11.5	30.0	31.9	-27.3	161.5	6.2	25.4	24.0	1.3	1.3	5.4	5.5
Grasim Inds.	Neutral	637	640	1	67.3	43.9	68.6	1.8	-34.8	56.4	14.5	9.3	1.1	1.1	1.1	2.5
India Cem	Neutral	117	114	-3	0.7	4.5	4.5	-69.5	561.0	-1.4	25.7	26.1	0.7	0.6	2.6	2.5
J K Cements	Buy	1600	1695	6	62.6	45.8	85.1	83.4	-26.8	85.7	34.9	18.8	3.8	3.3	11.2	18.6
JK Lakshmi Ce	Buy	286	390	36	22.6	23.2	28.0	233.6	3.0	20.7	12.3	10.2	1.7	1.5	14.8	15.5
Ramco Cem	Neutral	688	620	-10	25.5	25.0	28.9	18.1	-1.9	15.3	27.5	23.8	3.0	2.7	11.4	11.9
Shree Cem	Neutral	21894	20730	-5	435.2	416.7	595.5	34.3	-4.2	42.9	52.5	36.8	5.6	4.9	11.1	14.1
Ultratech	Buy	4005	4830	21	147.3	135.5	195.5	62.9	-8.0	44.3	29.6	20.5	2.6	2.3	9.6	12.5
Aggregate								30.7	-12.5	35.6	26.1	19.3	2.1	2.0	8.2	10.4
Consumer																
Asian Paints	Neutral	1805	1605	-11	29.0	25.5	31.2	25.5	-12.1	22.4	70.9	57.9	14.6	13.2	22.3	24.0
Britannia	Neutral	3934	3700	-6	58.6	81.3	79.7	21.8	38.6	-1.9	48.4	49.4	22.5	21.8	45.4	44.9
Colgate	Buy	1458	1660	14	30.0	31.2	36.7	8.1	3.8	17.8	46.8	39.7	27.2	32.5	55.5	74.6
Dabur	Buy	512	565	10	8.6	9.0	10.6	1.4	4.4	17.6	56.8	48.3	12.8	11.8	23.3	25.4
Emami	Buy	258	310	20	12.4	12.2	13.2	2.0	-1.3	7.5	21.1	19.6	5.1	5.1	26.7	26.1
Godrej Cons.	Neutral	689	665	-3	14.2	15.3	16.9	-2.8	7.9	10.3	45.0	40.8	9.4	9.6	20.4	23.3
HUL	Buy	2211	2550	15	31.2	34.3	44.2	11.1	10.0	28.6	64.4	50.1	10.6	10.5	28.2	21.0
ITC	Neutral	196	200	2	12.4	10.6	12.6	22.2	-14.6	19.2	18.5	15.5	3.6	3.4	19.8	22.4
Jyothy Lab	Neutral	142	135	-5	4.5	4.9	5.2	-15.8	8.9	6.0	28.7	27.1	4.3	4.3	14.8	15.8
Marico	Buy	370	405	9	8.1	8.4	9.5	13.4	2.9	13.8	44.2	38.8	12.1	11.8	31.1	30.9
Nestle	Neutral	16761	16700	0	206.8	221.9	254.4	15.8	7.3	14.7	75.5	65.9	68.6	59.7	99.8	96.9
Page Inds	Neutral	19020	17905	-6	307.7	240.5	378.9	-12.9	-21.8	57.5	79.1	50.2	23.6	21.2	29.9	42.3
Pidilite Ind.	Neutral	1377	1335	-3	23.1	17.1	25.6	24.5	-26.2	50.3	80.7	53.7	14.4	12.3	18.6	24.7
P&G Hygiene	Neutral	10298	10520	2	131.4	159.4	191.3	4.0	21.3	20.0	64.6	53.8	27.9	24.0	46.3	48.0
Tata Consumer	Buy	518	560	8	8.0	10.1	12.1	66.4	27.1	19.2	51.2	42.9	3.3	3.1	6.6	7.5
United Brew	Sell	966	700	-27	16.2	4.9	13.3	-24.0	-70.0	173.1	198.9	72.8	7.0	6.6	3.6	9.4
United Spirits	Neutral	587	585	0	10.9	5.8	12.4	16.9	-46.7	114.3	101.1	47.2	10.3	8.4	10.1	17.9
Aggregate								15.9	-2.9	21.9	46.3	38.0	9.0	8.6	19.5	22.6
Healthcare																
Alembic Phar	Neutral	1051	1100	5	45.9	51.7	53.1	47.7	12.8	2.7	20.3	19.8	5.0	4.2	27.8	23.8
Alkem Lab	Buy	2980	3665	23	95.4	131.5	146.1	49.5	37.8	11.1	22.7	20.4	4.8	4.1	23.2	21.6
Ajanta Pharma	Buy	1692	1815	7	51.1	64.0	71.7	15.1	25.2	12.0	26.4	23.6	4.9	4.2	20.0	19.3
Aurobindo	Buy	907	940	4	49.2	52.3	57.1	13.9	6.4	9.2	17.3	15.9	2.7	2.3	16.8	15.7
Biocon	Neutral	399	450	13	6.2	8.6	12.0	-0.4	39.2	39.6	46.5	33.3	6.4	5.7	14.6	18.1
Cadila	Buy	391	460	18	14.7	19.0	21.4	-20.0	29.4	12.5	20.5	18.2	3.2	2.8	16.9	16.2
Cipla	Neutral	729	790	8	19.6	28.6	32.6	4.8	45.7	13.9	25.5	22.4	3.3	2.9	12.8	12.9
Divis Lab	Buy	2784	3350	20	48.9	69.7	86.3	-2.3	42.4	23.8	40.2	32.5	8.0	6.7	22.2	22.4
Dr Reddy's	Neutral	4571	4600	1	121.3	165.0	178.2	15.4	35.9	8.0	27.7	25.6	4.2	3.7	16.3	15.3



Company	Reco	CMP (INR)	TP (INR)	% Upside Downside	EPS (INR)			EPS Gr. YoY (%)			P/E (x)		P/B (x)		ROE (%)	
					FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Glenmark	Neutral	454	395	-13	24.6	26.0	29.5	-5.1	5.7	13.6	17.5	15.4	1.9	1.7	11.5	11.8
GSK Pharma	Neutral	1485	1355	-9	28.2	26.9	33.9	14.6	-4.5	26.0	55.2	43.8	13.1	12.0	23.8	27.3
Granules India	Buy	316	315	0	13.0	16.7	19.8	41.3	28.4	18.3	18.9	15.9	3.7	3.2	21.4	21.5
IPCA Labs	Buy	1956	1900	-3	51.5	65.6	76.9	42.0	27.2	17.2	29.8	25.4	5.7	4.8	20.8	20.4
Jubilant Life	Buy	839	835	0	59.8	56.6	66.4	5.0	-5.4	17.4	14.8	12.6	2.0	1.8	14.7	15.1
Laurus Labs	Buy	1023	1215	19	37.8	65.4	70.9	20.6	73.2	8.5	15.6	14.4	4.4	3.5	32.4	27.0
Lupin	Buy	879	1015	15	19.8	26.1	37.6	47.7	31.6	44.3	33.8	23.4	3.0	2.7	9.1	12.2
Strides Pharma	Buy	524	650	24	15.2	34.2	45.0	72.1	124.9	31.8	15.3	11.6	1.7	1.5	11.5	13.7
Sun Pharma	Buy	526	625	19	16.4	19.0	23.3	8.7	15.7	23.0	27.7	22.5	2.8	2.5	10.1	11.8
Torrent Pharma	Neutral	2941	2565	-13	55.9	73.8	95.6	30.8	32.0	29.6	39.9	30.8	8.4	7.2	23.3	25.2
Aggregate								12.2	24.4	17.7	26.9	22.8	3.8	3.4	14.3	14.8
Infrastructure																
Ashoka Buildcon	Buy	58	98	69	13.8	7.9	10.5	20.2	-42.4	32.4	7.3	5.5	0.6	0.5	8.3	10.1
IRB Infra	Neutral	122	66	-46	18.9	6.9	7.7	-21.9	-63.6	11.9	17.8	15.9	0.6	0.6	3.6	3.9
KNR Constructions	Buy	204	280	38	14.5	11.8	20.2	-18.3	-18.4	70.7	17.2	10.1	1.6	1.4	9.8	14.9
Aggregate											13.9	10.3	0.8	0.7	5.5	7.0
Media																
PVR	Buy	1128	1350	20	32.2	-69.4	23.1	-15.1	PL	LP	NM	48.8	5.2	4.8	-27.5	10.2
Sun TV	Buy	394	500	27	34.8	30.1	36.6	-1.7	-13.5	21.4	13.1	10.8	2.7	2.6	21.0	24.7
Zee Ent.	Neutral	150	150	0	5.5	7.0	7.9	-66.6	27.5	13.5	21.5	18.9	1.5	1.4	7.1	7.7
Aggregate								-21.3	-39.5	54.6	23.5	15.2	2.1	2.0	9.1	13.4
Metals																
Hindalco	Buy	178	198	11	17.5	11.6	18.3	-29.2	-33.8	58.1	15.4	9.7	1.1	1.0	6.9	10.6
Hind. Zinc	Neutral	253	208	-18	16.1	15.1	18.9	-14.5	-6.3	25.3	16.8	13.4	2.7	2.7	15.9	20.0
JSPL	Buy	199	226	13	-3.6	7.7	14.9	-210.0	LP	92.5	25.8	13.4	0.6	0.6	2.4	4.5
JSW Steel	Buy	240	242	1	9.0	8.4	22.4	-71.6	-7.0	167.0	28.6	10.7	1.5	1.3	5.4	13.2
Nalco	Buy	35	43	23	0.7	0.8	2.5	-92.2	10.7	212.7	44.1	14.1	0.7	0.7	1.6	5.0
NMDC	Buy	89	120	35	15.3	10.9	12.2	-1.9	-28.8	11.6	8.2	7.3	0.9	0.9	11.8	12.3
SAIL	Neutral	38	34	-10	-0.5	-2.6	3.6	-107.5	Loss	LP	NM	10.4	0.4	0.4	-2.6	3.7
Vedanta	Neutral	123	123	0	8.8	7.4	13.8	-52.7	-16.1	88.1	16.7	8.9	0.9	0.9	5.1	10.0
Tata Steel	Neutral	404	324	-20	9.1	-11.1	44.1	-89.8	PL	LP	NM	9.2	0.7	0.7	-1.9	7.6
Aggregate								-55.0	-27.0	122.9	23.4	10.5	1.0	0.9	4.2	9.0
Oil & Gas																
Aegis Logistics	Buy	209	250	20	3.0	7.0	11.8	-55.0	136.4	67.8	29.6	17.6	3.8	3.2	13.5	19.8
BPCL	Neutral	420	421	0	25.3	32.4	42.8	-41.6	27.9	31.9	12.9	9.8	2.0	1.8	16.5	19.4
Castrol India	Buy	121	170	40	8.4	6.4	8.5	16.8	-23.5	33.1	19.0	14.3	8.2	7.5	44.6	54.7
GAIL	Buy	97	150	55	16.5	12.9	15.4	17.3	-21.7	19.4	7.5	6.3	0.8	0.8	12.7	13.9
Gujarat Gas	Buy	303	360	19	17.3	11.4	16.4	177.8	-34.5	44.0	26.6	18.5	5.3	4.3	21.7	25.9
Gujarat St. Pet.	Buy	207	300	45	19.7	17.8	19.9	39.5	-9.5	11.6	11.6	10.4	1.5	1.4	14.0	13.9
HPCL	Buy	214	304	42	23.9	47.9	45.8	-45.6	100.4	-4.4	4.5	4.7	1.0	0.9	22.7	20.2
IOC	Buy	86	145	68	10.3	14.7	21.4	-45.4	43.1	45.8	5.9	4.0	0.8	0.7	13.7	18.4
IGL	Neutral	388	485	25	16.2	10.4	17.9	44.5	-35.7	71.3	37.2	21.7	4.8	4.1	13.7	20.4
Mahanagar Gas	Buy	969	-		80.3	50.5	75.0	45.2	-37.1	48.4	19.2	12.9	3.0	2.7	16.3	22.0
MRPL	Neutral	35	40	16	-15.4	0.3	8.3	-895.4	LP	3,122.9	134.6	4.2	0.8	0.7	0.6	17.3
Oil India	Buy	95	115	21	22.9	11.7	17.7	-28.6	-48.7	51.3	8.1	5.3	0.4	0.4	5.4	7.8
ONGC	Buy	79	105	34	13.1	12.7	19.5	-51.8	-3.5	54.3	6.2	4.0	0.5	0.4	7.6	11.0
PLNG	Buy	244	336	37	18.5	19.2	21.3	28.5	3.7	11.0	12.8	11.5	3.1	2.9	25.2	26.0
Reliance Ind.	Buy	2147	2250	5	67.9	67.4	111.4	8.1	-0.8	65.3	31.9	19.3	2.8	2.4	9.0	13.5
Aggregate								-24.3	7.6	49.5	18.3	12.3	1.8	1.6	10.0	13.4
Retail																
Avenue Supermarts	Neutral	2139	2000	-7	20.1	19.8	30.0	38.9	-1.2	51.5	107.8	71.2	10.8	9.3	11.0	14.6
Aditya Birla Fashion	Buy	121	175	45	-0.2	-7.0	-1.2	-111.1	Loss	Loss	NM	NM	17.2	20.7	-66.2	-18.6



Company	Reco	CMP (INR)	TP (INR)	% Upside Downside	EPS (INR)			EPS Gr. YoY (%)			P/E (x)		P/B (x)		ROE (%)	
					FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Jubilant Food.	Neutral	1871	1560	-17	22.5	16.3	26.1	-6.5	-27.5	59.7	114.5	71.7	21.7	20.0	18.9	27.9
Shoppers Stop	Neutral	159	190	19	-14.7	-35.9	-14.5	-289.1	Loss	Loss	NM	NM	-5.7	-3.8	359.8	41.2
Titan Company	Buy	1091	1215	11	17.1	11.3	20.8	8.9	-33.8	83.9	96.5	52.5	14.0	12.3	14.7	25.0
Trent	Neutral	579	620	7	3.0	0.4	8.5	2.1	-86.4	2,000.8	1,431.6	68.1	8.0	7.1	0.6	11.8
V-Mart Retail	Buy	1768	2361	34	27.3	-27.6	14.6	-31.0	PL	LP	NM	121.0	7.8	7.3	-11.5	6.3
Aggregate								5.4	-48.0	161.1	177.1	67.8	12.2	10.8	6.9	16.0
Technology																
Cyient	Neutral	340	320	-6	33.8	30.3	34.9	-22.2	-10.3	15.2	11.2	9.7	1.3	1.2	11.4	12.3
HCL Tech.	Buy	690	765	11	40.7	44.4	51.0	11.1	9.0	14.8	15.5	13.5	3.0	2.5	21.7	20.2
Hexaware	Neutral	393	390	-1	21.8	21.3	25.1	12.6	-2.1	18.0	18.4	15.6	3.9	3.4	22.0	23.1
Infosys	Buy	951	1050	10	38.9	41.6	48.2	5.1	6.9	15.8	22.8	19.7	5.8	5.0	25.2	25.4
L & T Infotech	Buy	2468	2645	7	86.7	95.2	113.8	0.4	9.7	19.6	25.9	21.7	6.6	5.4	28.1	27.7
Mindtree	Buy	1152	1160	1	38.3	57.4	68.0	-16.4	49.8	18.3	20.1	17.0	4.9	4.1	24.6	24.4
Mphasis	Neutral	1164	1174	1	61.5	62.4	73.4	9.6	1.6	17.5	18.6	15.9	3.4	3.0	19.2	20.8
NIIT Tech	Neutral	1987	1540	-23	73.5	71.5	96.0	11.0	-2.7	34.2	27.8	20.7	5.6	4.7	19.3	24.7
Persistent Sys	Buy	997	1040	4	44.4	53.7	69.3	0.9	21.0	29.0	18.6	14.4	2.8	2.4	14.9	16.6
TCS	Neutral	2295	2300	0	86.2	83.9	99.1	3.7	-2.7	18.2	27.4	23.1	10.1	10.1	36.6	43.5
Tech Mah	Neutral	662	750	13	45.9	42.6	52.4	-5.9	-7.1	22.9	15.5	12.6	2.4	2.2	15.6	17.0
Wipro	Neutral	277	257	-7	16.6	17.3	18.7	8.5	3.8	8.5	16.1	14.8	2.4	2.1	16.1	15.2
Zensar Tech	Neutral	172	164	-5	11.9	14.1	16.0	-17.2	18.5	13.4	12.2	10.8	1.7	1.5	14.3	14.5
Aggregate								3.0	2.2	16.2	22.5	19.4	5.4	4.9	24.1	25.1
Telecom																
Bharti Airtel	Buy	561	700	25	-7.5	10.2	5.4	-14.6	LP	-47.2	54.9	103.9	4.5	4.4	7.7	4.3
Bharti Infratel	Neutral	193	210	9	17.8	16.7	17.7	31.1	-6.5	6.3	11.6	10.9	2.7	2.6	22.9	24.4
Vodafone Idea		9			-7.6	-8.0	-7.7	-59.1	Loss	Loss	NM	NM	-1.5	-0.6	416.7	78.8
Tata Comm	Neutral	814	790	-3	10.6	38.1	51.2	-582.2	260.3	34.5	21.4	15.9	-113.8	18.5	-146	277.5
Aggregate								Loss	Loss	Loss	-29	-27.0	6.2	8.6	-20.9	-31.6
Utilities																
Coal India	Buy	130	189	46	27.1	16.1	28.8	-4.4	-40.6	78.9	8.1	4.5	2.2	1.8	27.9	39.4
CESC	Buy	581	793	37	97.7	88.1	104.4	10.0	-9.8	18.5	6.6	5.6	0.7	0.7	11.7	12.7
JSW Energy	Buy	48	65	35	5.1	4.2	5.3	20.0	-17.7	26.1	11.5	9.1	0.7	0.6	5.8	7.1
NHPC	Neutral	20	22	8	2.9	2.7	2.9	10.7	-6.7	8.3	7.6	7.1	0.6	0.6	8.4	8.6
NTPC	Buy	86	148	73	13.8	13.3	16.6	19.2	-3.4	24.2	6.4	5.2	0.7	0.6	10.8	12.7
Power Grid	Buy	176	223	27	21.1	20.5	24.2	10.2	-2.8	17.7	8.6	7.3	1.3	1.3	16.1	17.8
Torrent Power	Buy	337	392	16	28.0	22.4	29.6	49.7	-19.9	31.9	15.0	11.4	1.6	1.4	11.2	13.3
Tata Power	Neutral	50	55	11	3.8	3.3	4.3	78.2	-13.1	30.8	15.2	11.6	0.7	0.7	4.9	6.3
Aggregate								6.9	-17.3	35.3	7.6	5.6	1.0	0.9	13.5	16.7
Others																
Brigade Enterpr.	Buy	139	192	38	7.1	5.0	7.6	-39.1	-30.4	53.5	27.9	18.2	1.2	1.1	4.4	6.5
BSE	Buy	493	640	30	24.9	24.7	28.7	-32.5	-0.8	16.2	20.0	17.2	0.9	0.9	4.7	5.4
Concor	Buy	456	-		16.6	13.5	18.6	-16.7	-18.4	37.4	33.6	24.5	2.6	2.5	8.0	10.4
Coromandel Intl	Buy	790	908	15	36.3	46.1	50.5	42.8	26.7	9.6	17.2	15.7	4.5	3.8	28.4	26.2
Essel Propack	Buy	259	253	-2	6.9	9.3	11.5	14.3	35.3	24.0	27.9	22.5	4.9	4.3	18.3	20.4
Indian Hotels	Buy	78	105	35	2.7	-5.2	0.8	14.8	PL	LP	NM	94.3	2.5	2.5	-15.2	2.7
Interglobe	Neutral	940	1030	10	-14.5	-163.2	64.4	-457.0	Loss	LP	NM	14.6	-87.8	20.5	-230.2	365.5
Info Edge	Neutral	3311	2650	-20	16.7	17.2	28.9	-27.1	2.8	68.0	192.6	114.6	16.1	15.0	8.6	13.7
Godrej Agrovet	Buy	464	540	16	13.2	15.6	18.9	5.7	17.7	21.3	29.7	24.5	4.5	4.0	15.6	17.2
Kaveri Seed	Buy	657	680	4	43.1	43.8	48.6	19.5	1.8	10.8	15.0	13.5	3.8	3.4	26.3	26.6
Lemon Tree Hotel	Buy	24	33	39	-0.1	-3.0	0.0	-118.0	Loss	LP	NM	-	3.1	3.1	-32.7	0.1
MCX	Buy	1672	1800	8	46.4	48.8	60.3	61.9	5.2	23.6	34.3	27.7	5.7	5.2	17.5	19.7
Oberoi Realty	Buy	371	444	20	19.0	10.4	16.6	-15.6	-45.0	59.1	35.5	22.3	1.5	1.4	4.3	6.5
Phoenix Mills	Buy	605	746	23	21.5	9.5	24.0	-13.7	-56.0	153.9	64.0	25.2	2.4	2.3	3.9	9.4
Qess Corp	BUY	369	480	30	18.3	11.4	24.8	4.3	-37.5	117.1	32.3	14.9	1.7	1.5	6.9	13.5
PI Inds.	Buy	1948	2342	20	30.1	49.6	66.9	11.3	64.9	34.8	39.2	29.1	5.6	4.8	19.1	17.8
SRF	Buy	4081	4550	12	157.2	146.7	208.6	49.4	-6.6	42.1	27.8	19.6	4.2	3.5	15.9	19.4



Company	Reco	CMP (INR)	TP (INR)	% Upside Downside	EPS (INR)			EPS Gr. YoY (%)			P/E (x)		P/B (x)		ROE (%)	
					FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
S H Kelkar	Buy	80	86	8	4.2	4.7	7.1	-31.3	11.4	52.2	17.0	11.2	1.3	1.2	7.9	11.4
Tata Chemicals	Buy	301	368	22	31.7	18.7	33.5	-6.4	-40.8	78.9	16.1	9.0	0.6	0.6	3.7	6.4
Team Lease Serv.	Buy	2073	2700	30	48.9	57.7	83.8	-14.7	18.1	45.1	35.9	24.7	5.3	4.4	15.9	19.3
Trident	Buy	7	8	10	0.6	0.4	0.7	-26.9	-35.8	80.7	16.5	9.1	1.1	1.0	6.6	11.0
UPL	Neutral	480	527	10	35.8	37.2	43.9	11.2	3.6	18.2	12.9	10.9	2.0	1.1	16.3	16.9



Index	1 Day (%)	1M (%)	12M (%)
Sensex	-0.9	8.1	0.9
Nifty-50	-0.9	7.8	0.2
Nifty Next 50	0.5	3.2	2.8
Nifty 100	-0.7	7.1	0.5
Nifty 200	-0.7	6.8	0.2
Company	1 Day (%)	1M (%)	12M (%)
Automobiles	-0.6	8.5	7.7
Amara Raja Batt.	3.0	7.5	7.5
Ashok Leyland	-4.0	4.7	-28.4
Bajaj Auto	-1.5	7.9	23.9
Bharat Forge	-0.2	20.8	-7.7
Bosch	-1.4	13.7	-9.1
CEAT	-2.1	-7.1	2.1
Eicher Motors	-1.0	15.5	31.0
Endurance Tech.	-1.1	5.6	4.6
Escorts	-0.9	8.6	145.8
Exide Inds.	0.1	3.8	-14.9
Hero Motocorp	-2.7	6.1	19.7
M & M	-1.1	17.1	8.9
Mahindra CIE	-0.1	-10.6	-39.8
Maruti Suzuki	1.3	7.3	13.8
Motherson Sumi	1.0	-1.1	-9.7
Tata Motors	-2.0	5.5	-22.3
TVS Motor Co.	0.0	6.4	16.6
Banks-Private	-2.0	1.6	-24.9
AU Small Fin. Bank	-5.0	30.6	8.4
Axis Bank	-3.4	4.7	-39.7
Bandhan Bank	0.5	5.9	-29.7
DCB Bank	-2.1	2.8	-59.6
Equitas Holdings	-4.2	2.3	-53.2
Federal Bank	-3.0	6.2	-40.3
HDFC Bank	-1.4	-1.4	-6.8
ICICI Bank	-1.7	-1.8	-18.8
IndusInd Bank	-5.6	9.5	-61.1
Kotak Mah. Bank	-0.1	2.1	-7.3
RBL Bank	-4.3	-2.6	-57.6
Banks-PSU	-1.9	-2.5	-48.6
BOB	-2.7	-5.3	-55.2
SBI	-2.4	4.6	-43.0
Company	1 Day (%)	1M (%)	12M (%)
NBFCs	-1.8	2.2	-15.1
Aditya Birla Cap	-2.1	-12.2	-31.5
Bajaj Fin.	-2.0	13.8	-1.0
Cholaman.Inv.&Fn	-3.3	13.2	-12.1
HDFC	-3.6	3.2	-14.9
HDFC Life Insur.	-0.4	15.6	31.4
L&T Fin.Holdings	-3.5	-8.7	-38.5
LIC Hsg Fin	-3.5	-0.4	-48.6
M&M Fin.	-2.0	28.7	-27.4
Muthoot Fin	-3.5	19.7	116.3
MAS Financial Serv.	-2.3	-4.7	6.3
ICICI Pru Life	0.9	6.5	13.9
ICICI Sec	-4.9	-3.3	100.0
IIFL Wealth Mgt	-0.1	-2.6	
PNB Housing	-2.3	0.9	-70.7
Shriram City Union	-1.6	-1.3	-52.8
Shriram Trans.	-5.7	1.7	-27.6

Note: Sectoral performance are of NSE/BSE Indices

Index	1 Day (%)	1M (%)	12M (%)
Nifty 500	-0.7	6.6	0.3
Nifty Midcap 100	-0.8	4.8	-1.9
Nifty Smallcap 100	-1.1	7.7	-9.6
Nifty Midcap 150	-0.7	3.7	2.2
Nifty Smallcap 250	-0.7	5.4	-6.1
Company	1 Day (%)	1M (%)	12M (%)
Capital Goods	-1.0	-1.3	-27.2
ABB	-1.6	-8.1	-29.2
Bharat Elec.	-1.6	7.9	-2.8
BHEL	-4.3	3.1	-36.3
Blue Star	-0.7	-2.3	-28.4
CG Cons. Elec.	-1.7	2.6	6.2
Cummins	-0.6	1.4	-43.3
Engineers India	-0.1	-12.8	-30.9
Havells	1.4	-0.2	-9.0
K E C Intl	0.0	3.5	-9.2
L&T	-1.5	-3.7	-34.0
Siemens	-0.7	4.3	-1.0
Thermax	-0.3	-1.7	-31.4
Voltas	1.0	8.9	5.4
Cement	-0.8	6.1	-1.4
Ambuja Cem.	2.6	14.4	9.5
ACC	2.6	8.6	-6.1
Birla Corp.	-0.3	4.2	12.1
Dalmia Bhar.	4.3	10.7	-20.1
Grasim Inds.	-2.2	-2.8	-21.0
India Cem	-2.7	-12.6	30.7
J K Cements	1.0	8.1	56.4
JK Lakshmi Ce	-2.7	14.7	-13.5
Ramco Cem	-2.7	9.9	-6.3
Shree Cem	-1.6	-7.3	2.8
Ultratech	-0.7	6.7	-3.8
Consumer	-0.8	2.1	6.3
Asian Paints	0.3	3.3	15.6
Britannia	0.2	5.6	45.3
Colgate	-1.1	1.9	22.6
Dabur	0.6	5.8	16.4
Emami	-0.9	7.8	-26.0
Godrej Cons.	0.3	-1.3	14.0
HUL	-1.7	0.7	27.7
ITC	-1.8	-0.6	-28.1
Jyothy Lab	-0.4	2.1	-21.2
Marico	0.7	3.7	0.5
Nestle	-0.3	-3.8	43.4
Page Inds	2.7	-1.5	8.7
Pidilite Ind.	-1.6	-1.6	9.8
P&G Hygiene	0.2	2.1	-3.2
Tata Consumer	-0.7	9.6	70.3
United Brew	0.5	-7.0	-31.1
United Spirits	-0.3	-2.8	1.1
Healthcare	3.1	7.8	36.7
Alembic Phar	0.5	8.0	94.7
Alkem Lab	0.1	7.6	44.5
Ajanta Pharma	1.5	6.7	71.6
Aurobindo	1.1	6.3	48.6
Biocon	1.9	3.4	72.2
Cadila	1.3	3.5	65.9



Company	1 Day (%)	1M (%)	12M (%)
Cipla	0.7	7.2	31.9
Divis Lab	5.7	12.4	54.4
Dr Reddy's	5.0	14.6	76.3
Glenmark	4.1	-1.9	5.4
GSK Pharma	-2.6	-2.6	20.5
Granules	-1.5	37.4	207.3
IPCA Labs	-1.8	4.4	81.9
Jubilant Life	1.0	18.9	75.4
Laurus Labs	3.5	52.2	132.1
Lupin	3.6	-2.4	18.3
Strides Pharma	-2.2	2.8	13.2
Sun Pharma	3.4	7.8	24.2
Torrent Pharma	2.1	2.8	47.5
Infrastructure	-1.2	4.3	2.8
Ashoka Buildcon	-0.1	-15.7	-56.6
IRB Infra.Devl.	-3.1	38.9	32.1
KNR Construct.	-1.0	-3.0	-24.0
Media	-2.3	-3.5	-35.7
PVR	-4.7	10.1	-30.3
Sun TV	-0.3	-4.3	-17.2
Zee Ent.	-1.5	-18.0	-63.2
Metals	-1.2	7.2	-15.5
Hindalco	-1.2	10.8	-14.8
Hind. Zinc	0.9	7.3	-1.9
JSPL	-0.9	13.0	40.0
JSW Steel	-1.4	13.1	-6.9
Nalco	-2.1	1.9	-26.2
NMDC	-0.2	7.1	-19.2
SAIL	-3.4	12.5	-17.7
Vedanta	1.3	4.7	-26.0
Tata Steel	-1.9	12.3	-11.6
Oil & Gas	-2.2	4.8	1.4
Aegis Logistics	-3.1	4.9	-3.3
BPCL	-7.6	12.0	24.8
Castrol India	-0.3	-7.9	-7.0
GAIL	-2.3	-5.4	-25.1
Gujarat Gas	1.0	-10.2	74.7
Gujarat St. Pet.	-0.9	-8.6	-1.7
HPCL	-2.3	3.1	-13.6
IOC	-4.3	3.7	-33.7
IGL	0.1	-9.0	34.0
Mahanagar Gas	-1.8	-6.2	25.7
MRPL	-2.4	1.6	-31.9
Oil India	-0.4	3.4	-37.2
ONGC	-2.3	-4.5	-44.0
PLNG	0.3	-5.3	4.7
Reliance Ind.	0.6	23.8	80.3
Aditya Bir. Fas.	-1.8	-1.9	-34.3
Retail			
Avenue Super.	-0.5	-12.0	39.8
Jubilant Food	5.1	2.4	47.5
Shoppers St.	7.8	-4.3	-57.4
Titan Co.	0.2	9.6	-3.5
Trent	-0.8	-10.4	37.5
V-Mart Retail	-0.2	2.5	-5.3
Technology	0.7	22.0	16.1
Cyient	0.1	17.9	-27.5

Company	1 Day (%)	1M (%)	12M (%)
HCL Tech.	0.2	25.0	35.8
Hexaware	1.6	13.3	6.1
Infosys	0.8	30.7	21.3
L&T Infotech	-0.8	21.5	57.5
Mindtree	1.8	16.8	51.8
Mphasis	0.8	30.1	20.5
NIIT Tech	4.0	37.4	61.0
Persistent Sys	3.1	44.3	81.6
TCS	0.1	9.4	4.5
Tech Mah	-0.1	24.2	5.4
Wipro	2.5	29.3	8.3
Zensar Tech	6.2	35.7	-19.9
Telecom	-2.2	-2.8	36.7
Bharti Airtel	-2.4	-1.2	60.0
Bharti Infra.	-1.9	-13.1	-22.7
Idea Cellular	-3.0	-24.6	22.9
Tata Comm	-0.7	18.4	145.9
Utilities	-1.5	-2.6	-21.5
Coal India	-1.9	-2.9	-35.6
CESC	-1.1	-10.5	-23.1
JSW Energy	-1.8	-2.3	-33.1
NHPC Ltd	0.5	2.3	-8.5
NTPC	-1.7	-9.7	-32.0
Power Grid	-2.6	1.2	-15.0
Tata Power	-3.4	7.0	-18.4
Torrent Power	0.5	0.4	6.9
Others			
Brigade Enterpr.	1.6	4.5	-19.0
BSE	-1.0	13.4	-3.8
Coromandel Intl	-1.3	2.2	108.7
Concor	-0.1	7.7	-12.4
Essel Propack	2.2	13.9	54.4
Godrej Agrovet	-1.0	5.6	4.1
Indian Hotels	-2.9	-3.7	-46.5
Interglobe	3.3	-5.0	-39.2
Info Edge	1.1	15.0	42.3
Kaveri Seed	-1.0	3.5	30.2
Lemon Tree Hotel	-1.1	-1.3	-59.7
MCX	-1.2	28.0	107.8
Oberoi Realty	-2.2	-2.1	-34.8
Phoenix Mills	3.1	5.1	-8.8
PI Inds.	-1.2	16.8	60.0
Quess Corp	-0.1	-6.2	-14.0
SRF	-4.4	4.3	40.3
S H Kelkar	-0.7	15.1	-35.4
Tata Chemicals	-0.6	-0.1	22.8
Team Lease Serv.	-0.8	6.2	-33.3
Trident	-3.4	-7.6	20.6
UPL	0.5	9.2	-19.0

Investment Rating	Expected return (over 12-month)
BUY	>=15%
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.

Disclosures:

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations). Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Investment Advisory Services, Depository participant services & distribution of various financial products. MOFSL is a subsidiary company of Passionate Investment Management Pvt. Ltd. (PIMPL). MOFSL is a listed public company, the details in respect of which are available on www.motilaloswal.com. MOFSL (erstwhile Motilal Oswal Securities Limited - MOFSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at <http://onlinereports.motilaloswal.com/Dormant/documents/Associate%20Details.pdf>. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>. MOFSL, its associates, Research Analyst or their relative may have any financial interest in the subject company. MOFSL and/or its associates and/or Research Analyst may have actual/beneficial ownership of 1% or more securities in the subject company in the past 12 months. MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report. Research Analyst may have served as director/officer, etc. in the subject company in the past 12 months. MOFSL and/or its associates may have received any compensation from the subject company in the past 12 months.

- In the past 12 months, MOFSL or any of its associates may have:
- managed or co-managed public offering of securities from subject company of this research report.
 - received compensation for investment banking or merchant banking or brokerage services from subject company of this research report.
 - received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company of this research report.
 - Subject Company may have been a client of MOFSL or its associates in the past 12 months.

MOFSL and its associates have not received any compensation or other benefits from the subject company or third party in connection with the research report. To enhance transparency, MOFSL has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report. MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, it does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures. Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, it does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Disclosure of Interest Statement	Companies where there is interest
Analyst ownership of the stock	No

A graph of daily closing prices of securities is available at www.nseindia.com www.bseindia.com. Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to subject company for which Research Team have expressed their views.

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Financial Services Limited (SEBI Reg No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

For U.S.:

Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act") and together with the 1934 Act, the "Acts", and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement. The Research Analysts contributing to the report may not be registered/qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

For Singapore:

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co.Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore, as per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisers Act (CAP 110) provided to MOCMSPL by Monetary Authority of Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform MOCMSPL.

Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions - including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alterations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays. Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 71934200/ 022-71934263; Website www.motilaloswal.com. CIN No.: L87190MH2005PLC153397. Correspondence Office Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad(West), Mumbai- 400 064. Tel No: 022 7188 1000.Registration Nos.: Motilal Oswal Financial Services Limited (MOFSL): INZ000158836(BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412. AMFI: ARN - 146822; Investment Adviser: INA000007100; Insurance Corporate Agent: CA0579 ;PMS:INP000006712. Motilal Oswal Asset Management Company Ltd. (MOAMC); PMS (Registration No: INP00000670); PMS and Mutual Funds are offered through MOAMC which is group company of MOFSL. Motilal Oswal Wealth Management Ltd. (MOWML); PMS (Registration No: INP000004409) is offered through MOWML, which is a group company of MOFSL. Motilal Oswal Financial Services Limited is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs, Insurance Products and IPOs. Real Estate is offered through Motilal Oswal Real Estate Investment Advisors II Pvt. Ltd. which is a group company of MOFSL. Private Equity is offered through Motilal Oswal Private Equity Investment Advisors Pvt. Ltd which is a group company of MOFSL. Research & Advisory services is backed by proper research. Please read the Risk Disclosure Document prescribed by the Stock Exchange carefully before investing. There is no assurance or guarantee of the returns. Investment in securities market is subject to market risk, read all the related documents carefully before investing. Details of Compliance Officer: Name: Neeraj Agarwal, Email ID: na@motilaloswal.com, Contact No.:022-71881085.* MOFSL has been amalgamated with Motilal Oswal Financial Services Limited (MOFSL) w.e.f August 21, 2018 pursuant to order dated July 30, 2018 issued by Hon'ble National Company Law Tribunal, Mumbai Ben