Market snapshot

Equities - India	Close	Chg .%	CY20.%
Sensex	48,177	0.6	16.6
Nifty-50	14,133	0.8	16.0
Nifty-M 100	21,389	1.4	24.8
Equities-Global	**Close**	**Chg .%**	**CY20.%**
S&P 500	3,701	-1.5	13.6
Nasdaq	12,698	-1.5	39.7
FTSE 100	6,572	1.7	-13.6
DAX	13,727	0.1	2.5
Hang Seng	10,723	-0.1	-5.3
Nikkei 225	27,258	-0.7	15.2
Commodities	**Close**	**Chg .%**	**CY20.%**
Brent (US$/Bbl)	50	-2.3	-24.6
Gold ($/OZ)	1,943	2.3	28.1
Cu (US$/MT)	7,844	1.2	27.3
Almn (US$/MT)	2,028	2.8	14.3
Currency	**Close**	**Chg .%**	**CY20.%**
USD/INR	73.0	-0.2	2.5
USD/EUR	1.2	0.3	9.2
USD/JPY	103.1	-0.1	-5.2
YIELD (%)	**Close**	**1MChg**	**CY20 chg**
10 Yrs G-Sec	5.8	-0.05	-0.7
10 Yrs AAA Corp	6.6	-0.05	-1.1
Flows (USD b)	**4-Jan**	**MTD**	**CY21**
FIIs	0.25	0.41	0.16
DIIs	-0.10	-0.09	0.01
Volumes (INRb)	**4-Jan**	**MTD***	**YTD***
Cash	680	564	564
F&O	24,112	16,971	16,971

Note: *Average

Today's top research idea

Varun Beverages - Initiating Coverage: Safe and bottled!

Pure monopoly in PepsiCo's India business

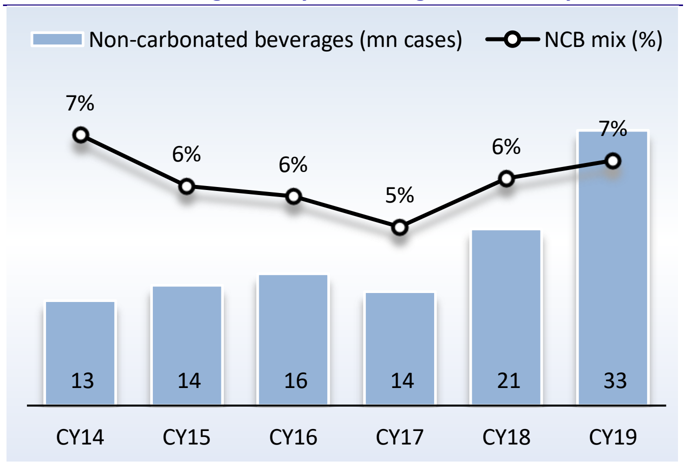
- VBL is PepsiCo's second-largest bottler (outside the US) and its link with PepsiCo provides it with long-term growth sustainability. Its robust distribution and supply-chain network should improve its market share in newly acquired territories and push volume growth.
- The company is diversifying its product portfolio with the commencement of the new Tropicana plant in Pathankot, which is expected to reduce revenue concentration risk and improve margin.
- Inorganic expansion in the Water segment and increasing share of the international business should help it diversify further. Increasing electrification per household in rural and semi-rural areas, growing refrigeration penetration, and rising per capita income, would drive overall consumption of beverages.
- VBL is poised to gain market share from the consolidation in new territories. Surplus capacity provides enough headroom to meet increasing demand without additional capex. Higher sweating of assets should further improve its operating profit.

Research covered

Cos/Sector	Key Highlights
Varun Beverages (Initiating Coverage)	Safe and bottled!
Jindal Steel and Power	Gare Palma win to turnaround JPL's operations
HDFC	Disbursement traction robust
Bajaj Finance	Uptick in disbursements; decline in liquidity on the books
Marico: 3QFY21 update	Strong performance across the portfolio; outlook encouraging

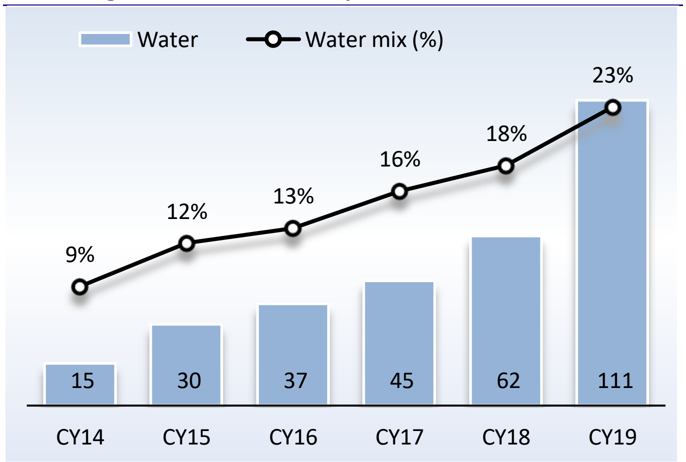
Chart of the Day | Varun Beverages: Safe and bottled!

NCB volume share gradually increasing in the last 3 years



Source: Company, MOFSL

Water segment share sees sharp increase



Source: Company, MOFSL

Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

UK PM Boris Johnson Announces England-Wide Lockdown

Nearly 56 million people in England will return to a full coronavirus lockdown, possibly until mid-February, to try to cut spiralling infection rates, Prime Minister Boris Johnson said on Monday…

2

Fiat Chrysler to invest $250 mln in India unit to launch new SUVs

Fiat Chrysler Automobiles NV (FCA) said on Tuesday it will invest $250 million to grow its presence in India with the launch of four new sport-utility vehicles (SUVs) under its Jeep brand over the next two years. The investment will be made to locally manufacture a mid-size, three-row SUV, assemble the Jeep Wrangler and Jeep Cherokee vehicles in the country and launch a new version of its Jeep Compass SUV, FCA said in a statement.

3

Rupee rises to highest level in four months against US dollar

Indian rupee today jumped against against the US dollar, tracking a broader weakness in greenback and higher domestic equity markets. Rupee rose to a four-month high of 72.84 against the US dollar as compared to previous close of 73.12…

4

DoT calls meet on spectrum allocation roadmap; telcos, Apple, Google, FB among those to attend

The Department of Telecommunications (DoT) will meet diverse industry stakeholders, including telcos, global tech companies such as Google, Facebook and Apple, and network vendors Wednesday…

5

GST compensation shortfall: Govt releases 10th installment of ₹6,000 cr loan to states

The Ministry of Finance (MoF) on Monday released the tenth weekly installment of ₹6,000 crore to the states to meet the Goods and Services Tax (GST) compensation shortfall. In a statement, the Finance Ministry said that out of this amount, a sum of ₹5,516.60 crore has been released to 23 states and an amount of ₹483.40 crore has been released to the three Union Territories (UT) with Legislative Assembly (Delhi, Jammu & Kashmir and Puducherry), which are members of the GST Council…

6

Tamil Nadu allows cinema theatres to run with 100% capacity

Tamil Nadu has become the first state in the country to allow movie screenings at a 100% capacity since lockdown. In a major relief to the cinema exhibition sector…

7

Gujarat textile industry sees jump in export orders

After an increase in purchases by domestic buyers, the textile industry in Gujarat is now witnessing encouraging export demand from Europe, USA, Australia and New Zealand…

Varun Beverages

BSE Sensex	S&P CNX
47,354	13,873

CMP: INR909 TP: INR1,100 (+21%) Buy

Stock Info

Bloomberg	VBL IN
Equity Shares (m)	289
M.Cap.(INRb)/(USDb)	259 / 3.6
52-Week Range (INR)	999 / 485
1, 6, 12 Rel. Per (%)	-5/-3/15
12M Avg Val (INR M)	182
Free float (%)	32.0

Financials & Valuations (INR b)

Y/E Dec	CY20E	CY21E	CY22E
Sales	63.7	87.7	101.3
EBITDA	11.9	17.7	21.8
PAT	3.8	6.9	10.5
EBITDA (%)	18.6	20.2	21.5
EPS (INR)	13.2	23.8	36.2
EPS Gr. (%)	-18.8	80.4	52.2
BV/Sh. (INR)	123.5	144.3	177.4
Ratios			
Net D/E	0.8	0.5	0.3
RoE (%)	11.0	17.8	22.5
RoCE (%)	10.1	13.6	18.5
Payout (%)	24.9	12.4	8.8
Valuations			
P/E (x)	68.9	38.2	25.1
EV/EBITDA (x)	24.6	16.2	12.7
Div Yield (%)	0.3	0.3	0.3
FCF Yield (%)	2.7	3.5	4.6

Shareholding pattern (%)

As On	Sep-20	Jun-20	Sep-19
Promoter	68.4	66.4	66.4
DII	6.4	6.4	6.0
FII	19.2	20.5	20.8
Others	6.0	6.7	6.9

FII Includes depository receipts

Varun Beverages (VBL) is engaged in the manufacture, sale, bottling, and distribution of PepsiCo's beverages in pre-defined territories in India (27 states and seven Union Territories). Its India operations contributed ~82% to CY19 revenue. The company is also present in Sri Lanka, Nepal, Morocco, Zambia, and Zimbabwe.

Safe and bottled!

Pure monopoly in PepsiCo's India business

- **VBL is PepsiCo's second-largest bottler outside the US and handles over 80% of the cola giant's India business. While its link with PepsiCo provides it with long-term growth sustainability, robust distribution and supply-chain network should improve its market share in newly acquired territories and push volume growth.**
- **The company is diversifying its product portfolio with the commencement of the new *Tropicana* plant in Pathankot. This should help reduce concentration risk and improve margin as realizations in non-carbonated beverages (NCB) are 10% higher than in carbonated soft drinks (CSD). Inorganic expansion in the Water segment and increasing share of the international business should help it diversify further.**
- **Increasing electrification per household in rural and semi-rural areas, growing refrigeration penetration, and rising per capita income, is expected to drive overall consumption of beverages. VBL is poised to gain market share from the consolidation in new territories.**
- **Capacity utilization during peak months (May-June) is barely 60%. This surplus capacity provides enough headroom to meet increasing demand without additional capex. Higher sweating of assets should further improve its operating profit.**
- **We estimate 12%/31% revenue/PAT CAGR over CY19-22E, driven by newly acquired territories and stable operating margin. We value the stock at 30x CY22E EPS of INR36.2 to arrive at our target price of INR1,100. We initiate coverage with a Buy rating.**

Pure monopoly in PepsiCo's India business

VBL single-handedly accounted for ~80% of PepsiCo India's business in CY19 (v/s 45% in CY17) on the back of various expansions and acquisitions in the last few years. Penetration level in the newly acquired territories is comparatively lower compared to existing territories. Replication of existing distribution network model, coupled with supply-chain, should increase penetration in these new territories and help gain incremental market share. The newer geographies (South and West) would also provide consistent volume sustainability in the medium to long term. The company's newly set-up *Tropicana* plant in Pathankot should further boost push volumes as it has acquired the rights to sell and distribute *Tropicana* fruit juices from PepsiCo India.

Improving mix and international presence

Over CY12-19, though the volume share of CSD declined to 71% from 84%, VBL delivered 17% volume CAGR. Blended realization has increased to INR145 from INR138 over CY13-19. Post commencement of operations at its new plant in Pathankot (with a higher focus on the Juice segment), VBL's revenue share from NCB should improve, thereby reducing revenue concentration from CSD alone. Several inorganic international expansions by the company over CY12-19 has resulted in the share of the Water segment rising to 23% from 9%. The same is expected to grow further. International operations, which now account for 18% of total volumes (up 400bp over the last six years), is bound to grow further.

Rising electrification to support CSD sales

Increasing electrification in India is expected to increase refrigeration penetration to 48% in CY26E from 30% in CY19. This in turn should drive VBL's sales as most of its products need to be chilled before serving. Also, a) increasing number of hours of undisrupted electricity supply, b) higher dispatches of visi-coolers to distributors and retailers would improve consumption at the point of sale, and c) greater electrification in semi-urban/rural areas (currently contribute ~50% to revenue) are factors that could push sales. Its association of over 28 years with PepsiCo would continue further as the franchisee agreement has been extended from Oct'22 to Apr'39. While PepsiCo's market share as of CY19 was ~35% (consistent so far), it is expected to rise led by increased penetration in newer geographies.

Higher sweating of assets to support growth

Annual capacity utilization of VBL is way lower than its peak season utilization rate of 60% (post consolidation in new territories). With excess surplus capacity in place, the company has enough headroom to grow volumes without needing additional capex. With operations increasing, economies of scale should kick in. It has better negotiating power with its suppliers, especially for key raw materials like sugar and PET polymer granules. After the initial setback in CY20 due to the COVID-19 pandemic, it should maintain its margin.

Initiate coverage with a Buy rating

We expect strong demand traction over the next few years due to: a) VBL being a monopoly play in PepsiCo India's business, b) rising penetration on the back of a robust distribution network, c) diversifying product portfolio, d) greater refrigerator penetration in rural/and semi-rural areas per household and higher power availability hours, and e) increasing discretionary spending per capita. Over CY19-22E, we expect the company to deliver consolidated revenue/EBITDA/PAT CAGR of 12%/15%/31% to INR101b/INR22b/INR10b and generate strong CFO/FCF of INR53.8b/INR34b. Overall debt is expected to reduce to INR15.7b from INR34b, over the same period. VBL's global peers trade at an average P/E of 32x CY20E. Based on future growth potential and the return ratio profile, we value the stock at 30x (in-line with its three year average P/E of 32x) CY22E EPS of INR36.2 to arrive at our target price of INR1,100. We initiate coverage with a **Buy** rating.

4 January 2021
Update | Sector: Metals

Jindal Steel and Power

BSE SENSEX	S&P CNX
48,177	14,133

Bloomberg	JSP IN
Equity Shares (m)	1,020
M.Cap.(INRb)/(USDb)	293.4 / 3.8
52-Week Range (INR)	289 / 62
1, 6, 12 Rel. Per (%)	1/53/51
12M Avg Val (INR M)	2860

Financials & Valuations (INR b)

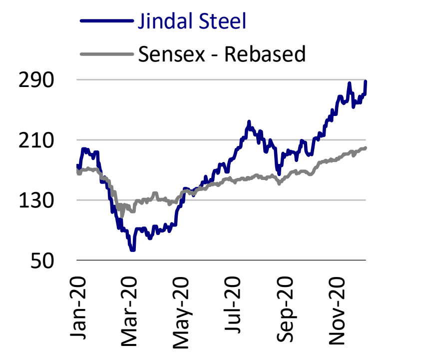
Y/E March	2021E	2022E	2023E
Sales	367.4	377.6	390.3
EBITDA	127.8	108.2	104.4
Adj. PAT	42.6	33.0	36.2
Adj. EPS (INR)	41.7	32.3	35.4
EPS Gr. (%)	-863	-22	10
BV/Sh. (INR)	289	322	357
RoE (%)	13.8	10.6	10.4
RoCE (%)	13.1	11.1	10.1
Payout (%)	0.0	0.0	0.0
Valuations			
P/E (x)	6.9	8.9	8.1
P/BV	1.0	0.9	0.8
EV/EBITDA (x)	4.2	4.5	4.1
Div. Yield (%)	0.0	0.0	0.0

Shareholding pattern (%)

As on	Sep-20	Jun-20	Sep-19
Promoter	60.5	60.5	60.4
DII	13.7	14.0	11.1
FII	12.2	12.0	15.3
Others	13.6	13.5	13.3

FII Includes depository receipts

Stock performance (one-year)



CMP: INR288 TP: INR375 (+30%) Buy

Gare Palma win to turnaround JPL's operations

Adds 14% to EPS and 8% to SoTP

Jindal Power (JPL), a subsidiary of JSP, has been declared the winner of the 6mtpa Gare Palma IV/1 coal block by the Ministry of Coal. This would substitute e-auction coal purchases by JPL, reducing cost by ~INR900/t on volumes of 6mtpa, implying annual savings of INR5.5b. It would increase consolidated EPS by INR4.4/share (14%) and valuation by ~INR27/share (~8%). We expect JPL to be able to operate this block in 6-9 months (i.e. by 3QFY22), which would partly help substitute the operating loss from the exhaustion of Sarda iron ore inventory by 2QFY22. Reiterate Buy on the following:

- **Volume ramp-up continues:** Despite ~22% volume growth, JSP's capacity utilization would still be only 89% in FY21E. It has achieved 100% utilization for the first time in Dec'20, implying potential growth of ~10% in steel volumes to 8mt over the next two years.
- **EBITDA margin to stay strong:** With rebar prices rising 40% over the last two months, we expect JSP to record among its highest ever EBITDA/t of ~INR19,000/t in 2HFY21. Despite factoring in a 20% discount to current steel prices and unavailability of Sarda iron ore inventory from 2HFY22, we expect EBITDA margin to be strong at ~INR13,000/t. This, coupled with volume growth, should drive 14% CAGR in standalone EBITDA over FY20-23E.
- **Turnaround in JPL operations on coal availability:** JPL has been operating at sub-35% PLF levels over the last few years due to lack of PPAs and tight coal supply. With improved coal supply in 3QFY21, its PLF has improved to ~50%. With the availability of cheaper coal from Gare Palma from 2HFY22 onwards, we expect it to operate ~43%/~45% PLF in FY22E/FY23E. We expect 19% EBITDA CAGR over FY20-23E to INR20.3b. We have factored in benefit of ~INR5b p.a. from the Gare Palma coal block from 2HFY22 in our estimates.
- **Deleveraging at comfortable levels, could lead to the start of a new phase of expansion:** Led by strong EBITDA growth, limited capex and Oman divestment proceeds, we estimate JSP's net debt to decline by INR185b (INR181/sh) over FY20-22E to INR194b (INR191/sh), implying a net debt-to-EBITDA of 1.8x. This should give flexibility to JSP to consider expanding its upstream and downstream steel capacity.
- **Valuation remains comfortable:** At the CMP, the stock trades at an attractive 3.5x FY22E EV/EBITDA for the steel business which is a significant discount to peers (Tata Steel and JSW Steel).
- We value JSP on a SoTP-based TP of INR375/sh, based on 5x FY22E EV/ EBITDA for the Steel business and DCF valuation for the Power business.

HDFC

BSE SENSEX	S&P CNX
48,177	14,133

CMP: INR2,579 **Buy**

Disbursement traction robust

Takeaways from pre-quarterly release

- **The strong disbursement trend in the festival season sustained throughout the quarter. Overall individual disbursements grew 26% YoY in 3QFY21 (v/s 22% YoY in October, adjusted for the festival impact). We expect this to translate into low-to-mid-teen AUM growth in individual loans for the quarter.**
- **While loan assignments were muted over the previous two quarters, they reverted to normal levels in 3QFY21. HDFC sold down INR71b worth of loans in the quarter v/s INR43b YoY. We expect the company to report an upfront assignment income of INR2.5–3b from the sell-down. Note that in the prior two fiscals, HDFC sold down ~INR250b worth of loans.**
- **Profit from the sale of investments was INR1.57b. This came from the stake sale in HDFC Life Insurance. HDFC's stake in HDFC Life Insurance now stands at 49.99%, within the mandated regulatory limit of 50%.**
- **The company would incur an ESOP expense of INR1.47b in 3QFY21 (largely in line with estimates).**
- **Dividend income was minimal, given the stance of its subsidiaries and associates to conserve capital.**
- **HDFC remains one of our preferred picks in the sector. We like HDFC's ability to gain profitable market share despite significant competitive pressures. Additionally, contrary to initial expectations, the Real Estate market has seen a swift turnaround. With incremental cost of funds from the capital markets at 5–5.5%, the company would be able to manage spreads despite the sharp cut in home loan yield. HDFC has built in large provision buffers to help it sustain a spike in NPLs in the coming quarters. We expect the company to deliver core RoE of 12–14% over the medium term.**

Stock Info

Bloomberg	HDFC IN
Equity Shares (m)	1,721
M.Cap.(INRb)/(USDb)	4643.3 / 63.3
52-Week Range (INR)	2593 / 1473
1, 6, 12 Rel. Per (%)	8/3/-11
12M Avg Val (INR M)	10856
Free float (%)	100.0

Financials Snapshot (INR b)

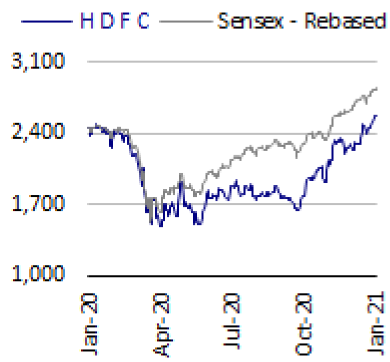
Y/E March	2020	2021E	2022E
Core PPoP	138.4	159.4	180.5
Adj. PAT	96.2	108.2	124.9
Adj. EPS (INR)	49.2	53.6	61.7
EPS Gr. (%)	10.8	8.9	15.2
BV/Sh. (INR)	537.9	620.1	664.4
ABV/Sh. (INR)	399.0	485.5	529.9
Core RoA (%)	1.8	1.8	1.8
Core RoE (%)	13.1	12.3	12.2
Payout (%)	23.7	43.5	43.5
Valuation			
AP/E (x)	31.5	27.0	20.7
P/BV (x)	4.8	4.2	3.9
AP/ABV (x)	3.9	3.0	2.4
Div. Yield (%)	0.8	1.0	1.0

Shareholding pattern (%)

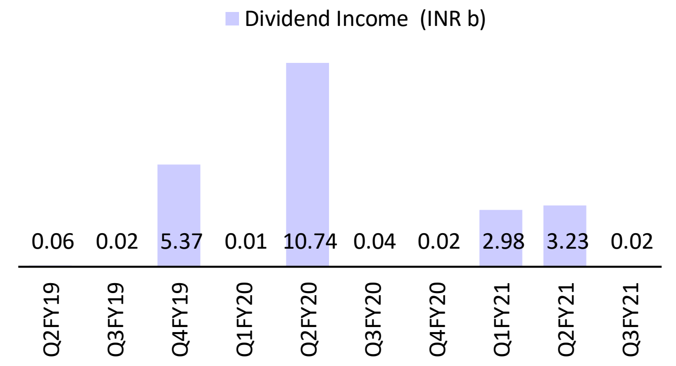
As On	Sep-20	Jun-20	Sep-19
Promoter	0.0	0.0	0.0
DII	18.7	18.5	16.7
FII	70.0	70.2	72.5
Others	11.3	11.3	10.8

FII Includes depository receipts

Stock Performance (1-year)

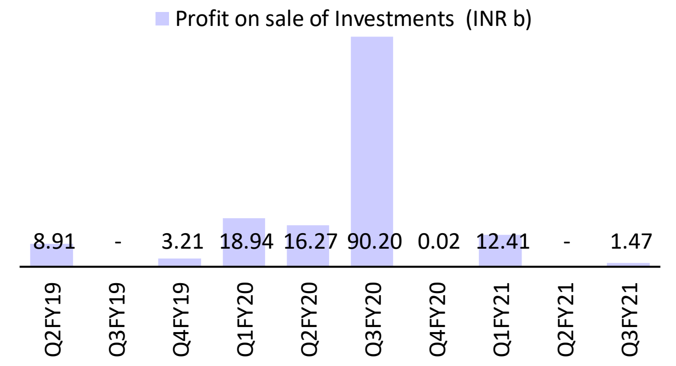


Trend in dividend income



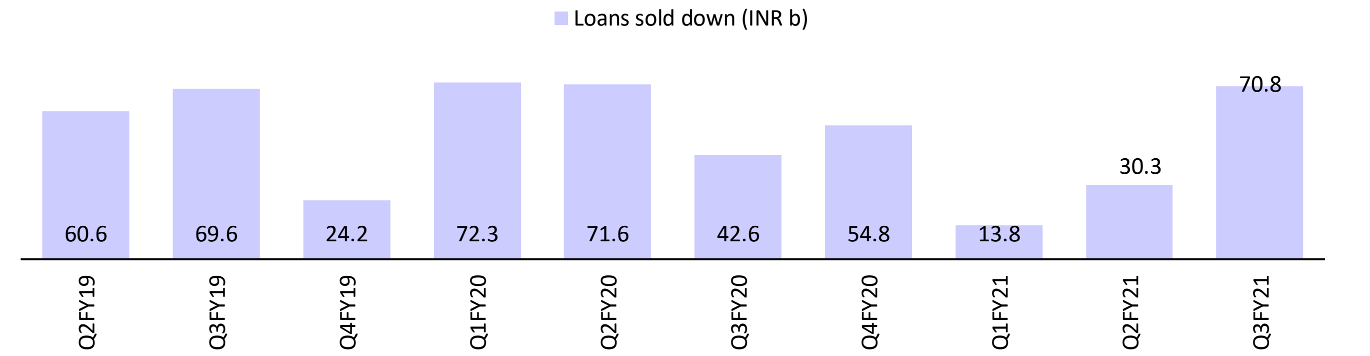
2QFY20 – Special 25yrs celebration dividend from HDFC Bank; Source: MOFSL, Company

HDFCLIFE's stake sale executed in the quarter



3QFY20-Gains recognized on Gruh-Bandhan bank merger; Source: MOFSL, Company

Loans sold down pick up significantly after a modest 1HFY21



Source: MOFSL, Company

Bajaj Finance

BSE SENSEX	S&P CNX
48,177	14,133

Stock Info

Bloomberg	BAF IN
Equity Shares (m)	600
M.Cap.(INRb)/(USDb)	3143.3 / 43.6
52-Week Range (INR)	5373 / 1783
1, 6, 12 Rel. Per (%)	0/44/8
12M Avg Val (INR M)	21161
Free float (%)	43.9

Financials & Valuations (INR b)

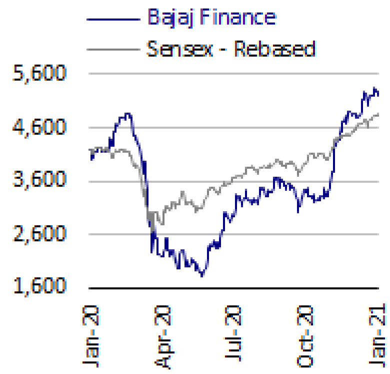
Y/E March	2020	2021E	2022E
Net Income	169.1	178.7	213.4
PPP	112.5	127.3	151.4
PAT	52.6	46.8	84.0
EPS (INR)	87.7	78.0	140.1
EPS Gr. (%)	26.7	-11.1	79.7
BV/Sh. (INR)	540	610	737
Ratios			
NIM (%)	10.5	10.0	10.6
C/I ratio (%)	33.5	28.8	29.0
RoA (%)	3.6	2.8	4.5
RoE (%)	20.2	13.6	20.8
Payout (%)	13.8	10.0	10.0
Valuations			
P/E (x)	59.5	66.9	37.2
P/BV (x)	9.7	8.5	7.1
Div. Yield (%)	0.2	0.1	0.3

Shareholding pattern (%)

As On	Sep-20	Jun-20	Sep-19
Promoter	56.1	56.2	58.3
DII	10.7	10.1	8.6
FII	21.6	21.5	21.0
Others	11.6	12.2	12.1

FII Includes depository receipts

Stock Performance (One-year)

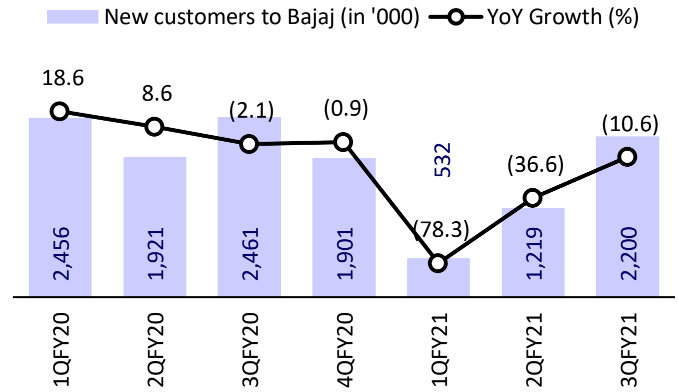


CMP: INR5,216 — Neutral

Uptick in disbursements; decline in liquidity on the books

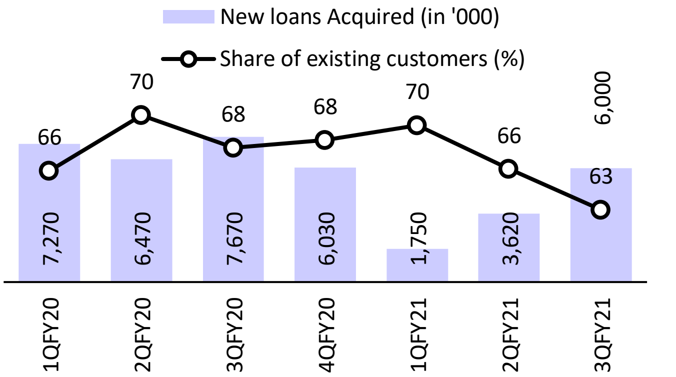
- Bajaj Finance (BAF) had a healthy 3QFY21. The company acquired 2.2m new customers in the quarter (~90% of YoY levels), taking the overall customer base to 46.3m.
- The number of loans disbursed was at ~80% of YoY levels at INR6.6m. As a result, AUM grew ~5% QoQ at INR1.44t (down 1% YoY). We expect the company to have seen healthy traction in consumer B2B loans and mortgage loans and a gradual uptick in consumer B2C, with continued slowdown in SME lending.
- Liquidity on the balance sheet declined 35% QoQ to INR146b (10% of AUM). This would significantly reduce the drag on NII going forward.
- The deposit book grew 10% QoQ to INR238b. Notably, cost of incremental deposits stands at 6–6.5%.
- CRAR remained healthy at 28% as of 3QFY21.
- The gradual increase in disbursement volumes is encouraging. Sequential AUM growth is largely in line with our estimates. With the broader economy reviving, asset quality is likely to fare better than initially expected. This would give the management more confidence to pursue growth opportunities. Margins are likely to expand as the drag from excess liquidity is slowly coming off, coupled with lower cost of funds. With normalization expected from the next fiscal, RoA/RoE is likely to rebound to 4.5%/20%.

Customer additions at ~90% of YoY levels...



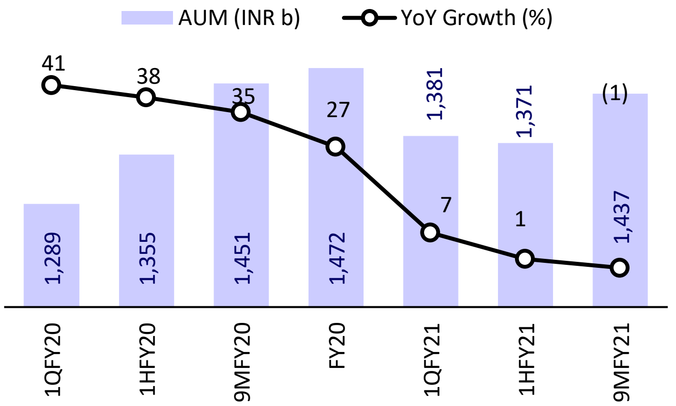
Source: MOFSL, Company

...while disb. volumes at ~80% of YoY levels



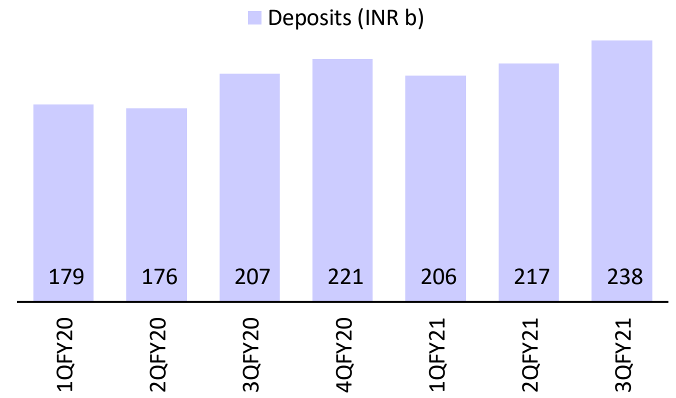
Source: MOFSL, Company

AUM up 5% QoQ



Source: MOFSL, Company

10% QoQ growth in deposit base



Source: MOFSL, Company

Marico

BSE SENSEX	S&P CNX
48,177	14,133

Stock Info

Bloomberg	MRCO IN
Equity Shares (m)	1,290
M.Cap.(INRb)/(USDb)	538.4 / 7.2
52-Week Range (INR)	421 / 234
1, 6, 12 Rel. Per (%)	-1/-17/8
12M Avg Val (INR M)	1104
Free float (%)	40.4

Financials & Valuations (INR b)

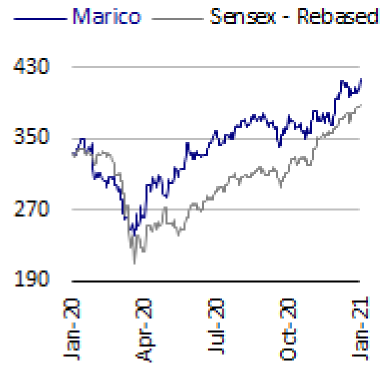
Y/E March	2020	2021E	2022E	2023E
Sales	73.2	75.8	87.1	98.4
Sales Gr. (%)	-0.3	3.6	15.0	13.0
EBITDA	14.7	15.8	18.0	20.5
Margin (%)	20.1	20.9	20.6	20.9
Adj. PAT	10.5	10.9	12.5	14.5
Adj. EPS (INR)	8.1	8.5	9.7	11.2
EPS Gr. (%)	13.4	4.1	14.6	15.8
BV/Sh.(INR)	23.4	30.5	31.4	33.9
Ratios				
RoE (%)	34.9	31.5	31.4	34.5
RoCE (%)	33.0	30.1	29.8	32.4
Payout (%)	98.1	90.4	90.3	78.0
Valuations				
P/E (x)	50.0	48.0	41.9	36.2
P/BV (x)	17.4	13.4	13.0	12.0
EV/EBITDA (x)	35.3	32.3	28.4	24.8
Div. Yield (%)	1.9	1.9	2.2	2.2

Shareholding pattern (%)

As On	Sep-20	Jun-20	Sep-19
Promoter	59.6	59.6	59.6
DII	10.4	10.0	8.8
FII	23.7	23.8	25.0
Others	6.2	6.6	6.6

FII Includes depository receipts

Stock Performance (One-year)



CMP: INR407 TP: INR470 (+15%) Buy

3QFY21 update: Strong performance across the portfolio; outlook encouraging

Highlights from Marico's (MRCO) pre-quarterly update for 3QFY21

Macro view

- There was a faster-than-expected recovery in consumer sentiment aided by the festive season and lower COVID-19 cases. **Rural India continued to perform better than urban**.
- Channel performance:
  - General trade and e-commerce continued to drive growth.
  - Modern trade fared better in 3Q compared to 1HFY21.
  - CSD continued to decline YoY, but improved sequentially.

Domestic business

- Led by an improving consumer sentiment, its India business **registered double-digit volume growth** in 3Q, with revenue growth following suit.
  - Parachute delivered growth ahead of medium-term aspirations.
  - Saffola edible oils continued its growth trajectory with double-digit volume growth.
  - Value Added Hair Oils (VAHO) delivered double-digit volume growth, backed by a sharp broad based recovery across sub-segments.
  - The Foods business registered exponential growth in line with its near-term aspirations on strong performance in base foods and new product launches.
  - Discretionary portfolios saw a steady revival. The Premium Personal Care portfolio witnessing improving trends sequentially, with a modest decline YoY.

International business

- The international business has clocked **high-single digit constant currency (CC) growth**.
- Bangladesh registered double-digit CC growth, while other markets have also recovered.

Costs and margin

- During 3QFY21, MRCO faced inflationary pressures in key raw materials.
- It decided to cut back on some promotions and took effective price increases across *Parachute* and its *Saffola* edible oil portfolio to counteract these inflationary trends.
- The management **expects to deliver healthy profit growth** on the back of various cost optimization initiatives and judicious A&P spends.

Outlook

- MRCO maintains a positive outlook for the rest of FY21, provided the ongoing health crisis and economic situation continues to improve.
- The management remains steadfast in its medium-term aspiration of delivering sustainable and profitable volume-led growth, building on a strong brand equity across core franchisees, and progressively driving and scaling up new growth engines.

Valuation and view

MRCO's resilient product portfolio has delivered an impressive performance across categories, with the domestic business registering double-digit volume growth as consumer sentiment improves across the country. Growth in Parachute is highly encouraging. The Foods and Edible Oils portfolio is likely to continue its growth momentum with a higher consumer focus on health, hygiene, and immunity boosting products. Riding this tailwind, it is launching new products in these categories, the success of which will be critical for medium-term growth (though it has seen limited success so far). Continued rebound in VAHO is a positive surprise and further commentary needs to be watched out for. Outlook on its international business is getting better. While material costs may see a mild inflation, the company is well placed to offset it through price increases and cost optimization. Valuations at 36.2x FY23E EPS appear comfortable for a business that has better earnings visibility over peers. We maintain our **Buy** rating with a TP of INR470/share (43x Dec'22E EPS).

BAJAJ AUTO: Will see difficulty in transportation for few more months; Rakesh Sharma, ED

- Container availability is very difficult right now
- Exports could have been better by 20% had it not been for lack of containers
- December export orders will spill over into January
- There will be more months where we will see difficulty in transportation
- Margin performance has been strong so far despite MEIS withdrawal

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ESCORTS: Expect double-digit growth for industry to continue over next 6 months; Bharat Madan, Group CFO

- Expect double-digit growth for industry to continue over next 6 months
- Expect 15-20% growth for the tractor industry by FY21 end
- Rabi sowing has been strong, outlook is positive
- Pre-buying was seen in December ahead of price hikes expected January onwards
- Have good order book in exports; got an order book of over 1000 tractors

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MAHINDRA & MAHINDRA: See double-digit growth in FY21; huge pipeline of export orders for tractors; Hemant Sikka, President-Farm Equipment

- Looking at 15% growth for the tractor industry in FY21
- We are almost out of stock; have tried to build inventory in December
- M&M will see double-digit growth in FY21; won't be able to show 15% growth in tractors because we are out of stock
- Seeing excellent demand for all of our products
- Company is in process of adding capacities soon
- Will take 3-6 months to regain our market share
- Have a huge pipeline of export orders for tractors; trying to balance domestic and export demand
- We have not seen this level of commodity inflation in a long time
- Expect one more price increase because of impact of inflation

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JSPL: Records highest-ever production in December; targets 7.5 million tonne output in FY21; VR Sharma, MD

- Will be able to do sales of 7.5 mt in FY21
- Have hiked prices by Rs. 1000/tonne today. Total price hike in the range of Rs. 5000-5200/ tonne from Q2 to Q3
- Further price hikes depends on iron ore pricing
- Domestic demand is very high. Do not have capex plans as of now
- Have not bid for Uttam Galva yet

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CADILA HEALTHCARE: Will complete phase III trial for COVID vaccine in 2-3 months; Sharvil Patel, MD-Zydus Group

- Had a very good response to Phase-2 for COVID-19 vaccine
- Phase-3 will be carried on in 60+ sites with 30000 doses; should be able to accomplish phase-3 in next 2-3 months
- Should have efficacy results on the vaccine by Q1FY21
- Have been investing large amount on capacities in last 6-8 months
- Will be able to produce 100-150 m doses of vaccine
- Have signed up with contract manufacturers to ramp-up production of doses
- Have seen good antibody response and safety in COVID vaccine
- Vaccine is stable between 2-8 degrees
- Supply chain is going to be very critical
- Looked at partnering with contract manufacturers to produce for other countries

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