Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	43,828	-1.6	6.2
Nifty-50	12,858	-1.5	5.7
Nifty-M 100	19,033	-1.7	11.3
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	3,632	-0.1	12.4
Nasdaq	12,094	0.5	34.8
FTSE 100	6,391	-0.6	-15.3
DAX	13,290	0.0	0.3
Hang Seng	10,558	-0.5	-5.5
Nikkei 225	26,297	0.5	11.2
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	48	1.8	-27.7
Gold ($/OZ)	1,807	-0.1	19.1
Cu (US$/MT)	7,279	0.0	18.4
Almn (US$/MT)	1,971	0.0	10.7
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	73.9	-0.1	3.6
USD/EUR	1.2	0.3	6.3
USD/JPY	104.4	0.0	-3.9
YIELD (%)	**Close**	**1MChg**	**CYTDchg**
10 Yrs G-Sec	5.9	0.00	-0.7
10 Yrs AAA Corp	6.6	0.00	-1.0
Flows (USD b)	**25-Nov**	**MTD**	**CYTD**
FIIs	0.62	0.73	6.66
DIIs	-0.34	-0.42	6.81
Volumes (INRb)	**25-Nov**	**MTD***	**CYTD***
Cash	715	662	558
F&O	38,917	26,705	18,180

Note: *Average

Today's top research idea

Kotak Mahindra Bank: Risk-reward unfavorable after sharp outperformance; Downgrade to Neutral

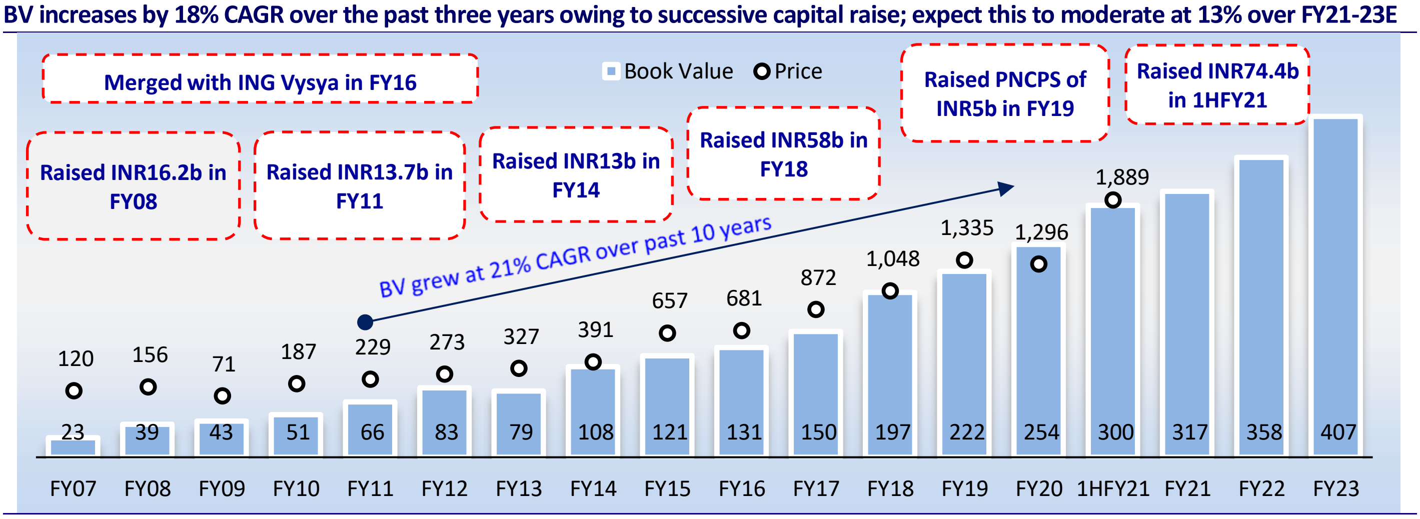
- KMB has delivered 32% returns since our Oct'20 upgrade, resulting in a sharp expansion in trading multiple to 4.2x FY22E ABV - a 17% premium to its five year average multiple. The sharp outperformance in the stock (aided by MSCI inclusion) when seen in the context of growth outlook and return ratios (average RoE of 12.7% over FY21-23E) drives us to downgrade our rating to Neutral.
- During 2HFY19-2HFY21, KMB delivered tepid loan growth (5% CAGR, 3% excluding ECLG linked loans). The management expects an improvement in asset growth after doing an exemplary job in building a robust liability franchise. We currently estimate loan growth to sustain at 12% CAGR over FY21-23E.
- KMB has delivered 18%/19%/21% CAGR in BV over the past 3/5/10 years owing to successive capital raises. However, with Tier I at 22.8% (highest in the past decade), modest growth trajectory and no further requirement to dilute as the promoter holding issue is already settled, we estimate BV to compound at 13% CAGR over FY21-23E. We, thus, downgrade our rating to Neutral and revise our TP to INR1,800/share (3.6x Sep'22E ABV + value its subsidiaries at INR511/share).

Research covered

Cos/Sector	Key Highlights
Kotak Mahindra Bank	Risk-reward unfavorable after sharp outperformance
India Strategy	Corporate India doubles down on cost control!
EcoScope	Government investments fall by one-third in 2QFY21
Siemens	Strong beat on profitability

Chart of the Day: Kotak Mahindra Bank (Risk-reward unfavorable after sharp outperformance)

BV increases by 18% CAGR over the past three years owing to successive capital raise; expect this to moderate at 13% over FY21-23E



Source: MOFSL, Company

Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

Bank credit growth slows to 5.8 per cent in September quarter: RBI data

Bank credit growth decelerated to 5.8 per cent in the September quarter from 8.9 per cent in the year-ago period, according to the RBI data. Aggregate deposits of banks rose 11 per cent year-on-year in the July-September period as compared to 10.1 per cent growth a year ago…

2

GST authority finds P&G, Gillette guilty of profiteering

The Goods and Services Tax (GST) anti-profiteering watchdog, National Anti-profiteering Authority (NAA), said on Wednesday said Procter & Gamble (P&G) and Gillette India has allegedly profiteered over ₹241 crore and did not pass on the benefit of a tax reduction in November, 2017. An NAA order said that the confirmed amount of tax benefit that the companies—P&G Home Products, P&G Hygeine and Health Care and Gillette India— not passed on to consumers was ₹181.51 crore, ₹2 crore and ₹57.99 crore, respectively…

3

Non-basmati rice export likely to double this year

Export of non-basmati rice is expected to double this year as Indian prices are 10% lower than rivals and output has fallen in Thailand and Vietnam, exporters said. Major buyers include China and countries in Africa and Southeast Asia. "This year we will easily be able to export over 10 million tonnes of non-basmati rice compared to 5.04 million tonnes in the previous year," said…

4

US economy surges by record 33.1% in Q3

The U.S. economy rebounded at a record pace of 33.1% in the July-September quarter, unchanged from the first estimate a month ago. But a resurgence in the coronavirus is expected to slow growth sharply in the current quarter with some economists even raising the specter of a double-dip recession. The overall increase in the gross domestic…

5

Kerala, West Bengal opt for Centre's special GST compensation window

Kerala and West Bengal have accepted the Centre's option of a special window for compensation to states for their goods and services tax (GST) shortfall. This has brought the total number of states that have accepted this option to 25. Now there are only three – Punjab, Jharkhand and Chhattisgarh – that are yet to accept. Three Union Territories – Delhi, Jammu and Kashmir and Puducherry – have also decided in favour of the special window facilitated by the Centre…

6

Cabinet approves Rs 2,480 crore FDI in ATC Telecom

The Cabinet Committee on Economic Affairs (CCEA) on Wednesday approved FDI worth Rs 2,480.92 crore into ATC Telecom Infrastructure Pvt Ltd by ATC Asia pacific PTE limited for a stake of 12.31%. "Today, CCEA allowed FDI by ATC Asia Pacific Ltd to the tune of Rs 2,480 crore,…

7

JSW Cement pushes back IPO plans by two years to December 2022

JSW Cement has pushed back its plans for an initial public offering by two years to around December 2022 due to slowdown and COVID-19 disruptions, a top company official said on Wednesday. The company had already drawn an ambitious plan to expand…

25 November 2020

Company Update | Sector: Financials

Kotak Mahindra Bank

BSE SENSEX	S&P CNX
43,828	12,858

kotak Kotak Mahindra Bank

Stock Info

Bloomberg	KMB IN
Equity Shares (m)	1,907
M.Cap.(INRb)/(USDb)	3687.3 / 51.5
52-Week Range (INR)	1948 / 1000
1, 6, 12 Rel. Per (%)	27/18/9
12M Avg Val (INR M)	7380
Free float (%)	74.0

Financials Snapshot (INR b)

Y/E March	FY20	FY21E	FY22E
NII	135.0	156.0	174.0
OP	100.2	120.0	132.5
NP	59.5	69.9	82.6
NIM (%)	4.3	4.4	4.4
EPS (INR)	31.1	35.9	41.8
EPS Gr. (%)	22.0	15.4	16.2
ABV (INR)	234.2	290.2	325.3
Cons. BV (INR)	348.3	385.3	442.6
Ratios			
RoE (%)	13.1	12.6	12.4
RoA (%)	1.8	1.8	2.0
Valuations			
P/BV (x) (Cons.)	5.3	4.8	4.2
P/ABV (x)	5.8	4.7	4.2
P/E (x)	43.4	37.6	32.4

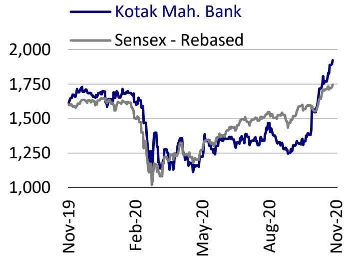
*Price adjusted for value of subs

Shareholding pattern (%)

As On	Sep-20	Jun-20	Sep-19
Promoter	26.1	26.1	30.0
DII	15.3	15.3	12.3
FII	42.2	42.2	40.2
Others	16.5	16.5	17.6

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR1,862 TP: INR1,800 (-3%) Downgrade to Neutral

Risk-reward unfavorable after sharp outperformance

Valuations at 17% premium to five-year average; downgrade to Neutral

- **KMB has delivered 32% returns since our Oct'20 upgrade, resulting in a sharp expansion in trading multiple to 4.2x FY22E ABV – a 17% premium to its five year average multiple. The sharp outperformance in the stock (aided by MSCI inclusion) when seen in the context of growth outlook and return ratios (average RoE of 12.7% over FY21-23E) drives us to downgrade our rating to Neutral.**
- **During 2HFY19-2HFY21, KMB delivered tepid loan growth (5% CAGR, 3% excluding ECLG linked loans). The management expects an improvement in asset growth after doing an exemplary job in building a robust liability franchise. We currently estimate loan growth to sustain at 12% CAGR over FY21-23E.**
- **Asset quality metrics have improved as collection efficiency improved to mid-90s in Sep'20. The management remains confident on the quantum of its COVID-19 provisions (62bp of loans). We thus factor in a credit cost of 1.2% for FY21E, which will gradually decline to 0.7% by FY23E as PCR has improved sharply to 76%.**
- **KMB has delivered 18%/19%/21% CAGR in BV over the past 3/5/10 years owing to successive capital raises. However, with Tier I at 22.8% (highest in the past decade), modest growth trajectory and no further requirement to dilute as the promoter holding issue is already settled, we estimate BV to compound at 13% CAGR over FY21-23E. We, thus, downgrade our rating to Neutral and revise our TP to INR1,800/share (3.6x Sep'22E ABV + value its subsidiaries at INR511/share).**

Loan book grew at 5% CAGR over the past two years; estimate 12% CAGR over FY21-23E

During 2HFY19-2HFY21, KMB delivered tepid loan growth (5% CAGR, 3% excluding ECLG-linked loans) v/s 18% for HDFCB and 8-12% for its peers. The management expects an improvement in asset growth after doing an exemplary job in building a robust liability franchise. We expect loan growth to sustain at 12% CAGR over FY21-23E.

Robust liability franchise; best-in-class funding cost to enable growth opportunities

The bank has significantly lowered its cost of funds (CoF) to 3.8% (decline of 140bp YoY) – the lowest among its peers – aided by a sharp reduction in its savings and term deposit (TD) rates. KMB inarguably has the best-in-class liability franchise, with a CASA mix of 57%. While lower CoF enables the bank to pursue wider lending opportunities at competitive rates, we expect overall loan growth to remain modest given bank's historically conservative underwriting approach. The management said it is not looking to further reduce deposit rates in the near term and so we expect margin to remain steady ~4.5-4.6%.

Asset quality outlook stable; disbursals under ECLG remain high

KMB has maintained pristine asset quality over the past decade, avoiding bulk of the stress which the banking system has witnessed, resulting in controlled NPA ratios. Even its moratorium book was one of the lowest, while collection efficiency improved to mid-90s in Sep'20. We expect asset quality to remain stable. The bank has a fairly high proportion of loans disbursed under the ECLG scheme at INR81b (4% of loans v/s 1-1.5% for its other large peers), while provision cushion stands at INR12.7b (0.6% of loans). We are factoring in a credit cost of 1.2% for FY21E, which will gradually decline to 0.7% by FY23E.

BV compounding to moderate; estimate average RoE of 12.7% over FY21-23E

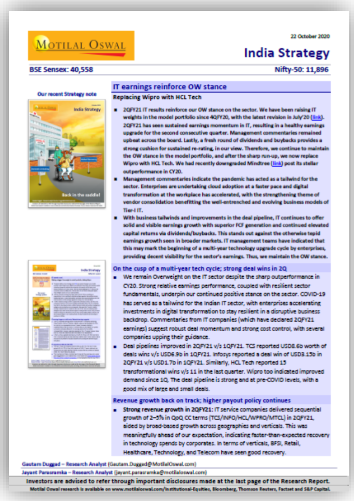
PAT has grown at 19% CAGR over FY15-20, enabling it to maintain strong profitability, aided by strong control on asset quality, which kept credit costs in check. However, return ratios, particularly RoE, have been modest (11-13% range), impacted by higher capitalization levels which the bank has always carried. We estimate PPOP/PAT to grow at 15%/19% CAGR over FY20-23E, with FY23E RoA/RoE of 2.1%/13.2%. KMB has delivered 18%/19%/21% CAGR in BV over the past 3/5/10 years owing to successive capital raises. With Tier I at 22.8% (highest in the past decade), modest growth trajectory and no further requirement to dilute as the promoter holding issue is already settled, we estimate BV to compound at 13% CAGR over FY21-23E.

Valuations expensive after a sharp rally; downgrade to Neutral

KMB has delivered a 32% return since our Oct'20 upgrade, resulting in a sharp expansion in trading multiples to 4.2x FY22E ABV – a 17% premium to its five-year average trading multiple. The sharp stock outperformance (aided by MSCI inclusion) when seen in context of growth outlook and return ratios (average RoE of 12.7% over FY21-23E) drives us to **downgrade our rating to Neutral** and revise our TP to INR1,800/share (3.6x Sep'22E ABV + value its subsidiaries at INR511/share). Mr. Uday Kotak's current term as MD and CEO ends on 31st December 2020 and is due for renewal. However one need to closely watch out for the final RBI guidelines on top management continuity given RBI's intent (as per its discussion paper) to limit the tenure of a promoter & professional CEO, as this may have a bearing on succession planning at the bank.

Refer to our Sep'20 Quarter Review

Our recent Strategy notes



Corporate India doubles down on cost control!

Analyzing costs in greater detail; margin expansion to moderate in 2HFY21

- In the recently concluded 2QFY21 results, both Nifty and the MOSL Universe reported broad-based earnings beat, leading to healthy 9-10% earnings upgrades in FY21 estimates for both sets of aggregates. A detailed analysis of 2QFY21 earnings can be found here.
- One of the key and defining features of this performance was the better-than-expected focus on cost mitigation measures, apart from demand recovery and a healthy tailwind from gross margin expansion.
- In this note, we analyze the cost components in slightly greater detail and highlight various elements pertaining to these.

2QFY21 was an optimum combination of gross margin expansion and operating cost reduction

- In 2QFY21, for the MOFSL Coverage Universe, despite 7% YoY decline in revenues, EBITDA posted healthy 9% growth v/s the expectation of a flattish YoY performance. All key sectors, barring Capital Goods and Utilities, reported operating margin expansion. Ex-Financials, Nifty reported 310bps YoY EBITDA margin expansion to 19.8%; MOSL-ex-Financials reported 320bps YoY expansion to 19.4%.
- Thus, operating costs for our Universe declined 11% YoY. Within the operating cost bucket, other expenses declined 8% YoY, pointing toward continued cost control initiatives implemented by companies. Cement (-10%), Automobiles (-11%), Technology (-14%), and Oil & Gas (-21%) YoY have been the key sectors to report double-digit decline in other expenditure. Utilities (+18%), Retail (+4%), and Banks (+4%) YoY have seen an increase in other expenditure over the same period.
- RM tailwind and demand recovery, coupled with better pricing power owing to supply constraints and lower discounts, resulted in sharp gross margin expansion for our Universe. The gross margin for MOSL Universe (129 companies, ex-BFSI, IT, and Telecom) expanded 600bps YoY to 42%. Cyclical and commodities such as Metals and Oil & Gas saw a maximum of 850bps and 490bps gross margin expansion YoY, respectively. The Retail, Consumer, and Automobile sectors have seen 280bps, 100bps, and 50bps contraction, respectively, in gross margins YoY.

Other cost elements of P&L see a marginal rise

- While gross margin expansion and overhead cost reduction clearly propelled operating margin expansion, other elements of P&L costs saw a marginal rise. Staff costs expanded a modest 4% YoY for our MOFSL Universe companies. Sectors that have seen a staff cost increase include Consumer (+9%), Utilities (+9%), Banks (+9%), Healthcare (+8%), Oil and Gas (+8%) and IT (4%). Sectors that saw YoY contraction in employee costs are Media (-21%), Retail (-20%), Cement (-6%), and Metals (-5%).

- As normalcy returned and new launch/re-launch activity gained momentum, advertising costs for the MOSL Consumer Universe rebounded to 9.3% of sales in 2QFY21 from 7.1% in 1QFY21, but were still down v/s 10.5% in 2QFY20.

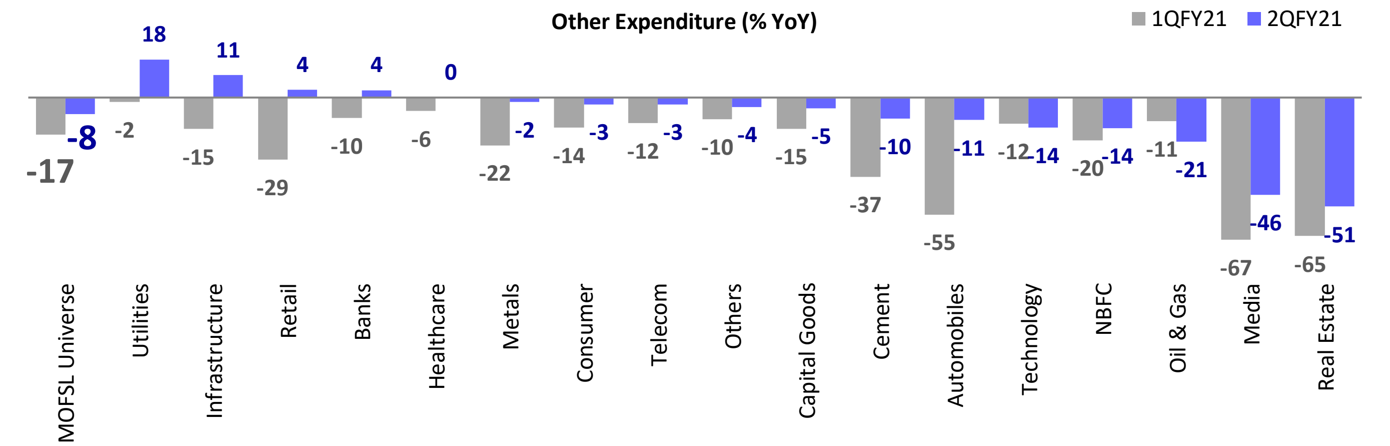
34 Nifty-50 companies have seen EBITDA margin expansion

- 34 out of 50 companies in the Nifty Universe have seen EBITDA margin expansion, while 16 companies have reported EBITDA margin contraction.
- JSW Steel, Divi's Lab, IOC, Ultratech Cement and Sun Pharma have seen expansion of 910bps, 790bps, 690bps, 610bps and 600bps YoY, respectively, in EBITDA margins.
- Coal India, ONGC, Titan, ITC and Eicher Motors, on the other hand, have posted a contraction of 480bps, 440bps, 430bps, 280bps and 240bps YoY, respectively, in EBITDA margins.

Pace of margin expansion to moderate in 2HFY21

- After the sharp beat on costs and faster-than-expected demand recovery, FY21E earnings for the MOSL Universe and Nifty saw upgrades of 11% and 9%, respectively.
- Going forward, we expect some elements of P&L costs to make a comeback as the economy opens up more and travel cost and other overheads gradually return. Also, RM costs are going up sequentially for several sectors (Consumer, Auto, and Cement).
- Also, cost reduction has been factored in, and consequently, there is limited room for surprise now, in our view. We now build in 140bps and 110bps EBITDA margin expansion to 18.2% and 17.4% for Nifty-ex-Financials for 3QFY21E and 4QFY21E, respectively.
- For the MOSL Universe-ex-Financials, operating margin expansion is expected at 190bps and 220bps to 18.1% and 17.6% for 3QFY21E and 4QFY21E, respectively, v/s 19.4% in 2QFY21.

Two consecutive quarters of overhead cost reduction across sector in MOSL Universe



Source: MOFSL, Note: The Universe includes data for 179 companies

Government investments fall by one-third in 2QFY21

Aggregate fiscal deficit at ~15% of GDP in 1HFY21

- **Based on the monthly accounts available for 15 states (together accounting for ~68% of all states), total receipts of states declined 17.9% YoY in 2QFY21, while total spending contracted 12.1% YoY during the quarter. Accordingly, states' fiscal deficit increased to INR1.5t in 2QFY21 and INR3.6t (or ~4.2% of GDP[1]) in 1HFY21.**
- **Details suggest the states' total tax receipts (including the center's devolution) fell 12.1% YoY, non-tax revenue receipts shrank 21.2% YoY, and grants from the center declined 31.3% YoY in the second quarter of FY21. Within states' own taxes, collections of stamp duties and registration charges declined only marginally at ~1% YoY in 2QFY21.**
- **States' revenue expenditure declined 9.3% YoY in 2QFY21, following growth of 10.6% YoY in 1QFY21. States' capital spending (including loans and advances) contracted 30% YoY last quarter, following decline of 49% YoY in the previous quarter, marking the fifth contraction in the past six quarters. Further details suggest that while interest payments grew 2.3% YoY, salaries and wages (based on 13 states) fell 1.1% and pensions shrank 16.6% YoY in 2QFY21.**
- **A state-wise analysis suggests that of 15 states, only Haryana (HR) posted fiscal surplus in 2QFY21, while it was almost balanced for Odisha (OD). However, OD was the only state to post fiscal surplus in 1HFY21. On the other hand, fiscal deficit was the highest for Andhra Pradesh (AP) at ~92% of actual receipts, followed by Rajasthan (RJ) at 44% of receipts in 2QFY21. AP's fiscal deficit was 123% of receipts in 1HFY21, followed by Kerala (KL) at 85% and Telangana (TS) at 68%.**
- **Finally, when we combine the finances of the central government and states (adjusting for grants from center to states), we find that total receipts declined 19.3% YoY, while total spending by the general government contracted 10.5% YoY in 2QFY21. Within spending, while capital spending fell 34.1% YoY last quarter, the general government's revenue spending also fell 5.9% YoY in 2QFY21, marking the first contraction in a decade (for which quarterly data is available).**
- **All in all, with government capex declining sharply, corporate capex likely to have remained weak and household investments improving in 2QFY21, India's total investments may have declined by 15–20% YoY in the quarter, following a 47% YoY drop in 1QFY21. Also, although combined spending by the governments contracted by a record 10.5% YoY in 2QFY21 and 2.9% YoY in 1HFY21, widening of the fiscal deficit to ~15% of GDP[1] in 1HFY21 from 8.6% of GDP in 1HFY20 is almost entirely on account of a collapse in receipts (down 28% YoY in 1HFY21) and weak GDP.**

In this note, we analyze the finances of 15 states up to Sep'20, which together account for ~68% of all states. These include: Andhra Pradesh (AP), Chhattisgarh (CT), Gujarat (GJ), Haryana (HR), Himachal Pradesh (HP), Jharkhand (JH), Karnataka (KA), Kerala (KL), Madhya Pradesh (MP), Odisha (OD), Rajasthan (RJ), Tamil Nadu (TN), Telangana (TS), Uttar Pradesh (UP), and Uttarakhand (UK).

States' fiscal deficit was 4.2% of GDP[1] in 1HFY21, while the combined fiscal deficit of the general government was ~15% of GDP[1]

States' receipts fell 18% YoY and spending declined at a record 12% YoY in 2QFY21: Based on the data of 15 states, the total receipts of all states[2] declined 17.9% YoY in 2QFY21, marking the third consecutive fall. On the other hand, total spending contracted 12.1% YoY last quarter, following growth of 3.6% in 1QFY21 *(Exhibit 1)*.

Aggregate fiscal deficit was at 15% of GDP in 1HFY21: Accordingly, states' fiscal deficit was INR1.5t in 2QFY21 and INR3.6t (or ~4.2% of GDP[1]) in 1HFY21. Combining it with the center's fiscal deficit, this suggests the aggregate fiscal deficit widened to ~15% of GDP in 1HFY21 from 8.6% in 1HFY20 *(Exhibit 2)*.

[1] Assuming a decline of 5.6% YoY in nominal GDP in 2QFY21
[2] Estimated using the share of 15 states in all states in the past two years. Please see *Exhibit 10-12* in ***Appendix 1*** at the end of the report for state-wise details on the total receipts and spending

Siemens

BSE SENSEX	S&P CNX
43,828	12,858

Conference Call Details

Date: 27th November 2020
Time: 11:00 am
Dial-in details: Registration required

Financials & Valuations (INR b)

Y/E Sep	2020	2021E	2022E
Sales	98.7	132.9	146.0
EBITDA	9.9	14.7	16.3
PAT	7.6	11.9	13.3
EBITDA (%)	10.0	11.1	11.2
EPS (INR)	21.3	33.4	37.3
EPS Gr. (%)	-32.6	57.1	11.5
BV/Sh. (INR)	266.1	291.5	319.8
Ratios			
Net D/E	-0.6	-0.6	-0.6
RoE (%)	8.0	11.5	11.7
RoCE (%)	8.4	12.0	12.1
Payout (%)	20.0	20.0	20.0
Valuations			
P/E (x)	64.0	40.8	36.6
P/BV (x)	5.1	4.7	4.3
EV/EBITDA (x)	43.4	28.8	25.5
Div Yield (%)	0.5	0.5	0.5
FCF Yield (%)	2.0	1.7	2.7

CMP: INR1362 — Neutral

Strong beat on profitability

4QFY20 snapshot:

- Revenue declined 9% YoY to INR35.2b, 7% above our estimate.
- EBITDA was up a strong 6% YoY to INR4.5b, **54% above our estimate**.
- **The EBITDA margin came in at 12.9% (up 180bp YoY), largely led by a 210bp YoY expansion in gross margins.**
- PBT was down 13% YoY to INR4.5b on lower other income and higher depreciation.
- Effective tax rate stood at 25.2% (v/s 31.5% YoY).
- **Adj. PAT was down 5% YoY to INR3.3b (44% above our estimate).**
- **Order inflows were up 9% YoY to INR32.2b.**
- The board has recommended a dividend payout of INR7/share.

FY20 snapshot:

- Revenue declined 24% YoY to INR98.7b. EBITDA declined 35% YoY to INR9.9b. The EBITDA margin stood at 10% (v/s 11.6% YoY). Adj. PAT was down 33% YoY to INR7.6b. **OCF stood at INR6.8b (v/s INR12.1b in FY19), and FCF stood at INR6.6b (v/s INR11.1b in FY19)**.

4QFY20 segmental snapshot: (a) Energy: Revenue was down 5% YoY to INR15.8b. The EBIT margin stood at 12.1% (up 140bp YoY). **(b) Smart Infrastructure:** Revenues were down 15% YoY to INR9.2b. The EBIT margin stood at 10.6% (up 110bp YoY). **(c) Mobility:** Revenues were down 16% YoY to INR3b. The EBIT margin stood at 13.8% (up 330bp YoY). **(d) Digital industries:** Revenues were down 12% YoY to INR6.3b. The EBIT margin stood flat YoY at 7.9%. **(e) Portfolio of companies:** Revenues were up 4% YoY to INR1.3b. The EBIT margin stood at 8.5% (v/s 1.4% YoY). Results have been restated post the sale of the Mechanical Drives business.

Quarterly Performance (INR m)

Y/E September	FY19				FY20				FY19	FY20	MOSLe	Var %
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	
Total Revenues	28,071	31,192	31,984	38,758	26,686	24,744	12,074	35,190	1,30,005	98,694	32,991	7%
Change (%)	15.5	-5.0	4.1	-1.6	-4.9	-20.7	-62.2	-9.2	2.2	-24.1	-20.1	
EBITDA	3,065	4,230	3,537	4,283	3,365	2,018	-9	4,529	15,115	9,903	2,950	54%
Change (%)	12.5	31.0	17.0	2.3	9.8	-52.3	-100.3	5.7	14.8	-34.5	-27.3	
As % of Revenues	10.9	13.6	11.1	11.1	12.6	8.2	-0.1	12.9	11.6	10.0	8.9	
Depreciation	532	429	512	507	611	598	665	630	1,980	2,504	727	
Interest	2	22	2	86	77	109	48	58	112	292	63	
Other Income	877	824	825	1,414	855	808	822	614	3,940	3,099	941	
Extra-ordinary Items	0	-172	0	-190	0	193	-147	-55	-362	-9	0	
PBT	3,408	4,603	3,848	5,104	3,532	2,119	100	4,455	16,963	10,206	3,102	44%
Tax	1,128	1,629	1,367	1,608	905	604	-1	1,124	5,732	2,632	791	
Effective Tax Rate (%)	33.1	35.4	35.5	31.5	25.6	28.5	-1.0	25.2	33.8	25.8	25.5	
Reported PAT	2,280	2,802	2,481	3,306	2,627	1,708	-46	3,276	10,869	7,565	2,310	42%
Adjusted PAT	2,280	2,974	2,481	3,496	2,627	1,515	101	3,331	11,231	7,574	2,310	44%
Change (%)	19.7	35.4	21.4	25.2	15.2	-49.1	-95.9	-4.7	25.6	-32.6	-30.1	

SpiceJet: Demand pick up has been significant & on investment in SpiceHealth; Ajay Singh, CMD & Avani Singh, CEO – SpiceHealth

- Brought down cash burn rate to ₹1 cr/day in Jul-Sep, to bring reduce it further in Oct-Dec
- Business travel is tougher. Holiday demand should pick up in next few days
- Might postpone London plans due to lockdown in UK
- Once the pandemic is over, would like to get involved in Vaccination efforts through Mobile laboratories
- SpiceHealth is a personal investment, will initially invest around Rs. 50-100cr
- Have 5 RT-PCR test labs ready. Costs Rs. 499 and results within 6 hours
- Plan to setup such labs in congested parts of the country. Hope to add 10 labs by November end
- Aim to scale up to 100 RT-PCR labs eventually

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Hospitality Industry: On Impact of new travel advisory issued by Maharashtra govt. & business recovery as economy further picks up; Chalet Hotels: Sanjay Sethi, MD & CEO

- Don’t foresee much of an impact. In fact, people will prefer staycations in Mumbai & Pune, so will see an uptick in demand
- Occupancy was 19% in Sept’20, 26% in Oct’20 & see similar growth till December. Pan India we may be at ~30%. Seeing MoM improvement in occupancies
- Seeing good traction from weddings, corporate project based groups, seafarers
- JW Marriot & Sahara witnessing 80-85% occupancy currently due to seafarers
- 4% growth in Q2 QoQ in ADRs, similar growth in Q3. Focus is to improve occupancy, so Rates will grow but occupancy will grow faster

Sarovar Hotels & Resorts: Ajay Bakaya, MD

- Have not faced cancellations as bookings are not done in advance other than for weddings
- There might be a 10% impact of the new rules as we have 8 properties in Maharashtra of which 6 are in Mumbai
- Expect such measures in different states in different periods of time
- Occupancy was 25% in Sept’20 across our 95 hotels, 33% in Oct’20 & will probably end at 36% in Nov’20. By January we should be at 50% across sites
- ~30% below pre-COVID levels w.r.t. ADRs. Seeing leisure picking up faster

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Real Estate Sector: On demand trends and outlook

Sobha: JC Sharma, VC & MD

- Expects third quarter to be better than second quarter and second half of current fiscal to better than second half of previous fiscal
- Bengaluru is the best performing market right now; Kochi & Gurugram also doing well
- Expects double-digit growth in realizations
- Liquidity concerns still remain for most developers
- Prices haven't increased; discounts have come down

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Godrej Properties: Mohit Malhotra, MD & CEO

- Stamp duty and lower interest rates helping overall demand
- Demand uptick continues in Q3
- Lot of demand coming out of digital channels
- Expects some growth compared to last year
- Prices to remain stagnant; expects prices to not go up immediately

Runwal Group: Sandeep Runwal, Director

- Launches far lower in this pandemic than at any given point of time
- Customers and the system worried about ongoing projects because of liquidity concerns for most of the developers
- Bengaluru is the best performing real estate market. Kochi & Gurugram too are doing well
- Prices haven't increased, but discounts have come down

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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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