

## Market snapshot



Equities - India	Close	Chg .%	CYTD.%
Sensex	39,728	-2.6	-3.7
Nifty-50	11,680	-2.4	-4.0
Nifty-M 100	16,600	-1.7	-2.9
Equities-Global	Close	Chg .%	CYTD.%
S&P 500	3,483	-0.2	7.8
Nasdaq	11,714	-0.5	30.6
FTSE 100	5,833	-1.7	-22.7
DAX	12,704	-2.5	-4.1
Hang Seng	9,762	-1.6	-12.6
Nikkei 225	23,507	-0.5	-0.6
Commodities	Close	Chg .%	CYTD.%
Brent (US\$/Bbl)	42	-1.0	-36.9
Gold (\$/OZ)	1,909	0.4	25.8
Cu (US\$/MT)	6,738	0.5	9.6
Almn (US\$/MT)	1,840	0.3	3.3
Currency	Close	Chg .%	CYTD.%
USD/INR	73.4	0.1	2.8
USD/EUR	1.2	-0.3	4.4
USD/JPY	105.5	0.3	-2.9
YIELD (%)	Close	1MChg	CYTDchg
10 Yrs G-Sec	5.9	-0.01	-0.7
10 Yrs AAA Corp	6.7	0.00	-0.9
Flows (USD b)	15-Oct	MTD	CYTD
FII's	-0.08	0.17	4.29
DII's	-0.11	-0.07	9.09
Volumes (INRb)	15-Oct	MTD*	CYTD*
Cash	588	553	549
F&O	58,248	27,189	17,002

Note: \*Average

## Today's top research idea



### Mindtree: Beat on margins; fair valuations

#### Downgrade to Neutral

- ❖ The strategy refresh – involving a revamped GTM strategy, shift to annuity deals, operational efficiency, and tail account rationalization – has shown results in terms of margin expansion and increased annuity deals, which have been positives.
- ❖ Persistent weakness in the Top 2–10 client bucket (-3.5% QoQ, 8 quarter CQGR of -2%) remains a concern given its 20% contribution to the topline. Additionally, unexpected decline in the Top client (-1% QoQ) also chips away at the bull case.
- ❖ The stock has been one of the best performers in CY20 in the IT sector, with returns of 77% YTD. We believe the key positives are already captured and see limited upside hereafter.
- ❖ Our TP implies 22x FY22 EPS. Downgrade to Neutral.



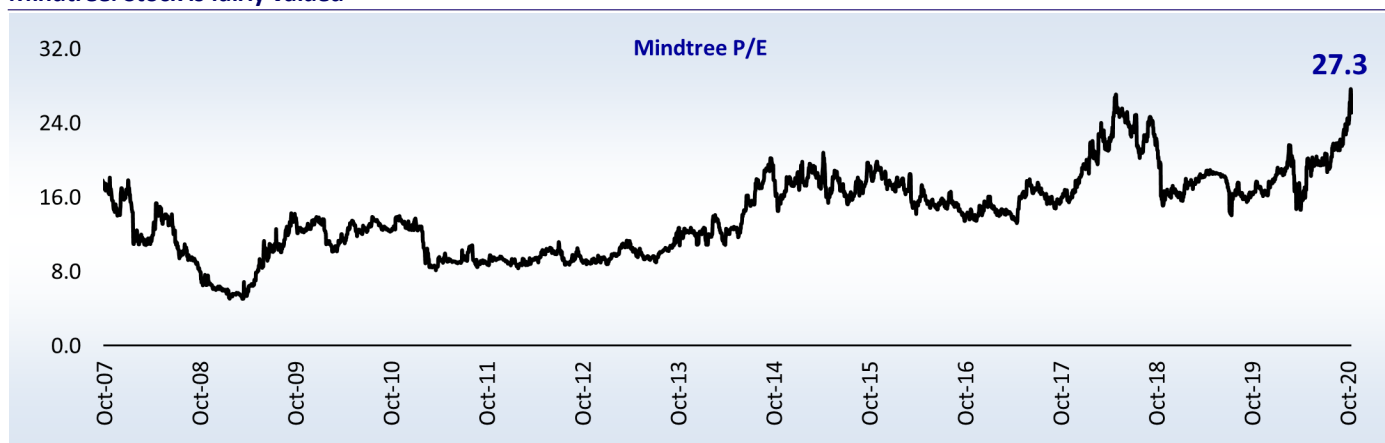
### Research covered

Cos/Sector	Key Highlights
Mindtree	Beat on margins; fair valuations; Downgrade to Neutral
Cyient	Surprise with margin beat; A&D business still under pressure
South Ind. Bank	Business growth muted; PCR increases sharply to 48%
EcoScope	Rural sector definitely the silver lining
India Strategy	COVID curve inverting ahead of crucial festive season
Expert Speak	CONSUMER: Consumer demand likely to bounce back during festive season
Preview 2QFY21	Financials – NBFCs: On path to normalization



### Chart of the Day: Mindtree (Beat on margins; fair valuations; Downgrade to Neutral)

Mindtree: Stock is fairly valued



Source: Bloomberg, MOFSL

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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](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.



Kindly click on textbox for the detailed news link

**1**

### **Reliance's retail arm receives Rs 5,550 crore from KKR for 1.28% stake sale**

Reliance Industries Ltd (RIL) on Thursday said it has received Rs 5,550 crore from global investment firm KKR, which has picked up 1.28 per cent stake in its retail arm. Earlier, on September 23, RIL had announced that KKR will make the investment in its subsidiary...

**2**

### **Exports grew 6% in Sept after six months of contraction, trade deficit narrows**

India's outbound shipments rose for the first time in seven months with merchandise exports registering a 6% growth in September—higher than 5.3% suggested by provisional data released earlier--driven mostly by an increase in demand for engineering goods, petroleum products, pharmaceuticals and readymade garments. Exports rose to \$27.6 billion, while imports contracted 19.6% to \$30.3 billion, resulting in a trade deficit of \$2.7 billion, according to data released by the commerce ministry. In the six months ended 30 September, exports have declined 21.3% to \$125.3 billion, while imports contracted 40.1% to \$148.7 billion,...

**3**

### **GST compensation shortfall: Centre to borrow Rs 1.1 trn on behalf of states**

In what appears to be a relief for the states, the Centre has said it will borrow up to Rs 1.1 trillion, which is the estimated revenue shortfall on account of implementing goods and services tax (GST), and lend the states under the special window. This may come as a victory of sorts for opposition-ruled states, including Punjab, West Bengal,...

**4**

### **Govt bans import of air conditioners with refrigerants**

The government on October 15 banned imports of air conditioners with refrigerants with a view to promote domestic manufacturing and cut imports of non essential items. "Import policy of air conditioners with refrigerants ...is amended from free to prohibited," directorate general of foreign trade said in a notification...

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### **Zomato raises additional \$52 million from Kora Investments**

Zomato has raised an additional Rs 380 crore (about \$52 million) from Kora Investments, as part of its ongoing \$600 million financing round, according to regulatory filings. This takes its capital raising to about \$220 million in the last few months, including from new investors Tiger Global and existing one Temasek. ET was the first to report on Kora Capital's investment in its September 3 edition. Zomato's valuation in the current round has been pegged at \$3 billion...

**6**

### **Sambandh Finserve defaults to lenders, reports fraud; Brickwork downgrades rating to junk**

Brickwork Ratings has cut the long-term ratings of Sambandh Finserve Private Limited (SFPL)'s certain debt instruments to junk after the company defaulted to its lenders and reported a fraud in September. Brickwork has cut the ratings of NCDs and bank...

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### **VC investments in India fall 21% to \$28.9 bn in Jan-Sept**

Despite the USD 11.7 billion raised by Reliance Industries Ltd (RIL) through stake sales, venture investments in 2020 have declined by a fifth to USD 28.9 billion till September, consultancy firm EY said in a report on Thursday. The lockdowns severely dented economic activity,...

Estimate change	↔
TP change	↔
Rating change	↓

**CMP: INR1,428 TP: INR1,550 (+9%) Downgrade to Neutral**

## Beat on margins; fair valuations

### Top 2–10 clients remain soft

- Mindtree's revenue growth (2.1% QoQ CC) was largely in-line. Margin expansion of 160bp QoQ was a surprise. Management commentary to sustain margin despite wage hikes, seasonal impact, and the possibility of transient tailwind factors (such as lower attrition and travel costs) gradually waning out are encouraging.
- Deal wins (USD303m) were reasonably stable, and the deal pipeline remains healthy. The strategy refresh – involving a revamped GTM strategy, shift to annuity deals, operational efficiency, and tail account rationalization – has shown results in terms of margin expansion and increased annuity deals, which have been positives.
- Persistent weakness in the Top 2–10 client bucket (-3.5% QoQ, 8 quarter CQGR of -2%) remains a concern given its 20% contribution to the topline. Additionally, unexpected decline in the Top client (-1% QoQ) also chips away at the bull case. High exposure to Travel, Transport, and Hospitality is expected to remain a drag on overall recovery.
- We marginally upgrade our FY21/FY22 EPS estimates by 4%/3% as we adjust our revenue/margin trajectory with the margin surprise. The stock is trading at 21x FY22 EPS. The stock has been one of the best performers in CY20 in the IT sector, with returns of 77% YTD. We believe the key positives are already captured and see limited upside hereafter. Our TP implies 22x FY22 EPS. Downgrade to Neutral.

### Largely in-line revenue; beat on margins

- Mindtree reported revenue (USD) / EBIT / PAT growth of -4%/81%/88% v/s our estimate of -4%/66%/73%. For 1H, the company reported revenue (USD) / EBIT / PAT growth of -4%/78%/105%.
- Recovery across verticals was broad-based with Manufacturing, CPG & Retail (7.6% QoQ), Travel & Hospitality (5.6% QoQ), and BFSI (3.6% QoQ) reporting growth higher than the company average. However, Communications, Media & Technology, which constitutes ~50% of the total revenues, grew marginally at 0.7% QoQ.
- Among the geographies, Continental Europe and UK saw strong recovery at 21% QoQ. North America (1% QoQ) reported modest growth, while Asia Pacific (-6% QoQ) declined.
- Decline in the Top client (1% QoQ) and across the Top 2–5 clients (-6% QoQ) indicates delayed recovery. While the Top 6–10 clients were flattish, growth was driven by clients outside the Top 10 bucket (8.7% QoQ).
- EBITDA margin expansion of ~140bps was on account of: 1) +120bps due to operational efficiency, 2) +60bps on the absence of one-offs from the previous quarter, and 3) -40bps due to forex movement.
- Offshore contribution increased 190bp QoQ to 82% in the effort mix. Utilization recovered and was up 330bp QoQ to 78.8%.

Bloomberg	MTCL IN
Equity Shares (m)	165
M.Cap.(INRb)/(USD)	235.1 / 3.5
52-Week Range (INR)	1605 / 676
1, 6, 12 Rel. Per (%)	12/54/94
12M Avg Val (INR M)	1098

### Financials & Valuations (INR b)

Y/E Mar	2020	2021E	2022E
Sales	77.6	79.2	90.4
EBIT Margin (%)	10.5	16.4	16.5
PAT	6.3	9.9	11.5
EPS (INR)	38.3	60.1	69.6
EPS Gr. (%)	(16.4)	56.8	15.9
BV/Sh. (INR)	192	238	285

### Ratios

RoE (%)	20.0	25.2	24.5
RoCE (%)	32.0	19.6	19.4
Payout (%)	33.9	37.4	28.7

### Valuations

P/E (x)	37.5	23.9	20.6
P/BV (x)	7.5	6.0	5.1
EV/EBITDA (x)	21.2	14.3	12.1
Div Yield (%)	0.9	1.6	1.4

### Shareholding pattern (%)

As On	Sep-20	Jun-20	Sep-19
Promoter	67.6	73.5	73.8
DII	12.0	7.9	5.3
FII	12.0	10.4	10.8
Others	8.4	8.2	10.1

FII Includes depository receipts

- Order booking worth USD303m was reasonably stable v/s the past eight quarters (although lower v/s very strong deal wins of ~USD390m in each of the last two quarters).
- Attrition (LTM) decreased by 280bp QoQ to 13.8%, similar to the trend seen across IT companies. DSO was down by 2 days QoQ to 65 days.
- Cash conversion was healthy and stood at ~115% in 2Q.

#### Key highlights from management commentary

- Management indicated the company is well-positioned to benefit from the new normal as clients engage to enable business model transformations.
- The company's alignment of its service offerings has led to a strong order book and winning market share.
- The company is on the path to transformation as demand is seeing good momentum, supported by a healthy deal pipeline, healthy win ratio, and broad-based growth.
- Management alluded that the Travel and Hospitality vertical is seeing green shoots amid uncertainty in the market, and other industries continue to see traction. This would lead to growth momentum in 3Q despite the seasonal furloughs.
- North America was impacted due to seasonal variation in the Top client. However, order bookings saw good contribution from this geography in 2Q, and the deal pipeline is strong going ahead.
- The company is seeing good traction in its Top client; it aims to gradually generate higher growth from the rest of the portfolio going forward to reduce concentration risk.
- The company completed its promotion cycles in 2Q and now intends to offer wage hikes, as per industry standards, effective from 1<sup>st</sup> January 2021.
- Management is confident of sustaining margins despite the wage hikes. It stated that the company has reached a comfortable margin band. It intends to further invest in the business going forward to aid profitable growth.

#### Valuation and view – fair valuations; limited upside

- Since Jul'19, post the disruption pertaining to ownership change, Mindtree has been undertaking encouraging steps toward achieving stability in both its client and employee count.
- The strategy change to increase focus on annuity revenue and tail account rationalization is already reflected in the revenue and client mixes. Share of revenue from fixed-price contracts recently showed a meaningful increase.
- (1) A stable outlook for the Top account, (2) decent deal signings, and (3) the ability to sustain improved margins are key positives.
- Persistent weakness in the Top 2–10 client bucket (-3.5% QoQ, eight-quarter CQGR of -2%) remains a concern given its 20% contribution to the topline. High exposure to Travel, Transport, and Hospitality is also expected to remain a drag on overall recovery.
- The stock is currently trading at 21x FY22E EPS. The stock has been one of the best performers in CY20 in the IT sector, with returns of 77% YTD. We believe the key positives are already captured and see limited upside hereafter. Our TP implies 22x FY22 EPS. Downgrade to Neutral.

- Increasing client concentration and potential insolvencies in some airlines / hospitality companies on account of the COVID-19 disruption are key monitorable risks.




## Quarterly Performance

Y/E March	FY20				FY21E				FY20	FY21E	(INR m)	
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			Est. 2QFY21	Var. (% / bp)
Revenue (USD m)	264	271	275	278	253	261	267	274	1,089	1,055	260	0.4
QoQ (%)	0.9	2.6	1.5	1.2	-9.0	3.1	2.4	2.5	8.7	-3.1	2.7	42bp
Revenue (INR m)	18,342	19,143	19,653	20,505	19,088	19,260	20,179	20,684	77,643	79,211	19,393	-0.7
YoY (%)	11.9	9.1	10.0	11.5	4.1	0.6	2.7	0.9	10.6	2.0	1.3	-69bp
GPM (%)	28.0	30.2	32.7	33.6	29.9	31.5	31.6	31.8	31.2	31.3	30.9	61bp
SGA (%)	21.6	21.0	20.6	19.8	14.8	14.8	14.8	15.0	20.7	14.9	15.7	-89bp
Adj. EBITDA (INR M)	2,318	2,482	3,063	3,712	3,478	3,784	3,995	4,095	11,098	15,353	3,529	7.2
EBITDA Margin (%)	12.6	13.0	15.6	18.1	18.2	19.6	19.8	19.8	14.0	19.4	18.2	145bp
Adj. EBIT (INR M)	1,649	1,775	2,364	3,033	2,881	3,215	3,399	3,484	8,344	12,980	2,948	9.1
EBIT Margin (%)	9.0	9.3	12.0	14.8	15.1	16.7	16.8	16.8	10.5	16.4	15.2	149bp
Other income	220	197	348	-92	148	364	244	250	673	1,006	300	21.3
ETR (%)	26.5	26.4	23.6	21.1	26.5	26.4	26.4	26.4	23.9	26.4	25.0	140bp
Adj. PAT	927	1,350	1,970	2,062	2,130	2,537	2,584	2,651	6,309	9,903	2,338	8.5
YoY (%)	-41.4	-34.6	3.0	3.9	129.8	87.9	31.2	28.6	-16.3	57.0	73.1	1478bp
EPS (INR)	5.6	8.2	12.0	12.5	12.9	15.4	15.7	16.1	38.3	60.1	14.2	8.5

## Key Performance Indicators

Y/E March	FY20				FY21				FY20	FY21
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
<b>Margins</b>										
Gross Margin	28.0	30.2	32.7	33.6	29.9	31.5	31.6	31.8	31.2	31.3
EBIT Margin	6.4	9.3	12.0	13.8	15.1	16.7	16.8	16.8	10.5	16.4
Net Margin	5.1	7.1	10.0	10.1	11.2	13.2	12.8	12.8	8.1	12.5
<b>Operating metrics</b>										
Headcount	20,935	21,267	21,561	21,991	21,955	21,827			21,991	
Attrition (%)	15.1	16.5	17.2	17.4	16.6	13.8			17.4	
Utilization	77.2	77.0	75.9	76.5	75.5	78.8			78.4	
Deal Win TCV (USD m)	324.0	306.7	207.0	393.0	391.0	303.0			1230.7	
<b>Top Client (YoY %)</b>										
Top Client	13.3	12.1	26.4	33.1	43.8	35.0			21.5	
Outside Top 10	10.4	13.3	6.5	-2.1	-19.3	-14.4			6.8	
<b>Key Geographies (YoY%)</b>										
North America	10.8	10.1	11.2	10.9	2.8	1.0			10.8	
Europe	-2.9	3.7	-0.5	-12.1	-29.5				-3.1	



Estimate change	
TP change	
Rating change	

**CMP: INR366**
**TP: INR400 (+9%)**
**Neutral**

### Surprise with margin beat; A&D business still under pressure Slow recovery underway

- Cyient's 2QFY21 revenue growth was in-line, although recovery was seen in pockets, with Transportation and Communications seeing sharper recovery. On the other hand, continued weakness in Aero & Defense remained a drag on overall performance.
- Sharper recovery in margins (580bp QoQ) – on the back of operational efficiency in Services and improvement in DLM (design-led manufacturing) – is encouraging.
- Deal wins (USD127m) have improved sequentially, but continue to be lower v/s last year (-23% YoY). This indicates recovery to pre-COVID levels is still a few quarters away. The growth outlook from 2HFY21 is marginally better than previously expected.
- In our view, a stock re-rating would require the A&D vertical (30% of revenues) to pass its trough. However, it currently remains under pressure due to the continued negative effect of the COVID pandemic on underlying industries.
- We upgrade our FY21/FY22E EPS estimates by 6%/8% on a better-than-expected revenue and margin outlook. We await further evidence on execution/margin management before turning constructive on the stock. Maintain Neutral.

### Surprise with sharp margin recovery

- Cyient reported revenue (USD) / EBIT / PAT decline of 18%/1%/15% YoY v/s our estimated decline of 19%/22%/35% YoY. For 1H, the company reported revenue (USD) / EBIT / PAT decline of 17%/24%/13% YoY.
- Revenue growth of 1.3% QoQ CC was ahead of our estimate of 0% QoQ CC. Recovery was driven by DLM, while Services was flattish (-0.5% QoQ CC).
- In terms of verticals, Transportation (21% QoQ), Communications (7% QoQ), and Portfolio (5% QoQ) saw sharper recovery. Energy & Utilities was largely flattish. Aero & Defense (31% of revenues) continued to decline (-10% QoQ), as anticipated.
- The consolidated EBIT margin expanded 580bp QoQ (v/s est. of 350bp) to 11%. DLM margins improved sharply to 4.7% (v/s -4.6% in 1QFY21). Improvement was seen on account of higher absorption and a change in the revenue mix.
- The Services margin at 12.2% saw a 540bp QoQ expansion, driven by improvement in operational metrics – utilization and offshoring (327bp), lower restructuring and one-time costs (90bp), lower other direct cost (110bp), volume impact and lower spend on SG&A and depreciation (15bp).
- The Offshoring mix increased to 53.1% (v/s 49.8% in 1Q), along with Utilization increasing to 78.8% (v/s 74.2% in 1Q).
- FCF/EBITDA conversion remained healthy at 131%. DSO reduced by 10 days QoQ to 90 days.

Bloomberg	CYL IN
Equity Shares (m)	113
M.Cap.(INRb)/(USDb)	40.3 / 0.6
52-Week Range (INR)	514 / 184
1, 6, 12 Rel. Per (%)	-13/32/-23
12M Avg Val (INR M)	179

#### Financials & Valuations (INR b)

Y/E Mar	2020	2021E	2022E
Sales	44.3	41.4	45.0
EBIT Margin (%)	9.2	9.4	10.8
PAT	3.7	3.6	4.3
EPS (INR)	33.8	32.6	38.5
EPS Gr. (%)	-22.2	-3.5	18.3
BV/Sh. (INR)	249.6	266.6	286.6

#### Ratios

RoE (%)	13.5	12.2	13.4
RoCE (%)	13.3	11.9	13.0
Payout (%)	38.5	43.0	44.1

#### Valuations

P/E (x)	10.9	11.3	9.5
P/BV (x)	1.5	1.4	1.3
EV/EBITDA (x)	5.7	5.4	4.3
Div Yield (%)	3.5	3.5	4.1

#### Shareholding pattern (%)

As On	Jun-20	Mar-20	Jun-19
Promoter	23.3	22.9	22.7
DII	23.7	22.1	20.1
FII	33.0	42.2	45.6
Others	20.0	12.9	11.5

FII Includes depository receipts

- It saw a net reduction in headcount by 550 employees in the quarter, while attrition decreased to 9.2% (v/s 13.6% last quarter).
- Order intake was USD127m in 2QFY21, up 9% QoQ, indicating demand recovery.

### Key highlights from management commentary

- In 2QFY21, recovery was driven by the DLM business, which saw good volumes and quality growth. Management expects the momentum to continue and sustain over 2HFY21.
- Aerospace & Defense continues to face headwinds, and management is hopeful that the vertical would see a trough in 2HFY21. On the other hand, Communications (now the largest vertical) is seeing growth on account of accelerated rollout of broadband and the 5G network.
- Transportation saw sharp recovery as government client deals were ramped-up to adhere to project timelines. It is expected to see continued traction in the near term.
- Margin expansion was largely attributable to improved operational metrics. Utilization and Offshoring gave the benefit of ~330bp, along with other cost reductions.
- Management intends to offer wage hikes, effective from 1<sup>st</sup> October 2020, to the bottom pyramid (~8k employees). This would moderately impact margins in 3Q. Furthermore, typically the difference in billings and seasonal furloughs would be headwinds in 3Q.
- The company would continue with its capital allocation policy of 40–50% PAT payout in the form of dividends/buyback.
- For FY21, management expects low double digit decline given it is positive on the recovery outlook for 2HFY21 in most parts of the business. In terms of margins, it would largely be in line with FY20.

### Valuation and view – multiples appear attractive

- Given the COVID-19 situation, we earlier anticipated ER&D activity in key verticals (e.g., Aerospace & Defense, Transportation, and Energy & Utilities; ~58% of revenue) to witness a material slowdown over the next 12–18 months.
- On the other hand, the Communications, Transportation, and Medical Devices verticals have seen sharper recovery, which is encouraging.
- Also, the massive infusion of liquidity across economies could translate to earlier-than-expected demand recovery in the rest of the above-mentioned verticals.
- The surprise of sharper margin recovery and commentary to largely sustain margins at current levels are key positives.
- Supported by a better-than-expected revenue and margin outlook, we upgrade our FY21/FY22E EPS estimates by 6%/8%. Our Target Price is based on 10x FY22E EPS. We await further evidence on execution/margin management before turning constructive on the stock.

### Quarterly Performance

(INR m)

Y/E March	FY20				FY21E				FY20	FY21E	Est. 2QFY21	Var. (% / bp)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
Revenue (USD m)	157	164	155	149	131	135	139	145	625	550	133	1.3
QoQ (%)	-5.2	4.9	-5.5	-3.9	-12.5	3.4	2.7	4.8	-5.3	-12.1	2.0	135bp
Revenue (INR m)	10,890	11,589	11,060	10,736	9,917	10,033	10,469	10,972	44,275	41,391	9,940	0.9
YoY (%)	0.8	-2.4	-6.9	-7.7	-8.9	-13.4	-5.3	2.2	-4.1	-6.5	-14.2	81bp
GPM (%)	34.4	34.4	36.0	33.5	30.5	35.7	35.1	35.7	34.6	34.3	32.7	300bp
SGA (%)	21.2	20.6	22.1	20.6	20.5	19.9	21.1	20.8	21.1	20.6	19.8	6bp
EBITDA	1,445	1,599	1,533	1,382	995	1,589	1,473	1,633	5,959	5,690	1,282	24.0
EBITDA Margin (%)	13.3	13.8	13.9	12.9	10.0	15.8	14.1	14.9	13.5	13.7	12.9	294bp
EBIT	1,003	1,111	1,063	904	511	1,105	1,057	1,205	4,081	3,878	866	27.6
EBIT Margin (%)	9.2	9.6	9.6	8.4	5.2	11.0	10.1	11.0	9.2	9.4	8.7	230bp
Other income	283	264	498	206	684	93	308	164	1,251	1,249	81	14.8
ETR (%)	22.0	22.4	23.3	21.3	25.0	23.1	23.1	23.1	22.3	23.5	23.6	
PAT	904	986	1,083	753	814	839	968	972	3,726	3,594	641	30.9
QoQ (%)	-48.9	9.1	9.8	-30.5	8.1	3.1	15.4	0.4			-21.3	2433bp
YoY (%)	9.6	-22.5	17.6	-57.5	-9.9	-14.9	-10.6	29.1	-22.2	-3.5	-35.0	2009bp
EPS (INR)	8.2	8.9	9.8	4.1	7.4	7.6	8.8	8.8	33.8	32.6	5.8	30.9

### Key Perfor. Indicators

Y/E March	FY20				FY21				FY20	FY21
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
<b>Margins (%)</b>										
Gross Margin	34.4	34.4	36.0	33.5	30.5	35.7	35.1	35.7	34.6	34.3
EBIT Margin	9.2	9.6	9.6	8.4	5.2	11.0	10.1	11.0	9.2	9.4
Net Margin	8.3	8.5	9.8	4.2	8.2	8.4	9.2	8.9	8.4	8.7
<b>Operating metrics</b>										
Headcount	13,912	13,800	13,405	12,825	11,846	11,335			12,825	
Attrition (%)	17.4	18	19.7	18.9	13.6	9.2			18.9	
Offshore rev (%)	43.5	44.7	45.2	45.9	49.8	53.1			44.8	
<b>Key Verticals (YoY %)</b>										
Aero & Defence	-1%	-4%	-4%	-7%	-22%	-35%			-5%	
Transportation	2%	6%	-10%	-16%	-24%	-10%			-4%	
Communications	-13%	-13%	1%	1%	0%	6%			-8%	
<b>Key Geographies (YoY %)</b>										
North America	3%	3%	-4%	-7%	-21%	-26%			0%	
Europe	-1%	-4%	3%	-6%	-29%	-10%			5%	



# South Indian Bank

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	SIB IN
Equity Shares (m)	1,810
M.Cap.(INRb)/(USDb)	12.3 / 0.2
52-Week Range (INR)	12 / 5
1, 6, 12 Rel. Per (%)	-8/-14/-35
12M Avg Val (INR M)	102

## Financials & Valuations (INR b)

Y/E March	FY20	FY21E	FY22E
NII	23.2	23.8	25.3
OP	16.5	15.8	16.0
NP	1.0	2.8	3.7
NIM (%)	2.7	2.7	2.6
EPS (INR)	0.6	1.6	2.0
EPS Gr. (%)	-57.8	171.2	30.4
BV/Sh (INR)	29.3	30.5	32.0
ABV (INR)	21.0	20.7	21.6

## Ratios

RoE (%)	1.9	5.1	6.3
RoA (%)	0.1	0.3	0.3

## Valuations

P/E (x)	11.7	4.3	3.3
P/BV (x)	0.2	0.2	0.2
P/ABV (x)	0.3	0.3	0.3

## Shareholding pattern (%)

As On	Sep-20	Jun-20	Sep-19
Promoter	0.0	0.0	0.0
DII	1.1	4.6	8.7
FII	8.6	16.0	22.9
Others	90.3	79.4	68.4

FII Includes depository receipts

**CMP: INR7**
**TP: INR10 (+48%)**
**Buy**

## Business growth muted; PCR increases sharply to 48%

### Credit cost to stay elevated as bank targets PCR of 60%

- South Indian Bank (SIB) witnessed moderation in business growth on 1% QoQ decline in advances. Although, asset quality remained largely stable, aided by the dispensation available. Operating performance remains under pressure, due to moderation in other income and higher opex, even as NII growth remains modest. Credit cost, though, remains high.
- We moderate our growth estimates and build in higher credit cost as the bank aspires to reach PCR of 60% in the near term. Maintain **Buy**.

## Operating performance under pressure; PCR increases significantly

- SIB's 1QFY21 PAT declined 23% YoY to INR651m (v/s INR817m in 1QFY20). It was impacted by provisions related to fraud and additional provisions of INR248.2m toward standard accounts (which were not classified as NPA due to the SC order).
- NII grew 13% YoY (+13% QoQ) to INR6.6b while other income declined 4% YoY. Opex grew ~16% YoY to INR4.9b, led by a 31% YoY increase in employee expenses. These were impacted by additional wage-related provisions of INR290m in 2QFY21. Overall, PPoP was flattish at INR4.1b (+2.5% QoQ).
- Loans grew ~1.4% YoY (-1.1% QoQ) to INR638.b, while deposits were largely flattish (-0.4% YoY/+0.2% QoQ) at INR826b.
- Absolute GNPA declined 1.9% QoQ to INR31.8b and NNPA declined ~17% QoQ. The GNPA ratio improved 6bp to 4.87% and the NNPA ratio 50bp QoQ to 2.59%, as PCR improved ~940bp QoQ to ~48%.
- **Moratorium:** Amounts in SMA/overdue categories where the deferment was extended stood at INR28.2b (as of 1<sup>st</sup> Mar'20). Of this, the asset classification benefit was extended toward INR5.4b (INR7.1b as of Jun'20). The bank holds a total provision of ~INR1b on this. The bank further holds a standard asset provision of INR248.2m toward accounts that are not classified as NPA due to the SC order and that remain standard. The moratorium book as on 1QFY21 stood at ~36% while the current moratorium number is awaited.

## Valuation and view

- SIB reported a muted quarter, with higher provisions and opex impacting earnings, while the margin profile remains modest. Business growth remains muted, impacted by a challenging environment. The focus would be on improving the granularity of the loan book and consciously increasing its loan mix – comprising retail, agri, and MSME loans. Asset quality stood largely stable, supported by the SC's dispensation. We expect slippages to increase over 2HFY21, while the level of the restructuring book remains critical. The bank aspires to take PCR to 60%. Thus, we estimate credit costs to stay elevated and project RoA/RoE of 0.3%/6.3% by FY22. Maintain **Buy**, with revised target price of INR10 (0.4x Sep'22E ABV).

## Quarterly snapshot

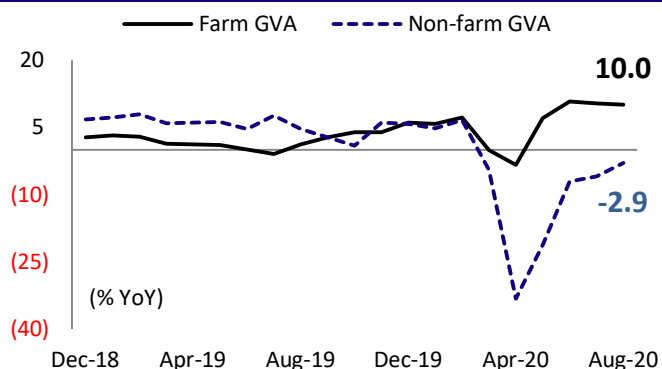
	FY19				FY20				FY21		Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	YoY	QoQ
<b>Profit and Loss (INR m)</b>												
<b>Interest Income</b>	<b>16,539</b>	<b>16,965</b>	<b>17,352</b>	<b>17,909</b>	<b>18,949</b>	<b>19,540</b>	<b>19,673</b>	<b>19,477</b>	<b>18,869</b>	<b>18,988</b>	<b>-3</b>	<b>1</b>
Loans	12,871	13,318	13,653	14,128	15,070	15,503	15,568	15,451	14,994	15,145	-2	1
Investment	3,202	3,194	3,185	3,281	3,400	3,531	3,503	3,477	3,335	3,242	-8	-3
<b>Interest Expenses</b>	<b>11,597</b>	<b>11,900</b>	<b>12,155</b>	<b>12,916</b>	<b>13,592</b>	<b>13,697</b>	<b>13,655</b>	<b>13,519</b>	<b>13,000</b>	<b>12,357</b>	<b>-10</b>	<b>-5</b>
<b>Net Interest Income</b>	<b>4,943</b>	<b>5,065</b>	<b>5,196</b>	<b>4,994</b>	<b>5,357</b>	<b>5,843</b>	<b>6,018</b>	<b>5,958</b>	<b>5,869</b>	<b>6,631</b>	<b>13</b>	<b>13</b>
<b>Other Income</b>	<b>1,459</b>	<b>1,579</b>	<b>1,868</b>	<b>2,357</b>	<b>1,819</b>	<b>2,492</b>	<b>2,204</b>	<b>3,942</b>	<b>2,850</b>	<b>2,399</b>	<b>-4</b>	<b>-16</b>
Others	1,209	1,339	1,498	1,567	1,199	1,562	1,774	1,562	1,380	2,399	54	74
<b>Total Income</b>	<b>6,402</b>	<b>6,644</b>	<b>7,064</b>	<b>7,350</b>	<b>7,176</b>	<b>8,335</b>	<b>8,222</b>	<b>9,900</b>	<b>8,719</b>	<b>9,030</b>	<b>8</b>	<b>4</b>
<b>Operating Expenses</b>	<b>3,705</b>	<b>3,546</b>	<b>3,744</b>	<b>4,075</b>	<b>3,999</b>	<b>4,221</b>	<b>4,391</b>	<b>4,566</b>	<b>4,682</b>	<b>4,890</b>	<b>16</b>	<b>4</b>
Employee	2,111	1,963	2,022	2,119	2,236	2,332	2,396	2,450	2,803	3,060	31	9
Others	1,594	1,583	1,722	1,956	1,763	1,889	1,995	2,115	1,879	1,831	-3	-3
<b>Operating Profits</b>	<b>2,696</b>	<b>3,098</b>	<b>3,320</b>	<b>3,276</b>	<b>3,176</b>	<b>4,115</b>	<b>3,831</b>	<b>5,334</b>	<b>4,037</b>	<b>4,140</b>	<b>1</b>	<b>3</b>
<b>Core Operating Profits</b>	<b>2,536</b>	<b>2,968</b>	<b>3,050</b>	<b>2,626</b>	<b>2,686</b>	<b>3,285</b>	<b>3,511</b>	<b>3,074</b>	<b>2,637</b>	<b>4,140</b>	<b>26</b>	<b>57</b>
<b>Provisions</b>	<b>2,315</b>	<b>2,047</b>	<b>2,031</b>	<b>2,192</b>	<b>2,050</b>	<b>3,063</b>	<b>2,609</b>	<b>7,238</b>	<b>2,931</b>	<b>3,264</b>	<b>7</b>	<b>11</b>
<b>PBT</b>	<b>381</b>	<b>1,051</b>	<b>1,289</b>	<b>1,084</b>	<b>1,126</b>	<b>1,051</b>	<b>1,222</b>	<b>-1,904</b>	<b>1,106</b>	<b>876</b>	<b>-17</b>	<b>-21</b>
Taxes	151	350	450	379	394	206	317	-467	290	225	9	-22
<b>PAT</b>	<b>230</b>	<b>701</b>	<b>838</b>	<b>705</b>	<b>733</b>	<b>845</b>	<b>905</b>	<b>-1,437</b>	<b>817</b>	<b>651</b>	<b>-23</b>	<b>-20</b>
<b>Balance Sheet</b>												
Loans	554	566	593	627	627	630	643	644	646	639	1	-1
Deposits	725	749	777	804	817	829	849	830	825	826	0	0
<b>Asset Quality</b>												
GNPA	25.5	26.5	29.3	31.3	31.5	31.5	32.4	32,618	32.5	31.8	1	-2
NNPA	18.1	17.8	21.0	21.6	21.3	21.9	22.1	21,508	19.9	16.6	-25	-17
<b>Ratios</b>												
<b>Asset Quality (%)</b>												
GNPA	4.5	4.6	4.9	4.9	5.0	4.9	5.0	5.0	4.9	4.9	-5.0	-6.0
NNPA	3.3	3.2	3.5	3.5	3.4	3.5	3.4	3.3	3.1	2.6	-89.0	-50.0
PCR (Cal.)	29	33	28	31	32	30	32	34	39	48	1,770.9	938.4
<b>Business Ratios (%)</b>												
Other Inc to Total Inc	22.8	23.8	26.4	32.1	25.4	29.9	26.8	39.8	32.7	26.6	-333	-612
Cost to Core Income	60.2	55.4	55.9	62.1	61.0	57.0	56.3	60.7	64.6	54.2	-284	-1,043
Tax Rate	39.5	33.3	34.9	35.0	34.9	19.6	25.9	24.5	26.2	25.7	604	-50
Loan/Deposit	76.5	75.5	76.3	78.0	76.7	75.9	75.8	77.6	78.3	77.3	136	-102
CAR	12.2	12.1	11.8	12.6	12.2	12.2	12.0	13.4	13.5	13.9	177	45
<b>Profitability Ratios (%)</b>												
ROA	0.1	0.3	0.4	0.3	0.3	0.4	0.4	-0.6	0.3	0.3	-8	-6
ROE	1.8	5.3	6.3	5.3	5.3	6.1	6.4	-10.5	5.9	4.6	-148	-126

## Rural sector definitely the silver lining...

...but urban consumption a serious laggard

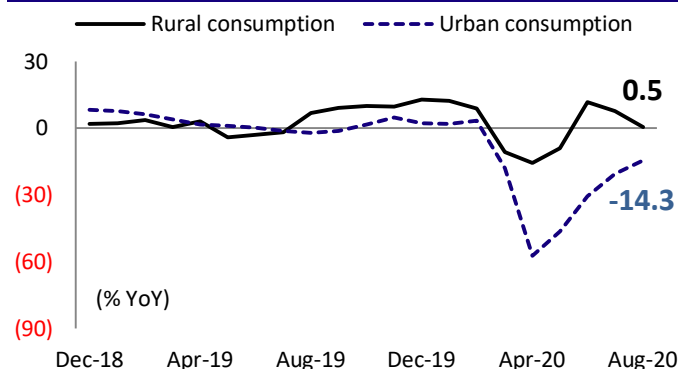
- It is a well-known fact that the agricultural sector has performed much better than the non-farm sector during the past 6-7 months. This means that the rural sector, in general, has outperformed the urban sector. Ironically, there are no official statistics on rural and urban consumption, which could help us better understand these dynamics. In this note, we have updated our in-house indicators for rural and urban consumption\*, which suggests that while rural consumption recovered strongly during Jul-Aug'20 (v/s 1QFY21), urban consumption remains very weak.
- Real private consumption expenditure (PCE) declined 26.7% YoY in 1QFY21. Based on 17 monthly indicators, our estimates suggest that while urban consumption (with 7 proxy indicators) contracted 34% YoY in the quarter, rural consumption (based on 10 proxy indicators) shrank only 4% YoY in 1QFY21. In the first two months of 2QFY21, while urban consumption declined 18% YoY, rural consumption was almost flat (+0.1% YoY).
- During the past two decades, there have been only two episodes when rural consumption growth has outpaced urban consumption growth – (a) FY09-12 (immediately post the Global Financial Crisis), and (b) the current period beginning 2QFY20. The primary difference, however, is that while real PCE growth was robust in the first episode (averaging 8% during the four years), it has weakened considerably currently.
- Both the episodes, interestingly, are marred by higher inflation. Food items account for ~40% of the consumer price index (CPI) basket and are an important source of growth for the farm/rural sector. Thus, it is not surprising that when rural consumption outgrew urban consumption during FY09-12, headline inflation touched double-digits for the first time since the early-2000s. However, notwithstanding weak PCE, a pick-up in inflation recently – from 3.5% in FY19 to ~7% in 1HFY21 – could be attributed to either supply disruption or an indirect support to farmers.
- Also, it is important to note that while the rural sector has outperformed urban consumption, the fall in the latter is seriously worrying. From an average growth of 8% during FY17-19, urban consumption declined for the first time in two decades in FY20 before collapsing by more than a quarter during Apr-Aug'20. Rural consumption, on the other hand, grew at an average of 6% during FY17-19 before easing to 3.4% in FY20 and shrinking ~4% YoY in YTD FY21.
- With urban consumption witnessing its worst period during the past two decades, the situation is truly unprecedented. A revival in PCE is unlikely without a recovery in urban consumption. Moreover, if the rural sector does the heavy lifting, it could be highly inflationary. It is apparent that COVID-19 has affected the urban sector disproportionately. However, in the absence of any major support (via job/income guarantee) to this segment, strong recovery in PCE, and thus, real GDP growth, seems far-fetched.

### Farm sector has done much better than the non-farm sector during COVID-19...



Please see our recent update on India's [Economic Activity Index](#)

### ...implying that growth in rural consumption has outpaced urban consumption



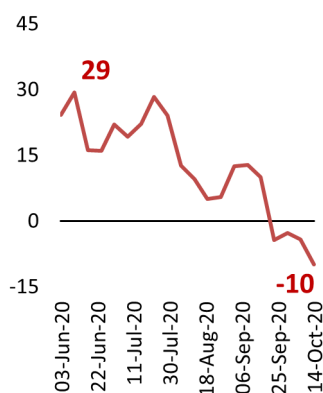
Source: Various national sources, CEIC, MOFSL

\* Please note our estimates of rural and urban consumption are simple averages of high frequency indicators and do not equal growth in Private Consumption Expenditure (PCE). They, however, do reflect the trend in PCE.

# India Strategy

**BSE Sensex: 39,728**
**Nifty-50: 11,680**

## Active cases (% , WoW)



Source: MOFSL, Company

## COVID curve inverting ahead of crucial festive season

- While the COVID-19 pandemic continues to spread across Europe, there is slightly better news on the same front in India (overall confirmed cases in India stand at ~7.3m). Further, the daily new confirmed cases due to the virus have leveled off from the highs of ~97.8k in mid-Sep'20 to ~67.8k as at 14<sup>th</sup> Oct'20. Weekly data shows that new confirmed cases have declined from a high of ~653k to ~472K for the week of 14<sup>th</sup> Oct'20. Active cases too have reduced weekly for the past four weeks, which indicates higher recovery and lower new confirmed cases. More importantly, fatalities per week have also dropped from over 8,000 per week to below 6,000 per week.
- While the numbers in absolute terms is still high, the trajectory is encouraging. This is because the number of active cases has dropped from above 1m to around 0.81m, which is helping reduce load on the stretched medical/hospital network.
- Following the drop in new confirmed cases, there is also been a marked reduction in the positivity rate (from ~9% to ~6%). While the number of weekly tests conducted continues to range between 7-8m, the sharp drop in the positivity rate is an encouraging signal for the country heading into the all-important festive season.

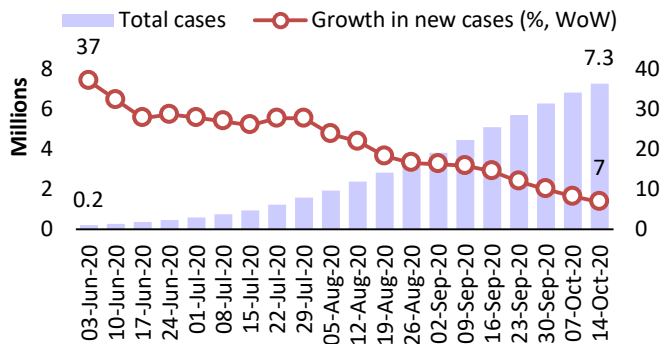
## Growth rate of confirmed COVID cases drops to below 7% WoW

- Growth rate in confirmed cases has dropped to below 7% WoW from a high of 37% WoW at the start of Jun'20 when Unlock 1.0 started.
- Active cases, in fact, have dropped by 10% WoW as recovery numbers are outpacing the new confirmed cases. Recovery rate has increased from below 50% at the start of Jun'20 to above 87.3%.
- State-wise data indicates that five states i.e. Maharashtra, Karnataka, Kerala, Tamil Nadu and Andhra Pradesh have 60% of the active COVID-19 cases.

## Economic activity picking up as COVID numbers are tapering off

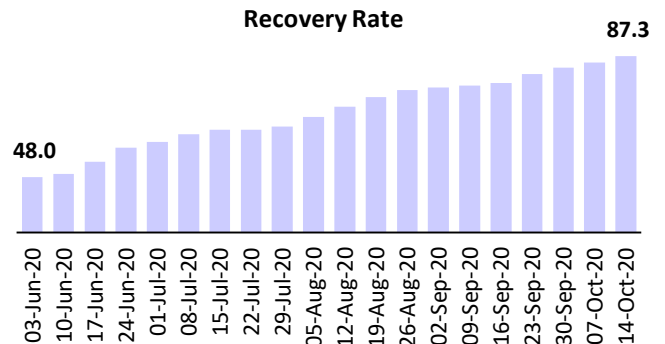
- As mentioned in our 2QFY21 preview [note](#), the tapering off of COVID-19 infections toward end-2QFY21 has coincided with pickup in economic activity. Thus, further lowering of absolute numbers is critical as we head into the all-important festive season.
- The decline in the spread of the pandemic's growth rate may lead to a shift in the government's focus toward the revival of the economy and demand. On 12<sup>th</sup> Oct'20, the Government of India announced a slew of fiscal stimulus measures, the total benefits of which could add up to INR467b with the fiscal outgo in FY21 estimated at INR410b ([link](#)).
- With the potential increase in travel as well as heightened economic activity at commercial places during the festive season, it is imperative to keep the virus' trajectory under control so that it does not pick up again. Sustained decline in active cases and lower positivity rate would help shift focus of the government toward revival of the economy.

**Confirmed cases growth rate has decreased from 37% in Jun'20 to 7% in Oct'20**



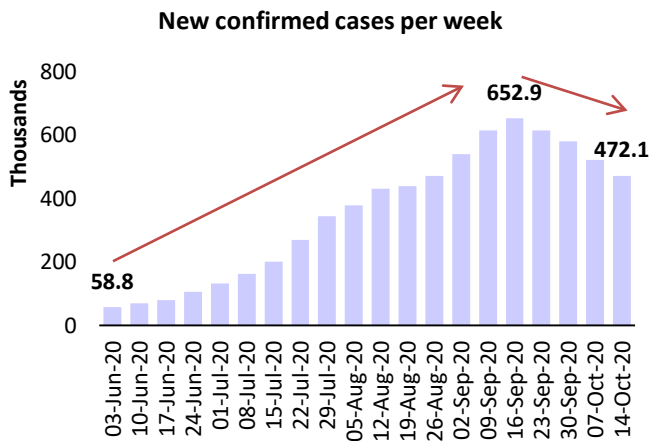
Source: covid19india.org. Week ending 14 Oct'20

**Recovery rate now stands at 87.3%**



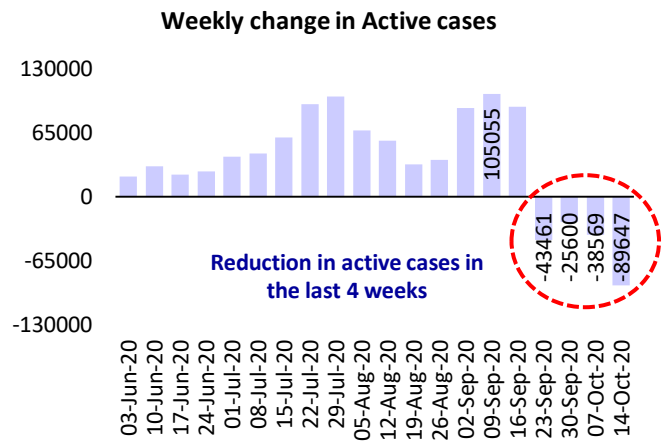
Source: covid19india.org. Week ending 14 Oct'20

**New confirmed cases have dropped from peak in mid-Sep'20 (in th)**



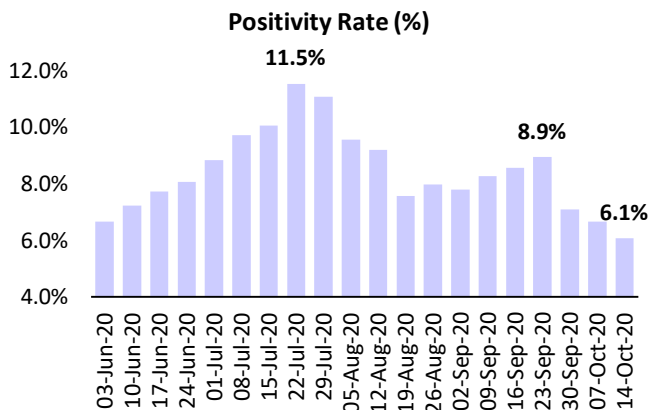
Source: covid19india.org. Week ending 14 Oct'20

**Active cases too have reduced as recoveries have increased while new confirmed cases have declined**



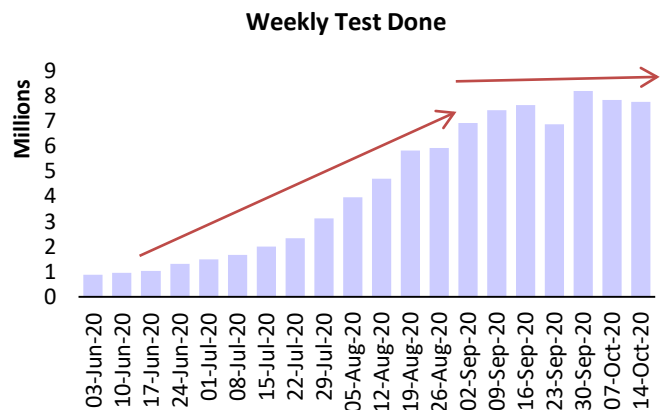
Source: covid19india.org. Week ending 14 Oct'20

**The fall in new confirmed cases has led to a steep decline in positivity rate...**



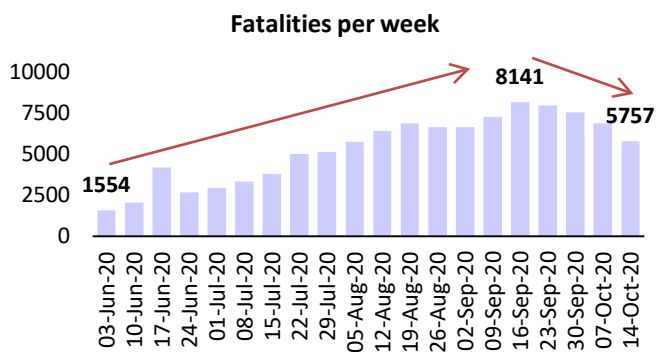
Source: covid19india.org. Week ending 14 Oct'20

**...while tests continue to be ~7-8m per week**



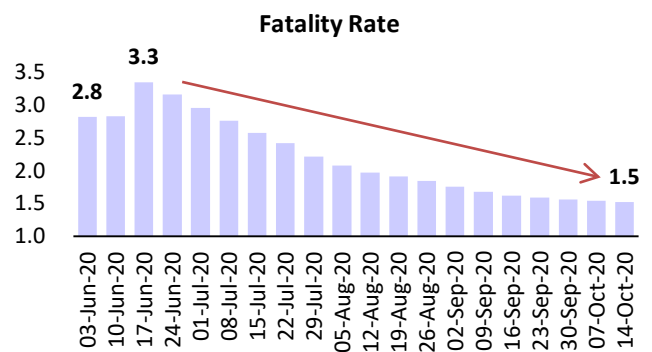
Source: covid19india.org. Week ending 14 Oct'20

**Fatalities per week has dropped from >8K to less than 6k**



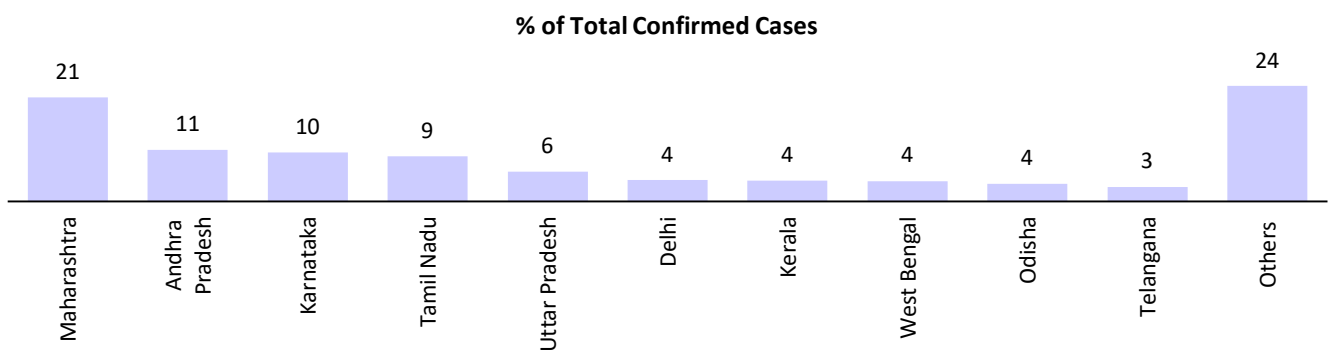
Source: covid19india.org. Week ending 14 Oct'20

**Fatality rate is down from 3.3% to 1.5%**



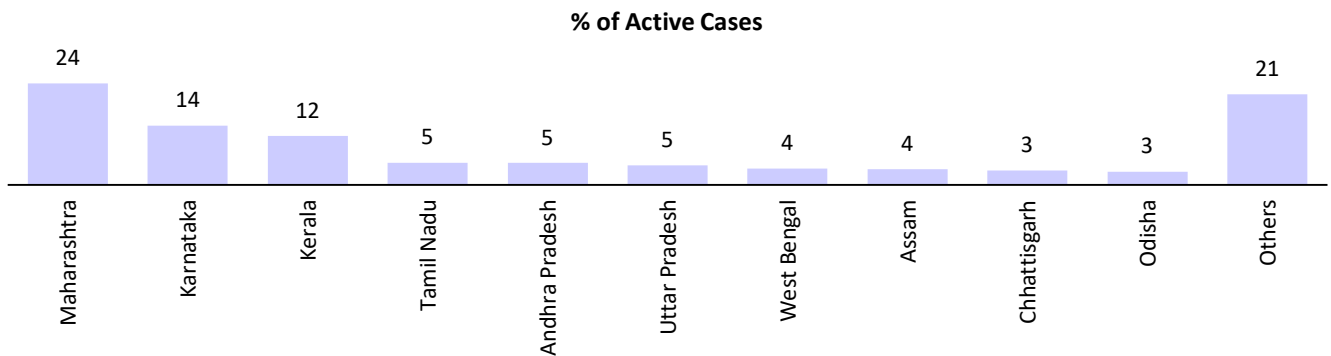
Source: covid19india.org. Week ending 14 Oct'20

**Top-5 states have 57% of total confirmed cases**



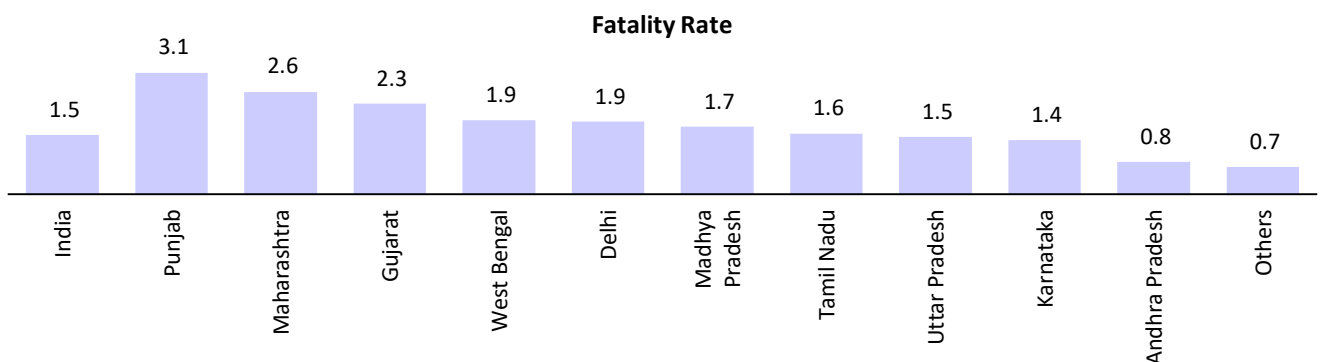
Source: covid19india.org. Week ending 14 Oct'20

**In terms of active cases, top-5 states contribute to over 60% of total cases**



Source: covid19india.org. Week ending 14 Oct'20

**Fatality rate all over India is down to 1.5%; Punjab, Haryana and Gujarat are seeing fatality rate of over 2%**



Source: covid19india.org. Week ending 14 Oct'20



## Expert Speak

### Consumer demand likely to bounce back during festive season

#### High gold prices likely to continue amid low interest rates

We hosted an interaction with Mr Somasundaram PR – Managing Director of the World Gold Council (WGC), India, and an expert on the Gold and Jewelry sector – for an update on the sector and to understand the COVID-19 impact on the safe-haven metal. The discussion revealed several insights. A) Early trends indicate strong festive and wedding season demand is likely over the next 3–4 months. Gold imports have surged sequentially over Aug–Sep’20, with September nearly as high as the previous year’s levels. B) Mid-level players are struggling, and would continue to struggle, while top national and regional players continue to gain share. Small stores are also struggling, but are likely to bounce back on account of low operating costs and low degrees of leverage. C) Gold loans, recycling (exchange), and equity inflows may benefit from the sharp rise in gold prices. D) Gold coins and bars are likely to fare better over the next few years owing to lower making charges (one-third or one-fourth of charges for jewelry). Similarly, non-physical gold formats such as Sovereign Gold Bonds (SGBs) and Gold ETFs are also likely to do very well on account of high gold prices. Negative global interest rates, low inflation, and geopolitical anxieties are likely to keep gold prices high. E) A much needed and large technological upgrade is being implemented by industry bodies and large players. It involves omni-channel sales and the use of Artificial Intelligence to sell gold and identify demand patterns.



Mr Somasundaram PR  
Managing Director, India,  
World Gold Council

Mr Somasundaram PR has been serving as MD of WGC, India since Jan’13. He has more than 30 years' experience across diverse industries, including the FMCG and Banking sectors. He has previously worked with Lakshmi Vilas Bank, Standard Chartered Capital Markets (STCI), Standard Chartered Bank, Hindustan Unilever (HUVR), and TCS.

#### Gold prices

- Gold prices have been rising since Aug’19. This is linked to the US interest rate scenario and considerations on quantitative easing (QE). Prices softened around Diwali in 2019 and have started rising rapidly since Jan’20.
- Gold prices in India currently stand at INR51k per 10gms, including GST. This breaches the important emotional benchmark of INR50k per 10gms for Indian consumers. In the case of jewelry, conversion and making charges result in price ranging closer to INR60k per 10gms.
- Negative global interest rates, low inflation, and geopolitical anxieties are likely to keep gold prices high.

#### Global gold demand trends

- Total global demand fell 11% YoY in 2QCY20, weighed by a 53% drop in demand for gold jewelry. This was attributable to lockdowns imposed in most countries and weddings and other celebrations being postponed (Exhibit 5). This was despite a 98% increase in investment demand for gold. Within investments, demand for bars and coins fell 32% YoY, and technology demand fell 18% YoY. ETF demand was strong at 434t (v/s 76t in 2QCY19). Central banks had net purchases of 115t, down 51% YoY. China and India’s consumer demand (jewelry, bars, and coins) was down 33% YoY and 74% YoY, respectively (Exhibit 6).
- In CY19, total global gold demand stood at 4,368t (Exhibits 4, 9), of which demand for consumer jewelry stood at 2,119t, technology 327t, central bank 648t, investment (bars and coins) 871t, and ETF 404t. On the supply front, mine production contributed 3,480t and recycled gold 1,312t (Exhibit 10). With gold prices on the rise, gold ETFs made a strong comeback in CY19, with demand rising to 404t (up 438%) in CY19, from 75t in CY18. Accordingly, their contribution to total demand increased to 9.2% from 1.7% in the corresponding years.

### Strong demand expected from festive and wedding seasons

- Gold imports for September were nearly as high as last year's levels; Mr Somasundaram reckoned that early trends indicate good festive season demand. The bunching up of weddings in the coming months (from October to February) – as a result of postponement over April–June this year – is another factor driving demand growth.
- The COVID-led lockdowns resulted in fewer opportunities for large-ticket consumer spends and increased household savings. With limitations on the number of guests and the postponement of post-wedding travel, a higher portion of wedding budgets is likely to get allocated toward the purchase of jewelry and apparel.
- Further confidence stems from the fact that dealers have stocked up on inventory in anticipation of a surge in demand by consumers for the upcoming festive and wedding seasons. Large players have also reported higher footfall v/s previous months.
- This is seen as a huge improvement after the washout in 2QCY20, which saw 70% decline in demand from India and China. In 2QCY20, India's demand was only 64t, the lowest since 1QCY09 (44t). In Mr Somasundaram's opinion, whether demand sustains beyond the next few months – especially as GDP growth is likely to be weak and gold prices remain high – remains to be seen. Nonetheless, the outlook for the next couple of quarters seems to be good.

### COVID-19 impact on industry players

- While 65% of the industry is unorganized or small and medium players, the top national and regional players continue to gain market share. This is attributable to greater trust in and increased regulations related to the purchase of gold.
- Small standalone stores are currently struggling. However, supported by a) lower operational costs, b) a structure that employs family members, and c) owned properties, these players are likely to bounce back as demand normalizes in the coming months.
- Mid-level players would struggle due to weak sales growth and weaker balance sheets.
- It is pertinent to note that no major closures have been reported indicating resilience in the industry. A major factor is the low levels of bank leverage by the industry. 2.6% of overall banking and NBFC advances are injected into the Gold industry.

### Non-jewelry/Non-physical gold to fare better over the next few years

- High gold prices and additional making charges (as high as 10% of the value) bring the actual cost of jewelry closer to or higher than INR60k. Therefore, gold coins and bars with much lower (one-third or one-fourth) making charges are expected to witness higher demand going forward. Their contribution is likely to increase from 25–30% levels seen in the past.
- Non-physical gold formats – Sovereign Gold Bonds (SGBs) and Gold ETFs – are also likely to do very well despite still being viewed as urban products due to the higher degree of compliance, such as KYC.

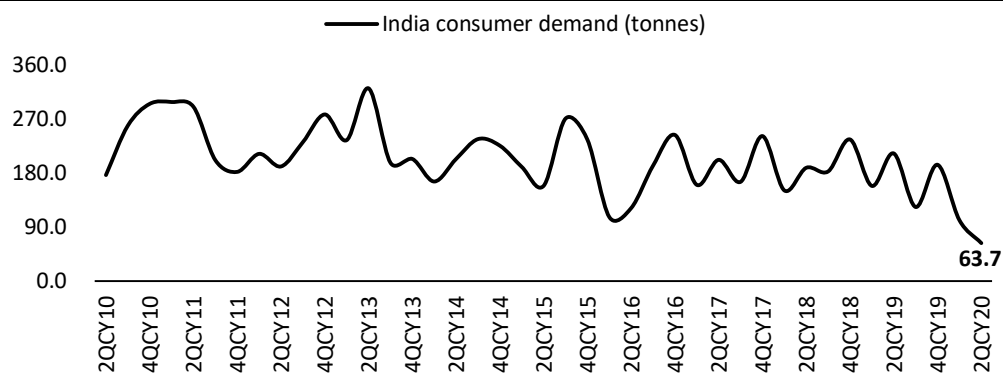
### Technological upgrades

- A much needed and enormous technological upgrade is being implemented by industry bodies and large players. It involves omni-channel sales and the use of Artificial Intelligence to sell gold and identify demand patterns.
- Some larger players are using technology to sell on digital platforms. Additionally, they are using cognitive technology to offer a holistic experience to customers who could get a visual trial of what a piece of jewelry would look like on them. This could well be an important technological step in an industry characterized by the very tangible nature of its product.
- Eventually, this could also lead to lower inventory, resulting in lower discounted sales and remaking of unsold gold, both of which have significant costs associated with them.
- Although the e-commerce channel has seen strong growth due to COVID, online purchases would still find it difficult to displace brick-and-mortar stores.

## Other insights

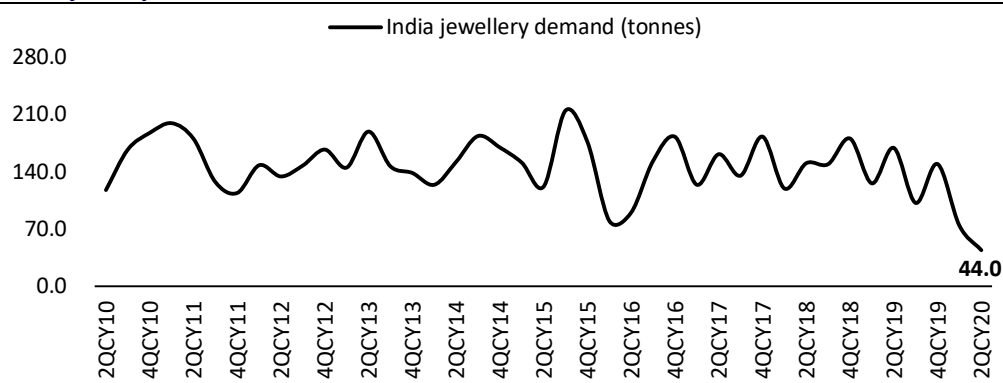
- Gold loans, recycling (exchange), and equity inflows may benefit from high gold prices. After over 30% gold price appreciation over January 2020 levels, there has been substantial wealth creation in Indian households, which traditionally hold a lot of jewelry. This would offset some of the impact of weak GDP growth, lower incomes, and job losses. Mr Somasundaram expects significant growth in gold loans (in particular) and gold exchange, and some inflow into equity investments. The case for increased gold loans is further strengthened by a) the RBI having increased the loan-to-value (LTV) on gold loans to 90% from 75% earlier, b) high gold prices, and c) the funding requirements of smaller business owners to restart operations.
- While mandatory hallmarking has been pushed to June 2021, industry players are still appealing to the government for a further extension.
- In India, South/West/North/East contributes 40%/25%/20%/15% to demand (Exhibit 13).
- Per capita annual gold demand in India and China stands at around ~0.5g each (Exhibit 12), much lower v/s the developed countries.
- Central banks buy gold for liquidity and reserve purposes.
- Custom duty plus GST on gold is ~15.8%.

### India's consumer demand trend (jewelry + bar + coins)



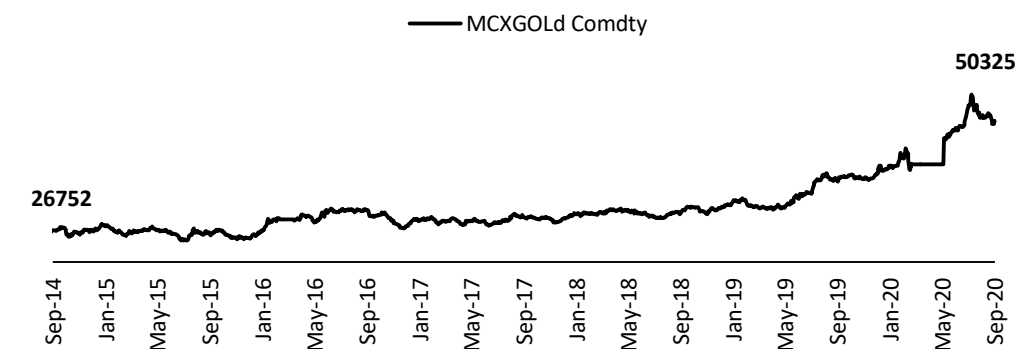
Source: World Gold Council, MOFSL

### India's jewelry demand trend



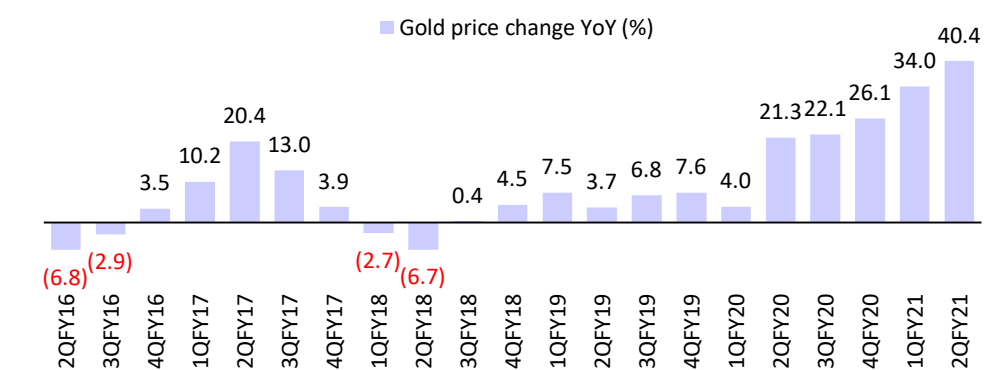
Source: World Gold Council, MOFSL

### Gold prices were up 40.4% YoY, 18.9% QoQ



Source: Bloomberg, MOFSL

### Average gold prices increase 40% YoY (+19% QoQ) in 2QFY21



Source: Company, MOFSL

### Global annual gold demand

	2018	2019	YoY change (%)
Jewelry	2,244	2,119	▼ -5.6
Technology	335	327	▼ -2.4
Investment	1,167	1,275	▲ 9.2
Total bar and coin	1,092	871	▼ -20.2
ETFs and similar products	75	404	▲ 438.4
Central banks & other inst.	656	648	▼ -1.2
<b>Total gold demand</b>	<b>4,402</b>	<b>4,368</b>	▼ -0.8

Source: World Gold Council, MOFSL

### Global gold demand in 2QCY20

	2QCY19	2QCY20	YoY change %
Jewelry	530	251	▼ -52.5
Technology	81	67	▼ -17.5
Investment	295	583	▲ 97.6
Total bar and coin	219	149	▼ -32.0
ETFs and similar products	76	434	▲ 470.5
Central banks & other inst.	232	115	▼ -50.5
<b>Total gold demand</b>	<b>1,137</b>	<b>1,016</b>	▼ -10.7

Source: World Gold Council, MOFSL

### Global jewelry demand in 2QCY20

Tonnes	2QCY19	2QCY20	YoY change %
India	169	44	▼ -73.9
China	136	91	▼ -33.1
<b>World total</b>	<b>530</b>	<b>251</b>	▼ -52.5

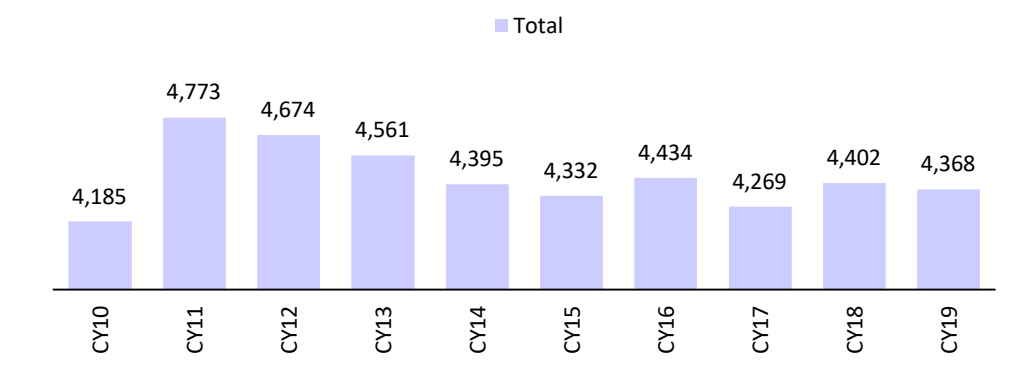
Source: World Gold Council, MOFSL

### Global gold investment demand in 2QCY20

Tonnes	2QCY19	2QCY20	YoY change %
Bar & Coin	219	149	▼ -32.0
India	45	20	▼ -55.6
China	49	41	▼ -17.8
Gold-backed ETFs	76	434	▲ 470.5
<b>Investment total</b>	<b>295</b>	<b>583</b>	▲ 97.6

Source: World Gold Council, MOFSL

### Total global demand trend (tonnes)



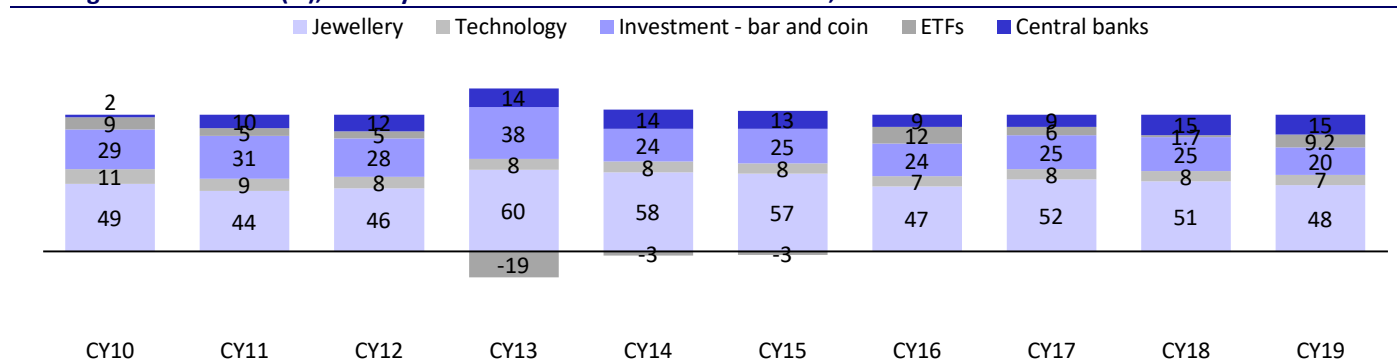
Source: World Gold Council, MOFSL

### Global gold demand breakup (tonnes)

	CY10	CY11	CY12	CY13	CY14	CY15	CY16	CY17	CY18	CY19
Jewelry	2,057	2,104	2,157	2,726	2,531	2,459	2,101	2,240	2,244	2,119
Technology	461	429	382	356	348	332	323	333	335	327
Investment (bar and coin)	1,204	1,502	1,312	1,731	1,067	1,092	1,073	1,047	1,092	871
ETFs	384	257	254	-882	-153	-129	541	271	75	404
Central banks	79	481	569	629	601	580	395	379	656	648
<b>Total</b>	<b>4,185</b>	<b>4,773</b>	<b>4,674</b>	<b>4,561</b>	<b>4,395</b>	<b>4,332</b>	<b>4,434</b>	<b>4,269</b>	<b>4,402</b>	<b>4,368</b>

Source: World Gold Council, MOFSL

### Global gold demand mix (%); Jewelry and Bars & Coins' contribution shrinks, while ETF makes a comeback in CY19



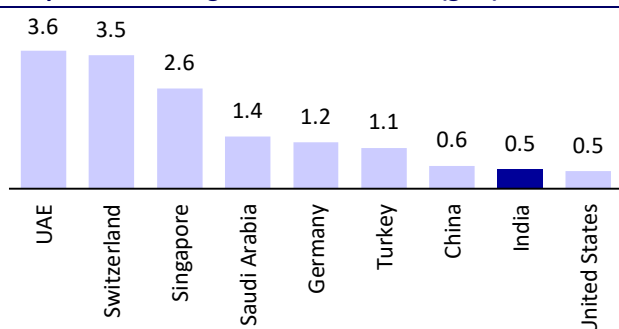
Source: World Gold Council, MOFSL

### Global gold supply breakup (tonnes)

	CY10	CY11	CY12	CY13	CY14	CY15	CY16	CY17	CY18	CY19
Mine production	2,748	2,857	2,929	3,110	3,206	3,313	3,427	3,457	3,529	3,480
Net producer hedging	-109	23	-45	-28	105	13	38	-26	-12	21
Recycled gold	1,679	1,651	1,671	1,248	1,188	1,121	1,282	1,156	1,178	1,312

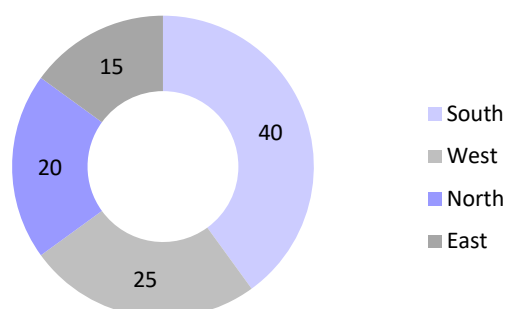
Source: World Gold Council, MOFSL

### Per capita consumer gold demand in 2019 (gms)



Source: World Gold Council, MOFSL

### India's regional demand mix (%)



Source: World Gold Council, MOFSL

# Financials - NBFCs

## Company name

Bajaj Finance
Chola Inv. & Fin.
HDFC Ltd.
ICICI Sec.
IIFLWAM
L&T Finance
LIC Housing Fin
M & M Financial
Manappuram Finance
MAS Financial
Muthoot Finance
PNB Housing Finance
Shriram City Union
Shriram Transport Finance

## On path to normalization

### Restructuring likely to be minimal; Festive season key monitorable

- 2QFY21 has been a quarter of steady normalization in collection and disbursements as against the massive disruption seen in 1QFY21 due to the lockdown. While complete normalization is sometime away, initial signs are encouraging. Companies' stance on restructuring, strategies to counter tail risk and demand scenario in the ensuing festive season are the key factors to watch out for.
- Collection efficiency (CE) improved QoQ across all sub-segments. However, we note of a divergence between product segments – housing finance players witnessed 80%+ CE in their retail lending portfolios while vehicle financiers had lower CE. MFI segment had 75%+ CE on an average.
- Disbursements witnessed divergent trends across product segments from gold finance at the high end to microfinance at the low end. Gold financiers are witnessing disbursements at or higher than pre-COVID levels. For most HFCs, home loan inquiries reached 90-100% of YoY levels. For vehicle financiers, LCVs, PVs, Tractors and used vehicles are the key drivers and disbursements ranged between 50-75% of 2QFY20.
- Capital market players continued to witness strong traction during the quarter. Equity and derivative trading volumes for the industry sustained at elevated levels. The new margin regulations from 1<sup>st</sup> Sep'20 are unlikely to have any impact on large players like ISEC. IIFLWAM had a steady quarter in terms of flows and margins. Traction in IIFL ONE and expense ratio reduction are the key monitorables.
- Over the past six months, steady improvement across all important parameters has been encouraging. With continued excess liquidity at the system level, cost of funds should to decline. However, average liquidity on the balance sheet being higher than that in 1QFY21, margins should remain largely stable. Opex control is likely to continue. For retail loans, we do not foresee any large scale restructuring. Corporate loans, however, may see high levels of restructuring. We continue to favor players with strong balance sheets and less impact from the lockdown. Our top picks are HDFC, MUTH, ISEC and IIFLWAM.

### HFCs: Growth momentum picking up; Asset quality least disrupted

While at the industry level growth would be muted, HDFC and LICHF are likely to be better off than peers with mid-to-high single digit growth in the retail lending portfolio. Both these players are seeing home loan disbursements improve to 70-80% of YoY levels while loan inquiries have been stronger. On the other hand, PNBHF and REPCO are likely to witness muted loan growth (flat to low-single digits). PNBHF has nearly stopped fresh corporate sanctions and is doing primarily retail lending now. Repco, on the other hand, is focusing more on collections. Collection efficiency has improved across segments. **During the quarter, HDFC raised INR100b equity via QIP, which would aid margins.** While other companies have not guided for any number, they do not foresee any major asset quality stress in the retail lending segment. The non-retail segment remains a key monitorable.



### Vehicle financiers – Rural locations driving disbursements; Asset quality tail risk remains

Auto sales volumes witnessed stark sequential improvement during the quarter. Moreover, within the quarter, there was MoM improvement. **While tractor volumes remain healthy, PV volumes have seen a sharp increase, with healthy YoY growth in Sep'20.** 2W sales too have been on an upward trajectory. As per our interactions, even used-vehicle sales have been healthy. The only laggard in this segment is M&HCVs. However, different vehicle financiers have witnessed varied disbursement levels, ranging from 50% to 75% of YoY levels. This could be due to factors such as tightening of underwriting norms, lower LTVs and conservation of liquidity on the balance sheet during the moratorium period. **Collection efficiency has improved with some players collecting ~80% of total billings. While managements expect this to normalize over the next few months, we do note of a tail risk. Nevertheless, in our opinion, this should be restricted to 10-15% of the overall portfolio.**

### Gold financiers shining

Our interactions with managements of gold financiers suggest that disbursements have improved meaningfully and are now at par or higher than pre-COVID levels. **Both specialized gold financiers continue to focus on increasing the share of online gold loans.** There is negligible impact of the 90% LTV cap norm for banks on the ground. In addition, with portfolio LTV at 55-60%, there is unlikely to be any asset quality risk. However, these players may have to take higher provisioning for their non-gold portfolios.

### Wholesale lending still muted; Diversified financiers better off

Real estate activity, in terms of construction and sales, picked up from 1QFY21 lows. Labor, which was an issue for some projects just when the lockdown started, has returned to the cities. However, given the fact that the sector was already in trouble pre-COVID, a high share of the loan book is likely to undergo restructuring. Diversified financiers are better off. **While BAF's disbursement volumes doubled QoQ, the high churn rate of the book kept AUM largely flat – we now expect 6% YoY AUM growth in FY21 as compared to 12% YoY earlier. LTFH and SCUF, too, are likely to have sequentially flattish AUM.** SCUF has witnessed improvement in collection efficiency to ~85% levels – hence, we do not expect any negative surprise on credit costs.

### Liquidity levels comfortable; Lower COF to negate Negative carry

**NBFCs continue to maintain higher levels of liquidity on their balance sheet, ranging from 10% of borrowings to as high as 20%+ of borrowings.** This conservative stance is likely to continue in the near term. Average liquidity on the balance sheet increased QoQ in the quarter – this along with lower yield on surplus would lead to higher negative carry. On the positive side, there has been healthy transmission of rate cuts by the RBI since the lockdown to NBFCs. **Bank borrowings by AAA-rated players are at MCLR of 7-7.25%. In addition, these players are able to borrow 3-year money at sub-6% and commercial paper at ~4% from the capital markets.**

### Capital market players on healthy growth trajectory

The surge in equity trading volumes that started in 1QFY21 continued in the second quarter too. This should result in strong retail brokerage volumes for ISEC. The company is likely to witness further market share gains as it ramps up customer acquisition from non-ICICI Bank customers. The distribution business should also witness healthy improvement in revenues driven by MTM gains on the equity portfolio. The Investment Banking division, though a smaller contributor to overall revenue, will see a meaningful improvement in revenue given the number of IPOs/QIPs in the quarter. IIFLWAM had a stable quarter – flows have picked up and should reach pre-COVID levels in 2HFY21. TBR revenue would remain lumpy as it is dependent on deal syndication opportunities. Traction in IIFL One and expense ratio reduction are the key monitorables.

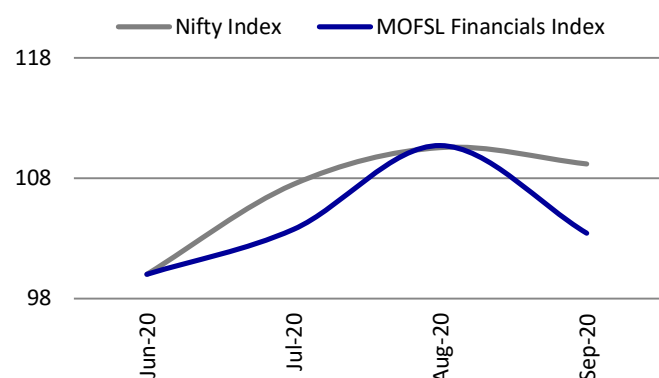
### Quarterly Performance

Sector	CMP (INR)	Reco	NII (INR M)			OP. PROFITS (INR M)			NET PROFIT (INR M)		
			Sep-20	Var % YoY	Var % QoQ	Sep-20	Var % YoY	Var % QoQ	Sep-20	Var % YoY	Var % QoQ
Bajaj Finance	3380	Neutral	33,303	6.1	1.1	28,848	10.2	-3.7	9,858	-34.6	2.4
Chola. Inv & Fin.	252	Buy	10,307	1.0	4.8	6,538	5.7	2.6	3,029	-1.3	-29.7
HDFC	1785	Buy	34,513	17.0	3.5	33,732	16.3	6.4	27,029	-9.3	6.5
ICICI Securities	469	Buy	5,833	39.5	6.7	2,726	48.1	5.1	2,025	49.8	4.9
IIFL Wealth Mgt	965	Buy	2,144	-7.4	7.7	821	-18.8	19.0	691	1.0	-15.7
L&T Fin.Holdings	63	Buy	14,964	-12.7	6.2	10,673	-20.0	6.5	2,475	-61.8	LP
LIC Housing Fin	275	Buy	11,760	-2.7	0.5	10,833	-4.5	0.6	7,066	-8.5	-13.6
M & M Financial	129	Buy	14,315	11.5	4.0	10,494	28.1	0.5	1,846	-26.7	23.3
Manappuram Finance	167	Buy	9,277	13.2	4.0	6,640	22.1	4.1	3,851	-5.5	4.8
MAS Financial	825	Buy	1,030	8.7	14.7	803	10.8	3.6	392	-15.9	10.1
Muthoot Finance	1160	Buy	15,429	7.5	6.8	11,851	10.4	3.9	8,628	0.6	2.6
PNB Housing	339	Neutral	4,336	-12.3	-1.0	4,091	-29.2	1.1	1,631	-55.5	-36.6
Shriram City Union	920	Buy	8,478	-5.0	-0.6	5,636	-1.9	-0.5	1,822	-38.7	-5.2
Shriram Transport Fin.	655	Buy	18,332	-8.2	-0.1	14,799	-6.8	-1.0	4,309	-43.7	34.6
<b>NBFC</b>			<b>185,512</b>	<b>4.8</b>	<b>3.8</b>	<b>149,660</b>	<b>5.9</b>	<b>2.7</b>	<b>75,151</b>	<b>-20.1</b>	<b>5.7</b>

### Valuation summary

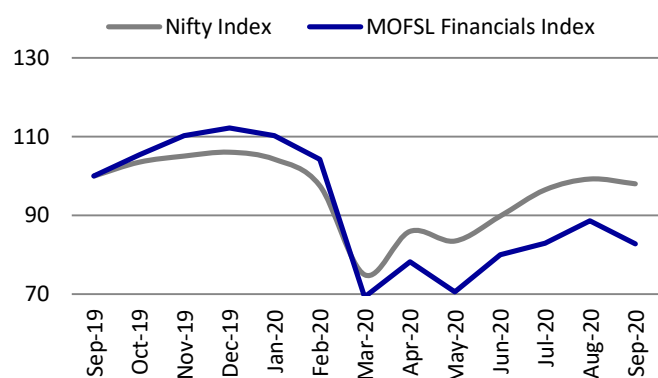
Company Name	CMP (INR)	Reco	EPS (INR)			PE (x)			PB (x)			ROE (%)		
			FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E
<b>NBFC</b>						<b>21.8</b>	<b>21.6</b>	<b>17.0</b>	<b>2.9</b>	<b>2.5</b>	<b>2.2</b>	<b>13.2</b>	<b>11.5</b>	<b>13.1</b>
Bajaj Finance	3,380	Neutral	87.7	67.8	115.3	38.5	49.9	29.3	6.3	5.6	4.8	20.2	11.9	17.7
Chola. Inv & Fin.	252	Buy	12.8	15.1	21.0	19.7	16.8	12.0	2.6	2.3	1.9	15.0	14.4	17.5
HDFC	1,785	Buy	49.2	54.7	61.1	36.3	32.7	29.2	3.3	2.9	2.7	13.1	12.5	11.9
ICICI Securities	469	Buy	16.8	24.1	26.4	27.9	19.5	17.8	12.5	10.5	8.9	48.0	58.6	54.2
IIFL Wealth Mgt	965	Buy	23.1	37.7	49.5	41.8	25.6	19.5	2.8	2.7	2.6	6.8	10.8	13.7
L&T Fin.Holdings	63	Buy	10.9	5.1	10.1	5.8	12.4	6.3	0.9	0.8	0.7	15.6	6.9	12.6
LIC Housing Fin	275	Buy	47.6	55.1	52.8	5.8	5.0	5.2	0.8	0.7	0.6	14.3	14.7	12.6
M & M Financial	129	Buy	14.7	7.4	8.9	8.7	17.5	14.4	0.7	1.0	1.0	8.3	6.8	7.0
Manappuram Finance	167	Buy	17.5	18.5	22.5	9.5	9.0	7.4	2.5	2.0	1.6	28.8	24.4	24.1
MAS Financial	825	Buy	33.2	30.8	36.9	24.9	26.8	22.4	4.5	4.0	3.6	19.8	16.0	16.9
Muthoot Finance	1,160	Buy	75.3	85.1	99.8	15.4	13.6	11.6	4.0	3.3	2.7	29.0	26.4	25.2
PNB Housing	339	Neutral	38.4	45.3	62.3	8.8	7.5	5.4	0.7	0.7	0.6	8.3	9.2	11.6
Shriram City Union	920	Buy	151.6	113.9	143.4	6.1	8.1	6.4	0.8	0.8	0.7	14.7	9.9	11.4
Shriram Transport Fin.	655	Buy	110.3	71.2	113.9	5.9	9.2	5.8	0.8	0.8	0.7	14.9	9.2	12.9

### Relative performance—3 months (%)



Source: Bloomberg, MOFSL

### Relative performance—1 year (%)



Source: Bloomberg, MOFSL

### EPS estimates largely unchanged for FY21-22

Company	Old Estimates (INR)		New Estimates (INR)		Change (%)	
	FY21	FY22	FY21	FY22	FY21	FY22
BAF	73.9	120.7	67.8	115.3	-8.3	-4.5
CIFC	14.4	19.7	15.1	21.0	4.8	6.6
HDFC	55.0	60.5	54.7	61.1	-0.6	1.0
ISEC	24.0	26.4	24.1	26.4	0.3	0.0
IIFWAM	37.7	49.5	37.7	49.5	0.0	0.0
LTFH	4.9	9.5	5.1	10.1	3.5	5.6
LICHF	55.1	52.8	55.1	52.8	0.0	0.0
MMFSL	7.4	8.9	7.4	8.9	0.0	0.0
MASFIN	30.8	36.9	30.8	36.9	0.0	0.0
Muthoot	85.1	99.8	85.1	99.8	0.0	0.0
MGFL	18.5	22.5	18.5	22.5	0.0	0.0
PNBHF	44.7	60.4	45.3	62.3	1.3	3.1
SCUF	114.8	138.2	113.9	143.4	-0.8	3.8
SHTF	71.2	113.9	71.2	113.9	0.0	0.0

Source: MOFSL, Company, Note: HDFC's numbers are for the core mortgage business only

**Bajaj Auto: Plan to launch Chetak in 30 cities; Rakesh Sharma, ED**

- Despite the 6 month delay, we have faced minimal cancellations. This is a strong indication of acceptance of as well as the desire for Chetak
- Will initially look at large cities and mid-sized towns for the launch
- So far dispatched 600 units of the Chetak, including about 300 units in September alone
- Company has a substantial order book and the priority is to fulfil all pre-existing orders by December
- Bajaj Auto's first electric vehicle is closing in on established electric two-wheeler manufacturers in terms of wholesale numbers and has already overtaken newer entrants

[→ Read More](#)**Reliance Jewels: Expansion plans remain intact; Sunil Nayak, CEO**

- Q1 is an important quarter, but it was a washout due to lockdown. Q2 was better than Q1
- September onwards recovery is visible
- Q3 is the most important quarter for jewelry sector, if things go well then we will be able to recover losses of Q1
- Q3 generates ~40-50% of yearly business, this month, between 17th October to 15th November, covers 18-23% of annual business
- We expect to grow on like to like basis this month & quarter on the back of festival & wedding season
- Showrooms have been reopened and expansion plans remain intact
- Investment in gold & gold jewelry went up, investment in diamonds has also increased
- Launched our E-commerce platform last month. Contribution from online sales will grow going ahead

[→ Read More](#)**Minda Industries: Seeing MoM demand improvement from OEMs; Sunil Bohra, ED & Group CFO**

- Industry consistently working towards localization. OEMs also pushing for the same
- Personal mobility key trigger for demand
- Difficult to predict if momentum will continue over next 2-3 quarters
- Most players are cash rich which aids parts of supply chain
- Remain cautiously optimistic and well planned for disruptions

[→ Read More](#)**Sandhar Technologies: October can be a historic month for the sector; Jayant Davar, Co-Chairman & MD**

- Import substitution is a huge trigger for the sector
- OEMs, Suppliers & Govt. have for the first time come together to push localization
- Industry has limitations on economies of scale
- Key indicators point at sustained demand recovery. Confident that demand will be back to FY19 levels

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**COVID-19 HITS THE OLD HARDEST, BUT THE HEALTHY LONGEST**

- Before he had Covid-19, Brendan Delaney, the 57-year-old chair of medical informatics and decision making at Imperial College, could cycle 150 miles in a day. Covid changed that, but not because he had a severe case of the disease. Delaney never got seriously ill from the virus. Like many healthy people, he figured his symptoms, a mild fever and a cough, would pass soon enough. Instead, he experienced debilitating after effects, such as fatigue and breathlessness, which many are now calling Long Covid. Seven months later, he is still not back to normal. He can't imagine getting back on a bike and says that if he pushes himself too hard, he ends up in bed with a fever for a couple of days. He considers himself lucky that he's able to work. Many other Long Covid sufferers cannot.
- As a second wave of infections grows, so it follows that the number of Long Covid cases is bound to increase. Although this clearly has implications for public health and the economy, it has been almost nowhere in the broader policy debate. That narrative has focused largely on minimizing deaths and hospitalizations. But most Long Covid patients weren't hospitalized and didn't have preexisting conditions. This should throw some cold water on the idea of dispensing with restrictions and allowing immunity to build up among the young while shielding the vulnerable — an approach that has won more adherents as lockdown fatigue set in. Going in this direction would be far more costly than many perhaps realize.
- We know from experience with other viruses — from the 2003 SARS outbreak to Ebola, MERS and glandular fever (caused by the Epstein-Barr virus) — that effects can be long lasting. It's similar with today's coronavirus. Studies suggest a significant number of Covid-19 patients will have symptoms that linger and can affect different organs and systems.
- The good news is that there are too many cases like Delaney's to ignore, and so recognition and media attention is coming faster than it has in other cases. The U.K. is ahead in some ways. Health Secretary Matt Hancock, a slim 42-year-old who had Covid-19 back in March and recovered quickly, has spoken publicly about the long-term effects. The National Health Service created a support website and put aside 10 million pounds (\$13 million) to set up a network of Long Covid clinics in England. An official definition, expected this month from Britain's standards-setting National Institute for Health and Care Excellence (NICE), will give a better indication on how seriously the condition is being taken.
- Even so, existing U.K. measures will be small beer if the virus continues to spread and Long Covid cases mount. Nailing down exact numbers isn't easy, but one in 10 users of the Covid Symptom Study app, used by more than 4.3 million U.K. participants, reported symptoms persisting for more than three weeks after infection. Some 60,000 reported symptoms that lasted more than three months. Delaney says this may be an underestimation since symptom trackers are used largely during the acute stage of the virus.

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		CMP	TP	% Upside	EPS (INR)			EPS Gr. YoY (%)			P/E (x)		P/B (x)		ROE (%)	
Company	Reco	(INR)	(INR)	Downside	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Automobiles																
Amara Raja	Neutral	719	794	10	38.7	34.6	41.8	36.7	-10.6	20.8	20.8	17.2	3.0	2.7	15.3	16.7
Ashok Ley.	Buy	72	94	30	1.2	0.2	3.6	-83.1	-82.7	1,667.7	358.1	20.3	2.9	2.6	0.8	13.7
Bajaj Auto	Neutral	3026	3214	6	187.4	165.6	192.7	13.3	-11.6	16.4	18.3	15.7	4.0	3.6	22.9	24.1
Bharat Forge	Buy	445	512	15	9.2	4.2	15.3	-58.4	-54.9	268.6	106.8	29.0	3.8	3.5	3.6	12.6
Bosch	Neutral	11859	14504	22	418.8	374.3	463.1	-22.5	-10.6	23.7	31.7	25.6	3.5	3.2	11.5	13.0
CEAT	Buy	991	1187	20	57.1	68.4	89.7	-14.7	19.9	31.0	14.5	11.0	1.3	1.2	9.2	11.1
Eicher Mot.	Buy	2250	2400	7	66.9	50.4	79.3	-17.8	-24.8	57.4	44.7	28.4	5.6	4.9	13.1	18.3
Endurance Tech.	Buy	1103	1317	19	38.0	35.0	48.5	3.2	-8.1	38.8	31.6	22.7	4.6	4.1	15.5	19.0
Escorts	Neutral	1196	1270	6	54.0	62.9	74.8	1.4	16.6	18.9	19.0	16.0	2.5	2.2	16.2	14.8
Exide Ind	Buy	157	204	30	9.9	8.5	11.4	9.4	-14.2	34.2	18.4	13.7	2.0	1.8	10.8	13.2
Hero Moto	Buy	3311	3900	18	153.0	159.2	204.1	-9.7	4.1	28.2	20.8	16.2	4.4	4.0	21.9	25.9
M&M	Buy	617	765	24	15.0	28.2	37.3	-64.9	88.5	32.0	21.9	16.6	2.0	1.8	9.6	10.8
Mahindra CIE	Buy	130	170	31	9.4	2.9	11.1	-33.2	-68.9	278.3	44.3	11.7	1.0	1.0	2.4	8.5
Maruti Suzuki	Buy	6885	7600	10	188.0	172.7	269.0	-25.8	-8.1	55.7	39.9	25.6	4.0	3.6	10.1	14.0
Motherson Sumi	Buy	105	141	34	3.7	1.1	5.5	-27.5	-69.6	389.8	93.5	19.1	2.9	2.6	3.1	14.4
Tata Motors	Buy	127	222	75	-25.3	-34.2	10.3	480.5	Loss	LP	NM	12.3	0.9	0.8	-21.6	7.3
TVS Motor	Neutral	457	443	-3	13.0	10.8	20.0	-7.8	-16.7	85.0	42.2	22.8	5.5	4.7	13.6	22.2
Aggregate								-50.8	-31.3	255.9	70.4	19.8	3.0	2.7	4.2	13.6
Banks - Private																
AU Small Finance	Buy	725	850	17	22.6	25.1	34.2	71.3	11	36.3	28.9	21.2	4.3	3.6	16.2	18.5
Axis Bank	Buy	463	600	30	6.0	18.2	31.5	-66.9	201	73.2	25.5	14.7	1.4	1.3	5.8	9.3
Bandhan Bank	Buy	304	425	40	21.6	22.0	28.3	31.9	2	28.8	13.8	10.7	2.7	2.3	21.3	23.1
DCB Bank	Neutral	76	90	18	10.9	9.1	11.7	3.6	-16.9	29.3	8.4	6.5	0.7	0.6	8.5	10.0
Equitas Hold.	Buy	51	65	27	7.1	6.5	10.2	15.5	-9.1	56.9	7.9	5.0	0.6	0.5	7.8	11.4
Federal Bank	Buy	52	65	26	7.8	7.9	9.7	23.4	1.8	22.7	6.6	5.3	0.6	0.6	10.3	11.5
HDFC Bank	Buy	1169	1280	9	48.0	55.0	66.0	21.2	14.5	20.1	21.3	17.7	3.3	2.8	16.4	17.1
ICICI Bank	Buy	391	475	22	12.3	17.2	25.3	135.0	40.3	47.1	22.7	15.4	1.9	1.7	9.1	11.9
IndusInd	Buy	598	700	17	68.2	30.6	64.1	24.2	-55.1	109.2	19.5	9.3	1.1	1.0	6.0	11.7
Kotak Mah. Bk	Neutral	1309	1300	-1	44.9	41.5	51.1	19.0	-7.6	23.1	31.5	25.6	3.5	3.1	10.0	10.7
RBL Bank	Buy	167	230	38	9.9	11.6	18.1	-51.1	16.7	55.9	14.4	9.2	0.8	0.7	5.9	8.2
Aggregate								23.7	17.0	35.7	22.5	16.6	2.4	2.2	10.8	13.1
Banks - PSU																
BOB	Neutral	40	47	16	1.2	0.4	5.1	-27.8	-69.1	1,308.9	110.9	7.9	0.3	0.3	0.2	3.3
SBI	Buy	193	285	48	22.1	23.3	34.8	759.6	5	49.2	8.3	5.5	0.7	0.6	6.9	10.4
Aggregate								643.2	3	59	9	5.9	0.6	0.6	6.6	9.8
NBFCs																
Aditya Birla Cap	Buy	61	86	41	3.8	3.8	4.6	-3.5	-0.7	22.5	16.1	13.2	1.1	1.0	7.0	7.9
Bajaj Fin.	Neutral	3214	3250	1	87.7	67.8	115.3	26.7	-22.8	70.2	47.4	27.9	5.3	4.6	11.9	17.7
Cholaman.Inv.&Fn	Buy	237	300	27	12.8	15.1	21.0	-15.4	17.4	39.7	15.7	11.3	2.1	1.8	14.4	17.5
H D F C	Buy	1947	2215	14	49.2	54.7	61.1	10.8	11.1	11.8	35.6	31.9	3.1	2.9	12.5	11.9
HDFC Life Insur.	Neutral	562	600	7	6.4	7.3	8.6	1.3	12.9	18.4	77.4	65.4	4.5	3.9	21.3	17.2
ICICI Pru Life	Buy	419	510	22	7.4	7.9	8.3	-6.3	6.4	4.6	52.9	50.6	2.3	2.0	14.5	14.6
IIFL Wealth Mgt	Buy	920	1240	35	23.1	37.7	49.5	-47.8	63.5	31.2	24.4	18.6	2.6	2.5	10.8	13.7
L&T Fin Holdings	Buy	61	90	48	10.9	5.1	10.1	-2.7	-53.0	97.0	11.9	6.0	0.8	0.7	6.9	12.6
LIC Hsg Fin	Buy	278	375	35	47.6	55.1	52.8	-1.2	15.8	-4.1	5.0	5.3	0.7	0.6	14.7	12.6
Manappuram Fin.	Buy	160	205	29	17.5	18.5	22.5	55.7	5.6	21.3	8.6	7.1	1.9	1.6	24.4	24.1
MAS Financial	Buy	820	1000	22	33.2	30.8	36.9	19.2	-7.0	19.5	26.6	22.2	4.0	3.5	16.0	16.9
M&M Fin.	Buy	125	165	32	14.7	7.4	8.9	-41.8	-49.9	21.3	17.0	14.0	1.0	1.0	6.8	7.0
Muthoot Fin	Buy	1152	1450	26	75.3	85.1	99.8	52.9	13.1	17.2	13.5	11.5	3.2	2.6	26.4	25.2
Piramal Enterp.	Buy	1253	1600	28	-24.5	74.8	93.4	-135.4	LP	24.8	16.7	13.4	0.9	0.9	5.8	7.0
PNB Housing	Neutral	362	360	-1	38.4	45.3	62.3	-46.0	17.8	37.6	8.0	5.8	0.7	0.6	9.2	11.6
SBI Life Insurance	Buy	805	1000	24	14.2	16.1	18.3	7.2	12.9	13.7	50.1	44.1	2.7	2.3	15.1	16.0
Shriram City Union	Buy	822	1125	37	151.6	113.9	143.4	1.2	-24.9	25.9	7.2	5.7	0.7	0.6	9.9	11.4





Company	Reco	CMP	TP	% Upside	EPS (INR)			EPS Gr. YoY (%)			P/E (x)		P/B (x)		ROE (%)	
		(INR)	(INR)	Downside	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Shriram Trans.	Buy	632	1000	58	110.3	71.2	113.9	-2.4	-35.5	60.0	8.9	5.5	0.8	0.7	9.2	12.9
<b>Aggregate</b>								<b>0.7</b>	<b>8.3</b>	<b>27.3</b>	<b>22.2</b>	<b>17.5</b>	<b>2.4</b>	<b>2.2</b>	<b>10.9</b>	<b>12.5</b>
<b>Capital Goods</b>																
ABB	Buy	858	1030	20	16.6	7.1	21.5	38.1	-56.9	200.4	120.0	40.0	4.9	4.5	4.1	11.3
Bharat Elec.	Buy	88	116	31	7.4	6.8	8.3	-6.9	-8.0	22.7	13.0	10.6	2.0	1.9	15.5	17.5
BHEL	Sell	27	22	-19	-4.2	-0.8	1.4	-221.9	Loss	LP	NM	18.8	0.3	0.3	-0.9	1.7
Blue Star	Neutral	613	560	-9	15.3	2.7	16.4	-21.4	-82.5	512.9	228.8	37.3	7.4	6.9	3.3	18.5
CG Cons. Elec.	Buy	281	335	19	7.0	6.7	8.8	16.9	-3.6	31.6	41.8	31.8	10.3	8.7	24.6	27.3
Cummins	Sell	443	336	-24	23.3	16.9	22.4	-10.8	-27.3	32.5	26.2	19.8	2.8	2.7	10.7	13.6
Engineers India	Buy	62	89	43	6.8	5.7	7.9	16.3	-16.3	38.2	10.9	7.9	1.8	1.7	15.1	20.3
Havells	Neutral	684	685	0	11.7	10.0	14.1	-6.9	-14.3	40.8	68.1	48.4	9.1	8.1	13.3	16.8
K E C Intl	Buy	329	395	20	22.0	22.6	26.3	16.3	2.5	16.8	14.6	12.5	2.6	2.2	17.6	17.4
L&T	Buy	889	1110	25	68.0	123.1	66.1	7.1	81.0	-46.3	7.2	13.4	1.5	1.5	8.6	11.1
Siemens	Neutral	1236	1210	-2	30.5	18.6	30.8	21.6	-39.2	65.9	66.5	40.1	4.6	4.2	6.9	10.6
Thermax	Neutral	725	710	-2	18.9	19.2	32.2	-30.6	1.9	67.3	37.7	22.5	2.6	2.4	6.9	10.7
Voltas	Buy	672	710	6	16.7	11.9	18.5	6.5	-29.2	56.2	56.7	36.3	4.9	4.5	8.6	12.3
<b>Aggregate</b>								<b>-10.6</b>	<b>-14.9</b>	<b>44.9</b>	<b>28.1</b>	<b>19.4</b>	<b>2.2</b>	<b>2.1</b>	<b>7.7</b>	<b>10.7</b>
<b>Cement</b>																
Ambuja Cem.	Neutral	243	220	-10	7.7	8.4	8.5	26.4	9.4	1.2	28.9	28.5	2.0	1.9	7.3	7.0
ACC	Buy	1523	1630	7	72.3	68.0	76.1	35.1	-6.0	11.9	22.4	20.0	2.3	2.1	10.6	11.0
Birla Corp.	Buy	639	795	24	65.6	44.8	66.4	97.6	-31.8	48.4	14.3	9.6	1.0	0.9	7.0	9.7
Dalmia Bhar.	Buy	772	915	19	11.5	29.9	35.1	-27.3	160.2	17.3	25.8	22.0	1.4	1.3	5.4	6.0
Grasim Inds.	Neutral	750	725	-3	67.3	39.4	66.8	1.8	-41.5	69.5	19.0	11.2	1.3	1.3	1.2	2.5
India Cem	Neutral	115	117	2	0.7	4.3	4.9	-69.5	527.2	13.4	26.7	23.5	0.6	0.6	2.4	2.7
J K Cements	Buy	1722	1810	5	62.6	57.3	91.2	83.4	-8.5	59.3	30.1	18.9	3.9	3.4	13.8	19.3
JK Lakshmi Ce	Buy	271	360	33	22.6	21.6	24.9	233.6	-4.4	15.5	12.5	10.9	1.6	1.4	13.8	14.0
Ramco Cem	Neutral	758	690	-9	25.5	28.4	33.3	18.1	11.3	17.3	26.7	22.8	3.2	2.9	12.8	13.4
Shree Cem	Neutral	20653	21900	6	435.2	450.9	602.2	34.3	3.6	33.6	45.8	34.3	5.2	4.6	11.9	14.2
Ultratech	Buy	4382	5015	14	132.9	160.3	206.5	47.0	20.6	28.8	27.3	21.2	2.8	2.5	11.2	12.9
<b>Aggregate</b>								<b>27.1</b>	<b>-4.1</b>	<b>32.1</b>	<b>26.5</b>	<b>20.1</b>	<b>2.3</b>	<b>2.1</b>	<b>8.7</b>	<b>10.6</b>
<b>Consumer</b>																
Asian Paints	Neutral	2089	1855	-11	29.0	27.2	34.0	25.5	-6.3	25.3	76.9	61.4	17.3	15.3	24.0	26.5
Britannia	Neutral	3732	3815	2	58.6	81.4	79.7	21.8	38.9	-2.2	45.8	46.8	21.4	20.7	45.5	44.9
Colgate	Buy	1420	1720	21	30.0	30.8	36.4	8.1	2.7	18.1	46.1	39.0	26.4	31.6	54.9	73.9
Dabur	Buy	517	600	16	8.6	9.0	10.6	1.4	4.4	17.6	57.4	48.8	13.0	12.1	23.4	25.6
Emami	Buy	339	395	17	12.4	12.3	13.2	2.0	-1.1	7.2	27.6	25.8	7.2	7.3	27.8	28.0
Godrej Cons.	Neutral	682	740	8	14.2	15.8	17.2	-2.9	11.6	8.8	43.1	39.7	8.8	9.0	20.5	22.4
HUL	Buy	2150	2670	24	31.2	34.3	44.2	11.1	10.0	28.6	62.6	48.7	10.3	10.2	28.3	21.1
ITC	Neutral	165	185	12	12.4	10.8	12.8	22.2	-12.8	18.3	15.2	12.9	2.9	2.7	20.0	21.7
Jyothy Lab	Neutral	140	145	3	4.5	5.1	5.2	-15.8	12.4	2.4	27.5	26.9	4.2	4.2	15.2	15.6
Marico	Buy	362	440	21	8.1	8.5	9.8	13.4	4.8	14.5	42.5	37.1	11.9	11.5	31.6	31.5
Nestle	Neutral	15593	17060	9	206.8	218.0	251.2	15.8	5.4	15.2	71.5	62.1	64.8	57.0	98.9	97.7
Page Inds	Neutral	20118	20230	1	307.7	238.0	406.8	-12.9	-22.6	70.9	84.5	49.5	25.0	22.3	29.6	45.1
Pidilite Ind.	Neutral	1475	1365	-7	23.1	16.8	25.3	24.5	-27.5	50.8	88.0	58.4	13.9	12.1	17.3	22.2
P&G Hygiene	Neutral	10064	10445	4	136.5	167.0	199.0	8.0	22.4	19.1	60.2	50.6	25.8	23.4	44.8	48.6
Tata Consumer	Buy	474	558	18	8.0	10.3	12.4	66.4	29.5	19.7	45.9	38.4	3.0	2.9	6.7	7.6
United Brew	Sell	966	820	-15	16.2	0.1	11.0	-24.0	-99.1	7,674.6	6,861.3	88.3	7.3	6.9	0.1	8.0
United Spirits	Neutral	507	550	8	10.9	5.7	12.4	16.9	-47.2	115.9	88.2	40.9	8.9	7.3	10.1	17.8
<b>Aggregate</b>								<b>16.0</b>	<b>-1.9</b>	<b>22.0</b>	<b>45.0</b>	<b>36.9</b>	<b>8.8</b>	<b>8.3</b>	<b>19.5</b>	<b>22.4</b>
<b>Healthcare</b>																
Alembic Phar	Neutral	949	1100	16	45.9	51.7	53.1	47.7	12.8	2.7	18.3	17.9	4.5	3.8	27.8	23.8
Alkem Lab	Buy	2658	3665	38	95.4	131.5	146.1	49.5	37.8	11.1	20.2	18.2	4.3	3.6	23.2	21.6
Ajanta Pharma	Buy	1544	1850	20	51.1	64.0	71.7	15.1	25.2	12.0	24.1	21.5	4.5	3.9	20.0	19.3
Aurobindo	Buy	792	1030	30	49.2	56.5	63.7	13.9	15.0	12.8	14.0	12.4	2.3	2.0	18.0	17.2
Biocon	Neutral	433	450	4	6.2	8.6	12.0	-0.4	39.2	39.6	50.4	36.1	7.0	6.2	14.6	18.1



Company	Reco	CMP	TP	% Upside	EPS (INR)			EPS Gr. YoY (%)			P/E (x)		P/B (x)		ROE (%)	
		(INR)	(INR)	Downside	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Cadila	Buy	416	460	11	14.7	19.0	21.4	-20.0	29.4	12.5	21.8	19.4	3.4	3.0	16.9	16.2
Cipla	Neutral	768	790	3	19.6	28.6	32.6	4.8	45.7	13.9	26.9	23.6	3.4	3.0	12.8	12.9
Divis Lab	Buy	3108	3520	13	48.9	69.7	87.3	-2.3	42.4	25.3	44.6	35.6	8.9	7.4	22.2	22.6
Dr Reddy's	Neutral	5055	4600	-9	121.3	165.0	186.6	15.4	35.9	13.1	30.6	27.1	4.7	4.0	16.3	16.0
Glenmark	Neutral	474	495	4	24.6	31.5	33.6	-5.1	28.3	6.5	15.0	14.1	2.0	1.7	13.8	13.0
GSK Pharma	Neutral	1517	1355	-11	28.2	26.9	33.9	14.6	-4.5	26.0	56.3	44.7	13.4	12.2	23.8	27.3
Granules India	Buy	380	485	28	13.0	20.5	23.4	41.3	57.1	14.1	18.6	16.3	4.3	3.5	25.6	23.9
IPCA Labs	Buy	2080	2520	21	51.4	89.0	88.7	41.6	73.2	-0.3	23.4	23.4	5.7	4.7	27.3	22.1
Jubilant Life	Buy	690	975	41	59.8	48.7	64.8	5.0	-18.6	33.1	14.2	10.6	1.7	1.5	12.8	15.0
Laurus Labs	Buy	316	285	-10	4.8	13.5	14.6	132.6	181.8	8.8	23.5	21.6	7.1	5.5	34.7	28.9
Lupin	Buy	1003	1180	18	19.8	26.6	39.4	47.7	34.4	48.2	37.7	25.5	3.4	3.1	9.3	12.7
Strides Pharma	Buy	731	715	-2	15.2	35.3	48.2	72.1	132.5	36.4	20.7	15.2	2.3	2.1	11.8	14.5
Sun Pharma	Buy	490	650	33	16.4	19.8	24.2	8.7	20.8	22.1	24.8	20.3	2.6	2.3	10.5	12.1
Torrent Pharma	Neutral	2719	2505	-8	55.9	72.8	93.9	30.8	30.3	29.0	37.4	29.0	7.8	6.7	23.0	24.8
<b>Aggregate</b>								<b>12.7</b>	<b>29.6</b>	<b>18.2</b>	<b>27.0</b>	<b>22.9</b>	<b>4.0</b>	<b>3.5</b>	<b>14.7</b>	<b>15.3</b>
<b>Infrastructure</b>																
Ashoka Buildcon	Buy	62	110	78	13.8	9.2	10.8	20.2	-33.0	16.4	6.7	5.8	0.6	0.5	9.5	10.0
IRB Infra	Neutral	106	114	7	18.9	8.9	9.7	-21.9	-52.9	8.8	11.9	11.0	0.5	0.5	4.6	4.8
KNR Constructions	Buy	245	310	26	14.5	16.0	22.5	-18.3	10.3	40.4	15.3	10.9	1.9	1.6	13.0	15.9
<b>Aggregate</b>											<b>11.4</b>	<b>9.5</b>	<b>0.8</b>	<b>0.7</b>	<b>6.9</b>	<b>7.7</b>
<b>Media</b>																
PVR	Buy	1206	1470	22	32.2	-89.5	20.8	-15.1	PL	LP	NM	58.0	5.2	4.8	-35.7	8.5
Sun TV	Buy	432	520	20	34.8	31.8	41.7	-1.7	-8.5	31.1	13.6	10.3	3.0	2.7	22.1	27.4
Zee Ent.	Neutral	180	190	6	5.5	9.1	14.7	-66.6	65.6	62.1	19.8	12.2	1.8	1.6	9.1	13.6
<b>Aggregate</b>								<b>-21.3</b>	<b>-34.3</b>	<b>94.3</b>	<b>25.1</b>	<b>12.9</b>	<b>2.4</b>	<b>2.2</b>	<b>9.7</b>	<b>17.1</b>
<b>Metals</b>																
Hindalco	Buy	174	257	48	17.5	16.8	24.9	-29.2	-4.0	48.4	10.3	7.0	1.0	0.9	9.7	13.3
Hind. Zinc	Neutral	207	233	12	16.1	18.3	21.6	-14.5	13.5	18.4	11.3	9.6	2.1	2.1	19.0	21.9
JSPL	Buy	183	234	28	-3.6	11.8	14.9	-210.0	LP	25.7	15.5	12.3	0.7	0.7	4.1	5.5
JSW Steel	Buy	291	317	9	9.0	11.4	29.4	-71.6	26.7	157.0	25.4	9.9	1.8	1.5	7.3	16.7
Nalco	Buy	30	42	41	0.7	1.8	2.4	-92.2	149.9	36.0	16.6	12.2	0.6	0.6	3.5	4.8
NMDC	Buy	81	131	62	15.3	12.4	13.5	-1.9	-19.2	8.8	6.5	6.0	0.8	0.8	13.3	13.4
SAIL	Neutral	33	35	7	-0.5	1.8	5.0	-107.5	LP	182.4	18.4	6.5	0.3	0.3	1.8	4.8
Tata Steel	Neutral	374	381	2	9.1	-6.1	49.1	-89.8	PL	LP	NM	7.6	0.7	0.6	-1.1	8.3
<b>Aggregate</b>								<b>-55.4</b>	<b>7.8</b>	<b>81.5</b>	<b>15.6</b>	<b>8.6</b>	<b>1.0</b>	<b>0.9</b>	<b>6.1</b>	<b>10.4</b>
<b>Oil &amp; Gas</b>																
Aegis Logistics	Buy	209	250	20	3.0	7.0	11.8	-55.0	136.3	67.0	29.6	17.7	3.8	3.3	13.5	19.7
BPCL	Neutral	327	431	32	25.3	30.2	34.3	-41.6	19.0	13.7	10.8	9.5	1.6	1.4	15.5	16.0
Castrol India	Buy	104	160	53	8.4	5.3	6.7	16.8	-36.5	26.3	19.6	15.5	7.1	6.6	37.3	44.1
GAIL	Buy	82	156	90	16.5	10.8	15.5	17.3	-34.2	43.4	7.6	5.3	0.7	0.7	10.7	14.2
Gujarat Gas	Buy	292	425	46	17.3	11.2	16.5	177.8	-35.2	47.1	26.0	17.7	5.2	4.2	21.5	26.1
Gujarat St. Pet.	Buy	184	310	68	19.7	17.8	18.8	39.5	-9.3	5.6	10.3	9.8	1.4	1.2	14.1	13.2
HPCL	Buy	164	305	86	23.9	38.2	37.6	-45.6	59.7	-1.6	4.3	4.4	0.8	0.7	18.2	16.9
IOC	Buy	75	145	94	10.3	11.1	17.3	-45.4	8.4	55.3	6.7	4.3	0.7	0.6	10.5	15.3
IGL	Neutral	374	480	28	16.2	9.9	16.8	44.5	-39.2	70.2	37.9	22.3	4.7	4.0	13.0	19.4
Mahanagar Gas	Buy	815	1100	35	80.3	49.2	68.2	45.2	-38.8	38.7	16.6	12.0	2.5	2.3	15.8	20.1
MRPL	Neutral	25	37	46	-15.4	-2.4	4.6	-895.4	Loss	LP	NM	5.6	0.6	0.6	-5.5	10.4
Oil India	Buy	85	105	24	22.9	6.0	15.5	-28.6	-73.6	157.5	14.1	5.5	0.4	0.4	2.4	7.0
ONGC	Buy	66	90	36	13.1	8.7	17.5	-51.8	-33.7	101.1	7.6	3.8	0.4	0.4	5.3	10.0
PLNG	Buy	218	336	54	18.5	19.0	21.3	28.5	2.8	12.2	11.5	10.3	2.8	2.6	25.0	26.0
Reliance Ind.	Buy	2206	2210	0	67.9	60.4	101.8	8.1	-11.1	68.7	36.5	21.7	2.8	2.5	8.1	12.4
<b>Aggregate</b>								<b>-24.6</b>	<b>-10.6</b>	<b>60.5</b>	<b>22.4</b>	<b>14.0</b>	<b>1.9</b>	<b>1.7</b>	<b>8.3</b>	<b>12.1</b>
<b>Retail</b>																
Avenue Supermarts	Neutral	1978	1990	1	20.1	17.2	27.2	38.9	-14.3	58.1	114.9	72.7	10.1	8.8	9.6	13.5



Company	Reco	CMP	TP	% Upside	EPS (INR)			EPS Gr. YoY (%)			P/E (x)		P/B (x)		ROE (%)	
		(INR)	(INR)	Downside	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Aditya Birla Fashion	Buy	132	175	32	-0.2	-3.9	-2.0	-111.1	Loss	Loss	NM	NM	16.2	20.6	-51.1	-29.5
Jubilant Food.	Neutral	2296	2205	-4	22.5	14.1	34.8	-6.5	-37.5	147.5	163.1	65.9	26.1	21.4	16.0	32.5
Shoppers Stop	Neutral	171	186	8	-14.7	-48.2	-22.0	-289.1	Loss	Loss	NM	NM	-4.3	-2.8	298.9	43.0
Titan Company	Buy	1213	1400	15	17.1	10.2	22.2	8.9	-40.3	117.7	119.2	54.7	15.7	13.7	13.3	26.7
Trent	Neutral	653	610	-7	3.0	-4.6	5.8	2.1	PL	LP	NM	112.2	9.8	8.9	-7.1	8.9
V-Mart Retail	Buy	1900	2300	21	27.3	-31.6	9.8	-31.0	PL	LP	NM	193.7	8.6	8.2	NM	4.3
<b>Aggregate</b>								<b>5.4</b>	<b>-68.5</b>	<b>293.5</b>	<b>303.6</b>	<b>77.2</b>	<b>12.6</b>	<b>11.2</b>	<b>4.1</b>	<b>14.5</b>
<b>Technology</b>																
Cyient	Neutral	366	400	9	33.8	32.7	28.5	-22.2	-3.1	-12.8	11.3	9.5	1.4	1.3	12.2	13.4
HCL Tech.	Buy	859	945	10	40.7	46.1	52.3	11.1	13.1	13.6	18.7	16.4	3.7	3.1	22.5	20.6
Infosys	Buy	1108	1355	22	38.9	45.7	54.1	5.1	17.4	18.4	24.2	20.5	6.5	5.5	27.0	27.0
L & T Infotech	Buy	3298	3000	-9	86.7	96.0	115.3	0.4	10.7	20.1	34.4	28.6	8.8	7.2	28.3	28.0
Mindtree	Neutral	1428	1550	9	38.3	60.1	69.6	-16.4	56.8	15.8	23.9	20.6	6.1	5.1	25.2	24.5
Mphasis	Neutral	1402	1450	3	61.5	62.2	73.0	9.6	1.2	17.3	22.5	19.2	4.1	3.7	19.1	20.7
Coforge	Neutral	2507	2500	0	73.5	71.2	95.3	11.0	-3.1	33.9	35.2	26.3	7.0	6.0	19.2	24.6
Persistent Sys	Buy	1291	1550	20	44.4	52.8	68.9	0.9	18.9	30.6	24.5	18.7	3.6	3.1	14.7	16.5
TCS	Neutral	2739	2900	6	86.2	86.5	106.9	3.7	0.3	23.6	31.7	25.6	11.0	10.7	36.2	42.4
Tech Mah	Neutral	812	900	11	45.9	42.5	51.9	-5.9	-7.5	22.2	19.1	15.6	3.0	2.6	15.6	16.9
Wipro	Neutral	342	385	13	16.6	17.6	19.1	8.5	5.9	8.6	19.4	17.8	3.4	3.2	17.8	18.4
Zensar Tech	Neutral	185	200	8	11.9	14.2	16.2	-17.2	19.8	14.1	13.0	11.4	1.8	1.6	14.4	14.7
<b>Aggregate</b>								<b>2.9</b>	<b>6.6</b>	<b>18.7</b>	<b>26.7</b>	<b>22.5</b>	<b>6.7</b>	<b>6.0</b>	<b>25.0</b>	<b>26.5</b>
<b>Telecom</b>																
Bharti Airtel	Buy	399	650	63	-7.5	0.9	4.4	-14.6	LP	370.8	422.7	89.8	3.5	3.4	0.7	3.8
Bharti Infratel	Neutral	181	202	12	17.8	16.7	17.7	31.1	-6.5	6.3	10.8	10.2	2.5	2.5	22.9	24.4
Vodafone Idea		8			-7.6	-8.0	-7.9	-59.1	Loss	Loss	NM	NM	-1.4	-0.6	417.2	80.4
Tata Comm	Neutral	837	770	-8	10.6	36.8	48.1	-582.2	248.3	30.8	22.8	17.4	-99.4	21.1	-138	307.8
<b>Aggregate</b>								<b>Loss</b>	<b>Loss</b>	<b>Loss</b>	<b>-17</b>	<b>-19.7</b>	<b>5.3</b>	<b>7.9</b>	<b>-31.4</b>	<b>-40.1</b>
<b>Utilities</b>																
Coal India	Buy	111	190	72	27.1	17.9	28.7	-4.4	-34.1	60.9	6.2	3.8	1.9	1.5	30.6	39.0
CESC	Buy	574	760	32	97.7	71.8	97.0	10.0	-26.5	35.0	8.0	5.9	0.7	0.7	9.6	12.0
Indian Energy Exchange	Buy	194	250	29	6.0	6.1	7.7	9.1	2.1	26.2	31.8	25.2	13.0	11.3	43.5	47.8
JSW Energy	Buy	62	65	5	5.1	4.2	5.3	20.0	-17.7	26.1	14.8	11.7	0.9	0.8	5.8	7.1
NHPC	Neutral	20	23	16	2.9	2.9	2.9	10.7	2.6	-1.5	6.7	6.8	0.6	0.6	9.1	8.5
NTPC	Buy	79	140	77	13.8	14.8	16.4	19.2	7.1	10.8	5.3	4.8	0.6	0.6	12.0	12.5
Power Grid	Buy	156	223	43	21.1	23.0	24.7	10.2	8.6	7.6	6.8	6.3	1.2	1.1	17.9	18.0
Torrent Power	Buy	295	392	33	28.0	22.4	29.6	49.7	-19.9	31.9	13.1	10.0	1.4	1.3	11.2	13.3
Tata Power	Buy	53	64	21	3.8	3.2	4.5	78.2	-16.2	42.3	16.8	11.8	0.8	0.8	4.7	6.5
<b>Aggregate</b>								<b>6.9</b>	<b>-9.0</b>	<b>22.9</b>	<b>6.4</b>	<b>5.2</b>	<b>1.0</b>	<b>0.9</b>	<b>14.8</b>	<b>16.7</b>
<b>Others</b>																
Brigade Enterpr.	Buy	159	192	21	7.1	-2.9	9.5	-39.1	PL	LP	NM	16.7	1.5	1.4	-2.7	8.5
BSE	Buy	521	690	32	24.9	26.4	30.3	-32.5	6.0	14.6	19.7	17.2	1.0	1.0	5.0	5.6
Concor	Buy	357	446	25	16.6	9.7	12.5	-16.7	-41.4	28.3	36.7	28.6	2.1	2.0	5.8	7.2
Coromandel Intl	Buy	710	917	29	36.3	43.4	48.3	42.8	19.3	11.4	16.4	14.7	4.1	3.5	27.0	25.6
Essel Propack	Buy	252	314	24	6.9	9.3	10.9	14.3	35.3	17.9	27.2	23.1	4.8	4.3	18.3	19.6
Indiamart Inter.	Buy	4990	5980	20	51.3	86.8	91.4	566.2	69.3	5.2	57.5	54.6	18.5	12.8	65.3	43.7
Indian Hotels	Buy	94	112	20	2.7	-5.2	0.8	14.8	PL	LP	NM	116.0	3.0	3.0	-15.4	2.6
Interglobe	Neutral	1306	1325	1	-6.2	-156.8	43.0	-253.3	Loss	LP	NM	30.4	-300.8	39.0	-211.7	295.0
Info Edge	Neutral	3603	3620	0	16.7	26.5	31.8	-27.1	58.3	20.2	136.1	113.2	12.1	11.4	10.8	10.4
Godrej Agrovet	Buy	528	581	10	13.2	16.1	18.8	5.7	21.5	17.0	32.8	28.0	5.0	4.5	16.1	17.1
Kaveri Seed	Buy	518	656	27	43.1	50.6	50.4	19.5	17.5	-0.4	10.2	10.3	2.9	2.7	29.8	26.8
Lemon Tree Hotel	Buy	27	35	29	-0.1	-2.6	-0.1	-118.0	Loss	Loss	NM	NM	3.4	3.4	-27.6	-1.1
MCX	Buy	1723	2000	16	46.4	50.8	56.9	61.9	9.5	11.9	33.9	30.3	5.9	5.4	18.2	18.6
Oberoi Realty	Buy	387	470	21	19.0	10.3	16.7	-15.6	-45.8	62.9	37.7	23.1	1.6	1.5	4.2	6.6



Company	Reco	CMP	TP	% Upside	EPS (INR)			EPS Gr. YoY (%)			P/E (x)		P/B (x)		ROE (%)	
		(INR)	(INR)	Downside	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Phoenix Mills	Buy	561	742	32	21.5	4.8	24.0	-13.7	-77.5	396.0	115.9	23.4	1.8	1.7	1.7	7.4
Qess Corp	BUY	411	500	22	18.3	13.1	27.1	4.3	-28.1	106.3	31.3	15.2	1.9	1.6	7.9	14.6
PI Inds.	Buy	2023	2287	13	30.1	48.0	65.3	11.3	59.3	36.3	42.2	31.0	5.9	5.0	18.5	17.5
SRF	Buy	4348	5165	19	157.2	147.9	207.6	49.4	-5.9	40.3	29.4	20.9	4.4	3.7	16.0	19.3
S H Kelkar	Buy	86	102	19	4.2	5.5	7.3	-31.3	29.7	33.0	15.7	11.8	1.4	1.3	9.1	11.4
Tata Chemicals	Buy	316	370	17	31.7	18.4	33.2	-6.4	-41.7	79.9	17.1	9.5	0.6	0.6	3.6	6.4
Team Lease Serv.	Buy	2294	2700	18	48.9	56.6	86.7	-14.7	15.8	53.2	40.5	26.5	5.9	4.8	15.6	20.0
Trident	Buy	8	9	21	0.6	0.5	0.8	-26.9	-29.0	70.4	16.8	9.8	1.2	1.1	7.3	11.4
UPL	Neutral	506	534	5	35.8	37.7	44.5	11.2	5.3	18.0	13.4	11.4	2.1	1.2	16.6	17.1



Index	1 Day (%)	1M (%)	12M (%)
<b>Sensex</b>	-2.6	1.8	3.2
<b>Nifty-50</b>	-2.4	1.4	2.2
<b>Nifty Next 50</b>	-1.7	-2.2	-0.3
<b>Nifty 100</b>	-2.3	0.9	1.9
<b>Nifty 200</b>	-2.3	0.3	2.3
Company	1 Day (%)	1M (%)	12M (%)
<b>Automobiles</b>	-1.2	-1.2	3.2
Amara Raja Batt.	-1.4	-8.2	6.0
Ashok Leyland	-1.2	-7.1	4.8
Bajaj Auto	-0.9	2.9	0.5
Bharat Forge	0.2	-6.8	3.8
Bosch	-1.7	-9.3	-14.5
CEAT	-1.2	5.5	5.9
Eicher Motors	-0.2	5.0	17.2
Endurance Tech.	-0.9	-2.4	9.6
Escorts	-3.0	-2.7	89.8
Exide Inds.	-2.7	-4.1	-16.7
Hero Motocorp	0.0	9.0	23.7
M & M	-1.1	0.6	5.6
Mahindra CIE	-4.9	0.0	-9.6
Maruti Suzuki	-1.7	-2.4	-1.5
Motherson Sumi	-4.7	-12.9	3.4
Tata Motors	-2.8	-14.4	0.0
TVS Motor Co.	-0.9	0.4	11.6
<b>Banks-Private</b>	-3.3	2.6	-19.9
AU Small Fin. Bank	-1.9	3.6	12.5
Axis Bank	-1.7	2.9	-32.9
Bandhan Bank	-5.3	0.0	-51.4
DCB Bank	0.9	-17.6	-57.8
Equitas Holdings	-1.0	-6.9	-49.5
Federal Bank	-2.2	-4.6	-38.8
HDFC Bank	-3.4	9.2	-4.4
ICICI Bank	-3.9	5.2	-9.5
IndusInd Bank	-3.9	-5.6	-53.0
Kotak Mah. Bank	-3.3	-1.2	-18.9
RBL Bank	-3.4	-9.8	-36.8
<b>Banks-PSU</b>	-2.8	-11.8	-41.6
BOB	-4.0	-13.2	-54.1
SBI	-3.6	-3.6	-25.4
Company	1 Day (%)	1M (%)	12M (%)
<b>NBFCs</b>	-3.0	3.8	-12.1
Aditya Birla Cap	-1.7	-14.1	-21.2
Bajaj Fin.	-4.7	-8.6	-17.2
Cholaman.Inv.&Fn	-5.0	1.8	-15.3
HDFC	-1.6	10.7	-3.3
HDFC Life Insur.	-1.9	-5.5	-5.2
L&T Fin.Holdings	-3.3	-4.1	-26.7
LIC Hsg Fin	-3.1	-8.2	-23.7
M&M Fin.	-3.3	-9.3	-35.1
Muthoot Fin	-0.2	1.9	76.3
Manappuram Fin.	-4.1	-0.4	15.8
MAS Financial Serv.	1.1	-4.0	17.1
ICICI Pru Life	-1.5	-2.0	-8.0
ICICI Sec	-1.5	-5.8	63.2
IIFL Wealth Mgt	-1.5	-6.8	-19.1
PNB Housing	-1.5	11.8	-17.2
SBI Life Insuran	-0.8	-6.9	-4.2

**Note: Sectoral performance are of NSE/BSE Indices**

Index	1 Day (%)	1M (%)	12M (%)
<b>Nifty 500</b>	-2.2	-0.2	3.2
<b>Nifty Midcap 100</b>	-1.7	-4.6	6.2
<b>Nifty Smallcap 100</b>	-1.7	-4.8	6.5
<b>Nifty Midcap 150</b>	-1.5	-5.0	9.1
<b>Nifty Smallcap 250</b>	-1.6	-4.9	9.3
Company	1 Day (%)	1M (%)	12M (%)
Shriram City Union	-4.0	-17.5	-37.8
Shriram Trans.	-5.2	-3.1	-38.2
<b>Capital Goods</b>	-2.1	-3.9	-25.6
ABB	0.0	-6.2	-36.3
Bharat Elec.	-3.4	-15.7	-20.0
BHEL	-2.9	-24.5	-36.5
Blue Star	-1.9	-12.4	-22.4
CG Cons. Elec.	0.8	1.9	11.2
Cummins	1.3	-8.5	-22.2
Engineers India	-1.5	-10.5	-42.0
Havells	-2.0	1.8	2.5
K E C Intl	0.5	-6.9	19.1
L&T	-2.8	-2.3	-38.0
Siemens	0.0	-0.1	-22.4
Thermax	1.4	-5.3	-34.9
Voltas	-0.1	-1.0	-0.5
<b>Cement</b>	-1.2	-2.6	8.3
Ambuja Cem.	-1.4	11.8	23.6
ACC	-1.7	9.8	1.6
Birla Corp.	-1.8	-10.6	21.1
Dalmia Bhar.	-3.4	0.5	-4.2
Grasim Inds.	-1.9	4.3	6.5
India Cem	-2.6	-7.0	45.1
J K Cements	-0.6	9.3	62.8
JK Lakshmi Ce	0.4	1.3	-2.2
Ramco Cem	-1.6	3.9	4.8
Shree Cem	-2.3	2.9	11.2
Ultratech	-1.5	11.5	4.2
<b>Consumer</b>	-1.1	-3.5	-4.1
Asian Paints	0.9	3.6	15.9
Britannia	-1.6	0.0	17.3
Colgate	-1.9	0.0	-8.8
Dabur	0.1	2.3	15.0
Emami	-2.4	-14.7	12.2
Godrej Cons.	-2.6	-3.4	-1.1
HUL	-0.4	1.2	4.2
ITC	-1.7	-9.2	-33.3
Jyothy Lab	-1.2	-9.3	-11.8
Marico	0.3	-0.6	-5.4
Nestle	-0.5	-2.8	10.7
Page Inds	-2.7	6.6	-4.5
Pidilite Ind.	-0.8	-1.5	7.1
P&G Hygiene	0.1	-0.3	-10.8
Tata Consumer	-3.3	-12.6	70.6
United Brew	-0.5	-7.8	-24.8
United Spirits	-3.3	-6.4	-18.0
<b>Healthcare</b>	-1.8	1.6	56.8
Alembic Phar	-0.8	2.4	80.0
Alkem Lab	-0.8	-6.8	38.9
Ajanta Pharma	-1.3	2.3	61.8
Aurobindo	-2.3	-3.2	74.0



Company	1 Day (%)	1M (%)	12M (%)
Biocon	-2.9	-1.5	66.5
Cadila	-3.4	10.8	77.4
Cipla	-1.7	3.5	72.0
Divis Lab	-0.7	-2.5	83.6
Dr Reddy's	-1.3	13.8	88.4
Glenmark	-2.3	-3.9	65.6
GSK Pharma	-1.8	-14.7	5.9
Granules	-1.2	3.1	292.8
IPCA Labs	-1.4	-3.5	135.8
Jubilant Life	-3.0	-13.5	43.5
Laurus Labs	-2.9	17.8	394.8
Lupin	-3.1	0.2	39.1
Strides Pharma	-1.5	7.2	105.6
Sun Pharma	-2.3	-3.1	23.7
Torrent Pharma	-1.4	-4.5	60.0
<b>Infrastructure</b>	<b>-2.1</b>	<b>-5.3</b>	<b>-5.5</b>
Ashoka Buildcon	0.5	-13.7	-38.6
IRB Infra.Devl.	-3.1	-12.2	74.5
KNR Construct.	-1.7	-7.0	5.0
<b>Media</b>	<b>-2.8</b>	<b>-11.9</b>	<b>-16.4</b>
PVR	-3.2	-4.7	-32.6
Sun TV	-1.7	-12.9	-11.9
Zee Ent.	-3.3	-17.2	-28.3
<b>Metals</b>	<b>-0.5</b>	<b>-6.1</b>	<b>-6.5</b>
Hindalco	-0.5	-1.8	-9.8
Hind. Zinc	-2.9	-6.4	-0.9
JSPL	-3.7	-11.1	77.5
JSW Steel	0.2	0.6	32.7
Nalco	-0.3	-13.4	-28.4
NMDC	1.0	-9.8	-20.3
SAIL	-0.5	-16.8	-1.8
Tata Steel	-0.5	-7.8	7.1
<b>Oil &amp; Gas</b>	<b>-1.1</b>	<b>-11.7</b>	<b>-21.1</b>
Aegis Logistics	-3.3	-15.8	23.5
BPCL	-1.9	-21.2	-33.4
Castrol India	-1.4	-13.1	-22.0
GAIL	-0.5	-10.6	-35.7
Gujarat Gas	-1.5	-4.2	66.7
Gujarat St. Pet.	2.9	-15.4	-11.0
HPCL	-2.8	-17.3	-47.3
IOC	-0.1	-9.2	-49.0
IGL	0.4	-10.8	1.6
Mahanagar Gas	2.9	-13.0	-14.1
MRPL	-1.0	-14.5	-50.7
Oil India	0.6	-11.3	-46.5
ONGC	-1.5	-10.5	-52.4
PLNG	3.8	-9.2	-15.8
Reliance Ind.	-3.6	-4.8	63.3
Aditya Bir. Fas.	0.0	-1.3	-32.7
<b>Retail</b>			
Avenue Super.	0.2	-7.4	7.6
Jubilant Food	-0.8	-2.9	74.4
Shoppers St.	-1.8	-2.5	-56.6
Titan Co.	-0.8	3.3	-4.6
Trent	-0.7	-13.1	29.3
V-Mart Retail	-0.4	-10.1	-5.1

Company	1 Day (%)	1M (%)	12M (%)
<b>Technology</b>	<b>-2.9</b>	<b>9.9</b>	<b>41.8</b>
Cyient	-2.2	-11.3	-19.6
HCL Tech.	-3.4	8.5	58.6
Infosys	-2.5	12.8	44.3
L&T Infotech	-0.7	22.6	121.2
Mindtree	-8.1	14.0	96.8
Mphasis	-1.6	5.4	52.2
Coforge	-3.8	16.9	76.0
Persistent Sys	-5.7	10.3	119.9
TCS	-2.5	10.0	34.4
Tech Mah	-4.3	2.7	12.8
Wipro	-2.5	11.1	40.1
Zensar Tech	-3.9	-2.8	-12.1
<b>Telecom</b>	<b>-3.5</b>	<b>-17.1</b>	<b>-0.3</b>
Bharti Airtel	-3.4	-17.8	4.1
Bharti Infra.	-4.6	-10.7	-29.6
Idea Cellular	-4.9	-32.0	29.7
Tata Comm	-2.7	-8.7	134.5
<b>Utilities</b>	<b>-0.9</b>	<b>-7.6</b>	<b>-17.9</b>
Coal India	0.0	-10.9	-42.2
CESC	-1.6	-14.1	-26.7
Indian Energy Ex	-1.6	-5.5	59.0
JSW Energy	2.8	4.5	-1.8
NHPC Ltd	-0.3	-4.6	-16.8
NTPC	-0.2	-13.2	-33.9
Power Grid	-0.9	-10.2	-22.7
Tata Power	0.1	-8.3	-11.3
Torrent Power	-1.0	-11.2	5.2
<b>Others</b>			
Brigade Enterpr.	-1.7	-7.0	-16.3
BSE	-0.6	-11.0	2.0
Coromandel Intl	-1.2	-12.2	75.0
Concor	-2.1	-8.1	-39.9
Essel Propack	-0.3	-13.5	117.4
Indiamart Inter.	-0.2	-2.8	138.7
Godrej Agrovet	-0.9	-0.5	9.6
Indian Hotels	-2.6	-9.4	-37.2
Interglobe	-2.8	-2.9	-25.5
Info Edge	-3.9	2.0	55.6
Kaveri Seed	-1.3	-5.7	11.3
Lemon Tree Hotel	-4.4	-5.4	-51.4
MCX	-2.3	1.4	69.5
Oberoi Realty	-0.9	-5.1	-23.3
Piramal Enterp.	-3.7	-7.0	-6.7
Phoenix Mills	-1.6	-11.2	-19.3
PI Inds.	-0.8	0.4	53.9
Qess Corp	0.3	-6.3	-12.5
SRF	-0.5	0.8	65.8
S H Kelkar	-2.1	0.6	-29.6
Tata Chemicals	-0.6	3.3	21.8
Team Lease Serv.	-2.2	-2.9	-26.7
Trident	-3.3	12.0	36.3
UPL	-0.9	-4.4	-13.2



## NOTES

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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

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