

Emkay Confluence - Ideas for Tomorrow

Refer to important disclosures at the end of this report

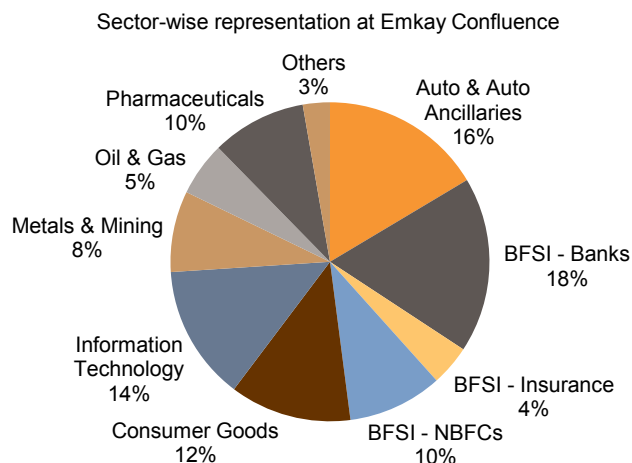
In pursuit of recovery



We appreciate your support in the [Asiamoney Brokers Poll 2020](#)

- **US\$650bn in listed market cap:** Despite being a virtual affair given the prevailing situation, our flagship annual conference turned out as well-attended as last year, with more than 100 companies presenting to investors over six days. We had top managements representing over US\$650bn in market cap - cutting across all market-cap buckets and spread across diverse sectors. The most in demand were companies from the Building materials and Auto sectors (unlike FMCG and BFSI last year!).
- **How near is the recovery?** While all companies agreed the worst is behind on economic activity, the views on the pace of recovery differed over a mix of timeframes. Most banks believe that meaningful credit growth recovery is likely only after 18 months, while near-term uncertainty on asset quality remains. Insurance companies are affected by the overall drop in demand for their savings proxies and weak credit growth (for Credit Protect products). The Auto sector is more optimistic of an earlier recovery (as early as the current quarter), based on healthy rural demand, new product launches and some help from exports. IT services companies are looking at strong deal pipelines but the conversion timeline is uncertain. Cement and Building material companies have seen some recovery over the last couple of months already, with healthy pricing trends expected to continue. OMCs/gas/petchem business levels appear to be reaching normalcy quite quickly. Pharma and Agro-chem companies shrugged off any hints of Covid-19 disruption, with the latter expecting growth north of 15% yoy in FY21. Overall, we did come across some pockets of a 'second dip' in July, with a second wave of lockdowns in some cities. However, activity levels seem to be back to pre-Covid-19 levels in Agro-Chem, Pharma, FMCG staples, Paints, Steel, Gas and Lubricants segments.
- **Hot buzzwords across meetings:** Rural being stronger than urban was among the most common conclusion - across Auto, Agri-chem, Consumer goods and NBFCs. While banks and NBFCs are generally wary, auto companies alluded to good availability of finance for their customers, although at lower volume levels. Make-in-India was a renewed theme in meetings of Chemical, Tyre and Durables sectors. Overall, channel inventory levels across industries have come down since March - implying a few months of faster primary sales vs. retail sales in the recovery period as restocking happens. Labor migration is becoming a smaller of an issue over time.

Exhibit 1: Over 100 corporates with a combined market cap of US\$650bn attended our six-day flagship conference



Source: Emkay Research, Bloomberg



This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Cement and Building Materials

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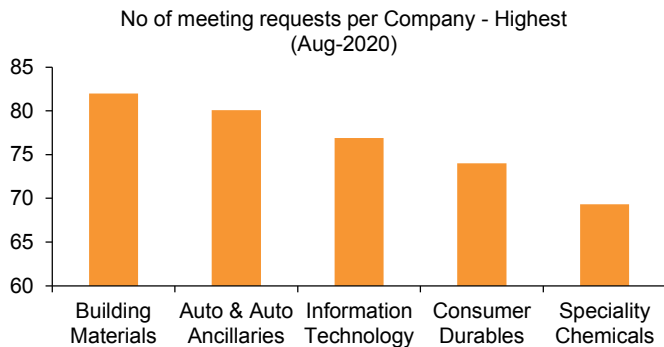
Agri-Input/Agro Chemicals

Vishal Chandak

Metals & Mining

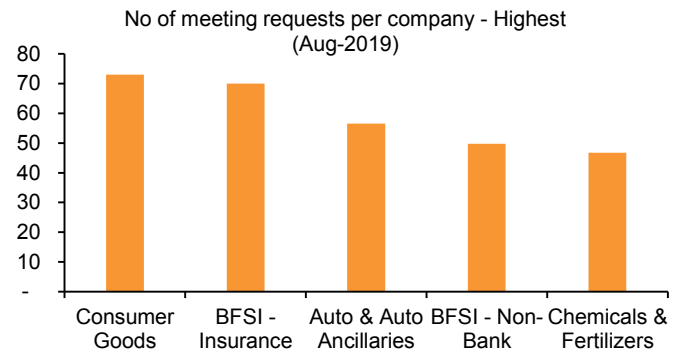
Emkay Confluence – Trends from investor interests

Exhibit 2: Pro or Contra indicator? Building materials and Auto sector saw highest level of interest from investors ...



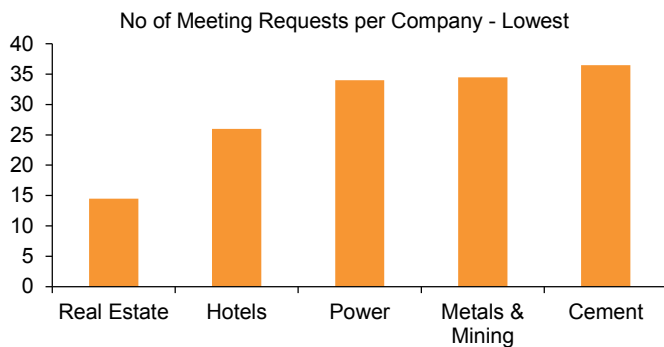
Source: Emkay Research

Exhibit 3: ... in stark contrast to the interest in FMCG and BFSI last year.



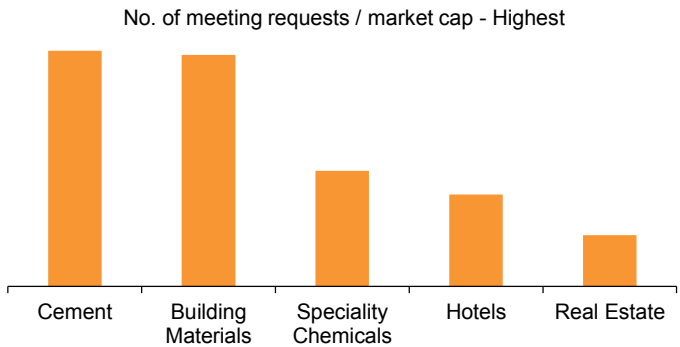
Source: Emkay Research

Exhibit 4: Sectors most affected by Covid-19 – Real estate and Hospitality - saw weakest interest



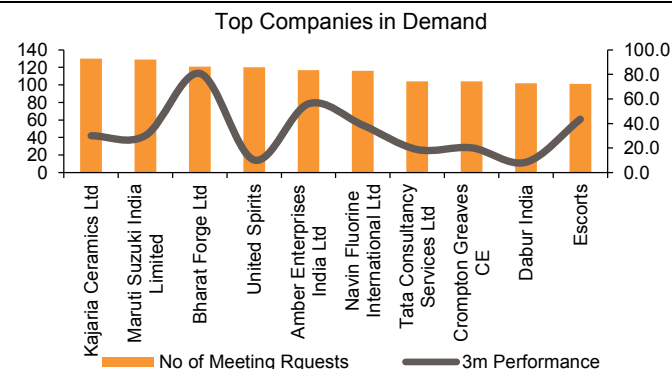
Source: Emkay Research

Exhibit 5: Adjusted for market-cap size, highest interest was seen in Cement and building materials companies



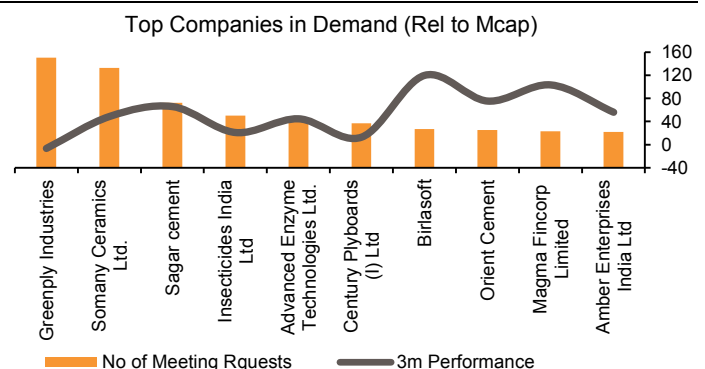
Stock performance relative to universe of stocks that attended;
Source: Bloomberg, Emkay Research

Exhibit 6: Maximum interest was seen in Kajaria, Maruti and Bharat Forge. Some of these have been among the better performing stocks lately



Source: Bloomberg, Emkay Research

Exhibit 7: Among the smaller names, Greenply, Somany and Sagar Cements saw interest



Source: Bloomberg, Emkay Research

Read about our initiative: [Emkay Alpha Portfolios](#)

Emkay Confluence Takeaways

Agri-input/Agro Chemicals

Expect Agro-Chemical industry to grow 10-15% in FY21: Rainfall in Kharif has been good both quantitatively and qualitatively. The spread of the rain is one the best in last decade and this has led to robust sowing. The companies participated in our conference expect the Agrochemical industry to grow between 10% and 15% in FY21 on the back of strong H1FY21. Labor shortage during key sowing period has fuelled additional demand for herbicides in labor deficit states like Andhra Pradesh, Telangana and Punjab. Companies expect the rabi season revenue growth in single-digits due to the high base of FY20. Most companies indicated easing raw material price pressure, especially from imports. Domestic raw material prices continue to remain high due to lower production as a result of labor shortage in Q1FY21. Domestic raw material prices have started easing gradually from Q2FY21 onward as the domestic suppliers ramp up production on improving availability of labor. Cash flow for all companies at our conference was better yoy due to the focus on collections during the pandemic. Capex execution for all the companies have been pushed back 4-6 months due to Covid-19. However, none of the companies are delaying capex despite Covid-19 as demand remains robust, coupled with improved cash flows. Our top picks are UPL and PI Industries in the sector.

Automobile

Demand outlook improving; Q2 volumes expected to be higher: Our discussions with various automobile companies during the conference highlight expectations of volume improvement ahead, supported by a low base, pent-up demand, strong rural sentiment and ramp-up in production levels. Key beneficiaries of strong rural demand include Mahindra & Mahindra, Escorts, Hero MotoCorp and Maruti Suzuki. Q1 domestic wholesales have been weak due to lockdowns and production constraints, but Q2 domestic wholesales growth is expected to be notably better for Tractors, PVs and 2Ws. Similarly, overseas volumes are witnessing a sequential improvement in PVs, 2Ws and CVs. Focus areas for most companies in the near term include ramping up production levels, cost-reduction efforts, ensuring healthy liquidity position, new products, expanding reach, among others. Eicher Motors – RE is relatively more aggressive than peers on new products and network expansion efforts. Ancillaries are focusing on increasing content per vehicle through new products, cross-selling of existing products as well as import substitution. The companies that are relatively more aggressive include Motherson Sumi, Minda Industries and Bharat Forge.

Driven by better scale and cost-reduction efforts, margins are expected to sequentially improve ahead. The emphasis is on reducing fixed costs by lowering employee expenses, marketing spends, travelling costs, etc. Commodity costs are trending higher, and are likely to impact gross margins in subsequent quarters. We remain positive on the auto space, driven by expectations of a sales cycle recovery. India remains a growth market over the medium term on low penetration and increasing aspiration levels. Our top picks among OEMs include Eicher Motors, Mahindra & Mahindra and Ashok Leyland. We also like ancillaries such as Bharat Forge and Motherson Sumi that are outpacing the underlying industry growth due to market share gains and increasing content per vehicle.

BFSI - Banks

We hosted 12 banks in our conference and key discussions hovered around asset-quality outlook, including update on moratorium and recent guidelines on restructuring/current deposits. Most banks believe that credit growth will see a meaningful revival only from H2FY22, while margins could face dual pressure from lower LDR/interest reversals once NPA formation accelerates. Moratorium rates have inched up in select retail segments a bit post June, while bankers await clarity on corporate restructuring. Retail loan restructuring could be done largely via moratorium on principal for another 6 months or tenure extension based on viability. However, most banks are of the view that restructuring this time around will not be rampant as was post GFC given the upfront higher provisioning cost @10%, but should moderate NPA formation well below the RBI's estimates in its recent financial stability report. We remain cautious on the sector in view of subdued growth/margin outlook and uncertainty around asset quality. Thus, we prefer banks with strong shock-absorption capacity like ICICI, HDFCB and SBI.

BFSI - NBFCs

We hosted management of HDFC, LTFH, MMFS, CIFC, Magma and SCUF from our NBFC universe. The common aspect reported by most companies is that NBFCs amid the current turmoil are maintaining 5-6 months of liquidity buffers which will result in cash drags and a resultant NIM compression. They remain upbeat on the agri economy and expect a revival of the tractor/2W/used vehicle demand; however, CV and bus portfolios remain under pressure due to freight rates coming off, regional lockdowns and schools remaining closed. Collection efficiency and moratorium numbers are showing signs of improvement as the economy continues to unlock. They have re-adjusted their focus to cost rationalization amid asset-quality uncertainty.

BFSI - Insurance

We hosted HDFC Life, IPru Life and SBI Life at Emkay Confluence. The companies have boosted their digitization efforts during the pandemic. Most policies are now available at 2-3 clicks on their apps/websites. With customers now more open to come in for medicals, insurers expect a pick-up in sales of large-ticket-size items in the product portfolio. Credit Protect and ULIPs remain under pressure as banks and NBFCs have slowed down mortgage disbursements, and the volatility in equities. Management of all three companies have re-iterated that tax savings is not the only reason why customers opt for insurance, but the true need for liability protection.

Cement & Building Materials

Cement & Building materials: Cement demand started improving from May'20 after the easing in lockdowns. However, demand in Maharashtra/South region was impacted due to the migration of labor. Cement prices were strong in Q1 and there has not been much correction in the trade segment till now. There could be some cost pressures as freight costs have increased and pet coke prices are on increasing trend. In the Tiles, Plywood and other building materials, production started improving from Jul'20 and there has been a continuous improvement in demand from May'20. These segments are expected to benefit from challenges (unavailability of labor, liquidity issues) faced by the unorganized players. Collections have been strong for cement and other building material companies, leading to an improvement in working capital. Though demand conditions remain uncertain, companies are hopeful of an improvement in the medium term.

Consumer Durables

Demand scenario continues to improve MoM, and August has started with a positive note. Channel inventory is lower and demand is for fast-moving SKUs. The companies are hopeful of healthy demand during the festive season, which would push inventory filling in the system. East regions have seen a moderation in demand due to floods and intermittent lockdowns, while West has started to see some uptick with moderation in Covid-19 cases. In the near term, intermittent lockdowns in various states would impact demand. B2B business categories continue to remain under pressure due to slow project execution and order inflows.

Contract manufacturers remain poised on the long-term growth trends with potential government policies to promote 'Aatmanirbhar Bharat'. This time, the government is committed to drive domestic manufacturing with higher intensity of backward integration, which will make India competitive globally.

Consumer Goods & Retail

Commentary across most FMCG companies has been positive on demand trends with MoM improvement being witnessed. Staples and paints have seen a faster recovery, with June-July volumes growing yoy, whereas alcobev, QSR and fashion retail have seen a slower pick-up and are still below pre-Covid-19 levels. Growth and profitability outlook appears positive for Q2 due to the recovery in demand and strong cost-saving initiatives undertaken by most companies. Overall input cost outlook remains benign, and the cut in ad spends and other discretionary spends highlighted by companies is likely to drive better profitability.

Engineering & Capital Goods

Companies in the Engineering & Capital Goods space expressed cautious optimism regarding improving order inflow visibility. Working capital remains an ongoing focus area, while execution is slowly normalizing. The labor situation is already approaching close to 80-85% of pre-Covid-19 levels and not much of a challenge now.

Information Technology

We hosted 10 companies in the IT/ITES space at Emkay Confluence. The common thread across the discussions suggests that: 1) companies expect a sequential recovery in growth from the Sep'20 quarter (though macro needs to be watched out given the possibility of a second wave of Covid-19); 2) deal pipeline/funnels are very strong although decision making is elongated in some cases; 3) companies do not see any significant risks from vendor consolidation/pricing pressure over an extended period, with the temporary price concessions likely to be over by Q2; and 4) confidence in sustaining margins over the medium term as companies expect increased offshoring and pyramidization to help (despite the fact that some of the costs like travel and facilities are expected to normalize over the next few quarters).

We had upgraded Infosys after June'20 quarter results and our order of preference within Tier I techs remains HCLT> Infosys> TechM (all rated Buy)> Wipro (Hold)> TCS (Sell). Among the Tier II techs, PSYS and BSOF remain Buy-rated and as our top picks in the sector.

Metals & Mining

Demand for steel has been recovering MoM. However, the demand has not recovered to the pre-Covid-19 levels. Demand for coal has also been increasing MoM. However, collections still lag due to delayed payment by Gencos. The graphite electrode industry continues to be under pressure as high-cost needle coke is still being consumed while graphite electrode prices have reduced considerably from the peak. We expect high-cost needle coke inventory to get consumed over the next 3-6 months and cost structures to rationalize. Steel prices moved up in the range of Rs3,000/t in the last two months, driven by 1) strong international steel prices, 2) pent-up domestic demand and 3) pick-up in economic activity.

Industry participants remain optimistic, but are wary of consequences if there is a resurgence in Covid-19 cases. Capex by private companies is minimal to the extent of sustenance capex, and the focus is completely on conserving cash. On the other hand, PSUs that are cash rich have signaled their focus on achieving previously planned capex targets for the year.

Oil & Gas

The Oil & Gas sector witnessed recovery in volumes from Covid-19-induced lows of April. While oil demand is still 10-20% lower than normal, gas has seen a sharp recovery to almost pre-Covid levels. Lubricant demand has also seen a similar trend. Recovery has happened in prices and margins as well, though it is yet to fully normalize. Overall, FY21 would be a weak year but quarters ahead should see the pace of recovery improving. HPCL has indicated about resilient marketing performance though GRMs are still weak, while Gulf Oil Lube has stated that its volumes have entered a low-single digit growth territory from July. GAIL has highlighted gas and petchem volumes at almost near normal, while GSPL pointed toward outperforming the industry. Pipeline players await tariff regulations though the outlook is still not fully clear. Overall, we got a near positive signal for the sector from our takeaways.

Pharma

The Pharma sector's earnings resilience was well-reflected in Q1 earnings, with most companies strongly exceeding expectations. Sharp cuts in opex, gross margin expansion, resiliency of India sales and strong structural API tailwinds were some of the key vectors to this outperformance. Although we believe that the sector outperformance will continue over the next few quarters, given the sharp upmove, we remain selective buyers in Cipla, Aurobindo, Ipca, Divi's and Granules.

Power

The lockdown across the country led to a significant ~15.5% yoy decline in power demand and 16.5% yoy fall in generation in Q1FY21 due to low power offtake from commercial and industrial consumers (C&I) who account for ~45% of the total power demand. The demand, however, is expected to witness a gradual pick-up in the coming months with further relaxation in the lockdown. We expect overall power demand to decline 8.0% in FY21E. Another area of concern was the collection efficiency which declined to ~40% during Q1FY21, which led to a rise in receivables across the entire value chain and largely across the gencos. However, collections have improved since July'20 and gencos are expecting receivables to normalize by the end of Q2FY21.

Further, the plan to provide Rs900bn concessional loan to state discoms by the PFC/REC under the Atmanirbhar scheme is a welcome move to bring in the much-needed liquidity in the cash-starved sector. To date, Rs235bn loan has been disbursed of the Rs680bn sanctioned by PFC/REC. We continue to prefer regulated entities such as NTPC, NHPC, GIPCL and PGCIL due to their attractive valuations. Even after the one-time impact of discounts to be provided to discoms, the business model of these entities remains intact as the tariff structure was maintained by the government and the RoE will continue to be determined on the basis of availability.

Specialty Chemicals

In the backdrop of Covid-19, manufacturers that supply specialty chemicals to industries such as pharmaceuticals, agrochemicals and healthcare are seeing sustainable demand from end users at least in the medium term. This was clearly visible in the earnings beat by the companies operating in this area. Further, a gradual recovery in sectors such as automotive, paint and construction may progressively benefit the top-line. The rise in potential business enquiries with the downstream-focused domestic companies from larger players based in international markets (due to sentiment toward China) across the value chain should also improve business prospects in the future.

Current circumstances have brought in a shift in focus toward consumption behavior as the average consumer has become more aware of his/her personal immunity and hygiene. Overall, management teams remain cautiously optimistic on demand recovery in CY20 as July'20 was better than May-June'20, although not too optimistic since volume offtake remains far off from pre-Covid-19 levels in certain segments. Realizations too touched decade-low levels on the recent sharp dip in crude prices, and the ongoing rationalization in refining output across the globe may certainly support derivative prices and benefit revenues. The Indian government's 'Aatmanirbhar' scheme, along with other incentives and trade policies specifically targeted at the chemical industry, should make the sector altogether reasonably attractive for large investments in the long term and further place India as a strong contender globally. Chemicals continue to remain a vital input in numerous industries and value chains across the globe, and certain segments, as highlighted above, have benefited from the uptick in demand.

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Agri Input & Chemicals

DCM Shriram

Refer to important disclosures at the end of this report

Chemical business stabilizing; Agri business to drive growth in near term

CMP: Rs 355
as of (August 17, 2020)TP: NA
12 months

Rating: NOT RATED

We hosted Mr. Amit Agarwal, CFO

Key Meeting Takeaways

- Chemical segment:** DCM's Bharuch and Kota plants are operating at 70-75% and 90% utilization in Jul'20. DCM has shortlisted 2-3 new chlorine downstream products, which would enable captive consumption of chlorine and high margin from these products. Management highlighted that the end market for the shortlisted molecules is expected to be large.
- In caustic, the company supplies 29% through the pipeline to its regular and fixed clients (Aarti Industries, Atul, etc.), 14% is captively consumed, while the remaining is sold to textile, dye and paper industries. Management expects demand from these industries to remain weak/low due to weak consumer sentiments. Caustic prices, which are currently soft (Rs20,000/MT), are expected to reach Rs23,000-25,000/MT in the next 2-3 quarters.
- Sugar segment:** The government has been very proactive in supporting the sugar industry and sugarcane farmers in the last few years through its various initiatives and policies. The overall demand in FY21 is expected to be lower than FY20. Exports would play an integral part in reducing the overall inventory level. Management highlighted that DCM is expected to have lower inventory on a yoy basis than the industry for FY21. Management also mentioned that domestic sugar consumption is back to pre-Covid-19 levels at present.
- Agri Input:** DCM has exited the fertilizer trading business and would focus toward higher value-added products in crop protection, crop nutrients and bio seeds, where the ROCE are much higher. In seeds, the product mix has shifted from cotton (50-60% of revenue earlier to 25-30%) more widely distributed. Corn, cotton and paddy each contribute ~25-30% and the balance is contributed from other seeds like mustard, bajra and vegetable. Management expects seeds revenue to grow at a 15-20% CAGR on the back of new product introductions.
- Fenesta business:** DCM has shifted from institutional to retail focused sales, with 60-70% revenue now derived from retail sales. Despite Covid-19 and slowdown in real estate and construction industry, the company has achieved 60-65% utilization levels in July-20.

Balance sheet: Net debt stood at Rs11.80bn in Jun'20 vs. Rs16bn in Mar'20. Net debt reduction would have been higher if Urea subsidy disbursements would have been at last year levels. Urea subsidy receivable at Rs6.50cr in Jun'20 vs. Rs4bn in Jun'19.

Financial Snapshot (Consolidate)

(Rs mn)	FY16	FY17	FY18	FY19	FY20
Net Sales	57805	57885	69005	77711	77671
EBITDA	5050	7711	10349	13687	11777
EBITDA Margin (%)	8.7	13.3	15.0	17.6	15.2
APAT	3009	5490	6600	8894	7157
EPS (Rs)	19.3	35.2	42.3	57.0	45.9
EPS (% chg)	46.5	82.4	20.2	34.7	-19.5
ROE (%)	15.2	23.8	23.7	27.1	18.9
P/E (x)	18.4	10.1	8.4	6.2	7.7
EV/EBITDA (x)	12.9	8.3	5.9	4.9	6.0
P/BV (x)	2.6	2.2	1.8	1.6	1.4

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	NA
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	DCMS IN
Face Value (Rs)	2
Shares outstanding (mn)	156
52 Week H/L	452/173
M Cap (Rs bn/USD bn)	54/0.7
Daily Avg Volume (nos.)	176894.0
Daily Avg Turnover (US\$ mn)	0.7

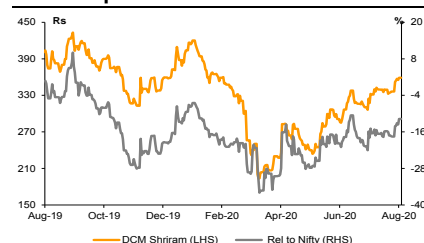
Shareholding Pattern Jun'20

Promoters	66.5%
FIIIs	3.0%
DIIIs	9.6%
Public and Others	20.8%

Price Performance

(%)	1M	3M	6M	12M
Absolute	12	43	-3	-10
Rel. to Nifty	7	18	5	-12

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19	FY20
Net Sales	57805	57885	69005	77711	77671
Expenditure	54838	52580	58305	69541	70998
EBITDA	5050	7711	10349	13687	11777
Depreciation	980	1137	1407	1572	2190
EBIT	4070	6574	8943	12115	9587
Other Income	407	468	561	876	1024
Interest expenses	854	714	830	1189	1638
PBT	3623	6327	8673	11802	8973
Tax	619	804	1987	2776	1778
Extraordinary Items	8	27	95	161	11
Minority Int. /Income from Assoc.	-6	7	-9	-11	55
Reported Net Income	3018	5517	6696	9055	7167
Adjusted PAT	3009	5490	6600	8894	7157

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19	FY20
Equity share capital	326	326	326	314	314
Reserves & surplus	20666	25031	30148	35018	40256
Net worth	20909	25277	30395	35257	40497
Minority Interest	22	21	16	7	61
Loan Funds	10640	10739	7556	16101	21502
Net deferred tax liability	145	801	677	675	565
Total Liabilities	33291	38005	40137	53859	65653
Net block	14283	20218	22105	26897	34990
Investment	353	309	298	308	288
Current Assets	30129	31345	30969	38529	44118
Cash & bank balance	398	2115	1486	4159	5605
Other Current Assets	29731	29230	29483	34370	38513
Current liabilities & Provision	16780	17734	16380	17505	15701
Net current assets	13350	13611	14588	21024	28417
Misc. exp	0	0	0	0	0
Total Assets	33291	38005	40137	53859	65653

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19	FY20
Opening Cash	826	231	1,991	1,337	3,820
Net Cash from Operations	1,002	7,725	8,271	7,749	4,963
Net Cash Used in Investing	-3,260	-4,115	-3,211	-8,034	-5,182
Net Cash Used in Financing	1,663	-1,850	-5,714	2,769	1,829
Net Inc/(Dec) in Cash	-595	1,761	-654	2,483	1,610
Closing Cash	231	1,991	1,337	3,820	5,431

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19	FY20
EBITDA Margin	8.7	13.3	15.0	17.6	15.2
EBIT Margin	7.0	11.4	13.0	15.6	12.3
Effective Tax Rate	17.1	12.7	22.9	23.5	19.8
Net Margin	5.2	9.5	9.6	11.4	9.2
ROCE	13.3	18.4	22.9	25.8	16.0
ROE	15.2	23.8	23.7	27.1	18.9
RoIC	15.3	21.1	24.8	28.2	17.0

Per Share Data (Rs)	FY16	FY17	FY18	FY19	FY20
EPS	19.3	35.2	42.3	57.0	45.9
CEPS	25.6	42.5	51.3	67.1	59.9
BVPS	134.0	162.0	194.8	226.0	259.6
DPS	3.2	5.8	8.2	9.8	8.2

Valuations (x)	FY16	FY17	FY18	FY19	FY20
PER	18.4	10.1	8.4	6.2	7.7
P/CEPS	13.9	8.4	6.9	5.3	5.9
P/BV	2.6	2.2	1.8	1.6	1.4
EV / Sales	1.1	1.1	0.9	0.9	0.9
EV / EBITDA	12.9	8.3	5.9	4.9	6.0
Dividend Yield (%)	0.9	1.6	2.3	2.8	2.3

Gearing Ratio (x)	FY16	FY17	FY18	FY19	FY20
Net Debt/ Equity	0.5	0.3	0.2	0.3	0.4
Net Debt/EBITDA	2.0	1.1	0.6	0.8	1.3
Working Cap Cycle (days)	81.8	72.5	69.3	79.2	107.2

Growth (%)	FY16	FY17	FY18	FY19	FY20
Revenue	2.5	0.1	19.2	12.6	-0.1
EBITDA	26.6	52.7	34.2	32.2	-14.0
EBIT	41.1	61.5	36.0	35.5	-20.9
PAT	46.5	82.4	20.2	34.7	-19.5

Quarterly (Rs mn)	Q1FYC	Q2FYC	Q3FYC	Q4FYC	Q1FYC
Revenue	18,932	17,449	21,882	18,630	19,079
EBITDA	3,499	2,114	2,734	3,430	1,659
EBITDA Margin (%)	18.5	12.1	12.5	18.4	8.7
PAT	2,211	1,189	1,873	2,014	691
EPS (Rs)	14.2	7.6	12.0	12.9	4.4

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	66.5	66.5	66.5	66.5	66.5
FII	3.6	4.0	3.8	3.6	3.0
DII	9.3	8.9	9.0	9.3	9.6
Public and Others	20.6	20.6	20.7	20.6	20.8

Dhanuka Agritech

Refer to important disclosures at the end of this report

Kharif growth to remain strong; high base to affect H2FY21 growth

CMP: Rs 784
as of (August 17, 2020)TP: NA
12 months

Rating: NOT RATED

We hosted Mr. MK Dhanuka, MD & Promoter, and Mr. V.K. Bansal, CFO

Key Meeting Takeaways

- Early monsoon, good soil moisture level and liquidity with the farmers and trade channels coupled with pre-buying due to the fear of lack of availability and price increase led to a strong start to the season across the industry.
- Management expects Q2FY21 also to deliver robust yoy growth despite a high base. However, management believes that rabi growth (H2FY21) could be low due to a high base of FY20.
- Raw material prices (AI's) have stabilized across major products. Management highlighted that raw material imports from China has also normalized.
- DAGRI is expected to launch two new 9(3) products (fungicides) in Sept'20 for grapes and potatoes in collaboration with Japanese companies. They also plan to launch a rabi product for the upcoming season. Hence, DAGRI will launch 3-4 new products in FY21. Management expects new products to contribute additional ~2% incremental growth for the next 3-4 years.
- Management maintains its guidance for over 20% growth, 100bps expansion in EBITDA margin and improvement in gross margin in the current year despite flat gross margin in Q1.
- Management believes that agri reforms like corporate farming, abolition of the APMC Act and lifting restrictions on inventory with trade are expected to benefit the industry in the long run. However, management believes that it could take 3-4 years to reap the actual benefits for the farmers.

Financial Snapshot (Standalone)

(Rs mn)	FY16	FY17	FY18	FY19	FY20
Net Sales	8,310	8,833	9,626	10,058	11,201
EBITDA	1,421	1,699	1,661	1,460	1,735
EBITDA Margin (%)	17.1	19.2	17.3	14.5	15.5
APAT	1,073	1,219	1,262	1,126	1,414
EPS (Rs)	21.4	24.8	25.7	22.9	29.7
EPS (% chg)	1.1	15.8	3.5	(10.8)	29.6
ROE (%)	24.0	24.3	21.8	17.4	20.9
P/E (x)	36.5	31.6	30.5	34.2	26.4
EV/EBITDA (x)	27.3	22.6	22.6	26.3	21.1
P/BV (x)	8.2	7.4	6.1	5.8	5.4

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	NA
Target Price change (%)	NA
Target Period (Months)	NA
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12M)	-	-

Stock Details

Bloomberg Code	DAGRI IN
Face Value (Rs)	2
Shares outstanding (mn)	48
52 Week H/L	936 / 261
M Cap (Rs bn/USD bn)	37 / 0.50
Daily Avg Volume (nos.)	180,331
Daily Avg Turnover (US\$ mn)	1.8

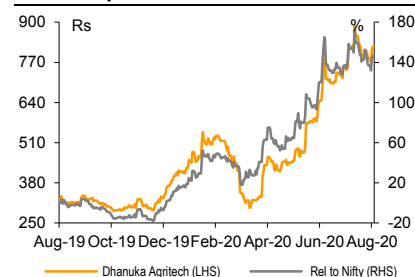
Shareholding Pattern Jun '20

Promoters	75.0%
FII's	-%
DII's	13.1%
Public and Others	11.9%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(4)	61	49	141
Rel. to Nifty	(7)	31	60	137

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19	FY20
Net Sales	8,310	8,833	9,626	10,058	11,201
Expenditure	6,890	7,135	7,966	8,598	9,466
EBITDA	1,421	1,699	1,661	1,460	1,735
Depreciation	59	148	142	123	164
EBIT	1,362	1,550	1,519	1,336	1,571
Other Income	103	175	160	212	251
Interest expenses	11	10	9	9	16
PBT	1,453	1,715	1,670	1,540	1,806
Tax	380	497	408	414	392
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	1,073	1,219	1,262	1,126	1,414
Adjusted PAT	1,073	1,219	1,262	1,126	1,414

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19	FY20
Equity share capital	100	98	98	95	95
Reserves & surplus	4,707	5,119	6,235	6,495	6,874
Net worth	4,807	5,217	6,334	6,590	6,969
Minority Interest	0	0	0	0	0
Loan Funds	77	79	47	222	80
Net deferred tax liability	85	126	133	122	53
Total Liabilities	4,968	5,422	6,514	6,934	7,103
Net block	1,333	1,378	1,309	1,337	1,000
Investment	922	664	1,820	1,203	1,589
Current Assets	4,306	5,101	5,097	5,972	6,522
Cash & bank balance	22	43	114	14	263
Other Current Assets	263	241	249	333	456
Current liabilities & Provision	1,594	1,726	1,713	1,587	2,113
Net current assets	2,712	3,375	3,384	4,385	4,409
Misc. exp	0	0	0	0	0
Total Assets	4,968	5,422	6,514	6,934	7,035

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19	FY20
PBT (Ex-Other income) (NI+Dep)	1,453	1,715	1,670	1,540	1,806
Other Non-Cash items	0	0	0	0	0
Chg in working cap	307	(625)	50	(969)	158
Operating Cashflow	1,397	644	1,377	43	1,622
Capital expenditure	(271)	(206)	(63)	(47)	(104)
Free Cash Flow	1,126	438	1,314	(4)	1,518
Investments	(447)	293	(1,120)	681	(478)
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(656)	187	(1,110)	721	(443)
Equity Capital Raised	0	(800)	0	(825)	0
Loans Taken / (Repaid)	(84)	2	(34)	175	(192)
Dividend paid (incl tax)	(662)	0	(154)	(207)	(723)
Other Financing Cash Flow	0	0	0	0	1
Financing Cashflow	(758)	(809)	(196)	(866)	(929)
Net chg in cash	(17)	22	71	(101)	249
Opening cash position	39	22	43	114	14
Closing cash position	22	43	114	13	263

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19	FY20
EBITDA Margin	17.1	19.2	17.3	14.5	15.5
EBIT Margin	16.4	17.5	15.8	13.3	14.0
Effective Tax Rate	26.2	29.0	24.4	26.9	21.7
Net Margin	12.9	13.8	13.1	11.2	12.6
ROCE	31.0	33.2	28.1	23.0	26.0
ROE	24.0	24.3	21.8	17.4	20.9
RoIC	35.7	35.5	32.7	26.0	28.9

Per Share Data (Rs)	FY16	FY17	FY18	FY19	FY20
EPS	21.4	24.8	25.7	22.9	29.7
CEPS	22.6	27.9	28.6	25.5	33.2
BVPS	96.1	106.3	129.1	134.3	146.4
DPS	6.5	7.4	7.7	6.9	13.2

Valuations (x)	FY16	FY17	FY18	FY19	FY20
PER	36.5	31.6	30.5	34.2	26.4
P/CEPS	27.9	22.7	22.1	24.8	19.0
P/BV	8.2	7.4	6.1	5.8	5.4
EV / Sales	4.7	4.3	3.9	3.8	3.3
EV / EBITDA	27.3	22.6	22.6	26.3	21.1
Dividend Yield (%)	0.8	1.0	1.0	0.9	1.7

Gearing Ratio (x)	FY16	FY17	FY18	FY19	FY20
Net Debt/ Equity	(0.1)	0.0	(0.2)	0.0	(0.1)
Net Debt/EBIDTA	(0.3)	(0.1)	(0.6)	(0.1)	(0.4)
Working Cap Cycle (days)	118.2	137.7	124.0	158.6	135.1

Growth (%)	FY16	FY17	FY18	FY19	FY20
Revenue	5.9	6.3	9.0	4.5	11.4
EBITDA	7.8	19.6	(2.2)	(12.1)	18.8
EBIT	8.2	13.8	(2.0)	(12.0)	17.5
PAT	1.1	13.6	3.5	(10.8)	25.6

Quarterly (Rs mn)	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20
Revenue	2,168	1,927	2,190	4,020	2,715
EBITDA	215	330	200	734	343
EBITDA Margin (%)	9.9	17.1	9.1	18.3	12.6
PAT	146	268	148	600	277
EPS (Rs)	3.0	5.6	3.1	12.6	5.8

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	75.0	75.0	75.0	75.0	75.0
FIs	-	-	-	-	-
DIs	12.0	12.3	12.1	12.7	13.1
Public and Others	13.0	12.8	12.9	12.3	11.9

Source: Capitaline

Insecticides India

Refer to important disclosures at the end of this report

Aggressive new product launches

CMP: Rs 471
as of (August 17, 2020)

TP: NA
12 months

Rating: NOT RATED

We hosted Mr. Sandeep Aggarwal, CFO

Key Meeting Takeaways

- Insecticides India (INST) reported Q1 revenue growth of 14% on the back of higher sales from generic products. Revenue from branded products were marginally impacted due to lack of availability of these products due to the labor shortage, resulting in production loss.
- Management highlighted that the profitability in Q1 was impacted due to change in product mix, led by higher contribution of low-margin generic products, production loss due to the shortage of labor, transportation challenges coupled with supply shortage in key raw materials and packaging materials.
- INST has launched two new products in Q1, which contributed Rs40mn revenue. INST has registered three more products, which are expected to be launched in Q2FY21. Overall, the company plans to launch 10 new products in FY21. Management expects each of the new products to deliver peak revenue of Rs500mn in 5-6 years.
- Management has guided for a double-digit revenue growth in FY21. However, they expect muted EBITDA margin expansion as the company is focusing on cash sales, leading to higher cash discounts.
- Punjab government has banned nine molecules recently for two months. The ban is effective to 50% of overall sales of the industry as the balance 50% of demand is catered through smuggled products from across the borders.
- INST has guided for capex spend of Rs1.1bn over the next two years.

Financial Snapshot (Consolidate)

(Rs mn)	FY15	FY16	FY17	FY18	FY19
Net Sales	9652	9882	9942	10733	11935
EBITDA	1110	920	1114	1478	1856
EBITDA Margin (%)	11.5	9.3	11.2	13.8	15.6
APAT	550	398	600	845	1232
EPS (Rs)	26.2	19.0	28.6	40.2	58.7
EPS (% chg)		-27.6	50.6	40.8	45.9
ROE (%)	18.9	11.4	13.7	16.7	20.4
P/E (x)	18.0	24.8	16.5	11.7	8.0
EV/EBITDA (x)	11.6	12.7	10.7	7.1	6.8
P/BV (x)	3.4	2.4	2.1	1.8	1.5

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	NA
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	INST IN
Face Value (Rs)	10
Shares outstanding (mn)	21
52 Week H/L	655/206
M Cap (Rs bn/USD bn)	10/0.1
Daily Avg Volume (nos.)	125003.0
Daily Avg Turnover (US\$ mn)	0.8

Shareholding Pattern Jun'20

Promoters	68.9%
FIIIs	3.9%
DIIIs	14.5%
Public and Others	12.7%

Price Performance

(%)	1M	3M	6M	12M
Absolute	8	23	-4	-25
Rel. to Nifty	4	1	5	-27

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY15	FY16	FY17	FY18	FY19
Net Sales	9652	9882	9942	10733	11935
Expenditure	9352	8872	9123	9969	13875
EBITDA	1110	920	1114	1478	1856
Depreciation	146	165	160	171	197
EBIT	964	755	954	1308	1659
Other Income	7	8	71	36	27
Interest expenses	332	259	202	159	152
PBT	639	503	823	1184	1534
Tax	90	108	226	341	306
Extraordinary Items	-2	-3	-3	-2	-4
Minority Int. /Income from Assoc.	0	0	0	0	0
Reported Net Income	548	396	597	843	1228
Adjusted PAT	550	398	600	845	1232

Balance Sheet

Y/E Mar (Rs mn)	FY15	FY16	FY17	FY18	FY19
Equity share capital	127	207	207	207	207
Reserves & surplus	2781	3879	4438	5272	6413
Net worth	2908	4086	4645	5478	6620
Minority Interest	0	0	0	0	0
Loan Funds	3217	2065	2366	1144	3052
Net deferred tax liability	-153	-174	-89	-188	-179
Total Liabilities	6171	6219	7016	6628	9680
Net block	2097	1985	1846	2316	2402
Investment	31	31	110	165	125
Current Assets	6616	6749	7152	7195	10624
Cash & bank balance	86	121	92	201	92
Other Current Assets	6530	6628	7060	6994	10532
Current liabilities & Provision	2880	2971	2678	3187	3697
Net current assets	3737	3779	4474	4008	6927
Misc. exp	0	0	0	0	0
Total Assets	6171	6219	7016	6628	9680

Cash Flow

Y/E Mar (Rs mn)	FY15	FY16	FY17	FY18	FY19
Opening Cash	124	86	71	69	196
Net Cash from Operations	-55	859	40	1,815	-1,331
Net Cash Used in Investing	-343	-187	-136	-258	-490
Net Cash Used in Financing	360	-637	94	-1,430	1,715
Net Inc/(Dec) in Cash	-38	35	-3	127	-106
Closing Cash	86	121	69	196	89

Key Ratios

Profitability (%)	FY15	FY16	FY17	FY18	FY19
EBITDA Margin	11.5	9.3	11.2	13.8	15.6
EBIT Margin	10.0	7.6	9.6	12.2	13.9
Effective Tax Rate	14.1	21.4	27.4	28.8	19.9
Net Margin	5.7	4.0	6.0	7.9	10.3
ROCE	15.6	12.2	14.4	19.2	20.3
ROE	18.9	11.4	13.7	16.7	20.4
RoIC	17.0	13.4	16.1	21.2	21.7

Per Share Data (Rs)	FY15	FY16	FY17	FY18	FY19
EPS	26.2	19.0	28.6	40.2	58.7
CEPS	33.2	26.8	36.2	48.3	68.0
BVPS	138.5	194.5	221.2	260.9	315.2
DPS		2.0	2.0	2.0	2.0

Valuations (x)	FY15	FY16	FY17	FY18	FY19
PER	18.0	24.8	16.5	11.7	8.0
P/CEPS	14.2	17.6	13.0	9.7	6.9
P/BV	3.4	2.4	2.1	1.8	1.5
EV / Sales	1.3	1.2	1.2	1.0	1.1
EV / EBITDA	11.6	12.7	10.7	7.1	6.8
Dividend Yield (%)	0.0	0.4	0.4	0.4	0.4

Gearing Ratio (x)	FY15	FY16	FY17	FY18	FY19
Net Debt/ Equity	1.1	0.5	0.5	0.1	0.4
Net Debt/EBIDTA	2.8	2.1	1.9	0.5	1.5
Working Cap Cycle (days)	138.0	135.1	160.9	129.5	209.0

Growth (%)	FY15	FY16	FY17	FY18	FY19
Revenue	0.0	2.4	0.6	8.0	11.2
EBITDA	0.0	-17.1	21.1	32.7	25.6
EBIT	0.0	-21.6	26.3	37.1	26.9
PAT	0.0	-27.6	50.6	40.8	45.9

Quarterly (Rs mn)	Q4FYC	Q1FYC	Q2FYC	Q3FYC	Q4FYC
Revenue	2,005	3,584	5,031	2,629	2,387
EBITDA	304	631	720	230	-25
EBITDA Margin (%)	15.2	17.6	14.3	8.7	-1.0
PAT	286	361	490	89	-71
EPS (Rs)	13.6	17.2	23.3	4.2	-

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	68.8	68.8	68.8	68.9	68.9
FII	3.8	3.8	3.9	4.4	3.9
DII	15.2	16.2	15.7	15.3	14.5
Public and Others	12.3	11.3	11.7	11.4	12.7

Meghmani Organics

Refer to important disclosures at the end of this report

Capex plans on track

CMP: Rs 71
as of (August 17, 2020)

TP: NA
12 months

Rating: NOT RATED

We hosted Mr. Ankit Patel, CEO, Mr. GS Chahal, CFO, and Mr. Bharat Mody, IR

Key Meeting Takeaways

- Management highlighted that the overall business is currently operating at a 70% utilization and is expected to be back to pre-Covid level in coming months. However, demand would remain a key for a further ramp-up and growth,
- The company faced logistics issues in Apr-May'20 in agrochemicals but has witnessed good demand in Q2FY21. Overall demand in domestic and global markets in agrochemicals remains strong due to the early monsoon.
- The company's multi-purpose plant for the agri segment is expected to commence from Q4FY22 where the company is expected to manufacture 6-7 new insecticides. This plant is backward integrated for some key raw materials, which would drive margin improvement. The overall capex spent on this MPP is Rs3.1bn. This would enable the company to expand its presence in the branded segment.
- Management expects to grow at 15-20% every year, with an aim to achieve Rs10bn/20bn revenue in pigment/agrochem segments.
- Management highlighted that the dependence on China for raw material is 20-23% and it is likely to reduce further to 10% in coming years with the commencement of MPP.
- In the pigment segment, global demand has started recovering. Management expects pent-up demand in Q2 from the segment. The CPVC resin plant with 30k MT capacity is expected to commence in FY23. India is a net importer for resins and thus, the company expects orders from domestic players from day 1.
- Capex guidance for FY21 is Rs2bn.

Financial Snapshot (Consolidate)

(Rs mn)	FY15	FY16	FY17	FY18	FY19
Net Sales	12942	13322	14196	17996	20879
EBITDA	2005	2608	2850	4300	5286
EBITDA Margin (%)	15.5	19.6	20.1	23.9	25.3
APAT	535	890	902	1743	2658
EPS (Rs)	2.1	3.5	3.6	6.9	10.5
EPS (% chg)		66.3	1.3	93.3	52.5
ROE (%)	9.7	13.6	12.2	21.9	28.4
P/E (x)	33.7	20.3	20.0	10.3	6.8
EV/EBITDA (x)	12.0	9.1	7.8	4.9	4.5
P/BV (x)	3.3	2.4	2.5	2.1	1.8

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	NA
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	MEGH IN
Face Value (Rs)	1
Shares outstanding (mn)	254
52 Week H/L	70/32
M Cap (Rs bn/USD bn)	17/0.2
Daily Avg Volume (nos.)	2800618.0
Daily Avg Turnover (US\$ mn)	2.1

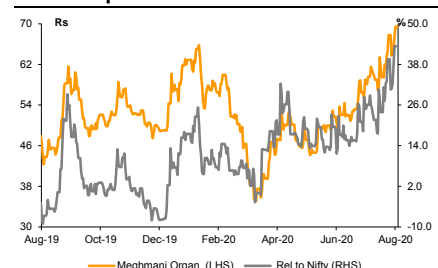
Shareholding Pattern Jun'20

Promoters	48.7%
FIIIs	1.5%
DIIIs	0.2%
Public and Others	49.6%

Price Performance

(%)	1M	3M	6M	12M
Absolute	16	41	12	33
Rel. to Nifty	11	16	22	31

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Consolidate)**Income Statement**

Y/E Mar (Rs mn)	FY15	FY16	FY17	FY18	FY19
Net Sales	12942	13322	14196	17996	20879
Expenditure	10698	11014	10701	13757	16721
EBITDA	2005	2608	2850	4300	5286
Depreciation	747	768	907	948	973
EBIT	1258	1840	1942	3353	4314
Other Income	88	255	124	303	332
Interest expenses	746	631	509	399	560
PBT	600	1464	1558	3257	4086
Tax	140	351	396	878	1132
Extraordinary Items	-96	-65	-25	-30	-145
Minority Int. /Income from Assoc.	21	288	285	666	441
Reported Net Income	439	825	877	1713	2513
Adjusted PAT	535	890	902	1743	2658

Balance Sheet

Y/E Mar (Rs mn)	FY15	FY16	FY17	FY18	FY19
Equity share capital	254	254	254	254	254
Reserves & surplus	5261	6058	6930	8451	9782
Net worth	5515	7575	7185	8705	10036
Minority Interest	944	0	1547	2214	1492
Loan Funds	6436	5781	4610	3858	7162
Net deferred tax liability	-471	-267	-285	-430	-501
Total Liabilities	12938	13404	13387	14830	18845
Net block	7814	7354	7781	7949	7366
Investment	239	6	291	720	6
Current Assets	6813	7459	7118	7678	10714
Cash & bank balance	156	110	102	99	1347
Other Current Assets	6657	7349	7016	7578	9367
Current liabilities & Provision	2007	2265	2129	2849	4419
Net current assets	4806	5195	4989	4828	6295
Misc. exp	0	0	0	0	0
Total Assets	12938	13404	13387	14830	18845

Cash Flow

Y/E Mar (Rs mn)	FY15	FY16	FY17	FY18	FY19
Opening Cash	370	73	27	21	43
Net Cash from Operations	2,522	2,009	2,588	4,049	3,749
Net Cash Used in Investing	-586	-727	-959	-2,745	-2,913
Net Cash Used in Financing	-2,130	-1,338	-1,636	-1,282	451
Net Inc/(Dec) in Cash	-195	-56	-7	22	1,287
Closing Cash	175	17	20	42	1,330

Key Ratios

Profitability (%)	FY15	FY16	FY17	FY18	FY19
EBITDA Margin	15.5	19.6	20.1	23.9	25.3
EBIT Margin	9.7	13.8	13.7	18.6	20.7
Effective Tax Rate	23.3	24.0	25.4	27.0	27.7
Net Margin	4.1	6.7	6.4	9.7	12.7
ROCE	9.7	14.0	14.5	23.8	25.6
ROE	9.7	13.6	12.2	21.9	28.4
RoIC	10.4	15.1	15.7	27.0	33.8

Per Share Data (Rs)	FY15	FY16	FY17	FY18	FY19
EPS	2.1	3.5	3.6	6.9	10.5
CEPS	5.0	6.5	7.1	10.6	14.3
BVPS	21.7	29.8	28.3	34.3	39.5
DPS		0.3	0.4	0.4	1.0

Valuations (x)	FY15	FY16	FY17	FY18	FY19
PER	33.7	20.3	20.0	10.3	6.8
P/CEPS	14.1	10.9	10.0	6.7	5.0
P/BV	3.3	2.4	2.5	2.1	1.8
EV / Sales	1.9	1.8	1.6	1.2	1.1
EV / EBITDA	12.0	9.1	7.8	4.9	4.5
Dividend Yield (%)	0.0	0.4	0.6	0.6	1.4

Gearing Ratio (x)	FY15	FY16	FY17	FY18	FY19
Net Debt/ Equity	1.1	0.7	0.6	0.3	0.6
Net Debt/EBIDTA	3.0	2.2	1.5	0.7	1.1
Working Cap Cycle (days)	131.1	139.3	125.7	95.9	86.5

Growth (%)	FY15	FY16	FY17	FY18	FY19
Revenue	0.0	2.9	6.6	26.8	16.0
EBITDA	0.0	30.1	9.3	50.9	22.9
EBIT	0.0	46.3	5.5	72.6	28.7
PAT	0.0	66.3	1.3	93.3	52.5

Quarterly (Rs mn)	Q1FYC	Q2FYC	Q3FYC	Q4FYC	Q1FYC
Revenue	6,162	5,324	5,222	5,204	4,280
EBITDA	1,351	1,103	1,047	840	964
EBITDA Margin (%)	21.9	20.7	20.0	16.2	22.5
PAT	569	844	476	513	391
EPS (Rs)	2.2	3.3	1.9	2.0	1.5

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	48.2	48.3	48.3	48.7	48.7
FII's	2.5	2.4	1.9	1.9	1.5
DII's	0.3	0.2	0.2	0.2	0.2
Public and Others	49.0	49.0	49.6	49.3	49.6

UPL

Refer to important disclosures at the end of this report

Merger synergy to drive further margin expansion

CMP: Rs 492
as of (August 17, 2020)

TP: Rs 560 (■)
12 months

Rating: BUY (■)

We hosted Mr. Anand Vora, CFO, and Mrs. Radhika Arora, Head IR

Key Takeaways

- Management highlighted that overall Agronomical conditions are better than FY20 especially across LatAm, South East Asia and USA.
- Management believes that UPL's Glufosinate product could have a significant opportunity as it is a substitute for Dicamba and Glyphosate.
- Incremental margin improvement would largely be on the back of revenue synergies as additional revenue would lead to operating leverage.
- The 'China plus one' strategy, which commenced a few years back due to environmental norms in China, has further accelerated due to geo-political issues across the globe.
- UPL will continue to spend 3-3.5% of revenue on field R&D. The overall capex plan is USD250-300mn, with 50-55% towards registrations and the remaining on fixed assets. Long-term capex spends would be in the range of USD275mn annually.
- Management re-iterated their net-debt reduction target of USD400-500mn in FY21. This would largely come from a further reduction in working capital days and higher operating cash flow on the back of a favorable base due to one-off items in FY20.
- Management highlighted that they plan to repay debt of USD900mn-1bn post the pandemic as they need just USD250-300mn for working capital on an ongoing basis.
- Management has guided for a revenue growth of 6-8% under the current circumstances, with 10-12% growth in EBITDA in FY21. Management aims to improve EBITDA margin to 24-25% over the next few years.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net Sales	218,370	357,560	384,912	409,326	432,183
EBITDA	42,550	71,220	83,799	91,136	96,502
EBITDA Margin (%)	19.5	19.9	21.8	22.3	22.3
APAT	26,050	27,853	28,374	32,814	37,720
EPS (Rs)	34.1	36.4	37.1	42.9	49.3
EPS (% chg)	24.9	6.9	1.9	15.6	15.0
ROE (%)	21.9	18.0	16.3	16.5	16.5
P/E (x)	14.5	13.5	13.3	11.5	10.0
EV/EBITDA (x)	15.0	8.8	7.2	6.2	5.5
P/BV (x)	2.6	2.3	2.0	1.8	1.5

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	-
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	37.1	42.9
Consensus	38.3	46.4
Mean Consensus TP (12M)	Rs 586	

Stock Details

Bloomberg Code	UPL IN
Face Value (Rs)	2
Shares outstanding (mn)	764
52 Week H/L	618 / 240
M Cap (Rs bn/USD bn)	376 / 5.02
Daily Avg Volume (nos.)	7,094,851
Daily Avg Turnover (US\$ mn)	40.4

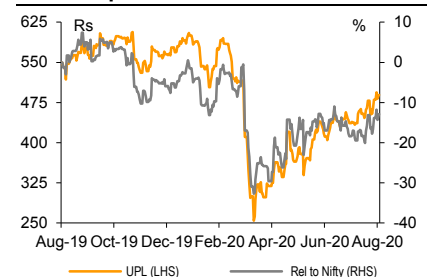
Shareholding Pattern Jun '20

Promoters	27.9%
FIIIs	40.6%
DIIIs	12.9%
Public and Others	18.7%

Price Performance

(%)	1M	3M	6M	12M
Absolute	13	30	(17)	(10)
Rel. to Nifty	9	6	(11)	(12)

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net Sales	218,370	357,560	384,912	409,326	432,183
Expenditure	175,820	286,340	301,113	318,189	335,680
EBITDA	42,550	71,220	83,799	91,136	96,502
Depreciation	8,670	17,937	23,155	24,342	25,530
EBIT	33,880	53,283	60,645	66,794	70,972
Other Income	2,400	1,040	2,306	2,801	3,627
Interest expenses	9,630	14,810	20,462	20,425	18,046
PBT	26,650	39,513	42,489	49,170	56,554
Tax	20	7,670	8,498	9,834	11,311
Extraordinary Items	11,580	10,090	0	0	0
Minority Int./Income from Assoc.	720	4,020	5,787	6,692	7,693
Reported Net Income	14,470	17,763	28,374	32,814	37,720
Adjusted PAT	26,050	27,853	28,374	32,814	37,720

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	1,020	1,530	1,530	1,530	1,530
Reserves & surplus	145,430	161,430	184,449	211,143	242,743
Net worth	146,450	162,960	185,979	212,673	244,273
Minority Interest	33,580	33,120	38,907	45,599	53,292
Loan Funds	288,610	316,550	354,330	315,330	276,330
Net deferred tax liability	19,940	11,310	11,317	11,323	11,329
Total Liabilities	488,580	523,940	590,533	584,925	585,224
Net block	319,270	353,723	350,068	345,226	339,196
Investment	7,080	5,580	5,580	5,580	5,580
Current Assets	270,860	300,487	388,555	398,852	415,536
Cash & bank balance	28,510	67,517	128,706	122,641	124,009
Other Current Assets	29,420	31,930	34,373	36,553	38,594
Current liabilities & Provision	126,460	156,580	174,401	185,462	195,819
Net current assets	144,400	143,907	214,155	213,389	219,718
Misc. exp	0	0	0	0	0
Total Assets	488,580	523,940	590,533	584,925	585,224

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	24,250	38,473	40,183	46,369	52,927
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(36,040)	30,870	(9,052)	(5,293)	(4,956)
Operating Cashflow	23,560	87,910	66,250	76,009	80,236
Capital expenditure	(341,700)	(57,470)	(19,500)	(19,500)	(19,500)
Free Cash Flow	(318,140)	30,440	46,750	56,509	60,736
Investments	3,260	1,500	0	0	0
Other Investing Cash Flow	16,360	28,330	170	170	170
Investing Cashflow	(319,680)	(26,600)	(17,024)	(16,529)	(15,703)
Equity Capital Raised	0	510	0	0	0
Loans Taken / (Repaid)	223,540	27,940	37,780	(39,000)	(39,000)
Dividend paid (incl tax)	(3,575)	(4,070)	(4,590)	(5,355)	(6,120)
Other Financing Cash Flow	74,986	(31,903)	(765)	(765)	0
Financing Cashflow	285,321	(22,333)	11,963	(65,545)	(63,166)
Net chg in cash	(10,800)	38,977	61,189	(6,065)	1,367
Opening cash position	39,060	28,260	67,237	128,426	122,361
Closing cash position	28,510	67,517	128,706	122,641	124,009

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	19.5	19.9	21.8	22.3	22.3
EBIT Margin	15.5	14.9	15.8	16.3	16.4
Effective Tax Rate	0.1	19.4	20.0	20.0	20.0
Net Margin	12.2	8.9	8.8	9.6	10.5
ROCE	11.3	10.7	11.3	11.8	12.8
ROE	21.9	18.0	16.3	16.5	16.5
RoIC	12.7	12.3	14.0	15.3	16.3

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	34.1	36.4	37.1	42.9	49.3
CEPS	45.4	59.9	67.4	74.7	82.7
BVPS	191.4	213.0	243.1	278.0	319.3
DPS	4.7	5.3	6.0	7.0	8.0

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	14.5	13.5	13.3	11.5	10.0
P/CEPS	10.5	8.0	7.1	6.4	5.8
P/BV	2.6	2.3	2.0	1.8	1.5
EV / Sales	2.9	1.7	1.6	1.4	1.2
EV / EBITDA	15.0	8.8	7.2	6.2	5.5
Dividend Yield (%)	0.9	1.1	1.2	1.4	1.6

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	1.8	1.5	1.2	0.9	0.6
Net Debt/EBITDA	6.1	3.5	2.7	2.1	1.6
Working Cap Cycle (days)	193.7	78.0	81.0	80.9	80.8

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	25.7	63.7	7.6	6.3	5.6
EBITDA	21.4	67.4	17.7	8.8	5.9
EBIT	19.7	57.3	13.8	10.1	6.3
PAT	(28.4)	22.8	59.7	15.6	15.0

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	79,060	78,170	88,920	111,410	78,330
EBITDA	16,520	14,490	21,090	19,040	18,320
EBITDA Margin (%)	20.9	18.5	23.7	17.1	23.4
PAT	2,850	890	7,010	6,170	5,510
EPS (Rs)	3.7	1.2	9.2	8.1	7.2

Source: Company, Emkay Research

Shareholding Pattern (%)	Jul-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	27.9	27.9	27.9	27.9	27.9
FII	43.1	43.8	43.5	41.9	40.6
DII	9.6	10.6	11.1	12.3	12.9
Public and Others	19.5	17.7	17.5	18.0	18.7

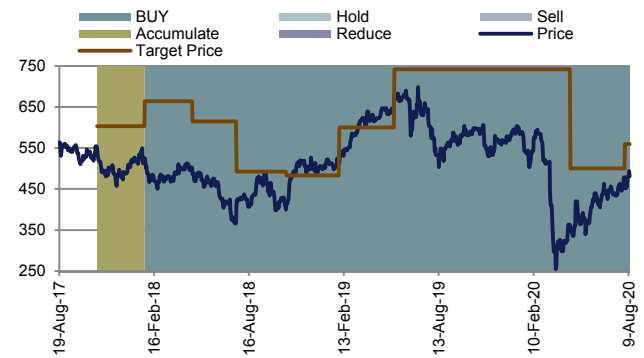
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
2-Aug-20	478	560	12m	Buy	Varshit Shah
22-May-20	371	500	12m	Buy	Varshit Shah
19-May-20	340	500	12m	Buy	Varshit Shah
17-May-20	379	500	12m	Buy	Varshit Shah
3-May-20	420	500	12m	Buy	Varshit Shah
20-Apr-20	355	500	12m	Buy	Varshit Shah
20-May-19	679	742	12m	Buy	Amar Mourya
4-Feb-19	514	600	12m	Buy	Amar Mourya
11-Jan-19	522	483	12m	Buy	Amar Mourya
26-Oct-18	415	483	12m	Buy	Amar Mourya
31-Jul-18	429	493	12m	Buy	Pratik Tholiya
23-Jul-18	421	493	12m	Buy	Pratik Tholiya
30-Apr-18	487	615	12m	Buy	Pratik Tholiya
29-Jan-18	526	665	12m	Buy	Pratik Tholiya
30-Oct-17	550	603	12m	Accumulate	Sumant Kumar

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Auto & Auto Ancillaries

Apollo Tyres

Refer to important disclosures at the end of this report

Replacement demand to aid recovery in India and Europe regions

CMP: Rs 129
as of (August 17, 2020)TP: Rs 111 (■)
12 months

Rating: HOLD (■)

We hosted Mr. Ravi Shingari, Group Head Accounts & Taxation, and Mr. Himanshu Sharma, Divisional Head – Investor Relations

Key Meeting Takeaways

- Improvement in replacement demand:** Replacement volume fell 25% yoy in Q1FY21; however, it grew by ~10% in Jun'20 and in high-single digits in Jul'20. Demand has picked up for Tractors, CVs and 2Ws. Demand pick-up in PVs was initially slow, but has started improving. APTY has gained market share in India replacement market in Q1FY21. India dealer inventory levels have declined by 7 days, or Rs2.5bn, in Q1FY21. The replacement demand outlook for the India division is positive in Q2FY21.
- Improvement expected in Europe operations:** In Europe, the company has witnessed a fall of 28% in Q1FY21 vs. PCR industry decline of 32%. The European division's performance is expected to improve to 90% of normal levels in Q2FY21.
- Import restrictions to support demand:** A notification issued by the Directorate General of Foreign Trade (DGFT) puts most PV, CV and 2W tyre imports from free to restricted category, with an objective to encourage domestic manufacturing. The reduction of imports should lead to a marginal increase in volume for domestic players.
- RM cost to increase in Q3FY21:** RM cost fell 3% in Q1FY21, and a further reduction of 2-3% is expected in Q2FY21. It may rise 2-3% in Q3FY21.
- Cost-reduction efforts** continue with a focus on reducing employee costs, advertising & promotion, travel costs, etc. Top-level management has taken salary cuts, and all increments have been deferred. In the Netherlands division, the company and the Works Council have reached an agreement to retain 737 job positions against the initial 1,265. There will be a reduction of 528 job positions. This cut will happen by Q4FY21. This will lead to cost reduction of EUR40-50mn per annum. Production capacity of 3.5mn units out of total 4mn units will be shifted from the Netherlands plant to Hungary and India plants.
- Net debt has reduced:** Consolidated net debt fell to Rs52bn in Jun'20 from Rs60bn in Mar'20. Net debt/EBITDA stands at 3.1x. Gross debt stands at Rs75bn. India net debt has declined to Rs41bn in Jun'20 vs. Rs48bn in Mar'20. Gross debt stands at Rs58bn.
- Capex:** FY21 capex is expected to be Rs12.5bn, with standalone capex at Rs10.5bn and Europe at Rs2bn. Maintenance capex is expected at Rs2.5-3bn in standalone and Rs1.5-2bn in Europe. Of the total Rs38bn capex for the AP plant, Rs22bn has been completed in FY20. Another Rs6-7bn will be incurred in FY21.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	175,488	163,270	151,958	176,847	195,069
EBITDA	19,586	19,155	18,821	24,924	27,875
EBITDA Margin (%)	11.2	11.7	12.4	14.1	14.3
APAT	8,197	4,764	2,596	6,935	8,706
EPS (Rs)	14.3	8.3	4.1	10.9	13.7
EPS (% chg)	13.2	(41.9)	(50.9)	167.1	25.5
ROE (%)	8.3	4.8	2.5	6.1	7.3
P/E (x)	9.0	15.5	31.6	11.8	9.4
EV/EBITDA (x)	5.9	6.9	6.9	4.9	4.1
P/BV (x)	0.7	0.7	0.7	0.7	0.7

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	4.1	10.9
Consensus	3.1	8.8
Mean Consensus TP (12M)	Rs 124	

Stock Details

Bloomberg Code	APTY IN
Face Value (Rs)	1
Shares outstanding (mn)	572
52 Week H/L	197 / 73
M Cap (Rs bn/USD bn)	74 / 0.99
Daily Avg Volume (nos.)	9,948,111
Daily Avg Turnover (US\$ mn)	14.5

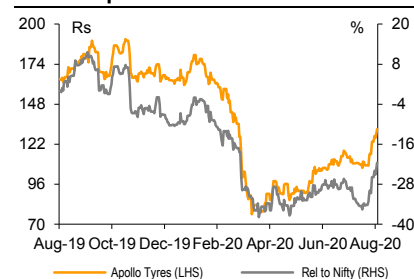
Shareholding Pattern Jun '20

Promoters	41.7%
FIIIs	19.7%
DIIIs	18.2%
Public and Others	20.5%

Price Performance

(%)	1M	3M	6M	12M
Absolute	18	41	(16)	(21)
Rel. to Nifty	15	15	(10)	(23)

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	175,488	163,270	151,958	176,847	195,069
Expenditure	155,902	144,115	133,136	151,923	167,193
EBITDA	19,586	19,155	18,821	24,924	27,875
Depreciation	8,127	11,381	12,746	13,512	14,276
EBIT	11,460	7,774	6,075	11,412	13,599
Other Income	1,231	469	711	876	918
Interest expenses	1,811	2,808	3,620	3,620	3,355
PBT	10,880	5,434	3,166	8,668	11,162
Tax	2,683	670	570	1,734	2,456
Extraordinary Items	(1,400)	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	6,797	4,764	2,596	6,935	8,706
Adjusted PAT	8,197	4,764	2,596	6,935	8,706

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	572	572	635	635	635
Reserves & surplus	99,826	98,728	110,243	115,238	121,352
Net worth	100,398	99,300	110,878	115,874	121,987
Minority Interest	0	0	0	0	0
Loan Funds	47,210	65,799	70,799	65,799	60,799
Net deferred tax liability	7,707	7,032	7,032	7,032	7,032
Total Liabilities	155,315	172,131	188,709	188,704	189,818
Net block	117,540	154,484	154,238	152,726	150,450
Investment	60	194	194	194	194
Current Assets	68,516	60,957	74,296	83,718	92,651
Cash & bank balance	5,627	7,496	23,109	25,580	29,224
Other Current Assets	14,905	11,993	12,593	13,222	13,883
Current liabilities & Provision	46,191	59,921	56,436	64,351	69,894
Net current assets	22,325	1,036	17,860	19,367	22,757
Misc. exp	0	0	0	0	0
Total Assets	155,315	172,131	188,709	188,704	189,818

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	7,650	4,966	2,455	7,792	10,244
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(5,433)	7,996	(1,211)	964	254
Operating Cashflow	8,249	24,236	17,040	24,154	25,674
Capital expenditure	(22,740)	(28,055)	(12,500)	(12,000)	(12,000)
Free Cash Flow	(14,491)	(3,819)	4,540	12,154	13,674
Investments	11,366	(134)	0	0	0
Other Investing Cash Flow	2,646	699	0	0	0
Investing Cashflow	(7,497)	(27,021)	(11,789)	(11,124)	(11,082)
Equity Capital Raised	0	0	63	0	0
Loans Taken / (Repaid)	3,265	13,863	5,000	(5,000)	(5,000)
Dividend paid (incl tax)	(2,069)	(4,310)	(1,133)	(1,939)	(2,593)
Other Financing Cash Flow	(495)	(2,666)	10,052	0	0
Financing Cashflow	(1,117)	4,655	10,362	(10,559)	(10,947)
Net chg in cash	(365)	1,869	15,613	2,471	3,644
Opening cash position	5,992	5,627	7,496	23,109	25,580
Closing cash position	5,627	7,496	23,109	25,580	29,224

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	11.2	11.7	12.4	14.1	14.3
EBIT Margin	6.5	4.8	4.0	6.5	7.0
Effective Tax Rate	24.7	12.3	18.0	20.0	22.0
Net Margin	4.7	2.9	1.7	3.9	4.5
ROCE	8.3	5.0	3.8	6.5	7.7
ROE	8.3	4.8	2.5	6.1	7.3
RoIC	9.5	5.5	4.1	7.7	9.4

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	14.3	8.3	4.1	10.9	13.7
CEPS	28.5	28.2	24.2	32.2	36.2
BVPS	175.5	173.6	174.6	182.4	192.1
DPS	3.3	3.0	1.5	2.5	3.4

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	9.0	15.5	31.6	11.8	9.4
P/CEPS	4.1	4.1	4.8	3.6	3.2
P/BV	0.7	0.7	0.7	0.7	0.7
EV / Sales	0.7	0.8	0.9	0.7	0.6
EV / EBITDA	5.9	6.9	6.9	4.9	4.1
Dividend Yield (%)	2.5	2.3	1.1	2.0	2.6

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	0.4	0.6	0.4	0.3	0.3
Net Debt/EBITDA	2.1	3.0	2.5	1.6	1.1
Working Cap Cycle (days)	34.7	(14.4)	(12.6)	(12.8)	(12.1)

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	18.2	(7.0)	(6.9)	16.4	10.3
EBITDA	18.4	(2.2)	(1.7)	32.4	11.8
EBIT	8.0	(32.2)	(21.9)	87.9	19.2
PAT	(6.1)	(29.9)	(45.5)	167.1	25.5

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	43,313	39,858	43,997	36,101	28,734
EBITDA	4,749	4,320	5,335	4,750	2,373
EBITDA Margin (%)	11.0	10.8	12.1	13.2	8.3
PAT	1,416	831	1,739	779	(1,346)
EPS (Rs)	2.5	1.5	3.0	1.4	(2.4)

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	40.9	40.9	40.9	40.9	41.7
FII	23.7	23.9	24.9	22.9	19.7
DII	17.5	17.2	16.6	17.1	18.2
Public and Others	17.9	18.1	17.6	19.2	20.5

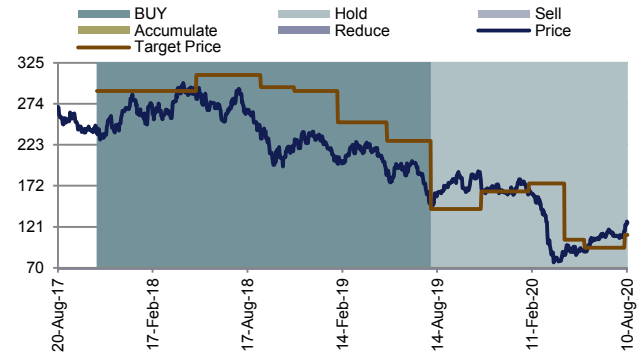
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
6-Aug-20	116	111	12m	Hold	Raghunandhan NL
29-Jun-20	108	95	12m	Hold	Raghunandhan NL
21-May-20	92	95	12m	Hold	Raghunandhan NL
4-May-20	89	105	12m	Hold	Raghunandhan NL
13-Apr-20	86	105	12m	Hold	Raghunandhan NL
27-Feb-20	150	175	12m	Hold	Raghunandhan NL
14-Feb-20	159	175	12m	Hold	Raghunandhan NL
5-Feb-20	168	175	12m	Hold	Raghunandhan NL
27-Dec-19	164	165	12m	Hold	Raghunandhan NL
27-Nov-19	172	165	12m	Hold	Raghunandhan NL
6-Nov-19	169	165	12m	Hold	Raghunandhan NL
2-Aug-19	150	143	12m	Hold	Raghunandhan NL
10-May-19	191	228	12m	Buy	Raghunandhan NL
5-Feb-19	203	251	12m	Buy	Raghunandhan NL
14-Nov-18	223	290	12m	Buy	Raghunandhan NL
11-Sep-18	231	295	12m	Buy	Raghunandhan NL
3-Aug-18	287	310	12m	Buy	Raghunandhan NL
11-May-18	280	310	12m	Buy	Raghunandhan NL
6-Feb-18	248	290	12m	Buy	Raghunandhan NL
2-Nov-17	237	290	12m	Buy	Raghunandhan NL

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Bajaj Auto

Refer to important disclosures at the end of this report

2W demand improving, while 3W demand to remain muted

CMP: Rs 3,116
as of (August 17, 2020)TP: Rs 2,978 (■)
12 months

Rating: HOLD (■)

We hosted Mr. Soumen Ray, Chief Financial Officer

Key Meeting Takeaways

- **Q2FY21 total wholesales expected at 1mn units:** Post registering volumes of 256,000 units in Jul'20, the company expects Aug'20 volume of 350,000 units and Sep'20 volume of 400,000 units, to reach Q2FY21 wholesales of 1mn units. Wholesales are expected to be higher than retails due to inventory build-up with dealers. Production is expected to be higher at 85-90% of last year levels in Aug'20. The company is not facing any major supply issues. Dealer inventory in 2Ws stands at 30-35 days (calculated based on FY20 volumes). This compares with normal inventory of 45 days.
- **Domestic retails and Exports are improving:** Domestic 2W retails are improving on a sequential basis across regions. Demand conditions are better in the East region, followed by North, Central, South and West regions. Bajaj is not witnessing any major down-trading between models, but there is some down-trading toward lower variants within a model. 2W and 3W Exports are improving on a sequential basis across geographies. Dispatches in Africa, Asia and Latin America regions are expected to be higher in Aug'20 vs. Jul'20.
- **Domestic 3W demand to remain weak in the near term** due to a drop in earnings of 3W operators. Demand weakness is higher in the passenger segment in comparison to the cargo segment.
- **Financing availability is adequate** and support from group company Bajaj Finance continues. The financing ratio was ~50% in Q1FY21, and within this, Bajaj Finance has contributed 65%. In Jun'20, the company also tied up with HDFC Bank.
- **New products:** The company is likely to continue its existing strategy of launching variants of existing models with objective of supporting volumes and market share gains. Launches are expected ahead in Husqvarna, KTM and Bajaj brands. Bajaj-Triumph jointly developed motorcycle in 250-750cc category will be launched in CY22 at a price of below Rs200,000.
- **Electric vehicles:** Electric scooter Chetak is currently available in Bangalore and Pune, and Bajaj expects to expand availability to 10 cities by end-FY21. Electric 3W product prototype is under testing, and the launch is expected to happen shortly. Electric Vehicle policies announced by the states of Delhi and Telangana will support in narrowing gap in cost of ownership with ICE vehicles. The acceptance of EVs is expected to be gradual due to affordability and charging infrastructure issues. Currently, profitability for EVs is low.
- In domestic market, company has taken cumulative price hike of ~2% over May'20, Jun'20 and Jul'20. In exports, company has mostly retained benefits of INR depreciation.
- Capex intensity to remain low at USD30-40mn in FY21, and 40-50mn in FY22. Maintenance capex is ~40% of overall capex.

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	303,576	299,187	235,937	319,630	365,513
EBITDA	51,925	50,962	38,116	57,914	68,925
EBITDA Margin (%)	17.1	17.0	16.2	18.1	18.9
APAT	44,358	51,000	39,517	55,627	65,475
EPS (Rs)	153.3	176.2	136.6	192.2	226.3
EPS (% chg)	8.2	15.0	(22.5)	40.8	17.7
ROE (%)	21.7	24.5	19.1	24.6	26.2
P/E (x)	20.3	17.7	22.8	16.2	13.8
EV/EBITDA (x)	13.9	14.5	19.1	12.1	9.8
P/BV (x)	4.1	4.5	4.2	3.8	3.4

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	136.6	192.2
Consensus	150.1	180.1
Mean Consensus TP (12M)	Rs 3,025	

Stock Details

Bloomberg Code	BJAUT IN
Face Value (Rs)	10
Shares outstanding (mn)	289
52 Week H/L	3,315 / 1,789
M Cap (Rs bn/USD bn)	902 / 12.04
Daily Avg Volume (nos.)	948,904
Daily Avg Turnover (US\$ mn)	35.9

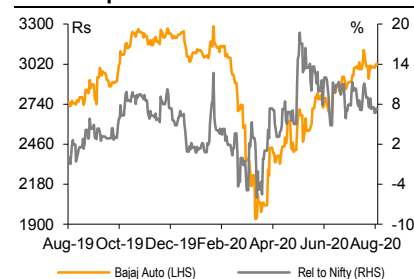
Shareholding Pattern Jun '20

Promoters	53.7%
FIIIs	13.7%
DIIIs	9.1%
Public and Others	23.5%

Price Performance

(%)	1M	3M	6M	12M
Absolute	4	17	1	13
Rel. to Nifty	1	(5)	8	11

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	303,576	299,187	235,937	319,630	365,513
Expenditure	251,651	248,224	197,822	261,716	296,588
EBITDA	51,925	50,962	38,116	57,914	68,925
Depreciation	2,657	2,464	2,624	2,777	2,936
EBIT	49,268	48,498	35,491	55,137	65,989
Other Income	14,389	17,336	16,539	18,095	20,205
Interest expenses	45	32	35	38	42
PBT	63,612	65,802	51,996	73,194	86,152
Tax	19,254	14,802	12,479	17,567	20,676
Extraordinary Items	2,394	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	46,752	51,000	39,517	55,627	65,475
Adjusted PAT	44,358	51,000	39,517	55,627	65,475

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	2,894	2,894	2,894	2,894	2,894
Reserves & surplus	214,905	196,361	212,059	234,155	260,164
Net worth	217,799	199,255	214,952	237,049	263,058
Minority Interest	0	0	0	0	0
Loan Funds	1,245	1,256	1,256	1,256	1,256
Net deferred tax liability	5,427	3,464	4,002	4,760	5,651
Total Liabilities	224,471	203,975	220,210	243,065	269,965
Net block	17,084	16,451	17,600	18,823	19,887
Investment	192,149	182,499	194,499	218,499	243,499
Current Assets	64,091	48,181	41,790	51,662	59,210
Cash & bank balance	9,228	3,083	2,158	3,075	5,401
Other Current Assets	10,358	7,142	7,612	8,551	9,530
Current liabilities & Provision	49,333	43,758	34,508	46,748	53,459
Net current assets	14,758	4,423	7,283	4,914	5,751
Misc. exp	0	0	0	0	0
Total Assets	224,471	203,975	220,210	243,065	269,965

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	52,643	48,466	35,457	55,099	65,947
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(7,925)	3,765	(2,708)	3,332	1,991
Operating Cashflow	10,507	21,282	40,433	34,679	44,694
Capital expenditure	(1,082)	(2,800)	(4,000)	(4,000)	(4,000)
Free Cash Flow	9,425	18,482	36,433	30,679	40,694
Investments	(2,461)	17,773	(12,000)	(24,000)	(25,000)
Other Investing Cash Flow	1,102	2,573	0	0	0
Investing Cashflow	11,948	34,881	539	(9,905)	(8,795)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	0	0	0	0	0
Dividend paid (incl tax)	(20,733)	(62,444)	(23,820)	(33,531)	(39,467)
Other Financing Cash Flow	(238)	157	(18,042)	9,711	5,936
Financing Cashflow	(21,006)	(62,308)	(41,896)	(23,858)	(33,573)
Net chg in cash	1,448	(6,145)	(924)	917	2,326
Opening cash position	7,780	9,228	3,083	2,158	3,075
Closing cash position	9,228	3,083	2,158	3,075	5,401

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	17.1	17.0	16.2	18.1	18.9
EBIT Margin	16.2	16.2	15.0	17.3	18.1
Effective Tax Rate	30.3	22.5	24.0	24.0	24.0
Net Margin	14.6	17.0	16.7	17.4	17.9
ROCE	30.3	30.7	24.5	31.6	33.6
ROE	21.7	24.5	19.1	24.6	26.2
RoIC	295.9	240.1	175.2	254.2	322.7

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	153.3	176.2	136.6	192.2	226.3
CEPS	162.5	184.8	145.6	201.8	236.4
BVPS	752.7	688.6	742.8	819.2	909.1
DPS	60.0	120.0	68.3	96.1	113.1

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	20.3	17.7	22.8	16.2	13.8
P/CEPS	18.4	16.2	20.5	14.8	12.6
P/BV	4.1	4.5	4.2	3.8	3.4
EV / Sales	2.4	2.5	3.1	2.2	1.8
EV / EBITDA	13.9	14.5	19.1	12.1	9.8
Dividend Yield (%)	1.9	3.9	2.2	3.1	3.6

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	(0.8)	(0.8)	(0.8)	(0.8)	(0.9)
Net Debt/EBITDA	(3.4)	(3.2)	(4.5)	(3.4)	(3.3)
Working Cap Cycle (days)	6.6	1.6	7.9	2.1	0.3

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	20.4	(1.4)	(21.1)	35.5	14.4
EBITDA	7.3	(1.9)	(25.2)	51.9	19.0
EBIT	8.9	(1.6)	(26.8)	55.4	19.7
PAT	14.9	9.1	(22.5)	40.8	17.7

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	77,558	77,073	76,397	68,159	30,792
EBITDA	11,982	12,781	13,672	12,528	4,085
EBITDA Margin (%)	15.4	16.6	17.9	18.4	13.3
PAT	11,257	14,024	12,616	13,103	5,280
EPS (Rs)	38.9	48.5	43.6	45.3	18.2

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	53.5	53.5	53.5	53.7	53.7
FIs	14.6	14.1	13.9	13.9	13.7
DIs	8.6	9.8	10.1	8.8	9.1
Public and Others	23.3	22.6	22.5	23.6	23.5

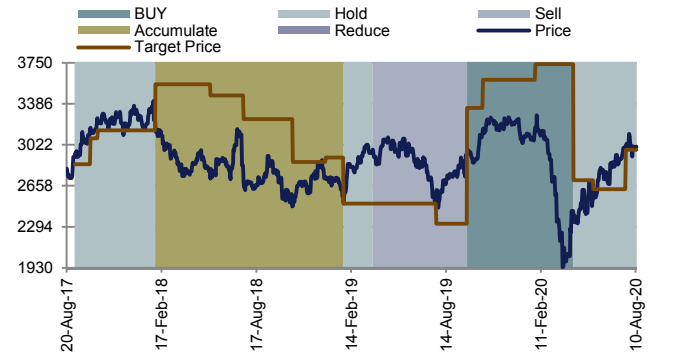
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
22-Jul-20	2,985	2,978	12m	Hold	Raghunandhan NL
29-Jun-20	2,860	2,629	12m	Hold	Raghunandhan NL
21-May-20	2,640	2,629	12m	Hold	Raghunandhan NL
4-May-20	2,442	2,708	12m	Hold	Raghunandhan NL
13-Apr-20	2,398	2,708	12m	Hold	Raghunandhan NL
27-Feb-20	2,937	3,740	12m	Buy	Raghunandhan NL
31-Jan-20	3,180	3,740	12m	Buy	Raghunandhan NL
30-Jan-20	3,146	3,600	12m	Buy	Raghunandhan NL
27-Dec-19	3,242	3,600	12m	Buy	Raghunandhan NL
27-Nov-19	3,212	3,600	12m	Buy	Raghunandhan NL
1-Nov-19	3,233	3,600	12m	Buy	Raghunandhan NL
30-Oct-19	3,223	3,600	12m	Buy	Raghunandhan NL
23-Oct-19	3,163	3,600	12m	Buy	Raghunandhan NL
1-Oct-19	2,910	3,350	12m	Buy	Raghunandhan NL
26-Sep-19	2,970	3,350	12m	Buy	Raghunandhan NL
23-Sep-19	2,995	3,350	12m	Buy	Raghunandhan NL
3-Sep-19	2,764	2,320	12m	Sell	Raghunandhan NL
28-Aug-19	2,767	2,320	12m	Sell	Raghunandhan NL
26-Jul-19	2,619	2,320	12m	Sell	Raghunandhan NL
1-Jul-19	2,912	2,500	12m	Sell	Raghunandhan NL
27-Jun-19	2,866	2,500	12m	Sell	Raghunandhan NL
3-Jun-19	3,035	2,500	12m	Sell	Raghunandhan NL
29-May-19	2,926	2,500	12m	Sell	Raghunandhan NL
17-May-19	3,040	2,500	12m	Sell	Raghunandhan NL
2-May-19	3,031	2,500	12m	Sell	Raghunandhan NL
27-Mar-19	2,980	2,500	12m	Sell	Raghunandhan NL
4-Feb-19	2,643	2,500	12m	Hold	Raghunandhan NL
30-Jan-19	2,500	2,500	12m	Hold	Raghunandhan NL
27-Dec-18	2,737	2,910	12m	Accumulate	Raghunandhan NL
25-Oct-18	2,478	2,870	12m	Accumulate	Raghunandhan NL
23-Jul-18	2,684	3,250	12m	Accumulate	Raghunandhan NL
21-May-18	2,721	3,460	12m	Accumulate	Raghunandhan NL
5-Feb-18	3,186	3,560	12m	Accumulate	Raghunandhan NL
18-Oct-17	3,227	3,150	12m	Hold	Raghunandhan NL
4-Oct-17	3,174	3,080	12m	Hold	Raghunandhan NL
4-Sep-17	2,915	2,850	12m	Hold	Raghunandhan NL

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Bharat Forge

Refer to important disclosures at the end of this report

Near-term woes shall pass

CMP: Rs 497
as of (August 17, 2020)

TP: Rs 537 (■)
12 months

Rating: BUY (■)

We hosted Mr. S Rajhagopalan, Associate Vice President

Key Meeting Takeaways

- **Domestic revenue outlook:** The company expects domestic revenue growth to be flat yoy in Q2FY21, led by traction from PVs, Tractors, CEs, Mining and other Industrial segments. MHCV industry production is expected to decline by 30-35% in FY21. Domestic Industrials to be flat or slightly lower in FY21.
- **Exports revenue outlook:** Expects export revenue to be lower yoy in Q2FY21 due to declines in Oil & Gas and CV segments. Power genset demand has been strong due to makeshift hospitals. Class 8 trucks are expected to decline by 50% in CY20. The company expects Oil & Gas revenue to decline by 50% in FY21.
- **Defense segment outlook:** The import restriction on 101 defense items is expected to benefit the company in the medium term (Rs520bn order size). It is working toward being a part of the supply chain and expects to benefit from localization initiatives. Expects revenue from defense to increase from Rs3.5bn to Rs10bn by FY23, led by orders for components. The defense business has better ROCEs.
- In **Aerospace**, demand from commercial manufacturers has reduced, and demand is flat for engine-related components, while there is demand growth for replaceable parts. FY20 revenues were USD5-6mn. The company expects growth in FY21. Long-term ambition is to reach revenues of USD-80-100mn.
- **Import substitution to support revenues over medium term:** Customers are preferring local procurement of products, which were earlier imported from China. The focus remains on localization in both Automotive and Industrial segments.
- Expects **overseas subsidiaries** losses at EUR5mn in H1FY21. Restructuring exercises are being undertaken with the help of an external agency to reduce employee cost. Expects to be profitable by FY22.
- **Capex** is expected at Rs1.5bn for standalone and Rs2-3bn for Europe operations in FY21. Europe capex is mainly for new capacity addition in the Aluminum segment.

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	65,200	45,639	37,727	52,645	62,211
EBITDA	18,761	10,399	8,050	14,143	17,795
EBITDA Margin (%)	28.8	22.8	21.3	26.9	28.6
APAT	10,413	5,683	3,731	8,420	11,194
EPS (Rs)	22.4	12.2	8.0	18.1	24.0
EPS (% chg)	18.3	(45.4)	(34.4)	125.7	32.9
ROE (%)	20.8	10.6	6.8	14.4	17.3
P/E (x)	22.2	40.7	62.1	27.5	20.7
EV/EBITDA (x)	13.6	23.9	30.0	17.0	13.4
P/BV (x)	4.3	4.3	4.1	3.8	3.4

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	8.0	18.1
Consensus	5.0	14.7
Mean Consensus TP (12M)	Rs 420	

Stock Details

Bloomberg Code	BHFC IN
Face Value (Rs)	2
Shares outstanding (mn)	466
52 Week H/L	534 / 208
M Cap (Rs bn/USD bn)	231 / 3.09
Daily Avg Volume (nos.)	4,317,627
Daily Avg Turnover (US\$ mn)	21.5

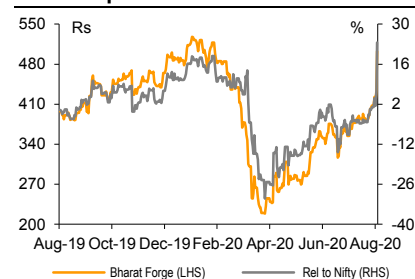
Shareholding Pattern Jun '20

Promoters	45.8%
FIIIs	22.1%
DIIIs	15.1%
Public and Others	17.0%

Price Performance

(%)	1M	3M	6M	12M
Absolute	32	79	2	25
Rel. to Nifty	28	46	10	23

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	65,200	45,639	37,727	52,645	62,211
Expenditure	46,439	35,240	29,677	38,501	44,416
EBITDA	18,761	10,399	8,050	14,143	17,795
Depreciation	3,466	3,449	3,742	4,029	4,362
EBIT	15,295	6,950	4,309	10,115	13,433
Other Income	1,660	1,609	1,894	2,182	2,418
Interest expenses	1,024	1,450	1,299	1,237	1,144
PBT	15,931	7,109	4,903	11,060	14,707
Tax	5,518	1,426	1,172	2,640	3,514
Extraordinary Items	300	(948)	(46)	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	10,713	4,735	3,685	8,420	11,194
Adjusted PAT	10,413	5,683	3,731	8,420	11,194

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	931	931	931	931	931
Reserves & surplus	53,051	52,619	54,956	60,331	67,477
Net worth	53,982	53,551	55,887	61,262	68,409
Minority Interest	0	0	0	0	0
Loan Funds	31,891	32,435	30,717	29,419	26,178
Net deferred tax liability	2,702	1,311	1,335	1,390	1,464
Total Liabilities	88,575	87,296	87,939	92,072	96,051
Net block	26,339	27,630	32,287	29,759	26,897
Investment	21,922	23,529	29,529	30,529	33,529
Current Assets	44,004	37,071	31,779	42,079	48,811
Cash & bank balance	3,698	4,442	4,806	4,442	4,334
Other Current Assets	4,756	3,165	2,617	3,651	4,314
Current liabilities & Provision	10,815	9,879	7,702	12,341	15,232
Net current assets	33,188	27,192	24,077	29,738	33,579
Misc. exp	0	0	0	0	0
Total Assets	88,575	87,296	87,939	92,072	96,051

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	14,571	4,317	3,010	8,878	12,289
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(6,172)	4,287	4,204	(7,825)	(4,980)
Operating Cashflow	6,306	12,158	12,846	6,020	11,822
Capital expenditure	(8,456)	(5,129)	(1,500)	(1,500)	(1,500)
Free Cash Flow	(2,150)	7,029	11,346	4,520	10,322
Investments	(1,770)	(2,480)	(6,000)	(1,000)	(3,000)
Other Investing Cash Flow	207	315	(1,894)	(2,182)	(2,418)
Investing Cashflow	(8,358)	(5,684)	(7,500)	(2,500)	(4,500)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	6,591	(1,713)	(1,718)	(1,298)	(3,241)
Dividend paid (incl tax)	(2,806)	(3,335)	(1,965)	(1,349)	(3,044)
Other Financing Cash Flow	887	436	0	0	0
Financing Cashflow	3,874	(5,730)	(4,982)	(3,884)	(7,429)
Net chg in cash	1,822	744	364	(364)	(107)
Opening cash position	1,877	3,698	4,442	4,806	4,442
Closing cash position	3,698	4,442	4,806	4,442	4,334

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	28.8	22.8	21.3	26.9	28.6
EBIT Margin	23.5	15.2	11.4	19.2	21.6
Effective Tax Rate	34.6	20.1	23.9	23.9	23.9
Net Margin	16.0	12.5	9.9	16.0	18.0
ROCE	20.9	9.7	7.1	13.7	16.9
ROE	20.8	10.6	6.8	14.4	17.3
RoIC	29.4	13.1	8.5	19.0	24.2

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	22.4	12.2	8.0	18.1	24.0
CEPS	29.8	19.6	16.0	26.7	33.4
BVPS	115.9	115.0	120.0	131.5	146.9
DPS	5.0	3.5	2.4	5.4	7.2

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	22.2	40.7	62.1	27.5	20.7
P/CEPS	14.6	22.2	27.1	16.3	13.0
P/BV	4.3	4.3	4.1	3.8	3.4
EV / Sales	3.9	5.5	6.4	4.6	3.8
EV / EBITDA	13.6	23.9	30.0	17.0	13.4
Dividend Yield (%)	1.0	0.7	0.5	1.1	1.5

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	0.4	0.3	0.2	0.2	0.1
Net Debt/EBITDA	1.2	1.7	1.3	0.7	0.3
Working Cap Cycle (days)	165.1	181.9	186.4	175.4	171.6

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	22.6	(30.0)	(17.3)	39.5	18.2
EBITDA	19.0	(44.6)	(22.6)	75.7	25.8
EBIT	20.5	(54.6)	(38.0)	134.7	32.8
PAT	51.5	(55.8)	(22.2)	128.5	32.9

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	13,466	12,595	10,767	8,812	4,270
EBITDA	3,519	3,004	2,394	1,482	17
EBITDA Margin (%)	26.1	23.9	22.2	16.8	0.4
PAT	1,765	2,252	1,316	350	(518)
EPS (Rs)	3.8	4.8	2.8	0.8	(1.1)

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	45.8	45.8	45.8	45.8	45.8
FII	19.0	19.2	20.5	20.7	22.1
DII	13.4	13.9	15.2	15.7	15.1
Public and Others	21.9	21.2	18.5	17.8	17.0

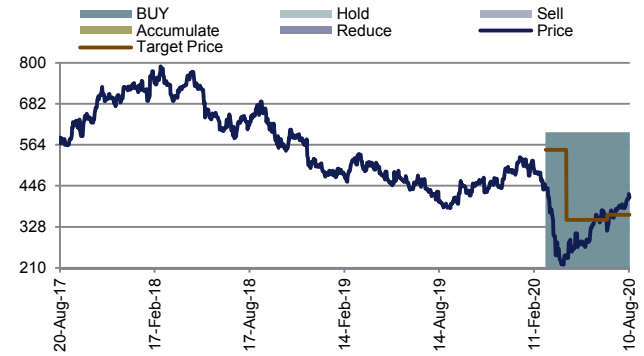
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
13-Aug-20	503	537	12m	Buy	Mumuksh Mandlesha
30-Jun-20	319	363	12m	Buy	Mumuksh Mandlesha
29-Jun-20	317	348	12m	Buy	Mumuksh Mandlesha
4-May-20	270	348	12m	Buy	Mumuksh Mandlesha
13-Apr-20	239	348	12m	Buy	Mumuksh Mandlesha
4-Mar-20	437	550	12m	Buy	Mumuksh Mandlesha

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

CEAT

Refer to important disclosures at the end of this report

Replacement demand to drive recovery ahead

CMP: Rs868
as of (August 17, 2020)

TP: NA
12 months

Rating: NOT RATED

We hosted Mr. Subbiah Kumar, CFO

Key Meeting Takeaways

- **Demand:** In the replacement segment, Jul'20 volume was better than last year due to channel filling, while Aug'20 volume is likely to be flat yoy. Pent-up demand has supported volumes in recent months, and the company is cautious about growth prospects in the coming months. In comparison, OEM demand stands at 70-75% of normal levels, and is expected to improve ahead. In addition, exports are improving sequentially and are expected to reach pre-Covid-19 levels by Q3FY21. Factory inventory has reduced by Rs2bn in Q1FY21.
- **Market share:** The company has not lost market share in the replacement segment. It expects market share gain in PV OEMs (led by new model wins) and in the TBR segment (led by capacity additions) going ahead. Market share in PCR stands at 9-10%, 2W at 25-27%, TBB at 12-14% and TBR at 4-5%.
- **Import restriction** on tyres should reduce cheap imports, and the company expects local manufacturers to gain share, with higher opportunity available in the PCR segment (where imports share is higher at ~12%).
- **Distribution:** PCR tyres are distributed through CEAT Shoppe (350 touch points) and distributors, while other segment tyres are distributed through dealers. CV tyre mix is dominated by replacement at ~80%, and OEM share is at ~20%. For other segments, replacement share stands at ~65% and OEM share at ~35%.
- **Gross margin** is expected to improve in Q2FY21 due to benefits of lower input commodity prices in the previous quarter. However, led by recent increase in input commodity prices, gross margin should taper in Q3FY21. Margin is better in PCR and 2W segments, while it is lower in the TBR segment and further lower in the TBB segment.
- **Fixed costs** for the company is at ~15%. It is focusing on reducing fixed costs. Cost is being reduced in the areas of travelling, consultancy, conferences and marketing.
- **Capex update:** Out of the Rs40bn capex, Rs22bn has already been incurred. The capex breakdown stands as follows: Rs20bn for PCR, Rs10bn for TBR, Rs5bn for 2W and Rs5bn for OHT. Capex is expected at Rs6bn each in FY21 and FY22 and Rs1bn each for specialty (off-highway tyres) business. Going ahead, the company expects an increase in revenue share for 2W and PCR.

Financial Snapshot (Consolidated)

(Rs mn)	FY16	FY17	FY18	FY19	FY20
Net Sales	54836	57665	62834	69845	67788
EBITDA	7683	6513	5871	6026	6940
EBITDA Margin (%)	14.0	11.3	9.3	8.6	10.2
APAT	4508	3732	2587	2848	2533
EPS (Rs)	112.7	93.3	64.7	71.2	63.3
EPS (% chg)	40.1	-17.2	-30.7	10.1	-11.0
ROE (%)	24.2	16.7	10.3	10.6	8.9
P/E (x)	7.7	9.3	13.4	12.2	13.7
EV/EBITDA (x)	5.1	6.4	7.0	7.9	7.6
P/BV (x)	1.7	1.4	1.3	1.3	1.2

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	NA
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	CEAT IN
Face Value (Rs)	10
Shares outstanding (mn)	40
52 Week H/L	1101/600
M Cap (Rs bn/USD bn)	36/0.5
Daily Avg Volume (nos.)	209879.0
Daily Avg Turnover (US\$ mn)	2.4

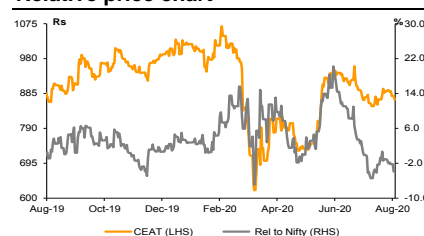
Shareholding Pattern Jun'20

Promoters	46.7%
FIIIs	27.6%
DIIIs	9.6%
Public and Others	16.1%

Price Performance

(%)	1M	3M	6M	12M
Absolute	0	22	-13	3
Rel. to Nifty	-4	0	-6	1

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19	FY20
Net Sales	54836	57665	62834	69845	67788
Expenditure	47266	51907	56096	65814	60848
EBITDA	7683	6513	5871	6026	6940
Depreciation	1077	1431	1686	1927	2765
EBIT	6606	5082	4185	4099	4175
Other Income	277	470	525	592	377
Interest expenses	1014	896	1036	929	1509
PBT	5869	4657	3673	3762	3043
Tax	1873	1064	1340	1251	742
Extraordinary Items	-133	-120	-207	-326	-221
Minority Int. /Income from Assoc.	-18	-19	-47	-11	-12
Reported Net Income	4375	3612	2380	2522	2313
Adjusted PAT	4508	3732	2587	2848	2533

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19	FY20
Equity share capital	405	405	405	405	405
Reserves & surplus	20143	23745	25656	27257	28675
Net worth	20547	24150	26061	27661	29079
Minority Interest	322	292	234	238	237
Loan Funds	6632	9240	8717	14980	19832
Net deferred tax liability	-1582	-1449	-1893	-2192	-2744
Total Liabilities	27936	34357	35387	43309	52899
Net block	20321	24525	27092	31795	41598
Investment	1955	2316	2135	1814	1837
Current Assets	14530	17777	17746	20007	18293
Cash & bank balance	630	359	863	735	342
Other Current Assets	13900	17418	16883	19271	17951
Current liabilities & Provision	11562	13363	14184	18542	20630
Net current assets	2968	4414	3561	1465	-2337
Misc. exp	0	0	0	0	-
Total Assets	27936	34357	35387	43309	52899

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19	FY20
Opening Cash	706	137	240	822	676
Net Cash from Operations	7,021	3,347	6,724	5,527	9,563
Net Cash Used in Investing	-4,326	-5,434	-4,118	-10,517	-10,755
Net Cash Used in Financing	-3,264	2,191	-2,025	4,844	790
Net Inc/(Dec) in Cash	-569	104	582	-146	-402
Closing Cash	137	240	822	676	274

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19	FY20
EBITDA Margin	14.0	11.3	9.3	8.6	10.2
EBIT Margin	12.0	8.8	6.7	5.9	6.2
Effective Tax Rate	31.9	22.9	36.5	33.3	24.4
Net Margin	8.2	6.5	4.1	4.1	3.7
ROCE	24.8	16.3	12.0	10.4	8.7
ROE	24.2	16.7	10.3	10.6	8.9
RoIC	32.6	20.7	14.9	13.7	11.9

Per Share Data (Rs)	FY16	FY17	FY18	FY19	FY20
EPS	112.7	93.3	64.7	71.2	63.3
CEPS	139.6	129.1	106.8	119.4	132.5
BVPS	513.7	603.7	651.5	691.5	727.0
DPS	11.5	11.5	11.5	12.0	12.0

Valuations (x)	FY16	FY17	FY18	FY19	FY20
PER	7.7	9.3	13.4	12.2	13.7
P/CEPS	6.2	6.7	8.1	7.3	6.6
P/BV	1.7	1.4	1.3	1.3	1.2
EV / Sales	0.7	0.7	0.6	0.7	0.8
EV / EBITDA	5.1	6.4	7.0	7.9	7.6
Dividend Yield (%)	1.3	1.3	1.3	1.4	1.4

Gearing Ratio (x)	FY16	FY17	FY18	FY19	FY20
Net Debt/ Equity	0.2	0.3	0.2	0.4	0.6
Net Debt/EBIDTA	0.5	1.0	1.0	2.1	2.5
Working Cap Cycle (days)	15.6	25.7	15.7	3.8	-14.4

Growth (%)	FY16	FY17	FY18	FY19	FY20
Revenue	-4.7	5.2	9.0	11.2	-2.9
EBITDA	12.2	-15.2	-9.9	2.6	15.2
EBIT	11.7	-23.1	-17.7	-2.1	1.9
PAT	40.1	-17.2	-30.7	10.1	-11.0

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	17,521	16,916	17,618	15,734	11,202
EBITDA	1,665	1,696	1,830	1,722	802
EBITDA Margin (%)	9.5	10.0	10.4	10.9	7.2
PAT	831	445	530	689	-132
EPS (Rs)	20.8	11.1	13.2	17.0	-3.3

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	51.1	50.5	46.7	46.7	46.7
FIIIs	25.1	25.0	28.4	28.2	27.6
DIIIs	5.6	7.0	8.1	8.9	9.6
Public and Others	18.2	17.5	16.9	16.2	16.1

Eicher Motors

Refer to important disclosures at the end of this report

New products and network expansion to support growth

CMP: Rs 21,135

as of (August 17, 2020)

TP: Rs 26,727 (■)

12 months

Rating: BUY (■)

We hosted Mr. Anuj Bansal, Head – Financial Planning & Analysis, and Mr. Dheeraj Agarwal, Group Manager – Investor Relations

Key Meeting Takeaways

- Aggressive launches planned over the next three years:** The launch of a new model or major refresh is expected every quarter in 250-750cc categories over next three years. Led by focus on mass customization, more options will be available for new products from Q2FY21 onward. The Meteor model will be launched in Sep'20/ Oct'20.
- Focus on network expansion:** The dealership network currently stands at 1,559 outlets, including 921 normal outlets and 638 studio stores. In the last quarter, 38 studio stores have been added. An addition of at least 600 stores is expected in FY21. Overseas store count stands at 82, and expectation is to increase to 100 by FY21-end. It has presence in 617 multi-brand outlets. In Q1, it added 5 exclusive stores and 32 multi-branded outlets.
- Exports share to increase:** Management expects the revenue share of exports to increase from 9% in FY20 to 20% over the medium term, supported by network expansion and new products. It is focusing on specific segments in emerging, developed and moon-shot markets (such as Africa). Network penetration is in nascent stages, and has the potential to increase.
- Near-term demand trends:** Enquiries are at pre-Covid-19 levels, and the order bookings are also at almost pre-Covid-19 levels. Strong demand was witnessed in Tier 2/3 cities and rural areas, while demand in larger cities is still below peak levels. Order-bookings have been at ~60,000 units per month over Jun-Jul'20. Outstanding order-book is ~45,000 units. The ramp-up in production has been impacted by supply chain issues. Capacity utilization stands at 40-45% vs. current installed capacity of plants at 100,000 units. **The company expects to reach 60% utilization over next 2 weeks.** Most dealers (~90%) are operational. Dealer inventory levels are low at ~10,000 units (below 1 week). Eicher expects to increase dealer inventory to at least 3 weeks in the coming months.
- Focus on digital engagements:** The company has increased focus on digital marketing efforts, and 56% of enquiries are now coming through the digital medium.
- Margins to improve** ahead on better gross margins (previous quarter margin was impacted by incentives) and higher scale. Over the medium term, increased share of exports should also support margins.
- Financing ratio** stands at 50% vs. 52-55% earlier. Reduction in ratio is due to strong demand in smaller towns and rural areas.
- CV division – VECV** has signed a definitive agreement with Volvo Group India Pvt. Ltd. for the acquisition of its bus business under Volvo Buses India. The agreement will cover the manufacturing, assembling, distribution and sale of Volvo Buses India and other rights forming part of the business. Acquired entity does not have any debt. Post the acquisition, VECV would have a complete range of buses.
- VECV plants are operational**, but utilization levels are low at 25%, owing to muted demand conditions VECV has recently launched: 1) 16 foot haulage truck in the LMD segment, 2) 54T tractor trailers, and 3) Wider Skyline bus with new Volvo engine.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	97,971	91,536	80,047	119,044	135,641
EBITDA	29,031	21,804	18,154	32,370	37,456
EBITDA Margin (%)	29.6	23.8	22.7	27.2	27.6
APAT	22,203	18,274	14,383	27,150	32,630
EPS (Rs)	813.3	669.0	526.5	993.9	1,194.5
EPS (% chg)	1.8	(17.7)	(21.3)	88.8	20.2
ROE (%)	27.8	19.3	13.7	22.4	22.6
P/E (x)	26.0	31.6	40.1	21.3	17.7
EV/EBITDA (x)	17.9	23.4	27.7	14.7	12.0
P/BV (x)	6.5	5.8	5.2	4.4	3.7

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	526.5	993.9
Consensus	526.1	812.0
Mean Consensus TP (12M)	Rs 20,260	

Stock Details

Bloomberg Code	EIM IN
Face Value (Rs)	10
Shares outstanding (mn)	27
52 Week H/L	23,450 / 12,450
M Cap (Rs bn/USD bn)	577 / 7.71
Daily Avg Volume (nos.)	293,025
Daily Avg Turnover (US\$ mn)	70.9

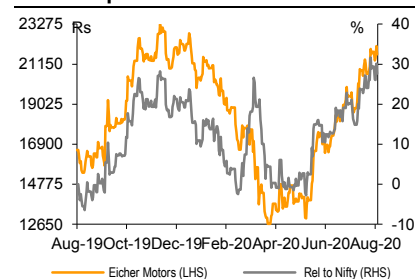
Shareholding Pattern Jun '20

Promoters	49.3%
FIIIs	27.0%
DIIIs	11.9%
Public and Others	11.8%

Price Performance

(%)	1M	3M	6M	12M
Absolute	12	50	14	27
Rel. to Nifty	9	22	22	25

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	97,971	91,536	80,047	119,044	135,641
Expenditure	68,940	69,732	61,893	86,674	98,185
EBITDA	29,031	21,804	18,154	32,370	37,456
Depreciation	3,003	3,815	4,270	4,787	5,381
EBIT	26,028	17,988	13,884	27,583	32,075
Other Income	4,434	5,433	5,589	6,001	7,724
Interest expenses	73	189	219	231	245
PBT	30,389	23,232	19,254	33,352	39,554
Tax	10,770	5,275	4,621	8,005	9,493
Extraordinary Items	(175)	0	0	0	0
Minority Int./Income from Assoc.	2,584	317	(250)	1,802	2,570
Reported Net Income	22,027	18,274	14,383	27,150	32,630
Adjusted PAT	22,203	18,274	14,383	27,150	32,630

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	273	273	273	273	273
Reserves & surplus	88,914	99,536	110,344	131,258	156,485
Net worth	89,187	99,809	110,617	131,531	156,758
Minority Interest	0	0	0	0	0
Loan Funds	1,868	1,444	1,200	1,200	1,200
Net deferred tax liability	2,739	2,522	2,344	2,037	1,672
Total Liabilities	93,794	103,775	114,161	134,768	159,630
Net block	18,711	21,866	22,902	23,115	22,734
Investment	49,260	57,519	67,519	92,519	117,519
Current Assets	41,400	41,990	38,721	44,895	49,763
Cash & bank balance	29,653	29,506	27,804	28,659	31,263
Other Current Assets	2,623	2,523	2,206	3,281	3,738
Current liabilities & Provision	20,075	20,722	17,797	28,576	33,201
Net current assets	21,325	21,268	20,924	16,319	16,562
Misc. exp	0	0	0	0	0
Total Assets	93,794	103,775	114,161	134,768	159,630

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	25,955	17,799	13,665	27,351	31,830
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(4,569)	862	(1,535)	5,153	1,996
Operating Cashflow	11,321	11,509	12,281	28,661	31,360
Capital expenditure	(7,899)	(5,445)	(5,000)	(5,000)	(5,000)
Free Cash Flow	3,422	6,064	7,281	23,661	26,360
Investments	(254)	(12,361)	(10,000)	(25,000)	(25,000)
Other Investing Cash Flow	1,555	2,721	0	0	0
Investing Cashflow	(2,165)	(9,652)	(9,411)	(23,999)	(22,276)
Equity Capital Raised	361	289	0	0	0
Loans Taken / (Repaid)	247	(311)	(244)	0	0
Dividend paid (incl tax)	(3,482)	(8,087)	(3,575)	(6,235)	(7,404)
Other Financing Cash Flow	11,300	6,180	(533)	2,659	1,169
Financing Cashflow	8,377	(2,004)	(4,572)	(3,807)	(6,479)
Net chg in cash	17,533	(147)	(1,702)	855	2,604
Opening cash position	12,120	29,653	29,506	27,804	28,659
Closing cash position	29,653	29,506	27,804	28,659	31,263

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	29.6	23.8	22.7	27.2	27.6
EBIT Margin	26.6	19.7	17.3	23.2	23.6
Effective Tax Rate	35.4	22.7	24.0	24.0	24.0
Net Margin	20.0	19.6	18.3	21.3	22.2
ROCE	36.5	23.7	17.9	27.0	27.0
ROE	27.8	19.3	13.7	22.4	22.6
RoIC	422.7	149.8	93.7	205.9	341.1

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	813.3	669.0	526.5	993.9	1,194.5
CEPS	923.3	808.7	682.9	1,169.1	1,391.5
BVPS	3,267.0	3,653.8	4,049.5	4,815.1	5,738.6
DPS	124.9	125.0	108.8	189.6	225.2

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	26.0	31.6	40.1	21.3	17.7
P/CEPS	23.5	26.8	31.7	18.5	15.6
P/BV	6.5	5.8	5.2	4.4	3.7
EV / Sales	5.3	5.6	6.3	4.0	3.3
EV / EBITDA	17.9	23.4	27.7	14.7	12.0
Dividend Yield (%)	0.6	0.6	0.5	0.9	1.1

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	(0.6)	(0.7)	(0.7)	(0.8)	(0.8)
Net Debt/EBITDA	(2.0)	(3.1)	(4.1)	(3.1)	(3.4)
Working Cap Cycle (days)	(31.0)	(32.8)	(31.4)	(37.8)	(39.6)

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	9.3	(6.6)	(12.6)	48.7	13.9
EBITDA	3.4	(24.9)	(16.7)	78.3	15.7
EBIT	0.7	(30.9)	(22.8)	98.7	16.3
PAT	12.4	(17.0)	(21.3)	88.8	20.2

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	23,819	21,925	23,710	22,082	8,182
EBITDA	6,145	5,414	5,923	4,322	38
EBITDA Margin (%)	25.8	24.7	25.0	19.6	0.5
PAT	4,518	5,727	4,987	3,043	(552)
EPS (Rs)	165.5	209.8	182.7	111.4	(20.2)

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	49.3	49.3	49.3	49.3	49.3
FIs	33.2	31.9	31.2	27.7	27.0
DIs	4.7	7.2	8.2	11.1	11.9
Public and Others	12.8	11.6	11.3	11.9	11.8

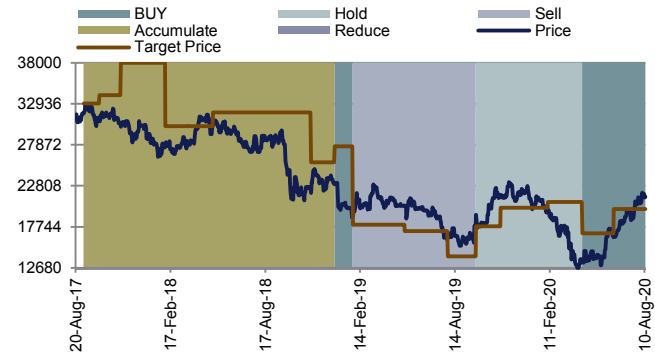
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
29-Jun-20	18,114	19,954	12m	Buy	Raghunandhan NL
12-Jun-20	16,857	19,954	12m	Buy	Raghunandhan NL
4-May-20	13,749	16,955	12m	Buy	Raghunandhan NL
13-Apr-20	13,401	16,955	12m	Buy	Raghunandhan NL
27-Feb-20	17,053	20,800	12m	Hold	Raghunandhan NL
7-Feb-20	19,736	20,800	12m	Hold	Raghunandhan NL
30-Jan-20	20,340	20,100	12m	Hold	Raghunandhan NL
27-Dec-19	22,222	20,100	12m	Hold	Raghunandhan NL
27-Nov-19	23,022	20,100	12m	Hold	Raghunandhan NL
9-Nov-19	21,690	20,100	12m	Hold	Raghunandhan NL
1-Nov-19	21,976	17,800	12m	Hold	Raghunandhan NL
30-Oct-19	22,512	17,800	12m	Hold	Raghunandhan NL
1-Oct-19	17,827	17,800	12m	Hold	Raghunandhan NL
26-Sep-19	17,912	17,800	12m	Hold	Raghunandhan NL
23-Sep-19	19,239	17,800	12m	Hold	Raghunandhan NL
3-Sep-19	15,776	14,100	12m	Sell	Raghunandhan NL
28-Aug-19	16,297	14,100	12m	Sell	Raghunandhan NL
31-Jul-19	16,348	14,100	12m	Sell	Raghunandhan NL
1-Jul-19	19,625	17,200	12m	Sell	Raghunandhan NL
27-Jun-19	19,479	17,200	12m	Sell	Raghunandhan NL
11-Jun-19	20,132	17,200	12m	Sell	Raghunandhan NL
3-Jun-19	19,948	17,200	12m	Sell	Raghunandhan NL
29-May-19	20,424	17,200	12m	Sell	Raghunandhan NL
10-May-19	20,354	17,200	12m	Sell	Raghunandhan NL
2-May-19	20,565	18,000	12m	Sell	Raghunandhan NL
27-Mar-19	20,974	18,000	12m	Sell	Raghunandhan NL
22-Mar-19	21,447	18,000	12m	Sell	Raghunandhan NL
19-Feb-19	20,410	18,000	12m	Sell	Raghunandhan NL
11-Feb-19	20,753	18,000	12m	Sell	Raghunandhan NL
4-Feb-19	20,128	18,000	12m	Sell	Raghunandhan NL
31-Jan-19	19,006	18,000	12m	Sell	Raghunandhan NL
27-Dec-18	22,995	27,700	12m	Buy	Raghunandhan NL
12-Nov-18	21,934	25,700	12m	Accumulate	Raghunandhan NL
6-Jul-18	27,626	31,900	12m	Accumulate	Raghunandhan NL
9-May-18	30,316	31,900	12m	Accumulate	Raghunandhan NL
7-Feb-18	28,010	30,200	12m	Accumulate	Raghunandhan NL
14-Nov-17	30,090	38,000	12m	Accumulate	Raghunandhan NL
4-Oct-17	30,885	34,000	12m	Accumulate	Raghunandhan NL
4-Sep-17	31,754	33,000	12m	Accumulate	Raghunandhan NL

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Escorts

Refer to important disclosures at the end of this report

Tractor upcycle to drive earnings growth

CMP: Rs 1,153
as of (August 17, 2020)TP: Rs 1,256 (■)
12 months

Rating: BUY (■)

We hosted Mr. Bharat Madan, CFO, and Mr. Prateek Singhal, Chief Manager - Investor relations

Key Meeting Takeaways

- Tractors outlook:** FY21E tractor volume growth is expected to be positive in low-single digits. The South region is expected to outperform other regions in FY21E. The company expects subsidy-based tractor sales at 7-8% of FY21E volumes. Assam is providing subsidy and more states are expected to follow in FY21. Adequate financing is available.
- Tractor exports** will reach 8,000-10,000 units over the next three years. Escorts has started using Kubota's network for exports to markets such as Thailand and Turkey.
- Network expansion remains a focus area:** The tractor sales network stands at 1,017 outlets in the domestic market and is likely to expand to 1,200 outlets over the next 18 months. The expansion is expected in opportunity markets – South and West regions. The dealer attrition rate stands at 5-7%.
- Production ramp-up expected in Aug'20:** Utilization levels for Tractors have fallen from 90% in June'20 to 50-60% in July'20 due to supply constraints for fuel-injection related components. Utilization levels should improve to peak levels by mid-Aug'20. System inventory levels (factory and dealer stocks) are at 3-3.5 weeks, lower than normal levels of 6-8 weeks (normal factory stock of 2-3 weeks and dealer stock of 4-5 weeks).
- Construction equipment:** Expects CE volumes to normalize in Q4FY21. Break-even levels had been reduced to 230-250 units and further reduction is expected by FY21-end.
- Railways:** FY21 railways revenue growth will be in high-single digits. The order book of over Rs4.8bn provides visibility for the next 12-15 months. EBITDA margin should sustain at last year levels, supported by localization efforts.
- Cost-reduction efforts** remain a focus area. The company expects 10-15% reduction in fixed costs, which is Rs1.75bn per quarter.
- Kubota tie-up:** Funds received from the stake sale to Kubota will be utilized for Tractor, Farm implements and CE segments. In addition, the joint R&D setup will also be a part of the plan. More details about the fund utilization will be announced in November'20.
- Emission change norms for 50HP and above tractors are expected to be delayed by 12 months to Oct'21.
- The liquidity situation is healthy. Gross debt is low at Rs60mn. Net cash stands at Rs10.55bn.
- Capex:** FY21 capex is expected at Rs2.25-2.5bn toward new product development and capacity expansion. The company is building machining capacity, which will be utilized by the standalone entity and Kubota JV. Non-tractor capex is expected at Rs300-400mn.

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	61,964	57,610	57,639	68,821	77,277
EBITDA	7,333	6,758	6,858	8,783	10,200
EBITDA Margin (%)	11.8	11.7	11.9	12.8	13.2
APAT	4,728	4,924	5,385	7,279	8,798
EPS (Rs)	53.2	55.4	53.2	72.0	87.0
EPS (% chg)	34.5	4.2	(3.9)	35.2	20.9
ROE (%)	17.0	15.2	12.7	13.7	14.6
P/E (x)	21.7	20.8	21.6	16.0	13.2
EV/EBITDA (x)	13.5	13.8	14.0	10.5	8.5
P/BV (x)	3.4	3.0	2.3	2.1	1.8

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	53.2	72.0
Consensus	51.2	66.6
Mean Consensus TP (12M)	Rs 1,219	

Stock Details

Bloomberg Code	ESC IN
Face Value (Rs)	10
Shares outstanding (mn)	135
52 Week H/L	1,211 / 423
M Cap (Rs bn/USD bn)	155 / 2.08
Daily Avg Volume (nos.)	2,870,276
Daily Avg Turnover (US\$ mn)	38.6

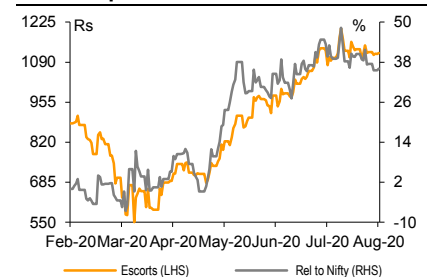
Shareholding Pattern Jul '20

Promoters	36.6%
FIIIs	18.6%
DIIIs	9.1%
Public and Others	35.8%

Price Performance

(%)	1M	3M	6M	12M
Absolute	4	40	30	146
Rel. to Nifty	1	14	39	142

Relative price chart



Source: Bloomberg

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	61,964	57,610	57,639	68,821	77,277
Expenditure	54,631	50,851	50,781	60,038	67,077
EBITDA	7,333	6,758	6,858	8,783	10,200
Depreciation	854	1,046	1,131	1,218	1,314
EBIT	6,479	5,713	5,727	7,565	8,886
Other Income	809	923	1,418	1,954	2,617
Interest expenses	185	155	60	66	76
PBT	7,103	6,481	7,084	9,453	11,427
Tax	2,375	1,556	1,699	2,174	2,628
Extraordinary Items	121	(69)	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	4,849	4,855	5,385	7,279	8,798
Adjusted PAT	4,728	4,924	5,385	7,279	8,798

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	1,226	1,226	1,226	1,226	1,226
Reserves & surplus	29,003	33,575	48,738	55,316	63,268
Net worth	30,229	34,801	49,964	56,542	64,494
Minority Interest	0	0	0	0	0
Loan Funds	2,769	66	66	79	89
Net deferred tax liability	529	303	338	386	443
Total Liabilities	33,526	35,170	50,369	57,007	65,025
Net block	16,074	16,651	17,784	19,066	20,251
Investment	8,797	11,892	24,711	29,211	34,711
Current Assets	24,195	23,194	22,406	26,289	29,921
Cash & bank balance	2,301	3,185	2,706	2,767	3,509
Other Current Assets	3,243	3,099	3,101	3,702	4,157
Current liabilities & Provision	16,443	17,951	16,152	19,178	21,477
Net current assets	7,751	5,243	6,254	7,111	8,444
Misc. exp	139	139	139	139	139
Total Assets	33,526	35,170	50,369	57,007	65,025

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	6,422	5,466	5,666	7,499	8,809
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(7,512)	3,436	(1,619)	(975)	(716)
Operating Cashflow	(3,215)	7,244	3,555	5,678	6,892
Capital expenditure	(1,391)	(1,898)	(2,500)	(2,500)	(2,500)
Free Cash Flow	(4,606)	5,345	1,055	3,178	4,392
Investments	909	(2,831)	(12,819)	(4,500)	(5,500)
Other Investing Cash Flow	346	431	0	0	0
Investing Cashflow	672	(3,375)	(13,901)	(5,046)	(5,383)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	2,268	(2,735)	0	13	10
Dividend paid (incl tax)	(222)	(260)	(518)	(701)	(847)
Other Financing Cash Flow	(192)	98	10,446	182	146
Financing Cashflow	1,725	(2,984)	9,867	(572)	(767)
Net chg in cash	(818)	884	(479)	61	742
Opening cash position	3,119	2,301	3,185	2,706	2,767
Closing cash position	2,301	3,185	2,706	2,767	3,509

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	11.8	11.7	11.9	12.8	13.2
EBIT Margin	10.5	9.9	9.9	11.0	11.5
Effective Tax Rate	33.4	24.0	24.0	23.0	23.0
Net Margin	7.6	8.5	9.3	10.6	11.4
ROCE	24.5	19.4	16.8	17.8	18.9
ROE	17.0	15.2	12.7	13.7	14.6
RoIC	37.4	28.4	28.6	33.8	36.6

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	53.2	55.4	53.2	72.0	87.0
CEPS	62.8	67.2	64.4	84.0	100.0
BVPS	338.5	390.0	492.6	557.7	636.3
DPS	3.4	3.4	4.3	5.8	7.0

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	21.7	20.8	21.6	16.0	13.2
P/CEPS	17.6	16.5	17.2	13.2	11.1
P/BV	3.4	3.0	2.3	2.1	1.8
EV / Sales	1.6	1.6	1.7	1.3	1.1
EV / EBITDA	13.5	13.8	14.0	10.5	8.5
Dividend Yield (%)	0.3	0.3	0.4	0.5	0.6

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	(0.1)	(0.3)	(0.4)	(0.4)	(0.5)
Net Debt/EBIDTA	(0.5)	(1.4)	(3.0)	(2.8)	(3.0)
Working Cap Cycle (days)	32.1	13.0	22.5	23.0	23.3

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	24.0	(7.0)	0.1	19.4	12.3
EBITDA	31.6	(7.8)	1.5	28.1	16.1
EBIT	33.7	(11.8)	0.2	32.1	17.5
PAT	40.7	0.1	10.9	35.2	20.9

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	14,230	13,239	16,334	13,807	10,616
EBITDA	1,424	1,267	2,123	1,944	1,196
EBITDA Margin (%)	10.0	9.6	13.0	14.1	11.3
PAT	875	1,115	1,531	1,404	922
EPS (Rs)	9.8	12.5	17.2	15.8	10.4

Source: Company, Emkay Research

Shareholding Pattern (%)	Sep-19	Dec-19	Mar-20	Jun-20	Jul-20
Promoters	40.3	40.3	40.3	40.3	36.6
FII	21.8	20.4	19.3	20.4	18.6
DII	4.8	6.5	10.0	10.0	9.1
Public and Others	33.2	32.8	30.5	29.4	35.8

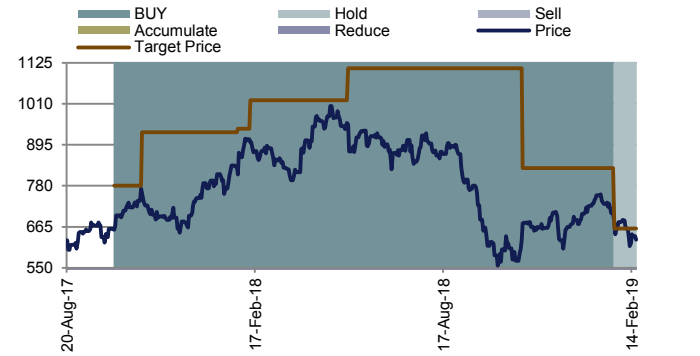
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
28-Jul-20	1,158	1,256	12m	Buy	Raghunandhan NL
28-Jul-20	1,158	1,256	12m	Buy	Raghunandhan NL
29-Jun-20	1,033	1,103	12m	Buy	Raghunandhan NL
29-Jun-20	1,033	1,103	12m	Buy	Raghunandhan NL
2-Jun-20	960	1,103	12m	Buy	Raghunandhan NL
2-Jun-20	960	1,103	12m	Buy	Raghunandhan NL
15-May-20	824	898	12m	Buy	Raghunandhan NL
15-May-20	824	898	12m	Buy	Raghunandhan NL
4-May-20	683	815	12m	Buy	Raghunandhan NL
4-May-20	683	815	12m	Buy	Raghunandhan NL
13-Apr-20	690	815	12m	Buy	Raghunandhan NL
13-Apr-20	690	815	12m	Buy	Raghunandhan NL
20-Mar-20	675	954	12m	Buy	Raghunandhan NL
20-Mar-20	675	954	12m	Buy	Raghunandhan NL
27-Feb-20	818	1,000	12m	Buy	Raghunandhan NL
27-Feb-20	818	1,000	12m	Buy	Raghunandhan NL
30-Jan-20	818	1,000	12m	Buy	Raghunandhan NL
30-Jan-20	818	1,000	12m	Buy	Raghunandhan NL
27-Dec-19	623	613	12m	Hold	Raghunandhan NL
27-Dec-19	623	613	12m	Hold	Raghunandhan NL
27-Nov-19	648	613	12m	Hold	Raghunandhan NL
27-Nov-19	648	613	12m	Hold	Raghunandhan NL
4-Nov-19	649	613	12m	Hold	Raghunandhan NL
4-Nov-19	649	613	12m	Hold	Raghunandhan NL
1-Nov-19	658	560	12m	Hold	Raghunandhan NL
1-Nov-19	658	560	12m	Hold	Raghunandhan NL
30-Oct-19	666	560	12m	Hold	Raghunandhan NL
30-Oct-19	666	560	12m	Hold	Raghunandhan NL
1-Oct-19	610	560	12m	Hold	Raghunandhan NL
1-Oct-19	610	560	12m	Hold	Raghunandhan NL
26-Sep-19	610	560	12m	Hold	Raghunandhan NL
26-Sep-19	610	560	12m	Hold	Raghunandhan NL
23-Sep-19	627	560	12m	Hold	Raghunandhan NL
23-Sep-19	627	560	12m	Hold	Raghunandhan NL
3-Sep-19	492	433	12m	Sell	Raghunandhan NL
3-Sep-19	492	433	12m	Sell	Raghunandhan NL
28-Aug-19	493	433	12m	Sell	Raghunandhan NL
28-Aug-19	493	433	12m	Sell	Raghunandhan NL
30-Jul-19	460	433	12m	Sell	Raghunandhan NL
30-Jul-19	460	433	12m	Sell	Raghunandhan NL
1-Jul-19	570	660	12m	Hold	Raghunandhan NL
1-Jul-19	570	660	12m	Hold	Raghunandhan NL
27-Jun-19	548	660	12m	Hold	Raghunandhan NL
27-Jun-19	548	660	12m	Hold	Raghunandhan NL
3-Jun-19	606	660	12m	Hold	Raghunandhan NL
3-Jun-19	606	660	12m	Hold	Raghunandhan NL
29-May-19	618	660	12m	Hold	Raghunandhan NL
29-May-19	618	660	12m	Hold	Raghunandhan NL
8-May-19	628	660	12m	Hold	Raghunandhan NL
8-May-19	628	660	12m	Hold	Raghunandhan NL
2-May-19	681	660	12m	Hold	Raghunandhan NL
2-May-19	681	660	12m	Hold	Raghunandhan NL
4-Feb-19	679	660	12m	Hold	Raghunandhan NL
4-Feb-19	679	660	12m	Hold	Raghunandhan NL
28-Jan-19	675	660	12m	Hold	Raghunandhan NL
28-Jan-19	675	660	12m	Hold	Raghunandhan NL
1-Nov-18	674	830	12m	Buy	Raghunandhan NL
1-Nov-18	674	830	12m	Buy	Raghunandhan NL
30-Jul-18	908	1,110	12m	Buy	Raghunandhan NL
30-Jul-18	908	1,110	12m	Buy	Raghunandhan NL
17-May-18	952	1,110	12m	Buy	Raghunandhan NL
17-May-18	952	1,110	12m	Buy	Raghunandhan NL

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Hero Motocorp

Refer to important disclosures at the end of this report

Rural demand supporting volumes

CMP: Rs 2,927
as of (August 17, 2020)TP: Rs 2,798 (■)
12 months

Rating: HOLD (■)

We hosted Mr. Umang Khurana, Head - Investor Relations

Key Meeting Takeaways

- **Improving retail demand:** Jun'20 retails declined in single digits, while Jul'20 retails growth was positive, and similar trend is expected to continue in Aug'20. Retails have been aided by pent-up demand in rural areas, and further pent-up demand is expected from urban areas. Current dealer inventory stands at ~4 weeks. Inventory is expected to further increase before the festive season. (Usually inventory levels before festive season are 7-8 weeks). All plants are operational and production has reached 85-90% of normal levels. A large portion of sales outlets (~90%) are operational.
- **New products:** Recently launched Xtreme 160R has received positive response, and dispatches are expected to improve with the ramp-up in production. No more major launches are expected in FY21. Refreshes are expected from FY22 and multiple products are expected to be launched in the premium segment (150-400cc) over the next 3-5 years.
- **Customer profile:** First-time buyers contribute ~40% of product mix, replacement buyers ~30% and additional buyers ~30%. Additional buyer demand is skewed toward Scooters. First-time buyer share has increased due to demand for personal mobility, but replacement buyer share has reduced, as buyers are delaying purchases. The share of Business buyers stands at ~50%, skilled employees at ~15%, students at ~10% and others at ~25%.
- **Market share:** The company has gained market share in FY21 YTD on a relatively faster ramp-up in production levels in comparison to peers and strong presence in rural areas.
- **Down-trading is being witnessed;** however, customers are not down-trading toward lower segments, but down-trading is happening within the product variants.
- **Scooter market** is expected to outperform over medium term, but expects pace of penetration to be gradual. Hero's scooters are among Top-2 players in 300 out of 400 districts, hence the product acceptance is not the issue, but weak presence in major markets is impacting overall market share. It is also witnessing a shift from Scooters to entry-level motorcycles such as HF Deluxe, owing to better fuel economy and lower prices.
- **Financing ratio** had increased from 33% to 41% in FY20. In Q1FY21, the ratio was lower at 37% due to lockdowns and selective financing by NBFCs.
- **Margins:** Price hikes of Rs1,000 were taken in Q4FY20 and Rs300 in Jul'20. Competitors also have increased prices in a similar range. Going ahead, the company is working on reducing the cost of BS6 components through alternative vendors, better scale and use of in-house technologies. Benefit of 100bps in margin is expected due to Leap program.

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	336,505	288,361	264,940	333,650	365,880
EBITDA	49,301	39,580	32,591	47,562	52,852
EBITDA Margin (%)	14.7	13.7	12.3	14.3	14.4
APAT	33,849	31,841	24,488	35,909	40,211
EPS (Rs)	169.5	159.4	122.6	179.8	201.3
EPS (% chg)	(8.5)	(5.9)	(23.1)	46.6	12.0
ROE (%)	27.5	23.6	17.1	23.7	24.5
P/E (x)	17.3	18.4	23.9	16.3	14.5
EV/EBITDA (x)	10.8	12.9	15.4	10.3	9.0
P/BV (x)	4.5	4.1	4.0	3.7	3.4

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	-
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	122.6	179.8
Consensus	130.3	168.8
Mean Consensus TP (12M)	Rs 2,821	

Stock Details

Bloomberg Code	HMCL IN
Face Value (Rs)	2
Shares outstanding (mn)	200
52 Week H/L	3,023 / 1,475
M Cap (Rs bn/USD bn)	585 / 7.81
Daily Avg Volume (nos.)	1,838,945
Daily Avg Turnover (US\$ mn)	60.9

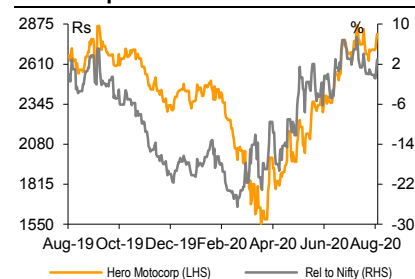
Shareholding Pattern Jun '20

Promoters	34.8%
FIIIs	32.7%
DIIIs	21.7%
Public and Others	10.8%

Price Performance

(%)	1M	3M	6M	12M
Absolute	6	33	28	10
Rel. to Nifty	3	8	37	8

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	336,505	288,361	264,940	333,650	365,880
Expenditure	287,205	248,781	232,348	286,088	313,029
EBITDA	49,301	39,580	32,591	47,562	52,852
Depreciation	6,020	8,180	7,782	8,464	9,200
EBIT	43,281	31,400	24,810	39,098	43,652
Other Income	6,913	7,783	7,648	8,411	9,531
Interest expenses	86	220	248	260	273
PBT	50,107	38,963	32,210	47,249	52,909
Tax	16,259	7,122	7,721	11,340	12,698
Extraordinary Items	0	4,491	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	33,849	36,333	24,488	35,909	40,211
Adjusted PAT	33,849	31,841	24,488	35,909	40,211

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	400	400	400	400	400
Reserves & surplus	128,172	140,965	144,787	156,887	170,436
Net worth	128,571	141,364	145,187	157,286	170,835
Minority Interest	0	0	0	0	0
Loan Funds	0	0	0	0	0
Net deferred tax liability	5,365	3,928	4,250	4,723	5,252
Total Liabilities	133,936	145,292	149,437	162,009	176,087
Net block	46,186	57,025	54,124	52,638	53,437
Investment	59,686	82,227	88,227	99,227	113,227
Current Assets	65,121	44,829	41,328	51,420	55,415
Cash & bank balance	1,365	2,419	3,685	4,014	3,430
Other Current Assets	8,931	6,348	5,832	7,344	8,054
Current liabilities & Provision	42,476	42,201	38,773	48,829	53,546
Net current assets	22,646	2,628	2,555	2,591	1,869
Misc. exp	0	0	0	0	0
Total Assets	133,936	145,292	149,437	162,009	176,087

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	43,195	37,954	24,562	38,838	43,378
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(19,189)	12,027	1,880	125	366
Operating Cashflow	2,878	46,318	35,187	42,255	47,499
Capital expenditure	(9,179)	(13,586)	(6,000)	(10,000)	(10,000)
Free Cash Flow	(6,301)	32,732	29,187	32,255	37,499
Investments	18,758	(18,926)	(6,000)	(11,000)	(14,000)
Other Investing Cash Flow	3,633	3,681	(7,648)	(8,411)	(9,531)
Investing Cashflow	20,124	(21,048)	(12,000)	(21,000)	(24,000)
Equity Capital Raised	20	1	0	0	0
Loans Taken / (Repaid)	0	0	0	0	0
Dividend paid (incl tax)	(22,874)	(23,325)	(21,673)	(20,666)	(23,810)
Other Financing Cash Flow	(111)	(672)	0	0	0
Financing Cashflow	(23,051)	(24,216)	(21,921)	(20,926)	(24,083)
Net chg in cash	(49)	1,054	1,266	329	(584)
Opening cash position	1,413	1,365	2,419	3,685	4,014
Closing cash position	1,365	2,419	3,685	4,014	3,430

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	14.7	13.7	12.3	14.3	14.4
EBIT Margin	12.9	10.9	9.4	11.7	11.9
Effective Tax Rate	32.4	18.3	24.0	24.0	24.0
Net Margin	10.1	11.0	9.2	10.8	11.0
ROCE	39.1	28.1	22.0	30.5	31.5
ROE	27.5	23.6	17.1	23.7	24.5
RoIC	78.4	50.4	45.0	75.0	84.7

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	169.5	159.4	122.6	179.8	201.3
CEPS	199.6	200.4	161.6	222.1	247.4
BVPS	643.7	707.7	726.8	787.4	855.2
DPS	87.0	90.0	85.8	98.9	110.7

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	17.3	18.4	23.9	16.3	14.5
P/CEPS	14.1	14.0	17.4	12.6	11.4
P/BV	4.5	4.1	4.0	3.7	3.4
EV / Sales	1.6	1.8	1.9	1.5	1.3
EV / EBITDA	10.8	12.9	15.4	10.3	9.0
Dividend Yield (%)	3.0	3.1	2.9	3.4	3.8

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	(0.4)	(0.5)	(0.6)	(0.6)	(0.6)
Net Debt/EBIDTA	(1.0)	(1.9)	(2.5)	(2.0)	(2.0)
Working Cap Cycle (days)	23.1	0.3	(1.6)	(1.6)	(1.6)

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	4.4	(14.3)	(8.1)	25.9	9.7
EBITDA	(6.6)	(19.7)	(17.7)	45.9	11.1
EBIT	(8.4)	(27.5)	(21.0)	57.6	11.6
PAT	(8.5)	7.3	(32.6)	46.6	12.0

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	80,303	75,707	69,967	62,384	29,715
EBITDA	11,580	11,011	10,390	6,599	1,081
EBITDA Margin (%)	14.4	14.5	14.8	10.6	3.6
PAT	7,632	9,198	8,804	6,207	613
EPS (Rs)	38.2	46.0	44.1	31.1	3.1

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	34.6	34.6	34.6	34.6	34.8
FII	35.2	36.5	35.3	34.3	32.7
DII	18.6	19.2	19.6	19.9	21.7
Public and Others	11.6	9.7	10.5	11.2	10.8

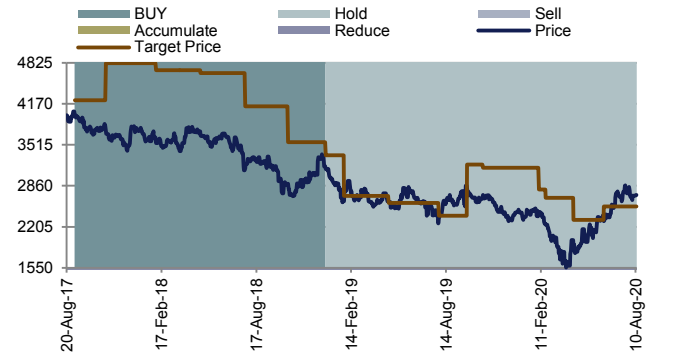
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
29-Jun-20	2,504	2,530	12m	Hold	Raghunandhan NL
10-Jun-20	2,292	2,530	12m	Hold	Raghunandhan NL
4-May-20	2,001	2,313	12m	Hold	Raghunandhan NL
13-Apr-20	1,919	2,313	12m	Hold	Raghunandhan NL
27-Feb-20	2,110	2,670	12m	Hold	Raghunandhan NL
20-Feb-20	2,240	2,670	12m	Hold	Raghunandhan NL
7-Feb-20	2,443	2,800	12m	Hold	Raghunandhan NL
30-Jan-20	2,482	3,150	12m	Hold	Raghunandhan NL
27-Dec-19	2,442	3,150	12m	Hold	Raghunandhan NL
27-Nov-19	2,523	3,150	12m	Hold	Raghunandhan NL
1-Nov-19	2,707	3,150	12m	Hold	Raghunandhan NL
30-Oct-19	2,685	3,150	12m	Hold	Raghunandhan NL
23-Oct-19	2,713	3,150	12m	Hold	Raghunandhan NL
1-Oct-19	2,688	3,200	12m	Hold	Raghunandhan NL
26-Sep-19	2,760	3,200	12m	Hold	Raghunandhan NL
23-Sep-19	2,820	3,200	12m	Hold	Raghunandhan NL
3-Sep-19	2,557	2,380	12m	Hold	Raghunandhan NL
28-Aug-19	2,569	2,380	12m	Hold	Raghunandhan NL
31-Jul-19	2,356	2,380	12m	Hold	Raghunandhan NL
1-Jul-19	2,617	2,585	12m	Hold	Raghunandhan NL
27-Jun-19	2,598	2,585	12m	Hold	Raghunandhan NL
3-Jun-19	2,840	2,585	12m	Hold	Raghunandhan NL
29-May-19	2,726	2,585	12m	Hold	Raghunandhan NL
2-May-19	2,552	2,585	12m	Hold	Raghunandhan NL
26-Apr-19	2,604	2,585	12m	Hold	Raghunandhan NL
27-Mar-19	2,543	2,700	12m	Hold	Raghunandhan NL
4-Feb-19	2,780	2,700	12m	Hold	Raghunandhan NL
31-Jan-19	2,614	2,700	12m	Hold	Raghunandhan NL
27-Dec-18	3,129	3,350	12m	Hold	Raghunandhan NL
16-Oct-18	2,895	3,560	12m	Buy	Raghunandhan NL
3-Aug-18	3,251	4,130	12m	Buy	Raghunandhan NL
26-Jul-18	3,137	4,130	12m	Buy	Raghunandhan NL
2-May-18	3,664	4,660	12m	Buy	Raghunandhan NL
6-Feb-18	3,542	4,710	12m	Buy	Raghunandhan NL
2-Nov-17	3,736	4,820	12m	Buy	Raghunandhan NL
4-Oct-17	3,795	4,230	12m	Buy	Raghunandhan NL
4-Sep-17	3,979	4,230	12m	Buy	Raghunandhan NL

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Mahindra & Mahindra

Refer to important disclosures at the end of this report

Focus on capital allocation and efficiency

CMP: Rs 624
as of (August 17, 2020)

TP: Rs 718 (■)
12 months

Rating: BUY (■)

We hosted Mr. Sriram Ramachandran, EVP, Investor Relations & Special Projects (Corporate Finance), and Sandesh Naik, Deputy General Manager - Corporate Finance

Key Meeting Takeaways

- Focus continues on better capital allocation and efficiency** by halting incremental investments in Ssangyong, cancellation of ~USD500mn investment plans in loss-making Mahindra Automotive NA, and plans of stake sale in the electric vehicle division. Further divestments and closures of loss-making international entities will be announced by Mar'21. The target of 18% ROE for subsidiaries remains.
- Tractors outlook:** The tractor segment is expected to register positive growth in FY21, led by better customer sentiment amid better prospects for Kharif crop. Market share loss in Tractor wholesales in Q1FY21 has been due to production constraints. New product in Tractors – Plus series (upgrade of Bhoomiputra and Sarpanch brands) – has received positive response. The new premium platform K2 is expected to be launched at different HP segments targeting both domestic and export markets, within the next two years.
- Rural demand supporting volumes in Auto segment:** Rural demand has been stronger than Urban. Share of rural demand in Auto segment stood at 62% in Q1FY21 vs. 50% last year. The share of diesel vehicles has reduced to 44% in Q1FY21 from 50%. Financing availability is adequate and customers are not facing any major financing issues.
- Current capacity utilization** stands at over 90% in the Farm segment and over 50% in the Auto segment. Over 85% of dealerships are open and almost 100% of suppliers are open. In Jun'20, system inventory was low at below 40% of Q1FY20 levels. The company expects inventory levels to increase in the coming months with the ramp-up in production.
- New products:** New Thar was launched on August 15. W601 will be launched in Q1FY22 and Z101 to be launched in Q3FY22. Focus continues on EVs – new products expected ahead are Treo Cargo, Atom (by Q4FY21), eKUV (Q2FY22) and eXUV300 (FY22). Recent EV policies by the states Telangana and Delhi are steps in the right direction, supporting reduction in cost of ownership.
- Regulatory approvals and other formalities relating to Ford JV should be completed by October 1. The merger with MVML should be completed by next 1 to 1.5 months.
- Cost impact of RDE norms** is expected around Rs10,000. To meet CAFÉ norms, the company will increase in share of EVs/Hybrids in product mix and improve efficiency of gasoline/diesel vehicles. Partnership with Ford should help in receiving technology access.
- Capex** has been reduced by 10-15% in FY21. Further reduction in Capex expected for FY22 at Rs30bn. Cumulative Capex for FY22-24 expected at Rs90bn.

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	528,482	448,655	381,947	490,090	543,781
EBITDA	75,301	63,506	51,729	73,229	83,720
EBITDA Margin (%)	14.2	14.2	13.5	14.9	15.4
APAT	54,300	35,770	28,656	45,439	53,926
EPS (Rs)	45.6	30.0	24.0	38.1	45.2
EPS (% chg)	25.5	(34.2)	(19.9)	58.6	18.7
ROE (%)	16.6	10.3	8.0	11.8	12.8
P/E (x)	13.7	20.8	26.0	16.4	13.8
EV/EBITDA (x)	9.3	11.2	13.6	9.3	7.8
P/BV (x)	2.1	2.1	2.0	1.9	1.7

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	24.0	38.1
Consensus	25.6	34.4
Mean Consensus TP (12M)	Rs 654	

Stock Details

Bloomberg Code	MM IN
Face Value (Rs)	5
Shares outstanding (mn)	1,243
52 Week H/L	649 / 245
M Cap (Rs bn/USD bn)	775 / 10.35
Daily Avg Volume (nos.)	7,727,267
Daily Avg Turnover (US\$ mn)	53.5

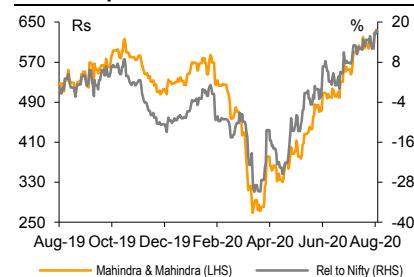
Shareholding Pattern Jun '20

Promoters	18.9%
FIIIs	33.4%
DIIIs	28.3%
Public and Others	19.5%

Price Performance

(%)	1M	3M	6M	12M
Absolute	6	64	19	18
Rel. to Nifty	3	33	28	16

Relative price chart



Source: Bloomberg

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	528,482	448,655	381,947	490,090	543,781
Expenditure	453,182	385,150	330,219	416,861	460,061
EBITDA	75,301	63,506	51,729	73,229	83,720
Depreciation	20,030	23,631	25,381	27,430	29,353
EBIT	55,271	39,875	26,347	45,799	54,366
Other Income	16,303	15,391	13,846	16,400	19,115
Interest expenses	1,467	1,245	1,883	1,452	1,387
PBT	70,106	54,021	38,310	60,747	72,094
Tax	15,806	18,251	9,654	15,308	18,168
Extraordinary Items	(288)	(28,373)	288	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	54,012	7,397	28,945	45,439	53,926
Adjusted PAT	54,300	35,770	28,656	45,439	53,926

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	5,958	5,965	5,965	5,965	5,965
Reserves & surplus	343,979	340,326	361,880	395,600	435,619
Net worth	349,937	346,291	367,845	401,565	441,584
Minority Interest	0	0	0	0	0
Loan Funds	27,713	32,889	29,875	28,198	27,272
Net deferred tax liability	7,896	15,068	15,451	16,058	16,779
Total Liabilities	385,546	394,248	413,171	445,822	485,635
Net block	118,532	120,511	143,122	149,762	150,409
Investment	206,262	175,329	200,329	230,329	270,329
Current Assets	197,940	173,757	145,965	178,256	193,456
Cash & bank balance	38,321	42,365	34,109	34,730	34,206
Other Current Assets	29,691	19,531	16,627	21,334	23,671
Current liabilities & Provision	163,624	123,931	110,835	143,046	159,078
Net current assets	34,315	49,826	35,130	35,210	34,377
Misc. exp	0	0	0	0	0
Total Assets	385,546	394,248	413,171	445,822	485,635

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	53,804	38,630	24,464	44,347	52,979
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(6,722)	(15,041)	4,173	(5,536)	(2,329)
Operating Cashflow	37,617	24,067	45,082	54,740	64,392
Capital expenditure	(32,150)	(45,418)	(34,000)	(30,000)	(30,000)
Free Cash Flow	5,467	(21,351)	11,082	24,740	34,392
Investments	(6,689)	4,245	(25,000)	(30,000)	(40,000)
Other Investing Cash Flow	11,119	12,178	0	0	0
Investing Cashflow	(11,417)	(13,603)	(45,154)	(43,600)	(50,885)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	(5,224)	3,607	(3,015)	(1,677)	(926)
Dividend paid (incl tax)	(10,267)	(12,132)	(7,390)	(11,719)	(13,908)
Other Financing Cash Flow	386	4,010	4,104	4,328	2,189
Financing Cashflow	(17,121)	(6,419)	(8,184)	(10,519)	(14,032)
Net chg in cash	9,079	4,045	(8,256)	621	(524)
Opening cash position	29,242	38,321	42,365	34,109	34,730
Closing cash position	38,321	42,365	34,109	34,730	34,206

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	14.2	14.2	13.5	14.9	15.4
EBIT Margin	10.5	8.9	6.9	9.3	10.0
Effective Tax Rate	22.5	33.8	25.2	25.2	25.2
Net Margin	10.3	8.0	7.5	9.3	9.9
ROCE	19.7	14.2	10.0	14.5	15.8
ROE	16.6	10.3	8.0	11.8	12.8
RoIC	55.1	32.9	19.4	31.1	36.1

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	45.6	30.0	24.0	38.1	45.2
CEPS	62.4	49.8	45.3	61.1	69.8
BVPS	293.7	290.3	308.3	336.6	370.1
DPS	8.5	2.4	5.3	8.4	9.9

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	13.7	20.8	26.0	16.4	13.8
P/CEPS	9.6	12.1	13.3	9.8	8.6
P/BV	2.1	2.1	2.0	1.9	1.7
EV / Sales	1.3	1.6	1.8	1.4	1.2
EV / EBITDA	9.3	11.2	13.6	9.3	7.8
Dividend Yield (%)	1.4	0.4	0.8	1.3	1.6

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)
Net Debt/EBITDA	(0.6)	(0.5)	(0.8)	(0.9)	(1.1)
Working Cap Cycle (days)	(2.8)	6.1	1.0	0.4	0.1

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	11.1	(15.1)	(14.9)	28.3	11.0
EBITDA	6.9	(15.7)	(18.5)	41.6	14.3
EBIT	2.0	(27.9)	(33.9)	73.8	18.7
PAT	16.8	(86.3)	291.3	57.0	18.7

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	128,055	109,351	121,203	90,047	55,894
EBITDA	17,936	15,408	17,888	12,275	5,732
EBITDA Margin (%)	14.0	14.1	14.8	13.6	10.3
PAT	9,180	13,548	9,808	3,230	389
EPS (Rs)	7.7	11.4	8.2	2.7	0.3

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	18.9	18.9	18.9	18.9	18.9
FII	32.8	32.6	32.3	32.2	33.4
DII	22.9	26.5	26.4	26.7	28.3
Public and Others	25.4	22.0	22.4	22.2	19.5

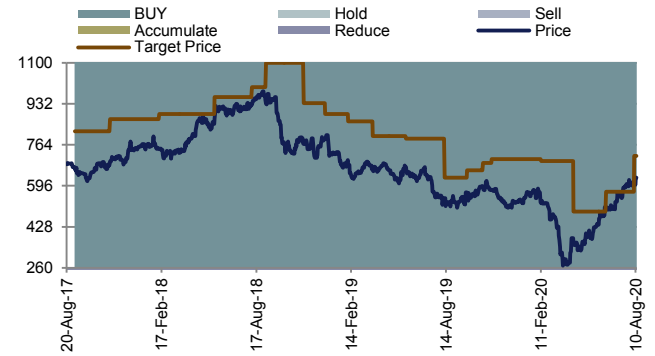
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
7-Aug-20	600	718	12m	Buy	Raghunandhan NL
29-Jun-20	507	572	12m	Buy	Raghunandhan NL
14-Jun-20	508	572	12m	Buy	Raghunandhan NL
15-May-20	381	490	12m	Buy	Raghunandhan NL
4-May-20	357	490	12m	Buy	Raghunandhan NL
13-Apr-20	363	490	12m	Buy	Raghunandhan NL
27-Feb-20	494	697	12m	Buy	Raghunandhan NL
11-Feb-20	524	697	12m	Buy	Raghunandhan NL
9-Feb-20	569	705	12m	Buy	Raghunandhan NL
30-Jan-20	568	705	12m	Buy	Raghunandhan NL
27-Dec-19	530	705	12m	Buy	Raghunandhan NL
27-Nov-19	540	705	12m	Buy	Raghunandhan NL
9-Nov-19	580	705	12m	Buy	Raghunandhan NL
1-Nov-19	590	690	12m	Buy	Raghunandhan NL
30-Oct-19	617	690	12m	Buy	Raghunandhan NL
23-Oct-19	592	690	12m	Buy	Raghunandhan NL
1-Oct-19	557	660	12m	Buy	Raghunandhan NL
26-Sep-19	567	660	12m	Buy	Raghunandhan NL
23-Sep-19	565	660	12m	Buy	Raghunandhan NL
3-Sep-19	515	630	12m	Buy	Raghunandhan NL
28-Aug-19	540	630	12m	Buy	Raghunandhan NL
11-Aug-19	546	630	12m	Buy	Raghunandhan NL
1-Jul-19	660	790	12m	Buy	Raghunandhan NL
27-Jun-19	658	790	12m	Buy	Raghunandhan NL
4-Jun-19	651	790	12m	Buy	Raghunandhan NL
3-Jun-19	653	790	12m	Buy	Raghunandhan NL
29-May-19	672	790	12m	Buy	Raghunandhan NL
29-May-19	672	800	12m	Buy	Raghunandhan NL
2-May-19	646	800	12m	Buy	Raghunandhan NL
27-Mar-19	660	800	12m	Buy	Raghunandhan NL
8-Feb-19	682	860	12m	Buy	Raghunandhan NL
4-Feb-19	674	890	12m	Buy	Raghunandhan NL
26-Dec-18	788	890	12m	Buy	Raghunandhan NL
15-Nov-18	767	935	12m	Buy	Raghunandhan NL
4-Sep-18	932	1,100	12m	Buy	Raghunandhan NL
8-Aug-18	928	1,000	12m	Buy	Raghunandhan NL
6-Jul-18	925	960	12m	Buy	Raghunandhan NL
29-May-18	870	960	12m	Buy	Raghunandhan NL
12-Feb-18	746	890	12m	Buy	Raghunandhan NL
10-Nov-17	696	870	12m	Buy	Raghunandhan NL
4-Oct-17	644	820	12m	Buy	Raghunandhan NL
4-Sep-17	664	820	12m	Buy	Raghunandhan NL

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Mahindra CIE

Refer to important disclosures at the end of this report

Order wins to support outperformance

CMP: Rs125
as of (August 17, 2020)

TP: NA
12 months

Rating: NOT RATED

We hosted Mr. Vikas Sinha, SVP (Strategy, M&A), and Mr. Swapnil Soudagar, Deputy General Manager (Strategy, IR)

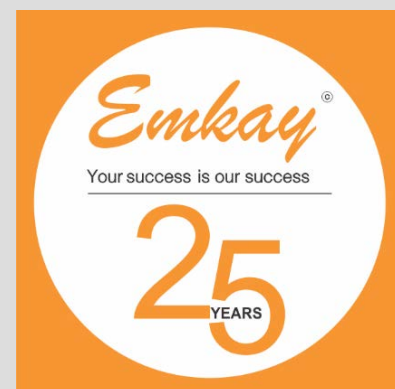
Key Meeting Takeaways

- Utilization levels improving:** Utilization levels, which were hit by labor shortage and Covid-19 impact, have been improving slowly. Current utilization in India stands at ~50% and in Europe it is ~60%. In Aug-Sep'20, utilization levels are expected to further improve. Breakeven levels have been reduced by 10%. The company expects Q3CY20 utilization to be higher than breakeven levels.
- Outlook:** Tractor segment demand is strong; PVs are flat, while CV demand is still weak. The company expects H2CY20 revenues to be almost at flat level yoy. It expects operating margin to return to pre-Covid-19 levels by end of CY20.
- Future growth plans:** 1) Targeting to increase new order contribution to 25% of annual sales vs. current rate of 15%. 2) Doubling of exports in new few years. Exports from India are 12-13% of revenue and the target is to double it in a few years. Exports are expected to be driven by shift of production from units such as Bill Forge Mexico, CIE's Somaschini (Gear products) and Metalcastello in overseas markets. 3) Localization efforts by OEMs to drive growth. Led by anti-China sentiment and trend of reducing dependence on imports by OEM, the company has won new orders of Rs200mn per month. **Expects company growth to be higher by 5% than underlying industry.** A lot of competitors are struggling due to tough times, which also could support market share gains.
- Restructuring German operations:** German operations are undergoing restructuring to reduce employees and expects savings of EUR4mn with the completion of restructuring.
- Electric vehicle risk:** About of 25% of revenues could be obsolete if EV comes. However, it expects no major risk in next 3-5 years, as penetration would be below 5%. Near-term loss in revenue is expected to be compensated by shift of production from OEMs, who have capacities in-house. In longer run, loss of revenue could be partially replaced with products used for EVs such as battery covers, trays, stamped aluminum, plastic, composites, etc. Current revenue in this space is Rs80mn annually from customers like Mahindra 3Ws/PVs and Bajaj EV. CIE globally has a higher presence in EVs with players like Tesla and Renault.
- Customer diversification has been slow:** Mahindra CIE, though majorly owned by CIE, still faces apprehension by OEMs who are competing with M&M. Mahindra brand has restricted diversification of customers; however, the company has been able to break-through with some OEMs such as John Deere and Bajaj Auto led by the acquisition of companies such as Aurangabad Electricals and Bill Forge.

Financial Snapshot (Consolidated)

(Rs mn)	CY15	CY16	CY17	CY18	CY19
Net Sales	40007	53199	64279	80315	79078
EBITDA	2853	5221	7992	10006	9632
EBITDA Margin (%)	7.1	9.8	12.4	12.5	12.2
APAT	1281	1707	3632	4958	3564
EPS (Rs)	3.4	4.5	9.6	13.1	9.4
EPS (% chg)	18.3	33.3	112.7	36.5	-28.1
ROE (%)	6.6	6.5	10.4	12.4	8.0
P/E (x)	37.0	27.7	13.0	9.6	13.3
EV/EBITDA (x)	20.0	11.5	7.3	5.6	6.2
P/BV (x)	2.4	1.5	1.3	1.1	1.0

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	NA
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	MACA IN
Face Value (Rs)	10
Shares outstanding (mn)	379
52 Week H/L	184/59
M Cap (Rs bn/USD bn)	43/0.6
Daily Avg Volume (nos.)	224702.0
Daily Avg Turnover (US\$ mn)	0.3

Shareholding Pattern Jun'20

Promoters	69.5%
FIIIs	14.6%
DIIIs	5.3%
Public and Others	10.6%

Price Performance

(%)	1M	3M	6M	12M
Absolute	0	21	-34	-34
Rel. to Nifty	-4	-1	-28	-35

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	CY15	CY16	CY17	CY18	CY19
Net Sales	40007	53199	64279	80315	79078
Expenditure	37664	48062	57048	71730	68550
EBITDA	2853	5221	7992	10006	9632
Depreciation	1630	2325	2683	2867	3161
EBIT	1223	2896	5309	7139	6471
Other Income	287	314	268	387	331
Interest expenses	504	594	510	502	523
PBT	1006	2616	5067	7024	6279
Tax	239	926	1483	2043	2741
Extraordinary Items	-513	-17	-48	23	-26
Minority Int. /Income from Assoc.	0	0	0	0	0
Reported Net Income	767	1690	3584	4981	3538
Adjusted PAT	1281	1707	3632	4958	3564

Balance Sheet

Y/E Mar (Rs mn)	CY15	CY16	CY17	CY18	CY19
Equity share capital	3233	3781	3784	3788	3790
Reserves & surplus	16833	28882	33372	39103	42548
Net worth	20066	32663	37156	42891	46338
Minority Interest	0	0	0	0	0
Loan Funds	10847	13917	11969	16134	14691
Net deferred tax liability	1429	1666	1630	1565	-912
Total Liabilities	34286	50561	53303	63171	65167
Net block	32929	45173	47503	49052	60435
Investment	671	390	551	6808	955
Current Assets	12954	16402	20660	23319	20857
Cash & bank balance	502	981	719	1127	1499
Other Current Assets	12453	15421	19941	22192	19358
Current liabilities & Provision	17147	17788	21688	21669	19548
Net current assets	-4193	-1386	-1028	1650	1309
Misc. exp	0	0	0	0	0
Total Assets	34286	50561	53303	63171	65167

Cash Flow

Y/E Mar (Rs mn)	CY15	CY16	CY17	CY18	CY19
Opening Cash	893	501	981	719	1,247
Net Cash from Operations	6,796	3,040	5,122	7,080	10,273
Net Cash Used in Investing	-2,252	-8,308	-3,028	-10,173	-5,890
Net Cash Used in Financing	-4,936	5,748	-2,356	3,621	-4,040
Net Inc/(Dec) in Cash	-391	480	-262	528	343
Closing Cash	502	981	719	1,247	1,590

Key Ratios

Profitability (%)	CY15	CY16	CY17	CY18	CY19
EBITDA Margin	7.1	9.8	12.4	12.5	12.2
EBIT Margin	3.1	5.4	8.3	8.9	8.2
Effective Tax Rate	23.7	35.4	29.3	29.1	43.7
Net Margin	3.2	3.2	5.7	6.2	4.5
ROCE	3.4	6.8	10.2	12.3	10.1
ROE	6.6	6.5	10.4	12.4	8.0
RoIC	3.9	7.7	11.3	14.2	11.4

Per Share Data (Rs)	CY15	CY16	CY17	CY18	CY19
EPS	3.4	4.5	9.6	13.1	9.4
CEPS	7.7	10.6	16.7	20.6	17.7
BVPS	52.9	86.2	98.0	113.2	122.3
DPS	0.0	0.0	0.0	0.0	0.0

Valuations (x)	CY15	CY16	CY17	CY18	CY19
PER	37.0	27.7	13.0	9.6	13.3
P/CEPS	16.3	11.7	7.5	6.1	7.0
P/BV	2.4	1.5	1.3	1.1	1.0
EV / Sales	1.4	1.1	0.9	0.7	0.8
EV / EBITDA	20.0	11.5	7.3	5.6	6.2
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Gearing Ratio (x)	CY15	CY16	CY17	CY18	CY19
Net Debt/ Equity	0.5	0.4	0.3	0.2	0.3
Net Debt/EBITDA	3.4	2.4	1.3	0.8	1.3
Working Cap Cycle (days)	-42.8	-16.2	-9.9	2.4	-0.9

Growth (%)	CY15	CY16	CY17	CY18	CY19
Revenue	-28.2	33.0	20.8	24.9	-1.5
EBITDA	32.3	83.0	53.1	25.2	-3.7
EBIT	-	136.8	83.3	34.5	-9.4
PAT	18.3	33.3	112.7	36.5	-28.1

Quarterly (Rs mn)	Q2CY18	Q3CY18	Q4CY18	Q1CY19	Q2CY19
Revenue	21,420	18,685	17,229	16,627	7,355
EBITDA	2,616	2,092	2,046	1,822	-965
EBITDA Margin (%)	12.2	11.2	11.9	11.0	-13.1
PAT	1,262	586	80	627	-1,287
EPS (Rs)	3.3	1.5	0.2	1.7	-

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	67.7	67.7	67.7	67.7	69.5
FIs	10.3	10.5	14.0	0.0	14.6
DIs	7.1	7.1	6.6	6.8	5.3
Public and Others	14.9	14.7	11.7	25.5	10.6

Maruti Suzuki

Refer to important disclosures at the end of this report

Volume recovery expected ahead

CMP: Rs 6,768
as of (August 17, 2020)

TP: Rs 6,910 (■)
12 months

Rating: BUY (■)

We hosted Mr. Nikhil Vyas, Head of Corporate Planning

Key Meeting Takeaways

- Ramp-up in utilization levels:** Production levels were at 4,000 units per day at beginning of Aug'20, which are expected to further increase to 4,900 units per day during the month due to the commencement of the second shift in the Gujarat plant. Most dealers are operational, except for those impacted by lockdowns. Dealer inventory has been low at 80,000 units, or 25 days, as of the beginning of Aug'20.
- Rural demand supporting volume performance:** Rural demand has been better and its share in the product mix has increased to 41% from 39% last year. Initial expectations from the festive season (Onam) in Kerala state are positive. There could be some negative impact on retail demand during the inauspicious period (Adhik mass) over 18 Sep'20 to 16 Oct'20. No major concerns being witnessed on financing issues, and financing ratio remains broadly similar at ~80%.
- Share of salaried and first-time buyers increases:** The share of salaried customers has increased from 46% to 51%, supported by better demand from government employees. Business buyer share has reduced in the same proportion. In addition, first-time buyer share has increased, while replacement buyer share has reduced.
- Market share:** The company's target is to retain market share at over 50%. Vitara Brezza demand is higher yoy and has not been impacted by the absence of diesel version. Industry share of diesel has reduced to ~20% from ~30% last year, led by BS6 transition impact and lower price difference between petrol and diesel fuels.
- Margins to improve on better scale and localization:** Discounts have not increased, and broadly remain at Rs15,000/unit. Input commodity prices are increasing, and prices of precious metals such as Palladium and Rhodium have witnessed steep hikes. Margins should improve on better scale, localization and other cost-reduction efforts.
- Used car market** demand has been strong, but supply has been an issue as owners are holding on to their vehicles.
- Gujarat plant's** cost of manufacturing is higher mainly due to additional transportation costs. Depreciation and R&D expenses of product sourced from Gujarat plant are accounted in other expenses, while other costs are in RM cost. Depreciation charge for 3rd assembly line in Gujarat plant will be accounted once it becomes operational.
- Toyota partnership** is important as significant disruptions are likely to impact industry. Disruptions like EV, shared mobility and Autonomous technologies would require lot of R&D, which is not possible for a single manufacturer. Further, emission regulation changes by government are increasing R&D spends.

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	860,203	756,106	577,193	838,643	974,843
EBITDA	109,993	73,026	47,374	103,529	125,083
EBITDA Margin (%)	12.8	9.7	8.2	12.3	12.8
APAT	75,006	56,506	40,273	81,173	100,291
EPS (Rs)	248.4	187.1	133.4	268.8	332.1
EPS (% chg)	(2.9)	(24.7)	(28.7)	101.6	23.6
ROE (%)	17.1	11.9	8.1	15.4	17.4
P/E (x)	27.3	36.2	50.8	25.2	20.4
EV/EBITDA (x)	15.4	23.2	35.4	15.4	12.2
P/BV (x)	4.4	4.2	4.0	3.7	3.4

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	133.4	268.8
Consensus	142.7	238.6
Mean Consensus TP (12M)	Rs 6,200	

Stock Details

Bloomberg Code	MSIL IN
Face Value (Rs)	5
Shares outstanding (mn)	302
52 Week H/L	7,759 / 4,001
M Cap (Rs bn/USD bn)	2,045 / 27.30
Daily Avg Volume (nos.)	1,629,417
Daily Avg Turnover (US\$ mn)	125.6

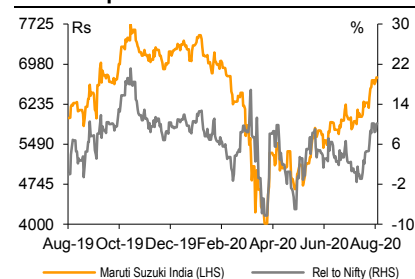
Shareholding Pattern Jun '20

Promoters	56.3%
FII	21.5%
DII	17.1%
Public and Others	5.2%

Price Performance

(%)	1M	3M	6M	12M
Absolute	14	33	(2)	13
Rel. to Nifty	11	8	5	11

Relative price chart



Source: Bloomberg

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	860,203	756,106	577,193	838,643	974,843
Expenditure	750,210	683,080	529,820	735,114	849,760
EBITDA	109,993	73,026	47,374	103,529	125,083
Depreciation	30,189	35,257	33,531	36,241	39,530
EBIT	79,804	37,769	13,842	67,288	85,553
Other Income	25,610	34,208	39,217	38,923	45,710
Interest expenses	758	1,329	746	792	1,014
PBT	104,656	70,648	52,313	105,420	130,248
Tax	29,650	14,142	12,040	24,247	29,957
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	75,006	56,506	40,273	81,173	100,291
Adjusted PAT	75,006	56,506	40,273	81,173	100,291

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	1,510	1,510	1,510	1,510	1,510
Reserves & surplus	459,905	482,860	506,140	548,169	600,097
Net worth	461,415	484,370	507,650	549,679	601,607
Minority Interest	0	0	0	0	0
Loan Funds	1,496	1,063	811	1,179	1,371
Net deferred tax liability	5,640	5,984	6,276	6,864	7,590
Total Liabilities	468,551	491,417	514,737	557,722	610,567
Net block	154,078	157,812	154,725	153,703	154,172
Investment	365,150	364,676	380,676	456,676	524,676
Current Assets	94,089	89,659	68,529	97,926	114,453
Cash & bank balance	1,789	211	1,068	2,205	3,187
Other Current Assets	35,777	35,858	27,373	39,772	46,232
Current liabilities & Provision	160,767	134,104	99,122	165,294	197,446
Net current assets	(66,678)	(44,445)	(30,594)	(67,368)	(82,993)
Misc. exp	0	0	0	0	0
Total Assets	468,551	491,417	514,737	557,722	610,567

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	79,046	36,440	13,097	66,496	84,538
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(13,196)	(25,659)	(7,723)	16,171	8,020
Operating Cashflow	40,322	(157)	27,488	95,632	103,239
Capital expenditure	(47,000)	(33,990)	(27,000)	(40,000)	(40,000)
Free Cash Flow	(6,678)	(34,147)	488	55,632	63,239
Investments	10,289	27,487	(16,000)	(76,000)	(68,000)
Other Investing Cash Flow	1,328	1,864	0	0	0
Investing Cashflow	(9,773)	29,569	(3,783)	(77,077)	(62,290)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	388	(433)	(252)	368	191
Dividend paid (incl tax)	(24,166)	(24,166)	(16,993)	(39,144)	(48,364)
Other Financing Cash Flow	(4,961)	(5,049)	(4,858)	22,151	9,219
Financing Cashflow	(29,471)	(30,990)	(22,848)	(17,418)	(39,967)
Net chg in cash	1,078	(1,578)	857	1,137	982
Opening cash position	711	1,789	211	1,068	2,205
Closing cash position	1,789	211	1,068	2,205	3,187

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	12.8	9.7	8.2	12.3	12.8
EBIT Margin	9.3	5.0	2.4	8.0	8.8
Effective Tax Rate	28.3	20.0	23.0	23.0	23.0
Net Margin	8.7	7.5	7.0	9.7	10.3
ROCE	23.6	15.0	10.5	19.8	22.5
ROE	17.1	11.9	8.1	15.4	17.4
RoIC	118.2	38.0	11.7	65.0	112.5

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	248.4	187.1	133.4	268.8	332.1
CEPS	348.3	303.9	244.4	388.8	463.0
BVPS	1,527.9	1,603.9	1,681.0	1,820.1	1,992.1
DPS	80.0	60.0	46.7	107.5	132.8

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	27.3	36.2	50.8	25.2	20.4
P/CEPS	17.8	20.4	25.3	15.9	13.4
P/BV	4.4	4.2	4.0	3.7	3.4
EV / Sales	2.0	2.2	2.9	1.9	1.6
EV / EBITDA	15.4	23.2	35.4	15.4	12.2
Dividend Yield (%)	1.2	0.9	0.7	1.6	2.0

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	(0.8)	(0.7)	(0.7)	(0.8)	(0.9)
Net Debt/EBIDTA	(3.2)	(4.8)	(7.8)	(4.3)	(4.1)
Working Cap Cycle (days)	(29.1)	(21.6)	(20.0)	(30.3)	(32.3)

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	7.8	(12.1)	(23.7)	45.3	16.2
EBITDA	(8.8)	(33.6)	(35.1)	118.5	20.8
EBIT	(14.2)	(52.7)	(63.3)	386.1	27.1
PAT	(2.9)	(24.7)	(28.7)	101.6	23.6

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	197,198	169,853	207,068	181,987	41,065
EBITDA	20,478	16,063	21,021	15,464	(8,634)
EBITDA Margin (%)	10.4	9.5	10.2	8.5	(21.0)
PAT	14,355	13,586	15,648	12,917	(2,494)
EPS (Rs)	47.5	45.0	51.8	42.8	(8.3)

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	56.2	56.2	56.2	56.3	56.3
FII	23.2	23.4	23.2	21.6	21.5
DII	13.5	15.0	15.6	16.7	17.1
Public and Others	7.2	5.3	5.0	5.4	5.2

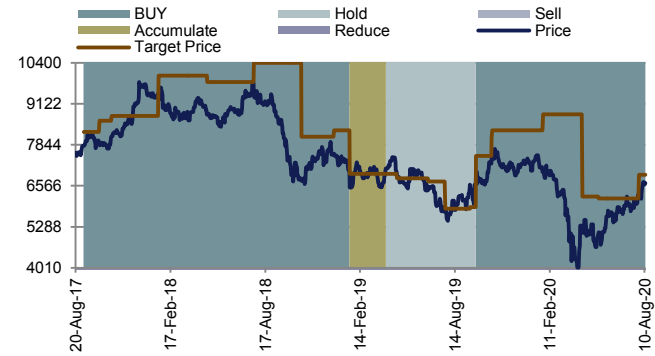
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
30-Jul-20	6,265	6,910	12m	Buy	Raghunandhan NL
29-Jun-20	5,679	6,173	12m	Buy	Raghunandhan NL
14-May-20	5,114	6,173	12m	Buy	Raghunandhan NL
4-May-20	4,886	6,230	12m	Buy	Raghunandhan NL
13-Apr-20	5,283	6,230	12m	Buy	Raghunandhan NL
27-Feb-20	6,290	8,800	12m	Buy	Raghunandhan NL
9-Feb-20	6,972	8,800	12m	Buy	Raghunandhan NL
30-Jan-20	7,020	8,800	12m	Buy	Raghunandhan NL
29-Jan-20	7,010	8,800	12m	Buy	Raghunandhan NL
27-Dec-19	7,345	8,300	12m	Buy	Raghunandhan NL
18-Dec-19	7,241	8,300	12m	Buy	Raghunandhan NL
27-Nov-19	7,294	8,300	12m	Buy	Raghunandhan NL
30-Oct-19	7,557	8,300	12m	Buy	Raghunandhan NL
24-Oct-19	7,391	8,300	12m	Buy	Raghunandhan NL
23-Oct-19	7,440	8,100	12m	Buy	Raghunandhan NL
1-Oct-19	6,782	7,500	12m	Buy	Raghunandhan NL
26-Sep-19	6,857	7,500	12m	Buy	Raghunandhan NL
23-Sep-19	6,898	7,500	12m	Buy	Raghunandhan NL
12-Sep-19	6,392	5,900	12m	Hold	Raghunandhan NL
3-Sep-19	6,050	5,850	12m	Hold	Raghunandhan NL
28-Aug-19	6,103	5,850	12m	Hold	Raghunandhan NL
26-Jul-19	5,806	5,850	12m	Hold	Raghunandhan NL
1-Jul-19	6,508	6,700	12m	Hold	Raghunandhan NL
27-Jun-19	6,487	6,700	12m	Hold	Raghunandhan NL
24-Jun-19	6,460	6,700	12m	Hold	Raghunandhan NL
3-Jun-19	7,023	6,800	12m	Hold	Raghunandhan NL
29-May-19	6,891	6,800	12m	Hold	Raghunandhan NL
2-May-19	6,683	6,800	12m	Hold	Raghunandhan NL
25-Apr-19	6,905	6,800	12m	Hold	Raghunandhan NL
4-Apr-19	7,113	6,940	12m	Hold	Raghunandhan NL
4-Feb-19	6,988	6,940	12m	Accumulate	Raghunandhan NL
25-Jan-19	6,513	6,940	12m	Accumulate	Raghunandhan NL
26-Dec-18	7,569	8,300	12m	Buy	Raghunandhan NL
25-Oct-18	6,723	8,100	12m	Buy	Raghunandhan NL
26-Jul-18	9,396	10,400	12m	Buy	Raghunandhan NL
28-Apr-18	8,783	9,800	12m	Buy	Raghunandhan NL
25-Jan-18	9,278	10,000	12m	Buy	Raghunandhan NL
27-Oct-17	8,114	8,750	12m	Buy	Raghunandhan NL
4-Oct-17	7,847	8,600	12m	Buy	Raghunandhan NL
4-Sep-17	7,822	8,250	12m	Buy	Raghunandhan NL

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Minda Industries

Refer to important disclosures at the end of this report

Increasing content per vehicle to support outperformance

CMP: Rs283
as of (August 17, 2020)TP: NA
12 months

Rating: NOT RATED

We hosted Mr. Sunil Bohra, CFO, and Mr. Tripurari Kumar, GM (Corporate Finance, M&A, Strategy)

Key Meeting Takeaways

- Ramp-up in utilization levels:** There has been a sequential improvement in Jul-Aug'20 across segments, barring CVs. The 2W segment is witnessing better ramp-up in utilization levels at ~80% of the pre-Covid-19 levels, while 4W segment utilization stands at ~60%.
- Recent order wins:** Secured orders from: 1) Hyundai in Turkey and Indonesia for Switches; 2) TVS for EV platform Lamps; 3) Honda 2Ws for Dio model for LED Lamps; 4) Maruti Suzuki and Toyota for LED Tail Lamps; 5) CV OEMs like Tata Motors and M&M for Electronic Horns; 6) Ford in Mexico and Spain for Horns; 6) Toyota for Blow Molding products; and 7) Maruti Suzuki for Wireless Chargers. The company continues to work with OEMs with the aim of increasing content per vehicle through cross-selling of products.
- 2W Alloy Aluminum Wheels project on track:** No delay is expected in the commissioning of the plant and production is expected to commence by Sep'20. Capacity stands at 13,000 tons or 3.5-4mn wheels. The company expects FY22 revenue at Rs3.5bn. Peak revenue from this plant is expected at over Rs4.75bn.
- Sensor plant production ramp-up has been delayed** due to Covid-19. Orders were received from OEMs such as Tata Motors, M&M, Maruti Suzuki and Toyota India. Expects FY22 revenue at Rs4bn.
- EBITDA margin to improve:** The company expects operating margin to recover to previous peak by FY22. Cost-reduction initiatives are being implemented to reduce fixed costs such as employee expenses, vendor expenses, and lease rentals.
- Capex and investments:** Capex is expected at Rs3.5bn in FY21, toward 2W Alloy Wheels plant (Rs1bn), Sensor plant (Rs1bn) and maintenance capex (Rs1.5bn). Investment is expected at Rs5-6bn in FY21, which includes Rs4bn for Harita Seating System acquisition, Rs335mn for TG South India acquisition, Rs600-700mn for increase in stake in Tokia Rika Minda from 13% to 30% (may happen this year) and Rs600mn for investment in other JV such as Onkyo and KPIT.
- Harita and Delvis:** Regulatory approvals and merger process with Harita Seating Systems are expected to be completed by Dec'20. **Delvis acquisition** process was completed in Dec'19. The Delvis acquisition has led to an improvement in technological prowess and widening of product portfolio in the automotive lighting segment. This has supported in securing new orders in recent quarters.
- Rights issue of Rs2.5bn announced:** A major portion of cash inflows (~60%) through the right issue would be utilized for debt payment, while remaining funds will be used for funding capex. Current gross debt stands at Rs13bn and net debt at Rs8.5bn.

Financial Snapshot (Consolidated)

(Rs mn)	FY16	FY17	FY18	FY19	FY20
Net Sales	25273	33863	44706	59081	54651
EBITDA	2378	3740	5338	7252	6192
EBITDA Margin (%)	9.4	11.0	11.9	12.3	11.3
APAT	1070	1652	2796	2856	1662
EPS (Rs)	4.1	6.3	10.7	10.9	6.3
EPS (% chg)	93.6	54.4	69.3	2.2	-41.9
ROE (%)	25.3	21.4	22.8	18.5	9.4
P/E (x)	69.3	44.9	26.5	26.0	44.6
EV/EBITDA (x)	32.5	19.9	14.5	11.0	12.6
P/BV (x)	15.4	7.0	5.3	4.4	4.1

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	NA
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	MNDA IN
Face Value (Rs)	2
Shares outstanding (mn)	262
52 Week H/L	426/206
M Cap (Rs bn/USD bn)	77/1
Daily Avg Volume (nos.)	276630.0
Daily Avg Turnover (US\$ mn)	1.1

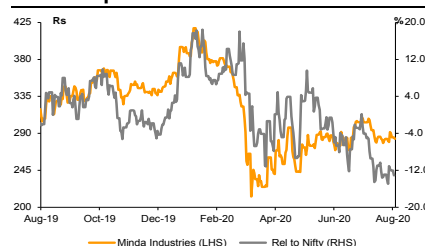
Shareholding Pattern Jun'20

Promoters	70.8%
FIIIs	10.3%
DIIIs	7.5%
Public and Others	11.5%

Price Performance

(%)	1M	3M	6M	12M
Absolute	-4	20	-23	-11
Rel. to Nifty	-8	-1	-16	-12

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19	FY20
Net Sales	25273	33863	44706	59081	54651
Expenditure	22895	30123	39367	51829	48460
EBITDA	2378	3740	5338	7252	6192
Depreciation	926	1362	1649	2344	3019
EBIT	1452	2378	3690	4908	3173
Other Income	140	138	334	270	393
Interest expenses	257	398	351	632	902
PBT	1335	2119	3672	4547	2663
Tax	267	465	900	1341	803
Extraordinary Items	42	0	306	0	-113
Minority Int. /Income from Assoc.	-2	3	-24	350	198
Reported Net Income	1111	1652	3102	2856	1550
Adjusted PAT	1070	1652	2796	2856	1662

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19	FY20
Equity share capital	159	159	174	524	524
Reserves & surplus	4662	10436	13743	16517	17633
Net worth	4820	10595	13917	17042	18157
Minority Interest	883	1170	2110	2667	2828
Loan Funds	4042	5014	6089	10055	10475
Net deferred tax liability	3723	4385	5429	9555	9975
Total Liabilities	9627	16388	21784	30026	32826
Net block	5842	8758	12387	16962	18581
Investment	465	1111	1552	3556	3722
Current Assets	6947	12121	15416	17540	18103
Cash & bank balance	561	3742	1595	1101	3278
Other Current Assets	6387	8379	13821	16439	14825
Current liabilities & Provision	5278	7292	11681	12281	15562
Net current assets	1669	4829	3735	5259	2541
Misc. exp	0	0	0	0	0
Total Assets	9627	16388	21784	30026	32826

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19	FY20
Opening Cash	280	561	3,742	1,595	1,101
Net Cash from Operations	1,463	3,346	3,621	4,140	9,651
Net Cash Used in Investing	-2,569	-2,708	-6,406	-8,255	-7,649
Net Cash Used in Financing	1,387	2,543	638	3,621	176
Net Inc/(Dec) in Cash	281	3,181	-2,147	-494	2,178
Closing Cash	561	3,742	1,595	1,101	3,278

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19	FY20
EBITDA Margin	9.4	11.0	11.9	12.3	11.3
EBIT Margin	5.7	7.0	8.3	8.3	5.8
Effective Tax Rate	20.0	21.9	24.5	29.5	30.2
Net Margin	4.2	4.9	6.3	4.8	3.0
ROCE	18.6	18.3	19.3	18.9	10.1
ROE	25.3	21.4	22.8	18.5	9.4
RoIC	20.9	20.5	21.6	21.8	14.5

Per Share Data (Rs)	FY16	FY17	FY18	FY19	FY20
EPS	4.1	6.3	10.7	10.9	6.3
CEPS	7.6	11.5	17.0	19.8	17.9
BVPS	18.4	40.4	53.1	65.0	69.3
DPS	7.0	2.2	2.8	1.1	0.4

Valuations (x)	FY16	FY17	FY18	FY19	FY20
PER	69.3	44.9	26.5	26.0	44.6
P/CEPS	37.1	24.6	16.7	14.3	15.8
P/BV	15.4	7.0	5.3	4.4	4.1
EV / Sales	3.1	2.2	1.7	1.3	1.4
EV / EBITDA	32.5	19.9	14.5	11.0	12.6
Dividend Yield (%)	2.5	0.8	1.0	0.4	0.1

Gearing Ratio (x)	FY16	FY17	FY18	FY19	FY20
Net Debt/ Equity	0.6	0.0	0.2	0.3	0.2
Net Debt/EBITDA	1.3	0.0	0.6	0.7	0.6
Working Cap Cycle (days)	16.0	11.7	17.5	25.7	-4.9

Growth (%)	FY16	FY17	FY18	FY19	FY20
Revenue	13.2	34.0	32.0	32.2	-7.5
EBITDA	54.1	57.3	42.7	35.8	-14.6
EBIT	105.0	63.8	55.1	33.0	-35.4
PAT	93.6	54.4	69.3	2.2	-41.8

Quarterly (Rs mn)	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Revenue	14,865	14,398	13,596	13,268	13,390
EBITDA	1,854	1,722	1,616	1,634	1,220
EBITDA Margin (%)	12.5	12.0	11.9	12.3	9.1
PAT	735	535	494	499	217
EPS (Rs)	2.8	2.0	1.9	1.9	0.8

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	70.8	70.8	70.8	70.8	70.8
FIIIs	11.3	11.5	11.3	10.9	10.3
DIIIs	4.8	5.3	5.8	6.6	7.5
Public and Others	13.1	12.5	12.2	11.7	11.5

Motherson Sumi

Refer to important disclosures at the end of this report

Utilization levels to normalize by Q3FY21

CMP: Rs 127
as of (August 17, 2020)TP: Rs 120 (■)
12 months

Rating: BUY (■)

We hosted Mr. VC Sehgal, Chairman, Mr. Vaaman Seghal, Vice Chairman, Mr. GN Gauba, CFO, and Mr. Kunal Malani, Head of Group Strategy & M&A

Key Meeting Takeaways

- **Improving utilization levels:** A large portion of plants are operating at over 75% utilization as of Jul'20 – 73% of Americas plants; 45% of Europe, Middle East & Africa plants; 77% of Asia (excl. India) & Australia plants; and 44% of India plants. The utilization levels have further improved in Aug'20 and are expected to reach pre-Covid-19 levels in Q3FY21.
- **Losses in Greenfield plants of SMP** (Tuscaloosa and Kecskemét) have narrowed to EUR19mn in Q1FY21 vs. loss of EUR175mn in FY20. Utilization levels at the Tuscaloosa plant stand at 900-1000 cars per day vs. 1,300 pre-Covid-19. The focus remains on achieving EBITDA break-even.
- **Vision 2025 has been reiterated:** Revenue target of \$33-35bn with ROCE of 40% (vs. 2020 revenue of \$12bn and adjusted ROCE of 25%). To achieve this vision, the company will retain emphasis on the auto segment and also focus on new segments such as Medical equipment, Aerospace, Defense and IT.
- **SAMIL - provides entry into new businesses:** Major businesses -- Lighting business contributes 38% of revenue, metal products business contributes 36% of revenue, technology and software business contributes 16% of revenue and retail, services and others contribute 10% of revenue. Considering the alliances with companies such as Marelli, Valeo, Matsui, Fritzmeimer and Anest Iwata, there should be positive benefits ahead in terms of improvement in technological capabilities and geographic reach.
- **Moving from 3CX15 to 3CX10 strategy:** MSSL will work toward a mix, wherein no customer, component or country would contribute more than 10% of total revenues. The merger would bring in some auto components and non-auto businesses from SAMIL to MSSL. In addition, share of emerging markets to increase by 2% to 41% in revenue mix.
- **The restructuring exercise** aligns interests of all stakeholders and creates a platform for future growth through inorganic and organic routes. Reduced stake of Sumitomo Wiring Systems in MSSL will allow to pursue acquisition opportunities more aggressively. Expects the merger of SAMIL into MSSL to be EPS accretive in FY22, the first year of merger.
- **Liquidity position is healthy** at Rs100.4bn in Jun'20 (Rs105.3bn in Mar'20), with cash reserves of Rs48.7bn and undrawn limits of Rs56.6bn. Increase in net debt by Rs22bn qoq, led by increase in working capital (expected to reverse as operations normalize), adverse forex movement and receipt of government grants in the form of low-cost loans.
- **Capex:** Led by completion of greenfield plants, capex expected at Rs20bn in FY21.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	635,229	635,369	600,118	733,281	803,795
EBITDA	53,484	52,014	39,174	66,178	74,576
EBITDA Margin (%)	8.4	8.2	6.5	9.0	9.3
APAT	16,132	11,700	7,825	16,900	20,931
EPS (Rs)	5.1	3.7	2.5	5.4	6.6
EPS (% chg)	(9.1)	(27.5)	(33.1)	116.0	23.8
ROE (%)	15.7	10.7	6.9	14.2	16.2
P/E (x)	24.9	34.3	51.3	23.7	19.2
EV/EBITDA (x)	8.9	9.0	11.8	6.6	5.5
P/BV (x)	3.7	3.6	3.5	3.2	3.0

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	2.5	5.4
Consensus	2.0	5.8
Mean Consensus TP (12M)	Rs 116	

Stock Details

Bloomberg Code	MSS IN
Face Value (Rs)	1
Shares outstanding (mn)	3,158
52 Week H/L	151 / 49
M Cap (Rs bn/USD bn)	401 / 5.36
Daily Avg Volume (nos.)	21,637,200
Daily Avg Turnover (US\$ mn)	28.3

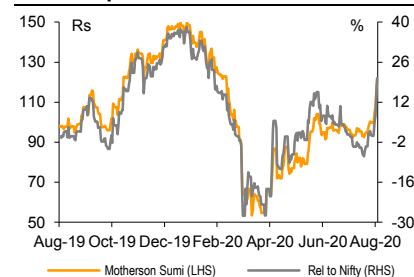
Shareholding Pattern Jun '20

Promoters	61.7%
FIIIs	15.6%
DIIIs	13.4%
Public and Others	9.3%

Price Performance

(%)	1M	3M	6M	12M
Absolute	36	55	3	30
Rel. to Nifty	32	26	11	27

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	635,229	635,369	600,118	733,281	803,795
Expenditure	581,745	583,355	560,944	667,102	729,219
EBITDA	53,484	52,014	39,174	66,178	74,576
Depreciation	20,582	27,780	29,663	31,643	33,623
EBIT	32,902	24,234	9,512	34,536	40,953
Other Income	2,202	2,307	2,418	3,018	3,718
Interest expenses	4,232	5,986	5,054	4,424	3,794
PBT	30,872	20,554	6,876	33,130	40,877
Tax	11,022	8,184	1,719	9,939	12,263
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	(3,719)	(669)	2,668	(6,291)	(7,683)
Reported Net Income	16,132	11,700	7,825	16,900	20,931
Adjusted PAT	16,132	11,700	7,825	16,900	20,931

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	3,158	3,158	3,158	3,158	3,158
Reserves & surplus	106,470	109,452	113,462	122,125	132,853
Net worth	109,627	112,609	116,620	125,283	136,011
Minority Interest	34,797	35,650	33,442	40,284	48,574
Loan Funds	109,428	116,691	114,428	99,428	84,428
Net deferred tax liability	(361)	(402)	(402)	(402)	(402)
Total Liabilities	253,491	264,548	264,088	264,592	268,611
Net block	184,227	191,906	182,243	170,600	156,978
Investment	8,553	7,960	7,960	7,960	7,960
Current Assets	223,730	241,544	234,324	283,962	321,456
Cash & bank balance	35,469	48,789	52,263	61,503	77,604
Other Current Assets	68,060	74,918	70,762	86,463	94,778
Current liabilities & Provision	173,687	185,380	168,958	206,448	226,301
Net current assets	50,043	56,165	65,367	77,514	95,155
Misc. exp	(1)	0	0	0	0
Total Assets	253,491	264,548	264,088	264,592	268,611

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	29,801	18,822	4,457	30,111	37,159
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(958)	16,202	(5,728)	(2,908)	(1,540)
Operating Cashflow	40,922	61,214	34,395	47,041	53,090
Capital expenditure	(26,853)	(21,943)	(20,000)	(20,000)	(20,000)
Free Cash Flow	14,069	39,271	14,395	27,041	33,090
Investments	(7,230)	(1,210)	0	0	0
Other Investing Cash Flow	978	753	0	0	0
Investing Cashflow	(30,904)	(20,093)	(17,582)	(16,982)	(16,282)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	8,148	(6,214)	(4,471)	(8,158)	(6,710)
Dividend paid (incl tax)	(6,396)	(12,794)	(3,814)	(8,238)	(10,202)
Other Financing Cash Flow	42	(3,127)	0	0	0
Financing Cashflow	(2,364)	(27,801)	(13,340)	(20,820)	(20,707)
Net chg in cash	7,654	13,320	3,474	9,240	16,101
Opening cash position	27,815	35,469	48,789	52,263	61,503
Closing cash position	35,469	48,789	52,263	61,503	77,604

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	8.4	8.2	6.5	9.0	9.3
EBIT Margin	5.2	3.8	1.6	4.7	5.1
Effective Tax Rate	35.7	39.8	25.0	30.0	30.0
Net Margin	3.1	1.9	0.9	3.2	3.6
ROCE	14.9	10.3	4.5	14.3	16.9
ROE	15.7	10.7	6.9	14.2	16.2
RoIC	18.5	12.3	4.9	18.2	22.9

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	5.1	3.7	2.5	5.4	6.6
CEPS	11.6	12.5	11.9	15.4	17.3
BVPS	34.2	35.1	36.4	39.1	42.5
DPS	1.5	1.5	1.0	2.2	2.7

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	24.9	34.3	51.3	23.7	19.2
P/CEPS	9.3	8.6	9.1	7.0	6.2
P/BV	3.7	3.6	3.5	3.2	3.0
EV / Sales	0.7	0.7	0.8	0.6	0.5
EV / EBITDA	8.9	9.0	11.8	6.6	5.5
Dividend Yield (%)	1.2	1.2	0.8	1.7	2.1

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	0.7	0.6	0.5	0.3	0.1
Net Debt/EBITDA	1.4	1.3	1.6	0.6	0.1
Working Cap Cycle (days)	8.4	4.2	8.0	8.0	8.0

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	12.8	0.0	(5.5)	22.2	9.6
EBITDA	4.4	(2.7)	(24.7)	68.9	12.7
EBIT	(7.3)	(26.3)	(60.8)	263.1	18.6
PAT	1.0	(27.5)	(33.1)	116.0	23.8

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	167,925	159,242	156,611	151,591	85,039
EBITDA	12,550	13,190	12,358	13,916	(6,300)
EBITDA Margin (%)	7.5	8.3	7.9	9.2	(7.4)
PAT	3,315	3,846	2,705	1,921	(8,103)
EPS (Rs)	1.0	1.2	0.9	0.6	(2.6)

Source: Company, Emkay Research

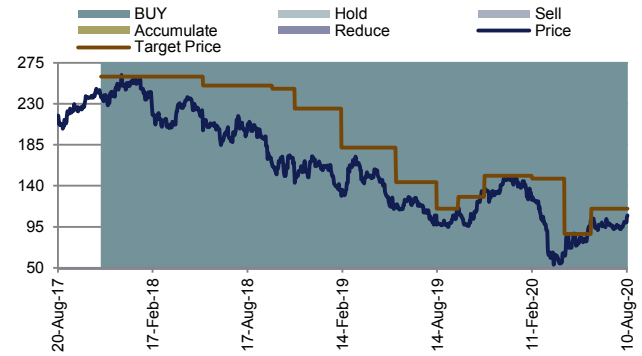
Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	61.7	61.7	61.7	61.7	61.7
FII	16.4	15.0	16.4	15.5	15.6
DII	11.1	13.5	12.6	13.6	13.4
Public and Others	10.8	9.8	9.3	9.2	9.3

Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
12-Aug-20	117	120	12m	Buy	Raghunandhan NL
5-Jul-20	98	115	12m	Buy	Raghunandhan NL
29-Jun-20	95	115	12m	Buy	Raghunandhan NL
3-Jun-20	101	115	12m	Buy	Raghunandhan NL
4-May-20	77	87	12m	Buy	Raghunandhan NL
13-Apr-20	63	87	12m	Buy	Raghunandhan NL
27-Feb-20	109	148	12m	Buy	Raghunandhan NL
14-Feb-20	124	148	12m	Buy	Raghunandhan NL
11-Feb-20	125	148	12m	Buy	Raghunandhan NL
27-Dec-19	148	151	12m	Buy	Raghunandhan NL
27-Nov-19	134	151	12m	Buy	Raghunandhan NL
12-Nov-19	134	151	12m	Buy	Raghunandhan NL
23-Sep-19	116	128	12m	Buy	Raghunandhan NL
13-Aug-19	97	115	12m	Buy	Raghunandhan NL
27-May-19	116	144	12m	Buy	Raghunandhan NL
12-Feb-19	129	182	12m	Buy	Raghunandhan NL
15-Nov-18	144	225	12m	Buy	Raghunandhan NL
3-Oct-18	162	247	12m	Buy	Raghunandhan NL
8-Aug-18	204	250	12m	Buy	Raghunandhan NL
24-May-18	201	250	12m	Buy	Raghunandhan NL
11-Apr-18	228	260	12m	Buy	Raghunandhan NL
14-Feb-18	238	260	12m	Buy	Raghunandhan NL
27-Nov-17	241	260	12m	Buy	Raghunandhan NL
10-Nov-17	237	260	12m	Buy	Raghunandhan NL

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART


Source: Bloomberg, Company, Emkay Research

BFSI - Banks

Bank of Baroda

Refer to important disclosures at the end of this report

Merger integration remains a work in progress

CMP: Rs 46
as of (August 17, 2020)

TP: Rs 55 (■)
12 months

Rating: HOLD (■)

We hosted Mr. Sameer Narang, Chief Economist

Key Meeting Takeaways

- BOB has a strong customer service/CMS product apart from strong lending relationship. Thus, it is going to benefit from the recent current account circular.
- Large corporates could take additional borrowing and for MSME, additional loans were given under the guarantee scheme. Problems would be faced by low-rated corporates to raise additional funds and thus, restructuring would be required in these accounts.
- BOB would prefer to take an upfront hit in unviable accounts rather than restructuring and delaying the issues. Restructuring this time around will be very selective unlike post GFC.
- The bank has approved a capital raise of Rs135bn, including Rs90bn from equity and Rs45bn through At-1 bonds. Discussions on recapitalization of PSBs by the government are going on.
- Integration with Vijaya/Dena should be largely completed in FY21, which faced challenges mainly on the technology front. Though there is a change in top management from a private banker to a PSB banker, the focus remains on the retail business.

Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	(2.2)	3.6
Consensus	0.6	6.9
Mean Consensus TP (12M)	Rs 54	

Stock Details

Bloomberg Code	BOB IN
Face Value (Rs)	2
Shares outstanding (mn)	4,621
52 Week H/L	108 / 36
M Cap (Rs bn/USD bn)	213 / 2.85
Daily Avg Volume (nos.)	44,973,540
Daily Avg Turnover (US\$ mn)	28.0

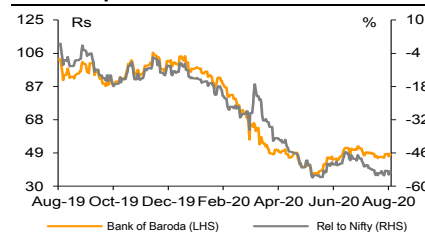
Shareholding Pattern Jun '20

Promoters	71.6%
FIIIs	4.1%
DIIIs	12.7%
Public and Others	11.7%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(7)	11	(44)	(55)
Rel. to Nifty	(9)	(10)	(40)	(56)

Relative price chart



Source: Bloomberg

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Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net income	247,748	377,686	379,918	399,155	433,274
Net profit	4,335	5,469	(10,064)	16,726	42,703
EPS (Rs)	1.6	1.5	(2.2)	3.6	9.2
ABV (Rs)	153.4	120.5	110.8	113.8	121.7
RoA (%)	0.1	0.1	(0.1)	0.1	0.3
RoE (%)	1.0	0.9	(1.4)	2.3	5.7
PE (x)	28.2	30.7	(21.2)	12.8	5.0
P/ABV	0.3	0.4	0.4	0.4	0.4

Source: Company, Emkay Research

Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net interest income	186,838	274,513	275,152	288,319	316,625
Other income	60,910	103,173	104,766	110,836	116,649
Fee income	19,894	25,903	41,444	43,516	47,868
Net income	247,748	377,686	379,918	399,155	433,274
Operating expenses	112,880	180,772	183,361	191,139	207,494
Pre provision profit	134,868	196,914	196,557	208,015	225,780
PPP excl treasury	124,974	169,407	159,422	172,738	192,266
Provisions	127,887	214,928	209,137	187,108	172,401
Profit before tax	6,982	(18,014)	(12,580)	20,907	53,379
Tax	2,646	(23,483)	(2,516)	4,181	10,676
Tax rate	38	130	20	20	20
Profit after tax	4,335	5,469	(10,064)	16,726	42,703

Balance Sheet

Y/E Year End (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity	5,304	9,254	9,254	9,254	9,254
Reserves	454,107	709,308	699,244	715,044	755,897
Net worth	459,411	718,562	708,498	724,298	765,151
Deposits	6,386,897	9,459,844	10,013,624	10,859,308	12,064,254
Borrowings	547,833	716,793	788,472	749,049	711,596
Total liabilities	7,809,874	11,579,155	12,184,511	12,950,961	14,288,364
Cash and bank	266,617	326,459	253,655	157,448	73,962
Investments	1,822,981	2,746,146	2,902,160	3,056,223	3,342,795
Loans	4,688,187	6,901,207	7,240,395	7,753,181	8,660,913
Others	336,507	623,912	674,823	730,222	798,578
Total assets	7,809,874	11,579,169	12,184,511	12,950,961	14,288,364

Key Ratios (%)

Y/E Year End	FY19	FY20	FY21E	FY22E	FY23E
NIM	2.7	3.1	2.5	2.5	2.5
Non-II/avg assets	0.8	1.1	0.9	0.9	0.9
Fee income/avg assets	0.3	0.3	0.3	0.3	0.4
Opex/avg assets	1.5	1.9	1.5	1.5	1.5
Provisions/avg assets	1.7	2.2	1.8	1.5	1.3
PBT/avg assets	0.1	(0.2)	(0.1)	0.2	0.4
Tax/avg assets	0.0	(0.2)	0.0	0.0	0.1
RoA	0.1	0.1	(0.1)	0.1	0.3
RoAE	1.0	0.9	(1.4)	2.3	5.7
GNPA (%)	9.6	9.4	10.8	10.5	9.7
NNPA (%)	3.3	3.1	3.6	3.4	3.1

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	1.6	1.5	(2.2)	3.6	9.2
BVPS	192.3	155.3	153.1	156.5	165.4
ABVPS	153.4	120.5	110.8	113.8	121.7
DPS	0.0	0.0	0.0	0.2	0.4

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	28.2	30.7	(21.2)	12.8	5.0
P/BV	0.3	0.4	0.4	0.4	0.4
P/ABV	0.3	0.4	0.4	0.4	0.4
P/PPOP	1.0	1.2	1.2	1.1	1.0
Dividend Yield (%)	0.0	0.0	0.0	0.4	0.9

Source: Company, Emkay Research

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
NII	20.4	46.9	0.2	4.8	9.8
PPOP	12.3	46.0	(0.2)	5.8	8.5
PAT	(117.8)	26.2	(284.0)	(266.2)	155.3
Loans	9.7	47.2	4.9	7.1	11.7

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21E
NII	64,981	70,279	71,291	67,982	68,155
NIM(%)	2.6	2.8	2.8	2.7	2.6
PPOP	42,762	53,359	49,585	51,208	43,195
PAT	7,099	7,367	(14,070)	5,066	(8,642)
EPS (Rs)	1.84	1.91	(3.04)	1.09	(1.87)

Source: Company, Emkay Research

Shareholding Pattern (%)	Sep-19	Dec-19	Dec-19	Mar-20	Jun-20
Promoters	69.2	71.6	71.6	71.6	71.6
FII	6.2	4.8	4.9	4.6	4.1
DII	16.1	13.9	13.7	14.0	12.7
Public and Others	8.5	9.7	9.8	9.9	11.7

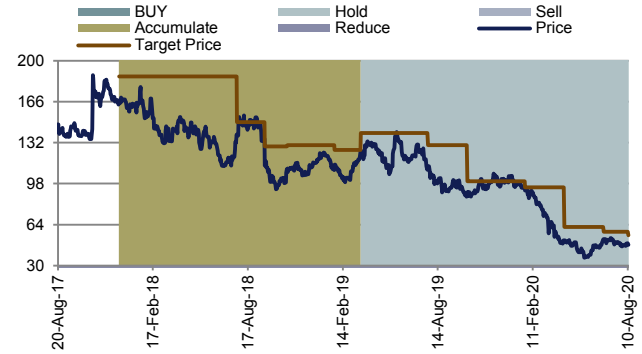
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
11-Aug-20	47	55	12m	Hold	Aanad Dama
25-Jun-20	52	58	12m	Hold	Aanad Dama
11-Apr-20	51	62	12m	Hold	Aanad Dama
27-Jan-20	92	95	12m	Hold	Aanad Dama
9-Nov-19	94	100	12m	Hold	Aanad Dama
9-Oct-19	91	100	12m	Hold	Aanad Dama
23-Sep-19	101	130	12m	Hold	Aanad Dama
3-Sep-19	91	130	12m	Hold	Aanad Dama
26-Jul-19	113	130	12m	Hold	Aanad Dama
24-May-19	137	140	12m	Hold	Aanad Dama
20-Mar-19	125	140	12m	Hold	Aanad Dama
29-Jan-19	114	126	12m	Accumulate	Aanad Dama
31-Oct-18	111	130	12m	Accumulate	Jignesh Shial
18-Sep-18	113	129	12m	Accumulate	Jignesh Shial
27-Jul-18	138	149	12m	Accumulate	Jignesh Shial
21-May-18	130	187	12m	Accumulate	Ravikant Bhat
24-Jan-18	178	187	12m	Accumulate	Ravikant Bhat
14-Dec-17	166	187	12m	Accumulate	Ravikant Bhat

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Canara Bank

Refer to important disclosures at the end of this report

Meaningful restructuring unlikely

CMP: Rs 100
as of (August 17, 2020)

TP: Rs 88 (■)
12 months

Rating: SELL (■)

We hosted Mr. Krishnan S, ED, and Mr. Ramachandra, CFO

Key Meeting Takeaways

- CBK has given a guidance of 8% business growth, CASA at 35%, GNPA at 8.75%, NNPA at 3.75%, PCR of 80-82%, and slippages of 1.5%.
- The bank would go for a capital raise of Rs15bn AT-1 bonds in Q2. CBK has approved a capital raise plan of Rs80bn, including Rs50bn via equity and Rs30bn via AT-1 bonds. CBK does not plan to sell a stake in subsidiaries as of now but would look at an opportune time.
- Opex reduction was due to merger synergies and proactive measures taken by the bank, and are sustainable.
- The moratorium rate by value is reported at 22% for the merged bank, which includes customers who have made part payment and is not strictly comparable to peers. CBK has made additional Covid-19 provisions of Rs7.4bn, with cumulative provisions at Rs10.3bn (16bps of loans).
- NBFCs had been given a lot of liquidity support through various schemes and thus, would not require restructuring. Retail loans too are mainly given to salaried employee of the government, PSU and strong corporates and thus would not require much restructuring. Thus, the restructuring benefit will be largely extended to the SME sector.

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net income	210,531	209,371	331,289	336,717	367,276
Net profit	3,470	(22,357)	(19,944)	7,544	23,034
EPS (Rs)	4.7	(21.7)	(16.1)	5.2	15.8
ABV (Rs)	196.1	201.9	187.1	171.0	194.7
RoA (%)	0.1	(0.3)	(0.2)	0.1	0.2
RoE (%)	1.2	(7.1)	(5.1)	1.7	4.9
PE (x)	21.4	(4.6)	(6.2)	19.3	6.3
P/ABV	0.5	0.5	0.6	0.6	0.5

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	SELL

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	(16.1)	5.2
Consensus	(2.9)	10.6
Mean Consensus TP (12M)	Rs 92	

Stock Details

Bloomberg Code	CBK IN
Face Value (Rs)	10
Shares outstanding (mn)	1,454
52 Week H/L	239 / 74
M Cap (Rs bn/USD bn)	145 / 1.94
Daily Avg Volume (nos.)	16,444,210
Daily Avg Turnover (US\$ mn)	22.1

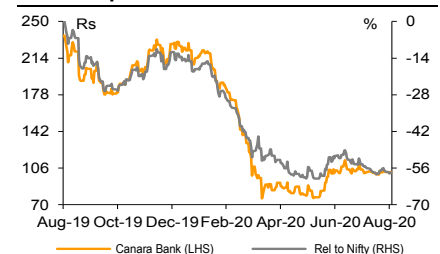
Shareholding Pattern Jun '20

Promoters	78.6%
FIIIs	2.6%
DIIIs	9.4%
Public and Others	9.5%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(2)	19	(43)	(58)
Rel. to Nifty	(5)	(3)	(39)	(58)

Relative price chart



Source: Bloomberg

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net interest income	144,781	131,240	216,965	221,454	244,096
Other income	65,750	78,131	114,324	115,263	123,180
Fee income	11,715	8,240	12,360	12,978	14,016
Net income	210,531	209,371	331,289	336,717	367,276
Operating expenses	104,622	115,772	186,461	184,918	197,621
Pre provision profit	105,909	93,599	144,828	151,799	169,655
PPP excl treasury	101,885	86,019	118,298	119,963	136,227
Provisions	129,024	111,154	171,491	141,713	138,860
Profit before tax	(23,116)	(17,556)	(26,663)	10,086	30,795
Tax	(26,586)	4,802	(6,719)	2,542	7,760
Tax rate	115	(27)	25	25	25
Profit after tax	3,470	(22,357)	(19,944)	7,544	23,034

Balance Sheet

Y/E Year End (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity	7,532	10,302	14,535	14,535	14,535
Reserves	354,240	382,627	517,961	524,052	544,180
Net worth	361,772	392,929	532,496	538,587	558,714
Deposits	5,990,333	6,253,511	9,508,128	10,029,397	10,752,140
Borrowings	282,430	293,749	469,999	399,499	379,524
Total liabilities	6,947,667	7,238,747	10,891,753	11,339,459	12,076,345
Cash and bank	299,190	225,701	236,986	248,835	261,277
Investments	1,529,853	1,762,449	2,622,981	2,710,656	2,839,988
Loans	4,277,273	4,321,752	6,621,994	6,974,479	7,497,853
Others	394,912	389,069	511,190	522,628	534,261
Total assets	6,947,667	7,238,747	10,891,753	11,339,459	12,076,345

Key Ratios (%)

Y/E Year End	FY19	FY20	FY21E	FY22E	FY23E
NIM	2.5	2.0	2.6	2.2	2.3
Non-II/avg assets	1.0	1.1	1.3	1.0	1.1
Fee income/avg assets	0.2	0.1	0.1	0.1	0.1
Opex/avg assets	1.6	1.6	2.1	1.7	1.7
Provisions/avg assets	2.0	1.6	1.9	1.3	1.2
PBT/avg assets	(0.4)	(0.2)	(0.3)	0.1	0.3
Tax/avg assets	(0.4)	0.1	(0.1)	0.0	0.1
RoA	0.1	(0.3)	(0.2)	0.1	0.2
RoAE	1.2	(7.1)	(5.1)	1.7	4.9
GNPA (%)	8.8	8.2	10.5	10.6	10.5
NNPA (%)	5.4	4.2	5.0	4.5	3.9

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	4.7	(21.7)	(16.1)	5.2	15.8
BVPS	400.0	318.8	363.2	314.5	328.4
ABVPS	196.1	201.9	187.1	171.0	194.7
DPS	0.0	0.0	0.0	1.0	2.0

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	21.4	(4.6)	(6.2)	19.3	6.3
P/BV	0.5	0.5	0.5	0.6	0.5
P/ABV	0.5	0.5	0.6	0.6	0.5
P/PPOP	0.7	1.2	1.1	1.0	0.9
Dividend Yield (%)	0.0	0.0	0.0	1.0	2.0

Source: Company, Emkay Research

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
NII	19.0	(9.4)	65.3	2.1	10.2
PPOP	10.9	(11.6)	54.7	4.8	11.8
PAT	(108.2)	(744.3)	(10.8)	(137.8)	205.3
Loans	12.1	1.0	53.2	5.3	7.5

Quarterly (Rs mn)	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20
NII	35,002	32,406	31,298	34,350	33,186
NIM(%)	2.8	2.3	2.2	2.4	2.3
PPOP	29,735	24,400	25,446	23,343	20,409
PAT	(5,515)	3,291	3,649	3,296	(32,593)
EPS (Rs)	(7.32)	4.37	4.84	3.20	(31.64)

Source: Company, Emkay Research

Shareholding Pattern (%)	Dec-19	Dec-19	Mar-20	Apr-20	Jun-20
Promoters	78.5	78.5	78.6	78.6	78.6
FII	3.0	3.3	2.6	2.6	2.6
DII	12.4	12.2	10.3	10.3	9.4
Public and Others	6.1	6.0	8.6	8.6	9.5

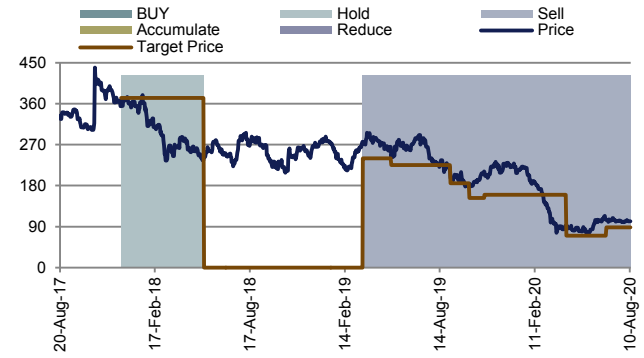
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
26-Jun-20	105	88	12m	Sell	Anand Dama
11-Apr-20	92	70	12m	Sell	Anand Dama
24-Jan-20	219	160	12m	Sell	Anand Dama
7-Nov-19	210	160	12m	Sell	Anand Dama
9-Oct-19	184	153	12m	Sell	Anand Dama
3-Sep-19	197	185	12m	Sell	Anand Dama
25-Jul-19	239	225	12m	Sell	Anand Dama
13-May-19	243	225	12m	Sell	Anand Dama
20-Mar-19	276	240	12m	Sell	Anand Dama
21-May-18	246	-	12m	UR	Ravikant Bhat
24-Jan-18	379	373	12m	Hold	Ravikant Bhat
14-Dec-17	357	373	12m	Hold	Ravikant Bhat

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

City Union Bank

Refer to important disclosures at the end of this report

Elevated credit cost and slippage guidance

CMP: Rs 124
as of (August 17, 2020)

TP: Rs 133 (■)
12 months

Rating: HOLD (■)

We hosted Mr. N Kamakodi, MD & CEO

Key Meeting Takeaways

- The collection efficiency has improved, with now 77% of customers by value have paid two or more EMI/Interest up to Jun'20 (57% of term loans/92% of working capital).
- The bank would be liberal in restructuring and would do it for genuine borrowers with a good track record of repayment and is facing troubles due to Covid-19-led disruption. CUB expects Rs2.5-3bn of MSME loans to be restructured, but retains the overall slippage ratio guidance of 3-3.5% in FY21, given the elevated risk environment.
- As per the revised definition of MSME, which includes individual loans under the guarantee scheme, nearly 47% of the bank's loans are now eligible under the scheme, with the total disbursement opportunity of Rs32bn (9% of total loans).
- RoA will remain depressed in FY21 due to elevated credit cost and lower fees. However, the bank expects to reach its earlier RoA run-rate of 1.5% by H2FY22, subject to no further disruptions.
- CUB largely has a sole banking relationship, with hardly any consortium-based lending. Thus, the recent current account circular of the RBI will have a largely neutral impact.



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	7.0	9.3
Consensus	6.7	9.6
Mean Consensus TP (12M)	Rs 144	

Stock Details

Bloomberg Code	CUBK IN
Face Value (Rs)	1
Shares outstanding (mn)	737
52 Week H/L	249 / 110
M Cap (Rs bn/USD bn)	91 / 1.22
Daily Avg Volume (nos.)	2,484,462
Daily Avg Turnover (US\$ mn)	4.2

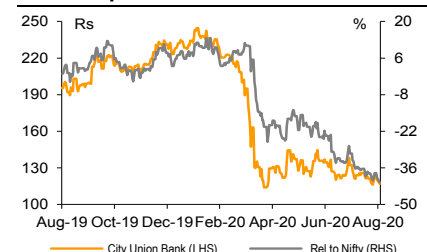
Shareholding Pattern Jun '20

Promoters	-%
FIIIs	21.7%
DIIIs	30.1%
Public and Others	48.3%

Price Performance

(%)	1M	3M	6M	12M
Absolute	-	(9)	(44)	(37)
Rel. to Nifty	(3)	(26)	(40)	(38)

Relative price chart



Source: Bloomberg

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Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net income	21,259	23,551	24,260	26,065	28,645
Net profit	6,829	4,763	5,198	6,881	9,013
EPS (Rs)	9.3	6.5	7.0	9.3	12.2
ABV (Rs)	60.1	63.9	68.5	77.7	89.1
RoA (%)	1.6	1.0	1.0	1.3	1.5
RoE (%)	15.2	9.4	9.4	11.2	13.1
PE (x)	13.3	19.1	17.6	13.3	10.1
P/ABV	1.9	1.8	1.7	1.5	1.3

Source: Company, Emkay Research

Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net interest income	16,115	16,752	17,572	18,921	21,218
Other income	5,144	6,799	6,688	7,143	7,428
Fee income	545	554	582	628	704
Net income	21,259	23,551	24,260	26,065	28,645
Operating expenses	8,859	10,137	10,598	11,401	12,536
Pre provision profit	12,400	13,414	13,662	14,664	16,109
PPP excl treasury	12,074	11,818	11,987	12,988	14,601
Provisions	3,151	7,551	7,165	6,062	4,843
Profit before tax	9,249	5,863	6,497	8,602	11,266
Tax	2,420	1,100	1,299	1,720	2,253
Tax rate	26	19	20	20	20
Profit after tax	6,829	4,763	5,198	6,881	9,013

Balance Sheet

Y/E Year End (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity	735	737	737	737	737
Reserves	47,306	52,223	57,421	63,934	72,504
Net worth	48,040	52,961	58,158	64,671	73,241
Deposits	384,479	408,325	431,793	469,647	522,073
Borrowings	4,809	20,224	18,202	16,381	13,105
Total liabilities	452,589	497,335	517,144	562,913	623,862
Cash and bank	19,931	20,304	21,319	22,385	23,504
Investments	77,122	91,168	96,449	104,187	114,696
Loans	326,733	339,274	353,874	389,338	441,008
Others	16,600	17,225	19,084	20,238	22,112
Total assets	452,589	497,335	517,144	562,913	623,862

Key Ratios (%)

Y/E Year End	FY19	FY20	FY21E	FY22E	FY23E
NIM	4.0	3.7	3.7	3.7	3.8
Non-II/avg assets	1.2	1.4	1.3	1.3	1.3
Fee income/avg assets	0.1	0.1	0.1	0.1	0.1
Opex/avg assets	2.1	2.1	2.1	2.1	2.1
Provisions/avg assets	0.7	1.6	1.4	1.1	0.8
PBT/avg assets	2.2	1.2	1.3	1.6	1.9
Tax/avg assets	0.6	0.2	0.3	0.3	0.4
RoA	1.6	1.0	1.0	1.3	1.5
RoAE	15.2	9.4	9.4	11.2	13.1
GNPA (%)	3.0	4.1	5.3	4.9	4.5
NNPA (%)	1.8	2.3	2.9	2.5	2.3

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	9.3	6.5	7.0	9.3	12.2
BVPS	65.4	71.8	78.9	87.7	99.3
ABVPS	60.1	63.9	68.5	77.7	89.1
DPS	0.5	0.5	0.0	0.5	0.6

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	13.3	19.1	17.6	13.3	10.1
P/BV	2.1	1.9	1.8	1.6	1.4
P/ABV	1.9	1.8	1.7	1.5	1.3
P/PPOP	6.9	6.4	6.3	5.9	5.4
Dividend Yield (%)	0.4	0.4	0.0	0.4	0.5

Source: Company, Emkay Research

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
NII	12.7	4.0	4.9	7.7	12.1
PPOP	2.7	8.2	1.9	7.3	9.9
PAT	15.3	(30.2)	9.1	32.4	31.0
Loans	17.3	3.8	4.3	10.0	13.3

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
NII	4,169	4,115	4,272	4,195	4,370
NIM(%)	4.1	3.9	4.0	3.9	4.0
PPOP	3,514	3,465	3,084	3,351	3,560
PAT	1,856	1,935	1,924	(953)	1,540
EPS (Rs)	2.53	2.63	2.61	(1.29)	2.09

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	-	-	-	-	-
FIIIs	24.2	22.9	22.6	20.8	21.7
DIIIs	28.3	30.0	30.6	32.1	30.1
Public and Others	47.5	47.2	46.8	47.1	48.3

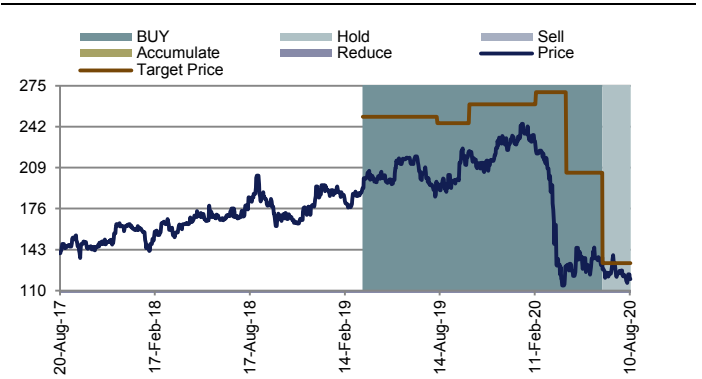
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
19-Jun-20	127	132	12m	Hold	Anand Dama
11-Apr-20	130	205	12m	Buy	Anand Dama
14-Mar-20	195	270	12m	Buy	Anand Dama
13-Feb-20	223	270	12m	Buy	Anand Dama
7-Nov-19	212	260	12m	Buy	Anand Dama
9-Oct-19	222	260	12m	Buy	Anand Dama
9-Aug-19	196	245	12m	Buy	Anand Dama
17-May-19	199	250	12m	Buy	Anand Dama
20-Mar-19	193	250	12m	Buy	Anand Dama

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

CSB Bank

Refer to important disclosures at the end of this report

Gold loan to drive retail growth for FY21

CMP: Rs 194
as of (August 17, 2020)TP: NA
12 months

Rating: NOT RATED

We hosted Mr. C. VR. Rajendran, MD & CEO

Key Meeting Takeaways

- The appointment of Mr. Pralay Mondal (to join in Sep'20) is mainly to strengthen its retail lending business, which it wants to take it to 60%. Gold loan remains the key product, with recent introduction being TW loans and will be soon supplemented by used car loans.
- CSB Bank's loan book is skewed toward gold loans, which forms 33-34% exposure of the book. The book is growing well with an LTV of 75% (includes interest of 1 year). The bank believes that with an increase in LTV to 90% and it will see further traction and growth in the book. Yield on gold loans is 13% compared to ~24-25% for gold-financing NBFCs.
- Deposit growth has been restricted with the lack of deployment opportunities on account of slower growth in advances. However, it is witnessing some improvement with easing of the lockdown and activities picking up. CASA can improve to 30% from 28% currently in the current FY along with the cost of deposits coming down.
- The moratorium book was 28% in Phase 1. Out of this 28%, ~98% customers have started paying. Only 1.98% customers have actually availed the moratorium. Collections have improved to 70% of pre-Covid levels.
- Management has announced its intention to participate in an inorganic opportunity either in PSBs or regional private banks, mainly to strengthen its franchise network, subject to reasonable valuations and management control.

Financial Snapshot (Standalone)

(Rs mn)	FY16	FY17	FY18	FY19	FY20
Net income	4,283	5,948	5,102	5,759	8,139
Net profit	-1,494	-580	-1,271	-1,974	127
EPS (Rs)	-22.6	-7.2	-15.7	-23.6	1.0
ABV (Rs)	69.2	54.5	54.7	53.9	94.6
RoA (%)	-0.4	-0.8	-1.2	0.1	0.3
RoE (%)	-7.9	-18.7	-31.8	1.1	2.7
PE (x)	-8.6	-27.1	-12.4	-8.2	197.6
P/ABV	2.8	3.6	3.5	3.6	2.1

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	NA
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	CSBBANK IN
Face Value (Rs)	10
Shares outstanding (mn)	173
52 Week H/L	314/95
M Cap (Rs bn/USD bn)	33/0.4
Daily Avg Volume (nos.)	295775.0
Daily Avg Turnover (US\$ mn)	0.7

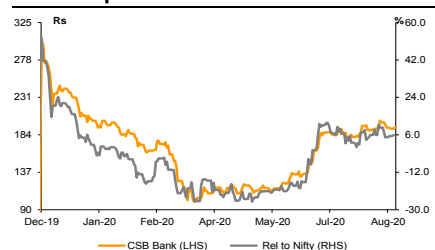
Shareholding Pattern Jun'20

Promoters	49.7%
FIIIs	3.2%
DIIIs	7.5%
Public and Others	39.6%

Price Performance

(%)	1M	3M	6M	12M
Absolute	3	63	13	0
Rel. to Nifty	-2	34	23	0

Relative price chart



Source: Bloomberg

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19	FY20
Net interest income	3,236	3,136	3,848	4,400	5,923
Other income	1,047	2,812	1,254	1,359	2,216
Net income	4,283	5,948	5,102	5,759	8,139
Operating expenses	3,939	4,431	4,359	5,625	5,333
Pre provision profit	344	1,517	743	134	2,806
PPP excl treasury	287	-442	716	54	2,526
Provisions	2,623	2,522	2,692	3,134	1,466
Profit before tax	-2,279	-1,004	-1,949	-3,000	1,340
Tax	786	425	678	1,027	-1,213
Profit after tax	-1,494	-580	-1,271	-1,974	127

Balance Sheet

Y/E Year End (Rs mn)	FY16	FY17	FY18	FY19	FY20
Equity	718	810	810	860	1,735
Reserves	8,210	8,227	6,956	6,944	17,872
Net worth	8,928	9,037	7,766	7,804	19,607
Deposits	144,384	149,116	146,907	151,239	157,907
Borrowings	3,207	3,123	2,904	10,069	11,129
Total liabilities	156,519	161,276	157,576	169,112	188,642
Cash and bank	7,263	12,112	12,151	9,736	9,394
Investments	59,867	57,292	40,833	40,276	53,598
Loans	78,527	80,008	91,849	106,152	113,663
Others	10,862	11,865	12,744	12,947	11,988
Total assets	156,519	161,276	157,576	169,112	188,642

Key Ratios (%)

Y/E Year End	FY16	FY17	FY18	FY19	FY20
NIM	2.2	2.7	3.0	3.6	3.5
Non-Il/avg assets	1.8	0.8	0.8	1.2	1.3
Opex/avg assets	2.8	2.7	3.4	3.0	2.9
Provisions/avg assets	2.5	1.7	1.9	0.8	1.2
Tax/avg assets	-0.4	-0.4	-0.6	0.7	0.1
RoA	-0.4	-0.8	-1.2	0.1	0.3
RoAE	-7.9	-18.7	-31.8	1.1	2.7
GNPA (%)	7.4	7.9	4.9	3.5	4.3
NNPA (%)	5.6	2.9	2.3	1.9	2.2

Per Share Data (Rs)	FY16	FY17	FY18	FY19	FY20
EPS	-22.6	-7.2	-15.7	-23.6	1.0
BVPS	101.3	91.3	76.2	72.4	103.9
ABVPS	69.2	54.5	54.7	53.9	94.6

Valuations (x)	FY16	FY17	FY18	FY19	FY20
PER	-8.6	-27.1	-12.4	-8.2	197.6
P/BV	1.9	2.1	2.5	2.7	1.9
P/ABV	2.8	3.6	3.5	3.6	2.1

Growth (%)	FY16	FY17	FY18	FY19	FY20
NII	-9.1	-3.1	22.7	14.3	34.6
PPOP	-60.3	340.8	-51.0	-82.0	2000.7
PAT	n/a	n/a	n/a	n/a	n/a
Loans	-17.1	1.9	14.8	15.6	7.1

Equitas Holdings

Refer to important disclosures at the end of this report

Focus remains on building liability franchise

CMP: Rs 53
as of (August 17, 2020)TP: Rs 64 (■)
12 months

Rating: BUY (■)

We hosted Mr. Shridharan N, CFO, and Mr. Dheeraj Mohan, Head, Strategy & IR

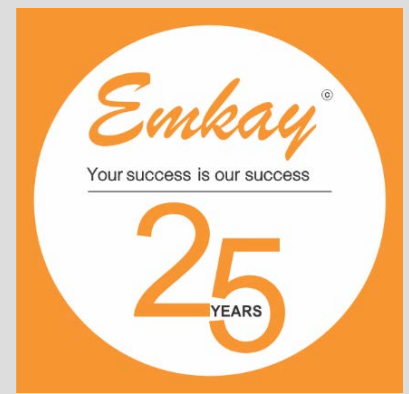
Key Meeting Takeaways

- The bank is unlikely to extend the restructuring benefit to the MFI segment, given its past experience during demonetization. The bank is also following the practice of avoiding taking part payments from customers. This could be one of the reason for the bank's relatively higher moratorium rate than peers.
- Vehicle finance could witness higher credit cost as customers with low equity can handover the possession to the bank, while the realizable value has come-off. Generally LGD in vehicle finance is 35%, which can increase in these times.
- The disbursements trend is improving with Rs7.5bn in July, including Rs3bn disbursements to existing MFI customers, which is 75% of pre-Covid disbursements. The bank expects to reach pre-Covid level disbursements by H2FY21. The bank has been focusing on gold loans and is trending well.
- RBI's current account circular opens lower-end and mid-business CA opportunity and thus, the bank believes that the same will be positive on a net basis. On SA front, the bank is focused on mass affluent customers, while the overall focus is to improve retail deposit share and not only CASA.
- Equitas SFB is finalizing DRHP to raise Rs2.5bn from the primary market and Rs4bn from the secondary market to meet listing guidelines. The Holdco structure was not compulsory for SFBs but was created to meet promoter and listing guidelines. RBI is not averse to collapse of the holdco structure, which was voluntarily created by SFBs and thus, RBI's working committee outcome will be more important for Universal banks.

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net income	13,996	17,450	19,616	23,706	29,443
Net profit	1,766	2,060	2,247	3,045	5,065
EPS (Rs)	5.2	6.0	6.6	8.9	14.8
ABV (Rs)	68.0	79.9	82.8	90.3	104.8
RoA (%)	1.2	1.1	1.0	1.1	1.5
RoE (%)	7.5	7.7	7.5	9.3	13.8
PE (x)	10.2	8.7	8.0	5.9	3.5
P/ABV	0.8	0.6	0.6	0.6	0.5

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	6.6	8.9
Consensus	6.6	10.2
Mean Consensus TP (12M)	Rs 72	

Stock Details

Bloomberg Code	EQUITAS IN
Face Value (Rs)	10
Shares outstanding (mn)	342
52 Week H/L	121 / 33
M Cap (Rs bn/USD bn)	18 / 0.24
Daily Avg Volume (nos.)	18,783,970
Daily Avg Turnover (US\$ mn)	12.9

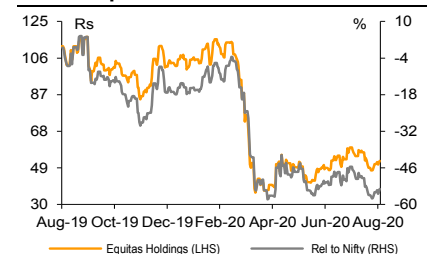
Shareholding Pattern Jun '20

Promoters	-%
FIIIs	28.2%
DIIIs	30.3%
Public and Others	41.6%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(5)	5	(51)	(53)
Rel. to Nifty	(7)	(14)	(47)	(54)

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net interest income	12,357	15,843	18,041	22,021	27,566
Other income	1,639	1,607	1,575	1,686	1,877
Fee income	738	959	911	1,048	1,205
Net income	13,996	17,450	19,616	23,706	29,443
Operating expenses	10,270	11,783	13,149	14,838	17,029
Pre provision profit	3,726	5,667	6,467	8,868	12,414
PPP excl treasury	3,693	5,633	6,431	8,829	12,371
Provisions	1,013	2,505	3,464	4,799	5,645
Profit before tax	2,713	3,162	3,002	4,069	6,769
Tax	947	1,102	756	1,024	1,704
Tax rate	35	35	25	25	25
Profit after tax	1,766	2,060	2,247	3,045	5,065

Balance Sheet

Y/E Year End (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity	3,415	3,418	3,418	3,418	3,418
Reserves	21,022	25,613	27,860	30,802	35,697
Net worth	24,437	29,031	31,278	34,220	39,115
Deposits	88,287	106,786	130,925	170,904	220,425
Borrowings	39,714	66,106	61,194	51,739	47,818
Total liabilities	157,133	208,352	240,656	292,455	362,915
Cash and bank	2,868	25,372	17,315	16,720	18,798
Investments	23,459	23,444	30,802	36,699	46,734
Loans	115,744	151,058	183,534	229,417	286,772
Others	2,402	3,146	3,611	4,008	4,616
Total assets	157,133	208,352	240,656	292,455	362,915

Key Ratios (%)

Y/E Year End	FY19	FY20	FY21E	FY22E	FY23E
NIM	8.9	9.1	8.5	8.7	8.8
Non-II/avg assets	1.1	0.9	0.7	0.6	0.6
Fee income/avg assets	0.5	0.5	0.4	0.4	0.4
Opex/avg assets	7.0	6.4	5.9	5.6	5.2
Provisions/avg assets	0.7	1.4	1.5	1.8	1.7
PBT/avg assets	1.9	1.7	1.3	1.5	2.1
Tax/avg assets	0.6	0.6	0.3	0.4	0.5
RoA	1.2	1.1	1.0	1.1	1.5
RoAE	7.5	7.7	7.5	9.3	13.8
GNPA (%)	2.5	2.7	4.0	3.8	3.4
NNPA (%)	1.6	1.5	2.2	1.9	1.5

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	5.2	6.0	6.6	8.9	14.8
BVPS	71.6	84.9	91.5	100.1	114.4
ABVPS	68.0	79.9	82.8	90.3	104.8
DPS	0.0	0.0	0.0	0.3	0.5

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	10.2	8.7	8.0	5.9	3.5
P/BV	0.8	0.7	0.6	0.6	0.5
P/ABV	0.8	0.6	0.6	0.6	0.5
P/PPOP	4.7	3.1	2.7	2.0	1.4
Dividend Yield (%)	0.0	0.0	0.0	0.6	1.0

Source: Company, Emkay Research

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
NII	31.1	28.2	13.9	22.1	25.2
PPOP	105.8	52.1	14.1	37.1	40.0
PAT	1,190.7	16.7	9.1	35.5	66.3
Loans	47.3	30.5	21.5	25.0	25.0

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
NII	3,628	3,779	4,107	4,381	4,245
NIM(%)	8.6	8.8	9.2	9.1	9.1
PPOP	1,212	1,222	1,447	1,784	1,352
PAT	703	413	793	161	525
EPS (Rs)	2.05	1.21	2.32	0.47	1.54

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	-	-	-	-	-
FIIIs	20.2	22.7	26.1	28.7	28.2
DIIIs	40.9	40.8	37.2	34.5	30.3
Public and Others	38.9	36.4	36.7	36.9	41.6

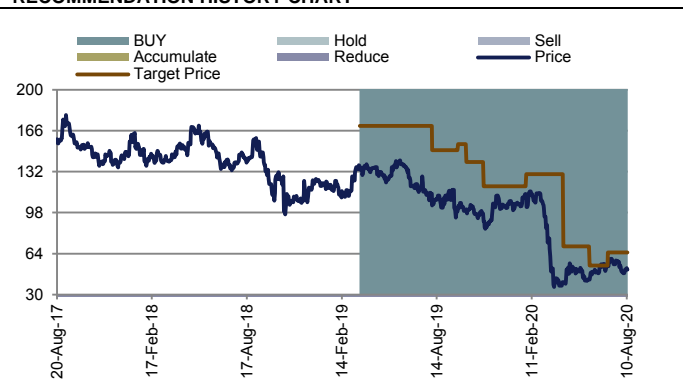
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
12-Aug-20	52	64	12m	Buy	Anand Dama
5-Jul-20	53	65	12m	Buy	Anand Dama
31-May-20	42	54	12m	Buy	Anand Dama
11-Apr-20	40	70	12m	Buy	Anand Dama
31-Jan-20	109	130	12m	Buy	Anand Dama
11-Nov-19	91	120	12m	Buy	Anand Dama
9-Oct-19	101	140	12m	Buy	Anand Dama
23-Sep-19	101	155	12m	Buy	Anand Dama
5-Aug-19	104	150	12m	Buy	Anand Dama
14-May-19	126	170	12m	Buy	Anand Dama
4-Apr-19	136	170	12m	Buy	Anand Dama
20-Mar-19	134	170	12m	Buy	Anand Dama

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Federal Bank

Refer to important disclosures at the end of this report

Asset quality risks to be limited but needs to shore up provisioning

CMP: Rs 53
as of (August 17, 2020)TP: Rs 58 (■)
12 months

Rating: BUY (■)

We hosted Mr. Ashutosh Khajuria, ED & CFO, and Mr. Anand Chugh, Head IR

Key Meeting Takeaways

- The RBI has approved the current MD's term by one year and the board will decide on the further course of action closer to the next tenure.
- The net loan moratorium rate in value terms stood at 24% vs. 35% in Phase 1, but it was higher in retail at 33% vs. 40% earlier. As per management, customers with no EMI paid as % of the total moratorium book declined to 12% and will be closely watched.
- The bank's otherwise high share of the mortgages/gold loan book in retail and better underwriting in the corporate book for the past few years should limit asset quality risks. The bank recognized a large UAE-based corporate account as NPA in Q1 and provided for 100% on the same but expects a potential haircut of 30%.
- Federal Bank has a relatively lower CA ratio and thus, the recent RBI guideline on current deposits should be largely neutral-to-positive for the bank.
- The bank's Tier I ratio (ex Q1FY21 profits) stands at 13%, but it is not looking to raise capital in a hurry unlike other banks. However, the bank may look at raising capital early next year.



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	6.9	9.0
Consensus	4.9	8.4
Mean Consensus TP (12M)	Rs 64	

Stock Details

Bloomberg Code	FB IN
Face Value (Rs)	2
Shares outstanding (mn)	1,993
52 Week H/L	99 / 36
M Cap (Rs bn/USD bn)	105 / 1.41
Daily Avg Volume (nos.)	39,695,340
Daily Avg Turnover (US\$ mn)	26.7

Shareholding Pattern Jun '20

Promoters	-%
FII's	30.5%
DII's	36.6%
Public and Others	33.0%

Price Performance

(%)	1M	3M	6M	12M
Absolute	2	21	(37)	(38)
Rel. to Nifty	(2)	(2)	(33)	(39)

Relative price chart



Source: Bloomberg

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Mayank Agarwal

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Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net income	55,274	65,803	74,035	80,254	91,087
Net profit	12,439	15,429	13,694	17,882	23,904
EPS (Rs)	6.3	7.8	6.9	9.0	12.0
ABV (Rs)	59.9	66.9	72.6	80.7	90.1
RoA (%)	0.8	0.9	0.7	0.9	1.0
RoE (%)	10.0	11.2	9.0	10.7	13.0
PE (x)	8.4	6.8	7.7	5.9	4.4
P/ABV	0.8	0.7	0.7	0.6	0.6

Source: Company, Emkay Research

Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net interest income	41,763	46,489	53,569	57,977	65,925
Other income	13,510	19,314	20,466	22,277	25,162
Fee income	8,010	9,895	11,077	12,739	15,286
Net income	55,274	65,803	74,035	80,254	91,087
Operating expenses	27,643	33,755	35,622	38,874	43,832
Pre provision profit	27,631	32,048	38,412	41,381	47,255
PPP excl treasury	25,347	25,970	32,942	36,184	42,318
Provisions	8,559	11,721	20,154	17,538	15,383
Profit before tax	19,073	20,327	18,259	23,842	31,872
Tax	6,634	4,898	4,565	5,961	7,968
Tax rate	35	24	25	25	25
Profit after tax	12,439	15,429	13,694	17,882	23,904

Balance Sheet

Y/E Year End (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity	3,970	3,985	3,985	3,985	3,985
Reserves	125,416	141,191	154,885	170,368	190,435
Net worth	129,386	145,176	158,870	174,353	194,420
Deposits	1,349,543	1,522,901	1,682,148	1,894,230	2,200,726
Borrowings	77,813	103,724	82,979	82,979	87,128
Total liabilities	1,593,400	1,806,379	1,961,561	2,192,557	2,536,793
Cash and bank	64,192	61,749	77,186	96,483	120,603
Investments	318,245	358,926	397,868	441,761	505,000
Loans	1,102,230	1,222,679	1,325,112	1,496,175	1,752,728
Others	67,537	94,228	99,885	105,486	111,502
Total assets	1,593,400	1,806,379	1,961,561	2,192,557	2,536,793

Key Ratios (%)

Y/E Year End	FY19	FY20	FY21E	FY22E	FY23E
NIM	3.0	2.9	3.0	3.0	3.0
Non-II/avg assets	0.9	1.1	1.1	1.1	1.1
Fee income/avg assets	0.5	0.6	0.6	0.6	0.6
Opex/avg assets	1.9	2.0	1.9	1.9	1.9
Provisions/avg assets	0.6	0.7	1.1	0.8	0.7
PBT/avg assets	1.3	1.2	1.0	1.1	1.3
Tax/avg assets	0.4	0.3	0.2	0.3	0.3
RoA	0.8	0.9	0.7	0.9	1.0
RoAE	10.0	11.2	9.0	10.7	13.0
GNPA (%)	2.9	2.8	3.5	3.4	3.2
NNPA (%)	1.5	1.3	1.4	1.2	1.1

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	6.3	7.8	6.9	9.0	12.0
BVPS	65.4	73.0	79.7	87.5	97.6
ABVPS	59.9	66.9	72.6	80.7	90.1
DPS	1.7	0.0	0.0	1.2	1.9

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	8.4	6.8	7.7	5.9	4.4
P/BV	0.9	0.8	0.7	0.7	0.6
P/ABV	0.8	0.7	0.7	0.6	0.6
P/PPOP	3.6	3.1	2.6	2.4	2.1
Dividend Yield (%)	3.2	0.0	0.0	2.3	3.6

Source: Company, Emkay Research

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
NII	16.6	11.3	15.2	8.2	13.7
PPOP	20.6	16.0	19.9	7.7	14.2
PAT	41.5	24.0	(11.2)	30.6	33.7
Loans	19.9	10.9	8.4	12.9	17.1

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
NII	11,542	11,238	11,549	12,160	12,965
NIM(%)	3.2	3.0	3.0	3.0	3.1
PPOP	7,828	7,188	7,438	9,593	9,324
PAT	3,842	4,167	4,406	3,012	4,008
EPS (Rs)	1.94	2.10	2.22	1.51	2.01

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	-	-	-	-	-
FIIIs	36.8	34.4	31.9	32.8	30.5
DIIIs	30.0	34.8	37.4	36.5	36.6
Public and Others	33.2	30.8	30.7	30.7	33.0

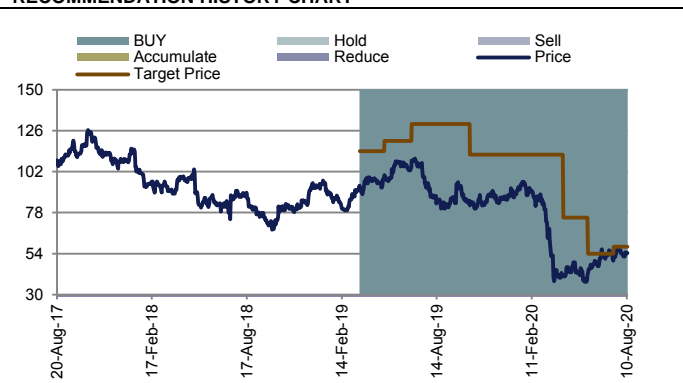
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
16-Jul-20	52	58	12m	Buy	Anand Dama
28-May-20	43	54	12m	Buy	Anand Dama
11-Apr-20	41	75	12m	Buy	Anand Dama
27-Feb-20	89	112	12m	Buy	Anand Dama
20-Jan-20	94	112	12m	Buy	Anand Dama
16-Oct-19	82	112	12m	Buy	Anand Dama
9-Oct-19	86	130	12m	Buy	Anand Dama
16-Jul-19	107	130	12m	Buy	Anand Dama
27-Jun-19	109	130	12m	Buy	Anand Dama
6-May-19	100	120	12m	Buy	Anand Dama
20-Mar-19	92	114	12m	Buy	Anand Dama

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

IDFC First Bank

Refer to important disclosures at the end of this report

High moratorium rate on corporate book pose a risk

CMP: Rs 30
as of (August 17, 2020)TP: NA
12 months

Rating: NOT RATED

We hosted Mr. V. Vaidyanathan, MD and CEO, and Mr. Sudhanshu Jain, CFO

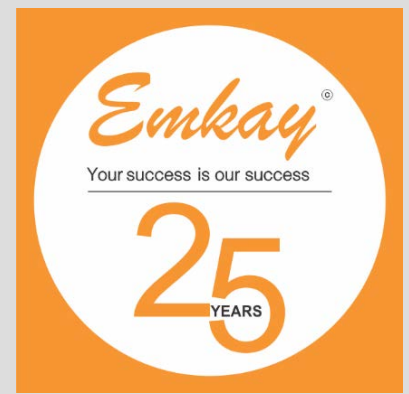
Key Meeting Takeaways

- The retailization strategy of the bank continues as it has been reducing its exposure in the corporate advances. Within retail, it is witnessing growth in all the pockets i.e. MSME, consumer loans, mortgage and rural microfinance, and intends to increase its share to 60% from 56% currently on the growing balance sheet.
- The bank offers a much higher SA rate of at 6-7% compared to peers and higher TD rates (which has been coming down now), which has helped the bank in garnering retail deposits (62% of total deposits).
- The bank expects costs to remain relatively high as the bank is investing more in branches that are mainly being set up with an objective to grow liabilities. Further, it has invested in the collection architecture, resulting in bounce rates coming off largely in Jul-Aug'20.
- Loans under moratorium fell to 28% on the overall portfolio from 35% in April. Within segments, around 23% of retail loans are under moratorium, while on the wholesale side, it is higher at 35%. The bank aims to reduce the overall figure to 10-12% by August end.
- In terms of restructuring after the moratorium, the bank intends to provide it on a case-to-case basis and upon due assessment of the requirement by the customer. The legacy stress book stands at Rs32bn (3.3% of loans) with a provisioning cover of 52%.
- On the CC/OD regulations front, the bank does not expect a major impact on its book as the current account piece on the corporate front is not very big and in certain sectors, it has a good lending penetration. The bank continues to give loans to smaller corporates and high chance is that it will fall in the 10% exposure bracket and so may see more positive impact of this regulation.

Financial Snapshot (Standalone)

(Rs mn)	FY16	FY17	FY18	FY19	FY20
Net income	12,505	30,304	29,160	41,377	73,575
Net profit	4,669	10,197	8,593	-19,442	-28,642
EPS (Rs)	1.4	3.0	2.5	-4.1	-6.0
ABV (Rs)	38.0	41.2	43.1	36.5	30.6
RoA (%)	0.6	1.1	0.7	-1.3	-1.8
RoE (%)	3.0	7.3	5.8	-11.6	-17.1
PE (x)	21.5	9.9	11.7	-7.3	-5.0
P/ABV	0.8	0.7	0.7	0.8	1.0

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	NA
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	IDFCFB IN
Face Value (Rs)	10
Shares outstanding (mn)	5672
52 Week H/L	48/18
M Cap (Rs bn/USD bn)	174/2.3
Daily Avg Volume (nos.)	51527020.0
Daily Avg Turnover (US\$ mn)	17.4

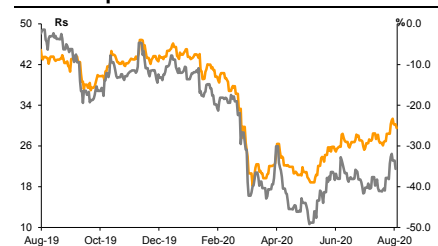
Shareholding Pattern Jun'20

Promoters	40.0%
FIIIs	11.3%
DIIIs	11.3%
Public and Others	37.4%

Price Performance

(%)	1M	3M	6M	12M
Absolute	13	52	-25	-31
Rel. to Nifty	8	25	-19	-32

Relative price chart



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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19	FY20
Net interest income	8,473	20,173	17,981	31,991	56,353
Other income	4,032	10,131	11,179	9,386	17,222
Net income	12,505	30,304	29,160	41,377	73,575
Operating expenses	5,106	12,770	16,526	58,867	54,207
Pre provision profit	7,399	17,535	12,634	-17,491	19,367
PPP excl treasury	3,893	11,888	8,685	-17,816	18,651
Provisions	242	2,825	4,167	15,461	43,152
Profit before tax	7,158	14,710	8,467	-32,952	-23,785
Tax	2,489	4,512	-126	-13,510	4,857
Tax rate	35	31	-1	41	-20
Profit after tax	4,669	10,197	8,593	-19,442	-28,642

Balance Sheet

Y/E Year End (Rs mn)	FY16	FY17	FY18	FY19	FY20
Equity	33,926	33,990	34,041	47,817	48,099
Reserves	102,399	109,719	118,525	134,156	105,327
Net worth	136,326	143,709	152,565	181,973	153,426
Deposits	82,190	402,082	481,982	704,790	651,080
Borrowings	521,183	575,805	630,654	785,086	687,498
Total liabilities	739,699	1,121,597	1,265,202	1,671,849	1,492,004
Cash and bank	29,039	51,020	48,918	95,668	41,908
Investments	200,912	504,717	612,015	584,754	454,046
Loans	456,994	494,017	521,649	863,023	855,954
Others	52,754	71,843	82,620	128,404	140,097
Total assets	739,699	1,121,597	1,265,202	1,671,849	1,492,004

Key Ratios (%)

Y/E Year End	FY16	FY17	FY18	FY19	FY20
NIM	1.1	2.3	1.6	2.4	3.9
Non-II/avg assets	0.5	1.1	0.9	0.6	1.1
Opex/avg assets	0.6	1.4	1.4	4.0	3.4
Provisions/avg assets	0.0	0.3	0.3	1.1	2.7
Tax/avg assets	0.3	0.5	0.0	-0.9	0.3
RoA	0.6	1.1	0.7	-1.3	-1.8
RoAE	3.0	7.3	5.8	-11.6	-17.1
GNPA (%)	6.4	3.1	3.4	2.4	2.6
NNPA (%)	2.5	1.2	1.7	1.3	0.9

Per Share Data (Rs)	FY16	FY17	FY18	FY19	FY20
EPS	1.4	3.0	2.5	-4.1	-6.0
BVPS	40.2	42.3	44.8	38.1	31.9
ABVPS	38.0	41.2	43.1	36.5	30.6

Valuations (x)	FY16	FY17	FY18	FY19	FY20
PER	21.5	9.9	11.7	-7.3	-5.0
P/BV	0.7	0.7	0.7	0.8	0.9
P/ABV	0.8	0.7	0.7	0.8	1.0
Dividend Yield (%)	0.6	1.9	1.9	0.0	0.0

Growth (%)	FY16	FY17	FY18	FY19	FY20
NII	-66.0	138.1	-10.9	77.9	76.2
PPOP	-77.8	137.0	-27.9	-238.4	-210.7
PAT	-79.7	118.4	-15.7	-326.3	n/a
Loans	-12.8	8.1	5.6	65.4	-0.8

Indian Bank

Refer to important disclosures at the end of this report

Growth moderates; asset quality being key monitorable

CMP: Rs 63
as of (August 17, 2020)TP: Rs 70 (■)
12 months

Rating: HOLD (■)

We hosted Mrs. Padmaja Chunduru, MD & CEO

Key Meeting Takeaways

- The bank has reduced loan growth guidance from 14% to 10%-12% in the wake of Covid-19. However, the bank expects better the margin trend at 3%, aided by improved CASA ratio. The bank targets GNPA of 10% and NNPA of 3.5% by the end of the year.
- INBK would focus on increasing other income through various cross-selling opportunities and PSLC fees. The bank would also focus on cost rationalization and bringing cost to income ratio to 45% by Dec'20 from current 47%.
- Indian Bank has strong CMS and digital capabilities and thus, the current account circular by RBI would help assist INBK to get the current deposits from borrowers, who had it earlier with other banks due to multiple reasons.
- The bank has targeted 300 branches, which can be rationalized. The bank has completed integration of treasury and would complete CMS integration in the next few months and would focus on hassle free merger in this year, given its pro-active integration-led preparation from last year.
- The bank would consider raising capital through bonds and tier 2 capital. Equity-raise would be considered post Dec'20 if market improves.



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	(1.2)	7.4
Consensus	9.4	18.6
Mean Consensus TP (12M)	Rs 109	

Stock Details

Bloomberg Code	INBK IN
Face Value (Rs)	10
Shares outstanding (mn)	1,129
52 Week H/L	203 / 42
M Cap (Rs bn/USD bn)	72 / 0.96
Daily Avg Volume (nos.)	4,078,454
Daily Avg Turnover (US\$ mn)	3.3

Shareholding Pattern Jun '20

Promoters	88.1%
FIIIs	1.0%
DIIIs	4.1%
Public and Others	6.9%

Price Performance

(%)	1M	3M	6M	12M
Absolute	3	34	(23)	(66)
Rel. to Nifty	-	9	(17)	(66)

Relative price chart



Source: Bloomberg

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net income	89,010	109,189	203,326	209,228	226,227
Net profit	3,220	7,534	(1,049)	8,359	17,250
EPS (Rs)	6.7	13.8	(1.2)	7.4	15.3
ABV (Rs)	245.9	274.4	206.9	167.2	186.6
RoA (%)	0.1	0.3	0.0	0.1	0.3
RoE (%)	2.0	4.3	(0.4)	2.9	5.6
PE (x)	9.5	4.6	(52.5)	8.6	4.1
P/ABV	0.3	0.2	0.4	0.4	0.3

Source: Company, Emkay Research

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net interest income	70,181	76,064	151,833	155,125	169,460
Other income	18,829	33,125	51,493	54,103	56,767
Fee income	3,253	3,387	5,927	6,223	6,721
Net income	89,010	109,189	203,326	209,228	226,227
Operating expenses	40,204	44,208	96,912	101,468	109,953
Pre provision profit	48,806	64,980	106,413	107,760	116,274
PPP excl treasury	47,051	56,183	89,258	88,890	96,460
Provisions	45,964	51,253	107,815	96,589	93,222
Profit before tax	2,842	13,727	(1,402)	11,171	23,052
Tax	(377)	6,194	(353)	2,812	5,802
Tax rate	(13)	45	25	25	25
Profit after tax	3,220	7,534	(1,049)	8,359	17,250

Balance Sheet

Y/E Year End (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity	4,803	6,368	11,574	11,574	11,574
Reserves	189,084	214,805	335,177	344,666	363,610
Net worth	193,887	221,173	346,751	356,240	375,184
Deposits	2,420,759	2,602,259	5,079,068	5,370,066	5,964,309
Borrowings	95,375	183,969	257,557	270,435	297,478
Total liabilities	2,800,653	3,094,682	5,933,439	6,223,598	6,927,260
Cash and bank	117,019	57,361	63,097	69,407	76,348
Investments	649,922	812,417	1,601,456	1,599,576	1,755,861
Loans	1,812,619	1,978,870	3,696,689	3,946,154	4,437,836
Others	98,294	125,190	207,946	241,486	263,975
Total assets	2,800,653	3,094,682	5,933,439	6,223,598	6,927,260

Key Ratios (%)

Y/E Year End	FY19	FY20	FY21E	FY22E	FY23E
NIM	2.8	2.8	3.6	2.8	2.8
Non-II/avg assets	0.7	1.1	1.1	0.9	0.9
Fee income/avg assets	0.1	0.1	0.1	0.1	0.1
Opex/avg assets	1.5	1.5	2.1	1.7	1.7
Provisions/avg assets	1.7	1.7	2.4	1.6	1.4
PBT/avg assets	0.1	0.5	0.0	0.2	0.4
Tax/avg assets	0.0	0.2	0.0	0.0	0.1
RoA	0.1	0.3	0.0	0.1	0.3
RoAE	2.0	4.3	(0.4)	2.9	5.6
GNPA (%)	7.1	6.9	12.0	11.9	11.1
NNPA (%)	3.7	3.1	4.4	4.2	3.6

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	6.7	13.8	(1.2)	7.4	15.3
BVPS	339.2	349.3	331.1	263.2	280.0
ABVPS	245.9	274.4	206.9	167.2	186.6
DPS	0.0	0.0	0.0	1.0	1.5

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	9.5	4.6	(52.5)	8.6	4.1
P/BV	0.3	0.2	0.3	0.4	0.3
P/ABV	0.3	0.2	0.4	0.4	0.3
P/PPOP	0.6	0.6	0.7	0.7	0.6
Dividend Yield (%)	0.0	0.0	0.0	1.6	2.4

Source: Company, Emkay Research

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
NII	12.0	8.4	99.6	2.2	9.2
PPOP	(2.4)	33.1	63.8	1.3	7.9
PAT	(74.4)	134.0	(113.9)	(896.7)	106.4
Loans	15.8	9.2	86.8	6.7	12.5

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
NII	33,160	18,630	19,551	33,100	38,743
NIM(%)	2.9	2.9	2.9	2.7	2.8
PPOP	22,340	15,018	19,188	24,010	27,533
PAT	4,930	3,586	2,471	(16,420)	3,693
EPS (Rs)	1.17	7.29	4.06	(3.20)	3.27

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	79.6	83.5	83.5	83.5	88.1
FIIIs	4.6	3.1	3.6	2.8	1.0
DIIIs	10.0	7.4	7.6	6.3	4.1
Public and Others	5.8	6.0	5.4	7.5	6.9

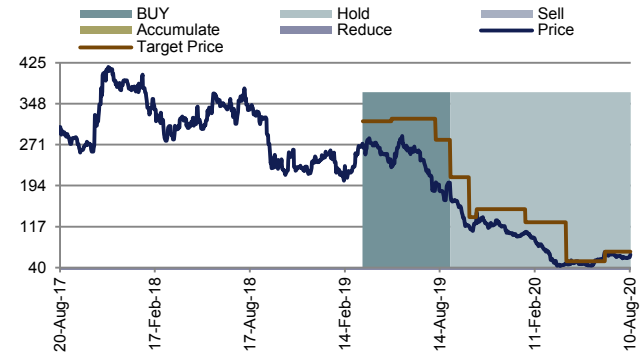
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
24-Jun-20	65	70	12m	Hold	Anand Dama
11-Apr-20	48	52	12m	Hold	Anand Dama
24-Jan-20	107	125	12m	Hold	Anand Dama
23-Oct-19	143	150	12m	Hold	Anand Dama
9-Oct-19	117	135	12m	Hold	Anand Dama
3-Sep-19	177	210	12m	Hold	Anand Dama
6-Aug-19	200	280	12m	Buy	Anand Dama
14-May-19	233	320	12m	Buy	Anand Dama
20-Mar-19	270	315	12m	Buy	Anand Dama

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Indusind Bank

Refer to important disclosures at the end of this report

Growth moderates with focus on improving liability franchise

CMP: Rs 513
as of (August 17, 2020)TP: Rs 550 (■)
12 months

Rating: HOLD (■)

We hosted Mr. Sanjay Malik, Country Head – IR, and Mr. Indrajit Yadav, VP- IR & Strategy

Key Meeting Takeaways

- The bank expects a mid-single digit growth rate in FY21 and mid-teens growth rate from FY22 against the earlier growth rate estimates of 20-30%. Also, IIB expects double-digit growth in PPOP, without the infusion of additional capital for the next few years.
- IIB said it is too early to discuss the impact of the recent RBI guideline on current a/c. IIB has been focusing on mobilizing retail deposits via combination of branch expansion and improving efficiency of existing branches, supplemented by digital channels.
- On the corporate front, IIB has largely recognized stressed assets from earlier declared stress pool and remains hopeful of resolution of IL&FS soon. Barring some incipient stress in 1-2 real estate accounts, the overall portfolio remains healthy. IIB remains hopeful of a positive outcome on Vodafone, though it has started providing (Rs1.5bn till now) for it.
- IIB expects a total credit cost of 200-225bps for FY21, which would be covered by 135bps of regular credit cost and 70bps of Covid-19 provision buffer. However, the restructuring benefit was not factored in by the bank in its earlier stress testing.
- A large part of the top management rejig is done and IIB does not expect any meaningful changes, hereon.



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	57.1	76.7
Consensus	46.5	68.7
Mean Consensus TP (12M)	Rs 588	

Stock Details

Bloomberg Code	IIB IN
Face Value (Rs)	10
Shares outstanding (mn)	694
52 Week H/L	1,597 / 236
M Cap (Rs bn/USD bn)	356 / 4.75
Daily Avg Volume (nos.)	28,851,060
Daily Avg Turnover (US\$ mn)	184.8

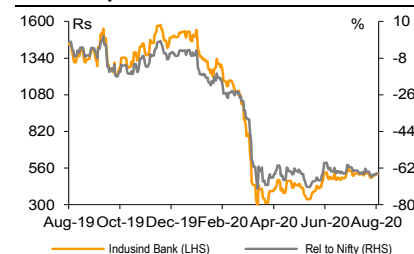
Shareholding Pattern Jun '20

Promoters	13.3%
FIIIs	47.3%
DIIIs	13.4%
Public and Others	26.0%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(1)	23	(56)	(64)
Rel. to Nifty	(4)	-	(53)	(65)

Relative price chart



Source: Bloomberg

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net income	144,929	190,114	209,327	230,563	277,583
Net profit	33,011	44,579	40,499	54,446	77,246
EPS (Rs)	54.8	64.3	57.1	76.7	108.8
ABV (Rs)	405.2	470.1	550.9	620.1	717.4
RoA (%)	1.3	1.5	1.3	1.5	1.8
RoE (%)	13.4	14.7	10.6	12.2	15.2
PE (x)	9.4	8.0	9.0	6.7	4.7
P/ABV	1.3	1.1	1.0	0.8	0.7

Source: Company, Emkay Research

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Mayank Agarwal

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net interest income	88,462	120,587	133,435	148,399	182,596
Other income	56,467	69,527	75,892	82,164	94,986
Fee income	40,730	52,907	57,668	64,588	74,923
Net income	144,929	190,114	209,327	230,563	277,583
Operating expenses	64,047	81,826	86,549	96,457	113,372
Pre provision profit	80,882	108,289	122,777	134,106	164,211
PPP excl treasury	79,731	105,180	118,737	130,268	160,564
Provisions	31,077	46,521	68,779	61,512	61,217
Profit before tax	49,806	61,768	53,998	72,594	102,994
Tax	16,795	17,188	13,500	18,149	25,749
Tax rate	34	28	25	25	25
Profit after tax	33,011	44,579	40,499	54,446	77,246

Balance Sheet

Y/E Year End (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity	6,027	6,935	7,098	7,098	7,098
Reserves	260,721	340,545	417,916	468,641	540,755
Net worth	266,748	347,480	425,013	475,738	547,853
Deposits	1,948,679	2,020,270	2,326,456	2,774,933	3,454,789
Borrowings	418,312	607,536	455,652	501,217	601,460
Total liabilities	2,778,194	3,072,286	3,313,868	3,878,924	4,747,102
Cash and bank	99,612	136,826	164,191	197,029	236,435
Investments	592,662	599,384	639,994	730,219	868,044
Loans	1,863,935	2,067,832	2,196,445	2,639,636	3,313,109
Others	156,663	225,820	247,498	259,224	280,590
Total assets	2,778,194	3,072,286	3,313,868	3,878,924	4,747,102

Key Ratios (%)

Y/E Year End	FY19	FY20	FY21E	FY22E	FY23E
NIM	3.8	4.5	4.6	4.5	4.6
Non-II/avg assets	2.3	2.4	2.4	2.3	2.2
Fee income/avg assets	1.6	1.8	1.8	1.8	1.7
Opex/avg assets	2.6	2.8	2.7	2.7	2.6
Provisions/avg assets	1.2	1.6	2.2	1.7	1.4
PBT/avg assets	2.0	2.1	1.7	2.0	2.4
Tax/avg assets	0.7	0.6	0.4	0.5	0.6
RoA	1.3	1.5	1.3	1.5	1.8
RoAE	13.4	14.7	10.6	12.2	15.2
GNPA (%)	2.1	2.5	4.7	4.3	3.8
NNPA (%)	1.2	0.9	1.5	1.3	1.2

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	54.8	64.3	57.1	76.7	108.8
BVPS	429.4	489.5	586.1	656.9	757.4
ABVPS	405.2	470.1	550.9	620.1	717.4
DPS	7.5	0.0	0.0	5.0	7.0

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	9.4	8.0	9.0	6.7	4.7
P/BV	1.3	1.1	0.9	0.8	0.7
P/ABV	1.3	1.1	1.0	0.8	0.7
P/PPOP	3.9	3.4	3.0	2.8	2.3
Dividend Yield (%)	1.5	0.0	0.0	1.0	1.4

Source: Company, Emkay Research

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
NII	18.0	36.3	10.7	11.2	23.0
PPOP	21.5	33.9	13.4	9.2	22.4
PAT	(8.5)	35.0	(9.2)	34.4	41.9
Loans	28.6	10.9	6.2	20.2	25.5

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
NII	28,440	29,094	30,742	32,311	33,092
NIM(%)	4.1	4.1	4.2	4.3	4.3
PPOP	25,910	26,234	27,577	28,567	29,277
PAT	14,325	14,010	13,092	3,152	5,103
EPS (Rs)	20.67	20.22	18.89	4.54	7.36

Source: Company, Emkay Research

Shareholding Pattern (%)	Jul-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	13.1	13.0	13.0	13.0	13.3
FIIIs	47.6	47.2	50.1	48.7	47.3
DIIIs	11.2	15.6	13.6	14.1	13.4
Public and Others	28.1	24.1	23.3	24.2	26.0

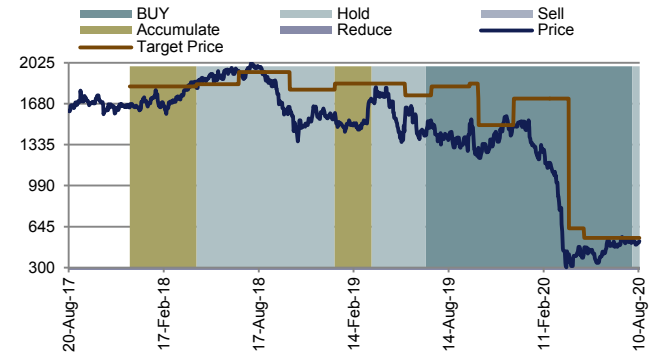
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
29-Jul-20	551	550	12m	Hold	Anand Dama
28-Apr-20	468	550	12m	Buy	Anand Dama
11-Apr-20	395	630	12m	Buy	Anand Dama
30-Mar-20	413	630	12m	Buy	Anand Dama
14-Jan-20	1,482	1,725	12m	Buy	Anand Dama
16-Dec-19	1,493	1,725	12m	Buy	Anand Dama
10-Oct-19	1,229	1,500	12m	Buy	Anand Dama
9-Oct-19	1,309	1,725	12m	Buy	Anand Dama
23-Sep-19	1,512	1,850	12m	Buy	Anand Dama
12-Jul-19	1,510	1,825	12m	Buy	Anand Dama
1-Jul-19	1,434	1,750	12m	Buy	Anand Dama
23-May-19	1,599	1,750	12m	Hold	Anand Dama
20-Mar-19	1,713	1,850	12m	Hold	Anand Dama
9-Jan-19	1,602	1,850	12m	Accumulate	Anand Dama
15-Oct-18	1,627	1,799	12m	Hold	Jignesh Shial
10-Jul-18	1,935	1,947	12m	Hold	Jignesh Shial
21-May-18	1,925	1,845	12m	Hold	Ravikant Bhat
20-Apr-18	1,813	1,845	12m	Hold	Ravikant Bhat
11-Jan-18	1,700	1,827	12m	Accumulate	Ravikant Bhat
14-Dec-17	1,650	1,827	12m	Accumulate	Ravikant Bhat

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Kotak Mahindra Bank

Refer to important disclosures at the end of this report

Well prepared in terms of capital and provisioning for any disruptions

CMP: Rs 1,328
as of (August 17, 2020)

TP: Rs 1,360 (■)
12 months

Rating: HOLD (■)

We hosted Mr. Jaimin Bhatt, Group CFO, and Mr. Abhiram Bhattacharjee, Head IR & Strategy

Key Meeting Takeaways

- KMB would continue to focus on deposit growth despite slower credit growth, learning from past mistakes, as it took time for the bank to regain deposit momentum post GFC to reach the current level of industry's best CASA ratio. The impact of RBI's current account guidelines will be largely neutral-to-marginal positive.
- The moratorium rate of ~10%- as last reported - would have inched up in Aug'20 with more customers opting for the same.
- KMB would not do restructuring to just push existing problems to future. The bank would do it for accounts that are effected by Covid-19 only and have future viability.
- The bank has the Covid-19 provision buffer of Rs12.4bn (62bps of loans), which the bank believes is sufficient as of now.
- Under the MSME guarantee scheme, the bank has disbursed Rs45bn out of the total opportunity of Rs60bn.
- KMB raised capital recently to remain well-capitalized in the wake of Covid-19 and be prepared once the growth scenario improves, somewhere in H2FY22.



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	29.8	33.7
Consensus	32.0	40.3
Mean Consensus TP (12M)	Rs 1,422	

Stock Details

Bloomberg Code	KMB IN
Face Value (Rs)	5
Shares outstanding (mn)	1,979
52 Week H/L	1,740 / 1,000
M Cap (Rs bn/USD bn)	2,627 / 35.08
Daily Avg Volume (nos.)	6,625,133
Daily Avg Turnover (US\$ mn)	114.5

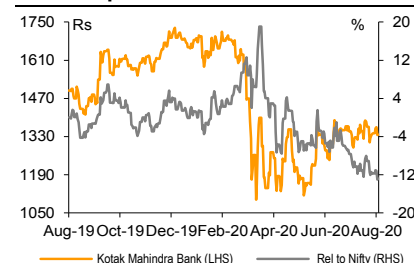
Shareholding Pattern Jun '20

Promoters	26.1%
FIIIs	42.2%
DIIIs	15.3%
Public and Others	16.5%

Price Performance

(%)	1M	3M	6M	12M
Absolute	-	13	(21)	(11)
Rel. to Nifty	(3)	(8)	(16)	(13)

Relative price chart



Source: Bloomberg

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Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net income	158,630	188,716	200,226	217,063	242,435
Net profit	48,653	59,470	57,917	66,602	78,903
EPS (Rs)	25.5	31.1	29.8	33.7	39.9
ABV (Rs)	216.0	247.8	307.9	335.3	373.5
RoA (%)	1.7	1.8	1.6	1.7	1.8
RoE (%)	12.2	13.1	10.5	10.2	10.9
PE (x)	52.0	42.7	44.6	39.4	33.3
P/ABV	4.5	3.9	3.2	2.9	2.6

Source: Company, Emkay Research

Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net interest income	112,590	134,997	151,269	160,306	178,209
Other income	46,040	53,720	48,957	56,757	64,226
Fee income	33,908	37,793	32,124	36,942	45,069
Net income	158,630	188,716	200,226	217,063	242,435
Operating expenses	75,148	88,509	86,719	96,061	108,447
Pre provision profit	83,482	100,207	113,506	121,001	133,988
PPP excl treasury	82,773	95,376	106,260	112,306	127,032
Provisions	9,624	22,162	36,284	32,198	28,784
Profit before tax	73,858	78,045	77,222	88,803	105,204
Tax	25,205	18,575	19,306	22,201	26,301
Tax rate	34	24	25	25	25
Profit after tax	48,653	59,470	57,917	66,602	78,903

Balance Sheet

Y/E Year End (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity	9,544	9,565	9,894	9,894	9,894
Reserves	412,623	475,617	607,633	672,751	749,181
Net worth	422,167	485,182	617,527	682,645	759,075
Deposits	2,258,804	2,628,204	2,754,859	2,990,472	3,412,218
Borrowings	317,923	375,373	319,067	287,160	301,518
Total liabilities	3,121,721	3,602,516	3,789,259	4,039,300	4,570,655
Cash and bank	108,775	95,051	99,803	104,793	110,033
Investments	711,891	750,515	925,134	988,404	1,118,870
Loans	2,056,948	2,197,482	2,197,211	2,397,449	2,739,132
Others	89,611	105,365	126,311	143,190	154,401
Total assets	3,121,721	3,602,515	3,789,259	4,039,300	4,570,655

Key Ratios (%)

Y/E Year End	FY19	FY20	FY21E	FY22E	FY23E
NIM	4.1	4.2	4.3	4.3	4.3
Non-II/avg assets	1.6	1.6	1.3	1.4	1.5
Fee income/avg assets	1.2	1.1	0.9	0.9	1.0
Opex/avg assets	2.6	2.6	2.3	2.5	2.5
Provisions/avg assets	0.3	0.7	1.0	0.8	0.7
PBT/avg assets	2.6	2.3	2.1	2.3	2.4
Tax/avg assets	0.9	0.6	0.5	0.6	0.6
RoA	1.7	1.8	1.6	1.7	1.8
RoAE	12.2	13.1	10.5	10.2	10.9
GNPA (%)	2.1	2.3	3.6	3.5	3.2
NNPA (%)	0.8	0.7	1.1	1.1	1.0

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	25.5	31.1	29.8	33.7	39.9
BVPS	221.4	253.9	317.3	345.0	383.6
ABVPS	216.0	247.8	307.9	335.3	373.5
DPS	0.8	0.0	0.0	0.8	1.3

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	52.0	42.7	44.6	39.4	33.3
P/BV	6.1	5.4	4.3	4.0	3.6
P/ABV	4.5	3.9	3.2	2.9	2.6
P/PPOP	22.2	18.6	17.0	15.9	14.4
Dividend Yield (%)	0.1	0.0	0.0	0.1	0.1

Source: Company, Emkay Research

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
NII	18.6	19.9	12.1	6.0	11.2
PPOP	17.2	20.0	13.3	6.6	10.7
PAT	20.2	22.2	(2.6)	15.0	18.5
Loans	21.2	6.8	0.0	9.1	14.3

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
NII	31,730	33,496	34,295	35,597	37,238
NIM(%)	4.5	4.6	4.7	4.7	4.4
PPOP	23,989	25,086	23,880	27,253	26,236
PAT	13,602	17,245	15,959	12,666	12,444
EPS (Rs)	7.12	9.03	8.36	6.62	6.29

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	30.0	30.0	30.0	29.9	26.1
FII	40.5	40.2	39.8	39.2	42.2
DII	11.7	12.3	12.4	12.7	15.3
Public and Others	17.8	17.6	17.9	18.3	16.5

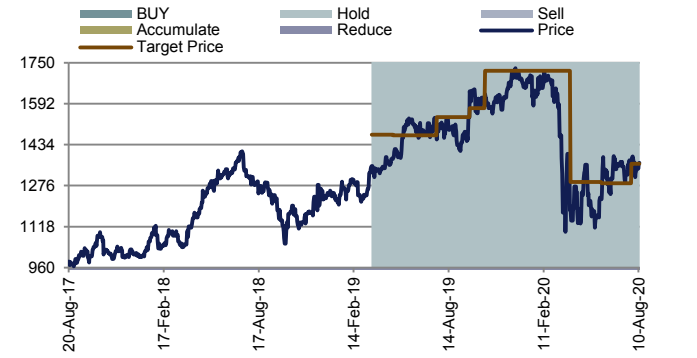
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
27-Jul-20	1,323	1,360	12m	Hold	Anand Dama
31-May-20	1,224	1,285	12m	Hold	Anand Dama
14-May-20	1,173	1,290	12m	Hold	Anand Dama
11-Apr-20	1,273	1,290	12m	Hold	Anand Dama
2-Apr-20	1,182	1,290	12m	Hold	Anand Dama
30-Jan-20	1,628	1,720	12m	Hold	Anand Dama
20-Jan-20	1,618	1,720	12m	Hold	Anand Dama
22-Oct-19	1,629	1,720	12m	Hold	Anand Dama
9-Oct-19	1,612	1,575	12m	Hold	Anand Dama
23-Sep-19	1,641	1,575	12m	Hold	Anand Dama
22-Jul-19	1,454	1,540	12m	Hold	Anand Dama
30-Apr-19	1,387	1,470	12m	Hold	Anand Dama
20-Mar-19	1,352	1,473	12m	Hold	Anand Dama

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

State Bank of India

Refer to important disclosures at the end of this report

Current account circular to benefit deposits; recoveries to rise in H2

CMP: Rs 193
as of (August 17, 2020)

TP: Rs 240 (■)
12 months

Rating: BUY (■)

We hosted Ms. Uma Shanmukhi, Chief General Manager (Finance control), and Mr. Misal Singh, VP – IR

Key Meeting Takeaways

- SBI has industry-leading corporate digital banking products, customer service and cash management product (CMP) solution, which helps it attract good business after the implementation of RBI current account circular and thus, should further improve CASA.
- SBI does not have any immediate plans to raise capital via equity, though it would look at raising capital via Tier I bonds. SBI would consider a stake sale in SBI MF and SBI General Insurance at an opportune time. However, the stake sale in SBI MF would be considered after the discussion with JV partner AMUNDI (France).
- More than 50% of total customers have paid all EMIs till date, while 90.5% of term loan customers have paid 2 or more EMIs as on June 30. SBI awaits restructuring guidelines, but believe that the maximum period of 2 years and 10% upfront provisioning will ensure that only viable restructuring will be done by most banks.
- SBI expects recoveries of Rs100-120bn in Q3-Q4 from 2 accounts, which are technically written off. This should cut NPAs and contain the credit cost. SBI is also sitting on healthy MTM gains on the investment portfolio, which, if needed, could cushion the credit cost.



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	10.1	15.4
Consensus	15.7	24.9
Mean Consensus TP (12M)	Rs 262	

Stock Details

Bloomberg Code	SBIN IN	
Face Value (Rs)	1	
Shares outstanding (mn)	8,925	
52 Week H/L	351 / 149	
M Cap (Rs bn/USD bn)	1,723 / 23.01	
Daily Avg Volume (nos.)	76,286,080	
Daily Avg Turnover (US\$ mn)	186.3	

Shareholding Pattern Jun '20

Promoters	56.9%
FIIIs	7.8%
DIIIs	24.4%
Public and Others	10.9%

Price Performance

(%)	1M	3M	6M	12M
Absolute	3	16	(39)	(34)
Rel. to Nifty	(1)	(6)	(34)	(35)

Relative price chart



Source: Bloomberg

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Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net income	1,251,240	1,433,063	1,498,256	1,560,051	1,682,798
Net profit	8,623	144,878	90,413	137,338	236,415
EPS (Rs)	1.0	16.2	10.1	15.4	26.5
ABV (Rs)	171.2	189.8	199.1	214.7	238.8
RoA (%)	0.0	0.4	0.2	0.3	0.5
RoE (%)	0.4	6.4	3.8	5.4	8.7
PE (x)	199.8	11.9	19.1	12.5	7.3
P/ABV	0.3	0.2	0.2	0.2	0.2

Source: Company, Emkay Research

Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net interest income	883,497	980,848	1,076,953	1,124,622	1,206,646
Other income	367,744	452,215	421,303	435,430	476,152
Fee income	233,040	237,251	244,368	256,587	274,548
Net income	1,251,240	1,433,063	1,498,256	1,560,051	1,682,798
Operating expenses	696,877	751,737	780,987	820,452	878,162
Pre provision profit	554,363	681,326	717,270	739,600	804,635
PPP excl treasury	544,133	595,570	658,392	680,721	745,757
Provisions	538,286	430,699	596,715	556,478	489,411
Profit before tax	16,078	250,627	120,554	183,121	315,224
Tax	7,453	105,747	30,139	45,780	78,806
Tax rate	46	42	25	25	25
Profit after tax	8,625	144,881	90,416	137,341	236,418

Balance Sheet

Y/E Year End (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity	8,925	8,925	8,925	8,925	8,925
Reserves	2,200,214	2,311,150	2,453,865	2,584,513	2,807,544
Net worth	2,209,138	2,320,074	2,462,790	2,593,437	2,816,469
Deposits	29,113,860	32,416,207	35,378,385	37,640,928	40,874,396
Borrowings	3,535,334	2,308,565	2,262,393	2,217,146	2,328,003
Total liabilities	36,809,143	39,513,939	42,916,253	45,130,342	49,080,542
Cash and bank	1,769,324	1,667,358	1,750,726	1,838,262	1,930,175
Investments	9,670,220	10,469,545	12,239,859	12,686,758	13,831,429
Loans	21,858,769	23,252,896	23,921,189	25,334,128	27,846,776
Others	2,663,277	2,896,136	3,335,984	3,560,667	3,825,872
Total assets	36,809,142	39,513,939	42,916,254	45,130,342	49,080,542

Key Ratios (%)

Y/E Year End	FY19	FY20	FY21E	FY22E	FY23E
NIM	2.8	2.9	2.9	2.8	2.8
Non-II/avg assets	1.0	1.2	1.0	1.0	1.0
Fee income/avg assets	0.7	0.6	0.6	0.6	0.6
Opex/avg assets	2.0	2.0	1.9	1.9	1.9
Provisions/avg assets	1.5	1.1	1.4	1.3	1.0
PBT/avg assets	0.0	0.7	0.3	0.4	0.7
Tax/avg assets	0.0	0.3	0.1	0.1	0.2
RoA	0.0	0.4	0.2	0.3	0.5
RoAE	0.4	6.4	3.8	5.4	8.7
GNPA (%)	7.5	6.2	7.4	7.3	6.8
NNPA (%)	3.0	2.2	2.5	2.3	2.1

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	1.0	16.2	10.1	15.4	26.5
BVPS	219.9	233.3	249.3	264.0	289.0
ABVPS	171.2	189.8	199.1	214.7	238.8
DPS	0.0	0.0	0.0	0.8	1.5

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	199.8	11.9	19.1	12.5	7.3
P/BV	1.1	1.0	1.0	0.9	0.8
P/ABV	0.3	0.2	0.2	0.2	0.2
P/PPOP	0.7	0.6	0.5	0.5	0.5
Dividend Yield (%)	0.0	0.0	0.0	0.4	0.8

Source: Company, Emkay Research

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
NII	18.0	11.0	9.8	4.4	7.3
PPOP	(6.8)	22.9	5.3	3.1	8.8
PAT	(113.2)	1,579.8	(37.6)	51.9	72.1
Loans	13.0	6.4	2.9	5.9	9.9

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
NII	229,388	246,003	277,788	227,669	266,416
NIM(%)	2.8	3.0	3.3	2.6	2.9
PPOP	132,462	181,988	182,226	184,651	180,611
PAT	23,122	30,117	55,834	35,808	41,894
EPS (Rs)	2.59	3.37	6.26	4.01	4.69

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	57.1	57.1	56.9	56.9	56.9
FIIIs	10.7	10.7	10.8	9.5	7.8
DIIIs	23.5	24.0	24.2	24.3	24.4
Public and Others	8.7	8.1	8.1	9.4	10.9

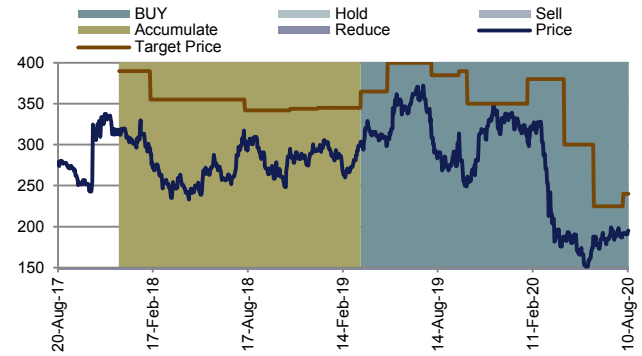
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
1-Aug-20	191	240	12m	Buy	Anand Dama
6-Jun-20	188	225	12m	Buy	Anand Dama
11-Apr-20	188	300	12m	Buy	Anand Dama
1-Feb-20	303	380	12m	Buy	Anand Dama
30-Oct-19	290	350	12m	Buy	Anand Dama
25-Oct-19	282	350	12m	Buy	Anand Dama
9-Oct-19	261	350	12m	Buy	Anand Dama
23-Sep-19	314	390	12m	Buy	Anand Dama
3-Sep-19	268	385	12m	Buy	Anand Dama
2-Aug-19	308	385	12m	Buy	Anand Dama
10-May-19	308	400	12m	Buy	Anand Dama
20-Mar-19	304	365	12m	Buy	Anand Dama
2-Feb-19	284	345	12m	Accumulate	Anand Dama
28-Dec-18	295	345	12m	Accumulate	Anand Dama
5-Nov-18	295	344	12m	Accumulate	Anand Dama
11-Aug-18	304	342	12m	Accumulate	Jignesh Shial
21-May-18	244	355	12m	Accumulate	Ravikant Bhat
12-Feb-18	289	355	12m	Accumulate	Ravikant Bhat
24-Jan-18	330	390	12m	Accumulate	Ravikant Bhat
14-Dec-17	314	390	12m	Accumulate	Ravikant Bhat

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Yes Bank

Refer to important disclosures at the end of this report

Covid-19 to push back turnaround story

CMP: Rs 15
as of (August 17, 2020)TP: Rs 7 (■)
12 months

Rating: SELL (■)

We hosted Mr. Anurag Adlaka, Group CFO and Mr. Niranjana Banodkar, Head IR/strategy

Key Meeting Takeaways

- The bank is focused on re-establishing liability franchise and re-acquiring deposits lost in the past one year, which is visible in recent results as well. Branch employees are well focused on deposits only and have been given specific targets. Beyond FY22, the bank would look for loan growth of 20% once the liability profile and economy stabilizes.
- The bank is also focusing on reducing the rate gap in deposits with peers as deposit base stabilizes. The rate gap, which was 25-30bps a year ago, rose to 100bps in April and now YES has again reduced the rates by 25-50bps in different products. A gradual deposit rate reduction and shift in loan composition toward retail should help margins in the long run.
- The bank has formed a separate vertical for recoveries from stress pool. However, the bank expects that recoveries could be subdued from what it was expecting 3-4 months back due to extended disruption led by Covid-19.
- The bank plans to float a separate subsidiary for stressed assets, where global investors and bank can have stakes. This should ensure focused recovery efforts and also release capital on the bank's balance sheet.
- In the next three years, the bank targets to reach RoA of 100bps.

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net income	143,988	186,616	62,322	66,372	76,282
Net profit	17,199	(164,181)	(89,568)	(20,594)	7,867
EPS (Rs)	7.4	(22.1)	(4.8)	(0.8)	0.3
ABV (Rs)	103.6	20.5	9.9	6.9	7.4
RoA (%)	0.5	(5.1)	(3.7)	(0.9)	0.3
RoE (%)	6.7	(68.6)	(36.2)	(7.7)	3.0
PE (x)	2.0	(0.7)	(3.2)	(18.3)	47.9
P/ABV	0.2	1.1	2.2	3.2	3.0

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	(4.8)	(0.8)
Consensus	(2.0)	1.0
Mean Consensus TP (12M)	Rs 34	

Stock Details

Bloomberg Code	YES IN
Face Value (Rs)	2
Shares outstanding (mn)	25,055
52 Week H/L	88 / 6
M Cap (Rs bn/USD bn)	377 / 5.04
Daily Avg Volume (nos.)	133,951,300
Daily Avg Turnover (US\$ mn)	27.3

Shareholding Pattern Jul '20

Promoters	-%
FIIIs	13.7%
DIIIs	54.2%
Public and Others	32.1%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(24)	(45)	(57)	(81)
Rel. to Nifty	(27)	(58)	(55)	(82)

Relative price chart



Source: Bloomberg

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net interest income	98,090	68,051	34,632	36,260	42,944
Other income	45,898	118,565	27,690	30,112	33,338
Fee income	36,361	15,262	21,271	22,335	24,569
Net income	143,988	186,616	62,322	66,372	76,282
Operating expenses	62,643	67,292	57,966	51,366	47,853
Pre provision profit	81,345	119,324	4,356	15,006	28,429
PPP excl treasury	78,170	108,190	2,769	13,021	25,949
Provisions	57,776	327,584	124,052	42,527	17,915
Profit before tax	23,570	(208,260)	(119,695)	(27,521)	10,514
Tax	6,371	(44,079)	(30,127)	(6,927)	2,646
Tax rate	27	21	25	25	25
Profit after tax	17,199	(164,181)	(89,568)	(20,594)	7,867

Balance Sheet

Y/E Year End (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity	4,630	25,101	50,101	50,101	50,101
Reserves	256,908	192,162	227,594	207,000	214,867
Net worth	261,538	217,263	277,695	257,101	264,968
Deposits	2,276,102	1,053,639	901,648	981,516	1,152,206
Borrowings	807,246	945,060	803,301	642,641	706,905
Total liabilities	3,808,262	2,578,269	2,200,638	2,160,718	2,354,839
Cash and bank	107,977	59,437	62,408	65,529	68,805
Investments	895,220	439,148	367,829	345,426	382,990
Loans	2,414,996	1,714,433	1,282,831	1,346,730	1,523,505
Others	220,980	330,767	376,979	302,362	277,577
Total assets	3,808,262	2,578,269	2,200,638	2,160,718	2,354,839

Key Ratios (%)

Y/E Year End	FY19	FY20	FY21E	FY22E	FY23E
NIM	3.0	2.4	1.8	2.1	2.3
Non-II/avg assets	1.3	3.7	1.2	1.4	1.5
Fee income/avg assets	1.0	0.5	0.9	1.0	1.1
Opex/avg assets	1.8	2.1	2.4	2.4	2.1
Provisions/avg assets	1.7	10.3	5.2	2.0	0.8
PBT/avg assets	0.7	(6.5)	(5.0)	(1.3)	0.5
Tax/avg assets	0.2	(1.4)	(1.3)	(0.3)	0.1
RoA	0.5	(5.1)	(3.7)	(0.9)	0.3
RoAE	6.7	(68.6)	(36.2)	(7.7)	3.0
GNPA (%)	3.2	16.8	25.8	23.5	20.2
NNPA (%)	1.4	5.0	9.4	8.5	7.0

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	7.4	(22.1)	(4.8)	(0.8)	0.3
BVPS	113.3	29.2	14.8	10.3	10.6
ABVPS	103.6	20.5	9.9	6.9	7.4
DPS	2.7	0.0	0.0	0.0	0.0

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	2.0	(0.7)	(3.2)	(18.3)	47.9
P/BV	0.1	0.7	1.5	2.2	2.0
P/ABV	0.2	1.1	2.2	3.2	3.0
P/PPOP	0.6	2.3	126.5	36.7	19.4
Dividend Yield (%)	17.9	0.0	0.0	0.0	0.0

Source: Company, Emkay Research

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
NII	26.8	(30.6)	(49.1)	4.7	18.4
PPOP	5.0	46.7	(96.3)	244.5	89.5
PAT	(59.3)	(1,054.6)	(45.4)	(77.0)	(138.2)
Loans	18.7	(29.0)	(25.2)	5.0	13.1

Quarterly (Rs mn)	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20
NII	25,059	22,809	21,859	10,646	12,738
NIM(%)	3.1	2.8	2.7	1.4	1.9
PPOP	13,234	19,591	14,584	(65)	1,065
PAT	(15,066)	1,138	(6,001)	(185,604)	(36,683)
EPS (Rs)	(6.51)	0.49	(2.35)	(72.77)	(2.92)

Source: Company, Emkay Research

Shareholding Pattern (%)	Sep-19	Dec-19	Mar-20	Jun-20	Jul-20
Promoters	8.3	1.4	1.7	-	-
FIIIs	15.2	1.9	2.0	1.7	13.7
DIIIs	14.2	69.2	70.1	69.1	54.2
Public and Others	62.3	27.6	26.3	29.2	32.1

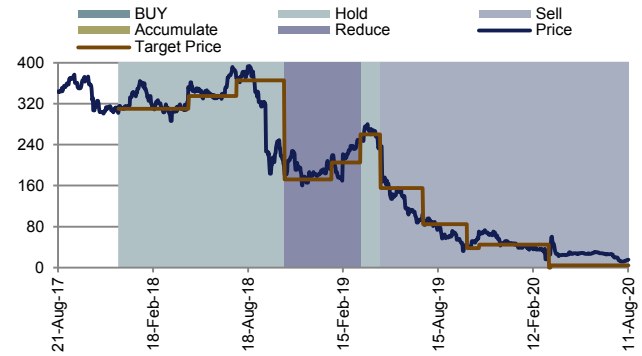
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
11-Apr-20	25	4	12m	Sell	Anand Dama
16-Mar-20	37	4	12m	Sell	Anand Dama
13-Mar-20	26	-	12m	Sell	Anand Dama
1-Nov-19	67	45	12m	Sell	Anand Dama
9-Oct-19	43	38	12m	Sell	Anand Dama
17-Jul-19	98	85	12m	Sell	Anand Dama
27-Apr-19	237	155	12m	Sell	Anand Dama
20-Mar-19	252	260	12m	Hold	Anand Dama
24-Jan-19	215	205	12m	Reduce	Anand Dama
26-Oct-18	181	172	12m	Reduce	Jignesh Shial
27-Jul-18	370	366	12m	Hold	Jignesh Shial
21-May-18	334	335	12m	Hold	Ravikant Bhat
27-Apr-18	349	335	12m	Hold	Ravikant Bhat
14-Dec-17	304	310	12m	Hold	Ravikant Bhat

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

BFSI - NBFCs

Cholamandalam Investment

Refer to important disclosures at the end of this report

UVs, tractors to drive growth

CMP: Rs 212
as of (August 18, 2020)

TP: Rs 230 (■)
12 months

Rating: BUY (■)

We hosted Mr. Ravindra Kundu, President and Business Head; Arul Selvam, Senior Vice President and CFO; and Jini PK, Head of Investor Relations

Key Meeting Takeaways

- Provisions have been built considering the moratorium and are adequate.
- The company does not have any immediate plans for raising the capital. CIFIC believes that it is adequately capitalized to ride this storm.
- Management believes that collection efficiency could come back in a big way but remains vary of the regional lockdowns imposed in July. If the regional lockdowns continue, people will continue to conserve cash.
- Demand for used vehicles and tractors continue to be strong. Management believes that demand for LCVs will also come back, followed by MHCVs.
- NIMs will remain under pressure due to the impact of negative carry of high levels of liquidity.
- Cost controls will stay for the near term due to manpower and branch rationalization. This will translate into better efficiency over the long term.
- Management believes that the worst of the ROA's are behind us and return metrics should only improve going forward.



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	15.8	18.4
Consensus	13.0	18.2
Mean Consensus TP (12M)	Rs 252	

Stock Details

Bloomberg Code	CIFIC IN
Face Value (Rs)	2
Shares outstanding (mn)	820
52 Week H/L	349 / 117
M Cap (Rs bn/USD bn)	174 / 2.32
Daily Avg Volume (nos.)	1,57,69,100
Daily Avg Turnover (US\$ mn)	37.7

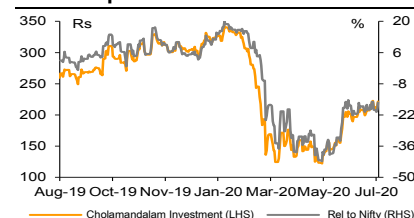
Shareholding Pattern Jun '20

Promoters	51.7%
FIIIs	11.9%
DIIIs	27.8%
Public and Others	8.7%

Price Performance

(%)	1M	3M	6M	12M
Absolute	2	42	(36)	(20)
Rel. to Nifty	(1)	15	(31)	(21)

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net income	34,039	40,607	41,009	46,792	52,962
Net profit	11,862	10,524	12,952	15,111	17,807
EPS (Rs)	15.2	13.4	15.8	18.4	21.7
ABV (Rs)	73.3	91.8	105.5	122.5	141.4
RoA (%)	2.3	1.7	1.9	2.1	2.3
RoE (%)	21.0	14.7	14.8	15.0	15.4
PE (x)	14.0	15.9	13.4	11.5	9.8
P/ABV	2.9	2.3	2.0	1.7	1.5

Source: Company, Emkay Research

Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net interest income	34,032	40,604	41,006	46,788	52,958
Other income	7	3	3	4	4
Net income	34,039	40,607	41,009	46,792	52,962
Operating expenses	12,696	15,776	15,131	17,479	20,367
Pre provision profit	21,344	24,831	25,878	29,313	32,595
Provisions	3,112	8,973	8,446	8,975	8,629
Profit before tax	18,232	15,857	17,432	20,338	23,966
Tax	6,370	5,334	4,480	5,227	6,159
Tax rate	35	34	26	26	26
Profit after tax	11,862	10,524	12,952	15,111	17,807

Balance Sheet

Y/E Year End (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity	1,564	1,640	1,640	1,640	1,640
Reserves	60,193	80,079	92,071	1,06,031	1,22,495
Net worth	61,757	81,718	93,711	1,07,671	1,24,135
Borrowings	5,05,667	5,50,050	6,00,270	6,25,306	6,93,999
Total liabilities	5,74,263	6,39,930	7,02,519	7,42,466	8,28,648
Cash and bank	36,749	69,591	79,078	34,117	26,165
Investments	730	729	600	625	694
Loans	5,26,223	5,54,027	6,06,220	6,89,962	7,82,772
Others	8,806	12,744	13,498	14,327	15,239
Total assets	5,74,266	6,39,930	7,02,519	7,42,466	8,28,648

Key Ratios (%)

Y/E Year End	FY19	FY20	FY21E	FY22E	FY23E
NIM	7.0	7.1	6.6	6.8	6.8
RoA	2.3	1.7	1.9	2.1	2.3
RoAE	21.0	14.7	14.8	15.0	15.4
GNPA (%)	2.2	3.6	3.7	3.7	3.6
NNPA (%)	1.1	2.1	1.5	1.4	1.4

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	15.2	13.4	15.8	18.4	21.7
BVPS	78.9	103.7	114.3	131.3	151.4
ABVPS	73.3	91.8	105.5	122.5	141.4
DPS	6.5	1.7	5.0	6.0	7.0

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	14.0	15.9	13.4	11.5	9.8
P/BV	2.9	2.3	2.0	1.7	1.5
P/ABV	2.9	2.3	2.0	1.7	1.5
Dividend Yield (%)	3.1	0.8	2.4	2.8	3.3

Source: Company, Emkay Research

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
NII	22.5	19.3	1.0	14.1	13.2
PPOP	25.1	16.3	4.2	13.3	11.2
PAT	29.2	(11.3)	23.1	16.7	17.8
Loans	24.5	5.3	9.4	13.8	13.5

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
NII	9,425	10,200	10,825	10,154	9,830
NIM(%)	6.7	7.0	7.2	6.7	6.3
PPOP	5,925	6,185	6,581	6,140	6,372
PAT	3,142	3,070	3,885	427	4,309
EPS (Rs)	4.02	3.92	4.97	0.52	5.26

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	52.9	52.9	52.9	51.7	51.7
FIIIs	19.0	18.0	16.6	12.2	11.9
DIIIs	16.9	20.3	21.5	27.0	27.8
Public and Others	11.2	8.7	9.0	9.1	8.7

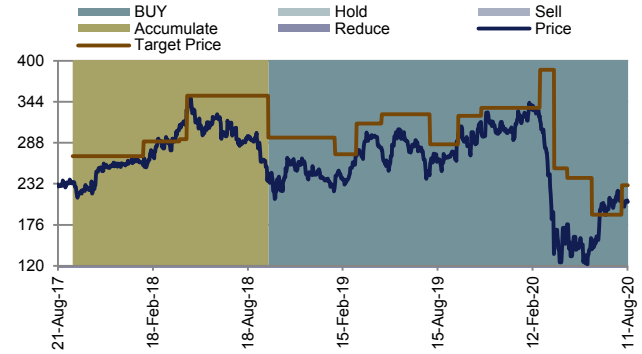
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
31-Jul-20	203	230	12m	Buy	Jignesh Shial
16-Jun-20	155	190	12m	Buy	Jignesh Shial
4-Jun-20	143	190	12m	Buy	Jignesh Shial
14-May-20	148	240	12m	Buy	Jignesh Shial
5-May-20	142	240	12m	Buy	Jignesh Shial
19-Apr-20	177	240	12m	Buy	Jignesh Shial
18-Apr-20	177	240	12m	Buy	Jignesh Shial
11-Apr-20	172	253	12m	Buy	Jignesh Shial
5-Apr-20	125	253	12m	Buy	Jignesh Shial
30-Mar-20	161	253	12m	Buy	Jignesh Shial
24-Mar-20	143	253	12m	Buy	Jignesh Shial
8-Mar-20	281	388	12m	Buy	Jignesh Shial
26-Feb-20	318	388	12m	Buy	Jignesh Shial
19-Nov-19	325	336	12m	Buy	Jignesh Shial
6-Nov-19	302	336	12m	Buy	Jignesh Shial
5-Nov-19	317	325	12m	Buy	Jignesh Shial
23-Sep-19	302	325	12m	Buy	Jignesh Shial
28-Aug-19	266	286	12m	Buy	Jignesh Shial
31-Jul-19	260	286	12m	Buy	Jignesh Shial
26-Jun-19	283	327	12m	Buy	Jignesh Shial
25-May-19	297	327	12m	Buy	Jignesh Shial
30-Apr-19	278	327	12m	Buy	Jignesh Shial
13-Mar-19	271	314	12m	Buy	Jignesh Shial
15-Feb-19	237	272	12m	Buy	Jignesh Shial
31-Jan-19	234	272	12m	Buy	Jignesh Shial
31-Oct-18	254	295	12m	Buy	Jignesh Shial
19-Oct-18	223	295	12m	Buy	Jignesh Shial
26-Sep-18	243	295	12m	Buy	Jignesh Shial
24-Sep-18	236	352	12m	Accumulate	Jignesh Shial
27-Jul-18	293	352	12m	Accumulate	Jignesh Shial
29-May-18	309	352	12m	Accumulate	Jignesh Shial
24-Apr-18	330	352	12m	Accumulate	Jignesh Shial
10-Apr-18	313	293	12m	Accumulate	Jignesh Shial
31-Jan-18	257	290	12m	Accumulate	Umang Shah
1-Nov-17	245	270	12m	Accumulate	Umang Shah
18-Sep-17	234	270	12m	Accumulate	Umang Shah

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

HDFC

Refer to important disclosures at the end of this report

Strong capital position keeps fear at bay

CMP: Rs 1,801
as of (August 18, 2020)

TP: Rs 2,000 (■)
12 months

Rating: BUY (■)

We hosted Mr. Conrad D'souza, Member of Executive Management and Chief, Investor Relations

Key Meeting Takeaways

- HDFC has successfully raised Rs140bn-Rs100bn in QIP and the balance as warrants at Rs180 each. The fund will be utilized to support subsidiaries and participate in any M&A opportunities that may arise due to the stress in other lenders.
- Deposit raising has been impacted. Liability franchise continues to be robust with recent 3-year paper being issued at 5.4%.
- Disbursement in July has returned to 81% of Jul'9. HDFC expects normalcy to return at the end of the calendar year.
- People are choosing not to pay and opting for the moratorium in order to preserve cash.
- It is facing certain challenges in pricing of home loans from India's largest PSB. However, the other large private banks' home loans are similarly priced to HDFC.
- Developers have started offering discounts in order to vacate inventory. The challenge is visible in the luxury market. However, affordable housing has started to come back in a meaningful way.
- The large part of the portfolio is based on double incomes – e.g. Husband and wife. So even if one's income is impacted, loan serviceability should not be impossible.
- The impact of rent renegotiations on the LRD portfolio is a wait-and-watch scenario.
- One-time restructuring and extension of loans should take care of most of the challenges in the portfolio.
- Though the cost of funds has gone down, it is not passed on and spread is maintained due to prevalent high risks in the current market.
- HDFC is gaining the market share as major housing finance companies are losing. Major competition remains from banks in terms of liquidity management.

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net income	1,55,403	2,77,620	2,68,787	2,88,325	3,11,626
Net profit	96,325	1,77,697	1,36,773	1,67,101	1,86,779
EPS (Rs)	56.0	102.6	77.2	94.4	105.5
ABV (Rs)	448.4	497.4	576.6	642.0	164.0
RoA (%)	2.5	4.1	2.9	3.2	3.1
RoE (%)	13.5	21.7	14.5	15.5	15.5
PE (x)	32.2	17.6	23.3	19.1	17.1
P/ABV	4.0	3.6	3.1	2.8	11.0

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	-
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	77.2	94.4
Consensus	56.9	70.9
Mean Consensus TP (12M)	Rs 2,097	

Stock Details

Bloomberg Code	HDFC IN
Face Value (Rs)	2
Shares outstanding (mn)	1,791
52 Week H/L	2,500 / 1,473
M Cap (Rs bn/USD bn)	3,226 / 43.07
Daily Avg Volume (nos.)	65,57,784
Daily Avg Turnover (US\$ mn)	153.8

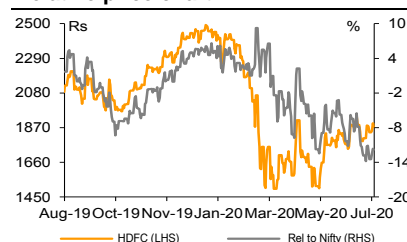
Shareholding Pattern Jun '20

Promoters	-%
FIIIs	70.2%
DIIIs	18.3%
Public and Others	11.5%

Price Performance

(%)	1M	3M	6M	12M
Absolute	-	10	(23)	(14)
Rel. to Nifty	(3)	(10)	(18)	(16)

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net interest income	1,14,566	1,29,042	1,43,437	1,60,181	1,79,391
Other income	40,838	1,48,578	1,25,349	1,28,144	1,32,235
Fee income	2,124	2,172	2,063	2,270	2,588
Net income	1,55,403	2,77,620	2,68,787	2,88,325	3,11,626
Operating expenses	14,866	14,980	15,414	17,257	19,645
Pre provision profit	1,40,538	2,62,640	2,53,373	2,71,068	2,91,981
PPP excl treasury	1,40,538	2,62,640	2,53,373	2,71,068	2,91,981
Provisions	9,350	59,131	69,291	46,168	40,597
Profit before tax	1,31,188	2,03,509	1,84,082	2,24,900	2,51,384
Tax	34,863	25,813	47,309	57,799	64,606
Tax rate	27	13	26	26	26
Profit after tax	96,325	1,77,697	1,36,773	1,67,101	1,86,779

Balance Sheet

Y/E Year End (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity	3,443	3,464	3,542	3,542	3,542
Reserves	7,70,112	8,58,117	10,17,669	11,33,342	12,68,692
Net worth	7,73,555	8,61,581	10,21,211	11,36,884	12,72,234
Deposits	36,52,660	41,91,016	45,00,620	50,67,795	57,77,286
Total liabilities	45,87,776	52,40,936	57,44,070	64,71,366	73,69,545
Cash and bank	15,963	34,257	(28,571)	(18,531)	(4,279)
Investments	4,62,404	6,49,444	7,79,332	9,19,612	10,48,358
Loans	40,07,600	43,99,433	48,39,376	54,20,101	61,78,915
Others	95,367	1,47,941	1,43,973	1,40,125	1,36,391
Total assets	45,87,776	52,40,936	57,44,070	64,71,366	73,69,545

Key Ratios (%)

Y/E Year End	FY19	FY20	FY21E	FY22E	FY23E
NIM	2.7	2.7	2.7	2.7	2.6
Non-II/avg assets	1.0	3.0	2.3	2.1	1.9
RoA	2.5	4.1	2.9	3.2	3.1
RoAE	13.5	21.7	14.5	15.5	15.5
GNPA (%)	1.1	1.1	1.1	1.1	0.0
NNPA (%)	0.8	0.8	0.8	0.8	0.0

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	56.0	102.6	77.2	94.4	105.5
BVPS	449.4	497.4	576.6	642.0	718.4
ABVPS	448.4	497.4	576.6	642.0	164.0
DPS	21.0	21.0	22.0	24.0	16.6

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	32.2	17.6	23.3	19.1	17.1
P/BV	4.0	3.6	3.1	2.8	11.0
P/ABV	4.0	3.6	3.1	2.8	11.0
P/PPOP	22.1	11.9	12.6	11.8	10.9
Dividend Yield (%)	1.2	1.2	1.2	1.3	0.9

Source: Company, Emkay Research

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
NII	18.9	12.6	11.2	11.7	12.0
PPOP	(8.2)	86.9	(3.5)	7.0	7.7
PAT	(12.1)	84.5	(23.0)	22.2	11.8
Loans	12.1	9.8	10.0	12.0	14.0

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
NII	30,791	26,476	29,578	33,014	29,736
NIM(%)	3.1	2.7	2.9	3.1	2.7
PPOP	29,809	36,574	31,182	39,640	35,646
PAT	32,031	39,615	83,725	22,325	30,515
EPS (Rs)	18.57	22.94	48.49	12.89	17.59

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	-	-	-	-	-
FIIIs	74.7	72.5	72.8	70.9	70.2
DIIIs	14.6	16.5	16.5	17.8	18.3
Public and Others	10.8	11.0	10.8	11.3	11.5

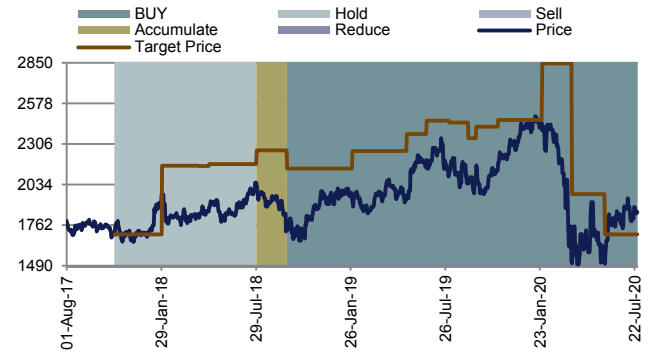
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
16-Jun-20	1,822	1,700	12m	Buy	Jignesh Shial
26-May-20	1,502	1,700	12m	Buy	Jignesh Shial
14-May-20	1,632	1,971	12m	Buy	Jignesh Shial
05-May-20	1,690	1,971	12m	Buy	Jignesh Shial
19-Apr-20	1,681	1,971	12m	Buy	Jignesh Shial
11-Apr-20	1,703	1,971	12m	Buy	Jignesh Shial
05-Apr-20	1,500	1,971	12m	Buy	Jignesh Shial
30-Mar-20	1,559	1,971	12m	Buy	Jignesh Shial
24-Mar-20	1,505	1,971	12m	Buy	Jignesh Shial
08-Mar-20	2,109	2,846	12m	Buy	Jignesh Shial
27-Jan-20	2,396	2,846	12m	Buy	Jignesh Shial
19-Nov-19	2,212	2,466	12m	Buy	Jignesh Shial
04-Nov-19	2,181	2,466	12m	Buy	Jignesh Shial
23-Sep-19	2,162	2,421	12m	Buy	Jignesh Shial
08-Sep-19	2,041	2,344	12m	Buy	Jignesh Shial
28-Aug-19	2,187	2,450	12m	Buy	Jignesh Shial
02-Aug-19	2,125	2,450	12m	Buy	Jignesh Shial
20-Jun-19	2,199	2,462	12m	Buy	Jignesh Shial
25-May-19	2,123	2,372	12m	Buy	Jignesh Shial
13-May-19	1,953	2,372	12m	Buy	Jignesh Shial
15-Feb-19	1,875	2,260	12m	Buy	Jignesh Shial
29-Jan-19	1,922	2,260	12m	Buy	Jignesh Shial
01-Nov-18	1,762	2,142	12m	Buy	Jignesh Shial
19-Oct-18	1,660	2,142	12m	Buy	Jignesh Shial
26-Sep-18	1,767	2,142	12m	Buy	Jignesh Shial
24-Sep-18	1,719	2,264	12m	Accumulate	Jignesh Shial
30-Jul-18	2,029	2,264	12m	Accumulate	Jignesh Shial
29-May-18	1,810	2,171	12m	Hold	Jignesh Shial
30-Apr-18	1,883	2,171	12m	Hold	Jignesh Shial
18-Apr-18	1,878	2,158	12m	Hold	Jignesh Shial
10-Apr-18	1,818	2,158	12m	Hold	Jignesh Shial
30-Jan-18	1,938	2,161	12m	Hold	Umang Shah
31-Oct-17	1,707	1,700	12m	Hold	Umang Shah

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

L&T Finance Holdings

Refer to important disclosures at the end of this report

'Bharat' to lead revival

CMP: Rs 65
as of (August 18, 2020)

TP: Rs 48 (▲)
12 months

Rating: SELL (■)

We hosted Mr. Anuj Mittal, Head of Strategy and Investor Relations, and Ms. Charmi Ashar

Key Meeting Takeaways

- The company is being conservative and is maintaining 5-6 months of liquidity. Its borrowing profile can comfortably manage up to ~15% CPs but due to the uncertainties, only 9% of the borrowing mix is CPs.
- The collection efficiency is back to ~80% in August. Madhya Pradesh and Karnataka are doing well on collection efficiency. However, the risk of regional slowdown remains.
- The company has tightened credit standards. It has increased LTV requirement and therefore, seeing higher loan proposal rejections.
- The company continues to be optimistic on the 'Bharat' led recovery due to high crop purchases by the government, and good Kharif sowing.
- Though the rural book witnesses a 30% bounce rate and 90% of it is collected in cash.
- In the earlier cycle, a large part of the infra book turned bad due to poor PPA's, incomplete land acquisitions and concentrated exposures. These mistakes are rectified now. 25% of the infra book is still under the moratorium.
- Strong players in real estate due to the parentage of L&T. However, the company does only construction financing and no land financing.
- The company had successfully run down 50% of the DCM book in 1 year.
- Management believes pain in certain luxury real estate pockets will continue. However, traction in affordable housing/completed projects space will come back sooner than anticipated.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net income	64,415	70,345	65,223	69,030	76,404
Net profit	22,263	17,012	13,585	14,832	17,415
EPS (Rs)	11.1	8.5	6.8	7.4	8.7
ABV (Rs)	59.5	65.5	69.0	72.7	77.2
RoA (%)	2.3	1.5	1.2	1.3	1.4
RoE (%)	17.9	11.1	8.9	9.1	9.9
PE (x)	5.9	7.7	9.6	8.8	7.5
P/ABV	1.1	1.0	0.9	0.9	0.8

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	SELL

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	6.8	7.4
Consensus	6.6	9.6
Mean Consensus TP (12M)	Rs 72	

Stock Details

Bloomberg Code	LTFH IN
Face Value (Rs)	10
Shares outstanding (mn)	2,001
52 Week H/L	134 / 46
M Cap (Rs bn/USD bn)	130 / 1.74
Daily Avg Volume (nos.)	2,07,81,840
Daily Avg Turnover (US\$ mn)	17.6

Shareholding Pattern Jun '20

Promoters	63.7%
FIIIs	9.4%
DIIIs	5.5%
Public and Others	21.5%

Price Performance

(%)	1M	3M	6M	12M
Absolute	6	14	(48)	(38)
Rel. to Nifty	2	(8)	(44)	(39)

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net interest income	61,297	66,619	62,120	65,473	72,548
Other income	3,118	3,726	3,104	3,557	3,855
Net income	64,415	70,345	65,223	69,030	76,404
Operating expenses	15,958	19,610	23,001	27,546	33,075
Pre provision profit	48,457	50,735	42,222	41,483	43,329
Provisions	17,938	23,935	23,939	21,520	19,891
Profit before tax	30,520	26,801	18,283	19,963	23,438
Tax	8,200	5,064	4,699	5,130	6,024
Tax rate	27	19	26	26	26
Profit after tax	22,263	17,012	13,585	14,832	17,415

Balance Sheet

Y/E Year End (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity	19,988	20,005	20,005	20,005	20,005
Reserves	1,14,498	1,26,876	1,37,571	1,49,033	1,62,595
Net worth	1,34,486	1,46,881	1,57,576	1,69,038	1,82,600
Borrowings	9,15,561	9,40,024	9,59,708	10,16,509	11,25,412
Total liabilities	10,60,551	10,95,290	11,26,239	11,95,852	13,19,939
Cash and bank	18,741	81,453	83,175	78,083	69,084
Investments	90,198	68,805	86,374	91,486	1,01,287
Loans	9,13,318	9,15,545	9,22,796	9,86,902	11,03,345
Others	33,023	24,233	27,590	31,816	37,144
Total assets	10,60,551	10,95,290	11,26,239	11,95,852	13,19,939

Key Ratios (%)

Y/E Year End	FY19	FY20	FY21E	FY22E	FY23E
NIM	7.2	7.3	6.7	6.8	6.9
RoA	2.3	1.5	1.2	1.3	1.4
RoAE	17.9	11.1	8.9	9.1	9.9
GNPA (%)	6.1	5.5	6.9	7.9	8.4
NNPA (%)	2.4	2.3	2.8	3.2	3.4

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	11.1	8.5	6.8	7.4	8.7
BVPS	67.1	73.3	78.6	84.3	91.1
ABVPS	59.5	65.5	69.0	72.7	77.2
DPS	1.0	0.0	1.2	1.4	1.6

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	5.9	7.7	9.6	8.8	7.5
P/BV	1.1	1.0	0.9	0.9	0.8
P/ABV	1.1	1.0	0.9	0.9	0.8
Dividend Yield (%)	1.5	0.0	1.8	2.2	2.5

Source: Company, Emkay Research

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
NII	28.7	8.7	(6.8)	5.4	10.8
PPOP	26.7	4.7	(16.8)	(1.7)	4.4
PAT	77.4	(23.6)	(20.1)	9.2	17.4
Loans	17.8	0.2	0.8	6.9	11.8

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
NII	17,666	18,139	18,445	16,241	14,193
NIM(%)	6.9	6.9	6.9	6.9	6.9
PPOP	13,231	13,349	13,146	10,980	10,019
PAT	5,494	1,745	5,915	3,849	(3,038)
EPS (Rs)	2.74	0.87	2.95	1.93	0.74

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	63.9	63.9	63.9	63.7	63.7
FIIIs	10.5	10.8	12.5	10.6	9.4
DIIIs	3.1	5.3	4.4	5.2	5.5
Public and Others	22.6	20.1	19.2	20.5	21.5

Source: Capitaline

Magma Fincorp

Refer to important disclosures at the end of this report

Rising from the ashes?

CMP: Rs 31
as of (August 18, 2020)TP: Rs 31 (■)
12 months

Rating: HOLD (■)

We hosted Mr. Manish Jaiswal, MD & CEO of Magma Housing and SME Business, and Mr. Deepak Patkat, CEO of ABF

Key Meeting Takeaways

- The company has stopped incremental disbursements in the new car/commercial vehicle/commercial equipment, and intends to run this book down. The focus will remain on used vehicles, SME and affordable home loans.
- The management believes that the new car segment is hyper competitive as banks have a natural advantage. Therefore, the company has shifted focus to used vehicles where it believes the company can generate superior ROAs.
- The management sees a huge opportunity in used cars due to the increasing demand for personal mobility on account of the pandemic.
- In the housing portfolio, until FY18, 80% of the business was done through external channels. In FY20, this has been brought down to 20%, with 80% of the business being internally sourced.
- Earlier, the company used to lose one-third of its portfolio annually to balance transfers. Now, in the cheaper segments (sub Rs1mn), DSAs do not interest themselves much in BTs as the incentive is much lower.
- MGMA has established a strict policy of maintaining 50-60% LTV in the housing book.
- It has restructured the housing business and moved out of Tier 1 cities to Tier 2/3/4 cities, where the company can successfully target its desired ticket size.
- MGMA has adequate liquidity for 5-6 months of operation and has managed to raise borrowings from various schemes/sources like TLTRO 2.0, NHB, NABARD, SIDBI, etc.
- The management now places collection and risk at the forefront of operations.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net income	13,912	12,849	11,233	11,139	12,196
Net profit	3,040	271	762	940	1,599
EPS (Rs)	11.3	1.0	2.8	3.5	6.0
ABV (Rs)	89.8	86.1	86.4	88.3	92.0
RoA (%)	1.9	0.2	0.5	0.6	1.0
RoE (%)	12.9	1.0	2.7	3.3	5.4
PE (x)	2.7	30.4	10.8	8.8	5.1
P/ABV	0.3	0.4	0.4	0.3	0.3

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	-
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	2.8	3.5
Consensus	6.1	8.3
Mean Consensus TP (12M)	Rs 38	

Stock Details

Bloomberg Code	MGMA IN
Face Value (Rs)	2
Shares outstanding (mn)	270
52 Week H/L	75 / 13
M Cap (Rs bn/USD bn)	8 / 0.11
Daily Avg Volume (nos.)	23,27,186
Daily Avg Turnover (US\$ mn)	0.7

Shareholding Pattern Jun '20

Promoters	24.4%
FIIIs	32.3%
DIIIs	26.9%
Public and Others	16.4%

Price Performance

(%)	1M	3M	6M	12M
Absolute	28	104	(40)	(56)
Rel. to Nifty	24	66	(36)	(57)

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net interest income	11,275	12,196	10,476	10,261	11,177
Other income	2,636	653	757	879	1,019
Net income	13,912	12,849	11,233	11,139	12,196
Operating expenses	6,834	6,969	6,463	6,620	6,943
Pre provision profit	7,078	5,880	4,770	4,520	5,253
Provisions	2,654	5,063	3,818	3,345	3,254
Profit before tax	4,424	818	952	1,175	1,999
Profit after tax	3,040	271	762	940	1,599

Balance Sheet

Y/E Year End (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity	539	539	539	539	539
Reserves	26,900	26,941	27,540	28,237	29,511
Net worth	27,439	27,480	28,079	28,775	30,050
Borrowings	1,31,331	1,19,870	1,23,547	1,24,490	1,32,744
Total liabilities	1,67,893	1,52,397	1,56,926	1,58,830	1,68,637
Cash and bank	9,568	7,083	9,684	6,975	3,371
Investments	1,411	1,506	1,235	1,245	1,327
Loans	1,50,176	1,35,465	1,37,275	1,41,466	1,54,354
Others	4,850	6,002	6,226	6,464	6,717
Total assets	1,67,893	1,52,397	1,56,926	1,58,830	1,68,637

Key Ratios (%)

Y/E Year End	FY19	FY20	FY21E	FY22E	FY23E
NIM	6.9	7.4	6.6	6.3	6.3
RoA	1.9	0.2	0.5	0.6	1.0
RoAE	12.9	1.0	2.7	3.3	5.4
GNPA (%)	5.0	6.7	8.6	10.3	11.3
NNPA (%)	3.2	4.3	4.7	4.7	4.6

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	11.3	1.0	2.8	3.5	6.0
BVPS	102.1	102.3	104.5	107.1	111.8
ABVPS	89.8	86.1	86.4	88.3	92.0
DPS	0.8	0.0	0.5	0.8	1.0

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	2.7	30.4	10.8	8.8	5.1
P/BV	0.3	0.4	0.4	0.3	0.3
P/ABV	0.3	0.4	0.4	0.3	0.3
Dividend Yield (%)	2.6	0.0	1.6	2.4	3.3

Source: Company, Emkay Research

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
NII	11.8	8.2	(14.1)	(2.1)	8.9
PPOP	16.6	(16.9)	(18.9)	(5.3)	16.2
PAT	28.3	(91.1)	181.5	23.4	70.1
Loans	10.6	(9.8)	1.3	3.1	9.1

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
NII	3,024	3,208	2,987	2,976	2,705
NIM(%)	7.0	7.6	7.2	7.3	6.8
PPOP	1,445	1,633	1,502	1,301	1,354
PAT	106	295	224	(355)	377
EPS (Rs)	0.40	1.10	0.83	(1.32)	1.40

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	24.4	24.4	24.4	24.4	24.4
FIIIs	39.1	38.9	38.5	37.3	37.1
DIIIs	23.8	25.3	29.7	29.6	29.5
Public and Others	12.7	11.4	7.4	8.7	9.1

Source: Capitaline

Mahindra Finance

Refer to important disclosures at the end of this report

Tractor portfolio is the only silver lining

CMP: Rs 133
as of (August 18, 2020)

TP: Rs 128 (■)
12 months

Rating: HOLD (■)

We hosted Mr. Dinesh Prajapati, Senior V.P. – Group Treasury and Corporate Affairs

Key Meeting Takeaways

- MMFS expects business volumes to be at ~50% of FY20.
- The focus will remain on agri due to the resilience shown by tractors and the visibility of recovery in LCVs.
- Collection efficiency is back to 80% in July. MHCV and Bus segments remain under pressure. The bus portfolio will continue to face pain till schools re-open.
- Buses/Vans/Cab aggregators form ~12% of the portfolio.
- It will revisit every customer profile and their cash flow outlook before extending the restructuring scheme.
- Certain segments such as buses, UVs and cab aggregators will have to be supported through restructuring/extensions as they will require time to service their loans.
- Maintaining adequate liquidity to service obligations of the next 6-7 months.
- ROA will be maintained between 2.5% and 3% in all lines of business to get desired ROE. The key challenge is the cyclical nature faced in the small scale and SME businesses.
- It will leverage on Manu Life's worldwide presence, strong knowledge and bandwidth to create models and products.
- It will leverage the brand name to build awareness, penetrate and gain market share best suited in every geography.

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net income	48,653	54,164	53,948	61,152	69,835
Net profit	15,571	9,064	3,593	11,557	16,763
EPS (Rs)	25.3	14.7	2.9	9.4	13.6
ABV (Rs)	139.7	139.0	89.6	92.5	98.7
RoA (%)	2.6	1.3	0.5	1.5	2.0
RoE (%)	15.2	8.1	2.8	8.1	11.4
PE (x)	5.3	9.1	45.8	14.3	9.8
P/ABV	1.0	1.0	1.5	1.5	1.4

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	2.9	9.4
Consensus	6.8	12.4
Mean Consensus TP (12M)	Rs 135	

Stock Details

Bloomberg Code	MMFS IN
Face Value (Rs)	2
Shares outstanding (mn)	618
52 Week H/L	246 / 76
M Cap (Rs bn/USD bn)	132 / 1.76
Daily Avg Volume (nos.)	3,00,40,940
Daily Avg Turnover (US\$ mn)	45.9

Shareholding Pattern Jun '20

Promoters	51.2%
FIIIs	23.5%
DIIIs	13.1%
Public and Others	12.2%

Price Performance

(%)	1M	3M	6M	12M
Absolute	5	30	(42)	(32)
Rel. to Nifty	2	5	(38)	(33)

Relative price chart



Source: Bloomberg

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net income	48,653	54,164	53,948	61,152	69,835
Operating expenses	18,476	20,182	21,587	24,786	29,015
Pre provision profit	30,177	33,982	32,361	36,367	40,820
PPP excl treasury	30,177	33,982	32,361	36,367	40,820
Provisions	6,352	20,545	27,525	20,812	18,258
Profit before tax	23,824	13,438	4,836	15,554	22,562
Tax	8,254	4,374	1,243	3,997	5,798
Tax rate	35	33	26	26	26
Profit after tax	15,571	9,064	3,593	11,557	16,763

Balance Sheet

Y/E Year End (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity	1,230	1,231	2,466	2,466	2,466
Reserves	1,07,850	1,12,408	1,39,883	1,41,341	1,46,562
Net worth	1,09,080	1,13,639	1,42,349	1,43,807	1,49,028
Borrowings	5,28,469	5,94,623	5,82,916	6,35,544	6,97,876
Total liabilities	6,70,780	7,40,712	7,49,626	8,17,015	8,96,209
Cash and bank	9,585	14,258	16,607	18,487	20,135
Investments	37,917	59,110	29,146	31,777	34,894
Loans	6,14,909	6,56,414	6,92,628	7,55,174	8,29,254
Others	7,044	7,551	7,697	7,851	8,014
Total assets	6,70,780	7,40,712	7,49,626	8,17,015	8,96,209

Key Ratios (%)

Y/E Year End	FY19	FY20	FY21E	FY22E	FY23E
NIM	8.0	7.5	6.9	7.3	7.6
RoA	2.6	1.3	0.5	1.5	2.0
RoAE	15.2	8.1	2.8	8.1	11.4
GNPA (%)	6.1	7.8	9.4	9.0	8.7
NNPA (%)	4.9	5.4	6.0	5.2	4.3

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	25.3	14.7	2.9	9.4	13.6
BVPS	177.1	184.0	115.2	116.4	120.6
ABVPS	139.7	139.0	89.6	92.5	98.7
DPS	6.5	0.0	4.0	7.0	8.0

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	5.3	9.1	45.8	14.3	9.8
P/BV	1.0	1.0	1.5	1.4	1.4
P/ABV	1.0	1.0	1.5	1.5	1.4
Dividend Yield (%)	4.9	0.0	3.0	5.3	6.0

Source: Company, Emkay Research

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
NII	35.0	11.3	(0.4)	13.4	14.2
PPOP	39.1	12.6	(4.8)	12.4	12.2
PAT	54.0	(41.8)	(60.4)	221.6	45.1
Loans	26.3	6.7	5.5	9.0	9.8

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
NII	12,658	12,842	13,717	13,474	13,759
NIM(%)	7.3	7.1	7.4	7.0	6.9
PPOP	7,243	8,190	8,883	9,666	10,447
PAT	684	2,518	3,653	2,209	1,497
EPS (Rs)	1.11	4.09	5.93	3.59	2.53

Source: Company, Emkay Research

Shareholding Pattern (%)	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Promoters	51.2	51.2	51.2	51.2	51.2
FIIIs	26.8	25.9	25.1	24.9	23.9
DIIIs	13.6	14.6	15.3	15.4	15.6
Public and Others	8.4	8.4	8.4	8.6	9.3

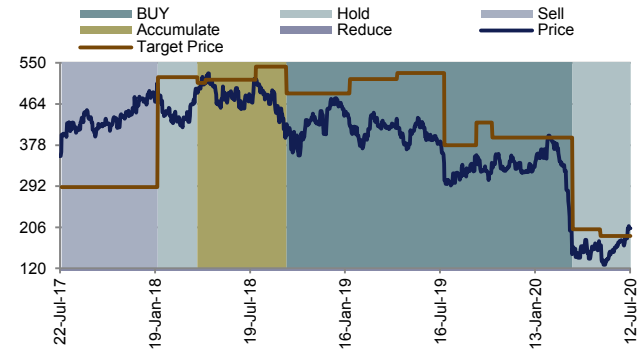
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
16-Jun-20	168	188	12m	Hold	Jignesh Sial
16-May-20	168	188	12m	Hold	Jignesh Sial
14-May-20	168	202	12m	Hold	Jignesh Sial
05-May-20	161	202	12m	Hold	Jignesh Sial
19-Apr-20	180	202	12m	Hold	Jignesh Sial
11-Apr-20	166	202	12m	Hold	Jignesh Sial
05-Apr-20	143	202	12m	Hold	Jignesh Sial
30-Mar-20	144	202	12m	Hold	Jignesh Sial
24-Mar-20	161	202	12m	Hold	Jignesh Sial
08-Mar-20	336	394	12m	Buy	Jignesh Sial
28-Jan-20	351	394	12m	Buy	Jignesh Sial
19-Nov-19	328	394	12m	Buy	Jignesh Sial
23-Oct-19	334	394	12m	Buy	Jignesh Sial
22-Oct-19	341	425	12m	Buy	Jignesh Sial
23-Sep-19	357	425	12m	Buy	Jignesh Sial
28-Aug-19	320	378	12m	Buy	Jignesh Sial
22-Aug-19	305	378	12m	Buy	Jignesh Sial
24-Jul-19	304	378	12m	Buy	Jignesh Sial
25-May-19	408	529	12m	Buy	Jignesh Sial
25-Apr-19	416	529	12m	Buy	Jignesh Sial
15-Feb-19	379	516	12m	Buy	Jignesh Sial
25-Jan-19	417	516	12m	Buy	Jignesh Sial
24-Oct-18	401	486	12m	Buy	Jignesh Sial
19-Oct-18	356	486	12m	Buy	Jignesh Sial
26-Sep-18	422	486	12m	Buy	Jignesh Sial
24-Sep-18	393	542	12m	Accumulate	Jignesh Sial
30-Jul-18	513	542	12m	Accumulate	Jignesh Sial
29-May-18	473	515	12m	Accumulate	Jignesh Sial
25-Apr-18	507	515	12m	Accumulate	Jignesh Sial
10-Apr-18	488	508	12m	Accumulate	Jignesh Sial
24-Jan-18	490	520	12m	Hold	Umang Shah
26-Oct-17	417	290	12m	Sell	Umang Shah
18-Sep-17	436	290	12m	Sell	Umang Shah
25-Jul-17	399	290	12m	Sell	Umang Shah

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Nippon Life

Refer to important disclosures at the end of this report

Bottoming market share

CMP: Rs 269
as of (August 18, 2020)

TP: Rs 280 (■)
12 months

Rating: HOLD (■)

We hosted Mr. Saugata Chatterjee, Co-Chief Business Officer; Mr. Aashwin Dugal, Co-Chief Business Officer; Mr. Prateek Jain, CFO; and Mr. Abhishek Nalwaya, Investor Relations

Key Meeting Takeaways

- NAM does not have any exposure to ADAG at the scheme level or company level.
- It is still seeing risk aversion and conservatism from institutional and high-net worth individuals (HNI) clients. They continue to opt for fixed income funds over equity funds.
- Due to the deep rate cuts, NAM is witnessing fund outflow from liquid funds into short term funds.
- It had lost market share in the last two quarters but the company believes that the market share situation has bottomed. This was on account of the lack of 'a banking brand'. However, the company has now tied up with banks like IndusInd and RBL who do not have their own products for distribution.
- The Gold ETF continues to witness strong traction due to the performance delivered by gold, the general risk aversion and increasing understanding of asset allocation among customers.
- NAM is looking at cost controls. 30% of employee costs are variable in nature. ESOPs are expected to fade from the next year. The company is also looking to re-negotiate rentals, which will also help achieve operational efficiency.
- Management expects the credit risk market to revive only when the economy turns. Cyclicity is the fundamental nature of the said product.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Total Revenue	16,499	11,932	14,044	16,551	19,546
Net Profit	4,869	4,158	4,701	5,434	6,188
EPS (Rs)	7.9	6.8	7.7	8.9	10.1
AAAUM (Rs bn)	2,382	2,086	2,339	2,639	2,991
ROE (%)	19.7	16.2	18.4	21.3	24.3
PE (x)	34.0	39.8	35.2	30.5	26.8

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	-
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	7.7	8.9
Consensus	8.4	9.5
Mean Consensus TP (12M)	Rs 284	

Stock Details

Bloomberg Code	NAM IN
Face Value (Rs)	10
Shares outstanding (mn)	612
52 Week H/L	453 / 201
M Cap (Rs bn/USD bn)	164 / 2.20
Daily Avg Volume (nos.)	12,79,387
Daily Avg Turnover (US\$ mn)	4.8

Shareholding Pattern Jun '20

Promoters	75.9%
FIIs	5.8%
DIIIs	6.2%
Public and Others	12.1%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(7)	10	(32)	11
Rel. to Nifty (12)	(10)	(26)		10

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Consolidated)**Income Statement**

Y/E Year End (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Total Revenue from Operations	14,786	12,030	12,161	14,517	17,349
Other income	1,712	(98)	1,884	2,034	2,197
Total Revenue	16,499	11,932	14,044	16,551	19,546
Operating Expenses	9,497	6,334	7,717	9,238	11,217
Employee costs	2,934	3,024	3,508	3,959	4,487
Profit before tax	7,002	5,598	6,327	7,313	8,329
Tax	2,132	1,441	1,626	1,879	2,141
Tax rate (%)	30	26	26	26	26
Profit after tax	4,869	4,158	4,701	5,434	6,188

Balance Sheet

Y/E Year End (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity	6,120	6,120	6,120	6,120	6,120
Reserves & Surplus	19,580	19,534	19,426	19,301	19,301
Net worth	25,700	25,654	25,546	25,421	25,421
Provisions	435	565	706	883	1,104
Other current liabilities	1,623	2,597	4,156	6,649	10,638
Total Liabilities	27,758	28,817	30,408	32,953	37,163
Net fixed assets	2,568	2,825	3,107	3,418	3,760
Investments	12,900	14,190	15,893	17,800	19,936
Other assets	12,400	11,802	11,408	11,735	13,467
Total assets	27,868	28,817	30,408	32,953	37,163

AAAUM

Y/E Year End	FY19	FY20	FY21E	FY22E	FY23E
Equity	907.0	891.5	962.8	1,059.1	1,186.2
Debt	1,320.2	918.9	1,017.2	1,132.1	1,267.1
ETF	154.6	275.8	358.6	448.2	537.9
Total AAAUM	2,381.7	2,086.3	2,338.6	2,639.4	2,991.2

End of Period AUM

Y/E Year End	FY19	FY20	FY21E	FY22E	FY23E
Mutual funds	2,278.0	1,635.0	1,716.8	1,802.6	1,892.7
Managed accounts	1,913.0	869.0	955.9	1,051.5	1,156.6
Offshore funds & adv mandates	31.0	48.0	57.6	69.1	82.9
Total	4,222.0	2,552.0	2,730.3	2,923.2	3,132.3

Key Ratios (%)

Y/E Year End	FY19	FY20	FY21E	FY22E	FY23E
Total Revenue/ AAAUM	0.69	0.57	0.60	0.63	0.65
Cost	0.40	0.30	0.33	0.35	0.38
PBT/AAAUM	0.29	0.27	0.27	0.28	0.28
PAT/AAAUM	0.20	0.20	0.20	0.21	0.21
ROE	19.73	16.19	18.36	21.32	24.34

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	7.9	6.8	7.7	8.9	10.1
BVPS	42.0	41.9	41.7	41.5	41.5
DPS	6.8	5.7	6.5	7.5	8.6

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PE	34.0	39.8	35.2	30.5	26.8
P/BV	6.4	6.4	6.5	6.5	6.5
Mkt cap/AUM	0.07	0.08	0.07	0.06	0.06
Dividend yield (%)	2.5	2.1	2.4	2.8	3.2

Source: Company, Emkay Research

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Total Revenue	(5.6)	(27.7)	17.7	17.9	18.1
Cost	(13.1)	(33.3)	21.8	19.7	21.4
PAT	6.9	(14.6)	13.1	15.6	13.9
QAAUM	(4.6)	1.0	(0.9)	12.9	13.3

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	3,604	3,226	3,606	1,496	3,362
Total Revenue/ Avg. AUM (%)	0.76	0.74	0.84	0.35	0.92
PAT	1,273	1,384	1,512	60	1,574
PAT/Avg. AUM (%)	0.3	0.3	0.4	0.0	0.4
QAAUM (Rs bn)	1,892	1,742	1,717	1,721	1,459

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	75.0	79.3	75.9	75.9	75.9
FIIIs	7.5	4.6	5.6	5.3	5.8
DIIIs	7.1	7.1	6.3	6.7	6.2
Public and Others	10.4	9.0	12.1	12.1	12.1

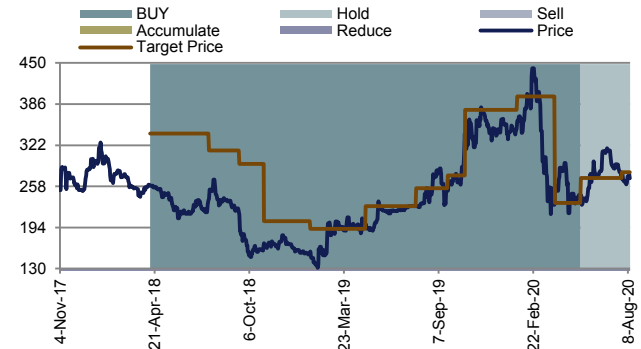
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
28-Jul-20	277	280	12m	Hold	Jignesh Shial
16-May-20	244	271	12m	Hold	Jignesh Shial
31-Mar-20	249	232	12m	Buy	Jignesh Shial
24-Jan-20	360	398	12m	Buy	Jignesh Shial
24-Oct-19	319	377	12m	Buy	Jignesh Shial
27-Sep-19	266	275	12m	Buy	Jignesh Shial
23-Sep-19	251	275	12m	Buy	Jignesh Shial
29-Jul-19	227	255	12m	Buy	Jignesh Shial
30-Apr-19	198	227	12m	Buy	Jignesh Shial
22-Jan-19	157	192	12m	Buy	Jignesh Shial
1-Nov-18	169	204	12m	Buy	Jignesh Shial
18-Sep-18	214	293	12m	Buy	Jignesh Shial
26-Jul-18	239	314	12m	Buy	Jignesh Shial
3-May-18	246	340	12m	Buy	Ravikant Bhat
13-Apr-18	259	340	12m	Buy	Ravikant Bhat

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Shriram City Union Finance

Refer to important disclosures at the end of this report

Strong capital position to absorb shocks

CMP: Rs 831
as of (August 18, 2020)TP: Rs 724 (■)
12 months

Rating: HOLD (■)

We hosted Mr. Y S Chakravarti, MD and CEO, and Mr. R. Chandrasekhar, CFO Key Meeting Takeaways

- Customers opted for the moratorium as they wanted to conserve cash and this does not by any way mean that they will turn bad.
- With gold loan LTVs being hiked to 90%, management does not believe this should have much impact as banks have seen the volatility in gold and are not keen on disbursing gold loans at those LTVs.
- Even if some PSBs do lend, it will be in agricultural zones/rural areas, where SCUF is not present.
- 80% of the SME portfolio is secured. They may have sources of borrowings but SCUF as the only institutional lender.
- Cost efficiencies have been achieved due to manpower and branch rationalization. Cost/income will increase on complete re-opening but will remain 200-250bps better than pre-Covid levels.
- Management is trying to securitize the pool of customers who continue to service their loans.
- The company is witnessing incremental demand in the 2W segment despite tight norms. Management sees good opportunities here.
- The company has delivered strong returns even in down-cycles and is very confident of the quality of its current portfolio.
- The group merger has now been placed in cold storage and there is no active discussion taking place.

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net income	37,951	37,471	36,470	37,805	41,315
Net profit	17,709	10,005	9,393	11,561	12,956
EPS (Rs)	149.8	151.6	142.3	175.2	196.3
ABV (Rs)	814.3	968.4	1,033.9	1,177.5	1,336.7
RoA (%)	3.5	3.3	3.0	3.6	3.7
RoE (%)	16.6	14.7	12.4	13.6	13.6
PE (x)	5.5	5.5	5.8	4.7	4.2
P/ABV	1.0	0.9	0.8	0.7	0.6

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	-
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	142.3	175.2
Consensus	120.0	149.9
Mean Consensus TP (12M)	Rs 872	

Stock Details

Bloomberg Code	SCUF IN
Face Value (Rs)	10
Shares outstanding (mn)	66
52 Week H/L	1,572 / 617
M Cap (Rs bn/USD bn)	55 / 0.73
Daily Avg Volume (nos.)	84,301
Daily Avg Turnover (US\$ mn)	0.8

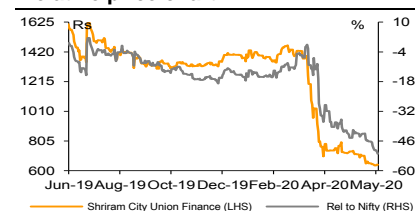
Shareholding Pattern Jun '20

Promoters	33.9%
FIIIs	26.8%
DIIIs	5.6%
Public and Others	33.7%

Price Performance

(%)	1M	3M	6M	12M
Absolute	24	18	(43)	(41)
Rel. to Nifty	20	(4)	(39)	(42)

Relative price chart



Source: Bloomberg

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net income	37,951	37,471	36,470	37,805	41,315
Operating expenses	14,927	15,084	13,665	14,417	15,913
Pre provision profit	23,024	22,387	22,805	23,388	25,402
Provisions	0	8,837	10,162	7,829	7,964
Profit before tax	23,024	13,550	12,643	15,559	17,438
Tax	5,314	3,545	3,249	3,999	4,482
Tax rate	23	26	26	26	26
Profit after tax	17,709	10,005	9,393	11,561	12,956

Balance Sheet

Y/E Year End (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity	660	660	660	660	660
Reserves	63,253	71,420	79,269	89,130	1,00,388
Net worth	63,913	72,080	79,929	89,790	1,01,048
Borrowings	2,26,045	2,31,658	2,25,442	2,35,913	2,57,514
Total liabilities	2,94,152	3,09,743	3,11,936	3,32,886	3,66,424
Cash and bank	12,842	30,624	33,352	34,433	32,983
Investments	8,697	7,341	7,890	8,257	9,013
Loans	2,70,235	2,66,761	2,65,225	2,84,232	3,17,918
Others	1,571	2,725	2,946	3,190	3,459
Total assets	2,94,152	3,09,742	3,11,936	3,32,886	3,66,424

Key Ratios (%)

Y/E Year End	FY19	FY20	FY21E	FY22E	FY23E
NIM	13.3	12.8	12.6	12.6	12.5
RoA	3.5	3.3	3.0	3.6	3.7
RoAE	16.6	14.7	12.4	13.6	13.6
GNPA (%)	8.8	7.3	9.0	8.6	8.1
NNPA (%)	4.9	3.8	5.4	5.2	5.0

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	149.8	151.6	142.3	175.2	196.3
BVPS	968.4	1,092.1	1,211.0	1,360.4	1,531.0
ABVPS	814.3	968.4	1,033.9	1,177.5	1,336.7
DPS	16.0	6.0	20.0	22.0	22.0

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	5.5	5.5	5.8	4.7	4.2
P/BV	1.0	0.9	0.8	0.7	0.6
P/ABV	1.0	0.9	0.8	0.7	0.6
Dividend Yield (%)	1.9	0.7	2.4	2.6	2.6

Source: Company, Emkay Research

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
NII	10.2	(3.2)	(2.8)	3.8	9.7
PPOP	11.1	(2.8)	1.9	2.6	8.6
PAT	166.4	(43.5)	(6.1)	23.1	12.1
Loans	4.7	(1.3)	(0.6)	7.2	11.9

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
NII	9,619	9,509	9,468	8,998	8,742
NIM(%)	12.8	12.7	12.8	12.2	12.2
PPOP	5,774	5,744	5,725	5,143	5,666
PAT	2,532	2,975	2,968	1,531	1,923
EPS (Rs)	38.38	45.10	44.98	23.19	29.15

Source: Company, Emkay Research

Shareholding Pattern (%)	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Promoters	33.8	33.7	33.9	33.9	33.9
FIIIs	25.6	26.1	26.1	27.4	27.4
DIIIs	6.6	6.2	6.0	5.9	6.0
Public and Others	34.1	34.0	34.0	32.8	32.8

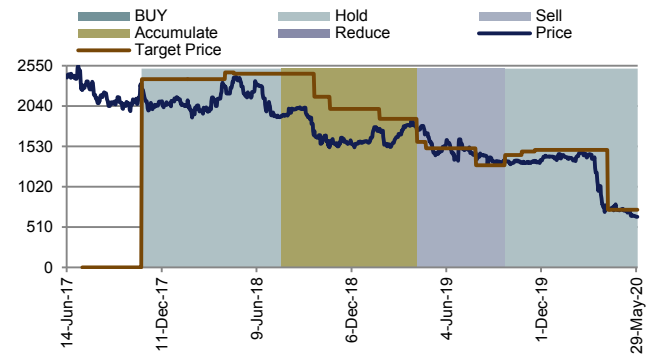
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
14-May-20	701	728	12m	Hold	Jignesh Shial
5-May-20	720	728	12m	Hold	Jignesh Shial
19-Apr-20	773	728	12m	Hold	Jignesh Shial
11-Apr-20	740	728	12m	Hold	Jignesh Shial
5-Apr-20	738	728	12m	Hold	Jignesh Shial
8-Mar-20	1,373	1,484	12m	Hold	Jignesh Shial
19-Nov-19	1,333	1,484	12m	Hold	Jignesh Shial
25-Oct-19	1,320	1,465	12m	Hold	Jignesh Shial
23-Sep-19	1,362	1,420	12m	Hold	Jignesh Shial
28-Aug-19	1,380	1,292	12m	Sell	Jignesh Shial
30-Jul-19	1,400	1,292	12m	Sell	Jignesh Shial
25-May-19	1,470	1,505	12m	Sell	Jignesh Shial
26-Apr-19	1,696	1,505	12m	Sell	Jignesh Shial
9-Apr-19	1,728	1,587	12m	Sell	Jignesh Shial
15-Feb-19	1,530	1,879	12m	Accumulate	Jignesh Shial
28-Jan-19	1,752	1,879	12m	Accumulate	Jignesh Shial
26-Oct-18	1,566	2,002	12m	Accumulate	Jignesh Shial
26-Sep-18	1,725	2,156	12m	Accumulate	Jignesh Shial
24-Sep-18	1,726	2,448	12m	Accumulate	Jignesh Shial
26-Jul-18	1,907	2,448	12m	Accumulate	Jignesh Shial
29-May-18	2,146	2,449	12m	Hold	Jignesh Shial
27-Apr-18	2,395	2,449	12m	Hold	Jignesh Shial
10-Apr-18	2,280	2,464	12m	Hold	Jignesh Shial
3-Nov-17	2,247	2,380	12m	Hold	Umang Shah
18-Sep-17	2,152	-	12m	UR	Umang Shah
2-Aug-17	2,326	-	12m	UR	Umang Shah
13-Jul-17	2,243	-	12m	UR	Umang Shah

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

BFSI - Insurance

HDFC Life

Refer to important disclosures at the end of this report

Returning to normalcy

CMP: Rs 589
as of (August 18, 2020)TP: Rs 712 (■)
12 months

Rating: HOLD (■)

We hosted Mr. Kunal Jain, Head of Investor Relations, and Manish Jain, Sr. Manager, Investor Relations

Key Meeting Takeaways

- In ULIPs, the investment income is purely a pass through. The company makes income from the asset management fee and underwriting profits.
- In Saving PAR, only 10% of the income that the company makes is due to investment income.
- In the non-PAR portfolio, most of the income comes from the underlying investment.
- On APE basis, the company is looking at yoy de-growth of 10% for Q1.
- However, the company has sold more policies in Q1 than in the same quarter last year. This was largely due to the reduced ticket sizes of the policies as customers have become risk-averse to committing large sums of money.
- It is working toward making 33% of the portfolio non-PAR.
- Gradually, people are open to going for medicals – therefore re-shifting from tele-medicals to physical medicals.
- If IRDAI permits life insurers to sell health policies, this does not require a separate general insurance license.
- Tax saving is no longer the top most reason for customers to buy insurance. Awareness of liability mitigation has increased among people.

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net Profit	12,768	12,953	17,322	21,054	25,548
EPS (Rs)	6.3	6.4	8.6	10.4	12.7
VNB	15,400	19,190	20,170	24,286	28,902
VNB margin %	24.6	25.9	26.2	27.8	28.0
EV	1,83,080	2,06,500	2,49,323	2,95,682	3,53,785
ROEV %	20.1	18.1	17.8	18.7	19.8
P/EV (x)	6.5	5.8	4.8	4.0	3.4

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	8.6	10.4
Consensus	7.1	8.3
Mean Consensus TP (12M)	Rs 614	

Stock Details

Bloomberg Code	HDFCLIFE IN
Face Value (Rs)	10
Shares outstanding (mn)	2,019
52 Week H/L	648 / 339
M Cap (Rs bn/USD bn)	1,190 / 15.89
Daily Avg Volume (nos.)	60,03,796
Daily Avg Turnover (US\$ mn)	43.7

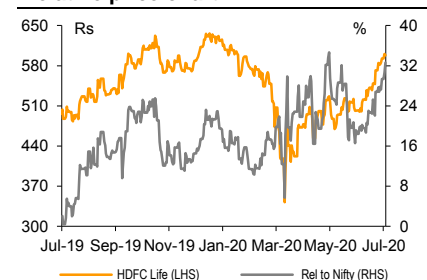
Shareholding Pattern Jun '20

Promoters	60.4%
FIIIs	23.6%
DIIIs	7.3%
Public and Others	8.7%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(4)	21	4	9
Rel. to Nifty	(7)	(2)	11	7

Relative price chart



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Key Financials (Standalone)**Income Statement**

Policyholders Account-Y/E (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net earned premium	2,89,240	3,22,236	3,45,640	3,88,710	4,51,578
Income from investments	90,275	(33,109)	66,217	74,164	81,580
Contribution from the shareholders fund	3,090	1,047	0	0	0
Miscellaneous income	1,761	2,440	2,367	2,722	3,130
Total income	3,84,366	2,92,614	4,14,225	4,65,595	5,36,288
Commissions	11,315	14,912	14,457	17,727	22,264
Operating expenses	38,018	42,679	45,001	52,722	62,556
Provisions	4,304	9,207	9,479	10,096	11,353
Total expenses	53,637	66,797	68,937	80,544	96,172
Benefits paid (net)	1,39,889	1,90,215	1,62,274	1,89,772	2,19,784
Change in liabilities (net)	1,75,075	24,408	1,58,650	1,66,582	1,91,569
Total	3,14,964	2,14,622	3,20,924	3,56,354	4,11,353
Surplus	15,765	11,194	24,363	28,696	28,762
Tax	2,258	1,480	2,875	2,992	3,226
Net surplus	13,507	9,714	21,488	25,705	25,537
Transfer to shareholders account	12,069	11,914	12,510	15,011	18,014

Shareholders Account-Y/E (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Transfer from policyholders account	12,069	11,914	12,510	15,011	18,014
Income from investments	4,084	4,378	5,900	7,376	9,163
Other income	211	186	100	100	100
Total income	16,364	16,478	18,510	22,488	27,276
Profit before tax	12,899	13,117	18,142	22,083	26,831
Tax	131	165	820	1,030	1,284
Net profit	12,768	12,953	17,322	21,054	25,548

Balance Sheet

Y/E Year End	FY19	FY20	FY21E	FY22E	FY23E
Sources of funds					
Share capital	20,174	20,188	20,188	20,188	20,188
Reserve and surplus	36,409	49,675	67,376	88,810	1,14,737
Fair value change account credit/(debit)	(30)	(1,920)	(1,920)	(1,920)	(1,920)
Net worth (including fair value change)	56,556	67,999	85,645	1,07,078	1,33,005
Policyholders funds	11,81,243	11,95,025	14,03,300	16,20,198	18,73,393
Funds for future appropriations	11,030	8,830	13,841	16,305	17,308
Total liabilities	12,48,829	12,71,854	15,02,785	17,43,580	20,23,707
Application of funds					
Shareholders investments	50,498	58,555	73,749	92,206	1,14,532
Policyholders investments	5,71,245	6,71,886	8,29,933	9,99,569	11,99,939
Assets to cover linked liabilities	6,33,774	5,41,821	5,92,544	6,40,303	6,93,624
Loans	796	2,991	2,991	2,991	2,991
Fixed assets	3,333	3,301	3,301	3,301	3,301
Net current assets (A-B)	(10,816)	(6,699)	266	5,211	9,320
Total assets	12,48,829	12,71,854	15,02,785	17,43,580	20,23,707

Key Ratio (%)

Y/E Year End	FY19	FY20	FY21E	FY22E	FY23E
Conservation ratio %	83.8	80.3	79.9	81.5	84.4
Commissions ratio %	3.9	4.6	4.2	4.6	4.9
Opex ratio %	13.1	13.2	13.0	13.6	13.9
ROA %	1.1	1.0	1.2	1.3	1.4
ROE %	24.5	20.8	22.5	21.8	21.3
Dividend payout ratio %	51.2	50.5	37.0	15.2	12.6

EV Data	FY19	FY20	FY21E	FY22E	FY23E
Embedded value (Rs mn)	1,83,080	2,06,500	2,49,323	2,95,682	3,53,785
Value of new business (Rs mn)	15,400	19,190	20,170	24,286	28,902
EVOP (Rs mn)	30,640	33,200	36,690	46,725	58,470
ROEV %	20.1	18.1	17.8	18.7	19.8
VNB margin %	24.6	25.9	26.2	27.8	28.0

Source: Company, Emkay Research

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	6.3	6.4	8.6	10.4	12.7
DPS	3.2	3.2	3.2	1.6	1.6
BVPS	28.1	33.8	42.6	53.2	66.1

Valuation (x)	FY19	FY20	FY21E	FY22E	FY23E
P/E	93.1	91.8	73.1	60.2	49.6
P/B	21.0	17.4	14.7	11.8	9.5
P/EV	6.5	5.8	4.8	4.0	3.4
P/VNB	77.2	62.0	59.0	49.0	41.1
Dividend yield (%)	0.5	0.5	0.5	0.3	0.3

Source: Company, Emkay Research

Growth (%)	FY19	FY20	FY21E	FY22E
GWP	23.9	20.9	7.4	12.6
New business premium (NBP)	31.9	26.0	4.0	12.4
Annualized premium equivalent (APE)	12.0	22.8	7.5	13.3
Retail APE	5.4	21.7	26.8	9.7
Commissions	5.3	20.6	(3.0)	22.6
Operating expenses	20.3	20.4	5.4	17.2
Net income	15.1	23.9	33.7	21.5

Quarterly (Rs mn)	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20
Net earned premium	50,013	67,776	68,977	1,02,475	64,512
Total income	69,321	79,696	93,938	1,42,610	86,335
Total expenses	65,403	76,733	91,369	1,39,157	81,967
Net income	3,802	2,870	2,456	3,640	4,246
EPS (Rs)	1.89	1.43	1.22	1.81	2.11

Source: Capitaline

Shareholding Pattern (%)	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Promoters	76.1	74.5	71.2	66.2	63.7
FIIIs	10.5	11.8	15.9	19.9	21.1
DIIIs	3.4	4.9	4.4	5.0	6.1
Public and Others	9.9	8.9	8.5	8.9	9.2

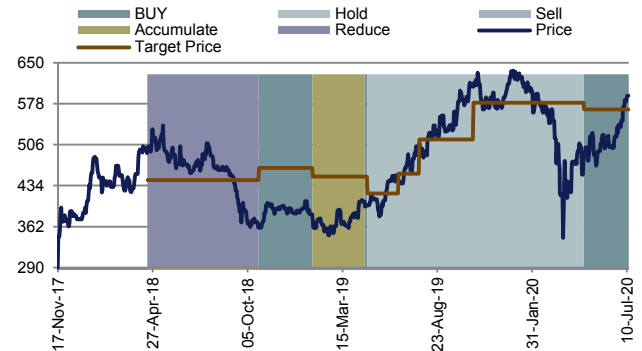
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
01-Jul-20	550	568	12m	Buy	Jignesh Shial
11-May-20	525	568	12m	Buy	Jignesh Shial
28-Apr-20	486	568	12m	Buy	Jignesh Shial
07-Feb-20	596	580	12m	Hold	Neeraj Toshniwal
24-Jan-20	607	580	12m	Hold	Neeraj Toshniwal
11-Dec-19	573	580	12m	Hold	Neeraj Toshniwal
09-Dec-19	573	580	12m	Hold	Neeraj Toshniwal
08-Nov-19	568	580	12m	Hold	Neeraj Toshniwal
23-Oct-19	608	580	12m	Hold	Neeraj Toshniwal
11-Oct-19	591	515	12m	Hold	Neeraj Toshniwal
03-Oct-19	593	515	12m	Hold	Neeraj Toshniwal
18-Sep-19	539	515	12m	Hold	Neeraj Toshniwal
11-Sep-19	538	515	12m	Hold	Neeraj Toshniwal
13-Aug-19	519	515	12m	Hold	Neeraj Toshniwal
23-Jul-19	509	515	12m	Hold	Neeraj Toshniwal
18-Jun-19	442	455	12m	Hold	Neeraj Toshniwal
13-May-19	403	420	12m	Hold	Neeraj Toshniwal
26-Apr-19	400	420	12m	Hold	Neeraj Toshniwal
22-Apr-19	397	450	12m	Buy	Neeraj Toshniwal
13-Mar-19	366	450	12m	Accumulate	Neeraj Toshniwal
23-Jan-19	373	450	12m	Accumulate	Neeraj Toshniwal
24-Oct-18	365	465	12m	Buy	Neeraj Toshniwal
18-Apr-18	493	444	12m	Reduce	Neeraj Toshniwal

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

ICICI Pru Life

Refer to important disclosures at the end of this report

Deep focus on margins

CMP: Rs 453
as of (August 18, 2020)

TP: Rs 455 (■)
12 months

Rating: HOLD (■)

We hosted Mr. Dhiren Salian, Senior VP - Finance and Head of Investor Relations

Key Meeting Takeaways

- Since the beginning of the lockdown, the industry had shifted to conducting tele-medicals resulting in challenges in sales of large-ticket products. However, the company is witnessing on-ground normalization now and people are turning more open towards going for medicals/doing home medicals.
- With the given extensions, the company is expecting headline persistency numbers to normalize by Q2.
- The company is determined on maintaining margins and does not believe in sacrificing margins for market share gains.
- The company will continue to focus on absolute VNB growth.
- It is witnessing fundamentally subdued demand for ULIPs due to the consistent underperformance of equities.
- Re-insurers had raised rates at the beginning of the quarter. The company had written to IRDAI filing new products with the increased rates. Therefore, Q1 margins were subdued. Now, it has received the approval and Q2 should see margins return to FY20 levels.
- The industry typically re-insures 50% of the protection portfolio.
- ICICI Bank, which is the largest banca partner, has shifted its focus toward protection and annuity. Therefore, it is looking forward to potential margin expansion.
- The credit protect portfolio is facing pressure as banks and NBFCs have drastically slowed disbursements.
- Due to the impact of Covid-19, the IPrulife has strengthened its digital selling platform, just like every other business from the ICICI Bank stable. Now, customers can purchase a new policy in just three clicks on the ICICI Bank app.
- Indian insurance products are one of the cheapest in the world so do not see the risk of price reduction in any of the products across competitors.

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net Profit	11,406	10,687	16,232	19,296	25,524
EPS (Rs)	7.9	7.4	11.3	13.4	17.8
VNB	13,280	16,050	15,123	17,738	20,034
VNB margin %	17.0	21.7	23.7	25.1	25.5
EV	2,16,240	2,30,320	2,55,055	2,86,302	3,23,687
ROEV %	20.2	15.2	15.9	16.0	15.7
P/EV (x)	3.0	2.8	2.6	2.3	2.0

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	-
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	11.3	13.4
Consensus	8.4	9.9
Mean Consensus TP (12M)	Rs 487	

Stock Details

Bloomberg Code	IPRU IN
Face Value (Rs)	10
Shares outstanding (mn)	1,436
52 Week H/L	538 / 222
M Cap (Rs bn/USD bn)	651 / 8.69
Daily Avg Volume (nos.)	29,87,064
Daily Avg Turnover (US\$ mn)	16.5

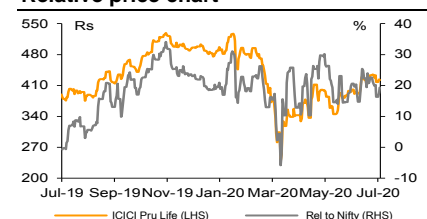
Shareholding Pattern Jun '20

Promoters	73.5%
FIIIs	15.1%
DIIIs	5.2%
Public and Others	6.2%

Price Performance

(%)	1M	3M	6M	12M
Absolute	3	18	(4)	16
Rel. to Nifty	-	(4)	2	14

Relative price chart



Source: Bloomberg

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Key Financials (Standalone)**Income Statement**

Policyholders Account-Y/E (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net earned premium	3,05,783	3,28,540	3,04,075	3,23,551	3,56,878
Income from investments	1,02,144	(1,25,169)	87,618	96,380	1,06,018
Contribution from the shareholders fund	5,272	14,970	7,500	6,000	6,000
Miscellaneous income	803	804	884	973	1,070
Total income	4,14,003	2,19,145	4,00,078	4,26,904	4,69,966
Commissions	16,038	15,860	14,953	16,681	18,554
Operating expenses	25,528	28,469	24,137	25,586	28,903
Provisions	6,351	8,685	7,960	8,398	9,225
Total expenses	47,917	53,014	47,051	50,665	56,683
Benefits paid (net)	1,42,591	1,93,766	1,40,765	1,57,509	1,51,179
Change in liabilities (net)	2,10,030	(50,569)	1,99,391	2,24,123	2,65,589
Total	3,52,621	1,43,197	3,40,156	3,81,632	4,16,768
Surplus	13,465	22,934	12,871	(5,394)	(3,485)
Tax	1,132	1,314	1,651	1,894	2,163
Net surplus	12,333	21,620	11,220	(7,288)	(5,649)
Transfer to shareholders account	10,770	19,887	18,937	20,541	26,813

Shareholders Account-Y/E (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Transfer from policyholders account	10,770	19,887	18,937	20,541	26,813
Income from investments	6,418	6,594	5,195	5,195	5,195
Other income	90	5	0	0	0
Total income	17,279	26,487	24,132	25,736	32,008
Expenses	377	364	400	440	484
Provisions	0	466	0	0	0
Contribution to policyholders account	5,272	14,970	7,500	6,000	6,000
Net profit	11,406	10,687	16,232	19,296	25,524

Balance Sheet

Y/E Year End	FY19	FY20	FY21E	FY22E	FY23E
Sources of funds					
Share capital	14,358	14,359	14,358	14,358	14,358
Reserve and surplus	54,397	61,056	76,023	94,055	1,18,314
Fair value change account credit/(debit)	1,712	(3,228)	(3,228)	(3,228)	(3,228)
Net worth (including fair value change)	70,467	72,186	87,153	1,05,184	1,29,444
Policyholders funds	15,13,451	14,42,536	16,20,305	18,03,724	20,12,752
Funds for future appropriations	10,344	12,327	15,558	19,213	23,295
Total liabilities	15,94,262	15,27,049	17,23,016	19,28,122	21,65,490
Application of funds					
Shareholders investments	79,916	74,209	74,209	74,209	74,209
Policyholders investments	4,00,712	4,67,503	5,32,953	6,07,637	6,73,134
Assets to cover linked liabilities	11,09,458	9,70,850	10,87,352	11,96,087	13,39,617
Loans	2,702	4,631	4,631	4,631	4,631
Fixed assets	4,756	4,776	4,776	4,776	4,776
Net current assets (A-B)	(3,282)	5,080	19,095	40,782	69,123
Total assets	15,94,261	15,27,049	17,23,016	19,28,122	21,65,490

Key Ratio (%)

Y/E Year End	FY19	FY20	FY21E	FY22E	FY23E
Conservation ratio %	81.6	76.0	70.6	77.5	81.8
Commissions ratio %	5.2	4.8	4.9	5.2	5.2
Opex ratio %	8.3	8.7	7.9	7.9	8.1
ROA %	0.8	0.7	1.0	1.1	1.2
ROE %	16.4	15.0	20.4	20.1	21.8
Dividend payout ratio %	39.7	42.3	10.6	0.0	0.0

EV Data	FY19	FY20	FY21E	FY22E	FY23E
Embedded value (Rs mn)	2,16,240	2,30,320	2,55,055	2,86,302	3,23,687
Value of new business (Rs mn)	13,280	16,050	15,123	17,738	20,034
EVOP (Rs mn)	38,010	32,890	36,543	40,693	44,942
ROEV %	20.2	15.2	15.9	16.0	15.7
VNB margin %	17.0	21.7	23.7	25.1	25.5

Source: Company, Emkay Research

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	7.9	7.4	11.3	13.4	17.8
DPS	3.1	3.1	1.2	0.0	0.0
BVPS	49.1	50.3	60.7	73.3	90.2

Valuation (x)	FY19	FY20	FY21E	FY22E	FY23E
P/E	57.1	60.9	40.1	33.7	25.5
P/B	9.2	9.0	7.5	6.2	5.0
P/EV	3.0	2.8	2.6	2.3	2.0
P/VNB	49.0	40.5	43.0	36.7	32.5
Dividend yield (%)	0.7	0.7	0.3	0.0	0.0

Source: Company, Emkay Research

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Net earned premium	62,081	80,647	81,310	1,04,751	55,511
Total income	83,595	81,620	1,28,981	(83,171)	1,87,693
Total expenses	80,725	78,556	1,25,944	(84,888)	1,84,589
Net income	2,849	3,019	3,025	1,795	2,869
EPS (Rs)	1.98	2.10	2.11	1.25	2.00

Source: Capitaline

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	75.0	75.0	75.0	75.0	73.5
FIIIs	11.5	12.1	13.3	13.3	15.1
DIIIs	6.3	6.7	5.5	5.5	5.2
Public and Others	7.2	6.2	6.2	6.1	6.2

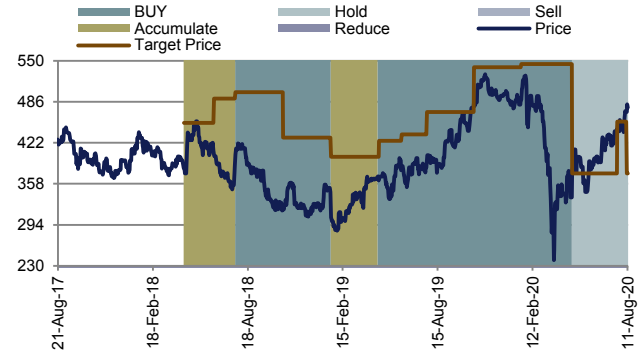
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
9-Aug-20	470	374	12m	Hold	Jignesh Shial
22-Jul-20	442	455	12m	Hold	Jignesh Shial
1-Jul-20	420	374	12m	Hold	Jignesh Shial
11-Jun-20	395	374	12m	Hold	Jignesh Shial
27-Apr-20	378	374	12m	Hold	Jignesh Shial
7-Feb-20	496	545	12m	Buy	Neeraj Toshniwal
21-Jan-20	489	545	12m	Buy	Neeraj Toshniwal
9-Dec-19	490	540	12m	Buy	Neeraj Toshniwal
8-Nov-19	519	540	12m	Buy	Neeraj Toshniwal
23-Oct-19	485	540	12m	Buy	Neeraj Toshniwal
11-Oct-19	441	470	12m	Buy	Neeraj Toshniwal
3-Oct-19	469	470	12m	Buy	Neeraj Toshniwal
11-Sep-19	422	470	12m	Buy	Neeraj Toshniwal
13-Aug-19	375	470	12m	Buy	Neeraj Toshniwal
25-Jul-19	396	470	12m	Buy	Neeraj Toshniwal
28-Jun-19	389	435	12m	Buy	Neeraj Toshniwal
7-Jun-19	386	435	12m	Buy	Neeraj Toshniwal
13-May-19	337	425	12m	Buy	Neeraj Toshniwal
25-Apr-19	368	425	12m	Buy	Neeraj Toshniwal
22-Apr-19	369	400	12m	Buy	Neeraj Toshniwal
13-Mar-19	334	400	12m	Accumulate	Neeraj Toshniwal
23-Jan-19	305	400	12m	Accumulate	Neeraj Toshniwal
24-Oct-18	323	430	12m	Buy	Neeraj Toshniwal
25-Jul-18	404	501	12m	Buy	Neeraj Toshniwal
14-Jun-18	403	491	12m	Accumulate	Neeraj Toshniwal
18-Apr-18	382	453	12m	Accumulate	Neeraj Toshniwal

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

SBI Life

Refer to important disclosures at the end of this report

Strong distribution to drive growth

CMP: Rs 842
as of (August 18, 2020)TP: Rs 1,030 (■)
12 months

Rating: BUY (■)

We hosted Mr. Sangramjit Sarangi, CFO

Key Meeting Takeaways

- The company is witnessing 30% renewals in July, which should improve persistency metrics.
- The product portfolio is dominated by ULIPs, followed by Non-PAR, PAR and lastly protection.
- Within protection, the larger chunk is credit life and the balance is pure play protection. In 3-5 years, individual protection will form a bigger piece of total protection.
- Bancca will dominate the distribution channel for the credit life portfolio.
- SBI Life is the leaders in the agency channel due to its strong relationships and attractive commission rates.
- The company has deepened its digital focus. 91% of premiums have been renewed digitally. YONO (SBI's digital platform) is doing exceedingly well in selling insurance products. Q1 alone sold as many policies as FY20. The digital channel is proving to be great for both ULIP as well as non-ULIP products.
- Management believes that the tax incentive withdrawal is no longer a hindrance in selling insurance as people are much more aware now with respect to protecting their liabilities using insurance covers.
- Interest rates are softening further and it would be a substantial risk to the savings products.

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net Profit	13,268	14,222	18,038	20,295	23,322
EPS (Rs)	13.3	14.2	18.0	20.3	23.3
VNB	17,200	20,100	21,181	25,597	31,307
VNB margin %	17.7	18.7	20.2	21.5	22.1
EV	2,24,144	2,62,900	3,03,655	3,52,048	4,10,265
ROEV %	17.4	20.5	16.6	16.9	17.4
P/EV (x)	3.9	3.3	2.9	2.5	2.1

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	-
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	18.0	20.3
Consensus	15.6	18.1
Mean Consensus TP (12M)	Rs 978	

Stock Details

Bloomberg Code	SBILIFE IN
Face Value (Rs)	10
Shares outstanding (mn)	1,000
52 Week H/L	1,030 / 519
M Cap (Rs bn/USD bn)	842 / 11.25
Daily Avg Volume (nos.)	16,06,060
Daily Avg Turnover (US\$ mn)	17.3

Shareholding Pattern Jun '20

Promoters	60.7%
FIIs	26.2%
DIIIs	7.0%
Public and Others	6.1%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(4)	12	(8)	1
Rel. to Nifty	(7)	(9)	(1)	(1)

Relative price chart



Source: Bloomberg

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Key Financials (Standalone)

Income Statement

Policyholders Account-Y/E (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net earned premium	3,28,904	4,03,253	4,52,331	5,16,425	6,18,624
Income from investments	1,12,081	29,968	1,40,636	1,67,369	1,99,349
Contribution from the shareholders fund	989	4,763	0	0	0
Miscellaneous income	638	458	503	554	609
Total income	4,42,612	4,38,441	5,93,470	6,84,348	8,18,581
Commissions	13,463	15,662	15,805	17,862	21,281
Operating expenses	21,235	24,131	27,711	32,384	39,723
Provisions	5,505	6,776	7,468	8,403	10,060
Total expenses	40,203	46,569	50,983	58,649	71,064
Benefits paid (net)	1,52,938	1,62,509	1,83,169	2,13,551	2,45,837
Change in liabilities (net)	2,35,917	2,06,049	3,32,487	3,84,563	4,71,678
Total	3,88,855	3,68,558	5,15,656	5,98,114	7,17,515
Surplus	13,553	23,314	26,831	27,585	30,003
Tax	2,687	3,767	4,471	4,883	5,261
Net surplus	10,866	19,547	22,360	22,701	24,742
Transfer to shareholders account	9,985	14,627	13,137	14,728	17,093

Shareholders Account-Y/E (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Transfer from policyholders account	9,985	14,627	13,137	14,728	17,093
Income from investments	5,057	4,767	6,015	6,840	7,669
Other income	135	68	78	90	103
Total income	15,177	19,461	19,230	21,657	24,865
Expenses	300	483	555	639	735
Provisions	159	80	0	0	0
Contribution to policyholders account	989	4,763	0	0	0
Profit before tax	13,729	14,135	18,675	21,019	24,131
Tax	461	(86)	637	723	809
Net profit	13,268	14,222	18,038	20,295	23,322

Balance Sheet

Y/E Year End	FY19	FY20	FY21E	FY22E	FY23E
Sources of funds					
Share capital	10,000	10,000	10,000	10,000	10,000
Reserve and surplus	64,601	78,839	94,104	1,11,385	1,31,693
Fair value change account credit/(debit)	1,162	(1,408)	(1,408)	(1,408)	(1,408)
Net worth (including fair value change)	75,764	87,431	1,02,696	1,19,977	1,40,285
Policyholders funds	13,51,399	15,31,011	18,83,069	22,83,504	27,71,054
Funds for future appropriations	2,816	7,137	16,360	24,334	31,982
Total liabilities	14,29,978	16,25,579	20,02,125	24,27,815	29,43,322
Application of funds					
Shareholders investments	57,232	68,279	80,201	93,697	1,09,556
Policyholders investments	6,44,724	7,34,199	8,65,390	10,13,318	11,88,554
Assets to cover linked liabilities	6,91,291	7,85,653	9,90,648	12,27,283	15,23,726
Loans	1,725	3,645	3,645	3,645	3,645
Fixed assets	5,952	5,812	5,812	5,812	5,812
Net current assets (A-B)	29,054	27,990	56,429	84,060	1,12,029
Total assets	14,29,978	16,25,579	20,02,125	24,27,815	29,43,322

Key Ratio (%)

Y/E Year End	FY19	FY20	FY21E	FY22E	FY23E
Conservation ratio %	85.2	85.1	82.2	83.7	88.4
Commissions ratio %	4.1	3.9	3.5	3.5	3.4
Opex ratio %	6.5	6.0	6.1	6.3	6.4
ROA %	1.0	0.9	1.0	0.9	0.9
ROE %	18.8	17.4	19.0	18.2	17.9
Dividend payout ratio %	15.1	14.1	12.8	12.3	10.7

EV Data	FY19	FY20	FY21E	FY22E	FY23E
Embedded value (Rs mn)	2,24,144	2,62,900	3,03,655	3,52,048	4,10,265
Value of new business (Rs mn)	17,200	20,100	21,181	25,597	31,307
EVOP (Rs mn)	33,220	45,900	43,528	51,407	61,231
ROEV %	17.4	20.5	16.6	16.9	17.4
VNB margin %	17.7	18.7	20.2	21.5	22.1

Source: Company, Emkay Research

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	13.3	14.2	18.0	20.3	23.3
DPS	2.0	2.0	2.3	2.5	2.5
BVPS	75.8	87.4	102.7	120.0	140.3

Valuation (x)	FY19	FY20	FY21E	FY22E	FY23E
P/E	65.6	61.2	49.2	43.8	38.1
P/B	11.5	10.0	8.6	7.4	6.3
P/EV	3.9	3.3	2.9	2.5	2.1
P/VNB	50.6	43.3	41.1	34.0	27.8
Dividend yield (%)	0.2	0.2	0.3	0.3	0.3

Source: Company, Emkay Research

Growth (%)	FY19	FY20	FY21E	FY22E
GWP	30.1	29.3	12.2	14.2
New business premium (NBP)	25.8	34.6	7.1	16.5
Annualized premium equivalent (APE)	13.2	21.9	(0.4)	13.8
Retail APE	0.0	22.7	25.5	14.1
Commissions	20.1	22.1	0.9	13.0
Operating expenses	23.5	24.1	14.8	16.9
Net income	15.3	(3.9)	26.8	12.5

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Net earned premium	66,550	1,01,115	1,16,945	1,18,630	75,881
Total income	98,164	1,28,898	1,59,547	51,892	1,62,745
Total expenses	94,386	1,27,706	1,55,597	41,914	1,58,868
Net income	3,719	1,298	3,898	5,307	3,909
EPS (Rs)	3.72	1.30	3.90	5.31	3.91

Source: Capitaline

Shareholding Pattern (%)	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Promoters	69.8	67.3	62.8	62.8	62.8
FIs	14.1	19.4	23.7	26.4	25.9
DIs	4.4	6.2	6.9	5.5	5.7
Public and Others	11.8	7.1	6.6	5.3	5.6

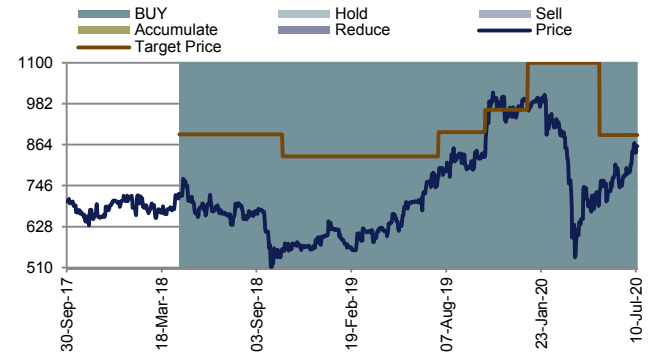
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
01-Jul-20	805	892	12m	Buy	Jignesh Shial
11-Jun-20	741	892	12m	Buy	Jignesh Shial
06-May-20	731	892	12m	Buy	Jignesh Shial
07-Feb-20	947	1,100	12m	Buy	Neeraj Toshniwal
23-Jan-20	986	1,100	12m	Buy	Neeraj Toshniwal
30-Dec-19	976	1,100	12m	Buy	Neeraj Toshniwal
09-Dec-19	942	965	12m	Buy	Neeraj Toshniwal
08-Nov-19	982	965	12m	Buy	Neeraj Toshniwal
15-Oct-19	838	965	12m	Buy	Neeraj Toshniwal
11-Oct-19	840	900	12m	Buy	Neeraj Toshniwal
03-Oct-19	831	900	12m	Buy	Neeraj Toshniwal
11-Sep-19	800	900	12m	Buy	Neeraj Toshniwal
13-Aug-19	771	900	12m	Buy	Neeraj Toshniwal
24-Jul-19	773	900	12m	Buy	Neeraj Toshniwal
13-May-19	620	830	12m	Buy	Neeraj Toshniwal
26-Apr-19	637	830	12m	Buy	Neeraj Toshniwal
22-Apr-19	616	830	12m	Buy	Neeraj Toshniwal
13-Mar-19	615	830	12m	Buy	Neeraj Toshniwal
19-Jan-19	620	830	12m	Buy	Neeraj Toshniwal
19-Oct-18	564	830	12m	Buy	Neeraj Toshniwal
26-Jul-18	673	894	12m	Buy	Neeraj Toshniwal
18-Apr-18	721	894	12m	Buy	Neeraj Toshniwal

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Cement & Building Materials

Century Plyboards

Refer to important disclosures at the end of this report

Demand recovering, new product to help gain volumes

CMP: Rs 132
as of (August 17, 2020)TP: Rs 173 (■)
12 months

Rating: BUY (■)

We hosted Mr. Keshav Bhajanka, Executive Director, Ms. Nikita Bansal, Executive Director, Mr. Arun Julasaria, CFO, and Mr. Abhishek Rath, DGM

Key Meeting Takeaways

- Ex-logistics, all the segments were down 60-75% in Q1. CFS was down only 10% as it comes under essential services. May'21 was a washout month; however, revenues were at 60% of normal levels in Jun'20, better than expected. Jul'20 revenues were almost 75% of Jul'19. By Q4FY21, revenues should reach normal levels and there should be growth going forward.
- MDF's revenues grew in Jul'20. Demand for MDF and Particle boards have improved. Other segments like Plywood and Laminates are at 70% of last year's revenues, but there is a growth on MoM basis. Demand in Tier3/4 cities has been better but Metros have been struggling. Plywood's revenues should be down 25-30% yoy in Q2FY21, 20% yoy in Q3FY21 and at last year's levels in Q4FY21.
- Unorganized players are under a lot of pressure due to working capital challenges, but no impact has been felt as of now due to much higher presence of unorganized players (more than 4,000 players for plywood). Unorganized players are facing higher challenges in Laminates than plywood due to the higher requirement of working capital.
- New product "ViroKill" was launched in plywood and laminates. This is the second-best innovation after the termite-proof plywood. It is 99.99% virus-free, and any virus that falls on these products will get ruptured. The company has used nano particle-based treatment. The product has been tested and certified under Antiviral Efficacy Test, an international standard, by Biotech Testing Services. This product will help volume gain in the short- and medium term, but marketing campaigns have not yet been started effectively. Every single sheet getting produced from Century's own plants from Apr'20 is using this technology.
- Laminates exports have done well due to higher demand from South Asian countries. In Q1, exports stood at 40% of revenues vs. normal levels of 20-25%. Higher exports led to a drop in blended realization. Revenue from Laminates should reach last year's levels in Q4FY21. In exports, OPM is 18-20%, which is better than domestic markets.
- Preference for Sitapur, UP, remains for capacity expansion in MDF and Particle board despite higher capex (Rs4.5bn+) due to higher expectation of margins (4-5pp higher OPM) than the existing plant in Hoshiarpur, Punjab. By Dec'20, a decision has to be taken regarding the site of this expansion.

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	22,638	22,827	18,039	22,475	23,523
EBITDA	3,108	3,374	2,227	3,343	3,643
EBITDA Margin (%)	13.7	14.8	12.3	14.9	15.5
APAT	1,692	1,778	1,023	1,813	2,031
EPS (Rs)	7.6	8.0	4.6	8.2	9.1
EPS (% chg)	8.0	5.1	(42.5)	77.3	12.0
ROE (%)	18.7	17.4	9.2	14.8	14.7
P/E (x)	17.3	16.4	28.6	16.1	14.4
EV/EBITDA (x)	11.1	9.5	13.8	8.8	7.7
P/BV (x)	3.0	2.7	2.5	2.3	2.0

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	4.6	8.2
Consensus	4.5	8.0
Mean Consensus TP (12M)	Rs 156	

Stock Details

Bloomberg Code	CPBI IN
Face Value (Rs)	1
Shares outstanding (mn)	222
52 Week H/L	182 / 95
M Cap (Rs bn/USD bn)	29 / 0.39
Daily Avg Volume (nos.)	702,995
Daily Avg Turnover (US\$ mn)	1.2

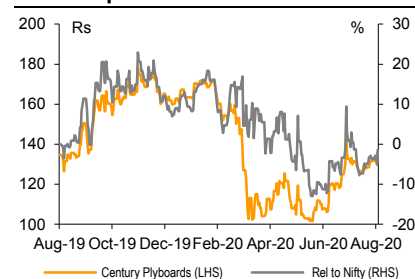
Shareholding Pattern Jun '20

Promoters	73.1%
FII	6.4%
DII	9.1%
Public and Others	11.5%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(1)	10	(18)	-
Rel. to Nifty	(6)	(10)	(11)	(2)

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	22,638	22,827	18,039	22,475	23,523
Expenditure	19,531	19,453	15,812	19,131	19,880
EBITDA	3,108	3,374	2,227	3,343	3,643
Depreciation	500	676	641	690	718
EBIT	2,608	2,698	1,586	2,653	2,925
Other Income	61	111	137	140	151
Interest expenses	446	372	197	182	168
PBT	2,222	2,437	1,527	2,611	2,909
Tax	531	659	504	798	878
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	1,692	1,778	1,023	1,813	2,031
Adjusted PAT	1,692	1,778	1,023	1,813	2,031

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	223	223	223	223	223
Reserves & surplus	9,469	10,511	11,266	12,745	14,373
Net worth	9,691	10,734	11,489	12,967	14,596
Minority Interest	0	0	0	0	0
Loan Funds	5,341	2,867	1,567	767	767
Net deferred tax liability	(615)	(578)	(578)	(578)	(578)
Total Liabilities	14,417	13,023	12,478	13,156	14,785
Net block	7,286	7,211	6,853	6,763	6,846
Investment	978	1,137	1,137	1,137	1,137
Current Assets	8,598	7,278	7,191	7,861	9,537
Cash & bank balance	226	212	168	538	1,870
Other Current Assets	1,233	739	776	815	855
Current liabilities & Provision	2,633	2,686	2,803	2,906	3,035
Net current assets	5,965	4,592	4,388	4,956	6,503
Misc. exp	0	0	0	0	0
Total Assets	14,417	13,023	12,478	13,156	14,785

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	2,162	2,326	1,389	2,471	2,757
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(170)	1,396	160	(198)	(215)
Operating Cashflow	2,259	4,260	2,021	2,487	2,701
Capital expenditure	(1,357)	(495)	(300)	(800)	(800)
Free Cash Flow	903	3,765	1,721	1,687	1,901
Investments	(17)	(159)	0	0	0
Other Investing Cash Flow	35	(40)	(137)	(140)	(151)
Investing Cashflow	(1,279)	(583)	(300)	(800)	(800)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	(206)	(2,474)	(1,300)	(800)	0
Dividend paid (incl tax)	(268)	(535)	(268)	(335)	(402)
Other Financing Cash Flow	(22)	(306)	0	0	0
Financing Cashflow	(942)	(3,687)	(1,765)	(1,317)	(570)
Net chg in cash	39	(11)	(44)	370	1,332
Opening cash position	165	226	212	168	538
Closing cash position	204	215	168	538	1,870

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	13.7	14.8	12.3	14.9	15.5
EBIT Margin	11.5	11.8	8.8	11.8	12.4
Effective Tax Rate	23.9	27.0	33.0	30.6	30.2
Net Margin	7.5	7.8	5.7	8.1	8.6
ROCE	19.3	20.5	13.5	21.8	22.0
ROE	18.7	17.4	9.2	14.8	14.7
RoIC	21.8	21.9	14.0	23.8	25.8

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	7.6	8.0	4.6	8.2	9.1
CEPS	9.9	11.0	7.5	11.3	12.4
BVPS	43.6	48.3	51.7	58.4	65.7
DPS	1.0	1.0	1.0	1.0	1.3

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	17.3	16.4	28.6	16.1	14.4
P/CEPS	13.3	11.9	17.6	11.7	10.6
P/BV	3.0	2.7	2.5	2.3	2.0
EV / Sales	1.5	1.4	1.7	1.3	1.2
EV / EBITDA	11.1	9.5	13.8	8.8	7.7
Dividend Yield (%)	0.8	0.8	0.8	0.8	1.0

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	0.5	0.2	0.1	0.0	(0.1)
Net Debt/EBITDA	1.6	0.8	0.6	0.1	(0.3)
Working Cap Cycle (days)	92.5	70.0	85.4	71.7	71.9

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	15.1	0.8	(21.0)	24.6	4.7
EBITDA	1.5	8.6	(34.0)	50.1	9.0
EBIT	15.9	3.5	(41.2)	67.3	10.2
PAT	8.0	5.1	(42.5)	77.3	12.0

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	5,737	5,894	5,954	5,242	2,007
EBITDA	926	928	943	701	8
EBITDA Margin (%)	16.1	15.7	15.8	13.4	0.4
PAT	481	521	830	388	(85)
EPS (Rs)	2.2	2.3	3.7	1.7	(0.4)

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	72.8	72.9	72.9	73.1	73.1
FIs	7.7	7.3	7.2	6.9	6.4
DIs	6.8	6.8	7.4	8.2	9.1
Public and Others	12.7	13.0	12.6	11.8	11.5

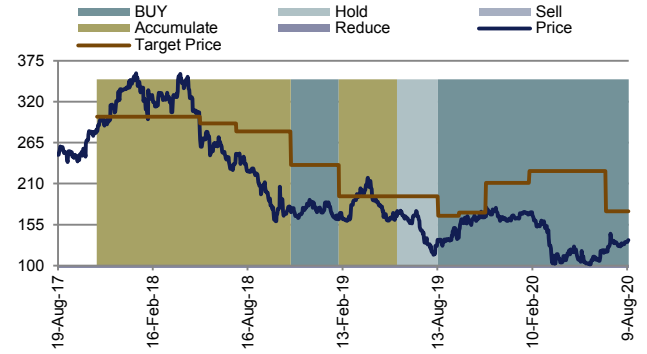
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
29-Jun-20	120	173	12m	Buy	Sanjeev Kumar Singh
4-Feb-20	169	227	12m	Buy	Sanjeev Kumar Singh
13-Nov-19	166	211	12m	Buy	Sanjeev Kumar Singh
23-Sep-19	147	171	12m	Buy	Sanjeev Kumar Singh
14-Aug-19	132	167	12m	Buy	Sanjeev Kumar Singh
28-May-19	173	193	12m	Hold	Sanjeev Kumar Singh
6-Feb-19	163	193	12m	Accumulate	Sanjeev Kumar Singh
6-Nov-18	171	235	12m	Buy	Sanjeev Kumar Singh
25-Jul-18	250	280	12m	Accumulate	Sanjeev Kumar Singh
17-May-18	269	291	12m	Accumulate	Ashit Desai
1-Nov-17	280	300	12m	Accumulate	Amit Purohit

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Greenply Industries

Refer to important disclosures at the end of this report

Focus on cost savings; aims to become debt-free by FY23

CMP: Rs87
as of (August 17, 2020)

TP: NA
12 months

Rating: NOT RATED

We hosted Mr. Mukesh Agarwal, CFO

Key Meeting Takeaways

- In Q1, revenue from Indian operations (Plywood and allied products) was Rs1.1bn, whereas revenue from Gabon was Rs250mn. The company has face veneer business in Gabon which get supplied to Europe, South East Asia and India apart from internal consumption (15-20% of revenues). In Q1, 42% of revenues was from Europe, while external sales to India stood at 5% of revenues, South East Asia at 34% of revenues and other regions like Japan and the Middle East at 1%. Rest 17% was used for internal consumption.
- In Jul'20, revenues were 65-70% of last year's level and Aug '20 is expected to be similar. Top-10 markets, which contribute 50-60% of revenues, are still facing challenges, though there has been traction in smaller markets. There should be some market share gain in smaller markets as the unorganized players are facing supply chain/logistics issues.
- Gross margin in Q1 improved on product-mix changes. Various initiatives (ad spends, travelling expense etc.) have led to cost savings in Q1 and further improvement is expected in Q2FY21. Some cost-saving measures such as the closure of a few branches (leading to reduced admin and manpower expenses), reduction in ad spends, negotiation with RM vendors, lower consultancy fess, and rent reduction of 15-20% at some branches will be retained throughout the year. OPM in FY21 should be similar to FY20 even if there is a 15-20% yoy drop in revenues. Consolidated margins should improve 400bps by FY23E from 11% in FY20.
- Receivables were reduced by Rs750-800mn in Q1, leading to debt reduction of Rs410mn - from Rs1.43bn to Rs1.02bn. Consolidated debt stands at Rs2.3bn. The intention is to become debt-free by FY23 if business conditions improve and no inorganic opportunities come up.
- 8-10% of plywood revenues is from calibrated plywood, which OEMs prefer. Recently, the company has launched a complete range targeted toward OEMs. It is similar to mid-market ply in terms of pricing and can witness higher acceptance by OEMs (durability will be higher than MDF and particle boards). Calibrated plywood could be a key focus area for the company as demand for readymade furniture is expected to increase.
- Unorganized players in Yamuna Nagar, Haryana, are not able to operate at full potential due to working capital issues and non-availability of labor. Low-end products "Bharosa and Jansathi" will help gain volumes lost by unorganized players.

Financial Snapshot (Consolidated)

(Rs mn)	FY16	FY17	FY18	FY19	FY20
Net Sales	16461	16680	9123	14122	14204
EBITDA	2392	2449	588	1440	1556
EBITDA Margin (%)	14.5	14.7	6.4	10.2	11.0
APAT	1315	1267	1150	811	473
EPS (Rs)	10.7	10.3	9.4	6.6	3.8
EPS (% chg)	16.3	-3.6	-9.2	-29.5	-41.7
ROE (%)	23.9	18.3	13.9	13.4	13.3
P/E (x)	7.9	8.2	9.0	12.7	21.9
EV/EBITDA (x)	5.2	5.6	28.7	8.6	8.0
P/BV (x)	1.7	1.3	1.2	3.1	2.7

Source: Company, Emkay Research



zChange in Estimates

EPS Chg FY21E/FY22E (%)	NA
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	MTLM IN
Face Value (Rs)	1
Shares outstanding (mn)	123
52 Week H/L	195/70
M Cap (Rs bn/USD bn)	10/0.1
Daily Avg Volume (nos.)	219388.0
Daily Avg Turnover (US\$ mn)	0.3

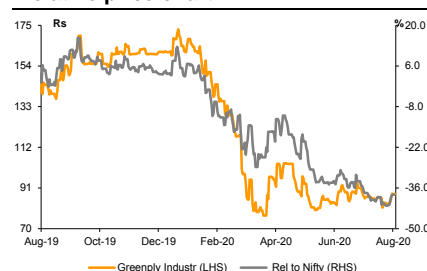
Shareholding Pattern Jun'20

Promoters	52.0%
FIIIs	10.8%
DIIIs	23.0%
Public and Others	14.2%

Price Performance

(%)	1M	3M	6M	12M
Absolute	-8	-3	-39	-39
Rel. to Nifty	-12	-21	-34	-40

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19	FY20
Net Sales	16461	16680	9123	14122	14204
Expenditure	13921	14610	8717	13047	12648
EBITDA	2392	2449	588	1440	1556
Depreciation	497	507	180	224	257
EBIT	1895	1942	409	1216	1299
Other Income	112	60	912	82	20
Interest expenses	310	189	77	186	208
PBT	1697	1813	1244	1112	1112
Tax	414	559	137	315	505
Extraordinary Items	-32	-13	-44	-15	0
Minority Int. /Income from Assoc.	0	0	0	0	0
Reported Net Income	1283	1254	1106	797	473
Adjusted PAT	1315	1267	1150	811	473

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19	FY20
Equity share capital	121	123	123	123	123
Reserves & surplus	6022	7604	8652	3230	3657
Net worth	6143	7727	8775	3352	3779
Minority Interest	0	0	0	0	0
Loan Funds	2700	4457	7122	2500	2550
Net deferred tax liability	3	-140	-265	41	105
Total Liabilities	9134	12685	16963	5999	6434
Net block	5421	5259	5805	2519	3194
Investment	287	261	185	222	238
Current Assets	5800	5976	6482	5283	5982
Cash & bank balance	350	781	335	206	103
Other Current Assets	5450	5195	6146	5077	5879
Current liabilities & Provision	2870	2920	3884	2871	2980
Net current assets	2930	3056	2598	2412	3001
Misc. exp	0	0	0	0	0
Total Assets	9134	12685	16963	5999	6434

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19	FY20
Opening Cash	34	344	731	230	41
Net Cash from Operations	1,910	2,120	1,134	978	578
Net Cash Used in Investing	-627	-3,629	-3,280	-890	-573
Net Cash Used in Financing	-1,004	1,896	1,644	-276	-190
Net Inc/(Dec) in Cash	278	387	-502	-188	-185
Closing Cash	313	731	230	41	-157

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19	FY20
EBITDA Margin	14.5	14.7	6.4	10.2	11.0
EBIT Margin	11.5	11.6	4.5	8.6	9.1
Effective Tax Rate	24.4	30.8	11.0	28.3	45.4
Net Margin	8.0	7.6	12.6	5.7	3.3
ROCE	21.6	17.8	2.8	10.6	20.9
ROE	23.9	18.3	13.9	13.4	13.3
RoIC	23.5	23.5	5.0	18.6	26.1

Per Share Data (Rs)	FY16	FY17	FY18	FY19	FY20
EPS	10.7	10.3	9.4	6.6	3.8
CEPS	14.7	14.4	10.8	8.4	5.9
BVPS	49.9	62.8	71.3	27.3	30.7
DPS	0.6	0.6	0.6	0.4	0.4

Valuations (x)	FY16	FY17	FY18	FY19	FY20
PER	7.9	8.2	9.0	12.7	21.9
P/CEPS	5.7	5.8	7.8	10.0	14.2
P/BV	1.7	1.3	1.2	3.1	2.7
EV / Sales	0.7	0.8	1.9	0.9	0.9
EV / EBITDA	5.2	5.6	28.7	8.6	8.0
Dividend Yield (%)	0.7	0.7	0.7	0.5	0.5

Gearing Ratio (x)	FY16	FY17	FY18	FY19	FY20
Net Debt/ Equity	0.3	0.4	0.8	0.6	0.6
Net Debt/EBITDA	0.9	1.4	11.2	1.4	1.4
Working Cap Cycle (days)	57.2	49.8	90.5	57.0	74.5

Growth (%)	FY16	FY17	FY18	FY19	FY20
Revenue	5.1	1.3	-45.3	54.8	0.6
EBITDA	14.1	2.4	-76.0	144.8	8.0
EBIT	16.5	2.5	-79.0	197.6	6.8
PAT	16.3	-3.6	-9.2	-29.5	-41.7

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	3,918	3,495	3,803	3,460	3,447
EBITDA	482	412	446	397	-201
EBITDA Margin (%)	12.3	11.8	11.7	11.5	-5.8
PAT	297	210	264	213	285
EPS (Rs)	2.4	1.7	2.1	1.7	2.3

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	51.0	51.7	51.8	52.0	52.0
FIIIs	11.0	11.0	10.9	10.8	10.8
DIIIs	20.9	22.2	22.8	22.9	23.0
Public and Others	17.1	15.1	14.5	14.3	14.2

Kajaria Ceramics

Refer to important disclosures at the end of this report

Better-than-expected volume recovery

CMP: Rs 403
as of (August 17, 2020)TP: Rs 386 (■)
12 months

Rating: HOLD (■)

We hosted Mr. Ashok Kajaria, Chairman & Managing Director, Mr. Rishi Kajaria, Joint Managing Director, Mr. Sanjeev Agarwal, CFO and Ms. Pallavi Bhalla, DGM, Investor Relations

Key Meeting Takeaways

- In Jul'20, all plants started operations in a staggered manner and capacity utilization was at 78% for the month. Current utilization of plants is between 85% and 100%; plants with one kiln are operating at 100%. The Gailpur plant is operating at 90%, while the Cosa plant is operating at 75%. Bath-fitting plants are operating at 100%, while the sanitaryware plant is operating at 75-80% and should improve to 100% in Sep'20. In Q2FY21, capacity utilization should reach 85-90%. Revenues in Q2 should be 80%+ of Q2FY20.
- 20% of sales are from Tier I cities, which are mostly replacement markets. Most of the business is coming from Tier 2 and Tier 3 cities, and even Tier 4 markets are doing good. The company has 1,900 dealers, out of which 1,500 dealers were active throughout the year. At present, 98% of 1,900 dealers are operational. Only 40-45 dealers in containment zones are not working.
- Morbi players are facing challenges due to the unavailability of labor and liquidity issues as well. 400+ plants have started production out of 675 plants there. Exports have increased from Morbi. 35-40% of Morbi's production is going for exports.
- In May and Jun'20, Ceramics and polished vitrified tiles (PVT) saw higher demand as glazed vitrified tiles (GVT) are consumed mostly in Tier 1/2 cities. Demand for GVT has started improving from Jul'20.
- Revenue from the Sanitaryware segment should be at Rs2.1bn in FY21 vs. Rs1.86bn in FY20. Revenue from Plywood should be at Rs350mn vs. Rs360mn in FY20.
- Inventory got reduced by Rs1bn+ in Q1FY21 as there was no production in Apr-May'20. Receivables have also come down by Rs1bn in Q1.
- Gas prices have come down by 15% yoy for the North plant. Current gas prices are at Rs25-25.5/scm vs. Rs30/scm in Q2FY20. Morbi gas prices are marginally higher than the prices in the North region.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	29,562	28,080	23,433	29,129	32,198
EBITDA	4,495	4,159	2,835	4,369	4,991
EBITDA Margin (%)	15.2	14.8	12.1	15.0	15.5
APAT	2,314	2,554	1,396	2,561	3,013
EPS (Rs)	14.6	16.1	8.8	16.1	18.9
EPS (% chg)	4.2	10.4	(45.3)	83.5	17.6
ROE (%)	15.8	15.5	7.9	13.4	14.2
P/E (x)	27.7	25.1	45.9	25.0	21.3
EV/EBITDA (x)	14.0	15.1	21.3	13.3	11.3
P/BV (x)	4.1	3.7	3.5	3.2	2.9

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	8.8	16.1
Consensus	10.8	17.0
Mean Consensus TP (12M)	Rs 446	

Stock Details

Bloomberg Code	KJC IN
Face Value (Rs)	1
Shares outstanding (mn)	159
52 Week H/L	606 / 295
M Cap (Rs bn/USD bn)	64 / 0.85
Daily Avg Volume (nos.)	485,349
Daily Avg Turnover (US\$ mn)	2.4

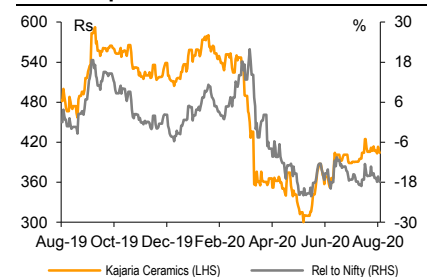
Shareholding Pattern Jun '20

Promoters	47.6%
FIIIs	21.9%
DIIIs	17.0%
Public and Others	13.6%

Price Performance

(%)	1M	3M	6M	12M
Absolute	3	29	(25)	(17)
Rel. to Nifty	(2)	6	(19)	(18)

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	29,562	28,080	23,433	29,129	32,198
Expenditure	25,067	23,921	20,597	24,760	27,207
EBITDA	4,495	4,159	2,835	4,369	4,991
Depreciation	891	1,081	1,087	1,132	1,188
EBIT	3,604	3,078	1,748	3,238	3,803
Other Income	180	242	254	279	307
Interest expenses	156	195	162	132	102
PBT	3,629	3,125	1,840	3,384	4,007
Tax	1,293	589	464	853	1,010
Extraordinary Items	(48)	0	0	0	0
Minority Int./Income from Assoc.	22	(18)	(20)	(30)	(15)
Reported Net Income	2,265	2,554	1,396	2,561	3,013
Adjusted PAT	2,314	2,554	1,396	2,561	3,013

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	159	159	159	159	159
Reserves & surplus	15,590	16,984	17,997	19,983	22,229
Net worth	15,749	17,143	18,156	20,142	22,388
Minority Interest	659	637	617	587	572
Loan Funds	1,203	1,182	982	782	582
Net deferred tax liability	1,059	716	716	716	716
Total Liabilities	18,671	19,678	20,471	22,227	24,259
Net block	10,778	11,948	11,261	10,929	10,741
Investment	3	101	101	101	101
Current Assets	12,003	12,056	13,492	15,617	18,084
Cash & bank balance	2,524	2,252	4,671	6,689	8,423
Other Current Assets	0	0	0	0	0
Current liabilities & Provision	5,048	4,693	4,683	4,720	4,968
Net current assets	6,955	7,363	8,809	10,897	13,116
Misc. exp	0	0	0	0	0
Total Assets	18,671	19,678	20,471	22,227	24,259

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	3,580	3,125	1,840	3,384	4,007
Other Non-Cash items	120	27	0	0	0
Chg in working cap	(117)	(993)	973	(71)	(484)
Operating Cashflow	3,174	2,244	3,598	3,725	3,803
Capital expenditure	(1,139)	(1,213)	(434)	(800)	(1,000)
Free Cash Flow	2,034	1,031	3,165	2,925	2,803
Investments	1	(90)	0	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(2,609)	(901)	(434)	(800)	(1,000)
Equity Capital Raised	(6)	3	0	0	0
Loans Taken / (Repaid)	(404)	(104)	(200)	(200)	(200)
Dividend paid (incl tax)	(575)	(1,150)	(383)	(575)	(766)
Other Financing Cash Flow	0	0	0	0	0
Financing Cashflow	(1,141)	(1,404)	(746)	(907)	(1,069)
Net chg in cash	(576)	(60)	2,419	2,018	1,734
Opening cash position	798	221	161	2,580	4,598
Closing cash position	2,524	2,252	4,671	6,689	8,423

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	15.2	14.8	12.1	15.0	15.5
EBIT Margin	12.2	11.0	7.5	11.1	11.8
Effective Tax Rate	35.6	18.9	25.2	25.2	25.2
Net Margin	7.9	9.0	5.9	8.7	9.3
ROCE	21.2	17.3	10.0	16.5	17.7
ROE	15.8	15.5	7.9	13.4	14.2
RoIC	23.1	19.1	10.8	21.2	24.9

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	14.6	16.1	8.8	16.1	18.9
CEPS	20.2	22.9	15.6	23.2	26.4
BVPS	99.1	107.8	114.2	126.7	140.8
DPS	3.0	3.0	2.0	3.0	4.0

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	27.7	25.1	45.9	25.0	21.3
P/CEPS	20.2	17.8	26.1	17.5	15.4
P/BV	4.1	3.7	3.5	3.2	2.9
EV / Sales	2.1	2.2	2.6	2.0	1.7
EV / EBITDA	14.0	15.1	21.3	13.3	11.3
Dividend Yield (%)	0.7	0.7	0.5	0.7	1.0

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	(0.1)	(0.1)	(0.2)	(0.3)	(0.4)
Net Debt/EBIDTA	(0.3)	(0.3)	(1.3)	(1.4)	(1.6)
Working Cap Cycle (days)	54.7	66.4	64.5	52.7	53.2

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	9.1	(5.0)	(16.6)	24.3	10.5
EBITDA	(1.5)	(7.5)	(31.8)	54.1	14.2
EBIT	(2.0)	(14.6)	(43.2)	85.2	17.5
PAT	2.4	12.7	(45.3)	83.5	17.6

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	7,000	7,147	7,413	6,520	2,776
EBITDA	1,059	1,052	1,113	934	(76)
EBITDA Margin (%)	15.1	14.7	15.0	14.3	(2.7)
PAT	510	932	615	486	(276)
EPS (Rs)	3.2	5.9	3.9	3.1	(1.7)

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	47.6	47.6	47.6	47.6	47.6
FII	26.0	26.2	24.0	23.1	21.9
DII	10.2	10.1	13.0	14.9	17.0
Public and Others	16.2	16.1	15.4	14.4	13.6

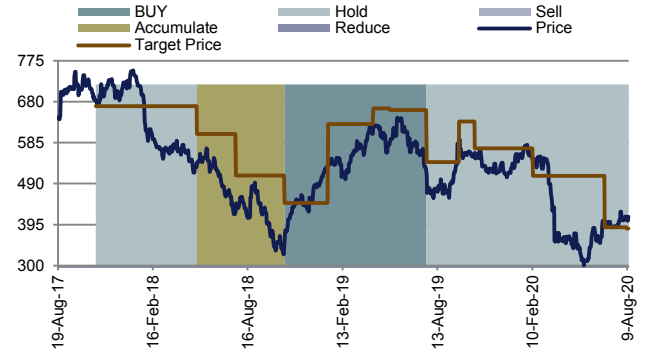
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
8-Aug-20	407	386	12m	Hold	Sanjeev Kumar Singh
27-Jun-20	401	389	12m	Hold	Sanjeev Kumar Singh
11-Feb-20	545	508	12m	Hold	Sanjeev Kumar Singh
23-Oct-19	562	572	12m	Hold	Sanjeev Kumar Singh
23-Sep-19	588	634	12m	Hold	Sanjeev Kumar Singh
23-Jul-19	511	540	12m	Hold	Sanjeev Kumar Singh
14-May-19	586	661	12m	Buy	Sanjeev Kumar Singh
12-Apr-19	622	665	12m	Buy	Sanjeev Kumar Singh
19-Jan-19	535	628	12m	Buy	Sanjeev Kumar Singh
16-Jan-19	535	628	12m	Buy	Sanjeev Kumar Singh
25-Oct-18	361	445	12m	Buy	Sanjeev Kumar Singh
24-Jul-18	434	509	12m	Accumulate	Sanjeev Kumar Singh
11-May-18	539	605	12m	Accumulate	Sanjeev Kumar Singh
30-Oct-17	684	670	12m	Hold	Amit Purohit

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Orient Cement

Refer to important disclosures at the end of this report

Cement prices remain strong, debt reduction a positive

CMP: Rs 68
as of (August 17, 2020)TP: Rs 69 (■)
12 months

Rating: HOLD (■)

We hosted Mr. Deepak Khetrapal, MD & CEO, Mr. Soumitro Bhattacharyya, CFO, and Mr. Manish Aggrawal, Sr. General Manager, Finance

Key Meeting Takeaways

- Demand remains impacted in Maharashtra and South markets by sporadic lockdowns and migration of workers. There has been some softening in rural demand recently due to rising Covid-19 cases and seasonal weakness of the monsoon season; however, there has not been any major drop in capacity utilization compared with Jun'20. Volume generally drops 15-20% MoM in July in the normal scenario, but this year, the volume drop was lower. Capacity utilization was at mid-50% in May/Jun'20, while current utilization is at the lower end of 50%. Low-cost housing projects have started picking up in AP (0.2mt every month for affordable housing) and Telangana too is trying to focus on low-cost housing.
- Orient is waiting for mining plan approval from IBM (Indian Bureau of Mines) for its brownfield expansion plan in Devapur, Telangana. Lower capacity utilization remains an overhang for increasing capacities. The company may consider acquisition of 2-3mt plants if they are available. Brownfield expansion will be preferred over acquisition in the same markets, where the company has presence.
- Cement prices were strong in AP/Telangana/Karnataka markets in Q1, which led to improved realization. Higher trade sales also led to an improvement in realization. Cement prices are down by Rs5-7/bag from Jun'20. Realization should see some impact when the non-trade sales improve due to lower prices in this segment. Trade sales normally have Rs200/ton higher profits compared with non-trade sales.
- Trade sales stood at 75% of total sales in Q1, and blended cement sales at 65% vs. 53% in Q4FY20. Premium products contributed 7-8% to total volumes vs. 3% in FY20 (exit mix of FY20 was 7%). In Q1, sales volumes in MP increased to 13% of total volumes vs. earlier levels of 10%. AP/Telangana contributed 25% of volumes, while Karnataka/Maharashtra contributed 15%/42%. 5% of volume was sold in other markets.
- Working capital fell in Q1FY21 due to the reduction in receivables (Rs1bn in Q1). The company has repaid all loan instalments (Rs800mn) due till 31 Mar'21 as it had surplus cash available. Long-term debt stands at Rs11.1bn vs. Rs11.9bn at Q1-end.
- The reason for delay in planning for Waste Heat Recovery System (WHRS) is primarily an expectation of lower IRR. This plant will need an investment of Rs1bn. Existing power plant capacity is 45MW at Chittapur, Karnataka, which is utilized only 50-55%.

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	25,222	24,218	21,563	25,077	27,239
EBITDA	3,120	3,829	3,544	3,637	4,092
EBITDA Margin (%)	12.4	15.8	16.4	14.5	15.0
APAT	476	866	769	877	1,214
EPS (Rs)	2.3	4.2	3.8	4.3	5.9
EPS (% chg)	7.6	82.1	(11.1)	14.0	38.4
ROE (%)	4.6	8.0	6.7	7.3	9.4
P/E (x)	29.1	16.0	18.0	15.8	11.4
EV/EBITDA (x)	8.7	6.8	6.9	6.5	5.4
P/BV (x)	1.3	1.2	1.2	1.1	1.0

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	3.8	4.3
Consensus	3.7	5.8
Mean Consensus TP (12M)	Rs 78	

Stock Details

Bloomberg Code	ORCMNT IN
Face Value (Rs)	1
Shares outstanding (mn)	205
52 Week H/L	100 / 35
M Cap (Rs bn/USD bn)	14 / 0.18
Daily Avg Volume (nos.)	1,203,242
Daily Avg Turnover (US\$ mn)	0.9

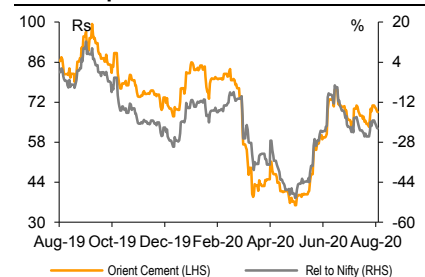
Shareholding Pattern Jun '20

Promoters	37.4%
FIIIs	3.1%
DIIIs	26.9%
Public and Others	32.7%

Price Performance

(%)	1M	3M	6M	12M
Absolute	7	72	(16)	(23)
Rel. to Nifty	1	40	(9)	(24)

Relative price chart



Source: Bloomberg

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	25,222	24,218	21,563	25,077	27,239
Expenditure	22,101	20,389	18,019	21,440	23,147
EBITDA	3,120	3,829	3,544	3,637	4,092
Depreciation	1,327	1,409	1,402	1,444	1,485
EBIT	1,793	2,420	2,142	2,193	2,607
Other Income	140	177	201	213	225
Interest expenses	1,185	1,223	1,122	1,014	906
PBT	748	1,374	1,221	1,392	1,926
Tax	272	508	451	515	712
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	476	866	769	877	1,214
Adjusted PAT	476	866	769	877	1,214

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	205	205	205	205	205
Reserves & surplus	10,330	10,979	11,569	12,206	13,132
Net worth	10,535	11,184	11,773	12,411	13,337
Minority Interest	0	0	0	0	0
Loan Funds	13,488	12,621	11,321	10,321	9,021
Net deferred tax liability	961	1,219	1,219	1,219	1,219
Total Liabilities	24,984	25,024	24,313	23,951	23,577
Net block	23,545	22,715	22,381	21,637	21,152
Investment	0	0	0	0	0
Current Assets	5,245	5,615	5,602	5,863	6,181
Cash & bank balance	288	360	554	598	701
Other Current Assets	328	295	295	295	295
Current liabilities & Provision	4,285	3,974	3,870	4,050	4,256
Net current assets	960	1,641	1,732	1,814	1,925
Misc. exp	0	0	0	0	0
Total Assets	24,984	25,024	24,313	23,951	23,577

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	748	1,374	1,221	1,392	1,926
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(160)	(650)	102	(98)	(55)
Operating Cashflow	2,813	2,918	3,395	3,237	3,550
Capital expenditure	(1,229)	(786)	(600)	(1,000)	(1,000)
Free Cash Flow	1,584	2,131	2,795	2,237	2,550
Investments	5	4	0	0	0
Other Investing Cash Flow	24	50	0	0	0
Investing Cashflow	(1,199)	(732)	(600)	(1,000)	(1,000)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	(250)	(667)	(1,300)	(1,000)	(1,300)
Dividend paid (incl tax)	(185)	(185)	(180)	(180)	(240)
Other Financing Cash Flow	0	0	0	0	0
Financing Cashflow	(1,714)	(2,059)	(2,601)	(2,194)	(2,446)
Net chg in cash	(100)	127	194	44	104
Opening cash position	331	288	360	554	598
Closing cash position	231	414	554	598	701

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	12.4	15.8	16.4	14.5	15.0
EBIT Margin	7.1	10.0	9.9	8.7	9.6
Effective Tax Rate	36.4	37.0	37.0	37.0	37.0
Net Margin	1.9	3.6	3.6	3.5	4.5
ROCE	7.9	10.4	9.5	10.0	11.9
ROE	4.6	8.0	6.7	7.3	9.4
RoIC	7.7	10.0	9.0	9.4	11.5

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	2.3	4.2	3.8	4.3	5.9
CEPS	8.8	11.1	10.6	11.3	13.2
BVPS	51.4	54.6	57.5	60.6	65.1
DPS	0.8	0.8	0.8	1.0	1.2

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	29.1	16.0	18.0	15.8	11.4
P/CEPS	7.6	6.0	6.3	5.9	5.1
P/BV	1.3	1.2	1.2	1.1	1.0
EV / Sales	1.1	1.1	1.1	0.9	0.8
EV / EBITDA	8.7	6.8	6.9	6.5	5.4
Dividend Yield (%)	1.1	1.1	1.1	1.5	1.8

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	1.3	1.1	0.9	0.8	0.6
Net Debt/EBITDA	4.2	3.2	3.0	2.7	2.0
Working Cap Cycle (days)	9.7	19.3	19.9	17.7	16.4

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	13.5	(4.0)	(11.0)	16.3	8.6
EBITDA	2.3	22.7	(7.4)	2.6	12.5
EBIT	0.2	35.0	(11.5)	2.4	18.9
PAT	7.6	82.1	(11.1)	14.0	38.4

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	6,878	5,150	5,645	6,545	4,104
EBITDA	1,496	536	550	1,247	982
EBITDA Margin (%)	21.7	10.4	9.7	19.1	23.9
PAT	559	(77)	(57)	441	256
EPS (Rs)	2.7	(0.4)	(0.3)	2.2	1.2

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	37.4	37.4	37.4	37.4	37.4
FII	8.0	7.9	7.7	7.5	3.1
DII	27.0	28.9	28.8	28.2	26.9
Public and Others	27.6	25.9	26.1	27.0	32.7

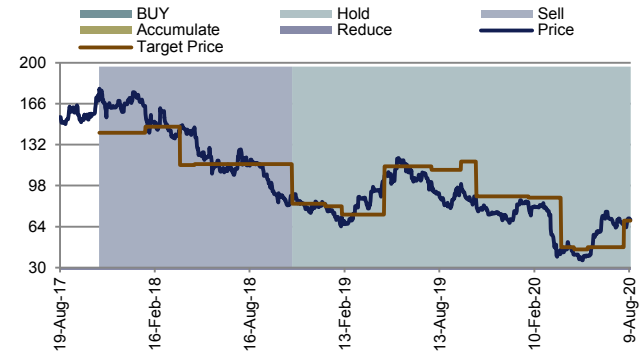
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
30-Jul-20	66	69	12m	Hold	Sanjeev Kumar Singh
22-May-20	40	47	12m	Hold	Sanjeev Kumar Singh
18-May-20	39	45	12m	Hold	Sanjeev Kumar Singh
26-Apr-20	41	45	12m	Hold	Sanjeev Kumar Singh
1-Apr-20	43	47	12m	Hold	Sanjeev Kumar Singh
30-Jan-20	81	88	12m	Hold	Sanjeev Kumar Singh
20-Nov-19	75	89	12m	Hold	Sanjeev Kumar Singh
22-Oct-19	82	89	12m	Hold	Sanjeev Kumar Singh
23-Sep-19	99	118	12m	Hold	Sanjeev Kumar Singh
29-Jul-19	100	111	12m	Hold	Sanjeev Kumar Singh
24-Jun-19	101	114	12m	Hold	Sanjeev Kumar Singh
13-Jun-19	113	114	12m	Hold	Sanjeev Kumar Singh
30-Apr-19	107	114	12m	Hold	Sanjeev Kumar Singh
8-Feb-19	69	74	12m	Hold	Sanjeev Kumar Singh
7-Jan-19	83	81	12m	Hold	Sanjeev Kumar Singh
5-Nov-18	86	83	12m	Hold	Sanjeev Kumar Singh
3-May-18	144	116	12m	Sell	Sanjeev Kumar Singh
5-Apr-18	147	115	12m	Sell	Sanjeev Kumar Singh
29-Jan-18	158	147	12m	Sell	Sanjeev Kumar Singh
15-Dec-17	159	142	12m	Sell	Sanjeev Kumar Singh
2-Nov-17	179	142	12m	Sell	Sanjeev Kumar Singh

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Sagar Cement

Refer to important disclosures at the end of this report

Capacity expansion in MP/Odisha to aid growth

CMP: Rs472
as of (August 17, 2020)

TP: NA
12 months

Rating: NOT RATED

We hosted Mr. Sreekanth Reddy, Executive Director

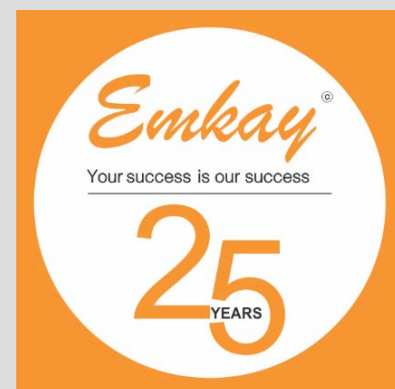
Key Meeting Takeaways

- Volume has recovered well after the easing of lockdowns from 17th April. In April, despatches were 70k tons, mainly to government projects, which increased to 0.21mt in May (normal volumes at 0.25mt). Government projects have started consuming cement and AP government is purchasing cement under YSR Nirman scheme. In two months, AP state government has consumed 0.75mt of cement. The government is planning to procure 1mt of cement every month, which if happens, will help the industry as earlier it was procuring 7-8mt cement in a year. Sagar supplies 10-15% of volumes to government projects. The price of cement for YSR Nirman scheme has been fixed at Rs225 for PPC and Rs250 for OPC.
- In FY21, volume for the company should be down 20% yoy. Sep'19 had witnessed very low consumption due to project cancellations, and hence, volume should be better this year. Organized real estate developers consume only 7-8% of total cement.
- Some pressure on pricing was seen in the last week of Jun'20 but prices were largely maintained in Jul'20 (with some marginal decline). Rs5-10/bag pricing decline has also been seen in Aug'20.
- Freight costs should increase, as freight operators have taken 7-7.5% price increase from 1st July. Wage hikes (normally it is 8-10%) had been deferred till Sep'20, but it will mostly be implemented after that as the profitability has been much better than estimates. Pet coke prices will have an impact only in Q4 as mostly the company has contracts till Dec'20.
- Sagar plans to complete MP and Odisha expansion by Sep'21. In MP, it will have an integrated plant of 1mt with WHRS, the capex for which is Rs5bn. In Odisha, it will have 1.5mt of grinding capacity, the capex for this is Rs3.1bn. It will have lead distance advantage compared to most of the plants in MP. This plant will have incentives for seven years (Rs150-200/ton). The MP plant has limestone reserves of 80mt, sufficient for 60 years. Capacity utilization of this plant should be at 80-85%, with EBITDA/ton of Rs750-800. Capacity utilization for the Odisha GU should be 70% with EBITDA/ton of Rs450-500mt. The supply overhang in Odisha will be similar to South markets due to capacity additions there (10-12mt).

Financial Snapshot (Consolidated)

(Rs mn)	FY16	FY17	FY18	FY19	FY20
Net Sales	6218	5358	7480	9020	8476
EBITDA	954	594	1205	993	1189
EBITDA Margin (%)	15.3	11.1	16.1	11.0	14.0
APAT	493	123	493	266	345
EPS (Rs)	22.4	5.6	22.4	12.1	15.7
EPS (% chg)	40.4	-75.1	301.7	-46.0	29.4
ROE (%)	9.2	1.8	6.1	3.1	3.6
P/E (x)	20.9	84.0	20.9	38.7	29.9
EV/EBITDA (x)	12.1	14.3	8.2	10.3	6.8
P/BV (x)	1.9	1.3	1.3	1.1	1.0

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	NA
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	SGC IN
Face Value (Rs)	10
Shares outstanding (mn)	22
52 Week H/L	680/236
M Cap (Rs bn/USD bn)	10/0.1
Daily Avg Volume (nos.)	52784.0
Daily Avg Turnover (US\$ mn)	0.3

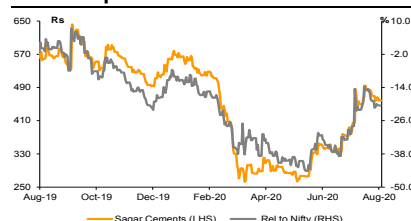
Shareholding Pattern Jun'20

Promoters	50.9%
FIIIs	2.9%
DIIIs	12.7%
Public and Others	33.5%

Price Performance

(%)	1M	3M	6M	12M
Absolute	26	65	-10	-20
Rel. to Nifty	20	35	-2	-22

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19	FY20
Net Sales	6218	5358	7480	9020	8476
Expenditure	5246	4734	6440	7852	7347
EBITDA	954	594	1205	993	1189
Depreciation	235	280	333	441	551
EBIT	719	314	872	552	638
Other Income	283	231	186	151	163
Interest expenses	292	305	297	332	339
PBT	711	240	761	371	462
Tax	219	116	267	105	115
Extraordinary Items	-1	2	1	0	3
Minority Int. /Income from Assoc.	0	0	0	0	0
Reported Net Income	492	125	494	266	347
Adjusted PAT	493	123	493	266	345

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19	FY20
Equity share capital	174	204	204	204	223
Reserves & surplus	5366	7641	8034	8247	9879
Net worth	5540	7845	8238	9017	10325
Minority Interest	0	0	0	0	0
Loan Funds	1951	2328	2615	2838	2569
Net deferred tax liability	-229	-300	-403	-411	-439
Total Liabilities	8184	10638	11353	12345	13865
Net block	4420	4947	5525	7382	8342
Investment	825	2579	2660	2753	4773
Current Assets	2157	3722	2825	3334	3194
Cash & bank balance	37	1699	565	281	101
Other Current Assets	2120	2024	2261	3054	3093
Current liabilities & Provision	1366	1231	1387	2264	2457
Net current assets	791	2491	1438	1070	737
Misc. exp	0	0	0	0	0
Total Assets	8184	10638	11353	12345	13865

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19	FY20
Opening Cash	2,167	2	1,612	405	178
Net Cash from Operations	1,324	358	977	894	1,347
Net Cash Used in Investing	-2,490	-1,331	-1,811	-1,605	-1,886
Net Cash Used in Financing	-999	2,583	-372	485	377
Net Inc/(Dec) in Cash	-2,165	1,610	-1,207	-227	-161
Closing Cash	2	1,612	405	178	17

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19	FY20
EBITDA Margin	15.3	11.1	16.1	11.0	14.0
EBIT Margin	11.6	5.9	11.7	6.1	7.5
Effective Tax Rate	30.8	48.0	35.1	28.2	24.9
Net Margin	7.9	2.3	6.6	3.0	4.1
ROCE	8.7	3.3	7.9	4.7	4.9
ROE	9.2	1.8	6.1	3.1	3.6
RoIC	12.6	5.2	12.7	7.6	7.7

Per Share Data (Rs)	FY16	FY17	FY18	FY19	FY20
EPS	22.4	5.6	22.4	12.1	15.7
CEPS	33.1	18.3	37.6	32.2	40.7
BVPS	251.8	356.6	374.5	409.9	469.3
DPS	5.0	1.5	4.0	2.5	2.5

Valuations (x)	FY16	FY17	FY18	FY19	FY20
PER	20.9	84.0	20.9	38.7	29.9
P/CEPS	14.2	25.6	12.5	14.6	11.5
P/BV	1.9	1.3	1.3	1.1	1.0
EV / Sales	1.9	1.6	1.3	1.1	1.0
EV / EBITDA	12.1	14.3	8.2	10.3	6.8
Dividend Yield (%)	1.1	0.3	0.9	0.5	0.5

Gearing Ratio (x)	FY16	FY17	FY18	FY19	FY20
Net Debt/ Equity	0.2	-0.2	-0.1	0.0	-0.2
Net Debt/EBITDA	1.1	-3.3	-0.5	-0.2	-1.9
Working Cap Cycle (days)	44.3	54.0	42.6	31.9	27.3

Growth (%)	FY16	FY17	FY18	FY19	FY20
Revenue	13.4	-13.8	39.6	20.6	-6.0
EBITDA	59.8	-37.8	103.0	-17.6	19.7
EBIT	88.4	-56.4	178.0	-36.7	15.6
PAT	40.4	-75.1	301.7	-46.0	29.4

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	2,544	1,921	1,859	2,152	1,949
EBITDA	527	266	91	306	672
EBITDA Margin (%)	20.7	13.8	4.9	14.2	34.5
PAT	245	61	-44	86	340
EPS (Rs)	11.1	2.8	-	3.9	15.5

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	50.1	50.1	50.1	50.8	50.9
FII	3.5	3.1	3.1	3.0	2.9
DII	13.8	12.8	12.9	12.7	12.7
Public and Others	32.7	34.1	34.0	33.5	33.5

Somany Ceramics

Refer to important disclosures at the end of this report

Demand starts improving, working capital under control

CMP: Rs 133
as of (August 17, 2020)TP: Rs 130 (■)
12 months

Rating: HOLD (■)

We hosted Mr. Abhishek Somany, Chairman & Managing Director, Mr. Saikat Mukhopadhyaya, CFO, and Mr. Kumar Sunit, AGM, Finance

Key Meeting Takeaways

- Production was almost nil in Apr/May'20. Capacity utilization was 44%/66% in Jun/Jul'20. The plants are currently operating almost at pre-Covid-19 levels; however, sales volume is impacted by labor constraints. Labor issues are expected to get resolved by August-end. The company targets to achieve 85% of Q2FY20 sales volumes in Q2FY21. Management believes that renovations should pick up as people would spend 15-20% additional time at home now.
- Tiles prices are expected to remain stable as Morbi-based players too are facing liquidity challenges. In Q1, blended realizations increased due to higher retail sales (90%+) as discounts are lower in this segment. The increase in realization happened despite some down-trading at the dealer level.
- In Morbi, 230-250 units are still shut, out of the 950 plants, and 50-70 may be permanently shut. Morbi-based players have reduced credit periods and increased prices, due to which dealers are preferring branded players. The focus of Morbi players is on exports due to: 1) lower competition as many units are shut; and 2) purchasers are looking for options beyond China. This may help Indian players in Gulf countries too despite anti-dumping as India is the next best supplier after China.
- Receivables have further come down to Rs1.98bn from Rs2.8bn in Mar'20 (Rs5bn/Rs4.2bn in FY18/FY19-end). Collections remain strong and there has been some further reduction in receivables till now.
- There could be some increase in exports - from 3% of sales to 3.5-4% in FY21 - as utilization is low and there is an uncertainty on future lockdowns. However, the focus will continue to be on the domestic market.
- ICD outstanding was down to Rs160mn in Mar'20 from Rs350mn earlier. There has not been any reduction in Q1, but management expects Rs30-40mn reduction in Q2FY21. The balance is expected to be realized in one year.
- There will be only maintenance capex of Rs250-300mn in FY21. A few printers (Rs20-30mn capex for each printer) needs to be replaced and the decision would be taken in the next few months.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	17,151	16,101	13,118	16,414	17,683
EBITDA	1,645	1,314	958	1,477	1,680
EBITDA Margin (%)	9.6	8.2	7.3	9.0	9.5
APAT	586	412	(32)	371	522
EPS (Rs)	13.8	9.7	(0.8)	8.7	12.3
EPS (% chg)	(21.8)	(29.7)	(107.8)	0.0	40.8
ROE (%)	9.8	6.8	(0.5)	6.0	8.0
P/E (x)	9.6	13.7	(176.0)	15.2	10.8
EV/EBITDA (x)	6.3	7.6	9.5	6.0	5.0
P/BV (x)	0.9	0.9	0.9	0.9	0.8

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	(0.8)	8.7
Consensus	1.4	11.1
Mean Consensus TP (12M)	Rs 151	

Stock Details

Bloomberg Code	SOMC IN
Face Value (Rs)	2
Shares outstanding (mn)	61
52 Week H/L	324 / 77
M Cap (Rs bn/USD bn)	8 / 0.11
Daily Avg Volume (nos.)	134,229
Daily Avg Turnover (US\$ mn)	0.2

Shareholding Pattern Jun '20

Promoters	51.5%
FII	1.8%
DII	18.8%
Public and Others	28.0%

Price Performance

(%)	1M	3M	6M	12M
Absolute	15	46	(37)	(56)
Rel. to Nifty	9	19	(31)	(57)

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	17,151	16,101	13,118	16,414	17,683
Expenditure	15,505	14,787	12,161	14,936	16,003
EBITDA	1,645	1,314	958	1,477	1,680
Depreciation	443	590	621	659	698
EBIT	1,203	724	336	818	982
Other Income	180	127	132	149	168
Interest expenses	459	494	449	400	370
PBT	923	358	19	567	780
Tax	268	(99)	5	142	195
Extraordinary Items	(122)	(262)	0	0	0
Minority Int./Income from Assoc.	69	45	46	55	63
Reported Net Income	463	150	(32)	371	522
Adjusted PAT	586	412	(32)	371	522

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	85	85	85	85	85
Reserves & surplus	6,045	5,980	5,897	6,191	6,611
Net worth	6,130	6,064	5,981	6,276	6,696
Minority Interest	867	941	987	1,042	1,105
Loan Funds	5,730	4,880	4,580	4,080	3,780
Net deferred tax liability	532	358	358	358	358
Total Liabilities	13,259	12,244	11,907	11,756	11,939
Net block	7,100	7,779	7,658	7,598	7,501
Investment	683	341	341	341	341
Current Assets	8,551	7,339	7,053	7,032	7,629
Cash & bank balance	400	201	751	511	606
Other Current Assets	1,426	1,058	1,099	1,141	1,185
Current liabilities & Provision	3,321	3,275	3,205	3,276	3,593
Net current assets	5,229	4,063	3,848	3,756	4,037
Misc. exp	0	0	0	0	0
Total Assets	13,259	12,244	11,907	11,756	11,939

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	801	96	19	567	780
Other Non-Cash items	(147)	245	0	0	0
Chg in working cap	(381)	255	766	(148)	(186)
Operating Cashflow	859	1,528	1,850	1,337	1,467
Capital expenditure	(1,559)	(664)	(500)	(600)	(600)
Free Cash Flow	(700)	864	1,350	737	867
Investments	973	176	0	0	0
Other Investing Cash Flow	(425)	199	0	0	0
Investing Cashflow	(889)	(148)	(500)	(600)	(600)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	721	(777)	(300)	(500)	(300)
Dividend paid (incl tax)	(138)	(204)	(51)	(77)	(102)
Other Financing Cash Flow	97	(88)	0	0	0
Financing Cashflow	270	(1,526)	(800)	(976)	(772)
Net chg in cash	239	(146)	550	(240)	95
Opening cash position	105	346	201	751	511
Closing cash position	400	201	751	511	606

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	9.6	8.2	7.3	9.0	9.5
EBIT Margin	7.0	4.5	2.6	5.0	5.6
Effective Tax Rate	29.1	(27.7)	25.0	25.0	25.0
Net Margin	3.8	2.8	0.1	2.6	3.3
ROCE	10.7	6.7	3.9	8.2	9.7
ROE	9.8	6.8	(0.5)	6.0	8.0
RoIC	10.4	6.1	3.0	7.6	9.0

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	13.8	9.7	(0.8)	8.7	12.3
CEPS	24.3	23.6	13.9	24.3	28.8
BVPS	144.6	143.1	141.1	148.1	158.0
DPS	2.0	2.0	1.0	1.5	2.0

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	9.6	13.7	(176.0)	15.2	10.8
P/CEPS	5.6	5.8	9.8	5.6	4.7
P/BV	0.9	0.9	0.9	0.9	0.8
EV / Sales	0.6	0.6	0.7	0.5	0.5
EV / EBITDA	6.3	7.6	9.5	6.0	5.0
Dividend Yield (%)	1.5	1.5	0.8	1.1	1.5

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	0.8	0.7	0.6	0.5	0.4
Net Debt/EBITDA	2.8	3.3	3.6	2.2	1.7
Working Cap Cycle (days)	102.8	87.6	86.2	72.2	70.8

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	0.1	(6.1)	(18.5)	25.1	7.7
EBITDA	(11.5)	(20.2)	(27.1)	54.3	13.7
EBIT	(16.8)	(39.8)	(53.6)	143.1	20.1
PAT	(34.3)	(67.6)	(121.4)	0.0	40.8

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	3,955	4,223	4,362	3,561	1,694
EBITDA	325	448	403	139	(116)
EBITDA Margin (%)	8.2	10.6	9.2	3.9	(6.9)
PAT	74	65	104	(93)	(220)
EPS (Rs)	1.9	1.7	2.7	(2.4)	(5.7)

Source: Company, Emkay Research

Shareholding Pattern (%)	Sep-19	Dec-19	Feb-20	Mar-20	Jun-20
Promoters	51.5	51.5	51.5	51.5	51.5
FII	3.0	3.0	2.9	2.1	1.8
DII	20.9	21.0	20.0	19.7	18.8
Public and Others	24.7	24.5	25.6	26.7	28.0

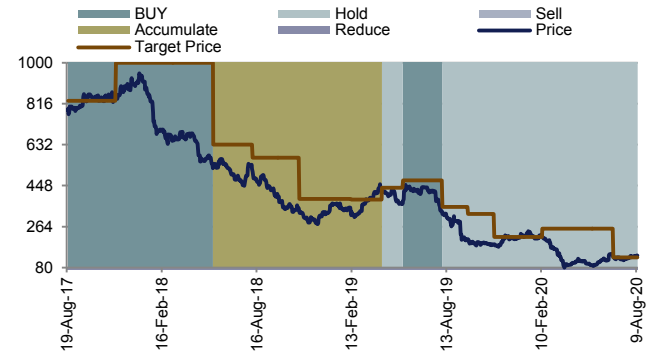
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
13-Aug-20	135	130	12m	Hold	Sanjeev Kumar Singh
26-Jun-20	126	126	12m	Hold	Sanjeev Kumar Singh
12-Feb-20	219	255	12m	Hold	Sanjeev Kumar Singh
12-Nov-19	185	217	12m	Hold	Sanjeev Kumar Singh
23-Sep-19	208	321	12m	Hold	Sanjeev Kumar Singh
5-Aug-19	320	352	12m	Hold	Sanjeev Kumar Singh
22-May-19	380	471	12m	Buy	Sanjeev Kumar Singh
12-Apr-19	421	439	12m	Hold	Sanjeev Kumar Singh
12-Feb-19	315	385	12m	Accumulate	Sanjeev Kumar Singh
5-Nov-18	330	388	12m	Accumulate	Sanjeev Kumar Singh
8-Aug-18	511	574	12m	Accumulate	Sanjeev Kumar Singh
25-May-18	542	632	12m	Accumulate	Sanjeev Kumar Singh
20-Nov-17	851	1,000	12m	Buy	Amit Purohit
21-Aug-17	793	830	12m	Buy	Amit Purohit

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Consumer Durables

Amber Enterprises

Refer to important disclosures at the end of this report

Exports and 'Aatmanirbhar Bharat' to provide growth opportunities

CMP: Rs 1,734
as of (August 17, 2020)TP: Rs 1,619 (■)
12 months

Rating: HOLD (■)

We hosted Mr. Jasbir Singh, Chairman and CEO, Mr. Daljit Singh, Managing Director, and Mr. Sudhir Goyal, CFO

Key Meeting Takeaways

- RAC inventory (Channel + Brands) in month of May stood at ~2.5mn units, of which inventory of 0.5mn units each got liquidated in June and July, and there is expectation of the balance inventory getting liquidated in Q2.
- Amber sees strong growth potential from 'China plus one' strategy adopted by brands and likely government initiatives under 'Aatmanirbhar Bharat' with potential policy initiatives through PMP and PLI schemes.
- Around 30% of RACs, or 2.5mn units amounting to Rs45bn, continues to be imported. Similarly, components worth another Rs45-50bn are imported (70% motors and 60% PCBs are imported). These imports can be reduced if PMP and PLI schemes, which encourage domestic production, are implemented.
- Amber expects PMP and PLI schemes to provide a huge opportunity and the company is geared up to tap any kind of opportunities that come in its way as it is already present in the manufacturing ecosystem of both RACs and components through its subsidiaries.
- Amber expects ~30-40% of imports to come to the company as it is a complete solution provider for RACs. It also expects increased component sourcing as it has now developed BLDC motors and inverter PCB solutions which will give it a competitive edge.
- Exports and commercial air conditioners are other growth drivers for Amber as it has already developed commercial ACs in the range of 2.5-5 tons and has developed a prototype of split AC to be exported to the US. FY23 can see the full benefits of exports as FY21 and FY22 will see the reliability test for these products.
- With potential demand from brands, Amber would look to set up a green-field facility in South India with a capex of Rs1.5bn, which will be generated from internal accruals. It has taken an enabling resolution for fund raising up to Rs5bn but this would be raised only if the government policies under PLI and PMP schemes are announced.
- Sidwal is also seeing increased traction with increased demand for new AC coaches and air-conditioners for defense and telecom applications. Total order book stands at Rs5.5bn, executable over the next 24 months.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	27,520	39,628	34,697	49,658	55,603
EBITDA	2,129	3,093	2,463	3,973	4,420
EBITDA Margin (%)	7.7	7.8	7.1	8.0	8.0
APAT	937	1,584	830	1,928	2,145
EPS (Rs)	29.8	50.4	26.4	61.3	68.2
EPS (% chg)	50.3	69.1	(47.6)	132.4	11.3
ROE (%)	10.0	15.0	7.1	14.7	14.2
P/E (x)	58.2	34.4	65.7	28.3	25.4
EV/EBITDA (x)	26.6	18.4	23.2	14.5	12.8
P/BV (x)	5.5	4.8	4.5	3.9	3.4

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	-
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	26.4	61.3
Consensus	27.8	63.8
Mean Consensus TP (12M)	Rs 1,730	

Stock Details

Bloomberg Code	AMBER IN
Face Value (Rs)	10
Shares outstanding (mn)	31
52 Week H/L	1,809 / 790
M Cap (Rs bn/USD bn)	55 / 0.73
Daily Avg Volume (nos.)	90,336
Daily Avg Turnover (US\$ mn)	1.8

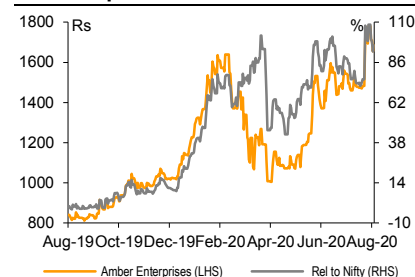
Shareholding Pattern Jun '20

Promoters	44.0%
FIIIs	13.3%
DIIIs	6.6%
Public and Others	36.1%

Price Performance

(%)	1M	3M	6M	12M
Absolute	16	53	10	113
Rel. to Nifty	10	26	19	111

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	27,520	39,628	34,697	49,658	55,603
Expenditure	25,391	36,535	32,234	45,685	51,182
EBITDA	2,129	3,093	2,463	3,973	4,420
Depreciation	623	848	956	1,057	1,169
EBIT	1,506	2,245	1,508	2,915	3,251
Other Income	99	82	168	159	122
Interest expenses	246	419	442	412	412
PBT	1,359	1,907	1,234	2,663	2,961
Tax	412	266	345	670	745
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	11	57	59	64	71
Reported Net Income	937	1,584	830	1,928	2,145
Adjusted PAT	937	1,584	830	1,928	2,145

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	314	314	314	314	314
Reserves & surplus	9,547	10,970	11,808	13,750	15,915
Net worth	9,861	11,284	12,122	14,064	16,230
Minority Interest	190	348	348	348	348
Loan Funds	2,479	3,205	5,205	4,205	4,205
Net deferred tax liability	438	678	678	678	678
Total Liabilities	12,969	15,515	18,353	19,296	21,461
Net block	8,095	11,058	11,819	12,379	12,986
Investment	0	0	0	0	0
Current Assets	15,276	17,833	17,670	22,543	25,896
Cash & bank balance	401	700	2,506	1,242	2,127
Other Current Assets	1,150	1,741	1,609	2,009	2,169
Current liabilities & Provision	10,739	13,494	11,254	15,744	17,539
Net current assets	4,537	4,339	6,416	6,799	8,357
Misc. exp	0	0	0	0	0
Total Assets	12,969	15,515	18,353	19,296	21,461

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	1,260	1,826	1,065	2,503	2,839
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(2,280)	737	(271)	(1,647)	(673)
Operating Cashflow	(631)	3,641	1,847	1,656	3,002
Capital expenditure	(1,657)	(3,592)	(1,717)	(1,617)	(1,777)
Free Cash Flow	(2,287)	49	130	39	1,225
Investments	57	0	0	0	0
Other Investing Cash Flow	383	0	0	0	0
Investing Cashflow	(1,117)	(3,511)	(1,548)	(1,457)	(1,655)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	1,340	726	2,000	(1,000)	0
Dividend paid (incl tax)	0	(121)	(50)	(50)	(50)
Other Financing Cash Flow	1,055	384	700	2,506	1,242
Financing Cashflow	2,149	570	2,207	1,044	780
Net chg in cash	401	700	2,506	1,242	2,127
Opening cash position	1,194	401	700	2,506	1,242
Closing cash position	401	700	2,506	1,242	2,127

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	7.7	7.8	7.1	8.0	8.0
EBIT Margin	5.5	5.7	4.3	5.9	5.8
Effective Tax Rate	30.3	13.9	28.0	25.2	25.2
Net Margin	3.4	4.1	2.6	4.0	4.0
ROCE	13.7	16.3	9.9	16.3	16.6
ROE	10.0	15.0	7.1	14.7	14.2
RoIC	14.3	16.7	9.9	17.3	17.5

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	29.8	50.4	26.4	61.3	68.2
CEPS	49.6	77.3	56.8	94.9	105.4
BVPS	313.6	358.8	385.5	447.2	516.1
DPS	0.0	3.2	1.6	1.6	1.6

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	58.2	34.4	65.7	28.3	25.4
P/CEPS	34.5	22.2	30.2	18.0	16.3
P/BV	5.5	4.8	4.5	3.9	3.4
EV / Sales	2.1	1.4	1.6	1.2	1.0
EV / EBITDA	26.6	18.4	23.2	14.5	12.8
Dividend Yield (%)	0.0	0.2	0.1	0.1	0.1

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	0.2	0.2	0.2	0.2	0.1
Net Debt/EBIDTA	1.0	0.8	1.1	0.7	0.5
Working Cap Cycle (days)	54.9	33.5	41.1	40.8	40.9

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	29.3	44.0	(12.4)	43.1	12.0
EBITDA	16.0	45.3	(20.3)	61.3	11.3
EBIT	11.9	49.1	(32.8)	93.3	11.5
PAT	50.3	69.1	(47.6)	132.4	11.3

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	12,359	6,232	7,884	13,152	2,595
EBITDA	1,164	367	543	1,019	(55)
EBITDA Margin (%)	9.4	5.9	6.9	7.7	(2.1)
PAT	612	118	226	628	(224)
EPS (Rs)	19.5	3.7	7.2	20.0	(7.1)

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	44.0	44.0	44.0	44.0	44.0
FII	11.4	11.5	12.5	12.4	13.3
DII	5.7	6.0	6.0	7.2	6.6
Public and Others	38.8	38.5	37.5	36.4	36.1

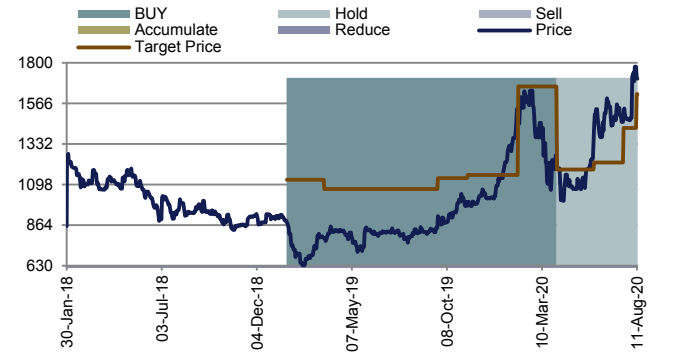
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
10-Aug-20	1,714	1,619	12m	Hold	Naval Seth
20-Jul-20	1,484	1,424	12m	Hold	Naval Seth
02-Jun-20	1,437	1,225	12m	Hold	Naval Seth
07-Apr-20	1,190	1,184	12m	Hold	Naval Seth
03-Apr-20	1,193	1,184	12m	Hold	Naval Seth
16-Mar-20	1,225	1,664	12m	Buy	Naval Seth
05-Mar-20	1,423	1,664	12m	Buy	Naval Seth
13-Feb-20	1,606	1,664	12m	Buy	Naval Seth
31-Jan-20	1,510	1,664	12m	Buy	Naval Seth
16-Dec-19	1,016	1,154	12m	Buy	Naval Seth
28-Nov-19	1,016	1,154	12m	Buy	Naval Seth
19-Nov-19	987	1,154	12m	Buy	Naval Seth
10-Nov-19	976	1,154	12m	Buy	Naval Seth
23-Sep-19	916	1,136	12m	Buy	Naval Seth
11-Sep-19	843	1,072	12m	Buy	Naval Seth
09-Aug-19	799	1,072	12m	Buy	Naval Seth
13-Jun-19	817	1,072	12m	Buy	Naval Seth
27-May-19	826	1,072	12m	Buy	Naval Seth
20-May-19	743	1,072	12m	Buy	Naval Seth
08-Apr-19	835	1,072	12m	Buy	Naval Seth
26-Mar-19	780	1,072	12m	Buy	Naval Seth
23-Mar-19	790	1,072	12m	Buy	Naval Seth
14-Mar-19	815	1,126	12m	Buy	Naval Seth
11-Feb-19	700	1,126	12m	Buy	Naval Seth
21-Jan-19	880	1,126	12m	Buy	Naval Seth

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Crompton Greaves CE

Refer to important disclosures at the end of this report

On the right track

CMP: Rs 251
as of (August 17, 2020)

TP: Rs 271 (■)
12 months

Rating: BUY (■)

We hosted Mr. Sandeep Batra, CFO, and Mr. Yeshwant Rege, VP, Strategy and Financial Planning.

Key Meeting Takeaways

- Demand continues to see improvement on a MoM basis, with July better than June and August starting on a good note. North and West saw demand pick-up in July and August as the lockdown restrictions eased.
- East has seen a deterioration on localized lockdowns in WB, Bihar and Orissa. A few eastern regions were also impacted by floods. Localized lockdowns are likely to continue, while the company does not expect any disruption at the national level.
- Management reiterated that it will continue to deliver industry-leading margin where it has a dominant market share. Premium Fans, Agri pumps, B2C lighting and Kitchen appliances are growth areas for Crompton.
- R&D spends are expected to double. Spends will be in the areas of: 1) Industrialization process to get products quickly to the market after conceptualization, 2) IOT - creating IOT-based products and 3) material sciences being future ready.
- **ECD Segment (Fans):** Product innovation plans remain unchanged with new product launches. The company has introduced Silent-pro premium plastic fans in a couple of markets (North and West) pre-Covid-19.
- **Pumps:** Pumps is one of the core categories for Crompton. The company has seen strong traction in residential pumps and is a market leader in this category with best-in-class margins. Crompton enjoys significant market share in North and East, while it has been able to make inroads into South only recently.
- **Lighting:** B2C lighting saw positive volume growth in June, while the prices of LED lighting remained stable. Prices of battens and down lighters had seen correction in July and August last year, and the base should become favorable in September. B2B continues to remain challenging as projects under execution are getting pushed back. There is also a slowdown in project enquiries.
- Currently, the company is not seeing any headwinds with regard to commodity prices. Current commodity prices and weighted average commodity prices for the last six months are similar. Project Unnati is expected to give incremental cost savings of Rs1-1.2bn in FY21. The company has already achieved cost savings of Rs5bn over the past five years.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	44,789	45,120	42,210	47,282	52,565
EBITDA	5,858	5,969	5,639	6,430	7,201
EBITDA Margin (%)	13.1	13.2	13.4	13.6	13.7
APAT	4,025	4,947	4,116	5,006	5,638
EPS (Rs)	6.4	7.9	6.6	8.0	9.0
EPS (% chg)	34.9	22.8	(16.8)	21.6	12.6
ROE (%)	42.6	38.6	25.8	26.6	25.5
P/E (x)	39.1	31.8	38.3	31.5	27.9
EV/EBITDA (x)	26.8	26.0	27.1	23.2	20.3
P/BV (x)	14.3	10.7	9.1	7.7	6.6

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	6.6	8.0
Consensus	6.3	8.1
Mean Consensus TP (12M)	Rs 276	

Stock Details

Bloomberg Code	CROMPTON IN	
Face Value (Rs)	2	
Shares outstanding (mn)	627	
52 Week H/L	301 / 177	
M Cap (Rs bn/USD bn)	157 / 2.10	
Daily Avg Volume (nos.)	9,60,106	
Daily Avg Turnover (US\$ mn)	3.0	

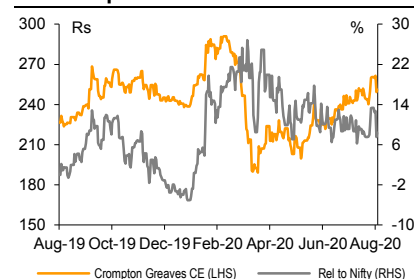
Shareholding Pattern Jun '20

Promoters	26.2%
FIIIs	29.9%
DIIIs	25.7%
Public and Others	18.2%

Price Performance

(%)	1M	3M	6M	12M
Absolute	2	17	(10)	11
Rel. to Nifty	(2)	(3)	(3)	7

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	44,789	45,120	42,210	47,282	52,565
Expenditure	38,931	39,151	36,571	40,852	45,364
EBITDA	5,858	5,969	5,639	6,430	7,201
Depreciation	129	268	315	339	363
EBIT	5,729	5,701	5,325	6,091	6,838
Other Income	483	589	675	868	967
Interest expenses	596	407	500	270	270
PBT	5,616	5,883	5,500	6,690	7,535
Tax	1,590	936	1,384	1,684	1,897
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	4,025	4,947	4,116	5,006	5,638
Adjusted PAT	4,025	4,947	4,116	5,006	5,638

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	1,254	1,255	1,255	1,255	1,255
Reserves & surplus	9,731	13,423	15,993	19,119	22,640
Net worth	10,985	14,678	17,248	20,374	23,895
Minority Interest	0	0	0	0	0
Loan Funds	6,493	3,497	4,997	2,997	2,997
Net deferred tax liability	(597)	(506)	(506)	(506)	(506)
Total Liabilities	16,881	17,669	21,739	22,865	26,386
Net block	8,632	9,090	8,925	8,735	8,522
Investment	5,442	5,538	7,038	7,038	7,038
Current Assets	12,018	12,108	13,928	16,242	21,018
Cash & bank balance	1,424	471	2,990	4,085	7,591
Other Current Assets	0	0	0	0	0
Current liabilities & Provision	9,221	9,265	8,350	9,350	10,391
Net current assets	2,798	2,843	5,578	6,893	10,627
Misc. exp	0	0	0	0	0
Total Assets	16,881	17,669	21,739	22,865	26,386

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	5,133	5,294	4,825	5,822	6,568
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(1,661)	(908)	(215)	(220)	(229)
Operating Cashflow	3,014	4,211	4,040	4,526	5,076
Capital expenditure	(148)	(915)	(150)	(150)	(150)
Free Cash Flow	2,866	3,296	3,890	4,377	4,926
Investments	(1,766)	(96)	(1,500)	0	0
Other Investing Cash Flow	(283)	406	0	0	0
Investing Cashflow	(1,714)	(17)	(975)	718	817
Equity Capital Raised	0	1	0	0	0
Loans Taken / (Repaid)	7	(2,995)	1,500	(2,000)	0
Dividend paid (incl tax)	(1,512)	0	(1,546)	(1,880)	(2,118)
Other Financing Cash Flow	2,224	(322)	471	2,990	4,085
Financing Cashflow	124	(3,723)	(75)	(1,159)	1,698
Net chg in cash	1,424	471	2,990	4,085	7,591
Opening cash position	1,774	1,424	471	2,990	4,085
Closing cash position	1,424	471	2,990	4,085	7,591

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	13.1	13.2	13.4	13.6	13.7
EBIT Margin	12.8	12.6	12.6	12.9	13.0
Effective Tax Rate	28.3	15.9	25.2	25.2	25.2
Net Margin	9.0	11.0	9.8	10.6	10.7
ROCE	40.4	36.4	30.4	31.2	31.7
ROE	42.6	38.6	25.8	26.6	25.5
RoIC	62.1	53.1	46.4	52.8	59.2

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	6.4	7.9	6.6	8.0	9.0
CEPS	6.6	8.3	7.1	8.5	9.6
BVPS	17.5	23.4	27.5	32.5	38.1
DPS	2.4	0.0	2.5	3.0	3.4

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	39.1	31.8	38.3	31.5	27.9
P/CEPS	37.2	29.6	34.9	28.9	25.7
P/BV	14.3	10.7	9.1	7.7	6.6
EV / Sales	3.5	3.4	3.6	3.2	2.8
EV / EBITDA	26.8	26.0	27.1	23.2	20.3
Dividend Yield (%)	1.0	0.0	1.0	1.2	1.3

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	0.0	(0.2)	(0.3)	(0.4)	(0.5)
Net Debt/EBIDTA	0.0	(0.4)	(0.9)	(1.2)	(1.6)
Working Cap Cycle (days)	11.2	19.2	22.4	21.7	21.1

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	9.8	0.7	(6.4)	12.0	11.2
EBITDA	15.9	1.9	(5.5)	14.0	12.0
EBIT	16.2	(0.5)	(6.6)	14.4	12.3
PAT	34.9	22.9	(16.8)	21.6	12.6

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	13,468	10,758	10,713	10,181	7,132
EBITDA	1,921	1,295	1,369	1,385	988
EBITDA Margin (%)	14.3	12.0	12.8	13.6	13.9
PAT	1,226	1,113	1,610	998	737
EPS (Rs)	2.0	1.8	2.6	1.6	1.2

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	34.4	34.4	26.2	26.2	26.2
FII	28.3	28.1	30.9	30.5	29.9
DII	21.3	22.0	26.9	26.7	25.7
Public and Others	16.1	15.6	16.1	16.6	18.2

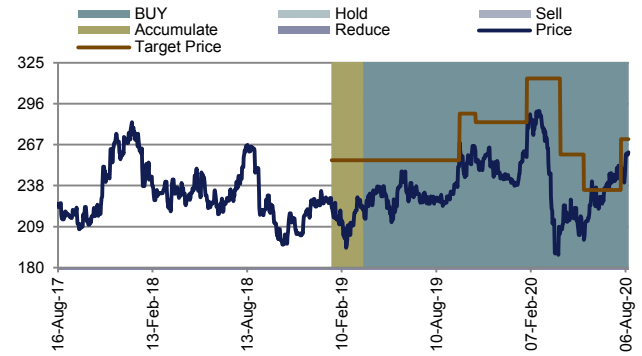
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
28-Jul-20	252	271	12m	Buy	Naval Seth
18-May-20	200	235	12m	Buy	Naval Seth
07-Apr-20	210	260	12m	Buy	Naval Seth
03-Apr-20	207	260	12m	Buy	Naval Seth
16-Mar-20	230	314	12m	Buy	Naval Seth
30-Jan-20	267	314	12m	Buy	Naval Seth
19-Nov-19	265	283	12m	Buy	Naval Seth
24-Oct-19	255	283	12m	Buy	Naval Seth
23-Sep-19	268	289	12m	Buy	Naval Seth
11-Sep-19	232	256	12m	Buy	Naval Seth
25-Jul-19	225	256	12m	Buy	Naval Seth
13-Jun-19	234	256	12m	Buy	Naval Seth
22-May-19	219	256	12m	Buy	Naval Seth
20-May-19	228	256	12m	Buy	Naval Seth
08-Apr-19	227	256	12m	Buy	Naval Seth
23-Mar-19	221	256	12m	Buy	Naval Seth
14-Mar-19	227	256	12m	Accumulate	Naval Seth
30-Jan-19	216	256	12m	Accumulate	Naval Seth
21-Jan-19	223	256	12m	Accumulate	Naval Seth

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Dixon Technologies

Refer to important disclosures at the end of this report

Mobile phones to be a game changer

CMP: Rs 8,103
as of (August 17, 2020)TP: Rs 8,663 (■)
12 months

Rating: BUY (■)

We hosted Mr Atul Lall, Managing Director, and Mr. Saurabh Gupta, CFO.

Key Meeting Takeaways

- Consumer durables and electronics industry should see increased manufacturing in India with most of the brands outsourcing manufacturing and designing of mass products. India is set to become a manufacturing hub with favorable government policies.
- LED TV:** LED TV is seeing increased traction as the government has put imports of TVs in the restricted category. Dixon is already in the process of expanding its capacity in LED TVs from 3.6mn units to 4.4mn units which will be further enhanced to 5.5mn units by Q4. The order book in TVs remains strong, with orders above existing capacity.
- Lighting:** Dixon's LED bulb capacity is equivalent to ~45% of the domestic requirement. It caters to 60-70% of the requirements for all large brands. It has recently ventured into the commercial lighting space, which accounts for ~50% of the Rs220bn lighting industry. Exports have commenced with initial shipments to Indonesia and the US for anchor customer Philips.
- Margin in the lighting segment should improve with the ongoing automation program, increased proportion of exports and the benefits of scale. The company expects lighting margins to be upward of 9% from FY23.
- Washing Machine:** Washing machine has seen growth returning with an order book of 100,000 units for August, and the company has installed an additional line for manufacturing semi-automatic washing machines and increasing capacity to 120,000 unit/months. Fully automatic capacity (600,000 units) is expected to be operational by Dec.
- Mobile Phones:** The PLI scheme is expected to change the fortunes of the mobile segment, along with a sustained increase in volumes for the underlying business. Dixon is expected to start manufacturing mobile phones under this scheme by Dec'20.
- Dixon has already signed an MOU with a large brand for manufacturing under the PLI scheme and expects to increase capacity to ~45mn units, which will be ~30% of domestic requirement with a capex of Rs2bn. Margins are expected to be ~3.2%.
- STB and medical electronics:** The company has recently forayed into STB and medical electronics. STB has seen increased traction with strong order book from customers such as Jio, and margins are expected to be in the range of 3-3.5%. Medical electronics should see increased traction going forward.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	29,844	44,001	54,729	98,195	1,17,874
EBITDA	1,349	2,231	2,693	4,821	5,888
EBITDA Margin (%)	4.5	5.1	4.9	4.9	5.0
APAT	634	1,205	1,488	2,971	3,711
EPS (Rs)	54.8	104.1	128.6	256.8	320.8
EPS (% chg)	4.0	90.2	23.5	99.6	24.9
ROE (%)	18.3	26.2	24.2	35.6	31.9
P/E (x)	148.0	77.8	63.0	31.6	25.3
EV/EBITDA (x)	70.4	42.0	34.7	19.2	15.5
P/BV (x)	24.8	17.3	13.6	9.6	7.0

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	128.6	256.8
Consensus	108.4	187.8
Mean Consensus TP (12M)	Rs 7,385	

Stock Details

Bloomberg Code	DIXON IN
Face Value (Rs)	10
Shares outstanding (mn)	12
52 Week H/L	8,486 / 1,560
M Cap (Rs bn/USD bn)	94 / 1.25
Daily Avg Volume (nos.)	79,147
Daily Avg Turnover (US\$ mn)	6.7

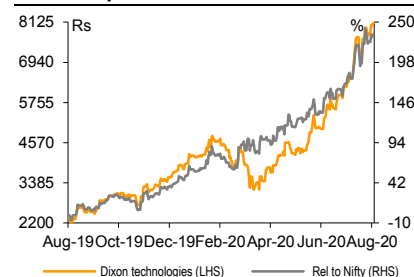
Shareholding Pattern Jun '20

Promoters	36.1%
FIIIs	12.3%
DIIIs	21.9%
Public and Others	29.7%

Price Performance

(%)	1M	3M	6M	12M
Absolute	25	85	73	307
Rel. to Nifty	20	54	86	293

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	29,844	44,001	54,729	98,195	1,17,874
Expenditure	28,496	41,771	52,036	93,374	1,11,986
EBITDA	1,349	2,231	2,693	4,821	5,888
Depreciation	217	365	493	603	723
EBIT	1,132	1,865	2,200	4,218	5,165
Other Income	56	52	90	84	167
Interest expenses	250	350	301	331	373
PBT	938	1,568	1,989	3,971	4,959
Tax	305	363	501	999	1,248
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	634	1,205	1,488	2,971	3,711
Adjusted PAT	634	1,205	1,488	2,971	3,711

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	113	116	116	116	116
Reserves & surplus	3,669	5,298	6,763	9,699	13,367
Net worth	3,782	5,413	6,879	9,815	13,483
Minority Interest	0	0	0	0	0
Loan Funds	1,412	828	528	828	828
Net deferred tax liability	144	148	148	148	148
Total Liabilities	5,338	6,389	7,554	10,791	14,459
Net block	2,409	3,239	4,161	4,773	5,365
Investment	76	0	0	0	0
Current Assets	12,235	13,635	16,806	27,934	34,995
Cash & bank balance	144	957	940	1,920	3,333
Other Current Assets	1,222	2,277	2,633	3,886	4,453
Current liabilities & Provision	9,570	10,581	13,508	22,012	25,997
Net current assets	2,665	3,055	3,297	5,922	8,998
Misc. exp	0	0	0	0	0
Total Assets	5,338	6,389	7,554	10,791	14,459

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	882	1,516	1,899	3,887	4,792
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(969)	427	(259)	(1,645)	(1,662)
Operating Cashflow	(31)	2,403	1,993	2,057	2,923
Capital expenditure	(864)	(1,103)	(1,415)	(1,215)	(1,315)
Free Cash Flow	(894)	1,300	578	842	1,608
Investments	35	76	0	0	0
Other Investing Cash Flow	134	46	0	0	0
Investing Cashflow	(638)	(928)	(1,325)	(1,131)	(1,148)
Equity Capital Raised	0	2	0	0	0
Loans Taken / (Repaid)	966	(584)	(300)	300	0
Dividend paid (incl tax)	(27)	(83)	(23)	(35)	(43)
Other Financing Cash Flow	124	497	896	1,060	1,975
Financing Cashflow	813	(518)	272	994	1,558
Net chg in cash	144	957	940	1,920	3,333
Opening cash position	127	144	957	940	1,920
Closing cash position	144	957	940	1,920	3,333

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	4.5	5.1	4.9	4.9	5.0
EBIT Margin	3.8	4.2	4.0	4.3	4.4
Effective Tax Rate	32.5	23.1	25.2	25.2	25.2
Net Margin	2.1	2.7	2.7	3.0	3.1
ROCE	26.5	32.7	32.8	46.9	42.2
ROE	18.3	26.2	24.2	35.6	31.9
RoIC	27.7	36.3	37.1	55.2	52.2

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	54.8	104.1	128.6	256.8	320.8
CEPS	73.5	135.7	171.2	308.9	383.2
BVPS	326.9	467.9	594.5	848.3	1,165.3
DPS	2.0	6.0	2.0	3.0	3.7

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	148.0	77.8	63.0	31.6	25.3
P/CEPS	108.4	58.7	46.5	25.8	20.8
P/BV	24.8	17.3	13.6	9.6	7.0
EV / Sales	3.2	2.1	1.7	0.9	0.8
EV / EBITDA	70.4	42.0	34.7	19.2	15.5
Dividend Yield (%)	0.0	0.1	0.0	0.0	0.0

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	0.3	0.0	(0.1)	(0.1)	(0.2)
Net Debt/EBITDA	0.9	(0.1)	(0.2)	(0.2)	(0.4)
Working Cap Cycle (days)	30.8	17.4	15.7	14.9	17.5

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	5.0	47.4	24.4	79.4	20.0
EBITDA	19.7	65.4	20.7	79.1	22.1
EBIT	16.1	64.8	17.9	91.7	22.4
PAT	4.0	90.2	23.5	99.6	24.9

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	11,469	14,020	9,938	8,574	5,169
EBITDA	526	631	515	559	169
EBITDA Margin (%)	4.6	4.5	5.2	6.5	3.3
PAT	236	430	263	276	16
EPS (Rs)	20.4	37.2	22.7	23.8	1.4

Source: Company, Emkay Research

Shareholding Pattern (%)	Sep-19	Nov-19	Dec-19	Mar-20	Jun-20
Promoters	38.9	38.1	37.9	36.2	36.1
FII	7.7	8.3	10.9	10.8	12.3
DII	22.1	21.0	20.7	23.0	21.9
Public and Others	31.4	32.6	30.5	30.1	29.7

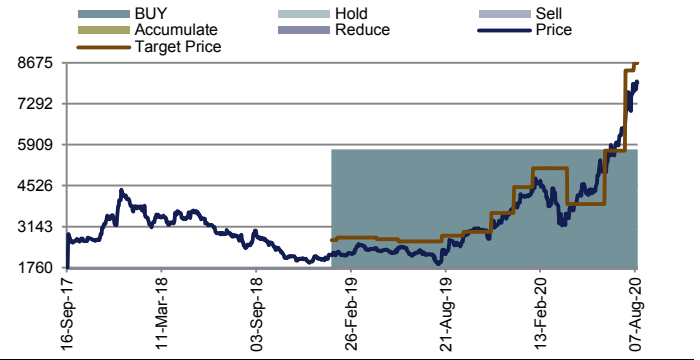
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
05-Aug-20	7,868	8,663	12m	Buy	Naval Seth
20-Jul-20	6,831	8,420	12m	Buy	Naval Seth
12-Jun-20	4,976	5,705	12m	Buy	Naval Seth
07-Apr-20	3,755	3,908	12m	Buy	Naval Seth
03-Apr-20	3,429	3,908	12m	Buy	Naval Seth
16-Mar-20	3,886	5,111	12m	Buy	Naval Seth
05-Mar-20	4,101	5,111	12m	Buy	Naval Seth
13-Feb-20	4,693	5,111	12m	Buy	Naval Seth
30-Jan-20	4,499	5,111	12m	Buy	Naval Seth
26-Dec-19	3,912	4,475	12m	Buy	Naval Seth
28-Nov-19	3,339	3,605	12m	Buy	Naval Seth
19-Nov-19	3,232	3,605	12m	Buy	Naval Seth
14-Nov-19	3,263	3,605	12m	Buy	Naval Seth
23-Sep-19	2,877	2,963	12m	Buy	Naval Seth
11-Sep-19	2,603	2,834	12m	Buy	Naval Seth
14-Aug-19	2,351	2,834	12m	Buy	Naval Seth
13-Jun-19	2,259	2,637	12m	Buy	Naval Seth
25-May-19	2,427	2,637	12m	Buy	Naval Seth
20-May-19	2,346	2,718	12m	Buy	Naval Seth
23-Apr-19	2,318	2,718	12m	Buy	Naval Seth
15-Apr-19	2,353	2,718	12m	Buy	Naval Seth
08-Apr-19	2,385	2,776	12m	Buy	Naval Seth
14-Mar-19	2,537	2,776	12m	Buy	Naval Seth
31-Jan-19	2,269	2,776	12m	Buy	Naval Seth
21-Jan-19	2,180	2,683	12m	Buy	Naval Seth

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Havells India

Refer to important disclosures at the end of this report

B2C business witnessing a faster demand recovery

CMP: Rs 613
as of (August 17, 2020)TP: Rs 554 (■)
12 months

Rating: HOLD (■)

We hosted Mr. Manish Kaushik, CFO – Lloyd & Senior GM – Finance, and Prashant Saraswat, Senior manager – IR.

Key Meeting Takeaways

- Demand has started picking up since mid-May. The B2C segment saw growth in June which continued in July as well. However, the momentum has slowed down from mid-July due to localized lockdowns. Markets in South (TN) and East (WB) were more impacted. Normalcy has not yet returned.
- Consumer-facing businesses within Switchgears and Cables & Wires have seen good recovery, while the B2B part is seeing a delay in recovery. All factories are running normally, and there has not been any significant increase in manufacturing cost due to Covid-19 restrictions.
- Secondary sales have been good but cannot say whether it is better than primary sales. At current juncture, channel inventory re-filling is happening only for the fast-selling SKUs. Havells has refrained from channel filling and dealers are buying fast-moving products, and the company has been able to supply to dealer requirements within 48 hours.
- Dealers and distributors are keeping optimum level of inventory. Inventory filling by dealers should happen in September or October, ahead of the festive season. Channel inventory of RACs is not alarming and manageable.
- Import dependence has reduced significantly – from 70-80% to 40% now – with the commissioning of the RAC plant. This level of imports is expected to stay till a components ecosystem gets developed domestically. Compressors continue to be sourced from China but the company is looking for alternate markets as well.
- Margin in Lloyd is expected to improve as investments in A&P and capex have been completed. The target is to reach 10% margin. Lloyd is expected to play a bigger role in the consumer durables space with the addition of refrigerators to its portfolio.
- Refrigerator manufacturing will be outsourced to an OEM player in India, while the company will invest only in the tools and designing part.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	1,00,677	94,292	86,596	1,00,730	1,13,060
EBITDA	11,838	10,274	10,344	12,729	14,419
EBITDA Margin (%)	11.8	10.9	11.9	12.6	12.8
APAT	7,873	7,330	6,631	8,780	10,261
EPS (Rs)	12.6	11.7	10.6	14.0	16.4
EPS (% chg)	12.3	(6.9)	(9.5)	32.4	16.9
ROE (%)	19.9	17.3	14.7	17.5	18.2
P/E (x)	48.7	52.3	57.8	43.7	37.4
EV/EBITDA (x)	31.3	36.3	35.5	28.4	24.6
P/BV (x)	9.1	8.9	8.1	7.2	6.4

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/
Target Price change (%)	-
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	10.6	14.0
Consensus	9.5	13.7
Mean Consensus TP (12M)	Rs 575	

Stock Details

Bloomberg Code	HAVL IN
Face Value (Rs)	1
Shares outstanding (mn)	626
52 Week H/L	766 / 447
M Cap (Rs bn/USD bn)	383 / 5.12
Daily Avg Volume (nos.)	27,57,182
Daily Avg Turnover (US\$ mn)	20.3

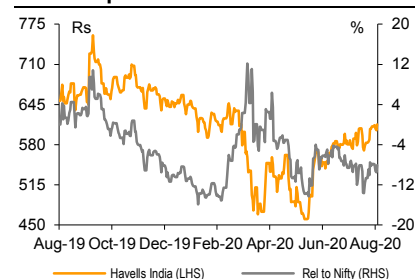
Shareholding Pattern Jun '20

Promoters	59.5%
FII	22.0%
DII	9.6%
Public and Others	8.9%

Price Performance

(%)	1M	3M	6M	12M
Absolute	4	20	(1)	(5)
Rel. to Nifty	-	(1)	7	(9)

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	1,00,677	94,292	86,596	1,00,730	1,13,060
Expenditure	88,839	84,018	76,251	88,001	98,641
EBITDA	11,838	10,274	10,344	12,729	14,419
Depreciation	1,494	2,179	2,372	2,567	2,762
EBIT	10,345	8,095	7,973	10,162	11,657
Other Income	1,278	1,120	1,283	1,769	2,232
Interest expenses	161	197	394	197	177
PBT	11,461	9,017	8,862	11,734	13,712
Tax	3,588	1,687	2,230	2,953	3,451
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	7,873	7,330	6,631	8,780	10,261
Adjusted PAT	7,873	7,330	6,631	8,780	10,261

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	626	626	626	626	626
Reserves & surplus	41,297	42,422	46,733	52,440	59,109
Net worth	41,922	43,048	47,358	53,065	59,735
Minority Interest	0	0	0	0	0
Loan Funds	945	405	5,000	0	0
Net deferred tax liability	3,168	2,865	2,865	2,865	2,865
Total Liabilities	46,035	46,318	55,224	55,931	62,600
Net block	29,043	33,528	33,741	33,759	33,582
Investment	195	214	214	214	214
Current Assets	39,696	35,909	43,748	48,213	58,353
Cash & bank balance	12,877	11,069	20,779	21,623	28,528
Other Current Assets	1,495	1,811	1,811	1,978	2,200
Current liabilities & Provision	25,222	24,160	23,308	27,083	30,377
Net current assets	14,474	11,749	20,440	21,130	27,976
Misc. exp	0	0	0	0	0
Total Assets	46,035	46,318	55,224	55,931	62,600

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	10,183	7,897	7,578	9,965	11,480
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(3,892)	616	1,018	154	59
Operating Cashflow	5,126	8,248	9,083	10,021	11,106
Capital expenditure	(5,304)	(5,170)	(2,585)	(2,585)	(2,585)
Free Cash Flow	(178)	3,078	6,498	7,436	8,521
Investments	923	(19)	0	0	0
Other Investing Cash Flow	4,987	(1,408)	49	(91)	(79)
Investing Cashflow	1,883	(5,477)	(1,252)	(907)	(432)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	(135)	(540)	4,595	(5,000)	0
Dividend paid (incl tax)	(3,388)	(6,413)	(2,321)	(3,073)	(3,591)
Other Financing Cash Flow	9,552	15,448	11,069	20,779	21,623
Financing Cashflow	5,868	8,298	12,949	12,509	17,854
Net chg in cash	12,877	11,069	20,779	21,623	28,528
Opening cash position	15,262	12,877	11,069	20,779	21,623
Closing cash position	12,877	11,069	20,779	21,623	28,528

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	11.8	10.9	11.9	12.6	12.8
EBIT Margin	10.3	8.6	9.2	10.1	10.3
Effective Tax Rate	31.3	18.7	25.2	25.2	25.2
Net Margin	7.8	7.8	7.7	8.7	9.1
ROCE	26.8	20.0	18.2	21.5	23.4
ROE	19.9	17.3	14.7	17.5	18.2
RoIC	37.9	25.0	23.6	30.5	35.2

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	12.6	11.7	10.6	14.0	16.4
CEPS	15.0	15.2	14.4	18.1	20.8
BVPS	67.0	68.8	75.7	84.8	95.5
DPS	4.5	8.5	3.7	4.9	5.7

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	48.7	52.3	57.8	43.7	37.4
P/CEPS	39.7	39.2	41.4	32.8	28.6
P/BV	9.1	8.9	8.1	7.2	6.4
EV / Sales	3.7	3.9	4.2	3.6	3.1
EV / EBITDA	31.3	36.3	35.5	28.4	24.6
Dividend Yield (%)	0.7	1.4	0.6	0.8	0.9

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	(0.3)	(0.3)	(0.3)	(0.4)	(0.5)
Net Debt/EBITDA	(1.0)	(1.1)	(1.5)	(1.7)	(2.0)
Working Cap Cycle (days)	5.8	2.6	(1.4)	(1.8)	(1.8)

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	23.7	(6.3)	(8.2)	16.3	12.2
EBITDA	12.8	(13.2)	0.7	23.1	13.3
EBIT	13.7	(21.8)	(1.5)	27.5	14.7
PAT	10.5	(6.9)	(9.5)	32.4	16.9

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	27,127	22,303	22,699	22,161	14,791
EBITDA	2,763	2,341	2,690	2,453	1,309
EBITDA Margin (%)	10.2	10.5	11.9	11.1	8.8
PAT	1,746	1,814	1,995	1,772	633
EPS (Rs)	2.8	2.9	3.2	2.8	1.0

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	59.5	59.5	59.5	59.5	59.5
FIs	27.0	26.3	25.9	23.0	22.0
DIs	4.6	5.8	5.9	8.3	9.6
Public and Others	8.9	8.4	8.7	9.2	8.9

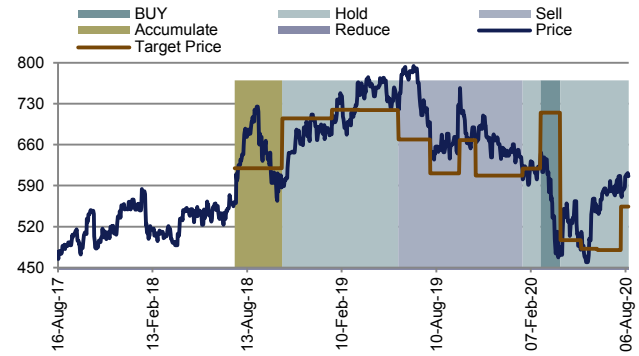
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
28-Jul-20	576	554	12m	Hold	Naval Seth
13-Jun-20	552	480	12m	Hold	Naval Seth
13-May-20	511	482	12m	Hold	Naval Seth
07-Apr-20	500	497	12m	Hold	Naval Seth
03-Apr-20	472	497	12m	Hold	Naval Seth
16-Mar-20	566	715	12m	Buy	Naval Seth
25-Feb-20	644	715	12m	Buy	Naval Seth
13-Feb-20	618	619	12m	Hold	Naval Seth
22-Jan-20	601	619	12m	Hold	Naval Seth
16-Dec-19	649	607	12m	Sell	Naval Seth
28-Nov-19	674	607	12m	Sell	Naval Seth
19-Nov-19	666	607	12m	Sell	Naval Seth
24-Oct-19	670	607	12m	Sell	Naval Seth
23-Sep-19	732	668	12m	Sell	Naval Seth
11-Sep-19	665	611	12m	Sell	Naval Seth
29-Jul-19	665	611	12m	Sell	Naval Seth
13-Jun-19	784	669	12m	Sell	Naval Seth
29-May-19	731	669	12m	Sell	Naval Seth
20-May-19	756	719	12m	Hold	Naval Seth
23-Apr-19	762	719	12m	Hold	Naval Seth
08-Apr-19	764	719	12m	Hold	Naval Seth
14-Mar-19	747	719	12m	Hold	Naval Seth
22-Jan-19	712	720	12m	Hold	Naval Seth
19-Oct-18	597	705	12m	Hold	Naval Seth
19-Oct-18	597	620	12m	Accumulate	Naval Seth
20-Jul-18	560	620	12m	Accumulate	Naval Seth

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

KEI Industries

Refer to important disclosures at the end of this report

Going steady

CMP: Rs 371
as of (August 17, 2020)

TP: NA
12 months

Rating: NOT RATED

We hosted Mr. Rajeev Gupta, Executive Director (Finance) & CFO

Key Meeting Takeaways

- The company has seen a recovery in retail sales, with July sales reaching 95% of the same month last year. Management expects tender for cables to start coming from H2FY21 as the government has ordered most PSUs to start incurring capex. Demand is coming from B and C cities.
- The company has guided FY21 revenues to be ~85% on the base of FY20 and FY22 revenue to be ~Rs55bn, with debt levels to be maintained as declining in FY21. Working capital is likely to be normalize by Oct'20 as the company starts to receive payments which were delayed due to the lockdown.
- In the next phase of growth, it has charted out a strategy to double revenues in five years from its FY20 base. It is expected to incur a capex of Rs10bn during this period to achieve the stated revenue target. However, this target has extended by a year as FY21 has been affected by Covid-19.
- In order to achieve Rs100bn in revenues by FY26, KEI is looking at exports opportunity (current exports run-rate is Rs5-6bn excluding the Dangote order) as it looks to add customers in the export market. KEI has presence in Australia, Africa, SE Asia, and the Middle East.
- In the domestic market, growth drivers would be Railways and Industries such as Steel, Cement, Construction, Infrastructure, and Oil and Gas. KEI has a product portfolio that caters to all the industries, and in EHV cables it is in Top-7 companies in the world in terms of capacities and prequalification.
- It expects retail sales proportion to reach ~40% by FY26 for which retail revenue will have to grow at 30% CAGR. To achieve this, KEI is increasing dealer presence and focusing on brand development through various marketing activities and A&P spends.
- It plans to expand the distribution channel with focus on increasing penetration in B and C cities and towns in the next two years, as well as to enter the FMEG space after 2-4 years once revenues from the expanded capacity have stabilized.

Financial Snapshot (Consolidate)

(Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20
Net Sales	20330	23510	26285	34655	42310	48878
EBITDA	1937	2426	2688	3393	4406	4971
EBITDA Margin (%)	9.5	10.3	10.2	9.8	10.4	10.2
APAT	326	625	937	1448	1809	2566
EPS (Rs)	3.6	6.9	10.4	16.1	20.1	28.5
EPS (% chg)		91.8	49.8	54.6	24.9	41.8
ROE (%)	10.7	18.6	22.6	27.2	26.2	22.5
P/E (x)	100.7	52.5	35.1	22.7	18.2	12.8
EV/EBITDA (x)	19.1	15.5	15.0	11.9	8.3	6.8
P/BV (x)	10.8	9.0	7.1	5.4	4.2	2.2

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	NA
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	KEI IN
Face Value (Rs)	2
Shares outstanding (mn)	90
52 Week H/L	615/208
M Cap (Rs bn/USD bn)	33/0.4
Daily Avg Volume (nos.)	290010.0
Daily Avg Turnover (US\$ mn)	1.3

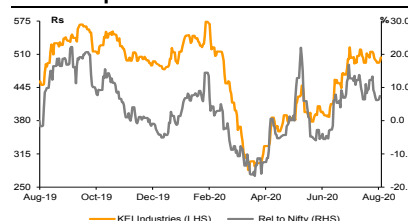
Shareholding Pattern Jun'20

Promoters	40.5%
FIIIs	15.3%
DIIIs	23.4%
Public and Others	20.8%

Price Performance

(%)	1M	3M	6M	12M
Absolute	-6	44	-31	-25
Rel. to Nifty	-10	18	-25	-27

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20
Net Sales	20330	23510	26285	34655	42310	48878
Expenditure	18788	20629	24023	31588	38986	43907
EBITDA	1937	2426	2688	3393	4406	4971
Depreciation	246	253	284	322	340	564
EBIT	1691	2173	2404	3071	4066	4407
Other Income	50	58	101	93	72	167
Interest expenses	1212	1272	1244	1119	1356	1292
PBT	529	959	1261	2045	2782	3282
Tax	186	333	324	597	975	716
Extraordinary Items	16	0	0	-1	-1	0
Minority Int. /Income from Assoc.	0	0	0	0	-1	0
Reported Net Income	343	626	937	1448	1809	2566
Adjusted PAT	326	625	937	1448	1809	2566

Balance Sheet

Y/E Mar (Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20
Equity share capital	155	155	156	157	158	179
Reserves & surplus	2884	3515	4455	5890	7623	14893
Net worth	3039	3670	4611	6047	7781	15072
Minority Interest	0	0	0	0	-1	-1
Loan Funds	4525	4982	8129	8421	5995	3151
Net deferred tax liability	-235	-363	-353	-397	-441	-308
Total Liabilities	7596	8692	12790	14535	13860	16370
Net block	2981	3282	4052	4070	4887	5105
Investment	31	31	29	30	17	8
Current Assets	10342	10811	14762	17707	22250	27576
Cash & bank balance	47	58	333	772	1953	2160
Other Current Assets	10295	10753	14428	16936	20296	25416
Current liabilities & Provision	5616	5586	5815	7267	13336	14158
Net current assets	4726	5226	8947	10441	8914	11258
Misc. exp	0	0	0	0	0	0
Total Assets	7596	8692	12790	14535	13860	16370

Cash Flow

Y/E Mar (Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20
Opening Cash	46	47	-1,639	-268	186	-720
Net Cash from Operations	1,988	1,857	-288	1,907	6,226	-94
Net Cash Used in Investing	-166	-978	-627	-763	-2,751	-290
Net Cash Used in Financing	-1,820	-868	2,287	-690	-4,382	590
Net Inc/(Dec) in Cash	2	11	1,371	454	-906	207
Closing Cash	47	58	-268	186	-720	-514

Key Ratios

Profitability (%)	FY15	FY16	FY17	FY18	FY19	FY20
EBITDA Margin	9.5	10.3	10.2	9.8	10.4	10.2
EBIT Margin	8.3	9.2	9.1	8.9	9.6	9.0
Effective Tax Rate	35.2	34.7	25.7	29.2	35.0	21.8
Net Margin	1.6	2.7	3.6	4.2	4.3	5.2
ROCE	22.3	26.7	22.4	22.5	28.6	29.2
ROE	10.7	18.6	22.6	27.2	26.2	22.5
RoIC	22.6	27.8	23.1	22.9	29.6	27.9

Per Share Data (Rs)	FY15	FY16	FY17	FY18	FY19	FY20
EPS	3.6	6.9	10.4	16.1	20.1	28.5
CEPS	6.4	9.8	13.6	19.7	23.9	34.8
BVPS	33.8	40.8	51.2	67.2	86.5	167.5
DPS		0.5	0.6	1.0	1.2	1.5
Valuations (x)	FY15	FY16	FY17	FY18	FY19	FY20
PER	100.7	52.5	35.1	22.7	18.2	12.8
P/CEPS	57.4	37.4	26.9	18.6	15.3	10.5
P/BV	10.8	9.0	7.1	5.4	4.2	2.2
EV / Sales	1.8	1.6	1.5	1.2	0.9	0.7
EV / EBITDA	19.1	15.5	15.0	11.9	8.3	6.8
Dividend Yield (%)	0.0	0.1	0.2	0.3	0.3	0.4
Gearing Ratio (x)	FY15	FY16	FY17	FY18	FY19	FY20
Net Debt/ Equity	1.5	1.3	1.7	1.3	0.5	0.1
Net Debt/EBIDTA	2.3	2.0	2.9	2.2	0.9	0.2
Working Cap Cycle (days)	84.0	80.2	119.6	101.8	60.0	67.9
Growth (%)	FY15	FY16	FY17	FY18	FY19	FY20
Revenue	0.0	15.6	11.8	31.8	22.1	15.5
EBITDA	0.0	25.2	10.8	26.2	29.9	12.8
EBIT	0.0	28.5	10.7	27.7	32.4	8.4
PAT	0.0	91.8	49.8	54.6	24.9	41.8
Quarterly (Rs mn)	Q1FYC	Q2FYC	Q3FYC	Q4FYC	Q1FYC	
Revenue	10,814	12,337	13,142	12,585	7,454	
EBITDA	1,138	1,221	1,393	1,218	723	
EBITDA Margin (%)	10.5	9.9	10.6	9.7	9.7	
PAT	457	760	725	620	362	
EPS (Rs)	5.1	8.4	8.1	6.9	4.0	
Shareholding Pattern (%)	Sep-19	Dec-19	Jan-20	Mar-20	Jun-20	
Promoters	45.6	45.6	40.5	40.5	40.5	
FIIs	12.5	12.5	14.5	15.3	15.3	
DIIIs	19.4	18.5	24.2	24.7	23.4	
Public and Others	22.5	23.4	20.8	19.5	20.8	

Polycab India

Refer to important disclosures at the end of this report

Improving profitability and exports remain key focus areas

CMP: Rs899
as of (August 17, 2020)

TP: NA
12 months

Rating: NOT RATED

We hosted Mr. Gandhrav Tongia, CFO, and Mr. Chintan Jajal, Strategy & Investor Relations.

Key Meeting Takeaways

- Demand is seeing a gradual recovery after easing of the lockdown. June saw a 15% decline yoy, while July was mildly positive with August starting on a good note. However, localized lockdowns are impacting demand momentum in certain regions.
- The B2C business has seen higher traction with its share in overall sales increasing to 45% in Q1 from 35% in FY20. B2B demand will see a slower recovery. Though government orders are increasing, they are still far off from pre-Covid-19 levels. The pace of execution also remains a challenge.
- The company's focus is to increase exports. It wants to raise export contribution from low-single digits to high-double digits in a few years. With this in mind, Polycab has formed overseas subsidiaries with focus on developed markets such as the US and Australia.
- OFC will be another growth driver for Polycab. The company has recently entered the OFC segment, which offers huge potential for growth with a market size of ~Rs70-80bn in comparison with Polycab's OFC revenues of Rs1.8bn. Bharat net, 5G and smart cities are expected to be huge opportunities in the OFC space.
- **FMEG:** In FMEG, the focus was to expand the topline and reach certain scale which the company has achieved in the past three years. Now the focus has shifted to improving profitability. To improve product mix, the company will launch premium products across categories, starting with Fans.
- It is looking at launching new products with better features and aesthetics, higher energy efficiency, and IOT-based functionalities. For this, R&D investments have been stepped up with a team of 150 engineers.
- **Distribution:** The expansion of the distribution network is an ongoing process. Polycab has presence across 125,000 retailers and the number of electricians has increased from 80,000 to 140,000 in FY20 via project Bandhan. Now the focus is to improve reach in semi-urban and rural areas where its presence is limited.
- Improving margins and working capital is a key focus area for the company. For this, it is working with external consultants to reduce certain costs, which will be sustainable in nature, while also working on reducing inventory levels.

Financial Snapshot (Consolidate)

(Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20
Net Sales	47075	52024	55001	67703	79856	88300
EBITDA	4417	4908	4796	7289	9505	11276
EBITDA Margin (%)	9.4	9.4	8.7	10.8	11.9	12.8
APAT	1643	1859	2328	3552	4984	7465
EPS (Rs)	11.0	12.5	15.6	23.8	33.5	50.1
EPS (% chg)		13.1	25.3	52.6	40.3	49.8
ROE (%)	10.1	10.9	12.3	16.4	19.2	22.3
P/E (x)	77.4	68.4	54.6	35.8	25.5	17.0
EV/EBITDA (x)	29.9	27.4	28.2	18.5	13.3	11.1
P/BV (x)	7.8	7.1	6.4	5.4	4.5	3.3

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	NA
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	POLYCAB IN
Face Value (Rs)	10
Shares outstanding (mn)	149
52 Week H/L	1182/525
M Cap (Rs bn/USD bn)	127/1.7
Daily Avg Volume (nos.)	346286.0
Daily Avg Turnover (US\$ mn)	3.6

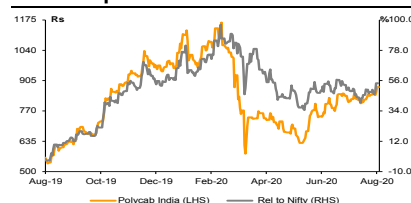
Shareholding Pattern Jun'20

Promoters	68.6%
FIIIs	4.5%
DIIIs	3.4%
Public and Others	23.5%

Price Performance

(%)	1M	3M	6M	12M
Absolute	2	28	-20	49
Rel. to Nifty	-2	5	-13	46

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20
Net Sales	47075	52024	55001	67703	79856	88300
Expenditure	43851	47703	52400	59756	71428	79395
EBITDA	4417	4908	4796	7289	9505	11276
Depreciation	975	1111	1279	1330	1415	1609
EBIT	3442	3797	3517	5959	8090	9667
Other Income	50	331	755	645	638	928
Interest expenses	1085	1474	660	937	1167	495
PBT	2407	2654	3613	5668	7561	10100
Tax	764	807	1284	2082	2558	2444
Extraordinary Items	0	-11	-1	28	13	125
Minority Int. /Income from Assoc.	0	-1	3	6	6	66
Reported Net Income	1643	1848	2327	3580	4997	7591
Adjusted PAT	1643	1859	2328	3552	4984	7465

Balance Sheet

Y/E Mar (Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20
Equity share capital	1412	1412	1412	1412	1412	1489
Reserves & surplus	14891	16416	18526	22064	27058	36848
Net worth	16303	17828	19938	23476	28470	38364
Minority Interest	0	28	31	41	84	150
Loan Funds	5455	7957	8557	8003	2724	1571
Net deferred tax liability	-220	-211	-657	-553	-231	-165
Total Liabilities	21821	25987	28810	31797	31698	40814
Net block	8225	9850	11284	11971	12756	14220
Investment	0	1	328	316	294	655
Current Assets	22505	26518	31054	29259	39242	40099
Cash & bank balance	270	507	302	106	3167	2813
Other Current Assets	22235	26011	30753	29153	36075	37286
Current liabilities & Provision	11099	12550	16321	12131	24355	18627
Net current assets	11407	13968	14733	17129	14887	21472
Misc. exp	0	0	0	0	0	0
Total Assets	21821	25987	28810	31797	31698	40814

Cash Flow

Y/E Mar (Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20
Opening Cash	275	120	316	234	82	1,791
Net Cash from Operations	1,503	2,208	2,964	3,624	12,300	2,446
Net Cash Used in Investing	-1,730	-2,467	-2,948	-1,878	-4,077	-2,623
Net Cash Used in Financing	146	455	-98	-1,898	-6,514	107
Net Inc/(Dec) in Cash	-81	196	-82	-152	1,708	-69
Closing Cash	194	316	234	82	1,791	1,722

Key Ratios

Profitability (%)	FY15	FY16	FY17	FY18	FY19	FY20
EBITDA Margin	9.4	9.4	8.7	10.8	11.9	12.8
EBIT Margin	7.3	7.3	6.4	8.8	10.1	10.9
Effective Tax Rate	31.7	30.4	35.5	36.7	33.8	24.2
Net Margin	3.5	3.6	4.2	5.2	6.2	8.5
ROCE	15.8	15.9	12.8	19.7	25.5	26.7
ROE	10.1	10.9	12.3	16.4	19.2	22.3
RoIC	17.7	17.7	14.4	22.1	28.9	30.7

Per Share Data (Rs)	FY15	FY16	FY17	FY18	FY19	FY20
EPS	11.0	12.5	15.6	23.8	33.5	50.1
CEPS	17.6	19.9	24.2	32.8	42.9	60.9
BVPS	109.4	119.7	133.8	157.6	191.1	257.5
DPS		1.7	1.0	0.0	3.0	7.0

Valuations (x)	FY15	FY16	FY17	FY18	FY19	FY20
PER	77.4	68.4	54.6	35.8	25.5	17.0
P/CEPS	48.5	42.8	35.2	26.0	19.9	14.0
P/BV	7.8	7.1	6.4	5.4	4.5	3.3
EV / Sales	2.8	2.6	2.5	2.0	1.6	1.4
EV / EBITDA	29.9	27.4	28.2	18.5	13.3	11.1
Dividend Yield (%)	0.0	0.2	0.1	0.0	0.4	0.8

Gearing Ratio (x)	FY15	FY16	FY17	FY18	FY19	FY20
Net Debt/ Equity	0.3	0.4	0.4	0.3	0.0	0.0
Net Debt/EBIDTA	1.2	1.5	1.7	1.0	-0.1	-0.2
Working Cap Cycle (days)	86.3	94.4	95.8	91.8	53.6	77.1

Growth (%)	FY15	FY16	FY17	FY18	FY19	FY20
Revenue	0.0	10.5	5.7	23.1	17.9	10.6
EBITDA	0.0	11.1	-2.3	52.0	30.4	18.6
EBIT	0.0	10.3	-7.4	69.4	35.8	19.5
PAT	0.0	13.1	25.3	52.6	40.3	49.8

Quarterly (Rs mn)	Q1FYC	Q2FYC	Q3FYC	Q4FYC	Q1FYC
Revenue	19,513	22,419	25,073	21,294	9,766
EBITDA	2,236	2,701	3,389	2,948	563
EBITDA Margin (%)	11.5	12.0	13.5	13.8	5.8
PAT	1,345	1,918	2,188	2,139	1,079
EPS (Rs)	9.0	12.9	14.7	14.4	7.2

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	68.7	68.7	68.6	68.6	68.6
FIIIs	3.3	3.8	4.6	4.9	4.5
DIIIs	4.9	4.8	3.9	3.8	3.4
Public and Others	23.1	22.8	22.9	22.8	23.5

Consumer Goods & Retail

Aditya Birla Fashion & Retail

Refer to important disclosures at the end of this report

To benefit from strong brands and reduced cost structure

CMP: Rs 133
as of (August 17, 2020)

TP: Rs 155 (■)
12 months

Rating: BUY (■)

We hosted Mr. Rahul Desai, Head, Treasury, M&A and Investor Relations, and Mr. Amit Dwivedi, AVP & Head, Strategy and M&A

Key Meeting Takeaways

- **Seeing MoM recovery:** While revenues may remain subdued in Q2FY21E but yoy growth is expected to return toward the end of Q3FY21E. In the Madura segment (~60% of sales), retail channel is expected to lead recovery, while wholesale recovery shall be delayed. Pantaloons (~40% of sales) shall remain weak due to higher mall exposure. The company expects strong brand positioning, digital sales to drive market share gains.
- **Wholesale more impacted:** Current focus for all channel partners remains monetizing existing inventory, leading to lower new purchases. ABFRL sounded confident of recovery even in the wholesale space with the opening-up of the channel (90-95% stores now open) but with a lag once the existing inventory is sold. Athleisure was the fastest to recover with ~80% of pre-Covid-19 sales in June and ~100% in July and even better in August.
- **Cost savings have been impressive:** Cost savings have been significant through rental negotiations, lower salaries and cut in advertisements and travel (expects ~70-80% cut). Through rent negotiations, ABFRL has been able to save Rs2.4bn so far (Rs1.6bn in fixed rentals and Rs0.8bn in variable rentals). Reduction in employee costs (25-30% yoy in FY21E) should start reflecting from the Sep'20 quarter.
- **Inventory monetization and rights issue to help pare down debt in FY21E:** Net debt is expected to come down from peak levels of Rs32.5bn to less than Rs20bn in FY21E. Debt reduction is based on working capital release of ~Rs5bn and rights issue (Rs7.5bn in FY21E and Rs2.5bn in FY22E).
- **Capex to remain muted in FY21E:** ABFRL expects a lower capex of Rs0.5bn-1.0bn in FY21E vs. Rs3.5bn in FY20. As a thumb rule, ~40-50% of the capex goes into renovations. Renovations involve a capex of Rs800-1000/sq.ft. vs. Rs2,000/sq.ft. for new stores.
- **Alternative channels are seeing good traction:** E-commerce formed a considerable portion of sales in Q1FY21 at 21% vs. 6% earlier. ABFRL also introduced 'Pantaloons-on-wheels' in July/August, driving better sales during the lockdown. Business from third-party e-commerce has grown in Q1FY21 compared with last year.
- **Competition:** Discounting/promotions by e-commerce has been largely the same. Competition in lifestyle brands in brick & mortar should reduce, benefiting lifestyle division. Competition in Pantaloons is largely driven by large groups and is unlikely to change.

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	81,177	87,425	62,316	80,749	91,625
EBITDA	5,541	12,254	7,683	13,769	15,651
EBITDA Margin (%)	6.8	14.0	12.3	17.1	17.1
APAT	2,524	(1,452)	(2,216)	715	2,177
EPS (Rs)	3.3	(1.9)	(2.6)	0.8	2.5
EPS (% chg)	414.0	(157.5)	0.0	0.0	204.4
ROE (%)	20.0	(11.7)	(16.8)	4.1	10.8
P/E (x)	40.8	(70.9)	(50.5)	160.8	52.8
EV/EBITDA (x)	21.6	10.5	17.3	9.4	8.1
P/BV (x)	7.2	9.7	7.1	6.1	5.4

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	(2.6)	0.8
Consensus	(4.3)	1.3
Mean Consensus TP (12M)	Rs 155	

Stock Details

Bloomberg Code	ABFRL IN
Face Value (Rs)	10
Shares outstanding (mn)	774
52 Week H/L	281 / 96
M Cap (Rs bn/USD bn)	110 / 1.46
Daily Avg Volume (nos.)	24,96,179
Daily Avg Turnover (US\$ mn)	4.1

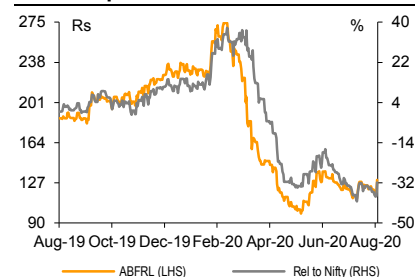
Shareholding Pattern Jul '20

Promoters	59.8%
FIIIs	5.8%
DIIIs	22.0%
Public and Others	12.4%

Price Performance

(%)	1M	3M	6M	12M
Absolute	16	30	(49)	(29)
Rel. to Nifty	12	5	(45)	(30)

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	81,177	87,425	62,316	80,749	91,625
Expenditure	75,637	75,172	54,634	66,981	75,974
EBITDA	5,541	12,254	7,683	13,769	15,651
Depreciation	2,823	8,768	8,808	9,882	10,296
EBIT	2,717	3,486	(1,125)	3,887	5,355
Other Income	648	522	2,569	540	637
Interest expenses	1,874	4,098	3,661	3,471	3,081
PBT	1,491	(91)	(2,216)	956	2,910
Tax	(1,721)	1,361	0	241	733
Extraordinary Items	1,940	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	4,464	(1,452)	(2,216)	715	2,177
Adjusted PAT	2,524	(1,452)	(2,216)	715	2,177

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	7,735	7,739	8,414	8,639	8,639
Reserves & surplus	6,554	2,863	7,397	10,362	12,539
Net worth	14,289	10,602	15,811	19,001	21,178
Minority Interest	0	0	0	0	0
Loan Funds	17,029	50,209	46,209	40,209	37,209
Net deferred tax liability	(2,634)	(3,331)	(3,331)	(3,331)	(3,331)
Total Liabilities	28,684	57,480	58,689	55,880	55,056
Net block	25,555	47,611	46,333	45,735	45,196
Investment	42	42	42	42	42
Current Assets	37,756	43,659	38,971	41,325	45,003
Cash & bank balance	574	180	382	554	1,017
Other Current Assets	10,018	11,521	13,249	15,237	17,522
Current liabilities & Provision	34,893	34,055	26,881	31,446	35,409
Net current assets	2,863	9,603	12,090	9,879	9,594
Misc. exp	0	0	0	0	0
Total Assets	28,684	57,480	58,689	55,880	55,056

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	843	(613)	(4,785)	416	2,273
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(2,429)	(7,134)	(2,285)	2,383	749
Operating Cashflow	4,944	3,758	5,397	15,911	15,666
Capital expenditure	(2,320)	(9,081)	(7,529)	(9,283)	(9,758)
Free Cash Flow	2,624	(5,322)	(2,132)	6,628	5,908
Investments	0	0	0	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(1,672)	(8,559)	(4,960)	(8,743)	(9,121)
Equity Capital Raised	34	5	7,425	2,475	0
Loans Taken / (Repaid)	(1,586)	8,500	(4,000)	(6,000)	(3,000)
Dividend paid (incl tax)	0	0	0	0	0
Other Financing Cash Flow	0	0	0	0	0
Financing Cashflow	(3,426)	4,407	(236)	(6,996)	(6,081)
Net chg in cash	(154)	(394)	202	172	464
Opening cash position	728	574	180	382	554
Closing cash position	574	180	382	554	1,017

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	6.8	14.0	12.3	17.1	17.1
EBIT Margin	3.3	4.0	(1.8)	4.8	5.8
Effective Tax Rate	(115.4)	(1,497.2)	0.0	25.2	25.2
Net Margin	4.0	(1.7)	(3.6)	0.9	2.4
ROCE	11.7	13.0	4.3	13.6	19.5
ROE	20.0	(11.7)	(16.8)	4.1	10.8
RoIC	9.8	8.2	(2.0)	6.9	9.8

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	3.3	(1.9)	(2.6)	0.8	2.5
CEPS	6.9	9.5	7.8	12.3	14.4
BVPS	18.5	13.7	18.8	22.0	24.5
DPS	0.0	0.0	0.0	0.0	0.0

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	40.8	(70.9)	(50.5)	160.8	52.8
P/CEPS	18.8	13.7	16.6	10.6	9.0
P/BV	7.2	9.7	7.1	6.1	5.4
EV / Sales	1.5	1.5	2.2	1.6	1.4
EV / EBITDA	21.6	10.5	17.3	9.4	8.1
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	1.2	2.4	1.3	0.8	0.5
Net Debt/EBITDA	3.0	2.1	2.8	1.1	0.7
Working Cap Cycle (days)	10.3	39.3	68.6	42.2	34.2

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	13.2	7.7	(28.7)	29.6	13.5
EBITDA	18.3	121.2	(37.3)	79.2	13.7
EBIT	44.7	28.3	(132.3)	0.0	37.7
PAT	278.9	(132.5)	0.0	0.0	204.4

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	20,655	22,972	25,625	18,174	3,200
EBITDA	3,141	3,462	4,091	1,561	(3,513)
EBITDA Margin (%)	15.2	15.1	16.0	8.6	(109.8)
PAT	216	69	(334)	(1,403)	(3,999)
EPS (Rs)	0.3	0.1	(0.4)	(1.8)	(5.2)

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	59.1	59.1	59.1	59.1	59.8
FIs	9.7	9.4	8.4	6.4	5.8
DIs	20.3	20.5	21.3	22.1	22.0
Public and Others	10.9	11.0	11.2	12.4	12.4

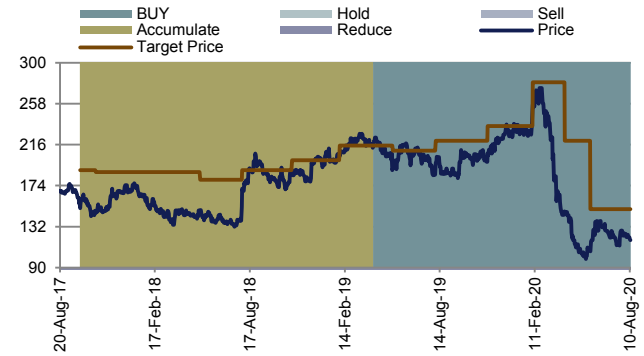
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
27-May-20	107	150	12m	Buy	Ashit Desai
14-Apr-20	143	220	12m	Buy	Ashit Desai
08-Apr-20	147	220	12m	Buy	Ashit Desai
07-Feb-20	257	280	12m	Buy	Ashit Desai
25-Dec-19	225	235	12m	Buy	Ashit Desai
13-Nov-19	207	235	12m	Buy	Ashit Desai
20-Sep-19	198	220	12m	Buy	Ashit Desai
06-Aug-19	197	220	12m	Buy	Ashit Desai
16-May-19	192	210	12m	Buy	Ashit Desai
09-Apr-19	215	215	12m	Buy	Ashit Desai
04-Feb-19	204	215	12m	Accumulate	Ashit Desai
05-Nov-18	190	200	12m	Accumulate	Ashit Desai
02-Aug-18	171	190	12m	Accumulate	Ashit Desai
14-May-18	148	180	12m	Accumulate	Ashit Desai
27-Oct-17	147	188	12m	Accumulate	Sameep Kasbekar
27-Sep-17	151	190	12m	Accumulate	Sameep Kasbekar

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Berger Paints

Refer to important disclosures at the end of this report

Positive on growth outlook

CMP: Rs 563
as of (August 19, 2020)

TP: Rs 450 (■)
12 months

Rating: SELL (■)

We hosted Mr. Srijit Dasgupta, Director – Finance & CFO, and Mr. Sujyoti Mukherjee, VP Finance & Accounts

Key Meeting Takeaways

- Berger Paints remains optimistic based on the recovery trends in June and July. Although putty sales were very high in Q1 affecting mix, management considers this a temporary trend and does not see it continuing into the following quarters. The interior paint segment was impacted the most and is still below pre-Covid levels. Economy products continue to see more traction than premium products. Berger is also likely to step up its initiatives in the waterproofing segment going forward.
- Industrial and protective coatings were severely impacted. Protective is seeing a pick up and is expected to recover sooner than other industrial segments. The faster recovery is witnessed in two-wheelers and commercial vehicles, whereas 4W and CV will take time. Berger has a significant market share in 2W.
- Nepal was the worst affected among the international businesses. It was operational for not more than 10 days during the quarter, which severely impacted its performance. The recovery is somewhat expected to be like India. Russia also struggled with currency depreciating against USD but it is a small market. Bolix/Poland did well because of its products used for external usage and lesser restrictions.
- Within recently acquired businesses, STP is likely to recover faster this year as it mirrors decorative business. Specialty coatings may however be slower to recover but should do better than overall industrial. As per management, most product gaps have been filled with recent acquisitions and it is not keen on looking at distressed assets.
- Cost savings are likely to accrue from the cut in traveling expenses, negotiation of better rates for raw material prices and other specific initiatives (reduction in minimum demand charge for power by SEBs). No further price cuts or incentives for dealers are expected. Discounts, however, have increased in low-end products. As the previous inventory is sold, some, margin gains will also be realized as some benefits of low crude price remain in the inventory.
- Even though Q1 was a weak quarter, Berger managed to grow its dealer network. Management will try to maintain the 12% addition to its dealer network for FY21.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	60,619	63,658	59,257	72,118	81,435
EBITDA	9,355	10,610	11,676	14,224	16,351
EBITDA Margin (%)	15.4	16.7	19.7	19.7	20.1
APAT	4,939	6,561	7,372	9,247	10,756
EPS (Rs)	5.1	6.8	7.6	9.5	11.1
EPS (% chg)	7.2	32.8	12.4	25.4	16.3
ROE (%)	21.3	24.8	24.4	26.6	26.4
P/E (x)	110.6	83.3	74.1	59.1	50.8
EV/EBITDA (x)	58.3	51.1	45.9	37.4	32.2
P/BV (x)	22.2	19.3	17.0	14.6	12.4

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	SELL

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	7.6	9.5
Consensus	6.7	8.8
Mean Consensus TP (12M)	Rs 465	

Stock Details

Bloomberg Code	BRGR IN
Face Value (Rs)	1
Shares outstanding (mn)	971
52 Week H/L	597 / 357
M Cap (Rs bn/USD bn)	547 / 7.31
Daily Avg Volume (nos.)	16,76,866
Daily Avg Turnover (US\$ mn)	11.4

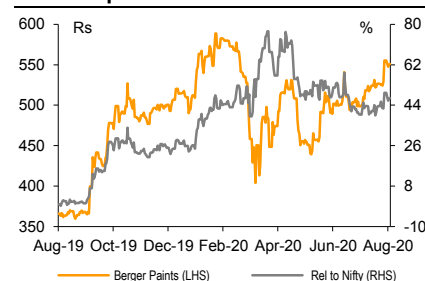
Shareholding Pattern Jun '20

Promoters	75.0%
FIIIs	11.7%
DIIIs	3.0%
Public and Others	10.3%

Price Performance

(%)	1M	3M	6M	12M
Absolute	9	28	(3)	54
Rel. to Nifty	4	(1)	2	49

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	60,619	63,658	59,257	72,118	81,435
Expenditure	51,263	53,048	47,581	57,895	65,084
EBITDA	9,355	10,610	11,676	14,224	16,351
Depreciation	1,823	1,910	2,045	2,223	2,485
EBIT	7,533	8,700	9,631	12,001	13,865
Other Income	600	685	685	788	906
Interest expenses	472	470	421	377	334
PBT	7,661	8,915	9,895	12,412	14,438
Tax	2,713	2,271	2,523	3,165	3,682
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	(9)	(83)	0	0	0
Reported Net Income	4,939	6,561	7,372	9,247	10,756
Adjusted PAT	4,939	6,561	7,372	9,247	10,756

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	971	971	971	971	971
Reserves & surplus	23,756	27,390	31,249	36,398	43,056
Net worth	24,727	28,361	32,220	37,369	44,027
Minority Interest	35	35	35	35	35
Loan Funds	4,839	4,339	3,839	3,339	2,839
Net deferred tax liability	704	704	704	704	704
Total Liabilities	30,304	33,438	36,798	41,447	47,605
Net block	13,721	14,211	13,366	13,543	13,458
Investment	3,949	3,949	3,949	3,949	3,949
Current Assets	23,937	27,993	31,036	38,390	46,722
Cash & bank balance	2,385	5,017	10,137	13,350	18,892
Other Current Assets	2,165	2,965	2,598	3,161	3,570
Current liabilities & Provision	13,111	14,440	13,279	16,161	18,249
Net current assets	10,826	13,553	17,757	22,229	28,473
Misc. exp	109	26	26	26	26
Total Assets	30,304	33,438	36,798	41,447	47,605

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	7,060	8,229	9,210	11,624	13,531
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(684)	(94)	915	(1,259)	(701)
Operating Cashflow	6,867	9,615	11,438	11,376	13,780
Capital expenditure	(3,600)	(2,400)	(1,200)	(2,400)	(2,400)
Free Cash Flow	3,268	7,215	10,238	8,976	11,380
Investments	(618)	0	0	0	0
Other Investing Cash Flow	(899)	(1,370)	(1,370)	(1,576)	(1,812)
Investing Cashflow	(4,516)	(3,085)	(1,885)	(3,188)	(3,306)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	618	(500)	(500)	(500)	(500)
Dividend paid (incl tax)	(2,224)	(2,927)	(3,513)	(4,098)	(4,098)
Other Financing Cash Flow	67	0	0	0	0
Financing Cashflow	(2,012)	(3,898)	(4,434)	(4,975)	(4,932)
Net chg in cash	339	2,633	5,119	3,213	5,543
Opening cash position	2,050	2,385	5,017	10,137	13,350
Closing cash position	2,389	5,017	10,137	13,350	18,892

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	15.4	16.7	19.7	19.7	20.1
EBIT Margin	12.4	13.7	16.3	16.6	17.0
Effective Tax Rate	35.4	25.5	25.5	25.5	25.5
Net Margin	8.2	10.4	12.4	12.8	13.2
ROCE	28.7	29.5	29.4	32.7	33.2
ROE	21.3	24.8	24.4	26.6	26.4
RoIC	35.6	38.7	44.0	55.3	61.0

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	5.1	6.8	7.6	9.5	11.1
CEPS	7.0	8.7	9.7	11.8	13.6
BVPS	25.4	29.2	33.1	38.5	45.3
DPS	1.9	2.5	3.0	3.5	3.5

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	110.6	83.3	74.1	59.1	50.8
P/CEPS	79.0	63.1	56.8	46.6	40.4
P/BV	22.2	19.3	17.0	14.6	12.4
EV / Sales	9.1	8.5	9.1	7.4	6.5
EV / EBITDA	58.3	51.1	45.9	37.4	32.2
Dividend Yield (%)	0.3	0.4	0.5	0.6	0.6

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	(0.1)	(0.2)	(0.3)	(0.4)	(0.5)
Net Debt/EBIDTA	(0.2)	(0.4)	(0.9)	(1.0)	(1.2)
Working Cap Cycle (days)	50.8	48.9	46.9	44.9	42.9

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	17.3	5.0	(6.9)	21.7	12.9
EBITDA	15.9	13.4	10.1	21.8	15.0
EBIT	10.3	15.5	10.7	24.6	15.5
PAT	7.2	32.8	12.4	25.4	16.3

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	17,165	15,986	16,959	13,548	9,308
EBITDA	3,052	2,511	2,963	2,084	921
EBITDA Margin (%)	17.8	15.7	17.5	15.4	9.9
PAT	1,764	1,947	1,819	1,032	151
EPS (Rs)	1.8	2.0	1.9	1.1	0.2

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	75.0	75.0	75.0	75.0	75.0
FII	9.6	10.2	12.0	11.8	11.7
DII	4.0	3.3	2.8	2.8	3.0
Public and Others	11.4	11.6	10.2	10.4	10.3

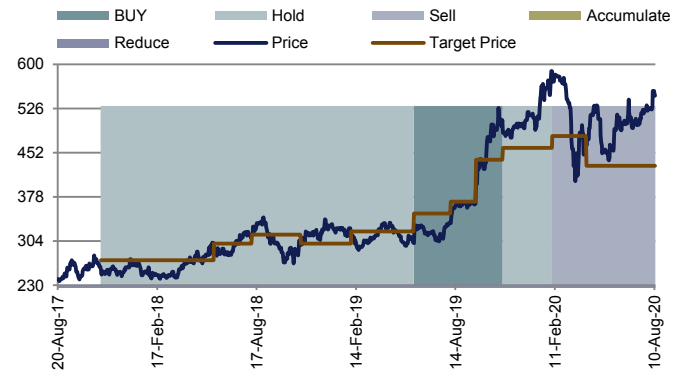
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
26-Jun-20	511	430	12m	Sell	Ashit Desai
22-Jun-20	505	430	12m	Sell	Ashit Desai
14-Apr-20	493	430	12m	Sell	Ashit Desai
08-Apr-20	464	430	12m	Sell	Ashit Desai
06-Feb-20	575	480	12m	Sell	Ashit Desai
25-Dec-19	520	460	12m	Hold	Ashit Desai
08-Nov-19	485	460	12m	Hold	Ashit Desai
20-Sep-19	400	440	12m	Buy	Ashit Desai
05-Aug-19	334	370	12m	Buy	Ashit Desai
30-May-19	301	350	12m	Buy	Ashit Desai
09-Apr-19	326	320	12m	Hold	Ashit Desai
05-Feb-19	308	320	12m	Hold	Ashit Desai
05-Nov-18	301	300	12m	Hold	Ashit Desai
08-Aug-18	313	315	12m	Hold	Ashit Desai
31-May-18	298	300	12m	Hold	Ashit Desai
06-Nov-17	256	272	12m	Hold	Amit Purohit

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Dabur India

Refer to important disclosures at the end of this report

Increased aggression on core and new launches

CMP: Rs 497
as of (August 17, 2020)

TP: Rs 500 (■)
12 months

Rating: HOLD (■)

We hosted Mr. Mohit Malhotra, Chief Executive Officer

Key Meeting Takeaways

- Dabur remains confident of its core portfolio, with growth trends improving month on month and strong pace of innovations adding to growth. Healthcare continues to grow strongly (100% in July), followed by strong growth in August as well. The core categories Chyawanprash and Honey have almost doubled in penetration. Dabur is better-positioned due to its legacy and distribution capabilities. The company plans to effect price hikes in healthcare to offset input inflation, and competition is low in the segment.
- In foods, the industry declined 50% while Dabur declined 30%. Out-of-home consumption (200ml packs) and institutional segment contribution of ~40% have been hit hard. The company is scaling up Hommade brand by getting into packaged foods (chutneys/pickles, etc.) to offset the impact on juices.
- Rural growth has been much higher at 12% due to an increase in MSPs and govt spends vs. a 1% decline in the urban market. The rural product portfolio is SKU-driven, while the urban portfolio is variant-driven. Dabur is repositioning and repackaging its brands to make them more urban friendly.
- Hair oil trends continue to be weak and are experiencing down-trading in rural areas. Skincare trends are recovering but are still far below pre-Covid-19 levels (decline of 25% vs. 50% earlier). Oral care has been growing with an existing market share of 15%.
- The contribution from new launches went up from 1% to 6% recently, but management expects this to moderate at ~3% post Covid-19. New launches took two years earlier, but now they are taking three months due to the Covid-19 push.
- E-commerce is 5-6% of the business. Digital spends have been stepped up from 8% to 18% and will remain in double-digits.
- Dabur is keeping its focus on direct reach since the wholesale channel is shrinking. Direct and indirect channels add up to ~6.5mn outlets, of which 1.2mn outlets are direct. Reach in the chemist channel is also expected to go up from 0.24mn to 0.28mn outlets. Inventory levels have come down from 28 days to ~17 days.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	85,331	87,036	90,867	1,03,486	1,14,354
EBITDA	17,396	17,924	20,759	24,578	27,730
EBITDA Margin (%)	20.4	20.6	22.8	23.7	24.2
APAT	15,177	15,450	17,446	20,340	23,077
EPS (Rs)	8.5	8.7	9.9	11.5	13.1
EPS (% chg)	9.4	2.8	12.9	16.6	13.5
ROE (%)	26.8	26.2	26.4	26.9	26.5
P/E (x)	58.4	56.9	50.4	43.2	38.1
EV/EBITDA (x)	50.2	48.5	41.5	34.7	30.3
P/BV (x)	15.6	14.2	12.5	10.8	9.4

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	9.9	11.5
Consensus	9.3	10.8
Mean Consensus TP (12M)	Rs 507	

Stock Details

Bloomberg Code	DABUR IN
Face Value (Rs)	1
Shares outstanding (mn)	1,767
52 Week H/L	528 / 385
M Cap (Rs bn/USD bn)	879 / 11.73
Daily Avg Volume (nos.)	39,81,660
Daily Avg Turnover (US\$ mn)	25.0

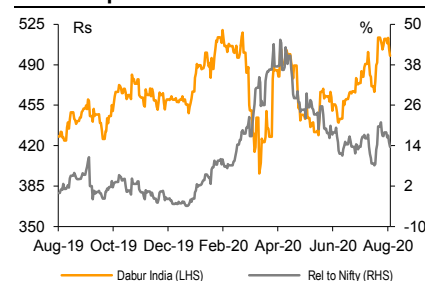
Shareholding Pattern Jun '20

Promoters	67.9%
FIIIs	17.6%
DIIIs	7.4%
Public and Others	7.1%

Price Performance

(%)	1M	3M	6M	12M
Absolute	4	8	(2)	15
Rel. to Nifty	(2)	(11)	6	14

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	85,331	87,036	90,867	1,03,486	1,14,354
Expenditure	67,935	69,112	70,108	78,908	86,623
EBITDA	17,396	17,924	20,759	24,578	27,730
Depreciation	1,769	2,205	2,350	2,423	2,606
EBIT	15,627	15,719	18,409	22,155	25,125
Other Income	2,962	3,053	3,358	3,761	4,213
Interest expenses	596	495	500	500	500
PBT	17,993	18,277	21,267	25,416	28,837
Tax	2,786	2,797	3,828	5,083	5,767
Extraordinary Items	(753)	(1,000)	0	0	0
Minority Int./Income from Assoc.	49	30	(7)	(7)	(7)
Reported Net Income	14,423	14,450	17,446	20,340	23,077
Adjusted PAT	15,177	15,450	17,446	20,340	23,077

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	1,766	1,766	1,766	1,766	1,766
Reserves & surplus	54,551	60,005	68,616	79,237	91,270
Net worth	56,317	61,771	70,382	81,003	93,036
Minority Interest	314	314	314	314	314
Loan Funds	5,243	5,243	5,243	5,243	5,243
Net deferred tax liability	716	716	716	716	716
Total Liabilities	62,589	68,044	76,654	87,275	99,308
Net block	19,691	21,596	22,247	22,824	23,219
Investment	33,588	33,588	33,588	33,588	33,588
Current Assets	30,429	32,117	40,481	53,428	67,586
Cash & bank balance	3,282	6,583	14,683	24,101	35,218
Other Current Assets	4,479	400	394	405	414
Current liabilities & Provision	21,755	20,722	21,126	24,029	26,548
Net current assets	8,673	11,395	19,355	29,399	41,037
Misc. exp	0	0	0	0	0
Total Assets	62,589	68,044	76,654	87,275	99,308

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	15,031	15,224	17,909	21,655	24,625
Other Non-Cash items	0	0	0	0	0
Chg in working cap	220	580	139	(626)	(521)
Operating Cashflow	17,009	17,730	20,435	22,637	25,662
Capital expenditure	(1,401)	(4,938)	(3,000)	(3,000)	(3,000)
Free Cash Flow	15,608	12,792	17,435	19,637	22,662
Investments	4,464	0	0	0	0
Other Investing Cash Flow	(2,962)	(3,053)	(3,358)	(3,761)	(4,213)
Investing Cashflow	3,063	(4,938)	(3,000)	(3,000)	(3,000)
Equity Capital Raised	5	0	0	0	0
Loans Taken / (Repaid)	(4,132)	0	0	0	0
Dividend paid (incl tax)	(15,944)	(8,995)	(8,836)	(9,719)	(11,044)
Other Financing Cash Flow	816	0	0	0	0
Financing Cashflow	(19,851)	(9,491)	(9,336)	(10,219)	(11,544)
Net chg in cash	221	3,302	8,100	9,418	11,118
Opening cash position	3,061	3,282	6,583	14,683	24,101
Closing cash position	3,282	6,583	14,683	24,101	35,218

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	20.4	20.6	22.8	23.7	24.2
EBIT Margin	18.3	18.1	20.3	21.4	22.0
Effective Tax Rate	15.5	15.3	18.0	20.0	20.0
Net Margin	17.8	17.8	19.2	19.6	20.2
ROCE	28.4	28.7	30.1	31.6	31.4
ROE	26.8	26.2	26.4	26.9	26.5
RoIC	60.4	61.1	69.0	80.5	87.9

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	8.5	8.7	9.9	11.5	13.1
CEPS	9.6	10.0	11.2	12.9	14.5
BVPS	31.9	35.0	39.8	45.8	52.6
DPS	7.5	4.5	5.0	5.5	6.3

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	58.4	56.9	50.4	43.2	38.1
P/CEPS	51.3	49.2	43.9	38.2	33.8
P/BV	15.6	14.2	12.5	10.8	9.4
EV / Sales	10.3	10.0	9.5	8.2	7.4
EV / EBITDA	50.2	48.5	41.5	34.7	30.3
Dividend Yield (%)	1.5	0.9	1.0	1.1	1.3

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	(0.1)	(0.1)	(0.2)	(0.3)	(0.4)
Net Debt/EBITDA	(0.3)	(0.5)	(0.8)	(1.1)	(1.3)
Working Cap Cycle (days)	23.1	20.2	18.8	18.7	18.6

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	10.5	2.0	4.4	13.9	10.5
EBITDA	7.6	3.0	15.8	18.4	12.8
EBIT	7.4	0.6	17.1	20.3	13.4
PAT	6.2	0.2	20.7	16.6	13.5

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	22,733	22,120	23,530	18,654	19,800
EBITDA	4,576	4,895	4,929	3,523	4,166
EBITDA Margin (%)	20.1	22.1	20.9	18.9	21.0
PAT	3,628	4,028	3,979	2,816	3,418
EPS (Rs)	2.1	2.3	2.3	1.6	1.9

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	67.9	67.9	67.9	67.9	67.9
FII	17.8	17.6	17.5	17.4	17.6
DII	7.0	7.7	7.7	7.6	7.4
Public and Others	7.3	6.7	6.9	7.1	7.1

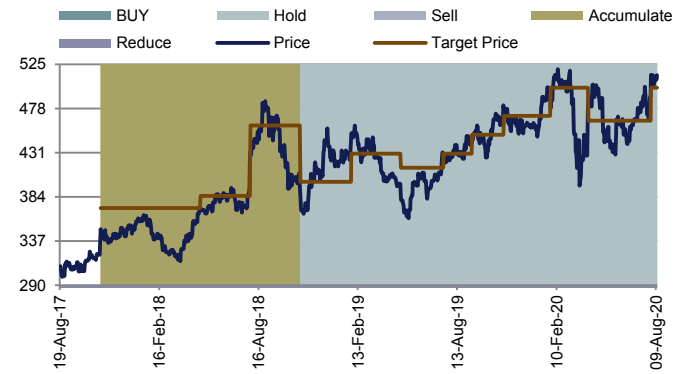
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
31-Jul-20	514	500	12m	Hold	Ashit Desai
27-May-20	429	465	12m	Hold	Ashit Desai
14-Apr-20	480	465	12m	Hold	Ashit Desai
08-Apr-20	488	465	12m	Hold	Ashit Desai
30-Jan-20	479	500	12m	Hold	Ashit Desai
25-Dec-19	458	470	12m	Hold	Ashit Desai
06-Nov-19	477	470	12m	Hold	Ashit Desai
20-Sep-19	446	450	12m	Hold	Ashit Desai
09-Sep-19	444	450	12m	Hold	Ashit Desai
19-Jul-19	420	430	12m	Hold	Ashit Desai
25-Jun-19	394	415	12m	Hold	Ashit Desai
02-May-19	382	415	12m	Hold	Ashit Desai
09-Apr-19	404	430	12m	Hold	Ashit Desai
01-Feb-19	452	430	12m	Hold	Ashit Desai
31-Oct-18	385	400	12m	Hold	Ashit Desai
01-Aug-18	432	460	12m	Accumulate	Ashit Desai
02-May-18	372	385	12m	Accumulate	Ashit Desai
01-Nov-17	350	372	12m	Accumulate	Amit Purohit

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

ITC

Refer to important disclosures at the end of this report

Cigarettes recovering well; FMCG gaining momentum

CMP: Rs 196
as of (August 17, 2020)

TP: Rs 255 (■)
12 months

Rating: BUY (■)

We hosted Mr. Karthik Bhanu, Head-Corporate Planning, and Mr. Abhijit Roy, EVP Corporate Finance

Key Meeting Takeaways

- In the Cigarettes segment, distribution in the market amidst lockdowns have been challenging. Capsule salience in the industry is 13% to 14% (sub-5% 2 years ago) and ITC market share for capsule cigarettes which used to 40% earlier has steadily increased to over 60% now (overall market share > 75%). ITC now has a structural cost advantage vs industry, due to in-house capsule manufacturing facility which accounts for over 80% of their requirements. Margins are inherently lower for capsule cigarettes as the industry salience of capsules is still low and currently there is no price differential vis-a-vis non-capsule cigarettes.
- The FMCG portfolio continues to see strong demand trends, particularly in foods and hygiene categories. All categories of at-home consumption are seeing similar growth momentum. It has a strong pipeline of new product launches, with a lot of them in the health & hygiene space. They have performed well in the market.
- FMCG EBITDA margins should improve on better utilization, reduced distance to market and other cost-reduction measures. Aashirvaad Atta has close to double-digit margins and can see further expansion with increase in scale. Ad spends were increased in certain categories such as Noodles/Savlon due to increased in-home consumption.
- The recent acquisition of Sunrise Foods is expected to add more than Rs6bn in sales. It has a strong EBITDA margin of 20% and a strong equity in the East. ITC expects to grow this brand well using institutional strengths in distribution and strong agri-sourcing capabilities. Earlier, the acquisition Savlon had also resulted in strong performance, recording 5x growth.
- Capex will be ~Rs20bn and spends on Hotels will be only to the extent of unfinished projects (three upcoming properties). Capex to continue in other segments including Paper (has good ROCE).

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	4,49,957	4,56,197	4,45,066	5,21,660	5,69,573
EBITDA	1,73,055	1,79,043	1,59,729	2,01,788	2,22,155
EBITDA Margin (%)	38.5	39.2	35.9	38.7	39.0
APAT	1,24,643	1,52,682	1,29,928	1,62,974	1,80,845
EPS (Rs)	10.2	12.4	10.6	13.3	14.7
EPS (% chg)	13.3	22.2	(14.9)	25.4	11.0
ROE (%)	22.8	25.0	20.0	24.1	25.4
P/E (x)	19.3	15.8	18.6	14.8	13.3
EV/EBITDA (x)	13.0	12.1	13.5	10.5	9.4
P/BV (x)	4.2	3.8	3.7	3.5	3.3

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	10.6	13.3
Consensus	11.4	13.2
Mean Consensus TP (12M)	Rs 238	

Stock Details

Bloomberg Code	ITC IN
Face Value (Rs)	1
Shares outstanding (mn)	12,306
52 Week H/L	266 / 135
M Cap (Rs bn/USD bn)	2,417 / 32.27
Daily Avg Volume (nos.)	3,09,31,260
Daily Avg Turnover (US\$ mn)	80.2

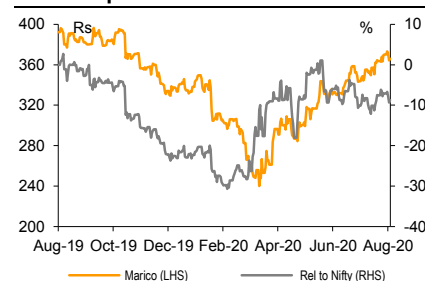
Shareholding Pattern Jun '20

Promoters	-%
FII	14.6%
DII	42.0%
Public and Others	43.4%

Price Performance

(%)	1M	3M	6M	12M
Absolute	-	20	(5)	(21)
Rel. to Nifty	(5)	(2)	2	(22)

Relative price chart



Source: Bloomberg

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	4,49,957	4,56,197	4,45,066	5,21,660	5,69,573
Expenditure	2,76,901	2,77,155	2,85,338	3,19,872	3,47,419
EBITDA	1,73,055	1,79,043	1,59,729	2,01,788	2,22,155
Depreciation	13,117	15,633	15,627	16,410	17,122
EBIT	1,59,938	1,63,410	1,44,102	1,85,378	2,05,033
Other Income	24,845	30,137	30,156	33,059	37,296
Interest expenses	342	557	557	557	557
PBT	1,84,442	1,92,989	1,73,701	2,17,880	2,41,772
Tax	59,798	40,308	43,773	54,906	60,926
Extraordinary Items	0	(1,321)	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	1,24,643	1,51,361	1,29,928	1,62,974	1,80,845
Adjusted PAT	1,24,643	1,52,682	1,29,928	1,62,974	1,80,845

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	12,259	12,292	12,292	12,292	12,292
Reserves & surplus	5,67,239	6,27,999	6,47,298	6,81,204	7,20,689
Net worth	5,79,498	6,40,291	6,59,590	6,93,496	7,32,981
Minority Interest	0	0	0	0	0
Loan Funds	79	56	0	0	0
Net deferred tax liability	23,888	17,544	17,544	17,544	17,544
Total Liabilities	6,03,465	6,57,891	6,77,133	7,11,039	7,50,524
Net block	1,84,864	2,01,322	1,98,195	2,00,185	2,01,464
Investment	2,65,780	3,10,160	3,10,160	3,10,160	3,10,160
Current Assets	2,13,322	2,13,070	2,32,911	2,80,257	3,28,373
Cash & bank balance	37,687	68,433	91,953	1,16,607	1,49,497
Other Current Assets	25,780	22,125	23,282	26,207	28,749
Current liabilities & Provision	94,514	94,462	91,934	1,07,364	1,17,274
Net current assets	1,18,808	1,18,608	1,40,977	1,72,893	2,11,099
Misc. exp	0	0	0	0	0
Total Assets	6,03,465	6,57,892	6,77,134	7,11,040	7,50,524

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	1,59,596	1,62,853	1,43,544	1,84,821	2,04,476
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(8,957)	24,600	1,151	(7,262)	(5,316)
Operating Cashflow	1,29,146	1,92,151	1,47,263	1,72,679	1,93,208
Capital expenditure	(26,079)	(25,879)	(12,500)	(18,400)	(18,400)
Free Cash Flow	1,03,067	1,66,272	1,34,763	1,54,279	1,74,808
Investments	(31,808)	(44,380)	0	0	0
Other Investing Cash Flow	(24,845)	(30,137)	(30,156)	(33,059)	(37,296)
Investing Cashflow	(57,887)	(70,259)	(12,500)	(18,400)	(18,400)
Equity Capital Raised	54	33	0	0	0
Loans Taken / (Repaid)	(32)	(23)	(56)	0	0
Dividend paid (incl tax)	(74,869)	(84,222)	(1,10,630)	(1,29,068)	(1,41,360)
Other Financing Cash Flow	15,669	(6,378)	0	0	0
Financing Cashflow	(59,520)	(91,147)	(1,11,243)	(1,29,625)	(1,41,918)
Net chg in cash	11,739	30,745	23,520	24,654	32,891
Opening cash position	25,949	37,687	68,433	91,953	1,16,607
Closing cash position	37,687	68,433	91,953	1,16,607	1,49,497

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	38.5	39.2	35.9	38.7	39.0
EBIT Margin	35.5	35.8	32.4	35.5	36.0
Effective Tax Rate	32.4	20.9	25.2	25.2	25.2
Net Margin	27.7	33.5	29.2	31.2	31.8
ROCE	32.5	30.7	26.1	31.5	33.2
ROE	22.8	25.0	20.0	24.1	25.4
RoIC	65.4	63.2	57.8	73.6	78.9

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	10.2	12.4	10.6	13.3	14.7
CEPS	11.2	13.7	11.8	14.6	16.1
BVPS	47.3	52.1	53.7	56.4	59.6
DPS	5.1	5.7	9.0	10.5	11.5

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	19.3	15.8	18.6	14.8	13.3
P/CEPS	17.5	14.3	16.6	13.5	12.2
P/BV	4.2	3.8	3.7	3.5	3.3
EV / Sales	5.1	4.8	4.9	4.1	3.7
EV / EBITDA	13.0	12.1	13.5	10.5	9.4
Dividend Yield (%)	2.6	2.9	4.6	5.3	5.9

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)
Net Debt/EBIDTA	(0.9)	(1.3)	(1.7)	(1.4)	(1.4)
Working Cap Cycle (days)	65.8	40.1	40.2	39.4	39.5

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	10.8	1.4	(2.4)	17.2	9.2
EBITDA	11.4	3.5	(10.8)	26.3	10.1
EBIT	11.1	2.2	(11.8)	28.6	10.6
PAT	11.1	21.4	(14.2)	25.4	11.0

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	1,13,125	1,18,715	1,18,056	1,08,422	89,113
EBITDA	45,656	45,624	46,127	41,635	26,466
EBITDA Margin (%)	40.4	38.4	39.1	38.4	29.7
PAT	31,739	40,231	41,419	37,970	23,428
EPS (Rs)	2.6	3.3	3.4	3.1	1.9

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	-	-	-	-	-
FIIIs	16.7	15.6	15.2	14.6	14.6
DIIIs	38.3	42.4	42.5	42.4	42.0
Public and Others	44.9	42.0	42.3	43.0	43.4

Source: Capitaline

Marico

Refer to important disclosures at the end of this report

Improved execution driving recovery

CMP: Rs 366
as of (August 17, 2020)

TP: Rs 350 (■)
12 months

Rating: HOLD (■)

We hosted Mr. Pawan Agrawal, the new CFO of Marico

Key Meeting Takeaways

- Marico's product portfolio grew 3% in May and June, followed by strong growth in July. Saffola and Parachute coconut oils are doing well, whereas VAHO recovery has been slower. In VAHO, the lower-end hair oils are growing and mid-level ones are showing recovery; however, the premium segment is struggling.
- In Parachute, it is betting on higher conversion from unorganized brands as consumers' increased focus on hygiene should benefit. Its recent campaign "Parachute - Untouched by Hands, 100% Safe" aims to highlight this and drive higher conversion from unbranded loose oils (30-35% salience). Discounts on LUPs also remain high to drive conversions. Saffola has been largely a metro product (Top 15 cities contribute 80% of sales). The company will scale up once all problems in urban markets are solved. It has done several pricing/promotion corrections recently, which have led to better results.
- Marico has increased its digital spends as a portion of its sales (20% vs. 10%). Management expects 100-200bps decline in ad spends due to lower ad rates/better negotiation and cut-down in spends on discretionary categories. Ad spends in the core categories are not being reduced.
- Management wants to up its ante in the healthy foods space. Against the earlier strategy of focusing on niche categories, the company will now target mass categories with differentiation. The launch of honey is on these lines which has a strong MMR differentiation.
- Modern trade continues to struggle, leading to slow growth in the urban markets. Urban is now driven by urban GT and e-commerce. The company lost 3.5-4% volume growth because of CSD and should be able to normalize it from Q3.
- Copra prices are expected to be bearish. Marico expects to be able to balance out its margin and growth.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	73,340	73,150	74,391	83,988	92,059
EBITDA	13,285	14,690	15,863	17,785	19,631
EBITDA Margin (%)	18.1	20.1	21.3	21.2	21.3
APAT	9,445	10,720	11,402	12,772	14,162
EPS (Rs)	7.3	8.3	8.8	9.9	11.0
EPS (% chg)	14.1	13.5	6.4	12.0	10.9
ROE (%)	34.1	34.8	34.7	36.2	37.5
P/E (x)	50.1	44.1	41.5	37.0	33.4
EV/EBITDA (x)	35.1	31.7	29.1	25.9	23.4
P/BV (x)	15.8	14.9	13.9	12.9	12.1

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	8.8	9.9
Consensus	8.7	9.7
Mean Consensus TP (12M)	Rs 374	

Stock Details

Bloomberg Code	MRCO IN
Face Value (Rs)	1
Shares outstanding (mn)	1,291
52 Week H/L	404 / 234
M Cap (Rs bn/USD bn)	473 / 6.31
Daily Avg Volume (nos.)	32,59,268
Daily Avg Turnover (US\$ mn)	15.0

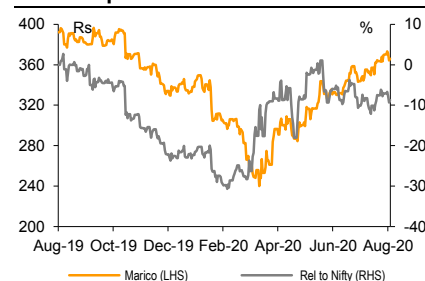
Shareholding Pattern Jun '20

Promoters	59.6%
FIIIs	23.7%
DIIIs	9.8%
Public and Others	6.9%

Price Performance

(%)	1M	3M	6M	12M
Absolute	5	15	21	(7)
Rel. to Nifty	-	(6)	31	(8)

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	73,340	73,150	74,391	83,988	92,059
Expenditure	60,055	58,460	58,527	66,203	72,427
EBITDA	13,285	14,690	15,863	17,785	19,631
Depreciation	1,320	1,400	1,467	1,508	1,674
EBIT	11,965	13,290	14,396	16,276	17,958
Other Income	1,030	1,240	1,116	1,228	1,412
Interest expenses	400	500	400	350	350
PBT	12,595	14,030	15,112	17,154	19,020
Tax	3,140	3,310	3,700	4,372	4,847
Extraordinary Items	1,880	(290)	0	0	0
Minority Int./Income from Assoc.	10	0	10	10	10
Reported Net Income	11,325	10,430	11,402	12,772	14,162
Adjusted PAT	9,445	10,720	11,402	12,772	14,162

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	1,290	1,290	1,290	1,290	1,290
Reserves & surplus	28,700	30,416	32,782	35,227	37,771
Net worth	29,990	31,706	34,072	36,517	39,061
Minority Interest	110	203	203	203	203
Loan Funds	3,490	3,350	3,350	3,350	3,350
Net deferred tax liability	(1,540)	(1,467)	(1,387)	(1,298)	(1,201)
Total Liabilities	32,050	33,792	36,238	38,772	41,413
Net block	11,470	11,570	11,303	11,194	11,021
Investment	4,500	4,494	4,494	4,494	4,494
Current Assets	28,730	29,446	31,955	36,114	40,205
Cash & bank balance	5,520	7,162	10,339	11,792	13,608
Other Current Assets	3,550	2,755	2,796	3,111	3,377
Current liabilities & Provision	13,100	12,168	11,963	13,481	14,757
Net current assets	15,630	17,278	19,991	22,633	25,448
Misc. exp	0	0	0	0	0
Total Assets	32,050	33,792	36,238	38,772	41,413

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	11,565	12,790	13,996	15,926	17,608
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(1,770)	67	545	(1,100)	(902)
Operating Cashflow	11,275	12,397	13,814	13,530	15,283
Capital expenditure	(1,869)	(1,500)	(1,200)	(1,400)	(1,500)
Free Cash Flow	9,407	10,897	12,614	12,130	13,783
Investments	928	6	0	0	0
Other Investing Cash Flow	(858)	(1,240)	(1,116)	(1,228)	(1,412)
Investing Cashflow	(769)	(1,494)	(1,200)	(1,400)	(1,500)
Equity Capital Raised	(1)	0	0	0	0
Loans Taken / (Repaid)	363	(140)	0	0	0
Dividend paid (incl tax)	(7,107)	(8,714)	(9,036)	(10,327)	(11,618)
Other Financing Cash Flow	157	93	0	0	0
Financing Cashflow	(6,987)	(9,261)	(9,436)	(10,677)	(11,968)
Net chg in cash	3,519	1,642	3,178	1,453	1,815
Opening cash position	2,001	5,520	7,162	10,339	11,792
Closing cash position	5,520	7,162	10,339	11,792	13,608

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	18.1	20.1	21.3	21.2	21.3
EBIT Margin	16.3	18.2	19.4	19.4	19.5
Effective Tax Rate	24.9	23.6	24.5	25.5	25.5
Net Margin	12.9	14.7	15.3	15.2	15.4
ROCE	42.5	44.1	44.3	46.7	48.3
ROE	34.1	34.8	34.7	36.2	37.5
RoIC	55.7	61.4	67.5	75.7	80.0

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	7.3	8.3	8.8	9.9	11.0
CEPS	8.3	9.4	10.0	11.1	12.3
BVPS	23.2	24.6	26.4	28.3	30.3
DPS	4.8	6.8	7.0	8.0	9.0

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	50.1	44.1	41.5	37.0	33.4
P/CEPS	42.0	37.3	35.2	31.7	28.6
P/BV	15.8	14.9	13.9	12.9	12.1
EV / Sales	6.4	6.4	6.2	5.5	5.0
EV / EBITDA	35.1	31.7	29.1	25.9	23.4
Dividend Yield (%)	1.3	1.8	1.9	2.2	2.5

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	(0.2)	(0.2)	(0.3)	(0.3)	(0.4)
Net Debt/EBIDTA	(0.4)	(0.5)	(0.7)	(0.7)	(0.7)
Working Cap Cycle (days)	50.3	50.5	47.4	47.1	46.9

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	16.0	(0.3)	1.7	12.9	9.6
EBITDA	16.8	10.6	8.0	12.1	10.4
EBIT	14.1	11.1	8.3	13.1	10.3
PAT	36.9	(7.9)	9.3	12.0	10.9

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	21,660	18,290	18,240	14,960	19,250
EBITDA	4,610	3,530	3,730	2,820	4,670
EBITDA Margin (%)	21.3	19.3	20.4	18.9	24.3
PAT	3,340	2,510	2,760	2,110	3,280
EPS (Rs)	2.6	1.9	2.1	1.6	2.5

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	59.7	59.6	59.6	59.6	59.6
FIs	25.7	24.9	23.8	22.7	23.7
DIs	5.8	8.6	9.5	10.5	9.8
Public and Others	8.8	6.9	7.1	7.2	6.9

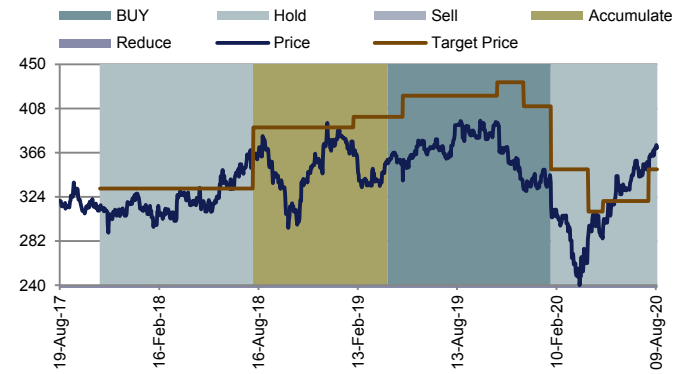
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
27-Jul-20	350	350	12m	Hold	Ashit Desai
05-May-20	297	320	12m	Hold	Ashit Desai
14-Apr-20	291	310	12m	Hold	Ashit Desai
08-Apr-20	289	310	12m	Hold	Ashit Desai
31-Jan-20	315	350	12m	Hold	Ashit Desai
25-Dec-19	334	410	12m	Buy	Ashit Desai
12-Dec-19	331	410	12m	Buy	Ashit Desai
25-Oct-19	394	433	12m	Buy	Ashit Desai
20-Sep-19	380	420	12m	Buy	Ashit Desai
01-Aug-19	363	420	12m	Buy	Ashit Desai
20-Jun-19	367	420	12m	Buy	Ashit Desai
06-May-19	340	420	12m	Buy	Ashit Desai
09-Apr-19	356	400	12m	Buy	Ashit Desai
05-Feb-19	364	400	12m	Accumulate	Ashit Desai
01-Nov-18	320	390	12m	Accumulate	Ashit Desai
06-Aug-18	363	390	12m	Accumulate	Ashit Desai
03-May-18	312	332	12m	Hold	Ashit Desai
31-Oct-17	315	332	12m	Hold	Amit Purohit

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Radico Khaitan

Refer to important disclosures at the end of this report

Volume outperformance expected to continue

CMP: Rs 390
as of (August 17, 2020)

TP: Rs 500 (■)
12 months

Rating: BUY (■)

We hosted Mr. Dilip K Banthiya, CFO, Mr. Mukesh Agarwal, EVP Finance, and Mr. Saket Somani, VP Finance and IR

Key Meeting Takeaways

- Radico Khaitan is recovering faster than the industry, with volume decline reducing from 29% in May to 10% in June vs. 20% industry decline in June, and flat in July vs. expectation of 8-10% industry decline. The alcobev industry experienced flat volumes in FY20, while Radico's volumes grew 12.5%. Industry volumes are expected to decline 13-15% in FY21, but Radico is hopeful to match FY20 volumes. Exports grew 35% in Q1, while CSD sales continue to suffer. Exports are likely to contribute ~5% of sales
- The company is operating at 100% distillation and bottling capacity. 90% of off-premise outlets are open now. On-premise accounts for only 5-10% of volumes.
- Within states, UP's revenues are at pre-Covid-19 levels and Telangana is improving progressively, while AP continues to struggle (likely to remain at 50-55%). Kerala, West Bengal and Odisha are more affected and are yet to come back to pre-Covid-19.
- North and South contribute around 37% of sales, whereas East and West contribution is lower at 12-13% each. It has a strong market share in CSD which contributes 12% of sales.
- Within Vodka, Magic Moments continues to enjoy a 60% market share. Vodka has grown 6% over the last few years, while Magic Moments has grown 10% in the same period. Vodka still remains an underpenetrated category in India (only 4%). Morpheus and 8pm Black should see double-digit growth for the next five years. Super premium brands Morpheus Blue and Rampur Indian Single Malt have been well received. Management has plans to roll out Jaisalmer Indian craft gin in 20 countries.
- Gross margin in premium/regular/country liquor is at 60%/25%/15%. Molasses and ENA prices have corrected since last year and should remain benign this year. Brand investments have been in the range of 7-8% of net sales. Gross margin is expected to be in the range of 49-51% in the coming quarters and for the full year as well.
- Management will continue to focus on reducing working capital. Working capital days have declined from 61 days to 31 days (of gross sales). Receivable days have reduced since Mar-20, enabling the company to repay Rs1.2bn of debt. Capex is likely to be only Rs550-600mn a year. Cash flows will be used to repay debt. Expects to be debt-free by FY22.

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	20,969	24,270	24,600	28,333	31,443
EBITDA	3,503	3,718	4,090	4,766	5,384
EBITDA Margin (%)	16.7	15.3	16.6	16.8	17.1
APAT	1,880	2,517	2,494	3,035	3,539
EPS (Rs)	14.1	18.8	18.7	22.7	26.5
EPS (% chg)	52.2	33.7	(0.9)	21.7	16.6
ROE (%)	15.3	17.7	15.2	16.0	16.0
P/E (x)	27.7	20.7	20.9	17.2	14.7
EV/EBITDA (x)	15.7	14.8	12.9	10.8	9.2
P/BV (x)	4.0	3.4	3.0	2.6	2.2

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	18.7	22.7
Consensus	17.8	21.7
Mean Consensus TP (12M)	Rs 442	

Stock Details

Bloomberg Code	RDCK IN
Face Value (Rs)	2
Shares outstanding (mn)	134
52 Week H/L	439 / 220
M Cap (Rs bn/USD bn)	52 / 0.70
Daily Avg Volume (nos.)	7,05,672
Daily Avg Turnover (US\$ mn)	3.4

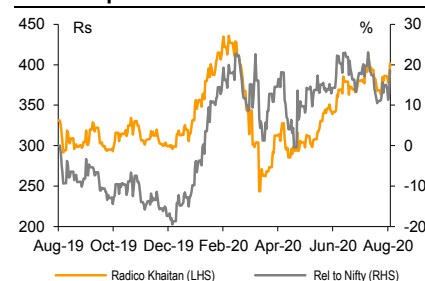
Shareholding Pattern Jun '20

Promoters	40.3%
FIIIs	18.6%
DIIIs	15.4%
Public and Others	25.6%

Price Performance

(%)	1M	3M	6M	12M
Absolute	-	25	(5)	18
Rel. to Nifty	(3)	2	1	16

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	20,969	24,270	24,600	28,333	31,443
Expenditure	17,466	20,552	20,510	23,567	26,059
EBITDA	3,503	3,718	4,090	4,766	5,384
Depreciation	424	525	543	580	617
EBIT	3,079	3,193	3,547	4,186	4,767
Other Income	133	92	96	101	106
Interest expenses	355	316	309	230	142
PBT	2,857	2,969	3,334	4,058	4,732
Tax	976	452	840	1,023	1,192
Extraordinary Items	0	242	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	1,880	2,758	2,494	3,035	3,539
Adjusted PAT	1,880	2,517	2,494	3,035	3,539

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	267	267	267	267	267
Reserves & surplus	12,883	14,965	17,266	20,141	23,480
Net worth	13,149	15,232	17,533	20,408	23,747
Minority Interest	0	0	0	0	0
Loan Funds	3,233	3,913	3,113	2,113	1,113
Net deferred tax liability	1,040	1,040	1,040	1,040	1,040
Total Liabilities	17,422	20,185	21,686	23,561	25,900
Net block	7,139	7,484	7,642	7,762	7,845
Investment	1,554	1,554	1,554	1,554	1,554
Current Assets	13,453	17,088	18,512	21,180	24,196
Cash & bank balance	177	1,020	2,503	2,758	3,874
Other Current Assets	2,457	2,651	2,672	2,910	3,108
Current liabilities & Provision	4,884	5,941	6,021	6,934	7,695
Net current assets	8,569	11,147	12,491	14,246	16,501
Misc. exp	0	0	0	0	0
Total Assets	17,423	20,185	21,686	23,561	25,900

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	2,724	2,877	3,238	3,957	4,625
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(43)	(1,734)	139	(1,500)	(1,141)
Operating Cashflow	2,723	1,865	3,485	2,345	3,157
Capital expenditure	(667)	(710)	(700)	(700)	(700)
Free Cash Flow	2,056	1,155	2,785	1,645	2,457
Investments	0	0	0	0	0
Other Investing Cash Flow	(236)	(92)	(96)	(101)	(106)
Investing Cashflow	(770)	(710)	(700)	(700)	(700)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	(1,989)	680	(800)	(1,000)	(1,000)
Dividend paid (incl tax)	(193)	(193)	(160)	(200)	(240)
Other Financing Cash Flow	37	(483)	(33)	40	40
Financing Cashflow	(2,500)	(312)	(1,302)	(1,390)	(1,342)
Net chg in cash	(547)	843	1,483	255	1,115
Opening cash position	724	177	1,020	2,503	2,758
Closing cash position	177	1,020	2,503	2,758	3,874

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	16.7	15.3	16.6	16.8	17.1
EBIT Margin	14.7	13.2	14.4	14.8	15.2
Effective Tax Rate	34.2	15.2	25.2	25.2	25.2
Net Margin	9.0	10.4	10.1	10.7	11.3
ROCE	18.4	17.5	17.4	19.0	19.7
ROE	15.3	17.7	15.2	16.0	16.0
RoIC	20.1	19.3	20.1	22.7	24.0

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	14.1	18.8	18.7	22.7	26.5
CEPS	17.3	22.8	22.7	27.1	31.1
BVPS	98.6	114.1	131.3	152.9	177.9
DPS	1.2	1.2	1.2	1.5	1.8

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	27.7	20.7	20.9	17.2	14.7
P/CEPS	22.9	17.3	17.4	14.6	12.7
P/BV	4.0	3.4	3.0	2.6	2.2
EV / Sales	2.6	2.3	2.1	1.8	1.6
EV / EBITDA	15.7	14.8	12.9	10.8	9.2
Dividend Yield (%)	0.3	0.3	0.3	0.4	0.5

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	0.2	0.2	0.0	0.0	(0.1)
Net Debt/EBIDTA	0.9	0.8	0.1	(0.1)	(0.5)
Working Cap Cycle (days)	146.1	152.3	148.2	148.0	146.6

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	15.0	15.7	1.4	15.2	11.0
EBITDA	29.9	6.1	10.0	16.5	13.0
EBIT	34.5	3.7	11.1	18.0	13.9
PAT	52.3	46.7	(9.6)	21.7	16.6

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	6,236	5,702	6,479	5,854	4,092
EBITDA	1,004	866	1,025	823	758
EBITDA Margin (%)	16.1	15.2	15.8	14.1	18.5
PAT	548	786	557	384	441
EPS (Rs)	4.1	5.9	4.2	2.9	3.3

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	40.4	40.4	40.3	40.3	40.3
FIs	19.8	20.7	20.5	19.4	18.6
DIs	7.8	8.1	8.2	13.0	15.4
Public and Others	32.0	30.8	31.0	27.3	25.6

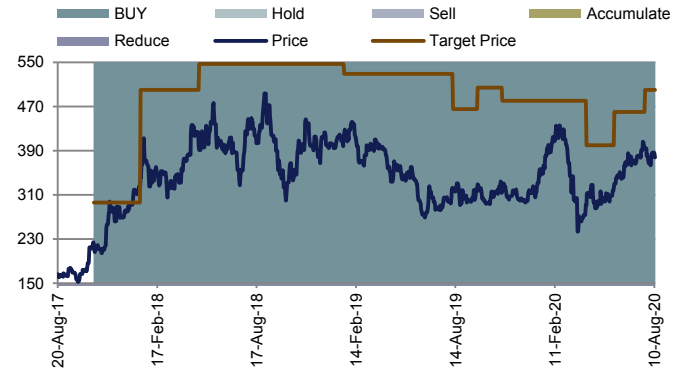
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
24-Jul-20	394	500	12m	Buy	Ashit Desai
29-May-20	330	460	12m	Buy	Ashit Desai
14-Apr-20	314	400	12m	Buy	Ashit Desai
08-Apr-20	291	400	12m	Buy	Ashit Desai
16-Mar-20	301	480	12m	Buy	Ashit Desai
24-Jan-20	380	480	12m	Buy	Ashit Desai
07-Nov-19	324	480	12m	Buy	Amit Zade
23-Sep-19	329	504	12m	Buy	Anubhav Gupta
09-Aug-19	318	465	12m	Buy	Anubhav Gupta
25-Jun-19	295	529	12m	Buy	Anubhav Gupta
03-May-19	362	529	12m	Buy	Anubhav Gupta
22-Apr-19	340	529	12m	Buy	Anubhav Gupta
23-Jan-19	422	529	12m	Buy	Anubhav Gupta
14-Jan-19	419	547	12m	Buy	Anubhav Gupta
24-Oct-18	354	547	12m	Buy	Anubhav Gupta
21-Sep-18	390	547	12m	Buy	Anubhav Gupta
24-Jul-18	381	547	12m	Buy	Anubhav Gupta
06-Jun-18	413	547	12m	Buy	Anubhav Gupta
04-May-18	391	547	12m	Buy	Anubhav Gupta
19-Apr-18	421	500	12m	Buy	Anubhav Gupta
24-Jan-18	380	500	12m	Buy	Anubhav Gupta
17-Jan-18	342	500	12m	Buy	Anubhav Gupta
20-Nov-17	275	296	12m	Buy	Anubhav Gupta
24-Oct-17	221	296	12m	Buy	Anubhav Gupta

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



United Spirits

Refer to important disclosures at the end of this report

More agile, efficient and competitive

CMP: Rs 584
as of (August 17, 2020)

TP: Rs 640 (■)
12 months

Rating: BUY (■)

We hosted Mr. Anand Kripalu, CEO, and Mr. Sanjeev Churiwala, CFO

Key Meeting Takeaways

- United Spirits has been growing progressively, on a month-on-month basis. Saliency is largely the same between popular and prestige categories, whereas Scotch is more impacted by on-premise. On premise has a 25% saliency which increases during the festive season. Management believes that growth in the off-trade channel will not be able to offset the loss in the on-trade channel.
- Management plans to remain agile and take actions on a week-to-week basis in order to maximize opportunity every day. To avoid supply disruption, it has increased its stock levels in trade.
- Tax increases in most of North India have been nominal. Delhi, Orissa and Jammu & Kashmir have reversed the steep tax increases and sales are on the path of recovery. The company has lost out to the local players where tax reversals have not taken place yet, such as in Andhra Pradesh and West Bengal. In Karnataka, despite a 23% tax increase, volumes have seen good recovery. As per management, reversal in taxes in West Bengal and Assam will be very positive.
- Price increases have been received in Telangana and in Punjab and Haryana. The company will be going a bit slow on pricing now and will look at it in the next cycle.
- ENA prices are expected to remain benign; however, with many glass furnaces being shut, glass prices remain volatile. Management is exploring backward integration in specific states to secure ENA supplies and reduce inflationary risks going ahead. Management indicated an increase in ad spends on its flagship brands from July and also increase in investment in the home delivery channel. A reduction in manufacturing expenses is expected, which should support margins.
- With increased collection of overdues, United Spirits' cash position remains healthy and the company is able to deploy its working capital on its growth drivers.

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	89,806	90,909	78,369	93,273	1,03,773
EBITDA	12,874	15,061	9,054	14,047	15,974
EBITDA Margin (%)	14.3	16.6	11.6	15.1	15.4
APAT	6,853	7,034	4,834	8,835	10,582
EPS (Rs)	9.4	9.7	6.7	12.2	14.6
EPS (% chg)	24.0	2.6	(31.3)	82.8	19.8
ROE (%)	24.3	20.3	11.9	18.7	18.6
P/E (x)	61.9	60.3	87.8	48.0	40.1
EV/EBITDA (x)	34.9	29.0	47.2	29.9	25.7
P/BV (x)	13.6	11.1	9.9	8.2	6.8

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	6.7	12.2
Consensus	9.9	14.6
Mean Consensus TP (12M)	Rs 578	

Stock Details

Bloomberg Code	UNSP IN
Face Value (Rs)	2
Shares outstanding (mn)	727
52 Week H/L	743 / 443
M Cap (Rs bn/USD bn)	424 / 5.67
Daily Avg Volume (nos.)	43,17,889
Daily Avg Turnover (US\$ mn)	33.9

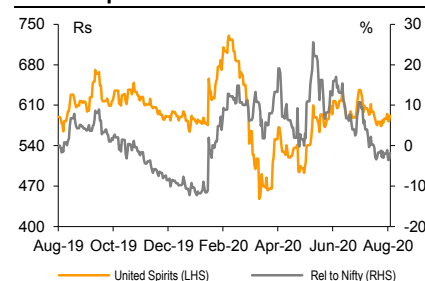
Shareholding Pattern Jun '20

Promoters	56.8%
FIIIs	19.7%
DIIIs	7.7%
Public and Others	15.9%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(6)	8	(17)	(1)
Rel. to Nifty	(11)	(11)	(10)	(2)

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	89,806	90,909	78,369	93,273	1,03,773
Expenditure	76,932	75,848	69,315	79,227	87,799
EBITDA	12,874	15,061	9,054	14,047	15,974
Depreciation	1,445	2,275	2,300	2,454	2,608
EBIT	11,429	12,786	6,754	11,592	13,366
Other Income	952	455	546	628	722
Interest expenses	2,200	1,907	837	409	(59)
PBT	10,181	11,334	6,463	11,811	14,147
Tax	3,328	4,300	1,629	2,976	3,565
Extraordinary Items	(267)	13	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	6,586	7,047	4,834	8,835	10,582
Adjusted PAT	6,853	7,034	4,834	8,835	10,582

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	1,453	1,453	1,453	1,453	1,453
Reserves & surplus	29,862	36,644	41,420	50,255	60,837
Net worth	31,315	38,097	42,873	51,708	62,290
Minority Interest	0	0	0	0	0
Loan Funds	25,729	13,230	8,244	2,244	(3,756)
Net deferred tax liability	(1,878)	(1,590)	(1,590)	(1,590)	(1,590)
Total Liabilities	55,166	49,737	49,527	52,362	56,944
Net block	11,282	13,347	12,549	12,095	11,986
Investment	2,984	2,526	2,526	2,526	2,526
Current Assets	69,308	66,895	68,092	75,354	84,031
Cash & bank balance	588	345	5,578	6,917	9,981
Other Current Assets	6,533	6,796	7,155	7,871	8,658
Current liabilities & Provision	29,579	34,218	34,828	38,800	42,787
Net current assets	39,729	32,677	33,265	36,554	41,244
Misc. exp	0	0	0	0	0
Total Assets	55,166	49,737	49,527	52,362	56,944

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	9,229	10,879	5,917	11,183	13,425
Other Non-Cash items	0	0	0	0	0
Chg in working cap	1,507	7,097	4,645	(1,950)	(1,627)
Operating Cashflow	11,073	17,020	14,384	10,041	11,769
Capital expenditure	(2,897)	(4,356)	(1,502)	(2,000)	(2,500)
Free Cash Flow	8,176	12,664	12,882	8,041	9,269
Investments	(209)	458	0	0	0
Other Investing Cash Flow	(287)	(352)	(905)	(1,023)	(1,157)
Investing Cashflow	(2,441)	(3,795)	(1,861)	(2,395)	(2,935)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	(6,733)	(12,499)	(4,986)	(6,000)	(6,000)
Dividend paid (incl tax)	0	0	0	0	0
Other Financing Cash Flow	(309)	938	(1,466)	102	170
Financing Cashflow	(9,242)	(13,468)	(7,289)	(6,307)	(5,771)
Net chg in cash	(610)	(243)	5,233	1,339	3,063
Opening cash position	1,198	588	345	5,578	6,917
Closing cash position	588	345	5,578	6,917	9,981

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	14.3	16.6	11.6	15.1	15.4
EBIT Margin	12.7	14.1	8.6	12.4	12.9
Effective Tax Rate	32.7	37.9	25.2	25.2	25.2
Net Margin	7.6	7.7	6.2	9.5	10.2
ROCE	22.1	25.2	14.7	24.0	25.8
ROE	24.3	20.3	11.9	18.7	18.6
RoIC	22.4	26.6	15.7	28.3	31.5

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	9.4	9.7	6.7	12.2	14.6
CEPS	11.4	12.8	9.8	15.5	18.2
BVPS	43.1	52.4	59.0	71.2	85.7
DPS	0.0	0.0	0.0	0.0	0.0

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	61.9	60.3	87.8	48.0	40.1
P/CEPS	51.1	45.6	59.5	37.6	32.2
P/BV	13.6	11.1	9.9	8.2	6.8
EV / Sales	5.1	4.9	5.4	4.4	3.9
EV / EBITDA	34.9	29.0	47.2	29.9	25.7
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	0.8	0.3	0.1	(0.1)	(0.2)
Net Debt/EBIDTA	2.0	0.9	0.3	(0.3)	(0.9)
Working Cap Cycle (days)	159.1	129.8	128.9	116.0	110.0

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	9.9	1.2	(13.8)	19.0	11.3
EBITDA	25.2	17.0	(39.9)	55.1	13.7
EBIT	28.0	11.9	(47.2)	71.6	15.3
PAT	17.3	7.0	(31.4)	82.8	19.8

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	22,184	22,962	25,825	19,938	10,302
EBITDA	3,951	4,156	4,240	2,714	(782)
EBITDA Margin (%)	17.8	18.1	16.4	13.6	(7.6)
PAT	1,974	2,246	2,588	239	(2,159)
EPS (Rs)	2.7	3.1	3.6	0.3	(3.0)

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	56.8	56.8	56.8	56.8	56.8
FIs	22.3	22.4	22.4	20.5	19.7
DIs	5.5	6.2	6.0	7.5	7.7
Public and Others	15.4	14.6	14.8	15.2	15.9

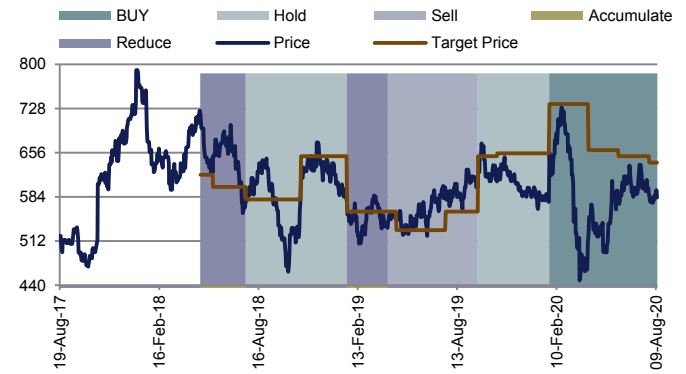
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
28-Jul-20	585	640	12m	Buy	Ashit Desai
02-Jun-20	573	650	12m	Buy	Ashit Desai
14-Apr-20	572	660	12m	Buy	Ashit Desai
08-Apr-20	522	660	12m	Buy	Ashit Desai
16-Mar-20	525	735	12m	Buy	Ashit Desai
28-Jan-20	656	735	12m	Buy	Ashit Desai
10-Jan-20	586	655	12m	Hold	Ashit Desai
25-Dec-19	591	655	12m	Hold	Ashit Desai
25-Nov-19	621	655	12m	Hold	Ashit Desai
25-Oct-19	627	655	12m	Hold	Ashit Desai
01-Oct-19	644	650	12m	Hold	Ashit Desai
20-Sep-19	624	650	12m	Hold	Ashit Desai
30-Aug-19	628	560	12m	Sell	Ashit Desai
23-Jul-19	590	560	12m	Sell	Ashit Desai
06-Jun-19	557	530	12m	Sell	Ashit Desai
30-May-19	540	530	12m	Sell	Ashit Desai
24-Apr-19	555	530	12m	Sell	Ashit Desai
09-Apr-19	544	560	12m	Sell	Ashit Desai
24-Jan-19	572	560	12m	Reduce	Ashit Desai
01-Nov-18	620	650	12m	Hold	Ashit Desai
24-Jul-18	582	580	12m	Hold	Ashit Desai
25-May-18	650	600	12m	Reduce	Ashit Desai
02-May-18	717	620	12m	Reduce	Ashit Desai

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Varun Beverages

Refer to important disclosures at the end of this report

Recovery is better than expected

CMP: Rs 780
as of (August 17, 2020)

TP: Rs 850 (■)
12 months

Rating: BUY (■)

We hosted Mr. Raj Gandhi, Group CFO, and Mr. Deepak Dabas, EVP, Investor Relations

Key Meeting Takeaways

- Recovery has been faster-than-expected** with ~70% of last year volumes in June/July and August seeing a double-digit volume growth so far. Revenue recovery should be even better with higher realizations due to better revenue mix (more of CSD/Juices and less of lower realization water). Recovery has been led by higher in-house consumption and market share gains from local players who are facing supply-chain disruptions. VBL believes continuation of low-double-digit volume growth (delivered ~13% organic volume growth in both CY18/CY19) is possible due to under-penetration in the acquired regions.
- Non-Cola carbonates and juices are leading growth:** While VBL acknowledged that growth in cola carbonates has remained low (low-single-digit), it indicated that growth in non-cola carbonate portfolio (7Up, Mountain Dew, Sting, Nimbooz, etc.) has been reasonably well. VBL's carbonates portfolio is more skewed toward non-cola segments and cola-carbonates form a small portion of overall volumes now, leading to higher-than-industry growth. For Tropicana juices (rights acquired in CY19), VBL plans to leverage its existing distribution network to help it deliver healthy growth. VBL currently caters juices to <5% of its distribution network of ~1.6mn retail outlets. The focus on water sales remains low due to its higher consumption in the affected on-the-go channel.
- Margin performance has been above Street expectations** with lower trade discounts and benign RM costs (such as PET and sugar) helping gross margins, and tighter cost control (down 27% qoq) helping below gross-margin line items in Q2CY20. EBITDA margins improved ~700bps qoq in Q2CY20 despite a similar revenue base as a result of these efforts. The shutdown of loss-making facility at Bargarh (Orissa) should result in annual savings of Rs0.3bn. VBL expects such rationalizations to continue for the next 2-3 quarters. These savings and high-margin new product launches (like Rockstar/Dairy products) should help EBITDA margins go above 20% in the medium term.
- Low capex should lead to continued RoIC improvement:** Capex is expected to remain subdued over CY20/CY21E, leading to significant free cash generation (generated FCF of Rs4.7bn in H1CY20) and improvement in RoIC. VBL currently operates at an asset turn of ~1.0x sales due to large-scale acquisitions over CY17-19. We believe that asset turn can go up to 1.5-2.0x, leading to significant improvement in RoIC - from 17% in CY19 to 24% in CY22E.
- Remain bullish with a TP of Rs850:** Visible market share gain opportunities, best-in-class operational efficiencies and low capex needs are key drivers of our positive stance (refer recent IC Report for details). We have a Buy rating on VBL with a TP of Rs850 (based on 13x Jun'22E EBITDA).

Financial Snapshot (Consolidated)

(Rs mn)	CY18	CY19	CY20E	CY21E	CY22E
Net Sales	51,053	71,296	63,321	89,054	1,03,690
EBITDA	10,066	14,477	12,657	18,380	21,661
EBITDA Margin (%)	19.7	20.3	20.0	20.6	20.9
APAT	2,928	4,690	3,264	7,718	10,293
EPS (Rs)	10.7	16.8	11.3	26.7	35.7
EPS (% chg)	39.3	57.5	(32.8)	136.5	33.4
ROE (%)	15.5	17.6	9.4	19.8	22.1
P/E (x)	73.0	46.3	69.0	29.2	21.9
EV/EBITDA (x)	23.9	17.3	20.0	13.4	11.0
P/BV (x)	10.7	6.5	6.3	5.3	4.4

Source: Company, Emkay Research



Change in Estimates

EPS Chg CY20E/CY21E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	CY20E	CY21E
Emkay	11.3	26.7
Consensus	8.7	23.9
Mean Consensus TP (12M)	Rs 829	

Stock Details

Bloomberg Code	VBL IN
Face Value (Rs)	10
Shares outstanding (mn)	289
52 Week H/L	870 / 482
M Cap (Rs bn/USD bn)	225 / 3.01
Daily Avg Volume (nos.)	3,50,526
Daily Avg Turnover (US\$ mn)	3.2

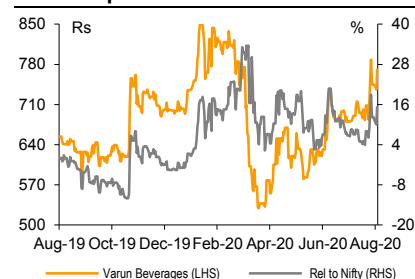
Shareholding Pattern Jun '20

Promoters	66.4%
FIIIs	20.5%
DIIIs	6.4%
Public and Others	6.7%

Price Performance

(%)	1M	3M	6M	12M
Absolute	13	23	(3)	19
Rel. to Nifty	9	-	4	17

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Dec (Rs mn)	CY18	CY19	CY20E	CY21E	CY22E
Net Sales	51,053	71,296	63,321	89,054	1,03,690
Expenditure	40,987	56,819	50,663	70,674	82,029
EBITDA	10,066	14,477	12,657	18,380	21,661
Depreciation	3,851	4,886	5,749	5,955	6,297
EBIT	6,215	9,590	6,908	12,425	15,364
Other Income	218	425	150	200	220
Interest expenses	2,126	3,096	2,600	2,200	1,700
PBT	4,308	6,919	4,458	10,425	13,884
Tax	1,339	2,241	1,115	2,606	3,471
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	(40)	11	(80)	(100)	(120)
Reported Net Income	2,928	4,690	3,264	7,718	10,293
Adjusted PAT	2,928	4,690	3,264	7,718	10,293

Balance Sheet

Y/E Dec (Rs mn)	CY18	CY19	CY20E	CY21E	CY22E
Equity share capital	1,826	2,887	2,887	2,887	2,887
Reserves & surplus	18,159	30,397	32,939	39,359	48,209
Net worth	19,985	33,284	35,826	42,246	51,095
Minority Interest	78	307	307	307	307
Loan Funds	28,198	34,326	29,826	22,326	14,826
Net deferred tax liability	1,922	2,825	2,105	2,105	2,105
Total Liabilities	50,183	70,742	68,064	66,983	68,333
Net block	43,870	64,790	61,391	59,436	59,639
Investment	112	0	0	0	0
Current Assets	12,808	18,456	19,512	20,638	22,982
Cash & bank balance	935	1,711	1,885	2,106	2,713
Other Current Assets	3,389	3,945	3,945	3,945	3,945
Current liabilities & Provision	10,131	13,142	13,477	13,729	14,926
Net current assets	2,677	5,313	6,034	6,909	8,055
Misc. exp	0	0	0	0	0
Total Assets	50,183	70,742	68,064	66,983	68,333

Cash Flow

Y/E Dec (Rs mn)	CY18	CY19	CY20E	CY21E	CY22E
PBT (Ex-Other income) (NI+Dep)	4,308	6,919	4,378	10,325	13,764
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(931)	(1,031)	(1,267)	(654)	(540)
Operating Cashflow	9,568	12,872	10,196	15,020	17,530
Capital expenditure	(8,579)	(23,666)	(2,350)	(4,000)	(6,500)
Free Cash Flow	988	(10,794)	7,846	11,020	11,030
Investments	0	0	0	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(8,734)	(23,193)	(2,350)	(4,000)	(6,500)
Equity Capital Raised	7	9,002	0	0	0
Loans Taken / (Repaid)	1,546	6,053	(4,500)	(7,500)	(7,500)
Dividend paid (incl tax)	(511)	(782)	(722)	(1,299)	(1,443)
Other Financing Cash Flow	0	(164)	0	0	0
Financing Cashflow	(843)	11,097	(7,672)	(10,799)	(10,423)
Net chg in cash	(10)	776	174	221	607
Opening cash position	945	935	1,711	1,885	2,106
Closing cash position	935	1,711	1,885	2,106	2,713

Source: Company, Emkay Research

Key Ratios

Profitability (%)	CY18	CY19	CY20E	CY21E	CY22E
EBITDA Margin	19.7	20.3	20.0	20.6	20.9
EBIT Margin	12.2	13.5	10.9	14.0	14.8
Effective Tax Rate	31.1	32.4	25.0	25.0	25.0
Net Margin	5.8	6.6	5.3	8.8	10.0
ROCE	13.4	16.6	10.2	18.7	23.0
ROE	15.5	17.6	9.4	19.8	22.1
RoIC	14.0	16.8	10.3	19.1	23.8

Per Share Data (Rs)	CY18	CY19	CY20E	CY21E	CY22E
EPS	10.7	16.8	11.3	26.7	35.7
CEPS	24.7	34.4	31.2	47.4	57.5
BVPS	72.9	119.4	124.1	146.3	177.0
DPS	2.0	3.1	2.5	4.5	5.0

Valuations (x)	CY18	CY19	CY20E	CY21E	CY22E
PER	73.0	46.3	69.0	29.2	21.9
P/CEPS	27.6	19.8	21.8	14.4	11.9
P/BV	10.7	6.5	6.3	5.3	4.4
EV / Sales	4.7	3.5	4.0	2.8	2.3
EV / EBITDA	23.9	17.3	20.0	13.4	11.0
Dividend Yield (%)	0.3	0.4	0.3	0.6	0.6

Gearing Ratio (x)	CY18	CY19	CY20E	CY21E	CY22E
Net Debt/ Equity	1.4	1.0	0.8	0.5	0.2
Net Debt/EBITDA	2.7	2.3	2.2	1.1	0.6
Working Cap Cycle (days)	12.5	18.4	23.9	19.7	18.8

Growth (%)	CY18	CY19	CY20E	CY21E	CY22E
Revenue	27.5	39.7	(11.2)	40.6	16.4
EBITDA	20.4	43.8	(12.6)	45.2	17.9
EBIT	27.0	54.3	(28.0)	79.8	23.7
PAT	39.4	60.2	(30.4)	136.5	33.4

Quarterly (Rs mn)	Q2CY19	Q3CY19	Q4CY19	Q1CY20	Q2CY20
Revenue	28,105	17,397	12,202	16,764	16,402
EBITDA	7,879	3,257	1,157	2,712	3,777
EBITDA Margin (%)	28.0	18.7	9.5	16.2	23.0
PAT	4,069	807	(593)	534	1,408
EPS (Rs)	14.9	2.8	(2.1)	1.8	4.9

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	73.6	68.4	68.4	68.0	66.4
FII	14.2	19.2	19.4	19.8	20.5
DII	6.6	6.4	6.3	6.3	6.4
Public and Others	5.6	6.0	5.9	5.8	6.6

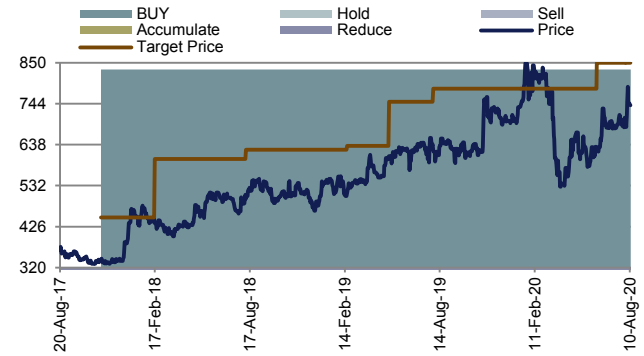
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
05-Aug-20	747	850	12m	Buy	Devanshu Bansal
08-Jun-20	621	850	12m	Buy	Devanshu Bansal
05-Nov-19	702	783	12m	Buy	Amit Zade
23-Sep-19	634	783	12m	Buy	Anubhav Gupta
10-Sep-19	628	783	12m	Buy	Anubhav Gupta
01-Aug-19	623	783	12m	Buy	Anubhav Gupta
04-Jun-19	628	749	12m	Buy	Anubhav Gupta
09-May-19	608	749	12m	Buy	Anubhav Gupta
18-Feb-19	514	635	12m	Buy	Anubhav Gupta
09-Aug-18	499	625	12m	Buy	Anubhav Gupta
03-May-18	454	601	12m	Buy	Anubhav Gupta
16-Feb-18	435	601	12m	Buy	Anubhav Gupta
06-Nov-17	342	449	12m	Buy	Anubhav Gupta

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Westlife Development

Refer to important disclosures at the end of this report

Dine-ins remain impacted while convenience channel recovers

CMP: Rs370
as of (August 17, 2020)

TP: NA
12 months

Rating: NOT RATED

We hosted Mr. Pankaj Roongta, CFO, and Devanshi Dhruva, Deputy Manager (Investor Relations)

Key Meeting Takeaways

- WLDL reported a 54% SSSG decline in Q1FY21. Store openings remained on an improving trajectory, with ~260 stores open at July-end vs. 50 at the end of Mar'20. WLDL operates a total of 320 restaurants. While convenience platform sales (~50% of revenues) have reached to pre-Covid-19 levels in the operational stores but dine-ins (rest. ~50%) continue to remain affected albeit remaining on an improving trajectory on WoW basis. Dine-Ins have opened in 144 stores as of July-end.
- Focus remains on opening the remaining stores for convenience platform sales, new product launches (Mc Spicy fried chicken in the south and Schezwan burgers in the west), cash conservation, fixed-cost reduction (30-35% reduction in monthly fixed costs) and supply chain optimization. Fixed-cost reduction is on the back of rental re-negotiations, lower utility/ad costs and reduced discretionary spends (like travel). WLDL highlighted that most of its stores are under long-term leases (18-20 years) which helped it to get significant rebates. A large portion of the store workforce (70%) is variable and payouts are dependent on operational work hours.
- WLDL incurred a cash loss of ~Rs550mn in Q1FY21. Based on an internal stress test, WLDL indicated that it can sustain for 8-9 months without raising any additional capital. It had a small net debt of ~Rs0.3bn as of FY20-end.
- Average sales per restaurant (AUV is currently at ~Rs50mn) have remained on an improving trajectory over the last five years (60%+ growth over FY15-20), leading to continued improvement in RoM (100-150bps yoy). WLDL indicated that there is ample scope for continuation of AUV growth and expects improvement in RoM to continue going ahead. WLDL does not see the need for store space/architecture modifications due to lower footfalls on account of Covid-19 as of now.
- WLDL expects market share gains from local players as well as branded retail chains (like CCD) due to hygiene and liquidity issues with other players. WLDL indicated that ticket sizes have increased significantly (up ~35% vs. pre-Covid-19 levels) due to the traction in Mc-Café, premiumization and family orders. WLDL indicated that there has been no changes in business agreements with food aggregators (like Swiggy and Zomato).

Financial Snapshot (Consolidated)

(Rs mn)	FY16	FY17	FY18	FY19	FY20
Net Sales	8334	9308	11349	14016	15478
EBITDA	426	470	774	1206	2141
EBITDA Margin (%)	5.1	5.0	6.8	8.6	13.8
APAT	-226	-264	52	312	78
EPS (Rs)			0.3	2.0	0.5
EPS (% chg)	-	-	-	499.7	-74.9
ROE (%)	-	-	1.0	5.5	1.3
P/E (x)	-	-	1097.2	182.9	729.2
EV/EBITDA (x)	133.3	121.6	73.5	47.4	26.7
P/BV (x)	10.6	10.8	10.5	9.8	9.9

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	NA
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	WLDL IN
Face Value (Rs)	2
Shares outstanding (mn)	156
52 Week H/L	500/261
M Cap (Rs bn/USD bn)	55/0.7
Daily Avg Volume (nos.)	388573.0
Daily Avg Turnover (US\$ mn)	1.7

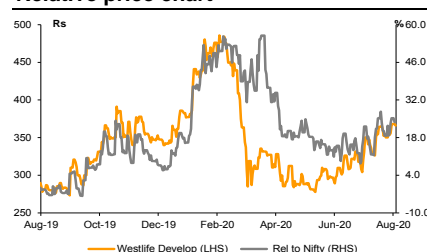
Shareholding Pattern Jun'20

Promoters	59.1%
FIIIs	10.1%
DIIIs	18.6%
Public and Others	12.2%

Price Performance

(%)	1M	3M	6M	12M
Absolute	11	21	-23	30
Rel. to Nifty	6	-1	-16	28

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19	FY20
Net Sales	8334	9308	11349	14016	15478
Expenditure	7908	8838	10575	12810	13337
EBITDA	426	470	774	1206	2141
Depreciation	577	637	673	797	1384
EBIT	-150	-168	101	409	757
Other Income	331	200	178	161	130
Interest expenses	150	154	150	177	808
PBT	31	-121	129	393	79
Tax	3	0	0	-10	-15
Extraordinary Items	255	143	77	91	166
Minority Int. /Income from Assoc.	0	0	0	0	0
Reported Net Income	28	-121	129	403	-88
Adjusted PAT	-226	-264	52	312	78

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19	FY20
Equity share capital	311	311	311	311	311
Reserves & surplus	5070	4964	5111	5519	5459
Net worth	5381	5275	5423	5830	5770
Minority Interest	0	0	0	0	0
Loan Funds	1495	1904	1835	2339	1837
Net deferred tax liability	0	0	0	17	-
Total Liabilities	6876	7182	7276	8201	7607
Net block	5025	5307	5539	5952	6848
Investment	1562	1700	1843	2024	1571
Current Assets	730	675	660	814	1390
Cash & bank balance	70	71	109	92	30
Other Current Assets	660	605	551	722	1360
Current liabilities & Provision	1502	1621	2015	2042	1952
Net current assets	-772	-946	-1355	-1228	-562
Misc. exp	0	0	0	0	250
Total Assets	6876	7182	7276	8201	7607

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19	FY20
Opening Cash	73	68	70	109	92
Net Cash from Operations	799	657	1,371	1,148	2,159
Net Cash Used in Investing	-801	-915	-1,114	-1,497	-676
Net Cash Used in Financing	-2	260	-217	330	-1,387
Net Inc/(Dec) in Cash	-5	2	40	-19	-62
Closing Cash	67	70	109	92	30

Key Ratios

	FY16	FY17	FY18	FY19	FY20
Profitability (%)					
EBITDA Margin	5.1	5.0	6.8	8.6	13.8
EBIT Margin	-1.8	-1.8	0.9	2.9	4.9
Effective Tax Rate	8.4	-	-	-	-
Net Margin	-2.7	-2.8	0.5	2.2	0.5
ROCE	-	-	1.4	5.3	9.6
ROE	-	-	1.0	5.5	1.3
RoIC	-	-	2.4	9.2	13.7

Per Share Data (Rs)	FY16	FY17	FY18	FY19	FY20
EPS			0.3	2.0	0.5
CEPS	2.2	2.4	4.6	7.1	9.4
BVPS	34.5	33.8	34.8	37.4	37.0
DPS	0.0	0.0	0.0	0.0	0.0
Valuations (x)	FY16	FY17	FY18	FY19	FY20
PER	-	-	1097.2	182.9	729.2
P/CEPS	163.0	153.0	78.8	51.5	39.0
P/BV	10.6	10.8	10.5	9.8	9.9
EV / Sales	6.8	6.1	5.0	4.1	3.7
EV / EBITDA	133.3	121.6	73.5	47.4	26.7
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0
Gearing Ratio (x)	FY16	FY17	FY18	FY19	FY20
Net Debt/ Equity	0.0	0.0	0.0	0.0	0.0
Net Debt/EBIDTA	-0.3	0.3	-0.2	0.2	0.1
Working Cap Cycle (days)	-36.9	-39.8	-47.1	-34.4	-14.0
Growth (%)	FY16	FY17	FY18	FY19	FY20
Revenue	9.0	11.7	21.9	23.5	10.4
EBITDA	180.9	10.2	64.8	55.9	77.5
EBIT	-	-	-	305.1	85.0
PAT	-	-	-	499.7	-74.9
Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	3,804	3,949	4,307	3,329	938
EBITDA	489	580	709	197	-423
EBITDA Margin (%)	12.9	14.7	16.4	5.9	-45.1
PAT	-11	47	144	-92	-605
EPS (Rs)	-	0.3	0.9	-	-
Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	62.2	62.1	62.1	59.1	59.1
FIIIs	15.8	17.8	17.2	12.7	10.1
DIIIs	7.4	8.1	9.3	16.1	18.6
Public and Others	14.6	11.9	11.3	12.2	12.2

Zydus Wellness

Refer to important disclosures at the end of this report

Stronger portfolio and execution

CMP: Rs 1636
as of (August 17, 2020)

TP: NA
12 months

Rating: NOT RATED

We hosted Mr. Tarun Arora, CEO, Mr. Umesh Parikh, CFO and Mr. Saumil Kothawala, Sr. Manager Finance

Key Meeting Takeaways

- After initial disruptions, Zydus Wellness is witnessing a pick-up in its portfolio. Products have experienced a mixed performance. Glucon-D recovered well since May (though impacted by cyclone in East – a high-contribution market), whereas EveryYuth was impacted by Covid-19 due to its discretionary nature. Reduced out-of-home consumption has had an impact on Nutralite brand. Even though Complian and Nycil experienced lower demand initially, they are now seeing a pick-up.
- After a bit of struggle in Complian, it is now seeing a good traction. MT weakness has been impacting a bit. The company has rolled out 75gm sachets where it was not participating earlier and has also rolled out Complian Nutrigro to target the toddler segment (Rs8.5bn segment). Currently, the company is evaluating the adult segment as well. Complian is over-indexed in West Bengal. Other key markets are Tamil Nadu, Andhra Pradesh, Uttar Pradesh and Bihar.
- The pace of new product launches has increased. Besides new products in Complian, other new products include Nutralite choco spread, Sugar Free Green (relaunch), Nycil Sanitiser, and GluconD ImmunoVolt. New launches are also in pipeline for Everyyuth.
- GTM changes for the acquired portfolio are over and are responding well. Ecom was the fastest growing channel in Q1, pharmacy and sub-stockist did well, whereas MT declined and cosmetics was also closed. CSD and Horeca also declined. Ecom contributes low single-digits, MT/superstockist/CSD are 12-15% with GT being the rest.
- Post acquisitions, cost structures were already looked at and a lot corrections were taken before Covid-19 making the company leaner. The company has reduced people costs by 14-15% since acquisition in FY19, reconfigured supply chain and reduced warehouses.

Financial Snapshot (Consolidated)

(Rs mn)	FY16	FY17	FY18	FY19	FY20
Revenue	3967	4306	5126	8428	17668
EBITDA	913	991	1253	1744	2769
EBITDA Margin (%)	23.0	23.0	24.4	20.7	15.7
APAT	1029	1082	1312	1626	1807
EPS (Rs)	17.7	18.7	22.6	28.0	31.2
EPS (% chg)	(4.9)	5.1	21.3	24.0	11.1
ROE (%)	23.3	20.9	21.0	8.0	5.3
P/E (x)	92.2	87.7	72.3	58.3	52.5
EV/EBITDA (x)	98.9	90.7	71.0	61.9	38.9
P/BV (x)	19.8	17.0	13.7	2.8	2.7

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	NA
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	ZYWL IN
Face Value (Rs)	10
Shares outstanding (mn)	58
52 Week H/L	1860/1070
M Cap (Rs bn/USD bn)	94/1.3
Daily Avg Volume (nos.)	60319.0
Daily Avg Turnover (US\$ mn)	1.2

Shareholding Pattern Jun'20

Promoters	67.9%
FIIIs	2.0%
DIIIs	9.9%
Public and Others	20.2%

Price Performance

(%)	1M	3M	6M	12M
Absolute	17	38	11	10
Rel. to Nifty	13	8	18	6

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19	FY20
Net Sales	3967	4306	5126	8428	17668
Expenditure	3047	3354	3868	6928	15475
EBITDA	913	991	1253	1744	2769
Depreciation	68	72	89	125	264
EBIT	845	919	1164	1618	2505
Other Income	324	326	351	389	107
Interest expenses	1	6	17	301	1399
PBT	1168	1240	1497	1706	1213
Tax	116	127	132	-6	-205
Extraordinary Items	4	8	27	65	-390
Minority Int. /Income from Assoc.	20	23	26	21	0
Reported Net Income	1033	1090	1339	1691	1417
Adjusted PAT	1029	1082	1312	1626	1807

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19	FY20
Equity share capital	391	391	391	577	577
Reserves & surplus	4395	5181	6521	33286	34030
Net worth	4786	5572	6912	33863	34607
Minority Interest	86	106	132	0	0
Loan Funds	0	250	250	15693	15198
Net deferred tax liability	-41	563	738	1030	1208
Total Liabilities	4882	5940	7319	49815	50071
Net block	821	1025	1039	45674	46735
Investment	942	300	1476	461	1104
Current Assets	3388	4862	4995	6516	6654
Cash & bank balance	3045	4402	4137	1643	824
Other Current Assets	343	461	858	4873	5830
Current liabilities & Provision	755	885	967	4770	5826
Net current assets	2633	3978	4028	1746	828
Misc. exp	0	0	0	0	0
Total Assets	4882	5940	7319	49815	50071

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19	FY20
Opening Cash	192	228	215	296	1,382
Net Cash from Operations	899	770	691	1,494	2,593
Net Cash Used in Investing	-278	-721	-591	-40,924	-832
Net Cash Used in Financing	-585	-62	-18	40,515	-2,597
Net Inc/(Dec) in Cash	36	-13	81	1,086	-837
Closing Cash	228	215	296	1,382	545

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19	FY20
EBITDA Margin	23.0	23.0	24.4	20.7	15.7
EBIT Margin	21.3	21.3	22.7	19.2	14.2
Effective Tax Rate	9.9	10.3	8.8	-	-
Net Margin	25.9	25.1	25.6	19.3	10.2
ROCE	17.3	17.0	17.6	5.7	5.0
ROE	21.5	20.9	21.0	8.0	5.3
RoIC	24.8	20.5	20.5	6.0	5.2

Per Share Data (Rs)	FY16	FY17	FY18	FY19	FY20
EPS	17.7	18.7	22.6	28.0	31.2
CEPS	18.9	19.9	24.1	30.2	35.7
BVPS	82.5	96.1	119.2	583.8	596.7
DPS	6.5	6.5	8.0	5.0	5.0

Valuations (x)	FY16	FY17	FY18	FY19	FY20
PER	92.2	87.7	72.3	58.3	52.5
P/CEPS	86.5	82.3	67.7	54.2	45.8
P/BV	19.8	17.0	13.7	2.8	2.7
EV / Sales	22.8	20.9	17.4	12.8	6.1
EV / EBITDA	98.9	90.7	71.0	61.9	38.9
Dividend Yield (%)	0.4	0.4	0.5	0.3	0.3

Gearing Ratio (x)	FY16	FY17	FY18	FY19	FY20
Net Debt/ Equity	-0.8	-0.8	-0.8	0.4	0.4
Net Debt/EBIDTA	-4.4	-4.5	-4.3	7.8	4.8
Working Cap Cycle (days)	-37.9	-36.0	-7.8	4.5	0.1

Growth (%)	FY16	FY17	FY18	FY19	FY20
Revenue	-7.9	8.5	19.1	64.4	109.6
EBITDA	-8.6	8.5	26.4	39.2	58.8
EBIT	-8.3	8.7	26.6	39.1	54.8
PAT	-4.9	5.1	21.3	24.0	11.1

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	6,203	3,260	3,327	4,879	5,374
EBITDA	1,220	204	327	1,018	1,224
EBITDA Margin (%)	19.7	6.3	9.8	20.9	22.8
PAT	1,071	-120	89	719	892
EPS (Rs)	18.5	-	1.5	12.4	15.4

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	67.6	67.6	67.6	67.8	67.9
FII	4.3	4.4	4.1	3.3	2.0
DII	19.2	19.3	20.7	21.5	9.9
Public and Others	9.0	8.7	7.5	7.4	20.2

Source: Company, Emkay Research

Engineering & Capital Goods

KEC International

Refer to important disclosures at the end of this report

Progressive operational ramp-up underway

CMP: Rs 308
as of (August 17, 2020)TP: Rs 271 (■)
12 months

Rating: SELL (■)

We hosted Mr. Pankaj Kalani, Sr. Vice President – Finance and Commercial, and Mr. Abhishek Sen, Investor Relations

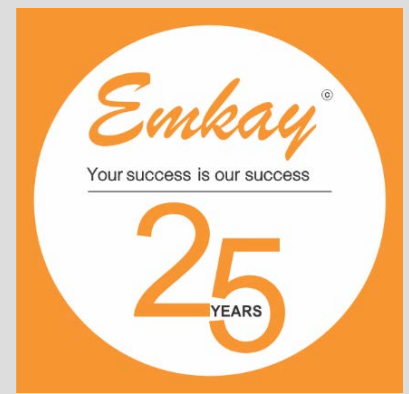
Key Meeting Takeaways

- KEC's manufacturing units are now operating at pre-Covid levels of production, while workforce availability has reached over 80% from 50% in the early stages of lockdowns.
- YTD order inflows stand at Rs19.3bn, with most of them coming from the core T&D business. KEC has a strong order book of Rs196.8bn as of June-end and has the L1 position of approximately Rs50bn, majority of which is from its international T&D business.
- Its core T&D business has witnessed a progressive ramp-up across all project sites in domestic as well as international locations. Most of the international projects are operating at near pre-Covid level productivity.
- The overall tender pipeline remains strong in most of the businesses. However, quite a few tenders, especially in the domestic market, had been postponed during the lockdown. Management expects that these tenders will be bid out and awarded shortly. In case of railways, the tenders, which were postponed in early Q1, have already been bid out and KEC expects them to be awarded by Q2-Q3.
- In domestic T&D orders, the issue related to the restriction on neighboring countries by the government has been clarified and necessary amendments in the bidding process have been issued. Accordingly, the bids submitted earlier for the Green Energy Corridor will undergo a revised bidding process and this is expected to conclude in Q3 now.
- Management also continues to see significant traction in tendering activities globally, especially in the Middle East and Africa.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net Sales	110,005	119,650	118,446	128,869	139,358
EBITDA	11,499	12,344	11,516	12,389	13,285
EBITDA Margin (%)	10.5	10.3	9.7	9.6	9.5
APAT	5,173	5,656	5,098	6,394	7,546
EPS (Rs)	20.1	22.0	19.8	24.9	29.3
EPS (% chg)	12.9	9.3	(9.9)	25.4	18.0
ROE (%)	23.3	21.6	16.9	18.3	18.4
P/E (x)	15.3	14.0	15.5	12.4	10.5
EV/EBITDA (x)	8.2	8.0	8.0	7.1	6.3
P/BV (x)	3.2	2.8	2.5	2.1	1.8

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	/
Target Price change (%)	-
Target Period (Months)	12
Previous Reco	SELL

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	19.8	24.9
Consensus	21.4	26.7
Mean Consensus TP (12M)	Rs 334	

Stock Details

Bloomberg Code	KECI IN
Face Value (Rs)	2
Shares outstanding (mn)	257
52 Week H/L	359 / 154
M Cap (Rs bn/USD bn)	79 / 1.06
Daily Avg Volume (nos.)	483,837
Daily Avg Turnover (US\$ mn)	1.6

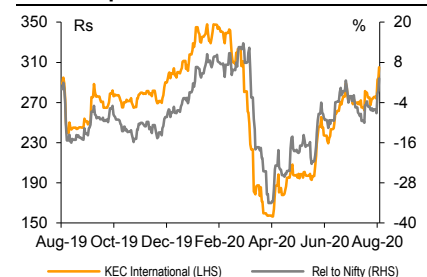
Shareholding Pattern Jun '20

Promoters	51.7%
FIIIs	8.8%
DIIIs	27.8%
Public and Others	11.8%

Price Performance

(%)	1M	3M	6M	12M
Absolute	15	58	(10)	7
Rel. to Nifty	9	29	(2)	5

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net Sales	110,005	119,650	118,446	128,869	139,358
Expenditure	98,506	107,306	106,929	116,480	126,073
EBITDA	11,499	12,344	11,516	12,389	13,285
Depreciation	1,171	1,472	1,571	1,691	1,766
EBIT	10,328	10,872	9,946	10,699	11,519
Other Income	535	111	199	131	154
Interest expenses	3,119	3,080	3,313	2,284	1,589
PBT	7,744	7,904	6,831	8,545	10,084
Tax	2,571	2,247	1,733	2,151	2,538
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	5,173	5,656	5,098	6,394	7,546
Adjusted PAT	5,173	5,656	5,098	6,394	7,546

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	514	514	514	514	514
Reserves & surplus	23,837	27,462	31,693	37,221	43,901
Net worth	24,351	27,976	32,208	37,736	44,415
Minority Interest	0	0	0	0	0
Loan Funds	18,394	22,074	16,074	13,074	9,074
Net deferred tax liability	1,183	527	976	926	926
Total Liabilities	43,929	50,577	49,258	51,736	54,416
Net block	11,824	13,518	12,947	12,256	11,491
Investment	132	225	225	225	225
Current Assets	104,602	113,963	114,863	124,971	135,399
Cash & bank balance	2,762	1,637	3,135	3,411	3,945
Other Current Assets	12,853	12,343	12,980	14,123	15,272
Current liabilities & Provision	72,703	77,969	79,617	86,556	93,539
Net current assets	31,900	35,995	35,247	38,415	41,860
Misc. exp	0	0	0	0	0
Total Assets	43,929	50,577	49,258	51,736	54,416

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	7,209	7,793	6,632	8,414	9,930
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(4,925)	(5,877)	2,696	(2,943)	(2,911)
Operating Cashflow	1,987	4,877	12,030	7,345	7,836
Capital expenditure	(1,166)	(3,932)	(1,000)	(1,000)	(1,000)
Free Cash Flow	822	944	11,030	6,345	6,836
Investments	261	(93)	0	0	0
Other Investing Cash Flow	(325)	188	0	0	0
Investing Cashflow	(695)	(3,726)	(801)	(869)	(846)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	731	3,680	(6,000)	(3,000)	(4,000)
Dividend paid (incl tax)	(614)	(804)	(866)	(866)	(866)
Other Financing Cash Flow	2,157	(2,072)	449	(50)	0
Financing Cashflow	(844)	(2,276)	(9,730)	(6,201)	(6,456)
Net chg in cash	449	(1,125)	1,498	275	534
Opening cash position	2,313	2,762	1,637	3,135	3,411
Closing cash position	2,762	1,637	3,135	3,411	3,945

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	10.5	10.3	9.7	9.6	9.5
EBIT Margin	9.4	9.1	8.4	8.3	8.3
Effective Tax Rate	33.2	28.4	25.4	25.2	25.2
Net Margin	4.7	4.7	4.3	5.0	5.4
ROCE	26.3	23.2	20.3	21.4	22.0
ROE	23.3	21.6	16.9	18.3	18.4
RoIC	27.1	24.5	21.4	23.2	23.8

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	20.1	22.0	19.8	24.9	29.3
CEPS	24.7	27.7	25.9	31.4	36.2
BVPS	94.7	108.8	125.3	146.8	172.8
DPS	3.0	2.6	2.8	2.8	2.8

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	15.3	14.0	15.5	12.4	10.5
P/CEPS	12.5	11.1	11.9	9.8	8.5
P/BV	3.2	2.8	2.5	2.1	1.8
EV / Sales	0.9	0.8	0.8	0.7	0.6
EV / EBITDA	8.2	8.0	8.0	7.1	6.3
Dividend Yield (%)	1.0	0.8	0.9	0.9	0.9

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	0.6	0.7	0.4	0.3	0.1
Net Debt/EBITDA	1.3	1.6	1.1	0.8	0.4
Working Cap Cycle (days)	96.7	104.8	99.0	99.1	99.3

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	9.4	8.8	(1.0)	8.8	8.1
EBITDA	14.3	7.4	(6.7)	7.6	7.2
EBIT	15.3	5.3	(8.5)	7.6	7.7
PAT	12.9	9.3	(9.9)	25.4	18.0

Quarterly (Rs mn)	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Revenue	38,412	24,125	28,088	30,731	36,710
EBITDA	3,990	2,513	2,938	3,185	3,707
EBITDA Margin (%)	10.4	10.4	10.5	10.4	10.1
PAT	1,939	886	1,391	1,449	1,929
EPS (Rs)	7.5	3.4	5.4	5.6	7.5

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	51.4	51.6	51.6	51.7	51.7
FIs	6.7	7.6	7.6	8.7	8.8
DIs	26.3	27.1	27.8	27.5	27.8
Public and Others	15.6	13.7	13.0	12.2	11.8

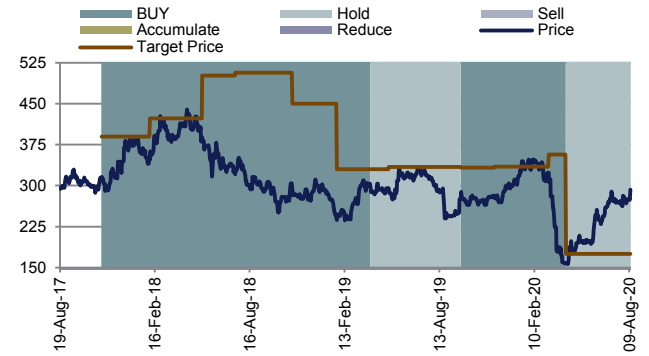
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
11-Jun-20	237	175	12m	Hold	Amar Kedia
17-May-20	199	175	12m	Hold	Amar Kedia
12-May-20	195	175	12m	Hold	Amar Kedia
10-Apr-20	157	175	12m	Hold	Amar Kedia
08-Mar-20	324	357	12m	Buy	Amar Kedia
07-Feb-20	348	335	12m	Buy	Amar Kedia
06-Dec-19	272	335	12m	Buy	Amar Kedia
26-Nov-19	279	335	12m	Buy	Amar Kedia
14-Nov-19	278	333	12m	Buy	Amar Kedia
14-Oct-19	282	333	12m	Buy	Amar Kedia
23-Sep-19	288	333	12m	Buy	Amar Kedia
17-Sep-19	250	334	12m	Hold	Amar Kedia
02-Jul-19	331	334	12m	Hold	Amar Kedia
14-May-19	277	334	12m	Hold	Amar Kedia
08-May-19	295	334	12m	Hold	Amar Kedia
03-Apr-19	298	330	12m	Hold	Amar Kedia
27-Feb-19	263	330	12m	Buy	Amar Kedia
29-Jan-19	237	330	12m	Buy	Amar Kedia
05-Nov-18	291	450	12m	Buy	John Perinchery
19-Jul-18	321	507	12m	Buy	John Perinchery
17-May-18	388	502	12m	Buy	John Perinchery
06-Feb-18	348	423	12m	Buy	John Perinchery
30-Jan-18	351	390	12m	Buy	John Perinchery
06-Nov-17	316	390	12m	Buy	John Perinchery

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Information Technology

Birlasoft

Refer to important disclosures at the end of this report

Higher offshoring and cost rationalization to aid margin expansion

CMP: Rs 171
as of (August 17, 2020)TP: Rs 150 (■)
12 months

Rating: BUY (■)

We hosted Dharmendar Kapoor, CEO, Shantanu Rudra, Head-Finance, and Vikas Jadhav, Head – Investor Relations

Key Meeting Takeaways

Focus remains on cross-selling and increasing the share of annuity business: The company indicated that it has approx. 100 customers who are single-service lines customers. Birlasoft aims to scale up these customers by cross-selling, which would then support revenue growth. The company also aims to increase the share of its annuity business. Currently, the share of the annuity business stands at ~62% in the June'20 quarter. Birlasoft targets to increase it further to 70% which would provide the company with greater revenue visibility.

Expects Q2FY21 to be stable; sees sequential growth from Q3FY21: The company expects Q2FY21 to be a stable quarter in terms of the revenues, with sequential growth starting from Q3. Deal wins in Q1 were robust, recording the second-highest deal wins in the last six quarters. The company expects the deal momentum to continue in Q2FY21 as well.

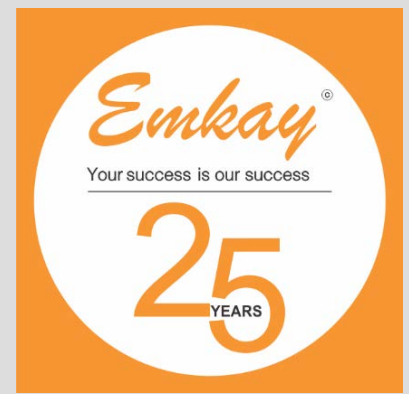
Birlasoft expects margin to expand going forward: The company aims to achieve an EBITDA margin of 15% in the coming years, and believes that it has several levers to achieve this. It has reduced capex budget to less than \$10mn for FY21 (budget for FY20 was \$20mn while the company ended up spending \$10mn). Margin levers that the company will focus on going forward include reducing the sub-contracting costs, increasing utilization and optimizing the employee pyramid. The utilization level currently stands at ~81%, with Birlasoft aiming to increase it by 100bps in the coming quarters. Offshoring is another avenue the company is looking at to expand its margins as customers are a lot more open to the WFH model post the pandemic.

Not focusing on inorganic growth through acquisitions: The company targets double-digit revenue growth in the coming years and has indicated that it aims to achieve the growth target organically by realizing the potential of its existing offerings. It does not aim for inorganic growth through acquisitions unless any strategic opportunity comes up at a right price.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	33,052	32,910	36,761	40,457	44,513
EBITDA	3,203	3,869	4,811	6,045	6,870
EBITDA Margin (%)	9.7	11.8	13.1	14.9	15.4
APAT	2,310	2,243	2,717	3,723	4,429
EPS (Rs)	8.4	8.1	9.8	13.4	16.0
EPS (% chg)	(14.6)	(4.0)	20.9	37.0	19.0
ROE (%)	13.1	12.4	13.7	16.8	17.7
P/E (x)	20.3	21.2	17.5	12.8	10.7
EV/EBITDA (x)	13.0	10.6	8.2	6.0	4.8
P/BV (x)	2.7	2.5	2.3	2.0	1.8

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	9.8	13.4
Consensus	9.3	9.3
Mean Consensus TP (12M)	Rs 167	

Stock Details

Bloomberg Code	BSOFT IN
Face Value (Rs)	2
Shares outstanding (mn)	277
52 Week H/L	178 / 47
M Cap (Rs bn/USD bn)	47 / 0.64
Daily Avg Volume (nos.)	27,40,634
Daily Avg Turnover (US\$ mn)	4.0

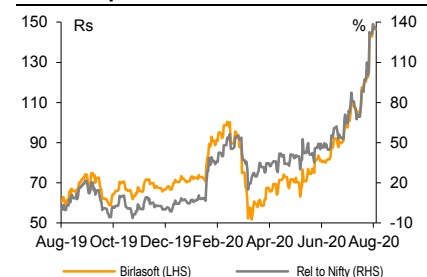
Shareholding Pattern Jun '20

Promoters	40.8%
FIIIs	25.1%
DIIIs	8.7%
Public and Others	25.4%

Price Performance

(%)	1M	3M	6M	12M
Absolute	58	171	86	182
Rel. to Nifty	51	110	96	173

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	33,052	32,910	36,761	40,457	44,513
Expenditure	29,849	29,041	31,950	34,412	37,644
EBITDA	3,203	3,869	4,811	6,045	6,870
Depreciation	640	826	902	993	1,072
EBIT	2,563	3,043	3,909	5,052	5,797
Other Income	483	480	119	279	270
Interest expenses	118	161	155	160	160
PBT	2,928	3,362	3,874	5,171	5,907
Tax	618	1,119	1,157	1,448	1,478
Extraordinary Items	176	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	2,486	2,243	2,717	3,723	4,429
Adjusted PAT	2,310	2,243	2,717	3,723	4,429

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	548	553	553	553	553
Reserves & surplus	16,587	18,371	20,273	22,879	25,979
Net worth	17,135	18,924	20,826	23,432	26,533
Minority Interest	0	0	0	0	0
Loan Funds	381	0	0	0	0
Net deferred tax liability	(1,433)	(1,200)	(1,192)	(1,192)	(1,192)
Total Liabilities	16,084	17,724	19,634	22,240	25,341
Net block	5,881	7,510	7,520	7,416	7,380
Investment	1,909	330	0	0	0
Current Assets	15,753	17,810	20,148	23,669	27,694
Cash & bank balance	3,772	6,301	8,364	11,587	14,401
Other Current Assets	3,756	3,200	3,525	3,879	4,268
Current liabilities & Provision	7,459	7,949	8,057	8,867	9,756
Net current assets	8,294	9,861	12,090	14,801	17,938
Misc. exp	0	0	0	0	0
Total Assets	16,084	17,724	19,634	22,241	25,341

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	2,439	2,882	3,754	4,892	5,637
Other Non-Cash items	185	(322)	25	0	0
Chg in working cap	(5,370)	1,195	(159)	512	(322)
Operating Cashflow	(1,199)	3,124	3,520	5,109	5,069
Capital expenditure	(708)	(543)	(888)	(888)	(1,036)
Free Cash Flow	(1,907)	2,581	2,632	4,221	4,033
Investments	1,759	0	330	0	0
Other Investing Cash Flow	(451)	622	0	0	0
Investing Cashflow	1,083	559	(439)	(609)	(766)
Equity Capital Raised	17	5	0	0	0
Loans Taken / (Repaid)	(446)	(381)	0	0	0
Dividend paid (incl tax)	(554)	(617)	(815)	(1,117)	(1,329)
Other Financing Cash Flow	0	0	(49)	0	0
Financing Cashflow	(1,162)	(1,154)	(1,019)	(1,277)	(1,489)
Net chg in cash	(1,278)	2,530	2,063	3,223	2,814
Opening cash position	5,049	3,772	6,301	8,364	11,587
Closing cash position	3,772	6,301	8,364	11,587	14,401

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	9.7	11.8	13.1	14.9	15.4
EBIT Margin	7.8	9.2	10.6	12.5	13.0
Effective Tax Rate	21.1	33.3	29.9	28.0	25.0
Net Margin	7.0	6.8	7.4	9.2	10.0
ROCE	16.9	20.8	21.6	25.5	25.5
ROE	13.1	12.4	13.7	16.8	17.7
RoIC	21.6	28.3	35.0	46.2	53.8

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	8.4	8.1	9.8	13.4	16.0
CEPS	10.8	11.1	13.0	17.0	19.8
BVPS	62.5	68.2	75.0	84.4	95.6
DPS	0.0	2.0	2.9	4.0	4.8

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	20.3	21.2	17.5	12.8	10.7
P/CEPS	11.7	11.4	9.7	7.4	6.4
P/BV	2.7	2.5	2.3	2.0	1.8
EV / Sales	1.3	1.2	1.1	0.9	0.7
EV / EBITDA	13.0	10.6	8.2	6.0	4.8
Dividend Yield (%)	0.0	1.2	1.7	2.3	2.8

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	(0.3)	(0.4)	(0.4)	(0.5)	(0.5)
Net Debt/EBIDTA	(1.7)	(1.7)	(1.7)	(1.9)	(2.1)
Working Cap Cycle (days)	49.9	39.5	37.0	29.0	29.0

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	46.9	(0.4)	11.7	10.1	10.0
EBITDA	13.1	20.8	24.4	25.6	13.6
EBIT	5.4	18.7	28.5	29.2	14.8
PAT	(2.3)	(9.8)	21.1	37.0	19.0

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	7,772	7,734	8,333	9,071	9,146
EBITDA	772	855	1,075	1,167	1,129
EBITDA Margin (%)	9.9	11.1	12.9	12.9	12.3
PAT	418	408	727	690	564
EPS (Rs)	1.5	1.5	2.6	2.5	2.0

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	41.1	40.9	40.8	40.8	40.8
FIs	33.6	30.4	29.4	27.1	25.1
DIs	4.0	6.2	5.9	7.7	8.7
Public and Others	21.4	22.6	23.8	24.4	25.4

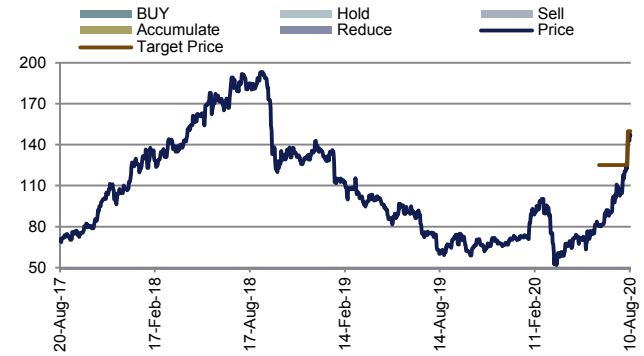
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
06-Aug-20	143	150	12m	Buy	Manik Taneja
05-Jul-20	90	125	12m	Buy	Manik Taneja
25-Jun-20	88	125	12m	Buy	Manik Taneja
12-Jun-20	80	125	12m	Buy	Manik Taneja

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

eClerx Services

Refer to important disclosures at the end of this report

Onshore business improving;
offshore remains subduedCMP: Rs 695
as of (August 17, 2020)TP: Rs 700 (=)
12 months

Rating: HOLD (=)

We hosted Rohitash Gupta, CFO

Key Meeting Takeaways

Expects qoq recovery from Sep'20 quarter: eClerx's Q1FY21 revenues at USD44.8mn saw 6%/12% qoq/yoy decline. EBIT margins saw a modest qoq increase and improved yoy significantly due to a low base in Q1FY20. Q1FY21 growth was challenged by both supply-side and demand side challenges. While supply-driven challenges have been largely addressed, demand-side challenges (new go-lives and roll-offs in verticals such as Travel/Retail have come down sharply) still remain with the discretionary nature of the services. However, demand environment has been on an improving trajectory, with MoM improvement in the frequency of client conversations (in CLX business). eClerx believes that Q1FY21 revenues were bottom and things should improve on a qoq basis from here. The pipeline has improved over Q1FY21 and has reverted to levels seen in the end of Q3FY20 or start of Q4FY20. However, the conversion rate of this pipeline needs to be watched out as the situation remains fluid.

Onshoring mix to increase further (in divergence to peer commentary): eClerx suggested that its onshore revenues were the most hurt in Mar'20/Jun'20 quarters and it should see gradual recovery in onsite revenues from the Sep'20 quarter. The commentary seemed to be in divergence with what other IT services providers where they have indicated increased acceptance for offshoring. eClerx does not see any significant offshoring opportunities in the type of services provided by the company.

Not much room for further improvement in margins: After a good performance in Q1FY21, eClerx sounded cautious in terms of further margin improvement in the upcoming quarters as it expects a reversal of some of the gains. It expects headwinds in the form of parallel rentals in addition to work-from-home costs and wage hikes in the Sep'20 quarter.

High client concentration has been a challenge over the past few years: eClerx indicated that client concentration is not still satisfactory (Top-10 clients contribute ~70% of the revenues) and has remained a challenge over the past few years (with heavy discounts in contract roll-offs). While a lot of progress has been made through new client acquisitions (through acquired entities), the concentration still remains high as tail accounts have not been able to grow beyond USD0.5mn. eClerx believes that it needs more capabilities both on the services side and the sales side. Focus also remains on improving the share of managed services revenues (~25% of revenues currently).

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	14,306	14,375	14,091	15,391	16,991
EBITDA	3,075	3,244	3,515	3,822	4,155
EBITDA Margin (%)	21.5	22.6	24.9	24.8	24.5
APAT	2,283	2,085	2,153	2,338	2,503
EPS (Rs)	60.2	57.2	63.3	68.7	73.5
EPS (% chg)	(11.9)	(5.0)	10.6	8.6	7.1
ROE (%)	17.7	15.5	15.8	15.9	15.7
P/E (x)	11.5	12.2	11.0	10.1	9.5
EV/EBITDA (x)	6.2	5.4	4.7	4.0	3.3
P/BV (x)	1.9	1.9	1.7	1.5	1.4

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	63.3	68.7
Consensus	55.9	64.1
Mean Consensus TP (12M)	Rs 582	

Stock Details

Bloomberg Code	ECLX IN
Face Value (Rs)	10
Shares outstanding (mn)	35
52 Week H/L	735 / 320
M Cap (Rs bn/USD bn)	24 / 0.32
Daily Avg Volume (nos.)	2,68,862
Daily Avg Turnover (US\$ mn)	1.8

Shareholding Pattern Jul '20

Promoters	53.8%
FIIIs	15.5%
DIIIs	18.3%
Public and Others	12.4%

Price Performance

(%)	1M	3M	6M	12M
Absolute	35	80	15	41
Rel. to Nifty	30	40	22	37

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	14,306	14,375	14,091	15,391	16,991
Expenditure	11,231	11,131	10,576	11,568	12,836
EBITDA	3,075	3,244	3,515	3,822	4,155
Depreciation	447	709	730	802	912
EBIT	2,628	2,535	2,786	3,020	3,243
Other Income	486	267	149	140	140
Interest expenses	0	0	0	0	0
PBT	3,115	2,801	2,935	3,160	3,383
Tax	832	715	781	822	880
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	1	1	1
Reported Net Income	2,283	2,085	2,153	2,338	2,503
Adjusted PAT	2,283	2,085	2,153	2,338	2,503

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	378	361	340	340	340
Reserves & surplus	13,435	12,701	13,778	14,947	16,199
Net worth	13,813	13,062	14,118	15,287	16,539
Minority Interest	6	6	6	6	6
Loan Funds	17	15	15	15	15
Net deferred tax liability	(71)	(255)	(255)	(255)	(255)
Total Liabilities	13,765	12,828	13,884	15,054	16,305
Net block	3,479	4,795	4,566	4,264	3,852
Investment	6,122	5,967	5,967	5,967	5,967
Current Assets	6,167	6,200	5,350	7,007	8,899
Cash & bank balance	1,256	1,746	1,142	2,411	3,825
Other Current Assets	0	0	0	0	0
Current liabilities & Provision	2,004	4,142	2,008	2,193	2,421
Net current assets	4,162	2,058	3,343	4,815	6,478
Misc. exp	0	0	0	0	0
Total Assets	13,765	12,828	13,884	15,054	16,305

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	3,115	2,805	2,786	3,020	3,243
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(300)	487	(1,889)	(203)	(250)
Operating Cashflow	2,329	3,411	845	2,798	3,025
Capital expenditure	(520)	(335)	(500)	(500)	(500)
Free Cash Flow	1,808	3,076	345	2,298	2,525
Investments	(1,788)	238	0	0	0
Other Investing Cash Flow	0	342	0	0	0
Investing Cashflow	(2,575)	161	(351)	(360)	(360)
Equity Capital Raised	53	(2,582)	(21)	0	0
Loans Taken / (Repaid)	(47)	(8)	0	0	0
Dividend paid (incl tax)	(46)	(44)	(1,077)	(1,169)	(1,252)
Other Financing Cash Flow	(488)	(449)	0	0	0
Financing Cashflow	(528)	(3,082)	(1,098)	(1,169)	(1,252)
Net chg in cash	(774)	489	(603)	1,269	1,414
Opening cash position	2,030	1,256	1,746	1,142	2,411
Closing cash position	1,256	1,746	1,142	2,411	3,825

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	21.5	22.6	24.9	24.8	24.5
EBIT Margin	18.4	17.6	19.8	19.6	19.1
Effective Tax Rate	26.7	25.5	26.6	26.0	26.0
Net Margin	16.0	14.5	15.3	15.2	14.7
ROCE	24.0	21.1	22.0	21.8	21.6
ROE	17.7	15.5	15.8	15.9	15.7
RoIC	42.1	44.1	46.9	45.0	49.2

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	60.2	57.2	63.3	68.7	73.5
CEPS	72.0	76.7	84.7	92.3	100.3
BVPS	364.4	358.4	414.8	449.1	485.9
DPS	1.0	1.0	31.6	34.4	36.8

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	11.5	12.2	11.0	10.1	9.5
P/CEPS	9.9	9.3	8.4	7.8	7.1
P/BV	1.9	1.9	1.7	1.5	1.4
EV / Sales	1.3	1.2	1.2	1.0	0.8
EV / EBITDA	6.2	5.4	4.7	4.0	3.3
Dividend Yield (%)	0.1	0.1	4.6	4.9	5.3

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	(0.5)	(0.6)	(0.5)	(0.5)	(0.6)
Net Debt/EBITDA	(2.4)	(2.4)	(2.0)	(2.2)	(2.4)
Working Cap Cycle (days)	74.1	7.9	57.0	57.0	57.0

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	4.8	0.5	(2.0)	9.2	10.4
EBITDA	(16.1)	5.5	8.4	8.7	8.7
EBIT	(17.5)	(3.6)	9.9	8.4	7.4
PAT	(21.3)	(8.7)	3.2	8.6	7.1

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	3,547	3,565	3,754	3,509	3,366
EBITDA	661	780	1,028	775	833
EBITDA Margin (%)	18.6	21.9	27.4	22.1	24.8
PAT	397	440	695	554	518
EPS (Rs)	10.6	12.2	19.2	15.3	14.3

Source: Company, Emkay Research

Shareholding Pattern (%)	Sep-19	Dec-19	Mar-20	Jun-20	Jul-20
Promoters	50.8	50.8	50.8	50.8	53.8
FII	19.0	17.8	17.6	15.9	15.5
DII	19.6	20.5	21.2	21.7	18.3
Public and Others	10.6	10.9	10.4	11.7	12.4

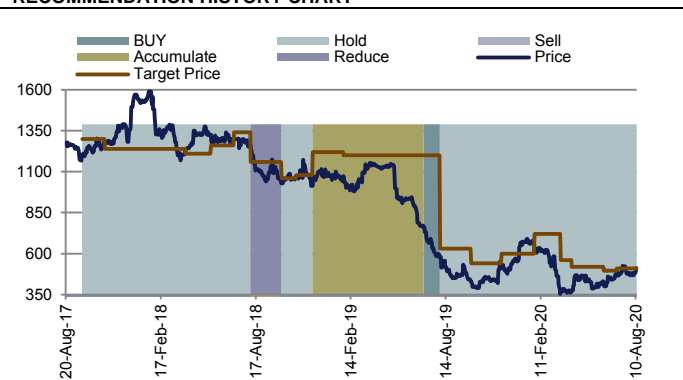
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
05-Jul-20	477	510	12m	Hold	Manik Taneja
25-Jun-20	440	495	12m	Hold	Manik Taneja
10-Jun-20	408	495	12m	Hold	Manik Taneja
10-Apr-20	375	520	12m	Hold	Manik Taneja
20-Mar-20	376	560	12m	Hold	Manik Taneja
30-Jan-20	626	720	12m	Hold	Manik Taneja
01-Jan-20	637	600	12m	Hold	Manik Taneja
28-Nov-19	521	600	12m	Hold	Manik Taneja
21-Nov-19	420	540	12m	Hold	Manik Taneja
01-Oct-19	426	540	12m	Hold	Manik Taneja
03-Aug-19	581	630	12m	Hold	Manik Taneja
03-Jul-19	757	1,200	12m	Buy	Manik Taneja
31-Jan-19	1,074	1,200	12m	Accumulate	Rahul Jain
02-Jan-19	1,093	1,220	12m	Accumulate	Rahul Jain
03-Dec-18	1,016	1,220	12m	Accumulate	Rahul Jain
02-Nov-18	1,072	1,080	12m	Hold	Rahul Jain
05-Oct-18	1,028	1,060	12m	Hold	Rahul Jain
07-Aug-18	1,260	1,160	12m	Reduce	Rahul Jain
06-Jul-18	1,300	1,340	12m	Hold	Rahul Jain
23-May-18	1,327	1,260	12m	Hold	Rahul Jain
05-Apr-18	1,241	1,210	12m	Hold	Rahul Jain
02-Nov-17	1,290	1,240	12m	Hold	Rahul Jain
20-Sep-17	1,193	1,300	12m	Hold	Rahul Jain

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Firstsource Solutions

Refer to important disclosures at the end of this report

Leadership revamp to drive better growth prospects

CMP: Rs 53
as of (August 17, 2020)

TP: Rs 40 (■)
12 months

Rating: HOLD (■)

We hosted Dinesh Jain, CFO, and Ankur Maheshwari, Head – Investor relations and Corporate Development

Key Meeting Takeaways

Leadership revamp and a verticalized organization expected to drive better business prospects: Firstsource has carried out a significant revamp of its leadership team after the new CEO, Mr. Vipul Khanna, joined post June'19 quarter results. Over the past 12 months, the company has strengthened its leadership team with external hires that include hires from bigger firms like CTSH. In addition, the company has aligned the organization vertically with it focusing on four key verticals: Financial Services, Healthcare, Communications and Diverse Industries. The company aims to mine the clients in these verticals by cross-selling the offerings in its three services lines, i.e., Digital-empowered contact center, Intelligent back-office and platforms, Automation and analytics. The company believes that its investment in the leadership, coupled with the strategy refresh, should aid revenue growth in the coming quarters. The company is focusing on its Platforms services line and expects its revenue share from 8.5% currently to go up to 15-20% in the next couple of years. The Platforms services line has higher margins than the other two segments as the matured Platforms have a disproportionately high margin of approx. 60%.

Mortgage and Collections business should drive strong growth in Financial Services: The significant uptick in mortgage volumes – both refinance and new – due to lower interest rates and increase in home sales volumes should bode well for Firstsource's mortgage business, which accounts for ~50% of the Financial Services segment (FS accounted for 50%+ of overall revenues in the June'20 quarter). In addition, the collections business (10-12% of overall revenues) should also see better growth prospects in the near term due to higher liquation volumes. The strong traction in the Financial Services is driving the company's increased confidence on overall growth prospects in FY21 despite a subdued start to the year with a 4.3% qoq cc revenue decline in the June'20 quarter.

The company's revenue guidance implies a sharp sequential growth through FY21; expects to defend and improve margins slightly: FSOL has guided for a 6-10% yoy cc growth in revenues in FY21, along with EBIT margins of 11-11.5%. This compares with a 6.6% yoy cc growth in FY20 and EBIT margins of 10.8%. We note that the company's revenue guidance implies a 5-7.5% qoq cc growth through the next three quarters which appears steep although achievable on the back of the momentum in Financial Services and the recovery in the European media business as delivery reverts to a more normal level.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	38,263	40,986	41,723	44,620	46,857
EBITDA	5,355	6,289	6,114	6,825	7,180
EBITDA Margin (%)	14.0	15.3	14.7	15.3	15.3
APAT	3,778	3,397	3,102	3,626	3,950
EPS (Rs)	5.5	4.9	4.4	5.2	5.7
EPS (% chg)	14.8	(11.0)	(8.7)	16.9	8.9
ROE (%)	14.9	12.4	10.9	12.1	12.3
P/E (x)	9.7	10.9	11.9	10.2	9.4
EV/EBITDA (x)	7.6	6.9	6.8	5.6	4.8
P/BV (x)	1.3	1.3	1.3	1.2	1.1

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	4.4	5.2
Consensus	4.9	5.6
Mean Consensus TP (12M)	Rs 58	

Stock Details

Bloomberg Code	FSOL IN	
Face Value (Rs)	10	
Shares outstanding (mn)	694	
52 Week H/L	58 / 20	
M Cap (Rs bn/USD bn)	37 / 0.49	
Daily Avg Volume (nos.)	44,41,114	
Daily Avg Turnover (US\$ mn)	2.6	

Shareholding Pattern Jun '20

Promoters	53.9%
FIIIs	7.6%
DIIIs	12.7%
Public and Others	25.8%

Price Performance

(%)	1M	3M	6M	12M
Absolute	25	75	25	9
Rel. to Nifty	21	42	34	7

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	38,263	40,986	41,723	44,620	46,857
Expenditure	32,908	34,697	35,609	37,794	39,677
EBITDA	5,355	6,289	6,114	6,825	7,180
Depreciation	744	1,852	1,961	2,075	2,109
EBIT	4,610	4,437	4,153	4,750	5,072
Other Income	4	69	57	75	136
Interest expenses	255	564	560	560	560
PBT	4,359	3,942	3,650	4,266	4,648
Tax	581	545	547	640	697
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	3,778	3,397	3,102	3,626	3,950
Adjusted PAT	3,778	3,397	3,102	3,626	3,950

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	6,911	6,938	6,938	6,938	6,938
Reserves & surplus	20,297	20,716	22,094	23,921	26,244
Net worth	27,207	27,654	29,032	30,859	33,182
Minority Interest	6	6	6	6	6
Loan Funds	5,527	8,369	7,069	5,769	4,469
Net deferred tax liability	461	735	735	735	735
Total Liabilities	33,201	36,764	36,842	37,369	38,392
Net block	22,247	28,709	27,498	26,173	24,814
Investment	840	122	122	122	122
Current Assets	13,670	17,040	17,795	20,210	22,984
Cash & bank balance	474	1,907	2,515	4,533	7,000
Other Current Assets	2,925	7,054	7,054	7,054	7,054
Current liabilities & Provision	3,557	9,107	8,573	9,168	9,628
Net current assets	10,113	7,933	9,222	11,042	13,356
Misc. exp	0	0	0	0	0
Total Assets	33,201	36,764	36,842	37,336	38,292

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	4,359	3,942	3,650	4,266	4,648
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(647)	859	(682)	198	153
Operating Cashflow	3,851	6,317	4,942	6,459	6,772
Capital expenditure	(1,081)	(8,313)	(750)	(750)	(750)
Free Cash Flow	2,770	(1,996)	4,192	5,709	6,022
Investments	(960)	3,747	0	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(2,041)	(4,567)	(750)	(750)	(750)
Equity Capital Raised	142	77	0	0	0
Loans Taken / (Repaid)	(1,190)	2,686	(1,300)	(1,300)	(1,300)
Dividend paid (incl tax)	(1,242)	(3,762)	(1,724)	(1,799)	(1,627)
Other Financing Cash Flow	4	0	0	0	0
Financing Cashflow	(2,566)	(1,584)	(3,584)	(3,659)	(3,487)
Net chg in cash	(756)	167	607	2,050	2,536
Opening cash position	1,230	474	1,907	2,515	4,533
Closing cash position	474	641	2,515	4,565	7,068

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	14.0	15.3	14.7	15.3	15.3
EBIT Margin	12.0	10.8	10.0	10.6	10.8
Effective Tax Rate	13.3	13.8	15.0	15.0	15.0
Net Margin	9.9	8.3	7.4	8.1	8.4
ROCE	15.2	12.9	11.4	13.0	13.7
ROE	14.9	12.4	10.9	12.1	12.3
RoIC	15.9	13.3	12.0	14.2	15.9

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	5.5	4.9	4.4	5.2	5.7
CEPS	6.5	7.5	7.2	8.2	8.7
BVPS	39.3	39.6	41.5	44.1	47.5
DPS	2.0	2.1	2.0	2.1	2.3

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	9.7	10.9	11.9	10.2	9.4
P/CEPS	5.6	4.9	5.1	4.5	4.2
P/BV	1.3	1.3	1.3	1.2	1.1
EV / Sales	1.1	1.1	1.0	0.9	0.7
EV / EBITDA	7.6	6.9	6.8	5.6	4.8
Dividend Yield (%)	3.8	3.9	3.9	4.0	4.4

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	0.2	0.2	0.2	0.0	(0.1)
Net Debt/EBITDA	0.8	1.0	0.7	0.2	(0.4)
Working Cap Cycle (days)	92.0	53.7	58.7	53.2	49.5

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	8.2	7.1	1.8	6.9	5.0
EBITDA	16.7	17.4	(2.8)	11.6	5.2
EBIT	17.3	(3.8)	(6.4)	14.4	6.8
PAT	15.6	(10.1)	(8.7)	16.9	8.9

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	9,798	9,849	10,535	10,804	10,456
EBITDA	1,657	1,325	1,666	1,641	1,471
EBITDA Margin (%)	16.9	13.4	15.8	15.2	14.1
PAT	912	674	895	916	721
EPS (Rs)	1.3	1.0	1.3	1.3	1.0

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	54.0	54.0	53.9	53.9	53.9
FII	9.0	9.8	9.0	9.0	7.6
DII	10.6	10.9	11.6	12.4	12.7
Public and Others	26.4	25.4	25.5	24.7	25.8

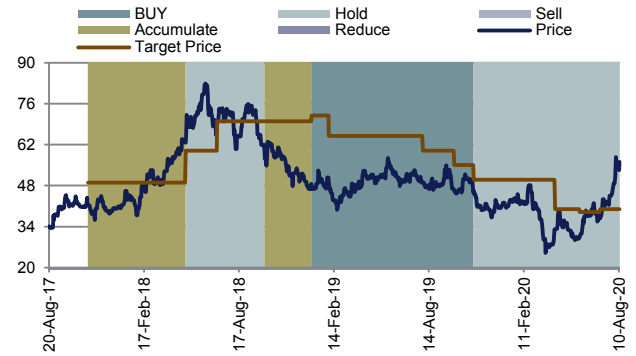
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
05-Jul-20	37	40	12m	Hold	Manik Taneja
25-Jun-20	39	39	12m	Hold	Manik Taneja
27-May-20	31	39	12m	Hold	Manik Taneja
10-Apr-20	33	40	12m	Hold	Manik Taneja
04-Feb-20	43	50	12m	Hold	Manik Taneja
01-Jan-20	41	50	12m	Hold	Manik Taneja
21-Nov-19	40	50	12m	Hold	Manik Taneja
07-Nov-19	46	50	12m	Hold	Manik Taneja
01-Oct-19	46	55	12m	Buy	Manik Taneja
02-Aug-19	49	60	12m	Buy	Manik Taneja
03-Jul-19	52	65	12m	Buy	Manik Taneja
06-May-19	51	65	12m	Buy	Rahul Jain
04-Apr-19	47	65	12m	Buy	Rahul Jain
04-Feb-19	49	65	12m	Buy	Rahul Jain
02-Jan-19	48	72	12m	Buy	Rahul Jain
01-Nov-18	60	70	12m	Accumulate	Rahul Jain
05-Oct-18	57	70	12m	Accumulate	Rahul Jain
06-Aug-18	69	70	12m	Hold	Rahul Jain
06-Jul-18	70	70	12m	Hold	Rahul Jain
07-May-18	63	60	12m	Hold	Rahul Jain
07-Feb-18	40	49	12m	Accumulate	Ruchi Burde
02-Nov-17	42	49	12m	Accumulate	Ruchi Burde

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Robust deal pipeline boosts confidence on growth prospects

CMP: Rs 968
as of (August 17, 2020)

TP: Rs 1,000 (■)
12 months

Rating: BUY (■)

We hosted Mr. Jayesh Sanghrajka, Deputy CFO, Mr. Sandeep Mahindroo, VP-Corporate Finance and Head-Investor Relations, and Mr. Subhra Kanti Das, Principal-Investor Relations

Key Meeting Takeaways

Confident on growth prospects aided by pipeline and deal wins: Infosys appears confident of its growth prospects aided by the deal pipeline and recent deal wins which included the large deal with Vanguard recently. We note that Infosys reinstated its formal revenue guidance for the year after June'20 quarter results and has guided for 0-2% yoy cc growth for FY21, which suggests that the company may outgrow competition on growth. It continues to see significant opportunities in areas like cloud adoption, cybersecurity and vendor consolidation even as clients cut discretionary spending in certain areas. The company's FY21 revenue outlook also suggests that it may outgrow TCS for the second year in a row.

Some costs may normalize going ahead; confident on achieving margins within the guided range: Infosys expects certain costs like travel to start normalizing in the 2nd half of FY21, which coupled with a likely decision around wage hikes (similar to other peers, Infosys did not implement the wage hikes for the year in the usual time frame), may impact margins going forward. In terms of tailwinds, the company believes that greater offshoring, pyramid (both onshore/offshore), utilization and moderation in pricing pressure (although the full-quarter impact of some pricing discounts provided in Q1FY21 will be felt in Q2), along with a pick-up in revenue growth, will support overall margin performance. We note that Infosys has guided for 21-23% EBIT margins for FY21 (June'20 quarter EBIT margins of 22.7% and FY20 EBIT margins of 21.2%)

Sees broad-based demand in Cloud; BFSI and Retail verticals leading in investments in Cybersecurity: Infosys suggests that it is seeing broad-based demand for cloud adoption across industry verticals; however, B2C verticals like BFSI and Retail are leading investments in Cybersecurity. In addition, the company suggested that the vendor consolidation remains an important growth driver as some smaller/mid-sized vendors have struggled with the fulfillment and this may drive increased business for scale players such as Infosys.

Localization initiatives helping drive improved client perception for Infosys: Infosys embarked on a significant localization initiative in mid-CY17 with an aim to hire ~10k local workforce in the next couple of years. While this initiative came with its own challenges around increased onshore costs and thereby initial impact on margins, the company believes that the localization commitment has helped Infosys establish more credibility with key stakeholders that include the political leadership as well. This is driving improved perception at the client level and is driving some preference for Infosys, especially when it comes to large rebadging deals.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	8,26,760	9,07,940	9,52,280	10,45,713	11,54,112
EBITDA	2,08,900	2,22,710	2,42,266	2,69,282	2,96,841
EBITDA Margin (%)	25.3	24.5	25.4	25.8	25.7
APAT	1,54,040	1,65,980	1,68,761	1,95,290	2,18,924
EPS (Rs)	35.4	39.1	39.7	46.0	51.6
EPS (% chg)	(0.3)	10.5	1.7	15.7	12.1
ROE (%)	23.7	25.5	24.2	24.8	24.5
P/E (x)	27.3	24.8	24.3	21.0	18.8
EV/EBITDA (x)	18.7	17.2	15.3	13.5	11.9
P/BV (x)	6.5	6.3	5.6	4.9	4.3

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	39.7	46.0
Consensus	41.0	46.1
Mean Consensus TP (12M)	Rs 973	

Stock Details

Bloomberg Code	INFO IN
Face Value (Rs)	5
Shares outstanding (mn)	4,259
52 Week H/L	986 / 509
M Cap (Rs bn/USD bn)	4,121 / 55.13
Daily Avg Volume (nos.)	131,43,310
Daily Avg Turnover (US\$ mn)	143.7

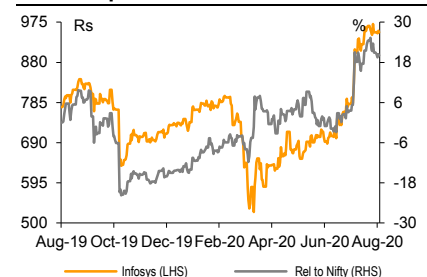
Shareholding Pattern Jun '20

Promoters	13.2%
FIIIs	30.5%
DIIIs	25.4%
Public and Others	31.0%

Price Performance

(%)	1M	3M	6M	12M
Absolute	7	46	21	25
Rel. to Nifty	3	13	28	21

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	8,26,760	9,07,940	9,52,280	10,45,713	11,54,112
Expenditure	6,17,860	6,85,230	7,10,014	7,76,431	8,57,271
EBITDA	2,08,900	2,22,710	2,42,266	2,69,282	2,96,841
Depreciation	20,110	28,940	30,577	29,139	30,516
EBIT	1,88,790	1,93,770	2,11,688	2,40,143	2,66,325
Other Income	21,620	26,340	19,160	26,320	26,320
Interest expenses	0	0	0	0	0
PBT	2,10,410	2,20,110	2,30,848	2,66,463	2,92,645
Tax	56,320	53,680	61,278	70,613	73,161
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	50	450	810	560	560
Reported Net Income	1,54,040	1,65,980	1,68,761	1,95,290	2,18,924
Adjusted PAT	1,54,040	1,65,980	1,68,761	1,95,290	2,18,924

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	21,700	21,220	21,220	21,220	21,220
Reserves & surplus	6,27,780	6,33,280	7,18,470	8,16,675	9,26,697
Net worth	6,49,480	6,54,500	7,39,690	8,37,895	9,47,917
Minority Interest	580	3,940	4,380	4,380	4,380
Loan Funds	0	0	0	0	0
Net deferred tax liability	(13,720)	(17,440)	(14,960)	(14,960)	(14,960)
Total Liabilities	6,36,340	6,41,000	7,29,110	8,27,315	9,37,337
Net block	1,57,100	2,50,530	2,49,731	2,50,192	2,49,276
Investment	1,12,610	87,920	87,920	87,920	87,920
Current Assets	5,50,070	5,71,780	6,91,493	8,04,350	9,47,955
Cash & bank balance	1,95,680	1,86,490	3,10,581	3,86,065	4,86,311
Other Current Assets	0	0	0	0	0
Current liabilities & Provision	1,97,320	2,69,230	3,00,033	3,15,146	3,47,814
Net current assets	3,52,750	3,02,550	3,91,459	4,89,203	6,00,141
Misc. exp	0	0	0	0	0
Total Assets	6,36,340	6,41,000	7,29,110	8,27,315	9,37,337

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	1,88,790	1,93,730	2,11,688	2,40,143	2,66,325
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(5,920)	(19,380)	35,181	(22,260)	(10,691)
Operating Cashflow	1,36,820	1,57,730	2,16,169	1,76,409	2,12,988
Capital expenditure	(26,750)	(51,730)	(27,298)	(29,600)	(29,600)
Free Cash Flow	1,10,070	1,06,000	1,88,871	1,46,809	1,83,388
Investments	10,970	25,140	0	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	5,840	8,410	(8,138)	(3,280)	(3,280)
Equity Capital Raised	(8,070)	(74,774)	0	0	0
Loans Taken / (Repaid)	0	0	0	0	0
Dividend paid (incl tax)	(1,37,050)	0	(84,380)	(97,645)	(1,09,462)
Other Financing Cash Flow	(40)	0	440	0	0
Financing Cashflow	(1,45,160)	(1,75,910)	(83,940)	(97,645)	(1,09,462)
Net chg in cash	(2,500)	(9,190)	1,24,091	75,484	1,00,246
Opening cash position	1,98,180	1,95,680	1,86,490	3,10,581	3,86,065
Closing cash position	1,95,680	1,86,490	3,10,581	3,86,065	4,86,311

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	25.3	24.5	25.4	25.8	25.7
EBIT Margin	22.8	21.3	22.2	23.0	23.1
Effective Tax Rate	26.8	24.4	26.5	26.5	25.0
Net Margin	18.6	18.3	17.8	18.7	19.0
ROCE	33.1	34.5	33.7	34.2	33.2
ROE	23.7	25.5	24.2	24.8	24.5
RoIC	61.4	56.9	60.7	70.2	74.3

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	35.4	39.1	39.7	46.0	51.6
CEPS	40.0	45.9	46.9	52.9	58.7
BVPS	149.2	154.1	174.2	197.3	223.2
DPS	21.5	17.5	19.9	23.0	25.8

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	27.3	24.8	24.3	21.0	18.8
P/CEPS	22.8	19.8	19.4	17.2	15.5
P/BV	6.5	6.3	5.6	4.9	4.3
EV / Sales	4.7	4.2	3.9	3.5	3.1
EV / EBITDA	18.7	17.2	15.3	13.5	11.9
Dividend Yield (%)	2.2	1.8	2.1	2.4	2.7

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	(0.5)	(0.4)	(0.5)	(0.6)	(0.6)
Net Debt/EBITDA	(1.5)	(1.2)	(1.6)	(1.8)	(1.9)
Working Cap Cycle (days)	69.3	46.7	31.0	36.0	36.0

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	17.2	9.8	4.9	9.8	10.4
EBITDA	9.9	6.6	8.8	11.2	10.2
EBIT	10.1	2.6	9.2	13.4	10.9
PAT	(3.9)	7.8	1.7	15.7	12.1

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	2,18,030	2,26,290	2,30,920	2,32,700	2,36,650
EBITDA	51,520	56,390	58,010	56,790	61,210
EBITDA Margin (%)	23.6	24.9	25.1	24.4	25.9
PAT	37,980	40,190	44,570	43,240	42,330
EPS (Rs)	8.8	9.4	10.5	10.2	10.0

Source: Company, Emkay Research

Shareholding Pattern (%)	Sep-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	13.2	13.2	13.2	13.2	13.2
FII	33.5	33.5	31.8	31.0	30.5
DII	22.8	22.9	24.0	24.7	25.4
Public and Others	30.5	30.5	31.1	31.2	31.0

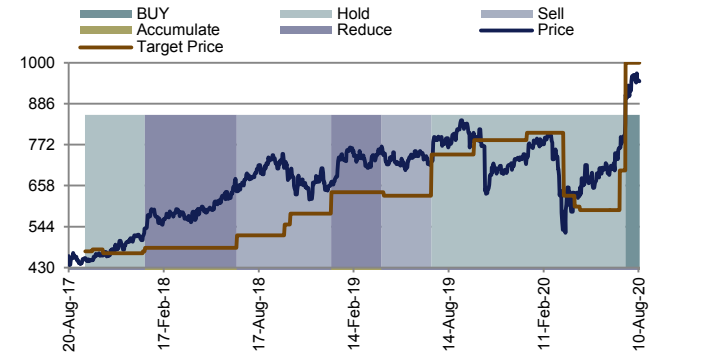
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
16-Jul-20	911	1,000	12m	Buy	Manik Taneja
05-Jul-20	763	700	12m	Hold	Manik Taneja
25-Jun-20	701	590	12m	Hold	Manik Taneja
18-Jun-20	714	590	12m	Hold	Manik Taneja
26-May-20	681	590	12m	Hold	Manik Taneja
20-Apr-20	653	590	12m	Hold	Manik Taneja
10-Apr-20	636	600	12m	Hold	Manik Taneja
20-Mar-20	585	630	12m	Hold	Manik Taneja
11-Feb-20	774	805	12m	Hold	Manik Taneja
03-Feb-20	767	805	12m	Hold	Manik Taneja
10-Jan-20	738	805	12m	Hold	Manik Taneja
08-Jan-20	718	785	12m	Hold	Manik Taneja
01-Jan-20	737	785	12m	Hold	Manik Taneja
21-Nov-19	713	785	12m	Hold	Manik Taneja
11-Oct-19	815	785	12m	Hold	Manik Taneja
01-Oct-19	794	785	12m	Hold	Manik Taneja
12-Jul-19	727	745	12m	Hold	Manik Taneja
03-Jul-19	731	630	12m	Sell	Manik Taneja
12-Apr-19	748	630	12m	Sell	Rahul Jain
08-Apr-19	767	640	12m	Sell	Rahul Jain
11-Jan-19	684	640	12m	Reduce	Rahul Jain
09-Jan-19	676	640	12m	Reduce	Rahul Jain
02-Jan-19	669	640	12m	Reduce	Rahul Jain
16-Oct-18	695	580	12m	Sell	Rahul Jain
05-Oct-18	725	550	12m	Sell	Rahul Jain
18-Aug-18	715	520	12m	Sell	Rahul Jain
13-Jul-18	659	520	12m	Sell	Rahul Jain
10-Jul-18	651	520	12m	Sell	Rahul Jain
06-Jul-18	642	520	12m	Sell	Rahul Jain
13-Apr-18	586	485	12m	Reduce	Rahul Jain
05-Apr-18	574	485	12m	Reduce	Rahul Jain
28-Mar-18	566	485	12m	Reduce	Rahul Jain
12-Jan-18	539	485	12m	Reduce	Rahul Jain
08-Jan-18	518	475	12m	Hold	Rahul Jain
04-Dec-17	493	470	12m	Hold	Rahul Jain
24-Oct-17	463	470	12m	Hold	Rahul Jain
04-Oct-17	450	480	12m	Hold	Rahul Jain
20-Sep-17	456	475	12m	Hold	Rahul Jain

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

L&T Infotech

Refer to important disclosures at the end of this report

Deal pipeline remains strong

CMP: Rs 2,422

as of (August 17, 2020)

TP: Rs 1,800 (■)

12 months

Rating: SELL (■)

We hosted Mr. Ashok Sontholia, CFO, Mr. Nitin Mohta, Head-FP&A, and Ms. Sunila Martis, Investor Relations

Key Meeting Takeaways

Expects sequential growth from Sep'20 quarter onward; usual H2 seasonality to play out as long as demand does not deteriorate: LTI reiterated that June'20 quarter was the trough with regard to revenue performance and expects improvement from Sep'20 quarter. It believes the usual seasonality (H2 being stronger than H1) may remain in play in FY21 as well, as long as the demand situation does not see any incremental weakness. It did see deferral of discretionary spends and some pricing discount requests from customers in the June'20 quarter but has indicated that such discounts were temporary in nature. The company sees client consolidation theme playing out in the industry and expects to benefit from such trends.

Deal pipeline strong; expects some closures in the Sep'20 quarter: The deal pipeline continues to be robust (up 19% yoy) across verticals and the company is hopeful of closing some large deals in Q2FY21. We note that LTI reported subdued performance on this front in the June'20 quarter but suggested that it was in active discussions on a number of deals. LTI said risks emanate from prolonged and delayed decision making. It is seeing accelerated interest in cloud, digital initiatives and cyber security. A majority of the deals in the pipeline have work on cloud initiatives.

LTI is seeing increased deal activity in Manufacturing; BFS, Hitech, Healthcare and Media have held up well: While LTI's overall revenue performance was impacted by sharp declines in Manufacturing (-16.4% qoq cc) and E&U (-10.5% qoq cc) verticals, it suggests that the deal pipeline in the Manufacturing vertical is reasonably good. Further, it had won some marquee logos in the E&U space before Covid-19, but they are seeing slower ramp-up. LTI continues to see reasonable strength in verticals such as Healthcare, Hitech and Media, and BFSI.

Sees increased offshoring in the medium term: While LTI's offshore mix of revenues is better than other Tier II techs, it believes economic pressures and the evolving situation will drive further increase in offshoring over the medium term. As per LTI, this will be a margin lever going forward notwithstanding the fact that some costs (e.g., travel) will start increasing again after the sharp cuts in the June'20 quarter. In addition, LTI is committed to the 3k fresher hiring target in FY21 although it is taking a more measured approach related to lateral hiring. The company (like peers) deferred the annual pay hikes for FY21 and would take a call on this depending on how the business progresses in early CY21. Further, LTI believes that a hybrid delivery model may be the go-forward approach, with 30-50% of the workforce working from offices when the situation normalizes.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	94,458	1,08,786	1,17,801	1,30,193	1,48,852
EBITDA	18,835	20,292	23,301	25,248	28,791
EBITDA Margin (%)	19.9	18.7	19.8	19.4	19.3
APAT	15,157	15,199	16,170	18,896	21,851
EPS (Rs)	86.5	86.4	92.2	107.7	124.6
EPS (% chg)	29.0	0.0	6.7	16.9	15.6
ROE (%)	34.6	29.5	26.4	25.5	25.6
P/E (x)	28.0	28.0	26.3	22.5	19.4
EV/EBITDA (x)	21.4	19.7	16.5	14.9	12.7
P/BV (x)	8.7	7.9	6.2	5.3	4.7

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	SELL

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	92.2	107.7
Consensus	96.3	111.4
Mean Consensus TP (12M)	Rs 2,359	

Stock Details

Bloomberg Code	LTI IN
Face Value (Rs)	1
Shares outstanding (mn)	174
52 Week H/L	2,530 / 1,208
M Cap (Rs bn/USD bn)	422 / 5.65
Daily Avg Volume (nos.)	1,81,874
Daily Avg Turnover (US\$ mn)	5.2

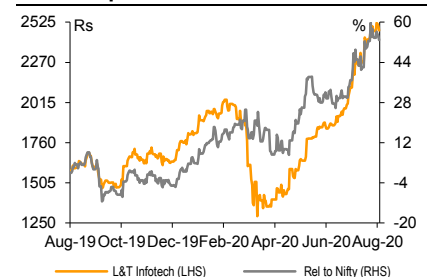
Shareholding Pattern Jun '20

Promoters	74.5%
FIIIs	9.8%
DIIIs	7.3%
Public and Others	8.5%

Price Performance

(%)	1M	3M	6M	12M
Absolute	7	47	23	53
Rel. to Nifty	2	14	30	49

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	94,458	1,08,786	1,17,801	1,30,193	1,48,852
Expenditure	75,623	88,494	94,500	1,04,946	1,20,061
EBITDA	18,835	20,292	23,301	25,248	28,791
Depreciation	1,471	2,731	3,171	3,285	3,532
EBIT	17,364	17,561	20,129	21,963	25,259
Other Income	2,915	2,463	1,575	3,400	3,875
Interest expenses	0	0	0	0	0
PBT	20,279	20,024	21,704	25,363	29,134
Tax	5,122	4,825	5,534	6,468	7,284
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	15,157	15,199	16,170	18,896	21,851
Adjusted PAT	15,157	15,199	16,170	18,896	21,851

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	174	174	174	174	174
Reserves & surplus	48,764	53,867	68,292	79,629	90,957
Net worth	48,938	54,041	68,466	79,803	91,131
Minority Interest	8	11	11	11	11
Loan Funds	0	320	320	320	320
Net deferred tax liability	(1,489)	(2,945)	(2,945)	(2,945)	(2,945)
Total Liabilities	47,457	51,427	65,852	77,189	88,517
Net block	9,299	19,408	20,181	21,352	22,941
Investment	17,403	22,188	22,188	22,188	22,188
Current Assets	38,330	43,226	59,141	73,099	88,546
Cash & bank balance	4,150	5,252	18,152	27,799	36,753
Other Current Assets	10,335	10,433	11,296	12,484	14,274
Current liabilities & Provision	17,690	33,777	36,040	39,832	45,540
Net current assets	20,640	9,449	23,100	33,267	43,005
Misc. exp	0	0	0	0	0
Total Assets	47,457	51,427	65,852	77,189	88,517

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	17,364	17,561	20,129	21,963	25,259
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(2,520)	10,837	(751)	(521)	(784)
Operating Cashflow	11,193	26,304	17,015	18,260	20,724
Capital expenditure	(3,998)	(13,107)	(3,945)	(4,455)	(5,121)
Free Cash Flow	7,195	13,197	13,070	13,805	15,603
Investments	(4,759)	(4,785)	0	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(5,842)	(15,429)	(2,370)	(1,055)	(1,246)
Equity Capital Raised	2	0	0	0	0
Loans Taken / (Repaid)	0	320	0	0	0
Dividend paid (incl tax)	(5,911)	(5,373)	(6,468)	(7,558)	(10,523)
Other Financing Cash Flow	1,075	(4,720)	4,723	0	0
Financing Cashflow	(4,834)	(9,773)	(1,745)	(7,558)	(10,523)
Net chg in cash	517	1,102	12,900	9,647	8,954
Opening cash position	3,633	4,150	5,252	18,152	27,799
Closing cash position	4,150	5,252	18,152	27,799	36,753

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	19.9	18.7	19.8	19.4	19.3
EBIT Margin	18.4	16.1	17.1	16.9	17.0
Effective Tax Rate	25.3	24.1	25.5	25.5	25.0
Net Margin	16.0	14.0	13.7	14.5	14.7
ROCE	48.1	40.5	37.0	35.5	35.2
ROE	34.6	29.5	26.4	25.5	25.6
RoIC	75.1	71.1	82.6	84.6	90.2

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	86.5	86.4	92.2	107.7	124.6
CEPS	94.8	101.9	110.3	126.5	144.7
BVPS	279.1	307.3	390.3	455.0	519.6
DPS	28.0	28.0	36.9	43.1	49.8

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	28.0	28.0	26.3	22.5	19.4
P/CEPS	24.2	22.5	20.8	18.1	15.8
P/BV	8.7	7.9	6.2	5.3	4.7
EV / Sales	4.3	3.7	3.3	2.9	2.5
EV / EBITDA	21.4	19.7	16.5	14.9	12.7
Dividend Yield (%)	1.2	1.2	1.5	1.8	2.1

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	(0.4)	(0.5)	(0.6)	(0.6)	(0.6)
Net Debt/EBITDA	(1.1)	(1.3)	(1.7)	(2.0)	(2.0)
Working Cap Cycle (days)	63.7	14.1	15.3	15.3	15.3

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	29.3	15.2	8.3	10.5	14.3
EBITDA	50.8	7.7	14.8	8.4	14.0
EBIT	58.8	1.1	14.6	9.1	15.0
PAT	36.2	0.3	6.4	16.9	15.6

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	24,849	25,707	28,111	30,119	29,492
EBITDA	4,579	4,658	5,274	5,781	5,920
EBITDA Margin (%)	18.4	18.1	18.8	19.2	20.1
PAT	3,555	3,603	3,767	4,274	4,164
EPS (Rs)	20.3	20.5	21.5	24.3	23.7

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	74.8	74.6	74.6	74.5	74.5
FII	8.0	7.7	9.1	9.5	9.8
DII	6.9	8.2	7.2	7.2	7.3
Public and Others	10.3	9.5	9.1	8.8	8.5

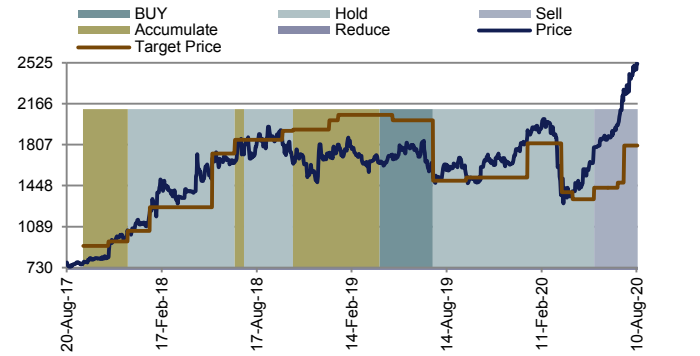
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
17-Jul-20	2,264	1,800	12m	Sell	Manik Taneja
05-Jul-20	1,978	1,475	12m	Sell	Manik Taneja
25-Jun-20	1,893	1,430	12m	Sell	Manik Taneja
21-May-20	1,785	1,430	12m	Sell	Manik Taneja
10-Apr-20	1,399	1,330	12m	Hold	Manik Taneja
20-Mar-20	1,511	1,390	12m	Hold	Manik Taneja
15-Jan-20	1,934	1,820	12m	Hold	Manik Taneja
01-Jan-20	1,782	1,520	12m	Hold	Manik Taneja
11-Dec-19	1,635	1,520	12m	Hold	Manik Taneja
21-Nov-19	1,692	1,520	12m	Hold	Manik Taneja
18-Oct-19	1,611	1,520	12m	Hold	Manik Taneja
01-Oct-19	1,506	1,520	12m	Hold	Manik Taneja
20-Sep-19	1,525	1,520	12m	Hold	Manik Taneja
19-Jul-19	1,516	1,490	12m	Hold	Manik Taneja
03-Jul-19	1,735	2,020	12m	Buy	Manik Taneja
03-May-19	1,680	2,020	12m	Buy	Rahul Jain
08-Apr-19	1,644	2,070	12m	Buy	Rahul Jain
19-Mar-19	1,636	2,070	12m	Accumulate	Rahul Jain
19-Jan-19	1,807	2,070	12m	Accumulate	Rahul Jain
09-Jan-19	1,756	2,020	12m	Accumulate	Rahul Jain
02-Jan-19	1,734	2,020	12m	Accumulate	Rahul Jain
25-Oct-18	1,639	1,940	12m	Accumulate	Rahul Jain
05-Oct-18	1,809	1,930	12m	Hold	Rahul Jain
24-Jul-18	1,803	1,850	12m	Hold	Rahul Jain
10-Jul-18	1,720	1,850	12m	Accumulate	Rahul Jain
06-Jul-18	1,668	1,850	12m	Accumulate	Rahul Jain
24-May-18	1,686	1,730	12m	Hold	Rahul Jain
05-Apr-18	1,394	1,260	12m	Hold	Rahul Jain
25-Jan-18	1,228	1,260	12m	Hold	Rahul Jain
14-Dec-17	1,044	1,050	12m	Hold	Rahul Jain
07-Nov-17	820	960	12m	Accumulate	Rahul Jain
04-Oct-17	813	920	12m	Accumulate	Rahul Jain
20-Sep-17	770	920	12m	Accumulate	Rahul Jain

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Mindtree

Refer to important disclosures at the end of this report

Top client continues to grow; broad basing of growth to start showing up soon

CMP: Rs 1,167

as of (August 17, 2020)

TP: Rs 770 (■)

12 months

Rating: SELL (■)

We hosted Mr. Vinit Teredesai, CFO, Ms. Amisha Munvar, Head of Investor Relations, and Ms. Poornima MV, Senior Manager

Key Meeting Takeaways

Focus remains on client mining driven by increased signings of multi-year annuity deals: Mindtree emphasized the focus under the new leadership that has been in place since the ownership change about 12 months back. The company wants to make the business more predictable and is focused on long-term annuity deals. This has involved increased investments in growing the strategic clients while rationalizing the long tail of accounts. We note that MTCL has cut the number of active clients through the past 12 months though it has seen a significantly higher contribution from its top client, leading to a further increase in client concentration. The top client revenues grew 40%+ yoy in the June'20 quarter, leading to the top client contribution to revenues increasing to 30%+ levels now vs. 20% a year ago.

Near-term growth prospects at top client continue to be strong; the company expects more broad-basing of growth to start showing up soon: Mindtree indicated that the overall strong tailwinds for MSFT's business are helping drive increased revenues for it as well. The company expects the strong growth traction here to continue and expects broad-basing of growth within the top clients going forward. We note that this has been a continued concern for us which we have highlighted several times (note that while the top client revenues have nearly grown 6x over FY14-20 as it increased the overall revenue base by ~2.8x over the period, the number of US\$20 mn+/US\$50mn+ client relationships have remained broadly unchanged). Mindtree's CFO suggested that he expects about 1-2 more additions to the US\$50mn+ revenue metrics by the Mar'21 quarter (currently MSFT is the only US\$50mn+ revenue account).

Confident of sustaining the strong margin improvement seen in recent quarters: Mindtree has improved margins sharply in recent quarters as the new leadership has cut a lot of costs within the organization. This has helped drive ~600bps improvement in reported EBIT margins through the last three quarters with the company's EBIT margins now at the highest level since the Sep'15 quarter. The company remains confident of sustaining strong execution on margins, and suggests that the performance is a result of several cost rationalization and optimization initiatives that it embarked on prior to Covid-19 in the recent quarters. Mindtree believes that the pandemic has only accelerated the adoption of the cost rationalization program, with the company undertaking cuts on discretionary spending and sub-contractor spends in the June'20 quarter. The company expects the benefits of these moves to aid margins in the Sep'20 quarter as well. It has implemented promotions for the year but expects to decide on normal wage increments only when the business situation normalizes.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	70,215	77,643	78,196	85,770	95,174
EBITDA	10,645	10,898	14,294	15,570	16,842
EBITDA Margin (%)	15.2	14.0	18.3	18.2	17.7
APAT	7,540	6,309	8,363	9,465	10,821
EPS (Rs)	45.8	38.4	50.8	57.5	65.7
EPS (% chg)	59.2	(16.2)	32.3	13.1	14.3
ROE (%)	24.9	19.5	24.2	23.2	22.9
P/E (x)	25.5	30.4	23.0	20.3	17.8
EV/EBITDA (x)	17.1	16.3	12.2	10.9	9.8
P/BV (x)	5.8	6.1	5.1	4.4	3.8

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	SELL

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	50.8	57.5
Consensus	48.7	57.2
Mean Consensus TP (12M)	Rs 980	

Stock Details

Bloomberg Code	MTCL IN
Face Value (Rs)	10
Shares outstanding (mn)	165
52 Week H/L	1,178 / 667
M Cap (Rs bn/USD bn)	192 / 2.57
Daily Avg Volume (nos.)	12,66,774
Daily Avg Turnover (US\$ mn)	16.6

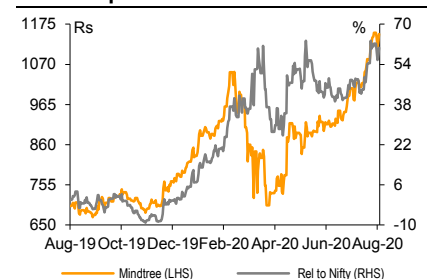
Shareholding Pattern Jun '20

Promoters	73.5%
FIIIs	10.4%
DIIIs	7.9%
Public and Others	8.2%

Price Performance

(%)	1M	3M	6M	12M
Absolute	14	33	17	67
Rel. to Nifty	9	3	23	62

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	70,215	77,643	78,196	85,770	95,174
Expenditure	59,570	66,745	63,902	70,201	78,332
EBITDA	10,645	10,898	14,294	15,570	16,842
Depreciation	1,641	2,754	2,468	2,650	2,844
EBIT	9,004	8,144	11,826	12,920	13,998
Other Income	863	144	(448)	(300)	430
Interest expenses	0	0	0	0	0
PBT	9,867	8,288	11,378	12,620	14,428
Tax	2,327	1,979	3,015	3,155	3,607
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	7,540	6,309	8,363	9,465	10,821
Adjusted PAT	7,540	6,309	8,363	9,465	10,821

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	1,642	1,646	1,646	1,646	1,646
Reserves & surplus	31,419	29,922	35,940	42,419	48,912
Net worth	33,061	31,568	37,586	44,065	50,558
Minority Interest	0	0	0	0	0
Loan Funds	5	9	9	9	9
Net deferred tax liability	(388)	(1,835)	(1,835)	(1,835)	(1,835)
Total Liabilities	32,678	29,742	35,760	42,239	48,732
Net block	9,669	14,092	15,156	16,791	18,367
Investment	8,036	7,748	15,387	15,387	15,387
Current Assets	23,400	27,755	24,362	31,073	38,310
Cash & bank balance	2,562	5,870	2,510	7,105	11,713
Other Current Assets	5,339	4,348	4,285	4,700	5,215
Current liabilities & Provision	8,724	19,989	19,281	21,149	23,468
Net current assets	14,676	7,766	5,081	9,924	14,842
Misc. exp	0	0	0	0	0
Total Assets	32,678	29,742	35,760	42,239	48,732

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	9,868	8,144	11,826	12,920	13,998
Other Non-Cash items	(561)	0	0	0	0
Chg in working cap	(2,360)	10,218	(675)	(249)	(309)
Operating Cashflow	6,305	8,251	10,604	12,166	12,926
Capital expenditure	(1,708)	(6,283)	(3,532)	(4,285)	(4,419)
Free Cash Flow	4,597	1,968	7,072	7,881	8,507
Investments	(301)	(612)	(7,639)	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(1,933)	(6,751)	(11,619)	(4,585)	(3,989)
Equity Capital Raised	3	352	0	0	0
Loans Taken / (Repaid)	(3,044)	4	0	0	0
Dividend paid (incl tax)	(2,180)	(6,526)	(3,345)	(3,786)	(4,328)
Other Financing Cash Flow	0	7,978	1,000	800	0
Financing Cashflow	(5,085)	1,808	(2,345)	(2,986)	(4,328)
Net chg in cash	(713)	3,308	(3,360)	4,595	4,608
Opening cash position	3,275	2,562	5,870	2,510	7,105
Closing cash position	2,562	5,870	2,510	7,105	11,713

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	15.2	14.0	18.3	18.2	17.7
EBIT Margin	12.8	10.5	15.1	15.1	14.7
Effective Tax Rate	23.6	23.9	26.5	25.0	25.0
Net Margin	10.7	8.1	10.7	11.0	11.4
ROCE	31.4	26.6	34.7	32.4	31.7
ROE	24.9	19.5	24.2	23.2	22.9
RoIC	43.7	43.1	70.2	69.2	68.1

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	45.8	38.4	50.8	57.5	65.7
CEPS	55.8	55.1	65.8	73.5	83.0
BVPS	200.8	192.1	228.3	267.5	307.0
DPS	13.0	33.0	20.3	23.0	26.3

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	25.5	30.4	23.0	20.3	17.8
P/CEPS	17.5	17.7	14.9	13.3	11.8
P/BV	5.8	6.1	5.1	4.4	3.8
EV / Sales	2.6	2.3	2.2	2.0	1.7
EV / EBITDA	17.1	16.3	12.2	10.9	9.8
Dividend Yield (%)	1.1	2.8	1.7	2.0	2.3

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	(0.3)	(0.4)	(0.5)	(0.5)	(0.5)
Net Debt/EBITDA	(1.0)	(1.2)	(1.3)	(1.4)	(1.6)
Working Cap Cycle (days)	63.0	8.9	12.0	12.0	12.0

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	28.5	10.6	0.7	9.7	11.0
EBITDA	43.8	2.4	31.2	8.9	8.2
EBIT	58.2	(9.6)	45.2	9.3	8.3
PAT	57.6	(16.3)	32.6	13.2	14.3

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	18,342	19,143	19,653	20,505	19,088
EBITDA	1,841	2,482	3,063	3,512	3,478
EBITDA Margin (%)	10.0	13.0	15.6	17.1	18.2
PAT	927	1,350	1,970	2,062	2,130
EPS (Rs)	5.6	8.2	12.0	12.5	12.9

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	13.3	73.8	73.6	74.1	73.5
FII	36.2	10.8	10.5	11.9	10.4
DII	8.4	5.3	6.2	5.8	7.9
Public and Others	42.2	10.1	9.7	8.3	8.2

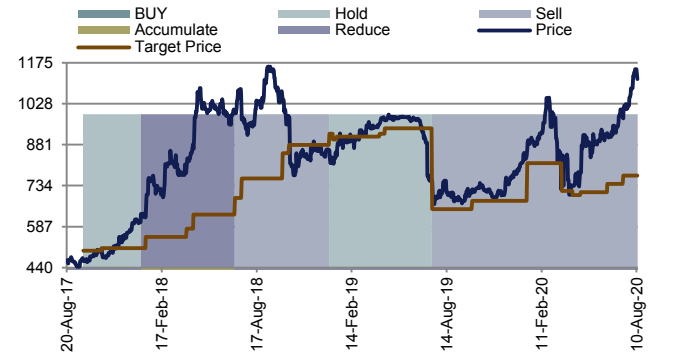
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
15-Jul-20	976	770	12m	Sell	Manik Taneja
05-Jul-20	945	740	12m	Sell	Manik Taneja
25-Jun-20	917	740	12m	Sell	Manik Taneja
15-Jun-20	923	740	12m	Sell	Manik Taneja
25-Apr-20	780	710	12m	Sell	Manik Taneja
10-Apr-20	734	700	12m	Sell	Manik Taneja
20-Mar-20	842	715	12m	Sell	Manik Taneja
14-Feb-20	960	815	12m	Sell	Manik Taneja
14-Jan-20	864	815	12m	Sell	Manik Taneja
01-Jan-20	812	680	12m	Sell	Manik Taneja
21-Nov-19	710	680	12m	Sell	Manik Taneja
16-Oct-19	743	680	12m	Sell	Manik Taneja
01-Oct-19	721	680	12m	Sell	Manik Taneja
26-Aug-19	706	650	12m	Sell	Manik Taneja
17-Jul-19	751	650	12m	Sell	Manik Taneja
03-Jul-19	906	940	12m	Hold	Manik Taneja
18-Apr-19	969	940	12m	Hold	Rahul Jain
08-Apr-19	957	920	12m	Hold	Rahul Jain
19-Mar-19	943	910	12m	Hold	Rahul Jain
16-Jan-19	841	910	12m	Hold	Rahul Jain
09-Jan-19	823	900	12m	Hold	Rahul Jain
02-Jan-19	861	920	12m	Hold	Rahul Jain
17-Oct-18	978	880	12m	Sell	Rahul Jain
05-Oct-18	1,041	850	12m	Sell	Rahul Jain
04-Sep-18	1,118	760	12m	Sell	Rahul Jain
19-Jul-18	971	760	12m	Sell	Rahul Jain
10-Jul-18	1,036	690	12m	Sell	Rahul Jain
06-Jul-18	993	690	12m	Sell	Rahul Jain
18-Apr-18	865	630	12m	Reduce	Rahul Jain
05-Apr-18	806	580	12m	Reduce	Rahul Jain
17-Jan-18	625	550	12m	Reduce	Rahul Jain
08-Jan-18	633	510	12m	Reduce	Rahul Jain
25-Oct-17	507	510	12m	Hold	Rahul Jain
04-Oct-17	480	500	12m	Hold	Rahul Jain
20-Sep-17	464	500	12m	Hold	Rahul Jain

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

TCS

Refer to important disclosures at the end of this report

Healthy mix of small and large deals in pipeline

CMP: Rs 2,270
as of (August 17, 2020)

TP: Rs 1,750 (■)
12 months

Rating: SELL (■)

We hosted Kedar Shirali, Director - Investor Relations

Key Meeting Takeaways

Tech spending optimization in the near term; acceleration likely only in the medium term: In the backdrop of Covid-19-led disruption, there is a growing consensus around increase in technology spending. Although optimistic about an increase in tech spending over the medium- to long term, TCS believes that clients may not expand their IT budgets immediately as they grapple with economic and business pressures. TCS, however, expects to benefit from client need for further optimization that is driving greater interest in SaaS offerings. For e.g., TCS BancS suite of products has seen increased traction in Tier I banks across the US and Europe in the June'20 quarter, with 4 of the 7 wins in Q1 for the SaaS version of the product.

TCS expects acceleration in Core transformational deals; deal pipeline a mix of large and small deals: While TCS's strong order bookings in the June'20 quarter was aided by deals already in negotiation in the prior periods, the company expects an acceleration in Core Transformation deals, with the deal pipeline being evenly mixed in the form of large, medium and smaller deals.

Expects pick-up in North America; strong leadership in Europe to continue: After seeing an acceleration in revenue growth in North America through FY19, TCS's yoy cc revenue growth in North America has been falling, with sequential declines in both the Mar'20 quarter and the June'20 quarter. TCS noted that the revenue performance in North America was driven by client-specific issues in Financial Services and Retail, the two largest verticals for the company. It said the situation in North American banking clients has stabilized; however, the Retail segment may continue to see pressure in the near term due to overall business conditions. While the company has seen a sequential decline in revenues from the UK and Europe as well in the June'20 quarter, it remains confident of its business prospects in the geography and believes that its strong performance over the past few years is a testimony of its superior business model. The company continues to believe that it will gain further from local incumbents with client confidence reflected in independent CSAT rankings done by Whitelane Research. TCS has been ranked No.1 by its clients for the past six years continuously (the company pointed out that this survey includes 1,900 CXOs across the top-300 spenders in the region).

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	14,64,641	15,69,490	15,45,441	16,96,254	18,62,192
EBITDA	3,95,061	4,21,100	4,12,680	4,54,256	4,94,166
EBITDA Margin (%)	27.0	26.8	26.7	26.8	26.5
APAT	3,14,731	3,23,400	3,05,678	3,47,909	3,82,614
EPS (Rs)	83.0	86.2	81.5	92.7	102.0
EPS (% chg)	23.1	3.8	(5.4)	13.8	10.0
ROE (%)	36.1	37.3	33.3	32.2	30.3
P/E (x)	27.3	26.3	27.9	24.5	22.3
EV/EBITDA (x)	20.7	19.6	19.4	17.5	15.8
P/BV (x)	9.6	10.1	8.6	7.3	6.3

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	SELL

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	81.5	92.7
Consensus	82.8	94.3
Mean Consensus TP (12M)	Rs 2,115	

Stock Details

Bloomberg Code	TCS IN
Face Value (Rs)	1
Shares outstanding (mn)	3,752
52 Week H/L	2,358 / 1,504
M Cap (Rs bn/USD bn)	8,517 / 113.92
Daily Avg Volume (nos.)	40,64,569
Daily Avg Turnover (US\$ mn)	116.9

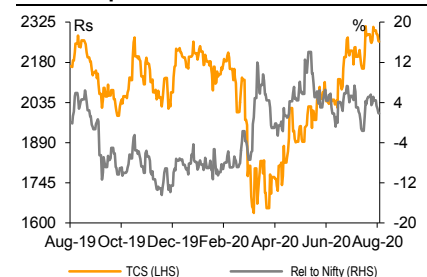
Shareholding Pattern Jun '20

Promoters	72.1%
FIIIs	15.9%
DIIIs	8.0%
Public and Others	4.1%

Price Performance

(%)	1M	3M	6M	12M
Absolute	3	17	2	7
Rel. to Nifty	(1)	(10)	8	4

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	14,64,641	15,69,490	15,45,441	16,96,254	18,62,192
Expenditure	10,69,580	11,48,390	11,32,761	12,41,998	13,68,027
EBITDA	3,95,061	4,21,100	4,12,680	4,54,256	4,94,166
Depreciation	20,550	35,300	39,435	40,665	41,911
EBIT	3,74,511	3,85,800	3,73,245	4,13,591	4,52,255
Other Income	41,130	36,680	28,935	45,500	52,500
Interest expenses	0	0	0	0	0
PBT	4,15,641	4,22,480	4,02,180	4,59,091	5,04,755
Tax	1,00,010	98,010	95,192	1,10,182	1,21,141
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	900	1,070	1,310	1,000	1,000
Reported Net Income	3,14,731	3,23,400	3,05,678	3,47,909	3,82,614
Adjusted PAT	3,14,731	3,23,400	3,05,678	3,47,909	3,82,614

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	3,750	3,750	3,750	3,750	3,750
Reserves & surplus	8,90,710	8,37,510	9,90,349	11,64,303	13,55,610
Net worth	8,94,460	8,41,260	9,94,099	11,68,053	13,59,360
Minority Interest	4,530	6,230	6,230	6,230	6,230
Loan Funds	440	81,740	81,700	81,700	81,700
Net deferred tax liability	(26,560)	(28,280)	(26,540)	(26,540)	(26,540)
Total Liabilities	8,72,870	9,00,950	10,55,489	12,29,443	14,20,750
Net block	1,22,900	1,29,340	1,40,325	1,89,660	2,37,749
Investment	2,93,300	2,63,560	2,97,200	2,97,200	2,97,200
Current Assets	6,97,040	7,78,750	8,88,354	10,40,244	12,13,466
Cash & bank balance	1,28,480	96,660	2,74,361	3,66,339	4,73,641
Other Current Assets	2,38,570	3,15,420	2,54,045	2,78,836	3,06,114
Current liabilities & Provision	2,50,000	2,79,760	2,79,450	3,06,720	3,36,725
Net current assets	4,47,040	4,98,990	6,08,904	7,33,524	8,76,741
Misc. exp	0	0	0	0	0
Total Assets	8,72,870	9,00,950	10,55,489	12,29,443	14,20,750

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	3,74,491	3,24,470	3,73,245	4,13,591	4,52,255
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(77,760)	(46,670)	67,787	(32,642)	(35,915)
Operating Cashflow	2,17,226	3,23,690	3,85,275	3,11,432	3,37,109
Capital expenditure	(21,320)	(30,880)	(48,680)	(90,000)	(90,000)
Free Cash Flow	1,95,906	2,92,810	3,36,595	2,21,432	2,47,109
Investments	1,02,650	81,070	(33,640)	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	1,22,460	85,650	(53,385)	(44,500)	(37,500)
Equity Capital Raised	(1,60,019)	0	0	0	0
Loans Taken / (Repaid)	225	(10,620)	(40)	0	0
Dividend paid (incl tax)	(1,16,838)	(3,77,020)	(1,52,839)	(1,73,955)	(1,91,307)
Other Financing Cash Flow	(6,184)	(42,010)	(1,000)	(1,000)	(1,000)
Financing Cashflow	(2,82,816)	(4,41,160)	(1,53,879)	(1,74,955)	(1,92,307)
Net chg in cash	56,870	(31,820)	1,78,011	91,978	1,07,302
Opening cash position	71,610	1,28,480	96,660	2,74,361	3,66,339
Closing cash position	1,28,480	96,660	2,74,671	3,66,339	4,73,641

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	27.0	26.8	26.7	26.8	26.5
EBIT Margin	25.6	24.6	24.2	24.4	24.3
Effective Tax Rate	24.1	23.2	23.7	24.0	24.0
Net Margin	21.6	20.7	19.9	20.6	20.6
ROCE	49.0	47.6	41.1	40.2	38.1
ROE	36.1	37.3	33.3	32.2	30.3
RoIC	91.3	79.3	74.2	80.2	75.5

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	83.0	86.2	81.5	92.7	102.0
CEPS	88.4	95.6	92.0	103.6	113.2
BVPS	235.9	224.1	265.0	311.3	362.3
DPS	30.1	73.0	40.7	46.4	51.0

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	27.3	26.3	27.9	24.5	22.3
P/CEPS	24.9	23.1	24.0	21.3	19.5
P/BV	9.6	10.1	8.6	7.3	6.3
EV / Sales	5.6	5.3	5.2	4.7	4.2
EV / EBITDA	20.7	19.6	19.4	17.5	15.8
Dividend Yield (%)	1.3	3.2	1.8	2.0	2.2

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	(0.5)	(0.3)	(0.5)	(0.5)	(0.5)
Net Debt/EBIDTA	(1.1)	(0.7)	(1.2)	(1.3)	(1.4)
Working Cap Cycle (days)	79.4	93.6	79.0	79.0	79.0

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	19.0	7.2	(1.5)	9.8	9.8
EBITDA	21.5	6.6	(2.0)	10.1	8.8
EBIT	22.8	3.0	(3.3)	10.8	9.3
PAT	21.9	2.8	(5.5)	13.8	10.0

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	3,81,720	3,89,770	3,98,540	3,99,460	3,83,220
EBITDA	1,00,370	1,02,260	1,08,710	1,09,760	1,00,250
EBITDA Margin (%)	26.3	26.2	27.3	27.5	26.2
PAT	81,410	80,420	81,180	80,490	70,080
EPS (Rs)	21.7	21.4	21.6	21.4	18.7

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	72.1	72.1	72.1	72.1	72.1
FIs	15.9	15.5	15.9	15.7	15.9
DIs	7.9	8.2	8.0	8.0	8.0
Public and Others	4.2	4.2	4.0	4.2	4.1

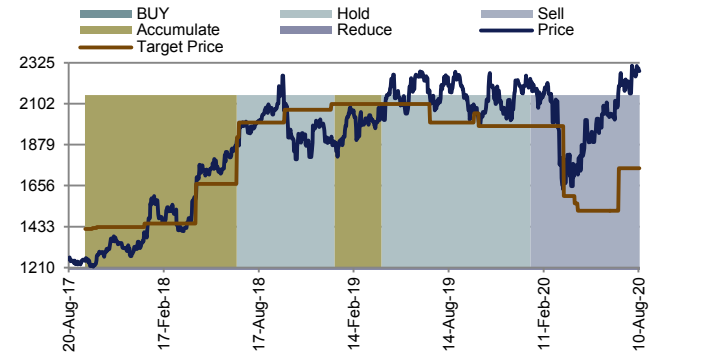
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
10-Jul-20	2,222	1,750	12m	Sell	Manik Taneja
03-Jul-20	2,200	1,750	12m	Sell	Manik Taneja
25-Jun-20	2,016	1,520	12m	Sell	Manik Taneja
18-Jun-20	2,038	1,520	12m	Sell	Manik Taneja
26-May-20	1,943	1,520	12m	Sell	Manik Taneja
16-Apr-20	1,716	1,520	12m	Sell	Manik Taneja
10-Apr-20	1,766	1,560	12m	Sell	Manik Taneja
20-Mar-20	1,797	1,600	12m	Sell	Manik Taneja
03-Feb-20	2,103	1,980	12m	Sell	Manik Taneja
17-Jan-20	2,219	1,980	12m	Sell	Manik Taneja
08-Jan-20	2,255	1,980	12m	Hold	Manik Taneja
01-Jan-20	2,168	1,980	12m	Hold	Manik Taneja
21-Nov-19	2,118	1,980	12m	Hold	Manik Taneja
10-Oct-19	2,004	1,980	12m	Hold	Manik Taneja
01-Oct-19	2,060	2,050	12m	Hold	Manik Taneja
09-Jul-19	2,133	2,000	12m	Hold	Manik Taneja
03-Jul-19	2,238	2,100	12m	Hold	Manik Taneja
12-Apr-19	2,015	2,100	12m	Hold	Rahul Jain
08-Apr-19	2,071	2,100	12m	Hold	Rahul Jain
11-Jan-19	1,843	2,100	12m	Accumulate	Rahul Jain
09-Jan-19	1,887	2,100	12m	Accumulate	Rahul Jain
02-Jan-19	1,923	2,100	12m	Hold	Rahul Jain
11-Oct-18	1,980	2,070	12m	Hold	Rahul Jain
05-Oct-18	2,103	2,070	12m	Hold	Rahul Jain
10-Jul-18	1,875	2,000	12m	Hold	Rahul Jain
10-Jul-18	1,875	1,920	12m	Hold	Rahul Jain
06-Jul-18	1,913	1,920	12m	Hold	Rahul Jain
19-Apr-18	1,596	1,665	12m	Accumulate	Rahul Jain
05-Apr-18	1,479	1,450	12m	Accumulate	Rahul Jain
11-Jan-18	1,395	1,450	12m	Accumulate	Rahul Jain
11-Jan-18	1,395	1,450	12m	Accumulate	Rahul Jain
12-Oct-17	1,274	1,430	12m	Accumulate	Rahul Jain
04-Oct-17	1,221	1,425	12m	Accumulate	Rahul Jain
20-Sep-17	1,247	1,420	12m	Accumulate	Rahul Jain

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Tech Mahindra

Refer to important disclosures at the end of this report

Normalization in BPO and Network Services to support growth

CMP: Rs 713
as of (August 17, 2020)TP: Rs 720 (■)
12 months

Rating: BUY (■)

We hosted Mr. Manoj Bhatt, CFO, and Mr. Kaustubh Vaidya, Head, Investor Relations

Key Meeting Takeaways

Believes that worst is behind; growth from Sep'20 quarter: Akin to other industry peers, TechM also believes that the worst is behind it and expects sequential growth from the Sep'20 quarter. The company's growth optimism is driven by strong deal conversions in the 2nd half of the June'20 quarter and normalization in delivery related to the BPO and Network Services business that may support sequential improvement over the next couple of quarters. The company suggests a very robust deal pipeline (at a 3-year high) and indicates that it is a fair mix of large and small deals.

Manufacturing could remain under pressure in near term; rebound to be aided by BFSI, Healthcare and Communications verticals: The Manufacturing vertical is expected to be under pressure in the near term due to TechM's exposure to Auto and Aero sub segments. Demand recovery is seen in the BFSI and Healthcare segments, with strong deal pipeline in both of them. The company expects the Healthcare segment to bounce back in the coming quarters. Supply-side issues in Network Services and BPO have been addressed by the company and growth is expected in the coming quarters. In the Communications vertical, the strength of recovery will be stronger from Q3FY21 with the company remaining optimistic about 5G-related spends in the medium term. TechM expects Enterprise growth to be back in the range of 8-10% yoy once the situation improves.

Expects to achieve sustainable improvement in margins: TechM's EBIT margin performance has been more volatile compared to Tier I peers and some Tier II techs. Its EBIT margins slipped by 340 bps yoy to 11.6% in FY20, nearly undoing the margin expansion that the company had seen through FY17-19. TechM continues to indicate that the margin impact in FY20 was driven by the headwinds in the portfolio companies and transition costs related to two mega deals. The company indicated that it intends to drive a sustainable improvement in EBIT margins to ~15% by FY22-end. Short-term margin levers are the variable pay cuts taken by senior management and reduced travel costs. Over the long run, the company is focusing on higher offshoring and lower subcontracting costs (expects to bring down the subcontracting expenses to 10-11% of revenues against target of 10-11% of revenues by FY21- end vs. 14.5% in the June'20 quarter). TechM said the two large deals will help margin expansion in the subsequent quarters as they enter steady state.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	3,47,421	3,68,677	3,69,833	4,03,734	4,44,591
EBITDA	63,368	57,261	57,286	66,383	75,737
EBITDA Margin (%)	18.2	15.5	15.5	16.4	17.0
APAT	43,630	42,560	38,356	44,784	52,427
EPS (Rs)	48.5	48.4	43.6	50.9	59.6
EPS (% chg)	13.6	(0.1)	(9.9)	16.8	17.1
ROE (%)	22.3	20.2	17.4	19.0	19.7
P/E (x)	14.7	14.7	16.3	14.0	12.0
EV/EBITDA (x)	8.9	9.8	9.8	8.1	6.7
P/BV (x)	3.2	2.9	2.8	2.5	2.2

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	43.6	50.9
Consensus	43.4	51.2
Mean Consensus TP (12M)	Rs 727	

Stock Details

Bloomberg Code	TECHM IN
Face Value (Rs)	5
Shares outstanding (mn)	966
52 Week H/L	846 / 470
M Cap (Rs bn/USD bn)	689 / 9.22
Daily Avg Volume (nos.)	55,87,343
Daily Avg Turnover (US\$ mn)	45.5

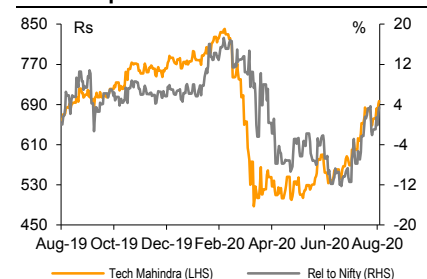
Shareholding Pattern Jun '20

Promoters	35.8%
FIIIs	39.6%
DIIIs	13.0%
Public and Others	11.5%

Price Performance

(%)	1M	3M	6M	12M
Absolute	19	41	(15)	8
Rel. to Nifty	14	10	(10)	5

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	3,47,421	3,68,677	3,69,833	4,03,734	4,44,591
Expenditure	2,84,053	3,11,416	3,12,547	3,37,351	3,68,855
EBITDA	63,368	57,261	57,286	66,383	75,737
Depreciation	11,292	14,458	15,539	15,892	15,056
EBIT	52,076	42,803	41,748	50,491	60,681
Other Income	4,010	10,005	7,662	7,088	7,088
Interest expenses	0	0	0	0	0
PBT	56,086	52,808	49,409	57,579	67,769
Tax	12,544	11,604	12,421	14,395	16,942
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	(88)	(1,356)	(1,367)	(1,600)	(1,600)
Reported Net Income	43,630	42,560	38,356	44,784	52,427
Adjusted PAT	43,630	42,560	38,356	44,784	52,427

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	4,437	4,359	4,359	4,359	4,359
Reserves & surplus	1,98,407	2,13,772	2,17,879	2,45,389	2,77,866
Net worth	2,02,844	2,18,131	2,22,238	2,49,748	2,82,225
Minority Interest	4,777	3,933	3,933	3,933	3,933
Loan Funds	14,047	24,282	24,282	24,282	24,282
Net deferred tax liability	(4,998)	(9,056)	(18,688)	(18,688)	(18,688)
Total Liabilities	2,16,670	2,37,290	2,31,765	2,59,275	2,91,752
Net block	70,612	88,720	89,066	86,674	85,118
Investment	73,419	58,483	52,665	52,665	52,665
Current Assets	1,60,187	1,93,236	1,92,573	2,29,737	2,74,964
Cash & bank balance	20,427	31,483	35,882	60,423	91,657
Other Current Assets	29,064	54,991	54,715	55,306	60,903
Current liabilities & Provision	90,311	1,03,650	1,03,351	1,10,612	1,21,806
Net current assets	69,876	89,586	89,223	1,19,125	1,53,158
Misc. exp	0	0	0	0	0
Total Assets	2,16,670	2,37,290	2,31,765	2,59,275	2,91,752

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	60,214	49,472	41,748	50,491	60,681
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(10,574)	(5,218)	4,763	(5,362)	(2,798)
Operating Cashflow	44,320	43,581	49,628	46,627	55,996
Capital expenditure	(8,046)	(8,446)	(16,195)	(13,500)	(13,500)
Free Cash Flow	36,274	35,135	33,433	33,127	42,496
Investments	(15,168)	14,940	(3,999)	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(21,164)	10,286	(12,532)	(6,412)	(6,412)
Equity Capital Raised	359	468	(19,457)	0	0
Loans Taken / (Repaid)	(4,504)	(444)	0	0	0
Dividend paid (incl tax)	(14,907)	(24,917)	(13,424)	(15,674)	(18,349)
Other Financing Cash Flow	(1,984)	(16,035)	185	0	0
Financing Cashflow	(22,390)	(42,811)	(32,697)	(15,674)	(18,349)
Net chg in cash	766	11,056	4,399	24,540	31,235
Opening cash position	19,661	20,427	31,483	35,882	60,423
Closing cash position	20,427	31,483	35,882	60,423	91,657

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	18.2	15.5	15.5	16.4	17.0
EBIT Margin	15.0	11.6	11.3	12.5	13.6
Effective Tax Rate	22.4	22.0	25.1	25.0	25.0
Net Margin	12.5	11.2	10.0	10.7	11.4
ROCE	26.4	23.3	21.1	23.5	24.6
ROE	22.3	20.2	17.4	19.0	19.7
RoIC	40.0	32.1	28.9	35.1	41.6

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	48.5	48.4	43.6	50.9	59.6
CEPS	61.0	64.8	61.3	69.0	76.7
BVPS	225.3	248.0	252.7	284.0	320.9
DPS	14.0	14.0	15.3	17.8	20.9

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	14.7	14.7	16.3	14.0	12.0
P/CEPS	10.9	10.2	10.8	9.6	8.7
P/BV	3.2	2.9	2.8	2.5	2.2
EV / Sales	1.6	1.5	1.5	1.3	1.1
EV / EBITDA	8.9	9.8	9.8	8.1	6.7
Dividend Yield (%)	2.0	2.0	2.1	2.5	2.9

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	(0.4)	(0.3)	(0.3)	(0.4)	(0.4)
Net Debt/EBITDA	(1.3)	(1.1)	(1.1)	(1.3)	(1.6)
Working Cap Cycle (days)	52.0	57.5	52.6	53.1	50.5

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	12.9	6.1	0.3	9.2	10.1
EBITDA	34.5	(9.6)	0.0	15.9	14.1
EBIT	43.7	(17.8)	(2.5)	20.9	20.2
PAT	14.8	(2.5)	(9.9)	16.8	17.1

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	86,530	90,699	96,546	94,902	91,063
EBITDA	13,141	15,009	15,633	13,478	13,005
EBITDA Margin (%)	15.2	16.5	16.2	14.2	14.3
PAT	9,593	11,239	11,459	10,214	9,723
EPS (Rs)	10.9	12.8	13.0	11.6	11.1

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	35.9	35.9	35.9	35.9	35.8
FII	38.9	37.8	39.8	39.7	39.6
DII	11.9	14.2	12.9	13.2	13.0
Public and Others	13.3	12.2	11.4	11.3	11.5

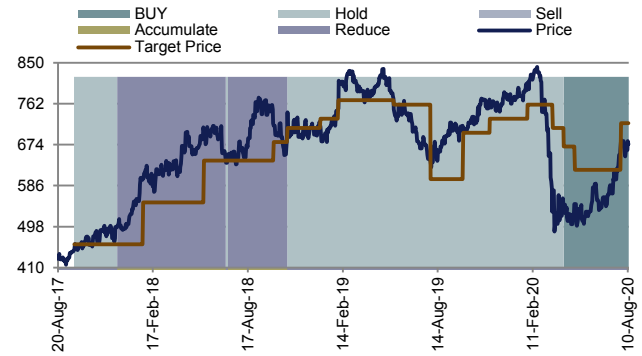
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
28-Jul-20	684	720	12m	Buy	Manik Taneja
05-Jul-20	567	620	12m	Buy	Manik Taneja
26-Jun-20	561	620	12m	Buy	Manik Taneja
18-Jun-20	536	620	12m	Buy	Manik Taneja
26-May-20	520	620	12m	Buy	Manik Taneja
01-May-20	546	620	12m	Buy	Manik Taneja
10-Apr-20	545	670	12m	Buy	Manik Taneja
20-Mar-20	576	710	12m	Hold	Manik Taneja
05-Mar-20	756	760	12m	Hold	Manik Taneja
03-Feb-20	793	760	12m	Hold	Manik Taneja
01-Feb-20	808	760	12m	Hold	Manik Taneja
08-Jan-20	770	730	12m	Hold	Manik Taneja
01-Jan-20	762	730	12m	Hold	Manik Taneja
17-Dec-19	777	730	12m	Hold	Manik Taneja
21-Nov-19	765	730	12m	Hold	Manik Taneja
06-Nov-19	772	700	12m	Hold	Manik Taneja
01-Oct-19	705	700	12m	Hold	Manik Taneja
31-Jul-19	636	600	12m	Hold	Manik Taneja
03-Jul-19	701	760	12m	Hold	Manik Taneja
22-May-19	750	760	12m	Hold	Rahul Jain
08-Apr-19	787	770	12m	Hold	Rahul Jain
05-Feb-19	751	770	12m	Hold	Rahul Jain
09-Jan-19	694	730	12m	Hold	Rahul Jain
02-Jan-19	712	730	12m	Hold	Rahul Jain
31-Oct-18	744	710	12m	Hold	Rahul Jain
05-Oct-18	715	680	12m	Reduce	Rahul Jain
31-Jul-18	681	640	12m	Reduce	Rahul Jain
10-Jul-18	651	640	12m	Reduce	Rahul Jain
06-Jul-18	635	640	12m	Hold	Rahul Jain
25-May-18	703	640	12m	Reduce	Rahul Jain
05-Apr-18	617	550	12m	Reduce	Rahul Jain
29-Jan-18	605	550	12m	Reduce	Rahul Jain
11-Dec-17	501	460	12m	Reduce	Rahul Jain
02-Nov-17	468	460	12m	Hold	Rahul Jain
04-Oct-17	465	460	12m	Hold	Rahul Jain
20-Sep-17	449	460	12m	Hold	Rahul Jain

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Wipro

Refer to important disclosures at the end of this report

Margins to remain steady in a narrow range

CMP: Rs 283
as of (August 17, 2020)

TP: Rs 240 (■)
12 months

Rating: HOLD (■)

We hosted Abhishek Jain, Head of Investor Relations

Key Meeting Takeaways

The company expects to reinstate formal revenue outlook starting the Dec'20 quarter; hopes for a stable Sep'20 quarter: Wipro expects a stable Sep'20 quarter as visibility on the business continues to improve. We note that unlike peers Infosys and HCL Tech that reinstated a formal guidance subsequent to the June'20 quarter results, Wipro avoided providing a formal outlook. The company does not see any reason for concern on this and expects to start providing a formal outlook from the Dec'20 quarter.

New CEO's strategy to be unveiled with Sep'20 quarter results: With the change in management, the company indicated that it is still in the process of chalking out a detailed strategy but profitable growth remains the topmost priority. The new CEO Theirry Delaporte will detail his strategy and game plan with the Sep'20 quarter results. The CEO's comments post the June'20 quarter results suggest that reviving revenue growth will remain the top priority. In that context, we would await for commentary on how the company aims to reinvent itself by capturing both clients' mind share and market share. We note that Wipro was a close No.3 in terms of revenue size among the offshore IT Services vendors until FY09-10 but has ceded the rankings over the years with both Infosys and TCS building up significant revenue gap over Wipro and even smaller-sized peers like CTSH and HCL Tech overtaking Wipro over time. The company suggests that client mining continues to be a focus area. The contribution from Top-10 clients was impacted by the headwinds in the BFSI segment (50% of the revenues of Top-10 clients is from BFSI); however, there is still a lot of scope for client mining in top accounts.

Wipro expects to hold margins steady in a narrow range: Wipro reported IT Services EBIT margins of 19% in the June'20 quarter which improved by ~140bps qoq despite the revenue decline. The company's margin expansion in the June'20 quarter was led by operating efficiencies and favorable currency movement. G&A costs were higher due to heightened provision for doubtful debts in the wake of a challenging business environment. Wipro expects margin to be in a narrow band in the near term. The company also indicated that it will not shy away from making strategic investments which may have an adverse impact on margins initially. The company expects offshoring to increase in the near term with customers becoming more open to the WFH business model which should aid margin growth as operating margin for onshore is approx. 10-15% while that of offshore is ~30%.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	5,93,404	6,14,545	6,04,797	6,40,489	6,77,217
EBITDA	1,19,384	1,26,592	1,31,510	1,38,334	1,46,339
EBITDA Margin (%)	20.1	20.6	21.7	21.6	21.6
APAT	90,031	97,218	97,409	1,02,731	1,11,548
EPS (Rs)	15.0	16.6	17.1	18.0	19.6
EPS (% chg)	16.6	11.2	2.7	5.5	8.6
ROE (%)	17.1	17.3	15.8	13.9	12.9
P/E (x)	18.9	17.0	16.6	15.7	14.5
EV/EBITDA (x)	11.8	10.9	9.5	8.2	6.9
P/BV (x)	3.0	3.0	2.4	2.0	1.7

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	17.1	18.0
Consensus	16.4	17.5
Mean Consensus TP (12M)	Rs 245	

Stock Details

Bloomberg Code	WPRO IN	
Face Value (Rs)	2	
Shares outstanding (mn)	5,714	
52 Week H/L	291 / 159	
M Cap (Rs bn/USD bn)	1,615 / 21.61	
Daily Avg Volume (nos.)	138,04,290	
Daily Avg Turnover (US\$ mn)	45.2	

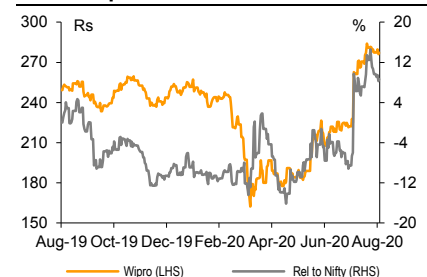
Shareholding Pattern Jun '20

Promoters	74.0%
FIIIs	7.8%
DIIIs	7.6%
Public and Others	10.5%

Price Performance

(%)	1M	3M	6M	12M
Absolute	8	55	16	13
Rel. to Nifty	4	20	22	10

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	5,93,404	6,14,545	6,04,797	6,40,489	6,77,217
Expenditure	4,93,494	5,08,815	4,96,860	5,25,607	5,55,175
EBITDA	1,19,384	1,26,592	1,31,510	1,38,334	1,46,339
Depreciation	19,474	20,862	23,572	23,452	24,297
EBIT	99,910	1,05,730	1,07,938	1,14,882	1,22,042
Other Income	15,505	16,782	16,819	16,170	20,170
Interest expenses	0	0	0	0	0
PBT	1,15,415	1,22,512	1,24,757	1,31,052	1,42,212
Tax	25,242	24,799	26,537	27,521	29,865
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	142	495	811	800	800
Reported Net Income	90,031	97,218	97,409	1,02,731	1,11,548
Adjusted PAT	90,031	97,218	97,409	1,02,731	1,11,548

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	12,068	11,427	11,427	11,427	11,427
Reserves & surplus	5,56,048	5,46,031	6,64,693	7,88,412	9,20,506
Net worth	5,68,116	5,57,458	6,76,120	7,99,839	9,31,933
Minority Interest	2,637	1,875	2,686	3,486	4,286
Loan Funds	99,467	78,042	78,042	78,042	78,042
Net deferred tax liability	(22,790)	(2,779)	(2,779)	(2,779)	(2,779)
Total Liabilities	6,47,430	6,34,596	7,54,069	8,78,588	10,11,482
Net block	1,78,570	2,08,712	2,20,140	2,26,688	2,32,391
Investment	2,28,867	2,00,320	2,00,320	2,00,320	2,00,320
Current Assets	3,76,754	3,82,078	4,79,788	6,07,586	7,44,890
Cash & bank balance	1,58,529	1,44,499	2,46,983	3,61,042	4,84,208
Other Current Assets	86,532	99,982	94,448	1,00,022	1,05,757
Current liabilities & Provision	1,59,534	1,76,862	1,66,526	1,76,354	1,86,467
Net current assets	2,17,220	2,05,216	3,13,262	4,31,232	5,58,424
Misc. exp	0	0	0	0	0
Total Assets	6,47,430	6,34,596	7,54,069	8,78,588	10,11,482

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	1,15,414	1,05,730	1,07,938	1,14,882	1,22,042
Other Non-Cash items	0	0	0	0	0
Chg in working cap	27,165	17,985	15,786	17,437	17,323
Operating Cashflow	1,16,315	1,10,550	1,21,822	1,29,312	1,34,860
Capital expenditure	5,262	(41,352)	(35,000)	(30,000)	(30,000)
Free Cash Flow	1,21,577	69,198	86,822	99,312	1,04,860
Investments	24,340	28,547	0	0	0
Other Investing Cash Flow	0	1,170	0	0	0
Investing Cashflow	50,126	5,147	(18,181)	(13,830)	(9,830)
Equity Capital Raised	4	(1,04,994)	0	0	0
Loans Taken / (Repaid)	(39,143)	(21,425)	0	0	0
Dividend paid (incl tax)	(5,434)	(7,020)	(4,870)	(5,137)	(5,577)
Other Financing Cash Flow	531	3,713	3,713	3,713	3,713
Financing Cashflow	(48,839)	(1,29,726)	(1,157)	(1,424)	(1,864)
Net chg in cash	1,17,603	(14,030)	1,02,484	1,14,059	1,23,166
Opening cash position	40,926	1,58,529	1,44,499	2,46,983	3,61,042
Closing cash position	1,58,529	1,44,499	2,46,983	3,61,042	4,84,208

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	20.1	20.6	21.7	21.6	21.6
EBIT Margin	16.8	17.2	17.8	17.9	18.0
Effective Tax Rate	21.9	20.2	21.3	21.0	21.0
Net Margin	15.2	15.9	16.2	16.2	16.6
ROCE	18.5	19.1	18.0	16.1	15.0
ROE	17.1	17.3	15.8	13.9	12.9
RoIC	38.1	41.7	38.8	39.4	40.4

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	15.0	16.6	17.1	18.0	19.6
CEPS	18.2	20.2	21.2	22.1	23.8
BVPS	94.4	95.4	118.6	140.2	163.4
DPS	1.0	1.0	0.9	0.9	1.0

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	18.9	17.0	16.6	15.7	14.5
P/CEPS	14.4	12.9	12.3	11.8	11.0
P/BV	3.0	3.0	2.4	2.0	1.7
EV / Sales	2.4	2.3	2.1	1.8	1.5
EV / EBITDA	11.8	10.9	9.5	8.2	6.9
Dividend Yield (%)	0.4	0.4	0.3	0.3	0.3

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	(0.5)	(0.5)	(0.5)	(0.6)	(0.7)
Net Debt/EBITDA	(2.4)	(2.1)	(2.8)	(3.5)	(4.1)
Working Cap Cycle (days)	36.1	36.1	40.0	40.0	40.0

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	8.6	3.6	(1.6)	5.9	5.7
EBITDA	13.2	6.0	3.9	5.2	5.8
EBIT	18.5	5.8	2.1	6.4	6.2
PAT	12.5	8.0	0.2	5.5	8.6

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	1,48,718	1,51,897	1,55,432	1,58,498	1,50,433
EBITDA	25,373	26,735	27,233	26,389	26,938
EBITDA Margin (%)	17.1	17.6	17.5	16.6	17.9
PAT	23,874	25,526	24,558	23,260	23,902
EPS (Rs)	4.0	4.3	4.3	4.1	4.2

Source: Company, Emkay Research

Shareholding Pattern (%)	Sep-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	74.0	74.1	74.0	74.0	74.0
FIs	8.4	8.4	8.4	8.5	7.8
DIs	7.0	6.9	7.0	7.0	7.6
Public and Others	10.6	10.6	10.5	10.5	10.5

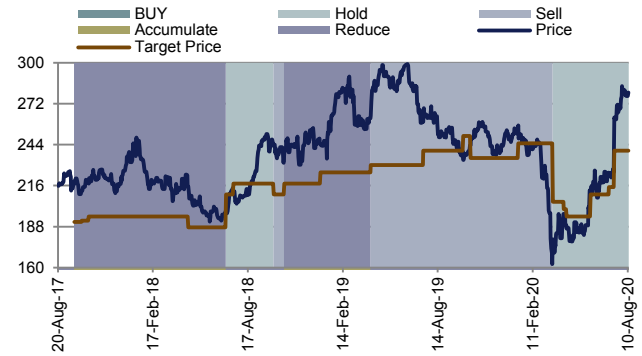
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
15-Jul-20	263	240	12m	Hold	Manik Taneja
05-Jul-20	225	215	12m	Hold	Manik Taneja
25-Jun-20	218	210	12m	Hold	Manik Taneja
18-Jun-20	218	210	12m	Hold	Manik Taneja
31-May-20	213	210	12m	Hold	Manik Taneja
26-May-20	189	195	12m	Hold	Manik Taneja
15-Apr-20	187	195	12m	Hold	Manik Taneja
10-Apr-20	197	200	12m	Hold	Manik Taneja
20-Mar-20	179	205	12m	Hold	Manik Taneja
03-Feb-20	237	245	12m	Sell	Manik Taneja
14-Jan-20	257	245	12m	Sell	Manik Taneja
08-Jan-20	255	235	12m	Sell	Manik Taneja
01-Jan-20	248	235	12m	Sell	Manik Taneja
21-Nov-19	248	235	12m	Sell	Manik Taneja
15-Oct-19	244	235	12m	Sell	Manik Taneja
01-Oct-19	234	250	12m	Sell	Manik Taneja
17-Jul-19	260	240	12m	Sell	Manik Taneja
03-Jul-19	283	230	12m	Sell	Manik Taneja
16-Apr-19	281	230	12m	Sell	Rahul Jain
08-Apr-19	264	230	12m	Sell	Rahul Jain
09-Jan-19	247	225	12m	Reduce	Rahul Jain
02-Jan-19	244	225	12m	Reduce	Rahul Jain
25-Oct-18	239	218	12m	Reduce	Rahul Jain
05-Oct-18	244	210	12m	Sell	Rahul Jain
20-Jul-18	212	218	12m	Hold	Rahul Jain
10-Jul-18	203	210	12m	Hold	Rahul Jain
06-Jul-18	197	210	12m	Hold	Rahul Jain
25-Apr-18	215	188	12m	Reduce	Rahul Jain
05-Apr-18	215	195	12m	Reduce	Rahul Jain
19-Jan-18	247	195	12m	Reduce	Rahul Jain
17-Oct-17	217	195	12m	Reduce	Rahul Jain
04-Oct-17	212	192	12m	Reduce	Rahul Jain
20-Sep-17	219	191	12m	Reduce	Rahul Jain

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Zensar Technologies

Refer to important disclosures at the end of this report

Levers for margin expansion in place

CMP: Rs 182
as of (August 17, 2020)TP: NA
12 months

Rating: NOT RATED

We hosted Navneet Khandelwal, CFO

Key Meeting Takeaways

- Expects qoq growth to return in Sep'20 quarter:** Although Zensar indicated challenges in the Top-account (a Hi-Tech company) and Insurance verticals due to Covid-19, it expects qoq growth recovery from the Sep'20 quarter. Zensar believes that it has bottomed out in the Retail vertical. BFSI (~20% of sales) is a work-in-progress but should see growth with recent change in leadership and expansion into the payments vertical. Hi-Tech is seeing growth outside of the largest customer and should continue growing in the coming quarters. The Manufacturing vertical's revival depends on economic recovery. Pipeline recovery has been strong and is now ~1.5x vs. pre-Covid-19 levels of USD1bn.
- Challenges in Retail vertical impacted FY20 growth:** Zensar's FY20 revenue growth was challenged by slow traction in its Retail business (~15% of revenues in FY20) and some one-offs (higher furloughs and discounts to Top clients in the Dec'19 quarter), while other verticals did relatively well in FY20. The ramp-down of ATG platform by Oracle has resulted in significant headwinds for Zensar in the Retail vertical (~12% of revenues now vs. ~22% of revenues in FY19). Zensar had acquired implementation capabilities for this platform through the acquisition of 'Professional Access' in FY15.
- Expects EBITDA margins to get closer to 15%:** The company expects improvement in offshore mix (35% of revenues vs. ~50% for industry), planned correction in pyramid, lower subcontracting expenses (~16% of sales currently) and automation in Fixed Price projects (61% of sales) to help it to get back to 15% EBITDA margins. Attrition rates have come down from 16-17% to 13.5% in the June quarter.
- Covid-19 has accelerated Technology adoption:** Acceptability within clients for higher offshoring is increasing for digital services and growth in digital mix should not necessarily be accompanied with growth in onsite mix, leading to better margins. Clients are opening up on spends depending on their business conditions and each month has been better than the previous one. Deal discussions and conversions are increasing and Covid has accelerated the adoption of Technology among clients.
- M&As to be for capability acquisition:** Zensar indicated that it will look for capability-led acquisitions rather than large revenue-led acquisitions. Zensar had gained Guidewire implementation capabilities through the acquisition of Cynosure, an insurance platform provider, in FY19. Indigo Slate, acquired in FY19, is a design-led ad agency targeting CMO spends in Hi-Tech customers. Indigo Slate is being run as an independent company due to the difference in culture while GTM has been aligned for cross-selling and up-selling opportunities.

Financial Snapshot (Consolidated)

(Rs mn)	FY15	FY16	FY17	FY18	FY19
Net Sales	26,558	29,519	30,556	31,077	39,663
EBITDA	3,917	4,388	3,819	3,649	4,794
EBITDA Margin (%)	14.7	14.9	12.5	11.7	12.1
APAT	2,622	2,874	2,347	2,412	3,005
EPS (Rs)	11.7	12.8	10.4	10.7	13.4
EPS (% chg)		9.6	-18.4	2.8	24.5
ROE (%)	22.7	23.7	17.2	15.4	16.6
P/E (x)	14.8	13.5	16.6	16.1	13.0
EV/EBITDA (x)	9.7	8.3	9.1	9.4	7.8
P/BV (x)	3.4	3.1	2.6	2.3	2.0

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	NA
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	ZENT IN
Face Value (Rs)	2
Shares outstanding (mn)	225
52 Week H/L	230/64
M Cap (Rs bn/USD bn)	40/0.5
Daily Avg Volume (nos.)	455576.0
Daily Avg Turnover (US\$ mn)	0.8

Shareholding Pattern Jun'20

Promoters	49.2%
FIIIs	16.0%
DIIIs	1.7%
Public and Others	33.1%

Price Performance

(%)	1M	3M	6M	12M
Absolute	38	118	16	-19
Rel. to Nifty	32	79	26	-20

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY15	FY16	FY17	FY18	FY19
Net Sales	26558	29519	30556	31077	39663
Expenditure	22580	25163	26605	27361	34794
EBITDA	3917	4388	3819	3649	4794
Depreciation	415	651	486	651	894
EBIT	3501	3737	3333	2999	3900
Other Income	270	538	241	744	927
Interest expenses	112	107	88	227	373
PBT	3659	4169	3486	3516	4454
Tax	1013	1246	1103	1051	1267
Extraordinary Items	24	21	2	3	131
Minority Int. /Income from Assoc.	0	28	35	50	51
Reported Net Income	2646	2896	2349	2415	3136
Adjusted PAT	2622	2874	2347	2412	3005

Balance Sheet

Y/E Mar (Rs mn)	FY15	FY16	FY17	FY18	FY19
Equity share capital	443	446	449	450	450
Reserves & surplus	11127	12205	14267	16239	18973
Net worth	11570	12651	14716	16689	19424
Minority Interest	12	39	74	137	170
Loan Funds	1756	1493	1341	94	3004
Net deferred tax liability	142	216	174	310	447
Total Liabilities	13747	14670	16599	17698	23372
Net block	5474	3861	4469	5917	9499
Investment	939	1341	2427	2746	1152
Current Assets	10309	12783	13198	13331	18928
Cash & bank balance	1973	2769	3291	2069	3259
Other Current Assets	8336	10013	9907	11262	15669
Current liabilities & Provision	3599	4020	4458	5267	7525
Net current assets	6710	8762	8741	8064	11403
Misc. exp	0	0	0	0	0
Total Assets	13747	14669	16599	17698	23372

Cash Flow

Y/E Mar (Rs mn)	FY15	FY16	FY17	FY18	FY19
Opening Cash	1,448	1,898	2,749	3,254	1,856
Net Cash from Operations	3,206	2,548	3,044	2,059	1,560
Net Cash Used in Investing	-1,819	-406	-2,040	-1,417	-2,287
Net Cash Used in Financing	-874	-1,291	-499	-2,040	2,009
Net Inc/(Dec) in Cash	512	851	505	-1,398	1,282
Closing Cash	1,960	2,749	3,254	1,856	3,138

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY15	FY16	FY17	FY18	FY19
EBITDA Margin	14.7	14.9	12.5	11.7	12.1
EBIT Margin	13.2	12.7	10.9	9.6	9.8
Effective Tax Rate	27.7	29.9	31.6	29.9	28.5
Net Margin	9.9	9.7	7.7	7.8	7.6
ROCE	25.5	26.3	21.3	17.5	19.0
ROE	22.7	23.7	17.2	15.4	16.6
RoIC	28.4	29.7	25.4	21.7	21.9

Per Share Data (Rs)	FY15	FY16	FY17	FY18	FY19
EPS	11.7	12.8	10.4	10.7	13.4
CEPS	13.5	15.7	12.6	13.6	17.3
BVPS	51.4	56.2	65.4	74.2	86.3
DPS		12.0	12.0	12.0	2.8

Valuations (x)	FY15	FY16	FY17	FY18	FY19
PER	14.8	13.5	16.6	16.1	13.0
P/CEPS	12.8	11.0	13.7	12.7	10.0
P/BV	3.4	3.1	2.6	2.3	2.0
EV / Sales	1.4	1.2	1.1	1.1	0.9
EV / EBITDA	9.7	8.3	9.1	9.4	7.8
Dividend Yield (%)	0.0	6.9	6.9	6.9	1.6

Gearing Ratio (x)	FY15	FY16	FY17	FY18	FY19
Net Debt/ Equity	-0.1	-0.2	-0.3	-0.3	-0.1
Net Debt/EBITDA	-0.3	-0.6	-1.1	-1.3	-0.3
Working Cap Cycle (days)	65.1	74.1	65.1	70.4	74.9

Growth (%)	FY15	FY16	FY17	FY18	FY19
Revenue	0.0	11.1	3.5	1.7	27.6
EBITDA	0.0	12.0	-13.0	-4.4	31.4
EBIT	0.0	6.7	-10.8	-10.0	30.1
PAT	0.0	9.6	-18.4	2.8	24.5

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	10,710	10,723	10,206	10,178	9,912
EBITDA	1,458	1,500	696	1,416	1,430
EBITDA Margin (%)	13.6	14.0	6.8	13.9	14.4
PAT	745	799	395	695	733
EPS (Rs)	3.3	3.5	1.8	3.1	3.3

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	48.9	48.9	49.0	49.2	49.2
FIIIs	17.0	17.1	17.9	17.7	16.0
DIIIs	2.4	2.4	1.8	1.8	1.7
Public and Others	31.7	31.7	31.2	31.3	33.1

Metals & Mining

Coal India

Refer to important disclosures at the end of this report

Demand pick-up seen but receivables still mounting

CMP: Rs 136
as of (August 17, 2020)TP: Rs 208 (■)
12 months

Rating: BUY (■)

We hosted Mr. Sanjiv Soni, Director of Finance

Key Meeting Takeaways

- **Demand:** Power demand increased in July. Dispatch and demand is still below the pre-Covid levels. CIL expects demand to pick up in H2, driven by the revival in the economic activities. CIL has planned diversification into coal gasification, Coal bed methane and import-substitution in order to boost coal consumption. CIL has not yet decided on re-imposition of e-auction premium post September.
- **Production:** CIL has a production target of 710mt for FY21. Q1 was impacted by Covid-19, while Q2 is impacted by the monsoon. CIL expects production/demand to pick up in H2FY21. CIL has advanced the target for 1bn tonnes for FY24 in order to replace imports and promote the usage of indigenous coal.
- **Operations:** In order to improve connectivity, CIL is working on last-mile connectivity for 35 projects via CHPs and conveyor belt for transport of coal. CIL will focus on the removal of overburden during the pandemic so as to increase the production later. Overburden removal increased by 13%.
- **Cost reduction:** Normal employee annual attrition is at CIL of 13,000. This should help in containing manpower costs for FY21. CIL expects manpower costs in FY21 to be closer to the FY20 levels. The company is planning to introduce the VRS scheme to reduce the number of employees but now is not the right time to bring in the scheme. CIL is working on the mechanization of large producing blocks to reduce the overall cost of production. Contract costs are variable expenses linked with dispatch and removal of overburden. Contract costs is coming down with contractors also using fewer manpower.
- **Cash and receivables:** Current cash balance of Rs180bn is spread over 8 subsidiaries. Receivables at the end of March were Rs170bn and now Rs220bn. An increase in receivables is mainly due to non-realization from the power sector. Higher receivables are from NTPC and other state Gencos. Collection from NTPC has increased in July, but overall dues continue to mount. CIL is hopeful for receipt of money under the government's Atmanirbhar Bharat package. CIL has provided measures to consumers to improve receivables 1) Reducing bank guarantee 2) doing away with performance incentives till September to lower the impact on consumers.

Dividend policy: Coal India will have a firm dividend policy by Oct-Dec'20.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	995,469	960,803	878,551	1,032,461	1,130,468
EBITDA	249,771	219,212	140,313	205,574	277,972
EBITDA Margin (%)	25.1	22.8	16.0	19.9	24.6
APAT	199,806	167,019	117,081	156,787	196,591
EPS (Rs)	32.4	27.1	19.0	25.4	31.9
EPS (% chg)	185.9	(16.4)	(29.9)	33.9	25.4
ROE (%)	86.3	57.0	33.4	37.4	38.7
P/E (x)	4.2	5.0	7.2	5.3	4.3
EV/EBITDA (x)	2.2	2.8	4.6	3.1	2.2
P/BV (x)	3.2	2.6	2.2	1.8	1.5

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	19.0	25.4
Consensus	19.6	23.9
Mean Consensus TP (12M)	Rs 181	

Stock Details

Bloomberg Code	COAL IN
Face Value (Rs)	10
Shares outstanding (mn)	6,163
52 Week H/L	218 / 119
M Cap (Rs bn/USD bn)	838 / 11.19
Daily Avg Volume (nos.)	11,337,770
Daily Avg Turnover (US\$ mn)	20.3

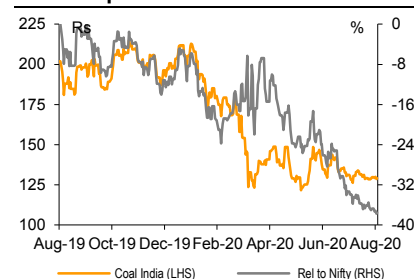
Shareholding Pattern Jun '20

Promoters	66.1%
FIIIs	7.9%
DIIIs	22.2%
Public and Others	3.8%

Price Performance

(%)	1M	3M	6M	12M
Absolute	4	5	(19)	(33)
Rel. to Nifty	1	(15)	(13)	(34)

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	995,469	960,803	878,551	1,032,461	1,130,468
Expenditure	745,698	741,591	738,238	826,887	852,496
EBITDA	249,771	219,212	140,313	205,574	277,972
Depreciation	24,132	34,508	32,490	37,656	35,745
EBIT	225,639	184,704	107,823	167,918	242,227
Other Income	43,846	61,054	60,790	55,841	61,638
Interest expenses	1,731	5,029	6,000	6,000	6,000
PBT	267,754	240,728	162,613	217,760	297,865
Tax	67,966	73,710	45,532	60,973	101,274
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	18	0	0	0	0
Reported Net Income	199,806	167,019	117,081	156,787	196,591
Adjusted PAT	199,806	167,019	117,081	156,787	196,591

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	61,627	61,627	61,627	61,627	61,627
Reserves & surplus	202,912	259,942	318,584	396,883	494,966
Net worth	264,539	321,569	380,211	458,510	556,593
Minority Interest	4,068	3,941	3,973	4,005	4,037
Loan Funds	22,027	64,260	64,260	64,260	64,260
Net deferred tax liability	(42,692)	(33,110)	(33,110)	(33,110)	(33,110)
Total Liabilities	247,943	356,660	415,334	493,665	591,780
Net block	285,391	323,024	320,534	322,878	337,133
Investment	14,210	18,732	22,478	26,974	32,368
Current Assets	603,625	835,122	799,455	859,079	890,433
Cash & bank balance	311,242	284,468	255,846	256,754	303,881
Other Current Assets	176,534	335,355	306,646	360,366	394,574
Current liabilities & Provision	1,036,554	1,110,445	1,077,361	1,125,494	1,148,383
Net current assets	(432,929)	(275,324)	(277,906)	(266,415)	(257,949)
Misc. exp	0	0	0	0	0
Total Assets	247,943	356,660	415,334	493,665	591,780

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	271,255	240,725	101,823	161,918	236,227
Other Non-Cash items	2,693	43,562	0	0	0
Chg in working cap	(48,918)	(123,268)	(31,040)	(15,583)	33,661
Operating Cashflow	166,955	41,465	63,742	129,018	210,359
Capital expenditure	(73,393)	(56,120)	(90,000)	(100,000)	(120,000)
Free Cash Flow	93,561	(14,654)	(26,258)	29,018	90,359
Investments	(40,675)	24,871	(3,746)	(4,496)	(5,395)
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(78,686)	3,324	(32,957)	(48,654)	(63,756)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	6,718	22,776	5,000	5,000	5,000
Dividend paid (incl tax)	(112,110)	(96,760)	(58,408)	(78,456)	(98,476)
Other Financing Cash Flow	0	5,169	0	0	0
Financing Cashflow	(105,488)	(69,502)	(59,408)	(79,456)	(99,476)
Net chg in cash	(17,220)	(24,712)	(28,622)	908	47,127
Opening cash position	328,462	309,180	284,468	255,846	256,754
Closing cash position	311,242	284,468	255,846	256,754	303,881

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	25.1	22.8	16.0	19.9	24.6
EBIT Margin	22.7	19.2	12.3	16.3	21.4
Effective Tax Rate	25.4	30.6	28.0	28.0	34.0
Net Margin	20.1	17.4	13.3	15.2	17.4
ROCE	130.9	81.3	43.7	49.2	56.0
ROE	86.3	57.0	33.4	37.4	38.7
RoIC	(62.0)	(53.1)	(47.9)	(81.2)	(114.0)

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	32.4	27.1	19.0	25.4	31.9
CEPS	36.3	32.7	24.3	31.6	37.7
BVPS	42.9	52.2	61.7	74.4	90.3
DPS	15.4	13.5	9.5	12.7	16.0

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	4.2	5.0	7.2	5.3	4.3
P/CEPS	3.7	4.2	5.6	4.3	3.6
P/BV	3.2	2.6	2.2	1.8	1.5
EV / Sales	0.6	0.6	0.7	0.6	0.5
EV / EBITDA	2.2	2.8	4.6	3.1	2.2
Dividend Yield (%)	11.3	10.0	7.0	9.4	11.7

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	(1.1)	(0.7)	(0.5)	(0.4)	(0.4)
Net Debt/EBIDTA	(1.2)	(1.0)	(1.4)	(0.9)	(0.9)
Working Cap Cycle (days)	(272.9)	(212.7)	(221.8)	(185.0)	(181.4)

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	16.8	(3.5)	(8.6)	17.5	9.5
EBITDA	168.9	(12.2)	(36.0)	46.5	35.2
EBIT	262.4	(18.1)	(41.6)	55.7	44.3
PAT	183.9	(16.4)	(29.9)	33.9	25.4

Quarterly (Rs mn)	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Revenue	285,463	249,390	203,826	231,905	275,682
EBITDA	82,122	66,124	36,115	49,684	67,289
EBITDA Margin (%)	28.8	26.5	17.7	21.4	24.4
PAT	60,242	46,299	35,260	39,218	46,260
EPS (Rs)	9.8	7.5	5.7	6.4	7.5

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	71.0	69.3	69.1	66.1	66.1
FII	9.0	8.7	8.6	8.2	7.9
DII	17.4	19.2	19.5	22.0	22.2
Public and Others	2.7	2.9	2.9	3.7	3.8

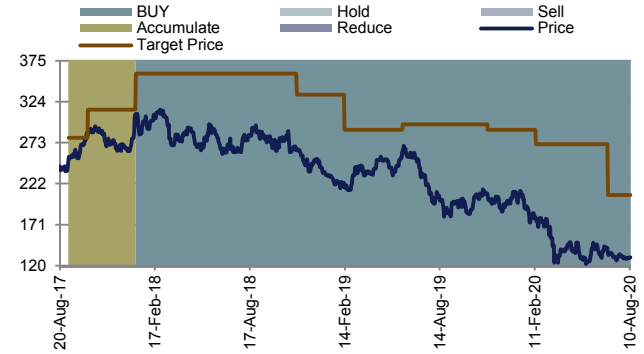
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
29-Jun-20	135	208	12m	Buy	Vishal Chandak
17-May-20	130	271	12m	Buy	Vishal Chandak
13-Feb-20	178	271	12m	Buy	Vishal Chandak
13-Nov-19	207	289	12m	Buy	Vishal Chandak
28-Aug-19	185	296	12m	Buy	Vishal Chandak
4-Jul-19	251	296	12m	Buy	Vishal Chandak
4-Jun-19	263	296	12m	Buy	Vishal Chandak
13-Feb-19	220	289	12m	Buy	Vishal Chandak
14-Nov-18	266	333	12m	Buy	Kamal Sahoo
14-Aug-18	283	359	12m	Buy	Goutam Chakraborty
30-May-18	289	359	12m	Buy	Goutam Chakraborty
8-May-18	268	359	12m	Buy	Goutam Chakraborty
1-Mar-18	313	359	12m	Buy	Goutam Chakraborty
12-Feb-18	301	359	12m	Buy	Goutam Chakraborty
11-Jan-18	308	359	12m	Buy	Goutam Chakraborty
13-Nov-17	275	314	12m	Accumulate	Goutam Chakraborty
2-Nov-17	291	314	12m	Accumulate	Goutam Chakraborty
1-Nov-17	287	314	12m	Accumulate	Goutam Chakraborty
12-Oct-17	282	314	12m	Accumulate	Goutam Chakraborty
11-Sep-17	257	279	12m	Accumulate	Goutam Chakraborty
5-Sep-17	254	279	12m	Accumulate	Goutam Chakraborty

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

HEG Ltd

Refer to important disclosures at the end of this report

Tides to turn around next year

CMP: Rs 778
as of (August 17, 2020)TP: NA
12 months

Rating: NOT RATED

We hosted Mr. Manish Gulati, Executive Director, and Mr. Gulshan Sakhuja, CFO

Key Meeting Takeaways

- Demand:** The Q1 utilization level was at 50%, while the Q2 utilization level is likely to be at 55-60% for Graphite Electrodes. It expects demand to recover in the near term. EAFs have been late to resume production compared to BF's, most of which never shut during the pandemic.
- High Cost inventory:** During last year, due to steep demand and consequent price hike, most of the steel mills had purchased excess electrodes in the hope of further price hikes. Similarly, most of the GE (Graphite Electrode) manufacturers stocked up needle coke at high prices in anticipation of a shortfall in availability. However, demand remained soft and the pandemic struck EAFs hard, most of which were closed. As a result, steel mills are carrying a lot of inventory of GE, while GE manufacturers are carrying a lot of inventory of needle coke. The system should normalize by FY21-end.
- Plant Closures:** A big GE manufacturer has shut the plant in Germany due to low demand/profitability.
- China Production:** The Chinese GE production (largely in the HP grade) continues to flood the market as the increased EAF capacities have been delayed, while the GE manufacturing capacity has been added and production continues.
- Capex:** HEG is in the process of implementing expansion of 20kt at a totally outlay of Rs12bn. The expansion is likely to be delayed due to lower demand. However, the expansion will not be shelved.
- Dividend/Buyback:** Management is not contemplating any special dividend or buyback at this point and plans to conserve cash and use it for capex going forward.
- Outlook:** At current needle coke prices and current graphite electrode prices, margins are healthy. However, the company is carrying high-cost needle coke inventory, which has depressed its margins in the near term. But with costs coming down, it expects margins to improve.

Financial Snapshot (Consolidated)

(Rs mn)	FY16	FY17	FY18	FY19	FY20
Net Sales	8,695	8,600	27,501	65,928	21,490
EBITDA	1,365	807	17,213	46,583	-58
EBITDA Margin (%)	15.7	9.4	62.6	70.7	-0.3
APAT	26	-437	10,971	29,948	676
EPS (Rs)	0.7	-11.1	281.3	767.9	17.3
EPS (% chg)	-92.4	-	-	173.0	-97.7
ROE (%)	0.3	-	76.7	105.1	1.9
P/E (x)	1199.2		2.8	1.0	45.7
EV/EBITDA (x)	26.4	43.4	1.8	0.5	-410.4
P/BV (x)	3.1	3.2	1.6	0.8	0.9

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	NA
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	HEG IN
Face Value (Rs)	10
Shares outstanding (mn)	39
52 Week H/L	1474/410
M Cap (Rs bn/USD bn)	31/0.4
Daily Avg Volume (nos.)	375868.0
Daily Avg Turnover (US\$ mn)	4.2

Shareholding Pattern Jun'20

Promoters	59.6%
FII's	11.2%
DII's	7.4%
Public and Others	21.8%

Price Performance

(%)	1M	3M	6M	12M
Absolute	-1	7	-23	-21
Rel. to Nifty	-5	-12	-16	-22

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19	FY20
Net Sales	8,695	8,600	27,501	65,928	21,490
Expenditure	6,696	6,867	11,266	24,316	21,549
EBITDA	1,365	807	17,213	46,583	-58
Depreciation	793	739	726	724	721
EBIT	572	68	16,488	45,859	-780
Other Income	41	71	124	1,092	1,438
Interest expenses	603	547	564	180	365
PBT	10	-408	16,047	46,771	293
Tax	85	93	5,234	16,267	-241
Extraordinary Items	18	-4	22	314	143
Minority Int. /Income from Assoc.	0	0	0	0	0
Reported Net Income	44	-441	10,993	30,262	534
Adjusted PAT	26	-437	10,971	29,948	676

Source: Capitaline, Emkay Research

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19	FY20
Equity share capital	400	400	400	386	386
Reserves & surplus	9,559	9,126	18,676	37,551	34,731
Net worth	9,959	9,526	19,075	37,937	35,117
Minority Interest	0	0	0	0	0
Loan Funds	7,816	6,838	2,975	6,664	5,926
Net def. tax liability	-512	-609	-1,192	-1,261	-55
Total Liabilities	17,818	16,421	22,109	44,667	40,989
Net block	9,324	8,889	8,334	7,884	7,336
Investment	2,274	2,306	2,482	9,417	12,282
Current Assets	7,347	6,999	16,147	33,273	22,809
Cash & bank balance	52	83	76	5,573	328
Other Current Assets	7,296	6,916	16,071	27,700	22,481
Current liab & Prov	1,202	1,495	4,091	5,515	1,110
Net current assets	6,145	5,504	12,057	27,758	21,371
Misc. exp	0	0	0	0	-
Total Assets	17,818	16,421	22,109	44,667	40,989

Source: Capitaline, Emkay Research

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19	FY20
Opening Cash	41	51	83	52	292
Net Cash Operations	2,493	1,570	5,941	14,654	8,638
Net Cash Investing	-288	-14	-92	-6,530	-4,005
Net Cash Financing	-2,195	-1,526	-5,880	-7,885	-4,596
Inc/(Dec) in Cash	10	31	-31	240	36
Closing Cash	51	83	52	292	328

Source: Capitaline, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19	FY20
EBITDA Margin	15.7	9.4	62.6	70.7	-0.3
EBIT Margin	6.6	0.8	60.0	69.6	-3.6
Effective Tax Rate	886.5	-	32.6	34.8	-
Net Margin	0.3	-5.1	39.9	45.4	3.1
ROCE	3.1	0.4	85.6	137.3	-
ROE	0.3	-	76.7	105.1	1.9
RoIC	3.8	0.5	100.0	171.2	-

Source: Capitaline, Emkay Research

Per Share Data (Rs)	FY16	FY17	FY18	FY19	FY20
EPS	0.7	-11.1	281.3	767.9	17.3
CEPS	21.0	7.7	299.9	786.5	35.8
BVPS	255.3	244.2	489.1	972.7	900.4
DPS	0.0	0.0	80.0	80.0	NA

Source: Capitaline, Emkay Research

Valuations (x)	FY16	FY17	FY18	FY19	FY20
PER	1199.2		2.8	1.0	45.7
P/CEPS	37.8	102.4	2.6	1.0	22.1
P/BV	3.1	3.2	1.6	0.8	0.9
EV / Sales	4.2	4.1	1.1	0.3	1.1
EV / EBITDA	26.4	43.4	1.8	0.5	-410.4
Dividend Yield (%)	0.0	0.0	10.1	10.1	NA

Source: Capitaline, Emkay Research

Gearing Ratio (x)	FY16	FY17	FY18	FY19	FY20
Net Debt/ Equity	0.6	0.5	0.0	-0.2	-0.2
Net Debt/EBIDTA	4.0	5.5	0.0	-0.2	114.7
Working Cap Cycle (days)	255.8	230.1	159.0	122.8	357.4

Source: Capitaline, Emkay Research

Growth (%)	FY16	FY17	FY18	FY19	FY20
Revenue	-29.5	-1.1	219.8	139.7	-67.4
EBITDA	-24.9	-40.8	2031.9	170.6	-
EBIT	-46.2	-88.1	24075.4	178.1	-
PAT	-92.4	-	-	173.0	-97.7

Source: Capitaline, Emkay Research

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	8,165	5,644	3,937	3,744	2,333
EBITDA	3,478	1,391	47	-4,974	-113
EBITDA Margin (%)	42.6	24.6	1.2	-132.8	-4.8
PAT	2,435	2,023	-12	-3,770	143
EPS (Rs)	62.4	51.9	-	-	3.7

Source: Capitaline, Emkay Research

Shareholding (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	61.2	59.6	59.6	59.6	59.6
FIIIs	6.7	7.2	10.2	11.0	11.2
DIIIs	9.7	9.6	8.1	7.4	7.4
Public and Others	22.4	23.5	22.2	21.9	21.8

Source: Capitaline, Emkay Research

Jindal Stainless

Refer to important disclosures at the end of this report

Focus on deleveraging, margin expansion

CMP: Rs 48
as of (August 17, 2020)

TP: UR
12 months

Rating: BUY (■)

We hosted Mr. Anurag Mantri, Director Finance, Mr. Goutam Chakraborty, Head of Investor Relations, and Ms. Shreya Sharma, Investor Relations

Key Meeting Takeaways

- Production:** Capacity utilization was 75% in Jul'20, expected to reach 85% in Aug'20 and about 95% in Sep'20. Demand has been increasing on a month-on-month basis, aided by higher exports, which has allowed the company to keep utilization levels near peak.
- Cash Flow and Debt reduction:** The company is operating at 0.8-0.9mt level compared to capacity of 1.1mt (recently expanded through de-bottlenecking). Sustainable margins are at Rs12,000-14,000/t. The company plans to reduce debt by Rs5bn annually and has a sustenance capex of Rs1.75bn and interest outflow is Rs5bn annually. It has no growth plans currently and the focus is to bring net debt to EBITDA to 3x.
- CVD on imports:** The government has recently imposed a 23% CVD on flat SS products coming from Indonesia. This will help protect margins of the company and prevent materials from being dumped through the Indonesian route.
- Demand:** As per the management, demand has never been a constraint for the company as it has been able to sell as much as it has produced. The structural increase in the consumption of SS in India and innovation in new products/applications have made demand for SS in India strong. The challenge is dumping by China/Indonesia, which has led to depressed margins in the past.
- Group Structure simplification:** The company is planning to simplify the group structure and expects to provide some clarity by CY20-end.
- Long term potential:** The facility at Jajpur was designed for a 3.2 mtpa integrated SS facility. However, delays in expansion, land acquisition and ensuing downturn resulted in the company not expanding beyond current 1.1mt. It plans to achieve 3.2mt over a period of time, keeping leverage under control at all times. However, there are no expansion plans from 1.1mt to 3.2mt in current environment.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	135,573	129,509	106,323	139,924	146,803
EBITDA	11,646	11,395	8,534	11,837	12,724
EBITDA Margin (%)	8.6	8.8	8.0	8.5	8.7
APAT	1,322	841	(639)	1,241	2,317
EPS (Rs)	2.8	1.7	(1.3)	2.5	4.8
EPS (% chg)	(61.2)	(37.4)	(176.0)	0.0	86.7
ROE (%)	5.2	3.2	(2.4)	4.6	8.0
P/E (x)	17.2	27.5	(36.2)	18.6	10.0
EV/EBITDA (x)	5.3	5.0	6.3	4.3	3.8
P/BV (x)	0.9	0.9	0.9	0.8	0.8

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	(1.3)	2.5
Consensus	(2.0)	6.5
Mean Consensus TP (12M)	Rs 46	

Stock Details

Bloomberg Code	JDSL IN
Face Value (Rs)	2
Shares outstanding (mn)	487
52 Week H/L	48 / 21
M Cap (Rs bn/USD bn)	23 / 0.31
Daily Avg Volume (nos.)	697,829
Daily Avg Turnover (US\$ mn)	0.4

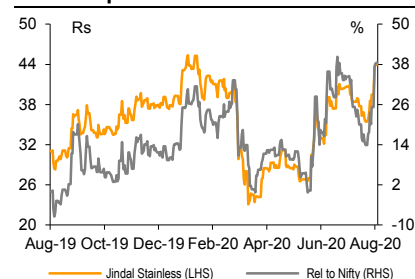
Shareholding Pattern Jun '20

Promoters	68.1%
FIIIs	12.9%
DIIIs	7.9%
Public and Others	11.2%

Price Performance

(%)	1M	3M	6M	12M
Absolute	24	65	18	53
Rel. to Nifty	20	34	26	50

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	135,573	129,509	106,323	139,924	146,803
Expenditure	123,928	118,114	97,789	128,087	134,079
EBITDA	11,646	11,395	8,534	11,837	12,724
Depreciation	3,515	4,252	4,101	4,438	4,663
EBIT	8,131	7,143	4,433	7,399	8,061
Other Income	326	399	250	250	250
Interest expenses	6,369	5,853	5,637	5,796	4,853
PBT	2,088	1,689	(953)	1,852	3,458
Tax	766	926	(315)	611	1,141
Extraordinary Items	127	52	0	0	0
Minority Int./Income from Assoc.	0	79	0	0	0
Reported Net Income	1,449	893	(639)	1,241	2,317
Adjusted PAT	1,322	841	(639)	1,241	2,317

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	958	975	975	975	975
Reserves & surplus	24,950	26,198	25,559	26,800	29,117
Net worth	25,908	27,172	26,534	27,775	30,091
Minority Interest	117	130	130	130	130
Loan Funds	38,957	34,635	32,135	29,135	26,135
Net deferred tax liability	(1,323)	(1,905)	(1,905)	(1,905)	(1,905)
Total Liabilities	66,305	63,843	60,704	58,945	58,262
Net block	63,447	61,830	58,729	55,791	52,877
Investment	5,662	6,557	6,557	6,557	6,557
Current Assets	37,802	38,263	35,086	47,239	44,455
Cash & bank balance	452	687	1,557	1,271	1,557
Other Current Assets	0	0	0	0	0
Current liabilities & Provision	40,842	42,933	40,544	53,018	49,003
Net current assets	(3,040)	(4,670)	(5,458)	(5,778)	(4,548)
Misc. exp	0	0	0	0	0
Total Assets	66,305	63,843	60,704	58,945	58,262

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	5,732	5,904	3,147	6,290	8,121
Other Non-Cash items	0	0	0	0	0
Chg in working cap	3,191	5,899	1,973	(576)	(2,085)
Operating Cashflow	10,206	11,804	5,120	5,714	6,036
Capital expenditure	(2,450)	(1,746)	(1,750)	(3,000)	(2,750)
Free Cash Flow	7,756	10,058	3,370	2,714	3,286
Investments	378	(132)	0	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(2,072)	(1,878)	(1,750)	(3,000)	(2,750)
Equity Capital Raised	0	286	0	0	0
Loans Taken / (Repaid)	(7,418)	(5,178)	(2,500)	(3,000)	(3,000)
Dividend paid (incl tax)	0	0	0	0	0
Other Financing Cash Flow	0	0	0	0	0
Financing Cashflow	(8,151)	(9,908)	(2,500)	(3,000)	(3,000)
Net chg in cash	(17)	18	870	(286)	286
Opening cash position	469	363	687	1,557	1,271
Closing cash position	452	381	1,557	1,271	1,557

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	8.6	8.8	8.0	8.5	8.7
EBIT Margin	6.0	5.5	4.2	5.3	5.5
Effective Tax Rate	36.7	54.9	33.0	33.0	33.0
Net Margin	1.0	0.6	(0.6)	0.9	1.6
ROCE	12.6	12.2	8.0	13.7	15.2
ROE	5.2	3.2	(2.4)	4.6	8.0
RoIC	13.2	12.3	8.2	14.7	16.9

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	2.8	1.7	(1.3)	2.5	4.8
CEPS	10.1	10.5	7.1	11.7	14.3
BVPS	54.1	55.8	54.5	57.0	61.8
DPS	0.0	0.0	0.0	0.0	0.0

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	17.2	27.5	(36.2)	18.6	10.0
P/CEPS	4.0	3.9	5.7	3.5	2.9
P/BV	0.9	0.9	0.9	0.8	0.8
EV / Sales	0.5	0.4	0.5	0.4	0.3
EV / EBITDA	5.3	5.0	6.3	4.3	3.8
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	1.5	1.2	1.2	1.0	0.8
Net Debt/EBITDA	3.3	3.0	3.6	2.4	1.9
Working Cap Cycle (days)	(9.4)	(15.1)	(24.1)	(18.4)	(15.2)

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	16.5	(4.5)	(17.9)	31.6	4.9
EBITDA	(13.1)	(2.2)	(25.1)	38.7	7.5
EBIT	(20.3)	(12.1)	(37.9)	66.9	8.9
PAT	(59.9)	(38.4)	(171.5)	0.0	86.7

Quarterly (Rs mn)	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Revenue	35,475	32,633	32,911	33,024	30,941
EBITDA	3,041	2,999	3,185	2,996	2,215
EBITDA Margin (%)	8.6	9.2	9.7	9.1	7.2
PAT	342	476	437	517	(662)
EPS (Rs)	0.7	1.0	0.9	1.1	(1.4)

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	67.3	68.1	68.1	68.1	68.1
FII	10.9	10.7	10.7	12.6	12.9
DII	8.9	8.7	8.6	7.9	7.9
Public and Others	12.9	12.5	12.6	11.4	11.2

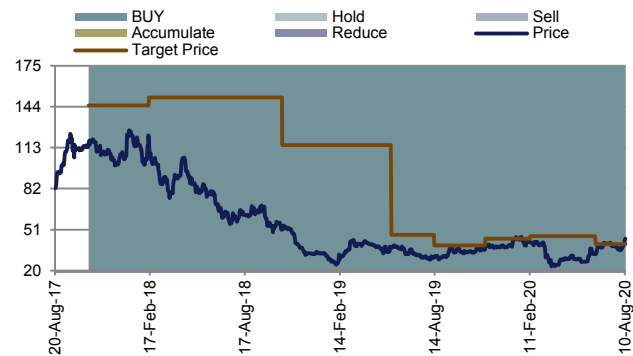
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
15-Jun-20	32	40	12m	Buy	Vishal Chandak
12-Feb-20	42	46	12m	Buy	Vishal Chandak
18-Nov-19	37	44	12m	Buy	Vishal Chandak
13-Aug-19	30	39	12m	Buy	Vishal Chandak
23-May-19	37	47	12m	Buy	Vishal Chandak
27-Oct-18	51	115	12m	Buy	Kamal Sahoo
27-Sep-18	59	151	12m	Buy	Kamal Sahoo
18-Jul-18	57	151	12m	Buy	Goutam Chakraborty
8-May-18	85	151	12m	Buy	Goutam Chakraborty
26-Apr-18	96	151	12m	Buy	Goutam Chakraborty
1-Mar-18	100	151	12m	Buy	Goutam Chakraborty
15-Feb-18	114	151	12m	Buy	Goutam Chakraborty
14-Nov-17	114	145	12m	Buy	Goutam Chakraborty
1-Nov-17	119	145	12m	Buy	Goutam Chakraborty
23-Oct-17	115	145	12m	Buy	Goutam Chakraborty

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Nava Bharat Ventures

Refer to important disclosures at the end of this report

Reducing receivables to improve cash flows

CMP: Rs 54
as of (August 17, 2020)TP: NA
12 months

Rating: NOT RATED

We hosted Mr. Ashwin Devnani, CEO; Mr. GRK Prasad, Executive Director; and Mr. Sultan Baig, CFO

Key Meeting Takeaways

- Receivables from Zambian operations:** Monthly billing at the Zambian operations is close to USD20bn and the collection is around USD9-9.5bn. The balance is added to the receivables. Till date, Nava Bharat Ventures (NBVL) has billed USD848mn and has been able to collect USD522mn, leaving receivables of USD326mn on the balance sheet. The company is in talks with the government to restructure the power tariff, but on the condition of suitable resolution of overdue receivables.
- Tolling Business in India:** NBVL has a ferro chrome tolling business in India with Tata Steel. This 5-year contract is expiring in Mar'22. The company is in talks with Tata Steel to renew the same and is hopeful of renewal on existing terms for another 5 years.
- Backward integration:** NBVL plans to acquire mines in Africa to support the backward integration of its silico manganese business in India. However, nothing concrete has come up so far.
- Additional Sale of coal form Zambia:** Maamba Collieries (MCL) subsidiary of NBVL is planning to open another pit in the existing mining area and sell coal to third parties to improve cash flows. This might start from as early as Dec'20. The new pit, which is close to the existing pit, is also open cast and the coal quality is better than the existing mine.
- Improving Utilization of 150MW IPP:** The 150MW IPP is currently idle due to the lack of demand in the power sector. The company plans to set up a Group Captive unit to save on electricity duty/cross subsidy charges and improve utilization for this plant. It plans to bring together customers who have a demand of at least 5MW for the purpose.
- Debt restructuring at MCL:** NBVL plans to restructure debt at MCL to ensure low interest rates, flexibility of dividend payout to parent. It expects the same to be done over the next 1-1.5 years.
- Dividend policy:** The company shall continue with a dividend policy of 20% payout. It is not contemplating any buybacks at the moment.

Financial Snapshot (Consolidated)

(Rs mn)	FY16	FY17	FY18	FY19	FY20
Net Sales	16,125	13,503	23,478	31,035	27,587
EBITDA	3,644	1,735	7,930	13,281	10,781
EBITDA Margin (%)	22.6	12.9	33.8	42.8	39.1
APAT	2,838	466	2,359	3,891	5,332
EPS (Rs)	16.1	2.7	13.4	22.1	30.3
EPS (% chg)	45.6	-83.6	405.7	65.0	37.0
ROE (%)	9.3	1.5	7.2	10.8	13.3
P/E (x)	3.2	19.6	3.9	2.4	1.7
EV/EBITDA (x)	10.7	24.5	5.6	3.2	3.0
P/BV (x)	0.3	0.3	0.3	0.2	0.2

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	NA
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	NBVL IN
Face Value (Rs)	2
Shares outstanding (mn)	176
52 Week H/L	95/32
M Cap (Rs bn/USD bn)	9/0.1
Daily Avg Volume (nos.)	536532.0
Daily Avg Turnover (US\$ mn)	0.4

Shareholding Pattern Jun'20

Promoters	46.3%
FIIIs	11.6%
DIIIs	9.0%
Public and Others	33.1%

Price Performance

(%)	1M	3M	6M	12M
Absolute	2	49	-25	-41
Rel. to Nifty	-2	23	-19	-42

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19	FY20
Net Sales	16,125	13,503	23,478	31,035	27,587
Expenditure	12,386	12,093	14,952	17,492	16,806
EBITDA	3,644	1,735	7,930	13,281	10,781
Depreciation	837	904	2,284	2,920	2,886
EBIT	2,807	831	5,646	10,361	7,894
Other Income	868	1,480	694	917	1,222
Interest expenses	877	722	2,463	3,509	3,188
PBT	2,798	1,590	3,876	7,769	5,929
Tax	-167	661	1,096	3,121	597
Extraordinary Items	-1	404	22	-316	0
Minority Int. /Income from Assoc.	129	59	400	1,072	0
Reported Net Income	2,836	870	2,380	3,576	5,332
Adjusted PAT	2,838	466	2,359	3,891	5,332

Source: Capitaline, Emkay Research

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19	FY20
Equity share capital	179	357	357	357	353
Reserves & surplus	32,046	31,265	33,764	38,017	41,499
Net worth	32,225	31,622	33,847	38,100	41,851
Minority Interest	2,750	2,757	3,186	4,416	5,507
Loan Funds	37,076	43,886	40,076	36,730	27,478
Net def. tax liability	16	2,061	1,644	-677	-172
Total Liabilities	73,995	80,963	77,672	80,459	74,665
Net block	21,562	21,478	61,431	62,325	55,900
Investment	573	4,110	1,749	1,552	1,552
Current Assets	14,934	15,996	16,841	21,583	29,202
Cash & bank bal	6,623	6,466	3,186	2,489	2,781
Other Current Assets	8,310	9,531	13,655	19,095	26,420
Current liab & Prov	3,230	3,445	4,631	4,942	9,207
Net current assets	11,704	12,551	12,210	16,641	17,213
Misc. exp	0	0	0	0	0
Total Assets	73,995	80,963	77,672	80,459	74,665

Source: Capitaline, Emkay Research

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19	FY20
Opening Cash	1,156	6,260	6,230	2,784	2,262
Net Cash Operations	-1,260	389	2,008	8,192	5,265
Net Cash Investing	-13,796	-6,895	2,674	62	-122
Net Cash Financing	20,161	6,476	-8,131	-8,776	-4,624
Net Inc/(Dec) in Cash	5,104	-30	-3,449	-522	520
Closing Cash	6,260	6,230	2,780	2,262	2,781

Source: Capitaline, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19	FY20
EBITDA Margin	22.6	12.9	33.8	42.8	39.1
EBIT Margin	17.4	6.2	24.0	33.4	28.6
Effective Tax Rate	-	41.6	28.3	40.2	10.1
Net Margin	17.6	3.5	10.0	12.5	19.3
ROCE	4.6	1.1	7.1	13.1	10.2
ROE	9.3	1.5	7.2	10.8	13.3
RoIC	10.6	2.4	10.1	13.5	10.1

Source: Capitaline, Emkay Research

Per Share Data (Rs)	FY16	FY17	FY18	FY19	FY20
EPS	16.1	2.7	13.4	22.1	30.3
CEPS	20.9	7.8	26.4	38.7	46.7
BVPS	183.1	179.7	192.3	216.5	237.8
DPS	3.0	1.0	1.5	1.5	2.0

Source: Capitaline, Emkay Research

Valuations (x)	FY16	FY17	FY18	FY19	FY20
PER	3.2	19.6	3.9	2.4	1.7
P/CEPS	2.5	6.7	2.0	1.3	1.1
P/BV	0.3	0.3	0.3	0.2	0.2
EV / Sales	2.4	3.1	1.9	1.3	1.2
EV / EBITDA	10.7	24.5	5.6	3.2	3.0
Dividend Yield (%)	5.8	1.9	2.9	2.9	3.8

Source: Capitaline, Emkay Research

Gearing Ratio (x)	FY16	FY17	FY18	FY19	FY20
Net Debt/ Equity	0.9	1.1	1.0	0.9	0.6
Net Debt/EBIDTA	8.2	19.2	4.4	2.5	2.1
Working Cap Cycle (days)	115.0	164.5	140.3	166.4	190.9

Source: Capitaline, Emkay Research

Growth (%)	FY16	FY17	FY18	FY19	FY20
Revenue	-11.1	-16.3	73.9	32.2	-11.1
EBITDA	17.6	-52.4	357.0	67.5	-18.8
EBIT	21.4	-70.4	579.1	83.5	-23.8
PAT	45.6	-83.6	405.7	65.0	37.0

Source: Capitaline, Emkay Research

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	8,003	6,806	5,099	8,091	5,993
EBITDA	3,164	2,586	2,135	2,379	2,818
EBITDA Margin (%)	39.5	38.0	41.9	29.4	47.0
PAT	957	679	476	1,430	688
EPS (Rs)	5.4	3.9	2.7	8.1	3.9

Source: Capitaline, Emkay Research

Shareholding (%)	Aug-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	45.6	45.8	46.1	46.3	46.3
FIIIs	12.0	11.8	12.0	11.9	11.6
DIIIs	9.3	9.3	9.3	9.6	9.0
Public and Others	33.1	33.1	32.6	32.2	33.1

Source: Capitaline, Emkay Research

Oil & Gas

GAIL

Refer to important disclosures at the end of this report

Confluence 2020 Takeaways

CMP: Rs 96
as of (August 17, 2020)TP: Rs 130 (■)
12 months

Rating: BUY (■)

We hosted Mr A K Tiwari, Director Finance, and senior management**Key Meeting Takeaways**

- GAIL expects fertilizer plants along JHBDPL-Urja Ganga to be commissioned over the next 9-10 months (by June 2021) and push US-contracted LNG into these plants (10mmscmd is international sales).
- Matix is ready and pending connectivity. Sindri, Gorakhpur and Barauni plants are also coming up. Demand from fertilizer plants is ~10-11mmscmd. Refineries along the way like Barauni, Paradip and Haldia will lift volumes to 16mmscmd design capacity.
- Kochi-Mangalore pipeline should be commissioned within the next 2 months. 2mmscmd of incremental demand/volumes is expected in immediate future and should scale up to 3-4mmscmd going forward.
- GAIL expects unified tariffs to be positive and in the best interest for GAIL as well as the sector even after the recent public notice and PNGRB draft on the same. GAIL has been in discussion with PNGRB all along and expects it to be notified in 2-3 months.
- For FY21/22, 90% of contracted US LNG volumes are locked and cargoes allocated with destination already known.
- 65% of GAIL's LNG sold in India is oil linked in terms of pricing, while 35% in US Henry Hub linked. However, the market scenario and margins are dependent on oil prices, spot LNG rates and overall demand-supply.
- Q1FY21 marketing earnings loss was due to the exceptional circumstances of Covid-19, leading to sharp demand hit.
- Gas sales prices were lowered to align with market conditions (near to spot rates) to help retain customers. All customer segments are sensitive to gas prices but CGD is the least sensitive.
- Current low spot LNG prices are an aberration and do not expect to see the same going forward. GAIL was unable to import spot LNG in the past 4 months as cargoes were already locked up.
- GAIL believes the gas marketing loss will not continue going ahead. There was Rs2.5bn of inventory loss also in Q1FY21, which may reverse going ahead. GAIL is in discussions with gas suppliers to relax supply quantity and prices.

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	751,263	718,710	560,384	678,289	769,734
EBITDA	95,551	83,694	52,818	71,489	83,043
EBITDA Margin (%)	12.7	11.6	9.4	10.5	10.8
APAT	62,421	58,656	34,668	44,774	50,932
EPS (Rs)	13.8	13.0	7.7	9.9	11.3
EPS (% chg)	35.7	(6.0)	(40.9)	29.2	13.8
ROE (%)	14.8	13.3	7.7	9.4	10.1
P/E (x)	6.9	7.4	12.5	9.7	8.5
EV/EBITDA (x)	4.5	5.7	9.1	7.1	6.3
P/BV (x)	1.0	1.0	0.9	0.9	0.8

Source: Company, Emkay Research

**Change in Estimates**

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	7.7	9.9
Consensus	10.0	12.3
Mean Consensus TP (12M)	Rs 130	

Stock Details

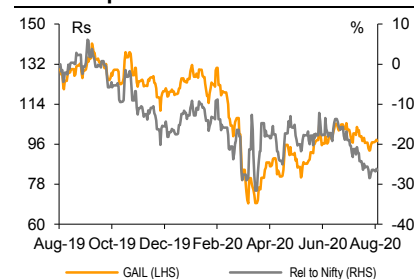
Bloomberg Code	GAIL IN
Face Value (Rs)	10
Shares outstanding (mn)	4,510
52 Week H/L	149 / 65
M Cap (Rs bn/USD bn)	433 / 5.78
Daily Avg Volume (nos.)	16,637,440
Daily Avg Turnover (US\$ mn)	21.8

Shareholding Pattern Jun '20

Promoters	51.8%
FIIIs	15.5%
DIIIs	19.0%
Public and Others	13.7%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(3)	12	(22)	(24)
Rel. to Nifty	(8)	(8)	(15)	(25)

Relative price chart

Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	751,263	718,710	560,384	678,289	769,734
Expenditure	655,712	635,016	507,565	606,800	686,691
EBITDA	95,551	83,694	52,818	71,489	83,043
Depreciation	15,502	18,360	19,010	25,420	29,310
EBIT	80,049	65,334	33,808	46,070	53,733
Other Income	15,448	14,168	15,194	16,539	17,359
Interest expenses	1,385	1,085	2,654	2,750	3,000
PBT	94,112	78,417	46,348	59,858	68,091
Tax	28,427	20,777	11,680	15,084	17,159
Extraordinary Items	(3,263)	1,016	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	60,257	66,206	34,668	44,774	50,932
Adjusted PAT	62,421	58,656	34,668	44,774	50,932

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	22,551	45,101	45,101	45,101	45,101
Reserves & surplus	418,379	394,610	418,877	445,741	476,301
Net worth	440,929	439,711	463,979	490,843	521,402
Minority Interest	0	0	0	0	0
Loan Funds	10,011	56,174	55,000	80,000	90,000
Net deferred tax liability	59,477	44,972	46,972	48,972	50,972
Total Liabilities	510,417	540,857	565,950	619,815	662,374
Net block	310,861	336,450	417,679	494,443	535,863
Investment	95,282	74,985	75,735	76,492	77,257
Current Assets	145,619	168,083	142,532	160,620	173,302
Cash & bank balance	12,147	8,039	4,693	3,222	624
Other Current Assets	18,824	17,282	13,475	16,310	18,509
Current liabilities & Provision	133,369	144,479	122,905	138,195	150,767
Net current assets	12,250	23,604	19,627	22,426	22,535
Misc. exp	0	0	0	0	0
Total Assets	510,417	540,857	565,950	619,815	662,374

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	78,663	64,249	31,154	43,320	50,733
Other Non-Cash items	7,259	1,670	0	0	0
Chg in working cap	15,598	(29,967)	2,630	(2,269)	(708)
Operating Cashflow	78,763	68,881	43,769	54,136	65,176
Capital expenditure	(75,350)	(57,743)	(47,330)	(75,729)	(70,995)
Free Cash Flow	3,414	11,138	(3,561)	(21,592)	(5,819)
Investments	4,249	20,297	(750)	(757)	(765)
Other Investing Cash Flow	1,287	(45,012)	0	0	0
Investing Cashflow	(54,366)	(68,289)	(32,886)	(59,947)	(54,402)
Equity Capital Raised	0	22,551	0	0	0
Loans Taken / (Repaid)	(10,794)	46,164	(1,174)	25,000	10,000
Dividend paid (incl tax)	(1,417)	(1,132)	(10,400)	(17,910)	(20,373)
Other Financing Cash Flow	(23,948)	(71,197)	0	0	0
Financing Cashflow	(37,544)	(4,699)	(14,229)	4,340	(13,373)
Net chg in cash	(13,147)	(4,107)	(3,346)	(1,471)	(2,599)
Opening cash position	25,294	12,147	8,039	4,693	3,222
Closing cash position	12,147	8,039	4,693	3,222	624

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	12.7	11.6	9.4	10.5	10.8
EBIT Margin	10.7	9.1	6.0	6.8	7.0
Effective Tax Rate	30.2	26.5	25.2	25.2	25.2
Net Margin	8.3	8.2	6.2	6.6	6.6
ROCE	19.5	15.1	8.9	10.6	11.1
ROE	14.8	13.3	7.7	9.4	10.1
RoIC	26.6	19.7	8.6	9.7	10.0

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	13.8	13.0	7.7	9.9	11.3
CEPS	17.3	17.1	11.9	15.6	17.8
BVPS	97.8	97.5	102.9	108.8	115.6
DPS	4.0	6.4	2.3	4.0	4.5

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	6.9	7.4	12.5	9.7	8.5
P/CEPS	5.6	5.7	8.2	6.3	5.5
P/BV	1.0	1.0	0.9	0.9	0.8
EV / Sales	0.6	0.7	0.9	0.8	0.7
EV / EBITDA	4.5	5.7	9.1	7.1	6.3
Dividend Yield (%)	4.2	6.7	2.4	4.1	4.7

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	0.0	0.1	0.1	0.2	0.2
Net Debt/EBIDTA	0.0	0.6	1.0	1.1	1.1
Working Cap Cycle (days)	13.9	19.6	21.1	21.1	21.1

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	40.0	(4.3)	(22.0)	21.0	13.5
EBITDA	25.2	(12.4)	(36.9)	35.3	16.2
EBIT	28.7	(18.4)	(48.3)	36.3	16.6
PAT	30.5	9.9	(47.6)	29.2	13.8

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	183,106	180,399	177,673	177,531	120,869
EBITDA	22,590	15,627	20,724	24,754	6,226
EBITDA Margin (%)	12.3	8.7	11.7	13.9	5.2
PAT	12,875	10,643	12,507	18,356	2,555
EPS (Rs)	2.9	2.4	2.8	4.1	0.6

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	52.2	52.2	51.8	51.8	51.8
FIIIs	20.2	18.7	17.7	16.2	15.5
DIIIs	14.8	16.1	17.1	18.2	19.0
Public and Others	12.9	13.0	13.4	13.8	13.7

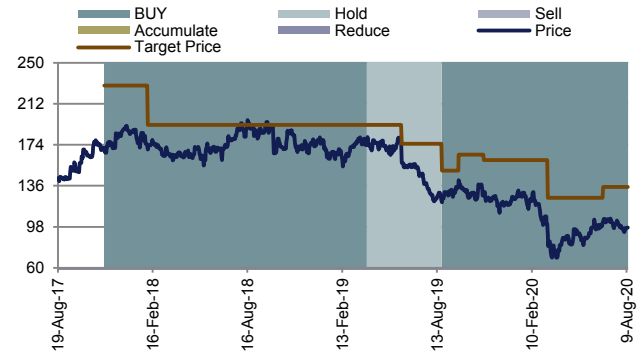
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
25-Jun-20	103	135	12m	Buy	Sabri Hazarika
6-May-20	95	125	12m	Buy	Sabri Hazarika
11-Mar-20	91	125	12m	Buy	Sabri Hazarika
2-Mar-20	100	160	12m	Buy	Sabri Hazarika
11-Feb-20	129	160	12m	Buy	Sabri Hazarika
24-Jan-20	130	160	12m	Buy	Sabri Hazarika
10-Dec-19	111	160	12m	Buy	Sabri Hazarika
4-Dec-19	123	160	12m	Buy	Sabri Hazarika
10-Nov-19	127	160	12m	Buy	Sabri Hazarika
25-Oct-19	123	165	12m	Buy	Sabri Hazarika
23-Sep-19	141	165	12m	Buy	Sabri Hazarika
22-Aug-19	121	150	12m	Buy	Sabri Hazarika
10-Jun-19	154	175	12m	Hold	Sabri Hazarika
6-Jun-19	158	175	12m	Hold	Sabri Hazarika
28-May-19	174	193	12m	Hold	Sabri Hazarika
1-Apr-19	177	193	12m	Hold	Sabri Hazarika
6-Feb-18	170	193	12m	Buy	Sabri Hazarika
15-Nov-17	168	229	12m	Buy	Dhaval Joshi

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Gulf Oil Lubricants

Refer to important disclosures at the end of this report

Confluence 2020 Takeaways

CMP: Rs 640
as of (August 17, 2020)

TP: Rs 870 (■)
12 months

Rating: BUY (■)

We hosted Mr. Ravi Chawla, CEO, and Mr. Manish Gangwal, CFO

Key Meeting Takeaways

- Jul'20 has seen a broad-based recovery across industrial, workshops and infra, including primary and secondary sales. Jul'20 has clocked 2% yoy growth. 90-95% of markets are now open and the trend is positive. 95% of industries have resumed. In FY20, the lube market was down 5-7%, while FY21 is expected to see double-digit de-growth. From FY22 onwards, GOLI expects to be back to 2-3x of growth; seeing green-shoots in the CV industry. New vehicle registrations was back to normal in Jul'20. Secondary sales saw a big bounce in Jun'20 and is in line with primary trends. Collections performed well over past 2 months and is back to pre-Covid levels in Jun/Jul'20. Jun'20 collections were in fact 104% of the FY20 average.
- GOLI is not very strong in PCMO and hence, trying to focus and improve the market share. Growth has been good though the base is low. It is ready with lower viscosity oil products for PCMO. GOLI is launching a new range of products for motorcycles in coming few months. It has retained all OEMs for the past 13 years. The Piaggio tie-up in 3W CV is expected to be a growth engine. In B2B, GOLI has 3-4% market share and sees strong potential. 50-60 industrial distributors have been appointed over the past 3-4 years.
- New tie-ups will be announced in coming months. Sector-wise teams have been created to help meet individual needs. Infrastructure OEMs have seen tie-ups done. GOLI is looking at construction and industrial OEMs. It is also looking at exports. Currently, less than 5% of replacement market happens at petrol pumps. GOLI is interested in gaining share in new vehicles as it can push high product prices, which will help in improving margins. As part of discount schemes, GOLI simplified the same and increased spends on trade schemes in Q1FY21. Most (80-85%) of the schemes have been rolled back from July onwards.
- GOLI has plans to expand the 2W battery business. Currently, it imports batteries from China, but wants to indigenize it. GOLI believes that 15% EBITDA margin can be earned in battery and looking at local sourcing. A Greenfield unit will cost Rs700-800mn but now looking at purchasing an existing factory also. The gestation period is 18-24 months for a Greenfield but acquiring a unit is much faster and at half the cost. GOLI is not looking at 4W batteries for at least next 3-4 years. The company is trying to grow from current 1-2% market share to 6-7% in the battery business.

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	17,058	16,435	14,436	16,439	18,433
EBITDA	2,831	2,865	2,182	2,838	3,235
EBITDA Margin (%)	16.6	17.4	15.1	17.3	17.6
APAT	1,778	2,025	1,591	2,180	2,557
EPS (Rs)	35.7	40.4	31.8	43.5	51.0
EPS (% chg)	11.9	13.2	(21.4)	37.0	17.3
ROE (%)	33.7	30.0	19.5	23.1	23.4
P/E (x)	17.9	15.8	20.1	14.7	12.5
EV/EBITDA (x)	11.2	10.6	13.2	9.8	8.2
P/BV (x)	5.4	4.2	3.7	3.2	2.7

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	31.8	43.5
Consensus	31.7	41.5
Mean Consensus TP (12M)	Rs 802	

Stock Details

Bloomberg Code	GOLI IN
Face Value (Rs)	2
Shares outstanding (mn)	50
52 Week H/L	905 / 450
M Cap (Rs bn/USD bn)	32 / 0.43
Daily Avg Volume (nos.)	51,893
Daily Avg Turnover (US\$ mn)	0.4

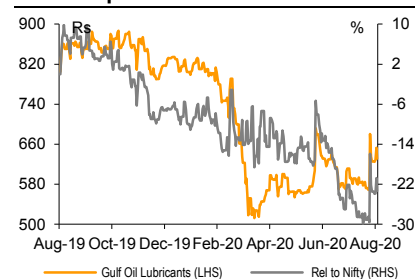
Shareholding Pattern Jun '20

Promoters	72.3%
FIIIs	11.9%
DIIIs	5.5%
Public and Others	10.4%

Price Performance

(%)	1M	3M	6M	12M
Absolute	8	13	(18)	(21)
Rel. to Nifty	2	(8)	(11)	(22)

Relative price chart



Source: Bloomberg

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	17,058	16,435	14,436	16,439	18,433
Expenditure	14,227	13,570	12,254	13,601	15,198
EBITDA	2,831	2,865	2,182	2,838	3,235
Depreciation	224	327	355	368	372
EBIT	2,607	2,538	1,827	2,469	2,863
Other Income	295	355	528	546	611
Interest expenses	152	248	228	102	57
PBT	2,751	2,645	2,127	2,914	3,418
Tax	973	620	536	734	861
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	1,778	2,025	1,591	2,180	2,557
Adjusted PAT	1,778	2,025	1,591	2,180	2,557

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	100	100	100	100	100
Reserves & surplus	5,768	7,513	8,627	10,043	11,654
Net worth	5,867	7,613	8,727	10,143	11,754
Minority Interest	0	0	0	0	0
Loan Funds	2,831	3,759	2,759	1,759	759
Net deferred tax liability	196	143	100	57	13
Total Liabilities	8,895	11,515	11,586	11,959	12,527
Net block	2,705	2,805	2,880	2,796	2,708
Investment	58	57	58	59	60
Current Assets	8,655	11,597	11,319	12,067	13,067
Cash & bank balance	2,926	5,509	5,971	5,978	6,239
Other Current Assets	507	595	523	595	667
Current liabilities & Provision	2,530	2,951	2,674	2,966	3,312
Net current assets	6,125	8,647	8,645	9,101	9,755
Misc. exp	0	0	0	0	0
Total Assets	8,895	11,515	11,586	11,959	12,527

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	2,455	2,290	1,599	2,368	2,807
Other Non-Cash items	(39)	57	0	0	0
Chg in working cap	(1,826)	8	421	(493)	(436)
Operating Cashflow	170	2,368	2,066	1,609	1,936
Capital expenditure	(275)	(426)	(426)	(284)	(284)
Free Cash Flow	(105)	1,942	1,640	1,325	1,652
Investments	(2)	1	(1)	(1)	(1)
Other Investing Cash Flow	(237)	244	0	0	0
Investing Cashflow	(219)	174	100	261	326
Equity Capital Raised	0	1	0	0	0
Loans Taken / (Repaid)	350	928	(1,000)	(1,000)	(1,000)
Dividend paid (incl tax)	(653)	(421)	(477)	(763)	(946)
Other Financing Cash Flow	166	(218)	1	1	1
Financing Cashflow	(288)	41	(1,704)	(1,864)	(2,002)
Net chg in cash	(336)	2,583	462	7	261
Opening cash position	3,262	2,926	5,509	5,971	5,978
Closing cash position	2,926	5,509	5,971	5,978	6,239

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	16.6	17.4	15.1	17.3	17.6
EBIT Margin	15.3	15.4	12.7	15.0	15.5
Effective Tax Rate	35.4	23.4	25.2	25.2	25.2
Net Margin	10.4	12.3	11.0	13.3	13.9
ROCE	35.9	28.4	20.4	25.6	28.4
ROE	33.7	30.0	19.5	23.1	23.4
RoIC	53.3	42.9	31.8	43.0	47.2

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	35.7	40.4	31.8	43.5	51.0
CEPS	40.2	46.9	38.8	50.8	58.4
BVPS	117.8	151.9	174.2	202.4	234.6
DPS	11.5	14.0	9.5	15.2	18.9

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	17.9	15.8	20.1	14.7	12.5
P/CEPS	15.7	13.5	16.3	12.4	10.8
P/BV	5.4	4.2	3.7	3.2	2.7
EV / Sales	1.9	1.8	2.0	1.7	1.4
EV / EBITDA	11.2	10.6	13.2	9.8	8.2
Dividend Yield (%)	1.8	2.2	1.5	2.4	3.0

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	0.0	(0.2)	(0.4)	(0.4)	(0.5)
Net Debt/EBIDTA	0.0	(0.6)	(1.5)	(1.5)	(1.7)
Working Cap Cycle (days)	68.4	69.7	67.6	69.3	69.6

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	28.0	(3.7)	(12.2)	13.9	12.1
EBITDA	20.1	1.2	(23.8)	30.0	14.0
EBIT	15.7	(2.6)	(28.0)	35.1	15.9
PAT	12.1	13.9	(21.4)	37.0	17.3

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	4,407	4,213	4,219	3,597	2,412
EBITDA	779	757	775	554	254
EBITDA Margin (%)	17.7	18.0	18.4	15.4	10.5
PAT	487	620	559	359	172
EPS (Rs)	9.8	12.4	11.2	7.2	3.4

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	72.7	72.3	72.3	72.3	72.3
FII	10.8	11.9	11.9	12.0	11.9
DII	5.3	4.8	5.2	5.4	5.5
Public and Others	11.1	11.0	10.6	10.3	10.4

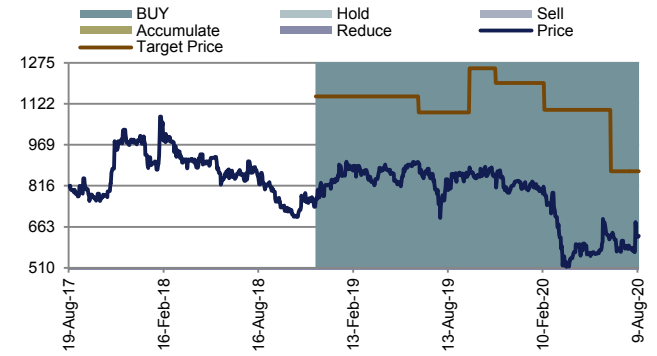
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
13-Aug-20	631	870	12m	Buy	Sabri Hazarika
19-Jun-20	630	870	12m	Buy	Sabri Hazarika
6-May-20	565	1,100	12m	Buy	Sabri Hazarika
13-Feb-20	791	1,100	12m	Buy	Sabri Hazarika
24-Jan-20	810	1,200	12m	Buy	Sabri Hazarika
4-Dec-19	797	1,200	12m	Buy	Sabri Hazarika
12-Nov-19	848	1,200	12m	Buy	Sabri Hazarika
25-Oct-19	853	1,255	12m	Buy	Sabri Hazarika
23-Sep-19	885	1,255	12m	Buy	Sabri Hazarika
31-Jul-19	766	1,090	12m	Buy	Sabri Hazarika
18-Jun-19	900	1,090	12m	Buy	Sabri Hazarika
10-Jun-19	900	1,150	12m	Buy	Sabri Hazarika
16-May-19	831	1,150	12m	Buy	Sabri Hazarika
14-Feb-19	889	1,150	12m	Buy	Sabri Hazarika
3-Dec-18	762	1,150	12m	Buy	Sabri Hazarika

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Gujarat State Petronet

Refer to important disclosures at the end of this report

Confluence 2020 Takeaways

CMP: Rs 211
as of (August 17, 2020)

TP: Rs 275 (■)
12 months

Rating: BUY (■)

We hosted Mr. Ravindra Agrawal, Group ED

Key Meeting Takeaways

- Current volumes are at 39-40mmscmd. Demand is robust with LNG terminals operating at full capacity. GSPL would hit 43mmscmd volumes soon with CGD and industries ramping up and Dabhol coming online from October. GSPL expects to do 10% volume growth annually after hitting 43mmscmd. The Mehsana-Bhatinda gas pipeline will also come with 6-7mmscmd volumes after the next 3 years. 3.5mmscmd of RIL's R Series gas would flow through GSPL's grid. The Mundra terminal is currently operating at 2mmtpa. Bottlenecks would be removed by FY22. GSPL is awaiting clarity on regulatory reforms to go ahead with the relevant pipelines. H-Energy Jaigarh FSRU and Swan Jafrabad are expected to operationalize in the first and the second half of next year, respectively.
- The tariff cut was due to the low tax rate was supposed to have happened in Apr'20 but PNGRB has decided to adjust everything at one go when the main tariff review would come. The tariff review is generally before the completion of three financial years and should happen by April 1, 2022. The tax related cut may happen before this, as in next fiscal also. GSPL expects the 8-9% tariff cut from the tax reduction. If the main tariff revision is implemented retrospectively, there can be 5-6% tariff cut for GSPL. However, no principle of true up was there earlier. No impact of volume divisor change proposal on GSPL as it is already operating at high capacity utilization.
- A 5-year plan is there for debottlenecking, extension and expansion. Under Phase 1, three pipelines are approved by PNGRB namely Dahej Bhadbhut (PLNG), Chhara connectivity and Anjar Chotila (Anjar Chotila is a different structure and approval is in process with PNGRB.). These projects will be done in 2 years with Rs18bn of capex. GSPL would be able to defend the current tariff from this capex level. Phase 1 would raise capacity to 55mmscmd in total. Currently, GSPL has 40/12mmscmd capacity in HP/LP network vs. 34/6mmscmd volumes.
- Total capex, including Rs18bn on the above projects, is Rs40bn with the remaining Rs22bn spread over successive 3-4 years, which would help ultimately double capacity to 70mmscmd+. All the LNG terminals with full capacity will be covered from this. Phase 2 will be dependent on conditions based on review after Phase 1. Phase 2 will include Jafrabad-Chhara spends as both are in the same pipeline section (250kms) coupled with capacity augmentation through a Palanpur-Anand loop-line and 4-5 pipeline compressors. Clarity on Regulation 12 is very important for progressing ahead with this.

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	18,772	23,686	22,817	18,542	19,470
EBITDA	15,426	15,749	14,821	11,032	11,548
EBITDA Margin (%)	82.2	66.5	65.0	59.5	59.3
APAT	7,947	9,564	9,343	6,888	7,676
EPS (Rs)	14.1	17.0	16.6	12.2	13.6
EPS (% chg)	18.9	20.4	(2.3)	(26.3)	11.4
ROE (%)	14.7	15.3	13.1	8.8	9.2
P/E (x)	15.0	12.4	12.7	17.3	15.5
EV/EBITDA (x)	9.2	8.6	8.5	10.8	9.7
P/BV (x)	2.1	1.8	1.6	1.5	1.4

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	16.6	12.2
Consensus	16.9	18.7
Mean Consensus TP (12M)	Rs 274	

Stock Details

Bloomberg Code	GUJS IN
Face Value (Rs)	10
Shares outstanding (mn)	564
52 Week H/L	264 / 146
M Cap (Rs bn/USD bn)	119 / 1.59
Daily Avg Volume (nos.)	1,038,164
Daily Avg Turnover (US\$ mn)	2.9

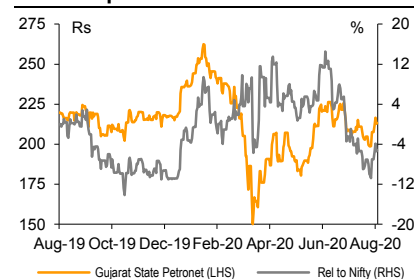
Shareholding Pattern Jun '20

Promoters	37.6%
FIIIs	15.5%
DIIIs	22.7%
Public and Others	24.2%

Price Performance

(%)	1M	3M	6M	12M
Absolute	1	15	(13)	(4)
Rel. to Nifty	(4)	(6)	(5)	(5)

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	18,772	23,686	22,817	18,542	19,470
Expenditure	3,346	7,937	7,996	7,510	7,922
EBITDA	15,426	15,749	14,821	11,032	11,548
Depreciation	1,800	1,966	2,058	2,110	2,164
EBIT	13,626	13,783	12,763	8,921	9,384
Other Income	594	649	790	967	1,183
Interest expenses	2,192	1,645	1,064	679	305
PBT	12,028	12,786	12,490	9,209	10,262
Tax	4,081	3,222	3,147	2,321	2,586
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	7,947	11,087	9,343	6,888	7,676
Adjusted PAT	7,947	9,564	9,343	6,888	7,676

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	5,640	5,641	5,644	5,647	5,649
Reserves & surplus	51,800	61,584	69,526	75,036	80,793
Net worth	57,440	67,226	75,170	80,683	86,443
Minority Interest	0	0	0	0	0
Loan Funds	23,852	16,682	11,682	6,682	1,682
Net deferred tax liability	5,226	4,081	4,331	4,569	4,794
Total Liabilities	86,518	87,989	91,183	91,934	92,919
Net block	36,075	36,782	36,436	34,995	34,581
Investment	42,804	46,217	46,217	46,217	46,217
Current Assets	6,427	5,657	9,948	11,321	13,029
Cash & bank balance	1,583	957	5,282	7,102	8,617
Other Current Assets	121	90	92	94	96
Current liabilities & Provision	2,981	3,040	3,079	3,090	3,149
Net current assets	3,446	2,617	6,869	8,231	9,880
Misc. exp	0	0	0	0	0
Total Assets	86,518	87,989	91,183	91,934	92,919

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	11,434	12,137	11,700	8,242	9,079
Other Non-Cash items	51	42	0	0	0
Chg in working cap	(826)	(942)	323	696	91
Operating Cashflow	10,882	13,602	11,997	9,408	9,054
Capital expenditure	(1,967)	(852)	(1,000)	(1,500)	(1,500)
Free Cash Flow	8,915	12,750	10,997	7,908	7,554
Investments	(982)	(3,414)	0	0	0
Other Investing Cash Flow	(261)	(314)	0	0	0
Investing Cashflow	(2,617)	(3,931)	(210)	(533)	(317)
Equity Capital Raised	1	1	3	3	3
Loans Taken / (Repaid)	(6,876)	(7,170)	(5,000)	(5,000)	(5,000)
Dividend paid (incl tax)	(1,128)	(1,283)	(1,401)	(1,378)	(1,919)
Other Financing Cash Flow	(132)	(200)	0	0	0
Financing Cashflow	(10,328)	(10,297)	(7,462)	(7,054)	(7,221)
Net chg in cash	(2,062)	(626)	4,325	1,820	1,515
Opening cash position	3,645	1,583	957	5,282	7,102
Closing cash position	1,583	957	5,282	7,102	8,617

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	82.2	66.5	65.0	59.5	59.3
EBIT Margin	72.6	58.2	55.9	48.1	48.2
Effective Tax Rate	33.9	25.2	25.2	25.2	25.2
Net Margin	42.3	40.4	40.9	37.1	39.4
ROCE	16.5	16.5	15.1	10.8	11.4
ROE	14.7	15.3	13.1	8.8	9.2
RoIC	39.0	36.1	33.4	24.1	26.1

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	14.1	17.0	16.6	12.2	13.6
CEPS	17.3	20.4	20.2	16.0	17.4
BVPS	101.8	119.2	133.3	143.0	153.2
DPS	2.0	2.0	2.5	2.4	3.4

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	15.0	12.4	12.7	17.3	15.5
P/CEPS	11.5	9.7	9.8	12.5	11.4
P/BV	2.1	1.8	1.6	1.5	1.4
EV / Sales	7.5	5.7	5.5	6.4	5.8
EV / EBITDA	9.2	8.6	8.5	10.8	9.7
Dividend Yield (%)	1.0	1.0	1.2	1.2	1.6

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	0.4	0.2	0.1	0.0	(0.1)
Net Debt/EBITDA	1.4	1.0	0.4	0.0	(0.6)
Working Cap Cycle (days)	39.3	25.8	25.8	25.8	25.8

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	41.0	26.2	(3.7)	(18.7)	5.0
EBITDA	34.4	2.1	(5.9)	(25.6)	4.7
EBIT	40.1	1.1	(7.4)	(30.1)	5.2
PAT	18.9	39.5	(15.7)	(26.3)	11.4

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	5,125	6,354	6,257	5,950	4,643
EBITDA	4,020	4,371	3,800	3,557	3,462
EBITDA Margin (%)	78.4	68.8	60.7	59.8	74.6
PAT	2,061	4,549	2,221	2,256	1,994
EPS (Rs)	3.7	8.1	3.9	4.0	3.5

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	37.6	37.6	37.6	37.6	37.6
FII	15.4	15.5	15.9	15.8	15.5
DII	22.8	22.9	22.9	22.9	22.7
Public and Others	24.1	23.9	23.6	23.7	24.2

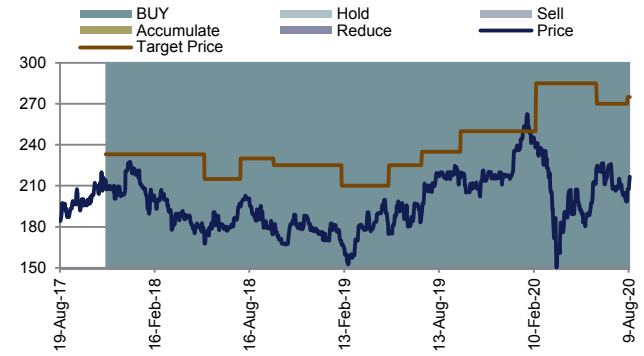
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
7-Aug-20	208	275	12m	Buy	Sabri Hazarika
9-Jun-20	224	270	12m	Buy	Sabri Hazarika
6-May-20	196	285	12m	Buy	Sabri Hazarika
14-Feb-20	241	285	12m	Buy	Sabri Hazarika
24-Jan-20	253	250	12m	Buy	Sabri Hazarika
4-Dec-19	218	250	12m	Buy	Sabri Hazarika
10-Nov-19	214	250	12m	Buy	Sabri Hazarika
25-Oct-19	208	250	12m	Buy	Sabri Hazarika
23-Sep-19	216	250	12m	Buy	Sabri Hazarika
2-Aug-19	210	235	12m	Buy	Sabri Hazarika
11-Jul-19	191	235	12m	Buy	Sabri Hazarika
10-Jun-19	186	225	12m	Buy	Sabri Hazarika
9-May-19	175	225	12m	Buy	Sabri Hazarika
8-Feb-19	167	210	12m	Buy	Sabri Hazarika
28-Jan-19	179	225	12m	Buy	Sabri Hazarika
24-Jan-19	180	225	12m	Buy	Sabri Hazarika
31-Dec-18	176	225	12m	Buy	Sabri Hazarika
11-Dec-18	179	225	12m	Buy	Sabri Hazarika
5-Nov-18	182	225	12m	Buy	Sabri Hazarika
1-Oct-18	182	225	12m	Buy	Sabri Hazarika
4-Sep-18	186	230	12m	Buy	Sabri Hazarika
30-Jul-18	195	230	12m	Buy	Sabri Hazarika
13-Jul-18	182	215	12m	Buy	Sabri Hazarika
8-Jun-18	191	215	12m	Buy	Sabri Hazarika
22-May-18	168	215	12m	Buy	Sabri Hazarika
14-Nov-17	214	233	12m	Buy	Dhaval Joshi

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

HPCL

Refer to important disclosures at the end of this report

HPCL Confluence 2020 Takeaways

CMP: Rs 209
as of (August 17, 2020)TP: Rs 280 (■)
12 months

Rating: BUY (■)

We hosted Mr. R Kesavan, Director, Finance

Key Meeting Takeaways

- GRMs are under pressure globally and cracks have not picked up much, especially MS (petrol) and ATF. The pressure is there on HSD (diesel) also. Cracks are too low to make meaningful GRMs. Currently, GRMs should be in line to better than the Singapore benchmark. F&L costs have gone up qoq due to high crude prices. Saudi OSP discounts may not have made much difference as HPCL buys most crude from Iraq. Iraq gives good payment terms of 60 days. HPCL expects GRMs to improve in the latter half of the year.
- Marketing margins had been much higher in Q1FY21, but currently steady. HPCL has integrated margin management and would look into it. Rs2-2.5bn per year had been added from this, implemented few years back. Ex.-auto-fuel margins have also been good and at normal levels. Bulk diesel share of total diesel sales is 11% with STCs, railways, defense being main customers.
- Petroleum product demand was stagnant in July and flat in August. Petrol/diesel demand is 87/80% of yoy levels. Diesel is also affected by the monsoon and STC buses and trains not operating properly. Lube demand is also lower than expected. HPCL hopes to see demand improvement in six months. No supply chain issues are there due to Covid-19.
- The Vizag refinery expansion project is assembling and only connecting is left and by FY22 should be completed with the impact on earnings to be seen post FY22. Mumbai refinery expansion was to be completed already but due to Covid-19 delays, it now will be completed by year end or latest by the next fiscal. HPCL had USD12-13/bbl GRM estimate from the Vizag project but due to the recent global crash in GRMs, it cannot be the same as of now. HPCL still expects overall GRMs to increase by USD1-2/bbl. Recurring capex on marketing is Rs40-50bn annually.
- HPCL expects debt levels to increase with the project debt up Rs15bn already. HPCL can reach a peak debt of Rs400-420bn. Debt-to-equity will remain on expected lines though. Barmer equity investment would be around Rs100bn and already incurred some portion, while Rs5bn is expected to be infused in FY21. Barmer's petchem integration can yield USD20/bbl overall GRMs. It also has an interest-free loan for 15 years. HMEL petchem project of 2mmtpa is already at an advanced stage and should be completed by March to June 2021. It is internally funded with no equity infusion by promoters. HMEL refinery utilization is 100% currently and operations are normal.

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	2,752,147	2,687,664	2,141,751	2,684,279	3,113,409
EBITDA	120,266	59,970	103,210	111,184	125,252
EBITDA Margin (%)	4.4	2.2	4.8	4.1	4.0
APAT	60,287	20,088	50,283	50,877	49,899
EPS (Rs)	39.6	13.2	33.0	33.4	32.7
EPS (% chg)	(5.2)	(66.7)	150.3	1.2	(1.9)
ROE (%)	23.1	7.0	16.5	15.2	13.7
P/E (x)	5.3	15.8	6.3	6.3	6.4
EV/EBITDA (x)	4.5	11.6	6.6	6.6	6.0
P/BV (x)	1.1	1.1	1.0	0.9	0.8

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	33.0	33.4
Consensus	32.0	37.8
Mean Consensus TP (12M)	Rs 276	

Stock Details

Bloomberg Code	HPCL IN
Face Value (Rs)	10
Shares outstanding (mn)	1,524
52 Week H/L	329 / 150
M Cap (Rs bn/USD bn)	318 / 4.24
Daily Avg Volume (nos.)	8,500,764
Daily Avg Turnover (US\$ mn)	24.2

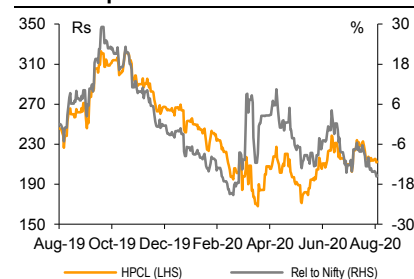
Shareholding Pattern Jun '20

Promoters	51.1%
FIIIs	16.1%
DIIIs	23.6%
Public and Others	9.2%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(1)	10	(11)	(15)
Rel. to Nifty	(6)	(10)	(3)	(17)

Relative price chart



Source: Bloomberg

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	2,752,147	2,687,664	2,141,751	2,684,279	3,113,409
Expenditure	2,631,881	2,627,695	2,038,541	2,573,095	2,988,157
EBITDA	120,266	59,970	103,210	111,184	125,252
Depreciation	30,126	33,044	37,623	44,994	56,802
EBIT	90,139	26,926	65,587	66,190	68,450
Other Income	16,750	18,382	14,020	16,326	15,770
Interest expenses	7,259	10,817	12,384	14,497	17,511
PBT	99,630	34,490	67,223	68,018	66,710
Tax	33,100	(4,362)	16,940	17,141	16,811
Extraordinary Items	(6,244)	(18,764)	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	60,287	26,373	50,283	50,877	49,899
Adjusted PAT	60,287	20,088	50,283	50,877	49,899

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	15,242	15,242	15,242	15,242	15,242
Reserves & surplus	266,506	274,382	304,551	335,078	365,017
Net worth	281,748	289,624	319,793	350,320	380,259
Minority Interest	0	0	0	0	0
Loan Funds	272,397	430,210	430,210	530,210	520,210
Net deferred tax liability	71,648	54,915	58,112	61,341	64,601
Total Liabilities	625,793	774,749	808,115	941,870	965,071
Net block	409,793	482,904	455,281	646,006	747,063
Investment	118,186	125,116	126,367	127,631	128,907
Current Assets	415,451	360,651	292,819	411,136	438,510
Cash & bank balance	956	1,132	8,227	55,682	32,525
Other Current Assets	6,929	4,260	3,394	4,254	4,934
Current liabilities & Provision	412,597	365,359	337,789	378,621	417,269
Net current assets	2,854	(4,708)	(44,970)	32,515	21,241
Misc. exp	0	0	0	0	0
Total Assets	625,793	774,749	808,115	941,870	965,071

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	82,880	16,109	53,203	51,692	50,940
Other Non-Cash items	9,831	3,186	0	0	0
Chg in working cap	(23,423)	(8,994)	50,554	(26,802)	(8,621)
Operating Cashflow	84,497	54,533	136,824	67,242	99,820
Capital expenditure	(115,307)	(182,633)	(110,000)	(100,000)	(90,000)
Free Cash Flow	(30,810)	(128,100)	26,824	(32,758)	9,820
Investments	(7,135)	(6,930)	(1,251)	(1,264)	(1,276)
Other Investing Cash Flow	(8,141)	29,524	0	0	0
Investing Cashflow	(113,834)	(141,657)	(97,231)	(84,938)	(75,507)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	62,488	157,813	0	100,000	(10,000)
Dividend paid (incl tax)	(16,533)	(17,251)	(20,113)	(20,351)	(19,960)
Other Financing Cash Flow	(20,344)	(42,446)	0	0	0
Financing Cashflow	18,351	87,299	(32,498)	65,152	(47,470)
Net chg in cash	(10,985)	175	7,095	47,456	(23,157)
Opening cash position	11,941	956	1,132	8,227	55,682
Closing cash position	956	1,131	8,227	55,682	32,525

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	4.4	2.2	4.8	4.1	4.0
EBIT Margin	3.3	1.0	3.1	2.5	2.2
Effective Tax Rate	33.2	(12.6)	25.2	25.2	25.2
Net Margin	2.4	1.4	2.3	1.9	1.6
ROCE	18.7	6.5	10.1	9.4	8.8
ROE	23.1	7.0	16.5	15.2	13.7
RoIC	23.6	6.1	14.9	12.9	10.1

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	39.6	13.2	33.0	33.4	32.7
CEPS	59.3	34.9	57.7	62.9	70.0
BVPS	184.8	190.0	209.8	229.8	249.5
DPS	15.9	9.7	13.2	13.4	13.1

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	5.3	15.8	6.3	6.3	6.4
P/CEPS	3.6	6.1	3.7	3.4	3.1
P/BV	1.1	1.1	1.0	0.9	0.8
EV / Sales	0.2	0.3	0.3	0.3	0.2
EV / EBITDA	4.5	11.6	6.6	6.6	6.0
Dividend Yield (%)	7.6	4.7	6.3	6.4	6.3

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	0.8	1.3	1.2	1.2	1.1
Net Debt/EBITDA	1.8	6.3	3.6	3.8	3.5
Working Cap Cycle (days)	10.8	15.6	11.9	14.0	14.0

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	25.5	(2.3)	(20.3)	25.3	16.0
EBITDA	12.7	(50.1)	72.1	7.7	12.7
EBIT	13.8	(70.1)	143.6	0.9	3.4
PAT	(5.2)	(56.3)	90.7	1.2	(1.9)

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	709,935	608,684	707,496	661,549	377,209
EBITDA	16,461	24,460	18,633	3,207	43,536
EBITDA Margin (%)	2.3	4.0	2.6	0.5	11.5
PAT	8,110	10,601	7,472	268	28,138
EPS (Rs)	5.3	7.0	4.9	0.2	18.5

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	51.1	51.1	51.1	51.1	51.1
FII	19.6	18.3	19.2	17.7	16.1
DII	17.2	21.5	20.8	21.7	23.6
Public and Others	12.0	9.1	8.9	9.5	9.2

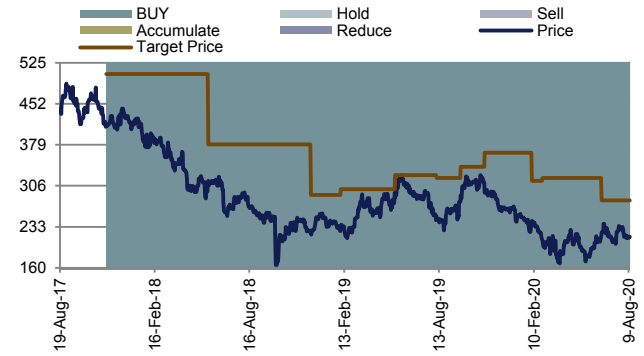
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
8-Aug-20	214	280	12m	Buy	Sabri Hazarika
18-Jun-20	223	280	12m	Buy	Sabri Hazarika
3-Jun-20	197	320	12m	Buy	Sabri Hazarika
6-May-20	203	320	12m	Buy	Sabri Hazarika
26-Feb-20	209	320	12m	Buy	Sabri Hazarika
6-Feb-20	243	315	12m	Buy	Sabri Hazarika
24-Jan-20	245	365	12m	Buy	Sabri Hazarika
4-Dec-19	270	365	12m	Buy	Sabri Hazarika
8-Nov-19	294	365	12m	Buy	Sabri Hazarika
25-Oct-19	301	340	12m	Buy	Sabri Hazarika
23-Sep-19	288	340	12m	Buy	Sabri Hazarika
8-Aug-19	250	320	12m	Buy	Sabri Hazarika
10-Jun-19	306	325	12m	Buy	Sabri Hazarika
21-May-19	285	325	12m	Buy	Sabri Hazarika
6-Feb-19	234	300	12m	Buy	Sabri Hazarika
28-Jan-19	239	290	12m	Buy	Sabri Hazarika
31-Dec-18	253	290	12m	Buy	Sabri Hazarika
11-Dec-18	220	290	12m	Buy	Sabri Hazarika
4-Sep-18	250	380	12m	Buy	Sabri Hazarika
13-Jul-18	270	380	12m	Buy	Sabri Hazarika
8-Jun-18	311	380	12m	Buy	Sabri Hazarika
29-May-18	315	380	12m	Buy	Sabri Hazarika
15-Nov-17	414	505	12m	Buy	Dhaval Joshi

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Pharmaceuticals

Ajanta Pharma

Refer to important disclosures at the end of this report

Growth to revive from FY22 onwards

CMP: Rs1685
as of (August 17, 2020)

TP: NA
12 months

Rating: NOT RATED

We hosted Mr. Rajeev Agarwal, AGM – Finance

Key Meeting Takeaways

- Ajanta Pharma expects India business to grow 9%-11% FY22 onwards (or 100-250bps above industry growth) on the back of new launches. Overall, 60% growth will come from volumes, and 20% each from price hikes and new product launches.
- 60% of the India business is chronic and Ajanta saw a hit in the rest of the 40% acute/semi-chronic portfolio.
- Current outsourcing for India business is ~40% and the company plans to bring it down to 10% in the next three years.
- US business was flat on a qoq basis in Q1 as there were no new launches. Currently, the company has 6 ANDAs approved, which they will be launching in the next two quarters. It expects 10%-12% growth yoy. Ajanta will be launching Tamiflu shortly.
- Branded generics should see flat sales for the year as Ajanta is expecting a decline in India business in FY21.
- Asia business was impacted by lockdowns in Q1. From a long-term perspective, Ajanta expects this market to grow in low teens.
- Institutional business should be flat or fall slightly this fiscal based on the order book. Ajanta expects this business to be in the range of Rs2-2.1bn.
- The company expects full-year growth to be 2%-3% yoy with EBITDA margin improving ~200bps to 28.5%. It should be able to sustain 75% GMs driven by higher US sales.
- Depreciation expenses will go up going ahead as new facilities are commercialized toward the end of the year.
- Capex is guided to be in the range of Rs1.5bn for FY21. This will bring an end to the capex cycle after which only maintenance capex (~Rs1bn) will be incurred. Ajanta has spent ~Rs11bn over the last four year on new facilities and expects asset turnover of 2x from them. The payback period will be ~3 years.
- The tax rate guidance of 27%-28% for this fiscal. This will come down to 24% in the next three years.
- The company is not backward integrated for any of its products. But only 10% is sourced from China, while the rest is sourced from India.

Financial Snapshot (Consolidated)

(Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20
Net Sales	14736	17494	19833	21258	20554	25879
EBITDA	4968	5871	6869	6584	5664	6794
EBITDA Margin (%)	33.7	33.6	34.6	31.0	27.6	26.3
APAT	3148	4167	5098	4686	3871	4705
EPS (Rs)	36.2	47.9	58.6	53.9	44.5	54.1
EPS (% chg)		32.4	22.3	-8.1	-17.4	21.5
ROE (%)	37.4	41.0	37.0	26.0	18.1	19.4
P/E (x)	45.8	34.6	28.3	30.8	37.3	30.7
EV/EBITDA (x)	28.9	24.6	20.7	21.5	25.3	20.9
P/BV (x)	17.1	12.1	9.2	7.1	6.4	5.6

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	NA
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	AJP IN
Face Value (Rs)	2
Shares outstanding (mn)	87
52 Week H/L	1760/903
M Cap (Rs bn/USD bn)	142/1.9
Daily Avg Volume (nos.)	243872.0
Daily Avg Turnover (US\$ mn)	4.9

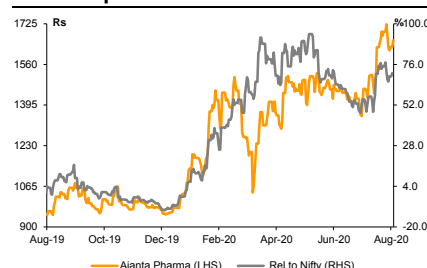
Shareholding Pattern Jun'20

Promoters	70.5%
FIIIs	8.2%
DIIIs	11.0%
Public and Others	10.2%

Price Performance

(%)	1M	3M	6M	12M
Absolute	14	13	16	71
Rel. to Nifty	10	-7	26	68

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20
Net Sales	14736	17494	19833	21258	20554	25879
Expenditure	9695	12116	13070	15166	15456	19252
EBITDA	4968	5871	6869	6584	5664	6794
Depreciation	516	444	612	596	721	957
EBIT	4451	5426	6257	5988	4944	5837
Other Income	168	212	239	242	211	922
Interest expenses	59	49	14	4	12	119
PBT	4560	5589	6482	6226	5143	6640
Tax	1462	1433	1413	1539	1273	1963
Extraordinary Items	-50	-11	-29	0	-2	-28
Minority Int. /Income from Assoc.	0	0	0	0	0	0
Reported Net Income	3099	4156	5068	4686	3870	4677
Adjusted PAT	3148	4167	5098	4686	3871	4705

Balance Sheet

Y/E Mar (Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20
Equity share capital	177	177	177	177	175	175
Reserves & surplus	8234	11732	15500	20237	22277	25813
Net worth	8411	11909	15677	20414	22452	25989
Minority Interest	0	0	0	0	0	0
Loan Funds	724	814	13	18	360	457
Net deferred tax liability	-152	-107	-29	-244	-271	-558
Total Liabilities	9207	12753	15739	20563	22949	26763
Net block	2881	4507	5892	10527	11782	14721
Investment	595	860	1816	1900	777	794
Current Assets	6140	6865	6690	10412	11151	15746
Cash & bank balance	1368	434	700	931	1005	2053
Other Current Assets	4772	6431	5991	9482	10146	13693
Current liabilities & Provision	2105	1934	2464	3453	3423	5612
Net current assets	4035	4931	4226	6960	7727	10133
Misc. exp	0	0	0	0	0	0
Total Assets	9207	12753	15739	20563	22949	26763

Cash Flow

Y/E Mar (Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20
Opening Cash	386	417	414	658	906	952
Net Cash from Operations	2,794	3,262	6,093	2,811	3,745	4,568
Net Cash Used in Investing	-1,584	-2,091	-3,831	-2,561	-2,228	-2,244
Net Cash Used in Financing	-1,052	-1,173	-2,018	-2	-1,475	-1,286
Net Inc/(Dec) in Cash	159	-2	244	248	43	1,037
Closing Cash	545	414	658	906	949	1,989

Key Ratios

Profitability (%)	FY15	FY16	FY17	FY18	FY19	FY20
EBITDA Margin	33.7	33.6	34.6	31.0	27.6	26.3
EBIT Margin	30.2	31.0	31.5	28.2	24.1	22.6
Effective Tax Rate	32.0	25.6	21.8	24.7	24.8	29.6
Net Margin	21.4	23.8	25.7	22.0	18.8	18.2
ROCE	48.3	49.4	43.9	33.0	22.7	23.5
ROE	37.4	41.0	37.0	26.0	18.1	19.4
RoIC	65.8	67.4	64.4	43.8	27.1	26.8

Per Share Data (Rs)	FY15	FY16	FY17	FY18	FY19	FY20
EPS	36.2	47.9	58.6	53.9	44.5	54.1
CEPS	42.1	53.0	65.6	60.7	52.8	65.1
BVPS	96.7	136.9	180.2	234.6	258.1	298.7
DPS		8.0	13.0	0.0	9.0	13.0

Valuations (x)	FY15	FY16	FY17	FY18	FY19	FY20
PER	45.8	34.6	28.3	30.8	37.3	30.7
P/CEPS	39.4	31.3	25.3	27.3	31.4	25.5
P/BV	17.1	12.1	9.2	7.1	6.4	5.6
EV / Sales	9.7	8.2	7.2	6.7	7.0	5.5
EV / EBITDA	28.9	24.6	20.7	21.5	25.3	20.9
Dividend Yield (%)	0.0	0.5	0.8	0.0	0.5	0.8

Gearing Ratio (x)	FY15	FY16	FY17	FY18	FY19	FY20
Net Debt/ Equity	-0.1	0.0	-0.2	-0.1	-0.1	-0.1
Net Debt/EBIDTA	-0.2	-0.1	-0.4	-0.4	-0.3	-0.4
Working Cap Cycle (days)	66.1	93.8	64.9	103.5	119.4	114.0

Growth (%)	FY15	FY16	FY17	FY18	FY19	FY20
Revenue	0.0	18.7	13.4	7.2	-3.3	25.9
EBITDA	0.0	18.2	17.0	-4.1	-14.0	19.9
EBIT	0.0	21.9	15.3	-4.3	-17.4	18.1
PAT	0.0	32.4	22.3	-8.1	-17.4	21.5

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	6,119	6,428	6,512	6,820	6,682
EBITDA	1,684	1,766	1,856	1,488	2,232
EBITDA Margin (%)	27.5	27.5	28.5	21.8	33.4
PAT	1,146	1,171	1,078	1,310	1,478
EPS (Rs)	13.2	13.5	12.4	15.1	17.0

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	70.5	70.5	70.5	70.5	70.5
FII	9.5	7.7	7.9	8.9	8.2
DII	10.0	11.8	11.6	10.6	11.0
Public and Others	10.0	10.0	10.0	10.0	10.2

Aurobindo Pharma

Refer to important disclosures at the end of this report

US business likely to rebound from H2FY21

CMP: Rs 863
as of (August 17, 2020)TP: Rs 1,000 (■)
12 months

Rating: BUY (■)

We hosted Mr. Santhanam Subramanian, CFO, and Mr. Krishna Kiran, Investor Relations

Key Meeting Takeaways

- GMs fell in Q1FY21 on account of lower injectable sales (-20% qoq) and higher ARV sales (lower GM drugs).
- ARBP has guided for 50+ launches in the current fiscal. Of this, 30 will be oral Solids, 4-5 OTC products and the rest will be injectables. Price erosion in the portfolio is negligible.
- Apotex integration in EU is complete but synergy benefits will start reflecting now.
- It has a strong pipeline of injectables as 59 are pending for approval.
- On the regulatory front, ARBP has completed all CAPAs related to Unit-1, 9 & 11 and is awaiting inspection.
- R&D as % of sales stands at 4.5%. Of this, ~1.5% is in the specialty segment.
- Eugia (oncology, hormones & immune suppressants) filed 12 ANDAs (9 injectable) in the US and 11 dossiers for other markets in FY20. The facility was commercialized in FY20. Eugia is expected to file Oncology and Hormonal drugs in EU in FY21.
- Couple of Biosimilar products should come next year. It will launch in EU first. Currently, the company is working on 14 biosimilars.
- In Inhalers, ARBP has filed for 1 product and is working on 7 more inhalers – five MDIs and two DPIs. Early next year, it expects to launch one more inhaler after which it will file one or two inhalers annually.
- In Nasals, it received first USFDA approval in May'20. Apart from this, the company is working on five more products of which filing for one has already been done. The current market size for products under development stand at USD1.3bn.
- ARBP is also working on three depot injections. Clinical trials for first injection will begin in Q3FY21. The filing will be done one year later. The market size of products is USD3.3bn.
- On vaccines, ARBP is working on PCV vaccine (USD6.2bn market size) and has successfully completed phase-1 and phase-2 trials. Phase-3 trials will start in Dec'20. The final product is expected to be launched in FY22.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net Sales	1,95,635	2,30,985	2,50,178	2,71,116	2,89,410
EBITDA	40,012	48,643	52,521	56,566	60,439
EBITDA Margin (%)	20.5	21.1	21.0	20.9	20.9
APAT	25,423	28,558	32,260	34,185	36,421
EPS (Rs)	43.4	48.7	55.1	58.3	62.2
EPS (% chg)	0.8	12.3	13.0	6.0	6.5
ROE (%)	19.9	18.8	17.9	16.2	14.9
P/E (x)	19.9	17.7	15.7	14.8	13.9
EV/EBITDA (x)	13.8	11.0	10.0	8.9	7.9
P/BV (x)	3.6	3.1	2.6	2.2	1.9

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	55.1	58.3
Consensus	55.2	60.8
Mean Consensus TP (12M)	Rs 934	

Stock Details

Bloomberg Code	ARBP IN
Face Value (Rs)	1
Shares outstanding (mn)	586
52 Week H/L	968 / 281
M Cap (Rs bn/USD bn)	506 / 6.75
Daily Avg Volume (nos.)	51,36,253
Daily Avg Turnover (US\$ mn)	54.7

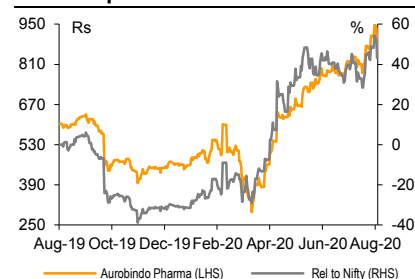
Shareholding Pattern Jun '20

Promoters	52.0%
FIIIs	22.6%
DIIIs	12.6%
Public and Others	12.8%

Price Performance

(%)	1M	3M	6M	12M
Absolute	3	30	75	43
Rel. to Nifty	-	5	87	41

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net Sales	1,95,635	2,30,985	2,50,178	2,71,116	2,89,410
Expenditure	1,55,624	1,82,342	1,97,657	2,14,550	2,28,971
EBITDA	40,012	48,643	52,521	56,566	60,439
Depreciation	6,680	9,667	10,612	11,802	12,992
EBIT	33,332	38,976	41,909	44,764	47,447
Other Income	957	727	1,569	1,723	1,922
Interest expenses	1,627	1,860	1,083	986	888
PBT	32,662	37,843	42,394	45,501	48,481
Tax	7,269	9,135	10,175	11,375	12,120
Extraordinary Items	(2,466)	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	22,957	28,558	32,260	34,185	36,421
Adjusted PAT	25,423	28,558	32,260	34,185	36,421

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	586	586	586	586	586
Reserves & surplus	1,38,322	1,64,885	1,94,891	2,26,689	2,60,566
Net worth	1,38,908	1,65,471	1,95,477	2,27,275	2,61,152
Minority Interest	16	166	126	66	6
Loan Funds	67,532	78,732	72,232	65,732	59,232
Net deferred tax liability	(401)	(401)	(401)	(401)	(401)
Total Liabilities	2,06,054	2,43,968	2,67,434	2,92,672	3,19,989
Net block	76,423	80,756	84,145	86,343	87,351
Investment	5,281	5,281	5,281	5,281	5,281
Current Assets	1,54,615	1,99,622	2,23,105	2,49,862	2,79,480
Cash & bank balance	18,861	45,034	51,502	65,220	83,446
Other Current Assets	15,975	20,427	20,811	21,230	21,596
Current liabilities & Provision	55,275	66,702	70,107	73,824	77,134
Net current assets	99,340	1,32,921	1,52,999	1,76,038	2,02,347
Misc. exp	0	0	0	0	0
Total Assets	2,06,054	2,43,968	2,67,434	2,92,672	3,19,989

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	31,706	37,116	40,826	43,778	46,559
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(18,097)	(7,407)	(13,610)	(9,322)	(8,082)
Operating Cashflow	16,220	32,101	28,737	35,869	40,236
Capital expenditure	(26,916)	(14,000)	(14,000)	(14,000)	(14,000)
Free Cash Flow	(10,696)	18,101	14,737	21,869	26,236
Investments	387	0	0	0	0
Other Investing Cash Flow	(3,196)	0	0	0	0
Investing Cashflow	(28,768)	(13,273)	(12,431)	(12,277)	(12,078)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	22,706	11,200	(6,500)	(6,500)	(6,500)
Dividend paid (incl tax)	(1,377)	(1,995)	(2,253)	(2,388)	(2,544)
Other Financing Cash Flow	(512)	0	0	0	0
Financing Cashflow	19,191	7,346	(9,837)	(9,874)	(9,932)
Net chg in cash	6,643	26,173	6,469	13,717	18,226
Opening cash position	12,099	18,861	45,034	51,502	65,220
Closing cash position	18,742	45,034	51,502	65,220	83,446

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	20.5	21.1	21.0	20.9	20.9
EBIT Margin	17.0	16.9	16.8	16.5	16.4
Effective Tax Rate	22.3	24.1	24.0	25.0	25.0
Net Margin	13.0	12.4	12.9	12.6	12.6
ROCE	18.7	17.6	17.0	16.6	16.1
ROE	19.9	18.8	17.9	16.2	14.9
RoIC	24.1	23.9	23.7	23.4	23.5

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	43.4	48.7	55.1	58.3	62.2
CEPS	54.8	65.2	73.2	78.5	84.3
BVPS	237.1	282.4	333.7	387.9	445.8
DPS	2.7	3.4	3.8	4.1	4.3

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	19.9	17.7	15.7	14.8	13.9
P/CEPS	16.1	13.5	12.0	11.2	10.4
P/BV	3.6	3.1	2.6	2.2	1.9
EV / Sales	2.8	2.3	2.1	1.9	1.7
EV / EBITDA	13.8	11.0	10.0	8.9	7.9
Dividend Yield (%)	0.3	0.4	0.4	0.5	0.5

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	0.3	0.2	0.1	0.0	(0.1)
Net Debt/EBIDTA	1.1	0.6	0.3	(0.1)	(0.5)
Working Cap Cycle (days)	150.2	138.9	148.1	149.2	150.0

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	18.6	18.1	8.3	8.4	6.7
EBITDA	5.1	21.6	8.0	7.7	6.8
EBIT	2.6	16.9	7.5	6.8	6.0
PAT	(5.3)	24.4	13.0	6.0	6.5

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	54,446	56,005	58,950	61,584	59,248
EBITDA	11,464	11,675	12,080	13,424	12,574
EBITDA Margin (%)	21.1	20.8	20.5	21.8	21.2
PAT	6,358	6,395	7,053	8,490	7,807
EPS (Rs)	10.9	10.9	12.1	14.5	13.3

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	51.9	51.9	51.9	52.0	52.0
FII	22.0	22.0	21.4	22.3	22.6
DII	13.3	13.0	13.2	12.6	12.6
Public and Others	12.9	13.2	13.5	13.2	12.8

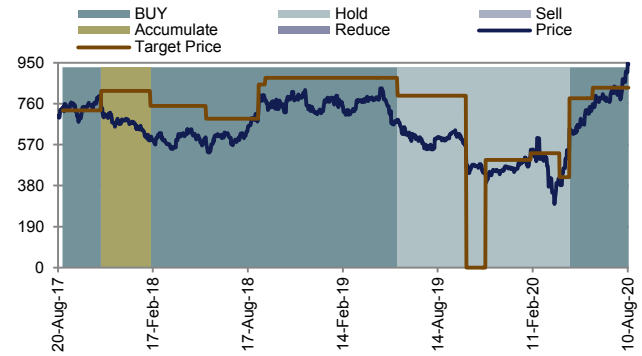
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
13-Aug-20	881	1,000	12m	Buy	Praful Bohra
04-Jun-20	759	835	12m	Buy	Praful Bohra
21-Apr-20	644	786	12m	Buy	Praful Bohra
08-Apr-20	438	420	12m	Hold	Praful Bohra
02-Apr-20	392	420	12m	Hold	Praful Bohra
20-Feb-20	600	530	12m	Hold	Praful Bohra
19-Feb-20	602	530	12m	Hold	Praful Bohra
07-Feb-20	547	530	12m	Hold	Praful Bohra
30-Jan-20	480	500	12m	Hold	Praful Bohra
16-Dec-19	455	500	12m	Hold	Praful Bohra
14-Nov-19	396	500	12m	Hold	Praful Bohra
14-Nov-19	396	500	12m	Hold	Praful Bohra
13-Nov-19	434	500	12m	Hold	Praful Bohra
07-Oct-19	460	-	12m	Hold	Praful Bohra
19-Aug-19	604	798	12m	Hold	Praful Bohra
09-Aug-19	599	798	12m	Hold	Praful Bohra
29-May-19	687	798	12m	Hold	Praful Bohra
12-Nov-18	796	880	12m	Buy	Jatin Kotian
19-Sep-18	776	880	12m	Buy	Jatin Kotian
06-Sep-18	759	850	12m	Buy	Jatin Kotian
03-Sep-18	700	690	12m	Buy	Jatin Kotian
13-Aug-18	619	690	12m	Buy	Jatin Kotian
11-Jul-18	609	690	12m	Buy	Jatin Kotian
10-Jul-18	617	690	12m	Buy	Jatin Kotian
29-Jun-18	607	690	12m	Buy	Jatin Kotian
29-May-18	579	690	12m	Buy	Jatin Kotian
10-May-18	594	750	12m	Buy	Jatin Kotian
26-Apr-18	629	750	12m	Buy	Jatin Kotian
12-Feb-18	607	750	12m	Buy	Jatin Kotian
10-Nov-17	740	820	12m	Accumulate	Jatin Kotian
11-Sep-17	742	730	12m	Buy	Jatin Kotian
29-Aug-17	731	730	12m	Buy	Jatin Kotian

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Granules India

Refer to important disclosures at the end of this report

In a sweet spot

CMP: Rs 309
as of (August 17, 2020)TP: Rs 340 (■)
12 months

Rating: BUY (■)

We hosted Mr. Krishna Prasad Chirugupati, Chairman & MD

Key Meeting Takeaways

- Key growth drivers for the company will be geographical expansion. Currently 80% of FD sales are in US. GRAN will be filing dossiers in EU, Canada, SA and Australia.
- GRAN has started investing in new facilities as they anticipate capacity constraints going ahead (100%+ capacity utilization by end of year). There has been demand shift from China as buyers are shifting to India in lieu of secure and timely supplies.
- The company's focus has shifted to high-volume low-value products to mid-volume, mid-high value products to enhance profitability.
- Increase in R&D spends as % of sales is at least three years away for the company. GRAN wants to focus on qualitative filings rather than quantitative. It will file only for 5-6 ANDAs each year. These products will have a long life cycle and high value with little competition.
- The company is investing Rs4bn in FY21 and Rs2bn in FY22 on new formulations and API capacities. With increased sales in US, GRAN also expects WC requirements to go up. In spite of this, the company expects to be cash neutral for this year. No external long-term borrowings will be required to fund capex.
- API capacities payback period will be less than one year, while for formulations facility, it will be ~30 months.
- The company believes that 59% GMs reported for Q1FY21 are not sustainable. But GMs ~55-56% can be achieved on a continued basis.
- GRAN feels that the new PLI scheme is a step in the right direction from the govt. but still needs a lot of tweaking as Incentives provided can be easily be negated by Chinese manufacturers.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net Sales	22,792	25,986	30,144	34,666	39,866
EBITDA	3,840	5,254	7,235	8,424	9,807
EBITDA Margin (%)	16.8	20.2	24.0	24.3	24.6
APAT	2,364	3,077	4,201	5,023	5,950
EPS (Rs)	9.3	12.3	17.0	20.3	24.1
EPS (% chg)	78.0	32.5	37.9	19.6	18.5
ROE (%)	16.7	18.3	21.6	22.1	21.5
P/E (x)	33.3	25.1	18.2	15.2	12.9
EV/EBITDA (x)	22.3	15.9	11.3	9.5	7.9
P/BV (x)	5.1	4.3	3.7	3.1	2.5

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	17.0	20.3
Consensus	17.1	20.4
Mean Consensus TP (12M)	Rs 316	

Stock Details

Bloomberg Code	GRAN IN
Face Value (Rs)	1
Shares outstanding (mn)	247
52 Week H/L	336 / 86
M Cap (Rs bn/USD bn)	77 / 1.02
Daily Avg Volume (nos.)	46,54,696
Daily Avg Turnover (US\$ mn)	15.3

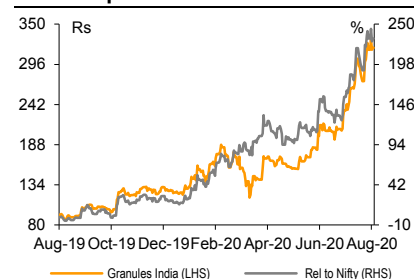
Shareholding Pattern Jun '20

Promoters	42.1%
FIIIs	23.0%
DIIIs	3.2%
Public and Others	31.7%

Price Performance

(%)	1M	3M	6M	12M
Absolute	17	99	77	229
Rel. to Nifty	14	62	89	224

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net Sales	22,792	25,986	30,144	34,666	39,866
Expenditure	18,952	20,733	22,910	26,242	30,059
EBITDA	3,840	5,254	7,235	8,424	9,807
Depreciation	1,055	1,369	1,598	1,838	2,078
EBIT	2,786	3,884	5,636	6,586	7,729
Other Income	267	365	269	302	332
Interest expenses	285	270	228	190	128
PBT	2,768	3,980	5,677	6,697	7,933
Tax	891	1,157	1,476	1,674	1,983
Extraordinary Items	0	277	0	0	0
Minority Int./Income from Assoc.	487	255	0	0	0
Reported Net Income	2,364	3,355	4,201	5,023	5,950
Adjusted PAT	2,364	3,077	4,201	5,023	5,950

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	254	254	247	247	247
Reserves & surplus	15,041	18,090	20,295	24,725	30,082
Net worth	15,295	18,344	20,543	24,972	30,329
Minority Interest	0	0	0	0	0
Loan Funds	9,912	9,912	9,112	7,612	5,112
Net deferred tax liability	613	613	613	613	613
Total Liabilities	25,945	28,995	30,393	33,322	36,179
Net block	9,442	9,573	11,725	12,886	13,808
Investment	2,561	2,561	2,561	2,561	2,561
Current Assets	12,822	16,202	16,049	18,469	21,154
Cash & bank balance	890	3,063	1,480	1,918	2,324
Other Current Assets	0	0	0	0	0
Current liabilities & Provision	3,841	4,302	4,902	5,554	6,304
Net current assets	8,982	11,901	11,147	12,915	14,850
Misc. exp	0	0	0	0	0
Total Assets	25,945	28,995	30,393	33,322	36,179

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	2,501	3,869	5,409	6,395	7,601
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(569)	(747)	(829)	(1,330)	(1,529)
Operating Cashflow	2,622	3,882	4,929	5,420	6,295
Capital expenditure	(2,544)	(1,500)	(3,750)	(3,000)	(3,000)
Free Cash Flow	78	2,382	1,179	2,420	3,295
Investments	(637)	0	0	0	0
Other Investing Cash Flow	216	0	0	0	0
Investing Cashflow	(2,698)	(1,135)	(3,481)	(2,698)	(2,668)
Equity Capital Raised	10	0	(7)	0	0
Loans Taken / (Repaid)	127	0	(800)	(1,500)	(2,500)
Dividend paid (incl tax)	(443)	(305)	(593)	(593)	(593)
Other Financing Cash Flow	312	0	0	0	0
Financing Cashflow	(278)	(575)	(1,628)	(2,283)	(3,221)
Net chg in cash	(353)	2,172	(180)	438	406
Opening cash position	1,244	890	3,063	1,480	1,918
Closing cash position	890	3,063	1,480	1,918	2,324

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	16.8	20.2	24.0	24.3	24.6
EBIT Margin	12.2	14.9	18.7	19.0	19.4
Effective Tax Rate	32.2	29.1	26.0	25.0	25.0
Net Margin	8.2	10.9	13.9	14.5	14.9
ROCE	12.4	15.5	20.0	21.7	23.3
ROE	16.7	18.3	21.6	22.1	21.5
RoIC	17.0	21.6	28.3	29.1	30.8

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	9.3	12.3	17.0	20.3	24.1
CEPS	13.4	17.5	23.5	27.8	32.5
BVPS	60.2	72.2	83.1	101.0	122.7
DPS	1.2	1.2	2.4	2.4	2.4

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	33.3	25.1	18.2	15.2	12.9
P/CEPS	19.6	15.1	11.3	9.5	8.1
P/BV	5.1	4.3	3.7	3.1	2.5
EV / Sales	3.8	3.2	2.7	2.3	1.9
EV / EBITDA	22.3	15.9	11.3	9.5	7.9
Dividend Yield (%)	0.4	0.4	0.8	0.8	0.8

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	0.5	0.3	0.3	0.1	0.0
Net Debt/EBIDTA	1.8	0.9	0.8	0.4	0.1
Working Cap Cycle (days)	129.6	124.1	117.0	115.8	114.7

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	34.7	14.0	16.0	15.0	15.0
EBITDA	37.9	36.8	37.7	16.4	16.4
EBIT	37.7	39.4	45.1	16.8	17.4
PAT	78.3	41.9	25.2	19.6	18.5

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	5,953	6,995	7,040	5,999	7,356
EBITDA	1,186	1,436	1,632	999	1,836
EBITDA Margin (%)	19.9	20.5	23.2	16.7	25.0
PAT	833	958	640	923	1,115
EPS (Rs)	3.3	3.8	2.5	3.6	4.4

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	42.9	42.9	42.9	42.9	42.1
FIIIs	13.9	14.4	17.7	21.7	23.0
DIIIs	3.1	3.3	3.2	3.0	3.2
Public and Others	40.1	39.4	36.1	32.4	31.7

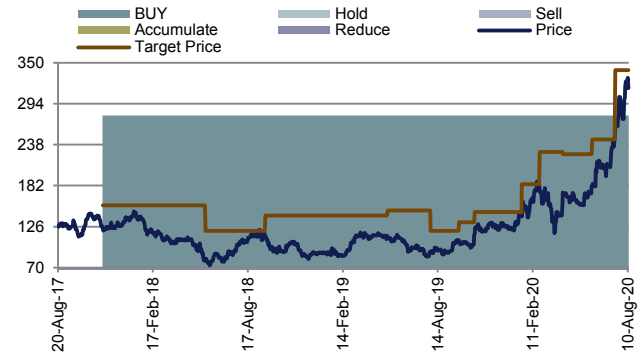
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
17-Jul-20	264	340	12m	Buy	Praful Bohra
03-Jun-20	181	245	12m	Buy	Praful Bohra
08-Apr-20	173	225	12m	Buy	Praful Bohra
27-Mar-20	146	228	12m	Buy	Praful Bohra
24-Feb-20	174	228	12m	Buy	Praful Bohra
21-Jan-20	140	184	12m	Buy	Praful Bohra
16-Dec-19	131	146	12m	Buy	Praful Bohra
14-Nov-19	124	146	12m	Buy	Praful Bohra
23-Oct-19	116	146	12m	Buy	Praful Bohra
23-Sep-19	107	132	12m	Buy	Praful Bohra
17-Sep-19	104	120	12m	Buy	Praful Bohra
19-Aug-19	95	120	12m	Buy	Praful Bohra
31-Jul-19	91	120	12m	Buy	Praful Bohra
10-May-19	110	148	12m	Buy	Praful Bohra
31-Oct-18	99	141	12m	Buy	Jatin Kotian
19-Sep-18	112	141	12m	Buy	Jatin Kotian
25-Jul-18	94	120	12m	Buy	Jatin Kotian
11-Jul-18	91	120	12m	Buy	Jatin Kotian
10-Jul-18	92	120	12m	Buy	Jatin Kotian
29-Jun-18	81	120	12m	Buy	Jatin Kotian
28-May-18	80	120	12m	Buy	Jatin Kotian
26-Apr-18	108	155	12m	Buy	Jatin Kotian
13-Nov-17	123	155	12m	Buy	Jatin Kotian

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Indoco Remedies

Refer to important disclosures at the end of this report

Gearing up

CMP: Rs 255
as of (August 17, 2020)

TP: NA
12 months

Rating: NOT RATED

We hosted Ms Aditi Kare, MD; Mr Sandeep Bhambolkar, Joint MD; and Mr Vilas Nagare, President, Corporate Affairs and M&A

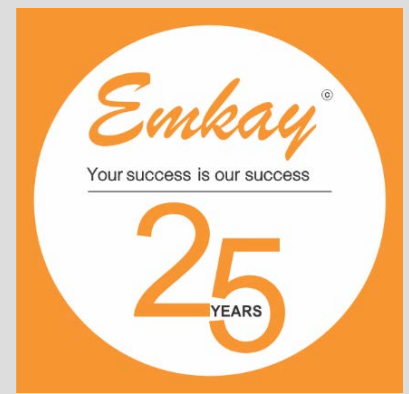
Key Meeting Takeaways

- The domestic business was bogged down by the lockdown, which led to lower footfalls in hospitals and clinics. Indoco expects things to gradually normalize from Q2 onwards.
- MR productivity currently stands at Rs2.5L/month and can go up to Rs3.5L/month going ahead.
- Portfolio under NLEM is 9.5% in the domestic business. The company takes price hikes in the range of 4%-5% annually.
- US is gaining momentum for the company as they have already launched four injectables and plans to launch three more before Mar'21. Indoco also has 15 ophthalmic filings. Indoco believes that with these approvals, they can deliver strong numbers going ahead.
- Brinzolamide is likely to have limited competition. So far, there are no known filers but there is no immediate threat as even if any competitor files now, approval will take at least 1.5 years to come. Brinzolamide's market size is USD200mn in US.
- Barring Goa unit-1, which is under the warning letter, all other regulatory hurdles are behind. Unit-1 is supplying one product to US, which remains undisrupted and has 4 ANDA filings. The company is shifting all drugs for EU to the Baddi plant so that US can be scaled up from Goa facilities I, II, III.
- Indoco expects to reach ~Rs1.5bn annual sales in the US market in FY21 and keep growing strongly from there on.
- Remediation cost for last two years stood at Rs100mn each. However, this cost will come down to Rs50mn as only one plant is under regulatory scanner.
- Indoco expects the working capital cycle to inch up, with a ramp-up in US revenues.

Financial Snapshot (Consolidated)

(Rs mn)	FY15	FY16	FY17	FY18	FY19
Net Sales	8570	10081	10748	10419	9685
EBITDA	1655	1704	1565	1349	767
EBITDA Margin (%)	19.3	16.9	14.6	12.9	7.9
APAT	828	822	766	400	-27
EPS (Rs)	9.0	8.9	8.3	4.3	-
EPS (% chg)	-	-0.8	-6.8	-47.8	-
ROE (%)	16.0	15.0	12.5	6.0	-
P/E (x)	28.3	28.6	30.6	58.7	-
EV/EBITDA (x)	14.7	14.5	16.4	19.4	34.1
P/BV (x)	4.5	4.1	3.6	3.5	3.6

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	NA
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	INDR IN
Face Value (Rs)	2
Shares outstanding (mn)	92
52 Week H/L	285/132
M Cap (Rs bn/USD bn)	24/0.3
Daily Avg Volume (nos.)	181481.0
Daily Avg Turnover (US\$ mn)	0.6

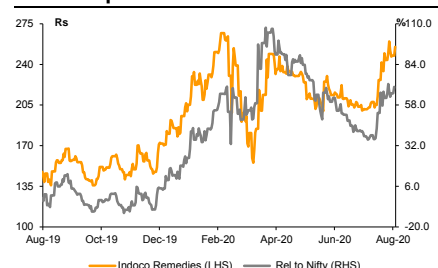
Shareholding Pattern Jun'20

Promoters	58.7%
FIIIs	2.0%
DIIIs	14.6%
Public and Others	24.8%

Price Performance

(%)	1M	3M	6M	12M
Absolute	28	11	9	71
Rel. to Nifty	22	-9	18	68

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY15	FY16	FY17	FY18	FY19
Net Sales	8570	10081	10748	10419	9685
Expenditure	7107	8488	9199	9037	8785
EBITDA	1655	1704	1565	1349	767
Depreciation	471	607	633	677	716
EBIT	1184	1098	932	672	51
Other Income	17	16	40	47	62
Interest expenses	106	124	62	235	205
PBT	1095	989	909	484	-93
Tax	267	170	139	72	-64
Extraordinary Items	0	-2	5	12	-2
Minority Int. /Income from Assoc.	0	0	0	0	0
Reported Net Income	828	819	771	412	-29
Adjusted PAT	828	822	766	400	-27

Balance Sheet

Y/E Mar (Rs mn)	FY15	FY16	FY17	FY18	FY19
Equity share capital	184	184	184	184	184
Reserves & surplus	5004	5581	6329	6566	6422
Net worth	5188	5765	6513	6750	6606
Minority Interest	0	0	0	0	0
Loan Funds	966	1398	2795	2820	2963
Net deferred tax liability	-271	219	276	313	355
Total Liabilities	6401	7396	9536	9793	9802
Net block	3398	3736	4399	4889	4677
Investment	2	157	0	0	0
Current Assets	3854	4489	5721	5390	5381
Cash & bank balance	154	126	626	119	363
Other Current Assets	3700	4362	5095	5271	5018
Current liabilities & Provision	1784	2010	2432	2586	2779
Net current assets	2069	2479	3289	2803	2602
Misc. exp	0	0	0	0	0
Total Assets	6401	7396	9536	9793	9802

Cash Flow

Y/E Mar (Rs mn)	FY15	FY16	FY17	FY18	FY19
Opening Cash	98	105	104	601	86
Net Cash from Operations	1,090	1,122	886	1,227	1,321
Net Cash Used in Investing	-884	-1,107	-1,706	-1,354	-1,038
Net Cash Used in Financing	-199	-16	1,316	-388	-161
Net Inc/(Dec) in Cash	7	-1	497	-515	122
Closing Cash	105	104	601	86	208

Key Ratios

Profitability (%)	FY15	FY16	FY17	FY18	FY19
EBITDA Margin	19.3	16.9	14.6	12.9	7.9
EBIT Margin	13.8	10.9	8.7	6.5	0.5
Effective Tax Rate	24.4	17.2	15.3	14.9	-
Net Margin	9.7	8.1	7.1	3.8	-0.3
ROCE	18.5	15.9	11.0	7.0	0.5
ROE	16.0	15.0	12.5	6.0	-
RoIC	22.8	18.9	12.9	8.4	0.6

Per Share Data (Rs)	FY15	FY16	FY17	FY18	FY19
EPS	9.0	8.9	8.3	4.3	
CEPS	14.1	15.5	15.2	11.7	7.5
BVPS	56.4	62.7	70.8	73.4	71.8
DPS		1.6	1.6	1.0	0.3

Valuations (x)	FY15	FY16	FY17	FY18	FY19
PER	28.3	28.6	30.6	58.7	-
P/CEPS	18.1	16.4	16.8	21.8	34.1
P/BV	4.5	4.1	3.6	3.5	3.6
EV / Sales	2.8	2.4	2.4	2.5	2.7
EV / EBITDA	14.7	14.5	16.4	19.4	34.1
Dividend Yield (%)	0.0	0.6	0.6	0.4	0.1

Gearing Ratio (x)	FY15	FY16	FY17	FY18	FY19
Net Debt/ Equity	0.2	0.2	0.3	0.4	0.4
Net Debt/EBIDTA	0.5	0.7	1.4	2.0	3.4
Working Cap Cycle (days)	81.6	85.2	90.4	94.0	84.4

Growth (%)	FY15	FY16	FY17	FY18	FY19
Revenue	0.0	17.6	6.6	-3.1	-7.1
EBITDA	0.0	3.0	-8.2	-13.8	-43.2
EBIT	0.0	-7.3	-15.1	-27.9	-92.4
PAT	0.0	-0.8	-6.8	-47.8	-

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Revenue	2,472	2,862	2,835	2,631
EBITDA	224	326	349	333
EBITDA Margin (%)	9.1	11.4	12.3	12.7
PAT	19	78	91	54
EPS (Rs)	0.2	0.8	1.0	0.6

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20
Promoters	58.7	58.7	58.7	58.7
FII	2.1	2.1	2.0	2.0
DII	15.2	14.8	15.2	15.6
Public and Others	24.0	24.5	24.1	23.8

Lupin

Refer to important disclosures at the end of this report

US business to see good traction from Q3 onwards

CMP: Rs 982
as of (August 17, 2020)

TP: Rs 905 (■)
12 months

Rating: HOLD (■)

We hosted Mr. Arvind Bothra, Head – Investor Relations and M&A/Corporate Communications

Key Meeting Takeaways

- The domestic business was hit by Covid-19. July was better than June but August again saw lockdowns in some parts of the country. For full year, LPC expects growth to be in the range of 5%-6%. MR productivity currently stands at Rs7L/month.
- Solosec ramp-up has been slower than expected. This was Lupin's first try at the Specialty segment and have not got desired results so far. LPC tried changing the strategy but was hit by Covid-19. The product still has eight years of exclusivity.
- ProAir approval should come in the next quarter. Ramp-up in Levo, relaunch of Glumetza and ProAir should contribute meaningfully to US sales Q3 onwards. However, ProAir will be a phased ramp-up. LPC expects to take 15-20% market share in the 60m units market. Pricing has been good for the product.
- Regarding metformin recall, the company expects a re-launch in Sep'20. LPC expects to get back to at least 30% market share.
- 10 out of last 11 inspections for the company were successfully completed. Remediation cost on 4 facilities under USFDA scanner should come off by USD4-5mn on an annualized basis.
- The company expects to break-even in the specialty segment by next year.
- Scale up of US business, rectification on the compliance front and cost rationalization are three main focus areas for the company.
- Capex guidance stands at Rs8-9bn for FY21. LPC is building Biosimilar capacities and investing in respiratory facilities to meet future demand.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net Sales	1,67,182	1,53,748	1,57,498	1,78,444	1,88,947
EBITDA	28,822	23,548	25,681	32,214	34,306
EBITDA Margin (%)	17.2	15.3	16.3	18.1	18.2
APAT	9,465	3,522	11,701	16,329	17,567
EPS (Rs)	19.4	23.1	25.8	36.0	38.8
EPS (% chg)	(38.3)	19.1	11.7	39.5	7.6
ROE (%)	6.9	8.0	9.0	11.5	11.2
P/E (x)	50.6	42.4	38.0	27.2	25.3
EV/EBITDA (x)	17.2	18.7	16.6	13.0	11.9
P/BV (x)	3.2	3.5	3.3	3.0	2.7

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	25.8	36.0
Consensus	25.7	37.6
Mean Consensus TP (12M)	Rs 872	

Stock Details

Bloomberg Code	LPC IN
Face Value (Rs)	2
Shares outstanding (mn)	453
52 Week H/L	1,035 / 505
M Cap (Rs bn/USD bn)	445 / 5.95
Daily Avg Volume (nos.)	38,72,938
Daily Avg Turnover (US\$ mn)	47.4

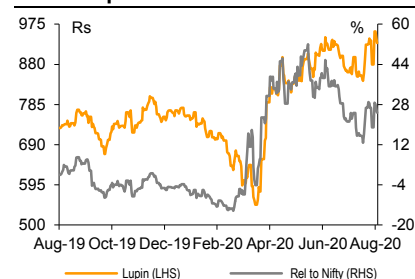
Shareholding Pattern Jun '20

Promoters	46.9%
FIIIs	21.3%
DIIIs	18.6%
Public and Others	13.2%

Price Performance

(%)	1M	3M	6M	12M
Absolute	9	15	39	35
Rel. to Nifty	5	(11)	46	31

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net Sales	1,67,182	1,53,748	1,57,498	1,78,444	1,88,947
Expenditure	1,38,360	1,30,200	1,31,817	1,46,230	1,54,641
EBITDA	28,822	23,548	25,681	32,214	34,306
Depreciation	10,850	9,702	8,916	9,336	9,756
EBIT	17,972	13,846	16,765	22,878	24,550
Other Income	3,640	4,838	3,937	4,461	4,724
Interest expenses	3,078	3,630	1,693	1,693	1,693
PBT	18,534	15,054	19,010	25,647	27,581
Tax	9,017	11,571	7,224	9,233	9,929
Extraordinary Items	(3,400)	(7,521)	0	0	0
Minority Int./Income from Assoc.	38	0	47	47	47
Reported Net Income	6,066	(3,999)	11,701	16,329	17,567
Adjusted PAT	9,465	3,522	11,701	16,329	17,567

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	905	906	906	906	906
Reserves & surplus	1,36,517	1,24,461	1,33,897	1,47,961	1,63,262
Net worth	1,37,422	1,25,367	1,34,803	1,48,867	1,64,168
Minority Interest	469	445	445	445	445
Loan Funds	84,962	42,860	42,860	42,860	42,860
Net deferred tax liability	(4,457)	1,643	1,643	1,643	1,643
Total Liabilities	2,29,399	1,79,198	1,88,634	2,02,698	2,18,000
Net block	1,10,867	79,381	77,465	75,129	72,372
Investment	27,452	26,907	26,907	26,907	26,907
Current Assets	1,17,437	1,30,920	1,41,532	1,61,042	1,80,659
Cash & bank balance	9,872	24,543	38,420	44,216	56,958
Other Current Assets	6,965	16,502	15,996	18,123	19,190
Current liabilities & Provision	42,754	67,405	66,665	69,775	71,334
Net current assets	74,683	63,515	74,867	91,267	1,09,325
Misc. exp	0	0	0	0	0
Total Assets	2,29,399	1,79,198	1,88,634	2,02,698	2,18,000

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	14,894	10,216	15,073	21,186	22,857
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(1,406)	31,939	2,524	(10,603)	(5,317)
Operating Cashflow	16,659	44,150	20,897	12,293	18,975
Capital expenditure	(8,512)	28,785	(7,000)	(7,000)	(7,000)
Free Cash Flow	8,147	72,935	13,897	5,293	11,975
Investments	(20,913)	546	0	0	0
Other Investing Cash Flow	(7,040)	0	0	0	0
Investing Cashflow	(32,825)	34,168	(3,063)	(2,539)	(2,276)
Equity Capital Raised	516	532	0	0	0
Loans Taken / (Repaid)	13,534	(42,101)	0	0	0
Dividend paid (incl tax)	(2,728)	(2,265)	(2,265)	(2,265)	(2,265)
Other Financing Cash Flow	(802)	0	0	0	0
Financing Cashflow	7,441	(47,464)	(3,958)	(3,958)	(3,958)
Net chg in cash	(8,724)	30,854	13,877	5,797	12,741
Opening cash position	14,164	5,440	36,294	50,170	55,967
Closing cash position	9,872	24,543	38,420	44,216	56,958

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	17.2	15.3	16.3	18.1	18.2
EBIT Margin	10.8	9.0	10.6	12.8	13.0
Effective Tax Rate	48.7	76.9	38.0	36.0	36.0
Net Margin	5.7	2.3	7.5	9.2	9.3
ROCE	10.3	9.6	11.8	14.6	14.5
ROE	6.9	8.0	9.0	11.5	11.2
RoIC	10.5	9.4	14.4	19.4	19.9

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	19.4	23.1	25.8	36.0	38.8
CEPS	44.9	29.2	45.5	56.7	60.3
BVPS	303.7	276.7	297.6	328.6	362.4
DPS	7.1	8.2	8.2	8.2	8.2

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	50.6	42.4	38.0	27.2	25.3
P/CEPS	21.9	33.6	21.6	17.3	16.3
P/BV	3.2	3.5	3.3	3.0	2.7
EV / Sales	3.0	2.9	2.7	2.4	2.2
EV / EBITDA	17.2	18.7	16.6	13.0	11.9
Dividend Yield (%)	0.7	0.8	0.8	0.8	0.8

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	0.4	0.0	(0.1)	(0.2)	(0.2)
Net Debt/EBIDTA	1.8	(0.2)	(0.8)	(0.8)	(1.1)
Working Cap Cycle (days)	141.5	92.5	84.5	96.2	101.2

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	5.8	(8.0)	2.4	13.3	5.9
EBITDA	(8.4)	(18.3)	9.1	25.4	6.5
EBIT	(12.8)	(23.0)	21.1	36.5	7.3
PAT	141.4	(165.9)	0.0	39.5	7.6

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	44,184	42,152	37,693	38,457	35,279
EBITDA	8,602	5,865	4,291	5,253	4,881
EBITDA Margin (%)	19.5	13.9	11.4	13.7	13.8
PAT	3,031	(1,270)	(8,739)	3,913	1,087
EPS (Rs)	6.7	(2.8)	(19.3)	8.6	2.4

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	47.0	47.0	46.9	46.9	46.9
FIs	25.2	25.7	24.7	22.7	21.3
DIs	13.1	13.1	14.3	16.3	18.6
Public and Others	14.7	14.3	14.1	14.1	13.2

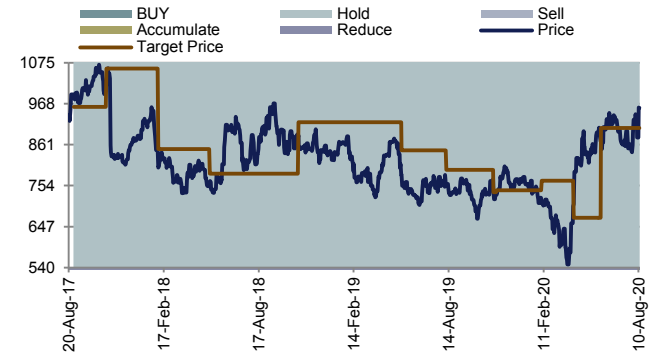
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
08-Aug-20	880	905	12m	Hold	Praful Bohra
30-May-20	870	905	12m	Hold	Praful Bohra
08-Apr-20	706	670	12m	Hold	Praful Bohra
07-Feb-20	708	767	12m	Hold	Praful Bohra
14-Nov-19	738	742	12m	Hold	Praful Bohra
13-Nov-19	730	742	12m	Hold	Praful Bohra
07-Nov-19	737	737	12m	Hold	Praful Bohra
19-Aug-19	732	795	12m	Hold	Praful Bohra
09-Aug-19	759	795	12m	Hold	Praful Bohra
16-May-19	783	846	12m	Hold	Praful Bohra
31-Oct-18	885	920	12m	Hold	Jatin Kotian
19-Sep-18	909	785	12m	Hold	Jatin Kotian
03-Aug-18	886	785	12m	Hold	Jatin Kotian
11-Jul-18	900	785	12m	Hold	Jatin Kotian
10-Jul-18	903	785	12m	Hold	Jatin Kotian
29-Jun-18	904	785	12m	Hold	Jatin Kotian
15-May-18	751	785	12m	Hold	Jatin Kotian
10-May-18	756	850	12m	Hold	Jatin Kotian
26-Apr-18	793	850	12m	Hold	Jatin Kotian
06-Feb-18	801	850	12m	Hold	Jatin Kotian
30-Oct-17	1,026	1,060	12m	Hold	Jatin Kotian
11-Sep-17	977	960	12m	Hold	Jatin Kotian
29-Aug-17	989	960	12m	Hold	Jatin Kotian

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Strides Pharma

Refer to important disclosures at the end of this report

US business on a strong trajectory despite Ranitidine issues

CMP: Rs572
as of (August 17, 2020)

TP: NA
12 months

Rating: NOT RATED

We hosted Mr. Badree Komandur, CFO, and Mr. Sandeep Baid, Head - Investor Relations

Key Meeting Takeaways

- STR expects the US business to trend around US\$240mn for FY21 (vs. ~US\$50mn in Q1) led by 5-6 launches and veteran administration business. Strides will file around 12-15 products during FY21 and expects 4-5 additional approvals during the year.
- The company is already doing more than the US\$5mn quarterly EBITDA run-rate that they had guided from the Arrow deal.
- Strides' biopharmaceutical arm, Stelis, is witnessing good traction and expects its first product to be filed in Sept'20 for EU and a likely approval in 12 months. Partnerships for the product are already in place. Stelis will initiate Phase I trials for Insulin glargine during Q2 in India. In the US, Stelis is likely to go through its own front end. The CDMO facility is now commercially available for customers and Strides recently signed its first customer for peptides. Further, the company has allocated one block for vaccine manufacturing (will be commissioned by Dec'20) and is in talks with a few customers for contract manufacturing of specific vaccines. Overall, Strides has committed to invest around US\$40mn in Stelis, of which US\$15mn is already invested and another US\$25mn will be invested over the next three quarters. Strides has spent around US\$120mn in Stelis so far.
- The non-compete agreement with Mylan was over and Strides was contemplating a re-entry into the injectables segment. However, due to Covid-19, the plans are currently on hold and Strides will take a call once the situation normalizes.
- Strides has completed all corrective and preventive actions at the Puducherry facility (currently under warning letter) and awaiting USFDA inspection.
- Strides has recently been pre-qualified by WHO for TLD. Country-specific tenders for TLD will open in H2. Strides is backward integrated in its ARV business.

Financial Snapshot (Consolidated)

(Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20
Net Sales	11959	28622	27554	28451	21784	27520
EBITDA	1999	3422	4763	3506	1324	2143
EBITDA Margin (%)	16.7	12.0	17.3	12.3	6.1	7.8
APAT	8524	1397	4312	6981	2965	624
EPS (Rs)	94.7	15.5	47.9	77.6	32.9	6.9
EPS (% chg)		-83.6	208.8	61.9	-57.5	-78.9
ROE (%)	74.4	7.3	15.9	26.8	11.6	2.4
P/E (x)	5.9	35.8	11.6	7.2	16.8	80.0
EV/EBITDA (x)	25.4	20.1	14.3	18.8	52.7	30.0
P/BV (x)	4.4	1.9	1.8	2.0	1.9	2.0

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	NA
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	STR IN
Face Value (Rs)	10
Shares outstanding (mn)	90
52 Week H/L	628/268
M Cap (Rs bn/USD bn)	53/0.7
Daily Avg Volume (nos.)	1519487.0
Daily Avg Turnover (US\$ mn)	9.3

Shareholding Pattern Jun'20

Promoters	29.7%
FIIIs	26.8%
DIIIs	19.4%
Public and Others	24.1%

Price Performance

(%)	1M	3M	6M	12M
Absolute	42	46	14	41
Rel. to Nifty	36	19	24	39

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)

Income Statement

Y/E Mar (Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20
Net Sales	11959	28622	27554	28451	21784	27520
Expenditure	10101	26348	24303	24023	21500	25825
EBITDA	1999	3422	4763	3506	1324	2143
Depreciation	640	1313	1262	1540	1174	1737
EBIT	1359	2109	3501	1966	150	406
Other Income	9036	947	3424	6897	3673	1571
Interest expenses	474	1682	1831	1962	793	1557
PBT	9920	1375	5094	6901	3030	419
Tax	1476	425	634	57	-269	113
Extraordinary Items	-74	-191	-314	-336	281	-260
Minority Int. /Income from Assoc.	-6	-135	462	199	53	-58
Reported Net Income	8450	1085	3998	6645	3246	364
Adjusted PAT	8524	1397	4312	6981	2965	624

Balance Sheet

Y/E Mar (Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20
Equity share capital	596	894	894	895	896	896
Reserves & surplus	10853	25685	26594	23740	25592	24379
Net worth	11449	26579	27488	24637	26487	25274
Minority Interest	187	502	1335	1547	1530	672
Loan Funds	8917	35418	36997	25200	32215	22347
Net deferred tax liability	54	502	115	-974	-327	1778
Total Liabilities	20791	64331	70045	55568	65267	49630
Net block	7014	26787	29796	29766	36475	20987
Investment	6301	13410	15246	5880	7017	5494
Current Assets	8682	23011	25123	21721	27640	22531
Cash & bank balance	1469	3116	3295	3033	5167	2371
Other Current Assets	7213	19896	21828	18688	22473	20160
Current liabilities & Provision	3956	9772	10419	9307	12473	11679
Net current assets	4725	13239	14704	12415	15166	10852
Misc. exp	0	0	0	0	0	0
Total Assets	20791	64331	70045	55569	65267	49630

Cash Flow

Y/E Mar (Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20
Opening Cash	5,860	2,989	11,107	5,151	2,562	3,659
Net Cash from Operations	834	732	2,881	1,871	601	2,048
Net Cash Used in Investing	503	-22,054	-12,220	5,697	-1,446	13,210
Net Cash Used in Financing	-4,213	29,439	3,382	-10,157	1,943	-17,095
Net Inc/(Dec) in Cash	-2,876	8,118	-5,957	-2,589	1,097	-1,837
Closing Cash	2,984	11,107	5,151	2,562	3,659	1,822

Key Ratios

Profitability (%)	FY15	FY16	FY17	FY18	FY19	FY20
EBITDA Margin	16.7	12.0	17.3	12.3	6.1	7.8
EBIT Margin	11.4	7.4	12.7	6.9	0.7	1.5
Effective Tax Rate	14.9	30.9	12.4	0.8	-	27.0
Net Margin	71.3	4.9	15.6	24.5	13.6	2.3
ROCE	6.5	5.0	5.2	3.1	0.2	0.7
ROE	74.4	7.3	15.9	26.8	11.6	2.4
RoIC	11.5	8.1	8.2	4.6	0.3	1.0

Per Share Data (Rs)	FY15	FY16	FY17	FY18	FY19	FY20
EPS	94.7	15.5	47.9	77.6	32.9	6.9
CEPS	101.8	30.1	61.9	94.7	46.0	26.2
BVPS	127.2	295.3	305.4	273.7	294.3	280.8
DPS		5.0	4.5	2.0	3.0	14.0

Valuations (x)	FY15	FY16	FY17	FY18	FY19	FY20
PER	5.9	35.8	11.6	7.2	16.8	80.0
P/CEPS	5.5	18.4	9.0	5.9	12.1	21.2
P/BV	4.4	1.9	1.8	2.0	1.9	2.0
EV / Sales	4.3	2.4	2.5	2.3	3.2	2.3
EV / EBITDA	25.4	20.1	14.3	18.8	52.7	30.0
Dividend Yield (%)	0.0	0.9	0.8	0.4	0.5	2.5

Gearing Ratio (x)	FY15	FY16	FY17	FY18	FY19	FY20
Net Debt/ Equity	0.1	0.7	0.7	0.7	0.8	0.6
Net Debt/EBIDTA	0.6	5.5	3.9	4.6	15.1	6.8
Working Cap Cycle (days)	99.4	129.1	151.1	120.4	167.6	112.5

Growth (%)	FY15	FY16	FY17	FY18	FY19	FY20
Revenue	0.0	139.3	-3.7	3.3	-23.4	26.3
EBITDA	0.0	71.2	39.2	-26.4	-62.2	61.8
EBIT	0.0	55.2	66.0	-43.9	-92.4	170.0
PAT	0.0	-83.6	208.8	61.9	-57.5	-78.9

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	6,858	7,151	7,324	6,186	7,818
EBITDA	740	1,035	1,589	-1,534	1,340
EBITDA Margin (%)	10.8	14.5	21.7	-24.8	17.1
PAT	67	688	800	-348	616
EPS (Rs)	0.7	7.6	8.9	-	6.8

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	31.2	31.3	31.3	31.3	29.7
FII	25.3	25.3	27.2	28.8	26.8
DII	24.2	21.2	20.1	18.9	19.4
Public and Others	19.3	22.3	21.5	21.1	24.1

Sun Pharma

Refer to important disclosures at the end of this report

Specialty business yet to pick up

CMP: Rs 526
as of (August 17, 2020)

TP: Rs 542 (■)
12 months

Rating: HOLD (■)

We hosted Nimish Desai, Head – Investor Relations

Key Meeting Takeaways

- In India, most MRs are back on the field. While connect with doctors is normalizing through digital as well as physical meetings, patient footfall is still below normal.
- Q1 saw a big impact in specialty products like Levulan, which is completely administered in clinical setting. Other products like Ilumya/Cequa were also impacted, but the larger hit was in Levulan.
- Opex cut is temporary but may continue for some more time (some cut in travelling spends and medical conferences). These should not, however, be extrapolated over the long run.
- SUNP has around 19 ANDAs pending out of Halol. SUNP has completed most of the remediation work from their end, barring some last mile things. Currently, there is no clear guidance from USFDA on clearing facilities with OAI status.
- Sun has invested more than US\$1bn in the specialty business.
- Ilumya launch preparations in Japan are on. SUNP inherited the marketing team in this market through the Pola acquisition.
- Sun has indicated to increase their India field force by around 10%. Around 90% of this expansion is already done.
- Despite being a crowded market, SUNP believes there is enough opportunity in the market for Ilumya.
- Transition of patients from Absorica to Absorica LD was impacted due to Covid-19-related lockdowns.
- R&D spends will increase whenever SUNP initiates Phase III trials for additional indications of Ilumya (psoriatic arthritis) or Phase I study for one new product commences next year.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net Sales	2,90,659	3,28,375	3,48,576	3,83,537	4,16,520
EBITDA	60,276	69,898	78,026	85,531	94,057
EBITDA Margin (%)	20.7	21.3	22.4	22.3	22.6
APAT	35,998	40,256	47,820	54,845	61,919
EPS (Rs)	14.2	16.6	19.9	22.9	25.8
EPS (% chg)	13.0	16.4	20.4	14.7	12.9
ROE (%)	9.1	9.3	10.2	10.6	10.9
P/E (x)	37.0	31.8	26.4	23.0	20.4
EV/EBITDA (x)	20.8	17.5	15.0	13.2	11.4
P/BV (x)	3.0	2.8	2.6	2.3	2.1

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	19.9	22.9
Consensus	20.1	23.6
Mean Consensus TP (12M)	Rs 555	

Stock Details

Bloomberg Code	SUNP IN
Face Value (Rs)	1
Shares outstanding (mn)	2,399
52 Week H/L	551 / 312
M Cap (Rs bn/USD bn)	1,262 / 16.88
Daily Avg Volume (nos.)	112,32,290
Daily Avg Turnover (US\$ mn)	74.2

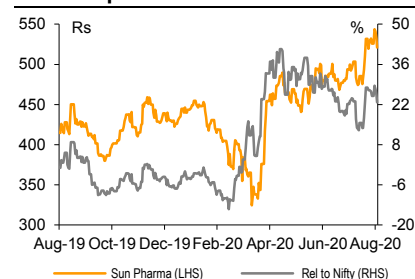
Shareholding Pattern Jun '20

Promoters	54.7%
FIIIs	12.7%
DIIIs	20.1%
Public and Others	12.5%

Price Performance

(%)	1M	3M	6M	12M
Absolute	4	19	29	27
Rel. to Nifty	-	(8)	36	23

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net Sales	2,90,659	3,28,375	3,48,576	3,83,537	4,16,520
Expenditure	2,30,383	2,58,477	2,70,550	2,98,006	3,22,462
EBITDA	60,276	69,898	78,026	85,531	94,057
Depreciation	17,533	20,528	22,385	23,585	24,785
EBIT	42,743	49,370	55,641	61,946	69,272
Other Income	10,255	6,360	9,935	12,131	13,139
Interest expenses	5,553	3,027	2,798	3,063	2,769
PBT	47,446	52,702	62,778	71,014	79,642
Tax	6,009	8,228	11,300	12,783	14,336
Extraordinary Items	(9,344)	(2,606)	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	26,654	37,649	47,820	54,845	61,919
Adjusted PAT	35,998	40,256	47,820	54,845	61,919

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	2,399	2,399	2,399	2,399	2,399
Reserves & surplus	4,11,691	4,45,309	4,88,174	5,37,412	5,93,043
Net worth	4,14,091	4,47,709	4,90,573	5,39,811	5,95,443
Minority Interest	33,135	37,354	41,012	44,399	47,786
Loan Funds	98,934	86,934	79,934	72,934	65,934
Net deferred tax liability	(55,897)	(55,897)	(55,897)	(55,897)	(55,897)
Total Liabilities	4,90,262	5,16,099	5,55,621	6,01,246	6,53,265
Net block	2,18,365	2,12,838	2,05,453	1,96,868	1,87,083
Investment	81,158	81,158	81,158	81,158	81,158
Current Assets	2,75,093	3,10,992	3,70,790	4,33,122	5,02,308
Cash & bank balance	70,623	86,108	1,28,808	1,66,767	2,13,422
Other Current Assets	36,769	51,946	55,141	60,672	65,890
Current liabilities & Provision	98,466	1,01,092	1,13,983	1,22,105	1,29,487
Net current assets	1,76,627	2,09,900	2,56,807	3,11,017	3,72,821
Misc. exp	0	0	0	0	0
Total Assets	4,90,262	5,16,099	5,55,621	6,01,247	6,53,265

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	37,191	46,343	52,843	58,883	66,503
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(28,437)	(17,787)	(4,208)	(16,252)	(15,148)
Operating Cashflow	21,965	43,882	62,518	56,497	64,574
Capital expenditure	(36,831)	(13,092)	(15,000)	(15,000)	(15,000)
Free Cash Flow	(14,867)	30,790	47,518	41,497	49,574
Investments	10,311	0	0	0	0
Other Investing Cash Flow	9,453	0	0	0	0
Investing Cashflow	(6,813)	(6,732)	(5,065)	(2,869)	(1,861)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	1,416	(12,000)	(7,000)	(7,000)	(7,000)
Dividend paid (incl tax)	(5,787)	(4,031)	(4,956)	(5,606)	(6,288)
Other Financing Cash Flow	(17,382)	0	0	0	0
Financing Cashflow	(27,305)	(19,058)	(14,754)	(15,670)	(16,057)
Net chg in cash	(12,153)	18,092	42,699	37,959	46,656
Opening cash position	79,065	70,623	88,715	1,31,414	1,69,373
Closing cash position	70,623	86,108	1,28,808	1,66,767	2,13,422

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	20.7	21.3	22.4	22.3	22.6
EBIT Margin	14.7	15.0	16.0	16.2	16.6
Effective Tax Rate	12.7	15.6	18.0	18.0	18.0
Net Margin	14.3	13.5	14.8	15.2	15.7
ROCE	11.1	11.1	12.2	12.8	13.1
ROE	9.1	9.3	10.2	10.6	10.9
RoIC	14.3	14.9	16.6	18.4	20.1

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	14.2	16.6	19.9	22.9	25.8
CEPS	22.3	25.3	29.3	32.7	36.1
BVPS	172.6	186.6	204.5	225.0	248.2
DPS	1.3	1.6	1.6	1.6	1.6

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	37.0	31.8	26.4	23.0	20.4
P/CEPS	24.1	21.2	18.4	16.5	14.9
P/BV	3.0	2.8	2.6	2.3	2.1
EV / Sales	4.3	3.7	3.4	2.9	2.6
EV / EBITDA	20.8	17.5	15.0	13.2	11.4
Dividend Yield (%)	0.3	0.3	0.3	0.3	0.3

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	0.0	(0.1)	(0.2)	(0.2)	(0.3)
Net Debt/EBIDTA	(0.2)	(0.6)	(1.1)	(1.6)	(2.0)
Working Cap Cycle (days)	133.1	137.6	134.0	137.3	139.7

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	10.3	13.0	6.2	10.0	8.6
EBITDA	10.0	16.0	11.6	9.6	10.0
EBIT	7.4	15.5	12.7	11.3	11.8
PAT	23.3	41.3	27.0	14.7	12.9

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	83,744	81,234	81,549	81,849	75,853
EBITDA	19,956	17,897	18,414	13,630	18,435
EBITDA Margin (%)	23.8	22.0	22.6	16.7	24.3
PAT	13,875	10,641	9,135	3,998	(16,556)
EPS (Rs)	5.8	4.4	3.8	1.7	(6.9)

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	54.4	54.6	54.6	54.7	54.7
FII	14.9	14.7	13.9	12.8	12.7
DII	18.0	18.5	19.1	19.6	20.1
Public and Others	12.7	12.2	12.5	12.9	12.5

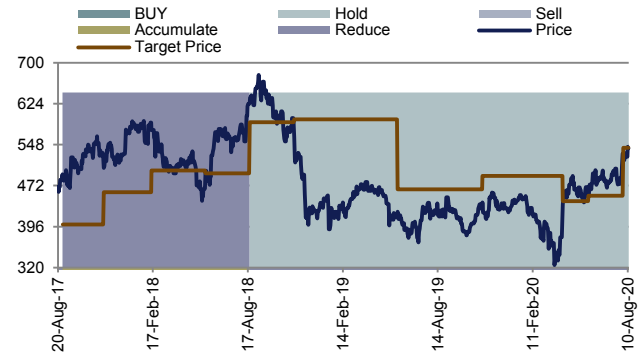
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
01-Aug-20	532	542	12m	Hold	Praful Bohra
27-May-20	451	453	12m	Hold	Praful Bohra
08-Apr-20	437	443	12m	Hold	Praful Bohra
07-Feb-20	431	490	12m	Hold	Praful Bohra
20-Dec-19	430	490	12m	Hold	Praful Bohra
16-Dec-19	435	490	12m	Hold	Praful Bohra
07-Nov-19	441	490	12m	Hold	Praful Bohra
19-Aug-19	426	465	12m	Hold	Praful Bohra
13-Aug-19	439	465	12m	Hold	Praful Bohra
29-May-19	424	465	12m	Hold	Praful Bohra
13-Nov-18	562	595	12m	Hold	Jatin Kotian
19-Sep-18	649	590	12m	Hold	Jatin Kotian
03-Sep-18	656	590	12m	Hold	Jatin Kotian
20-Aug-18	626	590	12m	Hold	Jatin Kotian
11-Jul-18	561	495	12m	Reduce	Jatin Kotian
10-Jul-18	564	495	12m	Reduce	Jatin Kotian
29-Jun-18	564	495	12m	Reduce	Jatin Kotian
28-May-18	500	495	12m	Reduce	Jatin Kotian
10-May-18	497	500	12m	Reduce	Jatin Kotian
26-Apr-18	513	500	12m	Reduce	Jatin Kotian
14-Feb-18	575	500	12m	Reduce	Jatin Kotian
15-Nov-17	505	460	12m	Reduce	Jatin Kotian
11-Sep-17	467	400	12m	Reduce	Jatin Kotian
29-Aug-17	482	400	12m	Reduce	Jatin Kotian

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Ports & Logistics

Gujarat Pipavav

Refer to important disclosures at the end of this report

DFC to become operational from Q1FY21– a game-changer event

CMP: Rs 81
as of (August 17, 2020)TP: Rs 84 (■)
12 months

Rating: BUY (■)

We hosted Mr. Jakob Friis, MD, Mr. Santosh Breed, CFO, and Mr. Manish Agnihotri, Company Secretary

Key Meeting Takeaways

- Management has increased its focus on scaling up its business with a strategic outlook by having more long-term customers now.
- Cargo volumes at Gujarat Pipavav Port (GPPV) were least impacted during the lockdown due to the dual benefit of rail connectivity and closing of Hazira ports for many weeks due to non-availability of trucks and drivers. GPPV's rail connectivity not only helped in faster evacuation but also helped them to retain their margin.
- DFC would be a game-changer and management expects it to be operational from Q1FY22. DFC will lead to a 10 fold increase in volumes to the rail network due to its low coast compare to road and faster evacuation/supply to the northern region.
- JNPT will see another 4-5 years for DFC connectivity, which would significantly benefit GPPV as it expects significant cargo volume to shifts to APM terminals. Thus, GPPV will have a 4-5 years lead time of benefits ahead of Nhava Sheva.
- MAERSK will continue to contribute 30%-35% of the volume to the GPPV port as it is the company's strategy to diversify its customer base and not to rely heavily on a single customer. Also, a diversified customer base helps in dealing with unprecedented events like Covid-19 and geopolitical concerns hovering in the current scenario.
- Liquid volumes are expected to remain at the current quarterly level of 0.2mn tonnes for next one year. The company is currently upgrading its rail sighting so as to evacuate LPG through rails. Management expects the same to be operational from Q4FY21.
- Capex:** The board has approved a \$97mn capex plan to replace older cranes with larger ones and expand its Container Yard capacity by 15-20%. This capex will be incurred only after obtaining confirmation from the Gujarat Maritime Board (GMB) on the extension of its concession period, which ends in 2028. These investments will be largely for enhancing the cargo handling capability at the ports. Capex for CY21 and CY22 is targeted at Rs700-800mn p.a. Management also plans to focus less on coal and more toward fertilisers, coastal development, solar and wind farms. GPPV is planning to build infrastructure for VLCCs ships to remain competitive with nearby Mundra and JNPT ports. Management also plans to develop its hinterland area by developing the SEZ business going ahead by inviting Chinese manufacturing companies to set up their base in the west coast.

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	7,020	7,354	7,404	7,979	8,646
EBITDA	3,889	4,466	4,343	4,647	5,075
EBITDA Margin (%)	55.4	60.7	58.7	58.2	58.7
APAT	2,056	2,911	2,189	2,451	2,786
EPS (Rs)	4.3	6.0	4.5	5.1	5.8
EPS (% chg)	3.6	41.5	(24.8)	12.0	13.7
ROE (%)	10.2	14.2	10.4	11.4	12.5
P/E (x)	19.0	13.4	17.8	15.9	14.0
EV/EBITDA (x)	8.7	7.3	7.2	6.4	5.6
P/BV (x)	1.9	1.9	1.8	1.8	1.7

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	4.5	5.1
Consensus	4.8	5.6
Mean Consensus TP (12M)	Rs 90	

Stock Details

Bloomberg Code	GPPV IN
Face Value (Rs)	10
Shares outstanding (mn)	483
52 Week H/L	99 / 46
M Cap (Rs bn/USD bn)	39 / 0.52
Daily Avg Volume (nos.)	7,97,590
Daily Avg Turnover (US\$ mn)	0.8

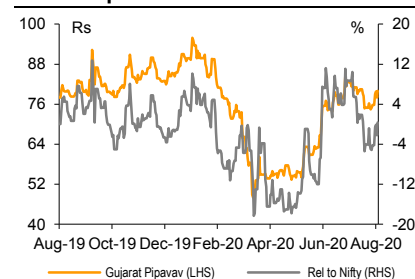
Shareholding Pattern Jun '20

Promoters	44.0%
FIIIs	19.5%
DIIIs	26.4%
Public and Others	10.2%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(1)	45	1	3
Rel. to Nifty	(4)	18	8	2

Relative price chart



Source: Bloomberg

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	7,020	7,354	7,404	7,979	8,646
Expenditure	3,131	2,888	3,062	3,332	3,572
EBITDA	3,889	4,466	4,343	4,647	5,075
Depreciation	1,128	1,315	1,395	1,472	1,519
EBIT	2,760	3,151	2,947	3,175	3,555
Other Income	452	509	486	589	706
Interest expenses	4	74	65	50	40
PBT	3,209	3,586	3,368	3,714	4,222
Tax	1,153	676	1,179	1,263	1,435
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	2,056	2,911	2,189	2,451	2,786
Adjusted PAT	2,056	2,911	2,189	2,451	2,786

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	4,834	4,834	4,834	4,834	4,834
Reserves & surplus	15,376	16,014	16,452	17,065	17,761
Net worth	20,210	20,848	21,286	21,899	22,596
Minority Interest	0	0	0	0	0
Loan Funds	0	0	0	0	0
Net deferred tax liability	462	494	1,611	1,590	1,567
Total Liabilities	20,672	21,342	22,897	23,489	24,162
Net block	15,901	15,277	15,717	15,043	14,194
Investment	830	830	830	830	830
Current Assets	6,508	7,545	8,860	10,528	12,261
Cash & bank balance	5,337	6,495	7,574	9,143	10,759
Other Current Assets	340	286	345	372	403
Current liabilities & Provision	3,020	2,915	3,124	3,366	3,576
Net current assets	3,488	4,630	5,736	7,162	8,684
Misc. exp	0	0	0	0	0
Total Assets	20,672	21,342	22,897	23,489	24,162

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	2,757	3,077	2,882	3,125	3,515
Other Non-Cash items	(93)	1,155	(152)	0	0
Chg in working cap	(338)	16	(27)	143	95
Operating Cashflow	2,752	4,920	3,000	3,507	3,710
Capital expenditure	(314)	(843)	(1,844)	(638)	(670)
Free Cash Flow	2,439	4,077	1,156	2,868	3,040
Investments	0	0	0	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	139	(334)	(1,358)	(49)	36
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	0	0	0	0	0
Dividend paid (incl tax)	(1,977)	(3,258)	(1,751)	(1,838)	(2,090)
Other Financing Cash Flow	0	0	0	0	0
Financing Cashflow	(1,981)	(3,332)	(1,816)	(1,888)	(2,130)
Net chg in cash	910	1,254	(175)	1,569	1,617
Opening cash position	4,315	5,337	6,495	7,574	9,143
Closing cash position	5,337	6,495	7,574	9,143	10,759

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	55.4	60.7	58.7	58.2	58.7
EBIT Margin	39.3	42.8	39.8	39.8	41.1
Effective Tax Rate	35.9	18.8	35.0	34.0	34.0
Net Margin	29.3	39.6	29.6	30.7	32.2
ROCE	15.7	17.4	15.5	16.2	17.9
ROE	10.2	14.2	10.4	11.4	12.5
RoIC	19.2	22.9	21.6	23.6	28.2

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	4.3	6.0	4.5	5.1	5.8
CEPS	6.6	8.7	7.4	8.1	8.9
BVPS	41.8	43.1	44.0	45.3	46.7
DPS	3.5	5.6	3.6	3.8	4.3

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	19.0	13.4	17.8	15.9	14.0
P/CEPS	12.2	9.2	10.1	9.2	8.4
P/BV	1.9	1.9	1.8	1.8	1.7
EV / Sales	4.8	4.4	4.2	3.7	3.3
EV / EBITDA	8.7	7.3	7.2	6.4	5.6
Dividend Yield (%)	4.3	6.9	4.5	4.7	5.4

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	(0.3)	(0.3)	(0.4)	(0.4)	(0.5)
Net Debt/EBIDTA	(1.4)	(1.5)	(1.7)	(2.0)	(2.1)
Working Cap Cycle (days)	(96.2)	(92.6)	(90.6)	(90.6)	(87.6)

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	8.2	4.8	0.7	7.8	8.4
EBITDA	4.0	14.8	(2.8)	7.0	9.2
EBIT	2.0	14.2	(6.5)	7.7	12.0
PAT	3.6	41.5	(24.8)	12.0	13.7

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	1,776	1,908	1,966	1,619	1,590
EBITDA	1,024	1,183	1,171	1,004	955
EBITDA Margin (%)	57.7	62.0	59.5	62.0	60.1
PAT	564	509	1,204	472	464
EPS (Rs)	1.2	1.1	2.5	1.0	1.0

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	43.0	43.0	43.0	43.0	44.0
FIs	23.9	23.2	20.6	20.2	19.5
DIs	25.0	25.6	27.4	27.7	26.4
Public and Others	8.2	8.2	8.9	9.1	10.2

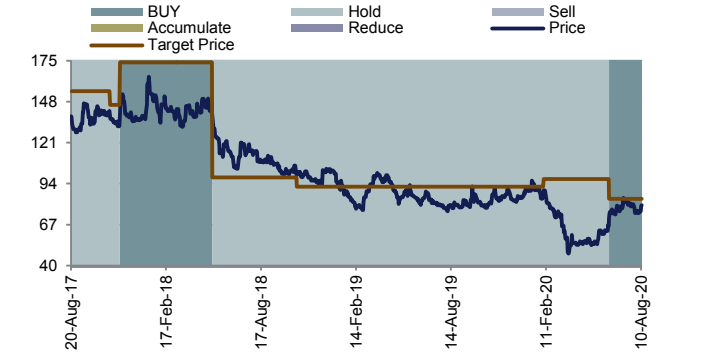
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
06-Aug-20	75	84	12m	Buy	Anuj Upadhyay
10-Jun-20	72	84	12m	Buy	Anuj Upadhyay
10-Apr-20	54	97	12m	Hold	Anuj Upadhyay
06-Feb-20	90	97	12m	Hold	Anuj Upadhyay
24-Oct-18	101	92	12m	Hold	Anuj Upadhyay
16-May-18	139	98	12m	Hold	Anuj Upadhyay
20-Mar-18	132	174	12m	Buy	Kushan Parikh
23-Jan-18	149	174	12m	Buy	Kushan Parikh
19-Dec-17	136	174	12m	Buy	Kushan Parikh
21-Nov-17	141	174	12m	Buy	Kushan Parikh
02-Nov-17	138	146	12m	Hold	Kushan Parikh
18-Oct-17	140	155	12m	Hold	Kushan Parikh
20-Sep-17	144	155	12m	Hold	Kushan Parikh
21-Aug-17	137	155	12m	Hold	Kushan Parikh

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Power

CESC

Refer to important disclosures at the end of this report

FY21 earnings to be impacted by fall in power demand

CMP: Rs 595
as of (August 17, 2020)

TP: Rs 720 (■)
12 months

Rating: BUY (■)

We hosted Mr. B L Chandak, Executive Director, and Mr. Pankaj Kedia, GM, IR Key Meeting Takeaways

- Power demand declined 37% yoy during Q1FY21 for the standalone business in Kolkatta. Even in Jul'20, demand was down by ~15% yoy and by ~7% in Aug'20. For FY21, management expects demand to fall 11-12% by volumes in the Kolkatta circle. Franchisee circles are witnessing a ~15% yoy decline in demand even in Aug'20.
- While the business operates on regulatory business environment, there has been under-recovery of fixed cost on the unsold power quantum during the lockdown. These expenses, if to be recovered from the consumers, would lead to a rise in per unit tariff and it would be difficult for the regulator to allow the same by providing a nod to tariff hikes. Thus, the company plans to lower its per unit fixed cost by Rs0.4-0.5/unit through various measures like: A) retaining the benefits from saving in fuel cost (as e-auction coal price was lower to the notified price level from Apr-Sept'20). CESC procures 20% of the coal from e-auction route by paying a ~30% premium to the notified range; B) saving in interest cost as it is already down by 100 bps you due to the rate reduction measures by RBI. Any further rate cuts would lead to further saving in interest cost and C) deduction in employee's salary. All these measures would save a substantial amount of fixed cost, which will be utilized toward lowering the under-recoveries.
- However, FY21 would still witness some under-recoveries, which would lead to an 8-10% decline in standalone PAT. Collection efficiency is now up 90% across all the circles.
- Franchisee business – T&D losses at Kota now stands at 20%, Bharatpur at 12% and Bikaner at 14%. Rajasthan franchisee business' combined T&D losses were at 24% at the time of takeover and is now down 17%. The target is to bring it down to 10% over the next 3-4 years. The 1% reduction in T&D leads to Rs160mn–170mn gain to CESC. At 10%, T&D Franchisee division's EBITDA is expected at Rs1.3-1.4bn at capital employed of Rs4.3bn (RoCE ~30%) and a PAT of ~Rs850–950mn. Annual capex targeted at Rs300–400mn. T&D loss in Malegaon stands at ~50% and plans to lower it to 30% in FY24.
- Due to the pandemic, management does not expect that any new discom circle would be floated for franchisee. However, from FY22 onwards, 4-5 circles can be tendered for franchisee annually, of which CESC has the operational and financial capability to take over 3-4 circles on the franchisee model. CESC, Tata Power, Torrent power and Adani Transmission are the only serious contenders for this business.

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	77,540	78,360	76,019	87,276	91,687
EBITDA	13,580	14,330	14,463	16,605	17,440
EBITDA Margin (%)	17.5	18.3	19.0	19.0	19.0
APAT	9,370	9,240	8,797	9,482	9,840
EPS (Rs)	70.3	69.4	66.0	71.1	73.7
EPS (% chg)	7.8	(1.4)	(4.8)	7.7	3.7
ROE (%)	12.7	12.9	12.1	12.2	11.9
P/E (x)	8.5	8.6	9.0	8.4	8.1
EV/EBITDA (x)	9.6	9.1	9.0	7.5	6.7
P/BV (x)	1.1	1.1	1.1	1.0	0.9

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	66.0	71.1
Consensus	78.8	84.6
Mean Consensus TP (12M)	Rs 806	

Stock Details

Bloomberg Code	CESC IN
Face Value (Rs)	10
Shares outstanding (mn)	133
52 Week H/L	855 / 365
M Cap (Rs bn/USD bn)	79 / 1.05
Daily Avg Volume (nos.)	4,53,114
Daily Avg Turnover (US\$ mn)	3.6

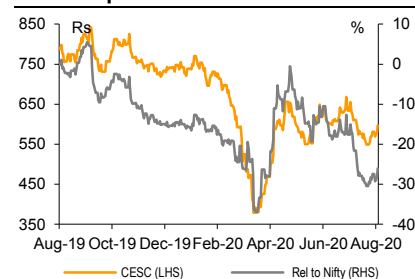
Shareholding Pattern Jun '20

Promoters	49.9%
FIIIs	17.9%
DIIIs	23.8%
Public and Others	8.4%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(2)	3	(15)	(25)
Rel. to Nifty	(5)	(17)	(9)	(26)

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	77,540	78,360	76,019	87,276	91,687
Expenditure	63,960	64,030	61,556	70,671	74,247
EBITDA	13,580	14,330	14,463	16,605	17,440
Depreciation	4,330	4,480	4,527	4,694	4,862
EBIT	9,250	9,850	9,936	11,911	12,578
Other Income	1,650	1,460	1,629	1,629	1,429
Interest expenses	4,660	5,440	4,740	4,740	4,741
PBT	6,240	5,870	6,825	8,799	9,265
Tax	2,570	1,950	2,328	2,517	2,627
Extraordinary Items	5,700	5,320	4,300	3,200	3,200
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	9,370	9,240	8,797	9,482	9,840
Adjusted PAT	9,370	9,240	8,797	9,482	9,840

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	1,332	1,332	1,332	1,333	1,334
Reserves & surplus	96,300	99,050	1,05,208	1,11,845	1,18,241
Net worth	97,632	1,00,382	1,06,540	1,13,178	1,19,575
Minority Interest	34,750	34,810	34,135	33,459	32,784
Loan Funds	54,478	61,630	63,245	64,860	66,476
Net deferred tax liability	(9,420)	(4,962)	(4,962)	(4,962)	(4,962)
Total Liabilities	1,92,270	2,08,090	2,16,289	2,24,971	2,33,412
Net block	1,45,530	1,46,300	1,48,473	1,50,479	1,52,317
Investment	45,750	46,080	48,416	50,123	48,329
Current Assets	21,640	27,670	29,208	39,038	48,552
Cash & bank balance	3,210	10,500	12,571	19,927	28,475
Other Current Assets	0	0	0	0	0
Current liabilities & Provision	45,180	41,820	41,057	47,375	50,023
Net current assets	(23,540)	(14,150)	(11,848)	(8,337)	(1,472)
Misc. exp	23,860	28,970	30,359	31,815	33,346
Total Assets	1,92,270	2,08,090	2,16,289	2,24,971	2,33,412

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	4,590	4,410	5,196	7,171	7,837
Other Non-Cash items	0	0	0	0	0
Chg in working cap	1,587	2,358	(231)	3,845	1,682
Operating Cashflow	17,737	18,638	16,561	22,967	21,749
Capital expenditure	(3,323)	(5,470)	(6,700)	(6,700)	(6,700)
Free Cash Flow	14,414	13,168	9,861	16,267	15,049
Investments	(760)	(330)	(2,336)	(1,707)	1,794
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(2,433)	(4,340)	(7,407)	(6,779)	(3,477)
Equity Capital Raised	0	0	0	1	2
Loans Taken / (Repaid)	(124)	7,152	1,615	1,615	1,616
Dividend paid (incl tax)	(2,728)	(3,117)	(2,639)	(2,845)	(3,443)
Other Financing Cash Flow	(8,939)	(5,603)	(1,318)	(2,864)	(3,157)
Financing Cashflow	(16,451)	(7,008)	(7,082)	(8,832)	(9,724)
Net chg in cash	(1,147)	7,290	2,071	7,356	8,548
Opening cash position	4,357	3,210	10,500	12,571	19,927
Closing cash position	3,210	10,500	12,571	19,927	28,475

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	17.5	18.3	19.0	19.0	19.0
EBIT Margin	11.9	12.6	13.1	13.6	13.7
Effective Tax Rate	41.2	33.2	34.1	28.6	28.4
Net Margin	12.1	11.8	11.6	10.9	10.7
ROCE	23.2	23.8	19.9	20.3	18.6
ROE	12.7	12.9	12.1	12.2	11.9
RoIC	7.9	8.4	8.3	9.9	10.5

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	70.3	69.4	66.0	71.1	73.7
CEPS	102.8	103.0	100.0	106.3	110.2
BVPS	545.5	526.2	562.0	600.4	636.4
DPS	20.5	23.4	19.8	21.3	25.8

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	8.5	8.6	9.0	8.4	8.1
P/CEPS	5.9	5.9	6.1	5.8	5.6
P/BV	1.1	1.1	1.1	1.0	0.9
EV / Sales	1.7	1.7	1.7	1.4	1.3
EV / EBITDA	9.6	9.1	9.0	7.5	6.7
Dividend Yield (%)	3.4	3.9	3.3	3.6	4.3

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	0.7	0.7	0.7	0.6	0.5
Net Debt/EBITDA	3.8	3.6	3.5	2.7	2.2
Working Cap Cycle (days)	(125.9)	(114.8)	(117.2)	(118.2)	(119.2)

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	(0.2)	1.1	(3.0)	14.8	5.1
EBITDA	(17.8)	5.5	0.9	14.8	5.0
EBIT	(24.2)	6.5	0.9	19.9	5.6
PAT	7.8	(1.4)	(4.8)	7.8	3.8

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	23,590	22,460	16,480	15,830	18,685
EBITDA	4,420	4,630	2,770	2,510	4,035
EBITDA Margin (%)	18.7	20.6	16.8	15.9	21.6
PAT	2,170	2,750	1,760	2,500	1,924
EPS (Rs)	16.3	20.6	13.2	18.8	14.4

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	49.9	49.9	49.9	49.9	49.9
FII	16.0	17.8	18.7	18.5	17.9
DII	24.0	23.2	22.8	22.8	23.8
Public and Others	10.2	9.1	8.6	8.8	8.4

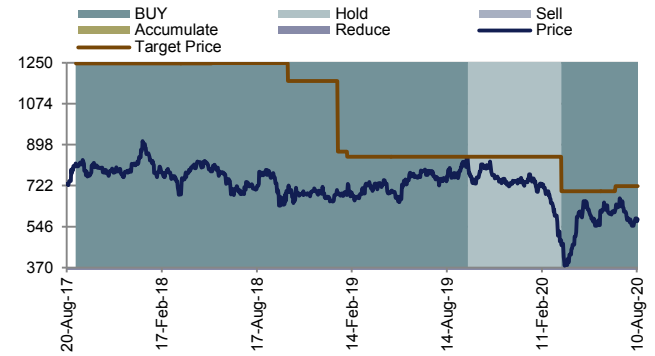
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
05-Aug-20	569	720	12m	Buy	Anuj Upadhyay
30-Jul-20	557	720	12m	Buy	Anuj Upadhyay
30-Jun-20	622	720	12m	Buy	Anuj Upadhyay
31-May-20	552	698	12m	Buy	Anuj Upadhyay
16-May-20	580	698	12m	Buy	Anuj Upadhyay
01-May-20	656	698	12m	Buy	Anuj Upadhyay
10-Apr-20	468	698	12m	Buy	Anuj Upadhyay
19-Mar-20	465	698	12m	Buy	Anuj Upadhyay
27-Feb-20	664	846	12m	Hold	Anuj Upadhyay
11-Feb-20	728	846	12m	Hold	Anuj Upadhyay
30-Jan-20	719	846	12m	Hold	Anuj Upadhyay
29-Jan-20	740	846	12m	Hold	Anuj Upadhyay
01-Jan-20	747	846	12m	Hold	Anuj Upadhyay
27-Nov-19	747	846	12m	Hold	Anuj Upadhyay
15-Nov-19	756	846	12m	Hold	Anuj Upadhyay
25-Sep-19	772	846	12m	Hold	Anuj Upadhyay
23-Sep-19	820	846	12m	Hold	Anuj Upadhyay
29-Aug-19	757	846	12m	Buy	Anuj Upadhyay
14-Aug-19	764	846	12m	Buy	Anuj Upadhyay
24-Jun-19	758	846	12m	Buy	Anuj Upadhyay
18-May-19	663	846	12m	Buy	Anuj Upadhyay
22-Apr-19	698	846	12m	Buy	Anuj Upadhyay
05-Feb-19	692	846	12m	Buy	Anuj Upadhyay
18-Jan-19	689	868	12m	Buy	Anuj Upadhyay
15-Oct-18	702	1,172	12m	Buy	Anuj Upadhyay
26-Jul-18	705	1,249	12m	Buy	Anuj Upadhyay
03-Jul-18	691	1,249	12m	Buy	Anuj Upadhyay
23-May-18	783	1,249	12m	Buy	Anuj Upadhyay
02-May-18	809	1,248	12m	Buy	Anuj Upadhyay
01-Mar-18	779	1,248	12m	Buy	Anuj Upadhyay
08-Feb-18	770	1,248	12m	Buy	Anuj Upadhyay
30-Jan-18	828	1,248	12m	Buy	Anuj Upadhyay
01-Jan-18	825	1,248	12m	Buy	Anuj Upadhyay
01-Dec-17	773	1,248	12m	Buy	Anuj Upadhyay
08-Nov-17	769	1,248	12m	Buy	Anuj Upadhyay
01-Nov-17	790	1,248	12m	Buy	Anuj Upadhyay
10-Oct-17	820	1,248	12m	Buy	Anuj Upadhyay
06-Sep-17	811	1,248	12m	Buy	Anuj Upadhyay

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Tata Power

Refer to important disclosures at the end of this report

Mundra resolution and InVit to swing the pendulum in company's favour

CMP: Rs 815
as of (August 17, 2020)TP: NA
12 months

Rating: NOT RATED

We hosted Mr. S Kasturi, Treasury Head, and Mr. Rahul Shah, IR Head

Key Meeting Takeaways

- Power demand was down 25% yoy during Apr-May'20 but has revived since Jun-Jul'20. Jul'20 witnessed flat yoy demand in the company's distribution circle and it is now at pre-Covid level in Aug'20. The major impact of Covid-19 was felt across the EPC business, Solar EPC and Tata Project.
- Mundra under-recovery is now at Rs0.46/unit (flat yoy). The Maharashtra Cabinet has approved the revision of the PPA with Mundra UMPP and the matter is now pending with MSEDCL to sign supplement PPAs. Thus, with Gujarat and Maharashtra agreeing on revised PPA terms recommended by HPC (with slight modifications), the project would have ~2760 MW of its capacity with a revised tariffs. As per the HPC recommendations, the under-recovery could further go down by ~Rs0.10/unit to Rs0.35/unit, which would entail a loss of Rs5-6bn p.a. for Mundra at the current level of International coal prices.
- With the balance ~1200MW of capacity with Haryana, Rajasthan and Punjab, Mundra can stop supplying power to them by paying a penalty of ~Rs1.3bn and those capacities can sold under ST/MT/LT contracts to any other interested beneficiaries.
- The merger of Mundra, Tata Power Solat and Af Taab with Tata Power will entail many tax benefits to the standalone business as Mundra has cumulative losses of RsRs180bn, which will be used toward tax liability for subsequent years. Also, the average borrowing cost for Mundra UMPP is ~9%, whereas the same for Tata Power is ~8% due to better credit ratings. With the merger, Mundra project is expected to benefit from interest cost saving to the tune of 50 bps-100 bps on the existing rate. Furthermore, with Tata Solar being a profit making entity, its merger with the Tata Power will enhance the scope of dividend payout for the shareholders.
- InVit – The term sheet is under consideration with the investors. Operational renewable capacity of 2.6GW will be transferred under the scheme and later another 1.5GW of under construction renewable project will be transferred after stabilization. The total provisional EV for these projects is anticipated at Rs175bn comprising of Rs120bn of debt and balance equity. Tata power will continue to own a 49% stake in these assets and thus, the total expected proceeds from the same is expected to be around Rs150bn, which will be fully utilized to reduce the net debt from Rs400bn to Rs250bn by FY21 end.

Financial Snapshot (Standalone)

(Rs mn)	FY16	FY17	FY18	FY19	FY20
Net Sales	294943	275876	268403	298811	291364
EBITDA	36384	48789	50072	64020	67832
EBITDA Margin (%)	12.3	17.7	18.7	21.4	23.3
APAT	-1223	12641	3452	-117	317
EPS (Rs)		4.7	1.3		0.1
EPS (% chg)	-	-	-72.7	-	-
ROE (%)	-	10.2	2.3	-	0.2
P/E (x)	-	12.0	43.9	-	477.9
EV/EBITDA (x)	11.4	10.5	10.0	7.7	6.9
P/BV (x)	1.3	1.1	0.9	0.8	0.8

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	NA
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	TPWR IN
Face Value (Rs)	1
Shares outstanding (mn)	2705
52 Week H/L	69/27
M Cap (Rs bn/USD bn)	139/1.9
Daily Avg Volume (nos.)	39906060.0
Daily Avg Turnover (US\$ mn)	22.4

Shareholding Pattern Jun'20

Promoters	37.2%
FIIIs	12.9%
DIIIs	30.4%
Public and Others	19.5%

Price Performance

(%)	1M	3M	6M	12M
Absolute	2	81	-8	-11
Rel. to Nifty	-2	49	0	-12

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19	FY20
Net Sales	294943	275876	268403	298811	291364
Expenditure	258217	226803	218416	234547	223688
EBITDA	36384	48789	50072	64020	67832
Depreciation	16487	19556	23462	23931	26336
EBIT	19897	29233	26610	40088	41497
Other Income	25269	18917	38733	38544	23020
Interest expenses	32358	33650	37615	41700	44937
PBT	12807	14501	27728	36933	19579
Tax	6803	3505	1620	10876	6415
Extraordinary Items	7845	-3676	20631	23679	9857
Minority Int. /Income from Assoc.	1242	2031	2026	2495	2991
Reported Net Income	6622	8966	24083	23562	10174
Adjusted PAT	-1223	12641	3452	-117	317

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19	FY20
Equity share capital	2705	2705	5155	2705	2705
Reserves & surplus	113629	129441	146294	165350	177955
Net worth	116334	132146	163999	183055	195660
Minority Interest	17498	18690	20153	21667	23320
Loan Funds	388486	488154	483442	485060	483759
Net deferred tax liability	-20937	-16596	-3984	-9673	-10998
Total Liabilities	583070	700009	703029	718994	766709
Net block	364137	465948	446563	443049	476664
Investment	117854	118730	124289	135419	145348
Current Assets	94483	116100	139343	151309	175750
Cash & bank balance	6632	9543	11858	7875	20942
Other Current Assets	87851	106557	127486	143434	154809
Current liabilities & Provision	96559	111688	111905	112068	119032
Net current assets	-2076	4413	27439	39241	56719
Misc. exp	0	0	0	0	0
Total Assets	583070	700009	703029	718994	766709

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19	FY20
Opening Cash	8,133	2,398	8,186	9,445	615
Net Cash from Operations	74,151	70,142	63,639	45,738	73,753
Net Cash Used in Investing	-18,052	-73,727	-15,117	-2,723	-4,929
Net Cash Used in Financing	-61,835	9,373	-47,263	-51,845	-51,096
Net Inc/(Dec) in Cash	-5,736	5,788	1,259	-8,830	17,729
Closing Cash	2,398	8,186	9,445	615	18,344

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19	FY20
EBITDA Margin	12.3	17.7	18.7	21.4	23.3
EBIT Margin	6.7	10.6	9.9	13.4	14.2
Effective Tax Rate	53.1	24.2	5.8	29.4	32.8
Net Margin	-0.4	4.6	1.3	-0.0	0.1
ROCE	3.3	4.6	3.8	5.6	5.6
ROE	-	10.2	2.3	-	0.2
RoIC	5.1	7.4	5.8	8.5	8.3

Per Share Data (Rs)	FY16	FY17	FY18	FY19	FY20
EPS		4.7	1.3		0.1
CEPS	5.6	11.9	9.9	8.8	9.9
BVPS	43.0	48.9	60.6	67.7	72.3
DPS	1.3	1.3	1.3	1.3	1.6

Valuations (x)	FY16	FY17	FY18	FY19	FY20
PER	-	12.0	43.9	-	477.9
P/CEPS	9.9	4.7	5.6	6.4	5.7
P/BV	1.3	1.1	0.9	0.8	0.8
EV / Sales	1.4	1.9	1.9	1.7	1.6
EV / EBITDA	11.4	10.5	10.0	7.7	6.9
Dividend Yield (%)	2.3	2.3	2.3	2.3	2.8

Gearing Ratio (x)	FY16	FY17	FY18	FY19	FY20
Net Debt/ Equity	2.3	2.7	2.1	1.9	1.6
Net Debt/EBITDA	7.3	7.4	6.9	5.3	4.7
Working Cap Cycle (days)	-10.8	-6.8	21.2	38.3	44.8

Growth (%)	FY16	FY17	FY18	FY19	FY20
Revenue	-12.6	-6.5	-2.7	11.3	-2.5
EBITDA	-42.3	34.1	2.6	27.9	6.0
EBIT	-51.8	46.9	-9.0	50.7	3.5
PAT	-	-	-72.7	-	-

Quarterly (Rs mn)	Q4FYC	Q1FYC	Q2FYC	Q3FYC	Q4FYC
Revenue	72,298	77,667	76,778	70,710	66,208
EBITDA	11,716	16,955	19,015	17,912	9,430
EBITDA Margin (%)	16.2	21.8	24.8	25.3	14.2
PAT	2,023	1,909	2,702	1,952	1,059
EPS (Rs)	0.7	0.7	1.0	0.7	0.4

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	33.0	36.2	36.2	37.2	37.2
FIIIs	26.0	24.2	21.0	18.6	12.9
DIIIs	24.7	23.4	26.3	26.9	30.4
Public and Others	16.4	16.2	16.5	17.3	19.5

Source: Capitaline

Real Estate

Mahindra Lifespace Developers

Refer to important disclosures at the end of this report

Well positioned

CMP: Rs 250
as of (August 17, 2020)

TP: NA
12 months

Rating: NOT RATED

We hosted Mr. Vimal Agarwal, CFO, and team

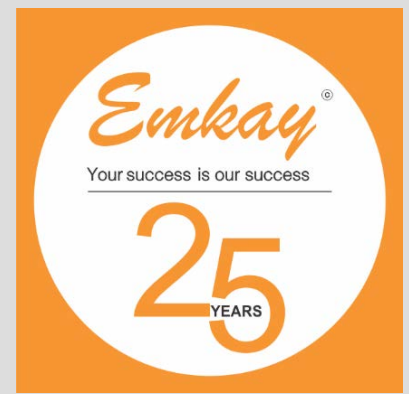
Key Meeting Takeaways

- The company said from a residential business perspective, it is witnessing a very attractive pipeline of opportunities that they are now evaluating and are also in advance negotiations in some cases.
- The opportunities look far better than it was six months back as far as new developments or tie-ups are concerned in the residential side.
- In the industrial clusters business, the 'China plus one' strategy could have positive implications for Mahindra Lifespace. In fact, it is already seeing a steady flow of inquiries.
- The strong balance sheet and brand name is helping in market share gain and positioning the company as a preferred customer choice in the micro markets of the residential segment that the company operates.

Financial Snapshot (Consolidated)

(Rs mn)	FY15	FY16	FY17	FY18	FY19
Net Sales	10861	5932	7622	5662	5928
EBITDA	4242	856	503	574	258
EBITDA Margin (%)	39.1	14.4	6.6	10.1	4.4
APAT	2646	917	1022	983	1190
EPS (Rs)	51.9	18.0	20.0	19.3	23.3
EPS (% chg)		-65.4	11.4	-3.8	21.0
ROE (%)	17.9	5.9	6.1	5.2	6.0
P/E (x)	4.1	11.8	10.6	11.0	9.1
EV/EBITDA (x)	4.8	11.1	18.5	8.9	13.7
P/BV (x)	0.7	0.7	0.6	0.5	0.6

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	NA
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	MLIFE IN
Face Value (Rs)	10
Shares outstanding (mn)	51
52 Week H/L	455/171
M Cap (Rs bn/USD bn)	11/0.1
Daily Avg Volume (nos.)	68175.0
Daily Avg Turnover (US\$ mn)	0.2

Shareholding Pattern Jun'20

Promoters	51.5%
FIIIs	13.1%
DIIIs	13.9%
Public and Others	21.6%

Price Performance

(%)	1M	3M	6M	12M
Absolute	-3	18	-47	-45
Rel. to Nifty	-7	-4	-42	-46

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20
Net Sales	10861	5932	7622	5662	5928	6109
Expenditure	6619	5075	7118	5088	5670	8268
EBITDA	4242	856	503	574	258	-2159
Depreciation	132	42	46	43	38	77
EBIT	4110	814	457	532	221	-2236
Other Income	615	918	1134	1227	1337	350
Interest expenses	514	357	202	413	125	76
PBT	4210	1375	1389	1345	1433	-1962
Tax	1378	429	330	312	246	-17
Extraordinary Items	16	0	1	27	7	-1312
Minority Int. /Income from Assoc.	171	29	37	24	-10	-11
Reported Net Income	2662	917	1022	1010	1197	-1934
Adjusted PAT	2646	917	1022	983	1190	-622

Balance Sheet

Y/E Mar (Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20
Equity share capital	410	410	411	513	514	514
Reserves & surplus	14340	15885	16585	20075	18782	16499
Net worth	14750	16296	16996	20589	19295	17013
Minority Interest	972	385	435	446	435	419
Loan Funds	12376	7843	6516	4586	2282	2373
Net deferred tax liability	-562	-333	-375	-387	-134	-78
Total Liabilities	29361	25385	24523	25711	22098	19861
Net block	3535	773	996	953	954	982
Investment	2216	8161	7425	9263	6878	5482
Current Assets	29382	20318	19296	18963	21477	18059
Cash & bank balance	770	1279	840	1302	2938	1324
Other Current Assets	28612	19039	18456	17661	18540	16734
Current liabilities & Provision	6163	4379	3965	3881	7705	5478
Net current assets	23218	15938	15331	15081	13773	12581
Misc. exp	0	0	0	0	0	0
Total Assets	29361	25385	24523	25711	22098	19861

Cash Flow

Y/E Mar (Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20
Opening Cash	571	479	1,194	751	498	1,346
Net Cash from Operations	2,997	-1,735	696	1,944	1,675	-628
Net Cash Used in Investing	425	1,062	1,409	-1,797	2,877	881
Net Cash Used in Financing	-3,361	1,389	-2,548	-400	-3,704	-674
Net Inc/(Dec) in Cash	60	715	-444	-253	848	-421
Closing Cash	632	1,194	751	498	1,346	925

Key Ratios

Profitability (%)	FY15	FY16	FY17	FY18	FY19	FY20
EBITDA Margin	39.1	14.4	6.6	10.1	4.4	-35.3
EBIT Margin	37.8	13.7	6.0	9.4	3.7	-36.6
Effective Tax Rate	32.7	31.2	23.8	23.2	17.2	-
Net Margin	24.4	15.5	13.4	17.4	20.1	-10.2
ROCE	14.0	3.0	1.8	2.1	0.9	-
ROE	17.9	5.9	6.1	5.2	6.0	-
RoIC	15.7	3.8	2.8	3.4	1.5	-

Per Share Data (Rs)	FY15	FY16	FY17	FY18	FY19	FY20
EPS	51.9	18.0	20.0	19.3	23.3	
CEPS	54.5	18.8	20.9	20.1	24.1	-10.7
BVPS	289.2	319.5	333.2	403.7	378.3	333.6
DPS		6.0	6.0	6.0	6.0	0.0

Valuations (x)	FY15	FY16	FY17	FY18	FY19	FY20
PER	4.1	11.8	10.6	11.0	9.1	-
P/CEPS	3.9	11.3	10.1	10.5	8.8	
P/BV	0.7	0.7	0.6	0.5	0.6	0.6
EV / Sales	1.9	1.6	1.2	0.9	0.6	1.1
EV / EBITDA	4.8	11.1	18.5	8.9	13.7	-3.1
Dividend Yield (%)	0.0	2.8	2.8	2.8	2.8	0.0

Gearing Ratio (x)	FY15	FY16	FY17	FY18	FY19	FY20
Net Debt/ Equity	0.6	-0.1	-0.1	-0.3	-0.4	-0.3
Net Debt/EBIDTA	2.2	-1.9	-3.5	-10.4	-29.2	2.1
Working Cap Cycle (days)	754.4	902.1	694.0	888.3	667.1	672.5

Growth (%)	FY15	FY16	FY17	FY18	FY19	FY20
Revenue	0.0	-45.4	28.5	-25.7	4.7	3.1
EBITDA	0.0	-79.8	-41.2	14.1	-55.0	-
EBIT	0.0	-80.2	-43.9	16.3	-58.5	-
PAT	0.0	-65.4	11.4	-3.8	21.0	-

Quarterly (Rs mn)	Q1FYC	Q2FYC	Q3FYC	Q4FYC	Q1FYC
Revenue	1,062	3,245	788	1,014	143
EBITDA	33	142	-230	-2,356	-270
EBITDA Margin (%)	3.1	4.4	-29.1	-232.3	-188.6
PAT	129	158	18	-896	-200
EPS (Rs)	2.5	3.1	0.4	-	-

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	51.5	51.5	51.5	51.5	51.5
FIs	14.3	14.0	13.6	13.4	13.1
DIs	7.0	11.1	10.6	13.1	13.9
Public and Others	27.3	23.4	24.4	22.1	21.6

Sunteck Realty

Refer to important disclosures at the end of this report

Set to benefit from sector consolidation

CMP: Rs 250
as of (August 17, 2020)TP: NA
12 months

Rating: NOT RATED

We hosted Mr. Prashant Chaubey, VP, Corporate Finance; and Mr. Raunaq Rathi, Corporate Strategy and Investor Relations

Key Meeting Takeaways

- SRIN is a Mumbai-focused developer with residential projects ranging from Uber luxury to affordable housing in Mumbai Metropolitan Region (MMR) with a portfolio of 35mn sq ft.
- SRIN is following a strategy of buying low-cost land parcels in Mumbai and developing them into profitable projects.
- In ODC, Goregaon, SRIN has two land parcels of total 23 acres, where it is developing premium residential projects under its City brand. It is developing five towers - Avenue 1 to 5. Management recently launched Avenue 4 with 2 towers for a total of 0.9 msft. Over 50% of launched inventory in Tower 1 of Avenue 4 was pre-sold within 3 weeks. Total pre-sales of 128 apartments for a total worth of Rs2.15bn.
- Last year, SRIN had launched an affordable housing project under a new brand 'Sunteck World' in Naigaon – an emerging location in the western suburbs of MMR (between Borivali and Virar). SRIN has acquired this project under its asset-light JDA model with a local private firm named Unicorn Global.
- Following its success, SRIN launched Sunteck Maxx and has already pre-sold over 1,800 flats worth over Rs6.5bn.
- SRIN has acquired a redevelopment asset located at Nepean Sea road at 35 cents to a dollar from the Bombay High Court.
- Among Indian developers with a huge backlog, SRIN stands out for its strong balance sheet with a low gearing at 0.17x. Management believes that with a healthy balance sheet, the company can fuel growth via future acquisitions.

Financial Snapshot (Consolidated)

(Rs mn)	FY15	FY16	FY17	FY18	FY19
Net Sales	3029	2434	9522	8883	8568
EBITDA	1339	239	3430	3667	3782
EBITDA Margin (%)	44.2	9.8	36.0	41.3	44.1
APAT	682	230	2063	2142	2276
EPS (Rs)	4.7	1.6	14.1	14.7	15.6
EPS (% chg)		-66.3	798.3	3.8	6.2
ROE (%)	4.6	1.5	12.2	9.7	8.3
P/E (x)	46.9	139.2	15.5	14.9	14.1
EV/EBITDA (x)	30.8	165.9	11.0	9.4	9.0
P/BV (x)	2.2	2.0	1.8	1.2	1.1

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	NA
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	SRIN IN
Face Value (Rs)	1
Shares outstanding (mn)	146
52 Week H/L	487/145
M Cap (Rs bn/USD bn)	32/0.4
Daily Avg Volume (nos.)	950613.0
Daily Avg Turnover (US\$ mn)	2.3

Shareholding Pattern Jun'20

Promoters	67.2%
FII's	23.8%
DII's	2.9%
Public and Others	6.1%

Price Performance

(%)	1M	3M	6M	12M
Absolute	11	32	-44	-50
Rel. to Nifty	6	8	-39	-50

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY15	FY16	FY17	FY18	FY19
Net Sales	3029	2434	9522	8883	8568
Expenditure	1689	2195	6092	5216	4786
EBITDA	1339	239	3430	3667	3782
Depreciation	20	22	23	17	22
EBIT	1320	217	3407	3651	3760
Other Income	140	162	82	91	346
Interest expenses	176	169	455	423	411
PBT	1284	210	3033	3318	3696
Tax	470	-63	872	1079	1284
Extraordinary Items	0	0	-23	0	0
Minority Int. /Income from Assoc.	132	44	122	98	136
Reported Net Income	682	230	2040	2142	2276
Adjusted PAT	682	230	2063	2142	2276

Balance Sheet

Y/E Mar (Rs mn)	FY15	FY16	FY17	FY18	FY19
Equity share capital	120	120	120	140	140
Reserves & surplus	14583	15865	17826	26163	28195
Net worth	14703	15985	17953	26304	28337
Minority Interest	629	584	706	775	910
Loan Funds	10706	12340	9437	5680	6346
Net deferred tax liability	-2	242	234	157	148
Total Liabilities	26073	28946	28121	32780	35644
Net block	730	475	721	705	725
Investment	300	3691	3220	2203	2606
Current Assets	40980	37227	32152	33385	35457
Cash & bank balance	1092	917	597	1099	1479
Other Current Assets	39888	36311	31555	32286	33978
Current liabilities & Provision	16123	12781	8665	3776	3572
Net current assets	24857	24446	23487	29609	31885
Misc. exp	0	0	0	0	0
Total Assets	26073	28946	28121	32780	35644

Cash Flow

Y/E Mar (Rs mn)	FY15	FY16	FY17	FY18	FY19
Opening Cash	122	1,024	657	596	491
Net Cash from Operations	-853	-1,280	2,427	-1,685	-79
Net Cash Used in Investing	-1,579	-765	882	180	723
Net Cash Used in Financing	3,346	1,678	-3,371	1,401	-224
Net Inc/(Dec) in Cash	913	-367	-62	-105	421
Closing Cash	1,035	657	596	491	911

Key Ratios

Profitability (%)	FY15	FY16	FY17	FY18	FY19
EBITDA Margin	44.2	9.8	36.0	41.3	44.1
EBIT Margin	43.6	8.9	35.8	41.1	43.9
Effective Tax Rate	36.6	-	28.7	32.5	34.8
Net Margin	22.5	9.4	21.7	24.1	26.6
ROCE	5.1	0.8	11.9	12.0	11.0
ROE	4.6	1.5	12.2	9.7	8.3
RoIC	5.2	0.9	13.7	13.3	11.9

Per Share Data (Rs)	FY15	FY16	FY17	FY18	FY19
EPS	4.7	1.6	14.1	14.7	15.6
CEPS	4.8	1.7	14.3	14.8	15.7
BVPS	100.7	109.5	123.0	180.2	194.1
DPS		2.0	3.0	1.5	1.5

Valuations (x)	FY15	FY16	FY17	FY18	FY19
PER	46.9	139.2	15.5	14.9	14.1
P/CEPS	45.6	126.9	15.3	14.8	13.9
P/BV	2.2	2.0	1.8	1.2	1.1
EV / Sales	13.6	16.3	3.9	3.9	4.0
EV / EBITDA	30.8	165.9	11.0	9.4	9.0
Dividend Yield (%)	0.0	0.9	1.4	0.7	0.7

Gearing Ratio (x)	FY15	FY16	FY17	FY18	FY19
Net Debt/ Equity	0.6	0.5	0.3	0.1	0.1
Net Debt/EBIDTA	7.0	32.3	1.6	0.6	0.6
Working Cap Cycle (days)	2864.2	3528.9	877.4	1171.5	1295.3

Growth (%)	FY15	FY16	FY17	FY18	FY19
Revenue	0.0	-19.6	291.3	-6.7	-3.5
EBITDA	0.0	-82.1	1333.8	6.9	3.1
EBIT	0.0	-83.6	1470.8	7.1	3.0
PAT	0.0	-66.3	798.3	3.8	6.2

Quarterly (Rs mn)	Q1FYC	Q2FYC	Q3FYC	Q4FYC	Q1FYC
Revenue	1,746	1,348	1,981	916	607
EBITDA	609	414	499	87	101
EBITDA Margin (%)	34.9	30.7	25.2	9.5	16.6
PAT	332	291	330	50	31
EPS (Rs)	2.3	2.0	2.3	0.3	0.2

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	67.2	67.2	67.1	67.2	67.2
FII's	26.9	26.7	26.9	26.5	23.8
DII's	2.7	2.7	2.7	2.7	2.9
Public and Others	3.3	3.4	3.3	3.6	6.1

Speciality Chemicals

Advanced Enzyme Tech

Refer to important disclosures at the end of this report

New markets to be tested

CMP: Rs 217
as of (August 17, 2020)TP: Rs 238 (■)
12 months

Rating: BUY (■)

We hosted Mr. Vasant L. Rathi, MD, Mr. Mukund Kabra, Executive Director, Mr. Beni Prasad Rauka, CFO, of Advanced Enzyme Technologies Ltd. (ADVZENY)

Key Meeting Takeaways

- Human HC is the lead revenue driver (75% in FY20) and the balance is Animal HC (12%) and Industrial Processing (13%). Management is focusing on getting a number of products (13) registered across the globe, from Asia to LATAM, new addressable market for which would be USD2bn-2.5bn. Earlier, the company operated with independent strategy for different geographical locations. However, with the growth phase on, management aims to integrate all global operations in order to benefit from cross-border synergies.
- Biocatalysts predominantly would be catered to pharmaceutical companies, as these products help replicate the API function through enzymes. They would also reduce solvent input, improve yields, thereby reducing costs. For the bakery market, it has come up with a new generation of an existing product, which would help address 80% of the USD300mn market as there is globally only one player serving this product. Europe remains the largest market for this bakery product.
- In India, enzymes are considered as APIs, and as a result, nutraceutical business in India is absent. However, regulation change is quite possible in near to medium term, and once this happens (from drug to food classification) ADVZENY would be able to address a lot of domestic opportunities. The company caters to domestic pharmaceutical companies as well. It does not produce vitamins, only probiotics and enzymes and is also focusing on Covid-19 trials along with immunity, digestion and pulmonary fibrosis application products.
- US business (~42% of total FY20 sales) remains very crucial to the overall performance of the company. Majority of this business is B2B in nature and management plans to expand in the B2C business (currently operational, high growth on small base). 85% of the US business is nutraceuticals, and balance is animal feed and others. Despite revenue contribution being absent from the largest customer (US) in the last three quarters (on change in customer strategy; low visibility outlook), revenue run rate from the US remained flat in Q1FY21. US subsidiary imports ~70% of raw materials from India.
- In FY20, capex plans are around Rs80-100mn and Rs750-800mn for next three years. Top 5 customers contributed about 18% of overall FY20 sales. It expects to generate Rs750mn in cash from operations in FY21. Cash balance is Rs830mn currently.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	4,196	4,440	4,653	5,397	6,153
EBITDA	1,819	2,023	2,041	2,438	2,829
EBITDA Margin (%)	43.4	45.6	43.9	45.2	46.0
APAT	1,111	1,293	1,321	1,577	1,849
EPS (Rs)	9.9	11.6	11.6	14.1	16.6
EPS (% chg)	23.3	16.4	2.2	19.4	17.3
ROE (%)	17.9	17.0	14.6	15.2	15.3
P/E (x)	21.8	18.7	18.3	15.4	13.1
EV/EBITDA (x)	13.4	11.7	11.1	9.1	7.4
P/BV (x)	3.6	2.9	2.5	2.2	1.9

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	11.6	14.1
Consensus	12.2	14.1
Mean Consensus TP (12M)	Rs 238	

Stock Details

Bloomberg Code	ADVZENY IN
Face Value (Rs)	2
Shares outstanding (mn)	112
52 Week H/L	227 / 91
M Cap (Rs bn/USD bn)	24 / 0.32
Daily Avg Volume (nos.)	4,22,375
Daily Avg Turnover (US\$ mn)	1.1

Shareholding Pattern Jun '20

Promoters	58.1%
FIIIs	11.0%
DIIIs	8.7%
Public and Others	22.2%

Price Performance

(%)	1M	3M	6M	12M
Absolute	30	42	31	41
Rel. to Nifty	23	16	42	39

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	4,196	4,440	4,653	5,397	6,153
Expenditure	2,377	2,417	2,612	2,959	3,324
EBITDA	1,819	2,023	2,041	2,438	2,829
Depreciation	211	258	276	305	339
EBIT	1,608	1,766	1,765	2,133	2,490
Other Income	50	56	85	60	70
Interest expenses	39	30	20	18	16
PBT	1,620	1,792	1,830	2,175	2,544
Tax	461	461	471	560	655
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	(48)	(38)	(38)	(39)	(40)
Reported Net Income	1,111	1,293	1,321	1,577	1,849
Adjusted PAT	1,111	1,293	1,321	1,577	1,849

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	223	223	223	223	223
Reserves & surplus	6,565	8,173	9,427	10,937	12,719
Net worth	6,788	8,397	9,650	11,160	12,942
Minority Interest	260	278	316	355	395
Loan Funds	338	302	302	252	202
Net deferred tax liability	0	0	0	0	0
Total Liabilities	7,386	8,976	10,268	11,767	13,539
Net block	5,060	5,730	5,853	6,749	7,210
Investment	1,285	1,439	1,439	1,439	1,439
Current Assets	1,707	2,543	3,735	4,397	5,780
Cash & bank balance	234	830	1,828	2,332	3,427
Other Current Assets	0	0	0	0	0
Current liabilities & Provision	666	735	759	817	890
Net current assets	1,041	1,808	2,976	3,579	4,890
Misc. exp	0	0	0	0	0
Total Assets	7,386	8,976	10,268	11,767	13,539

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	1,569	1,735	1,745	2,115	2,474
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(152)	(170)	(171)	(99)	(217)
Operating Cashflow	1,372	1,799	1,465	1,822	2,011
Capital expenditure	(252)	(928)	(400)	(1,200)	(800)
Free Cash Flow	1,120	871	1,065	622	1,211
Investments	(1,139)	(154)	0	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(1,391)	(1,082)	(400)	(1,200)	(800)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	(279)	(36)	0	(50)	(50)
Dividend paid (incl tax)	67	67	67	67	67
Other Financing Cash Flow	(428)	(189)	(134)	(184)	(184)
Financing Cashflow	(361)	(122)	(67)	(117)	(117)
Net chg in cash	(380)	596	998	505	1,094
Opening cash position	614	234	830	1,828	2,332
Closing cash position	234	830	1,828	2,332	3,427

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	43.4	45.6	43.9	45.2	46.0
EBIT Margin	38.3	39.8	37.9	39.5	40.5
Effective Tax Rate	28.4	25.7	25.7	25.7	25.7
Net Margin	27.6	30.0	29.2	29.9	30.7
ROCE	24.0	22.3	19.2	19.9	20.2
ROE	17.9	17.0	14.6	15.2	15.3
RoIC	27.9	28.1	25.8	28.5	29.9

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	9.9	11.6	11.8	14.1	16.6
CEPS	11.8	13.9	14.3	16.8	19.6
BVPS	60.8	75.2	86.4	99.9	115.9
DPS	0.6	0.6	0.6	0.6	0.6

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	21.8	18.7	18.3	15.4	13.1
P/CEPS	17.7	15.1	14.6	12.4	10.7
P/BV	3.6	2.9	2.5	2.2	1.9
EV / Sales	5.8	5.3	4.9	4.1	3.4
EV / EBITDA	13.4	11.7	11.1	9.1	7.4
Dividend Yield (%)	0.3	0.3	0.3	0.3	0.3

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	0.0	(0.1)	(0.2)	(0.2)	(0.2)
Net Debt/EBITDA	0.1	(0.3)	(0.7)	(0.9)	(1.1)
Working Cap Cycle (days)	70.2	80.4	90.1	84.3	86.8

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	7.3	5.8	4.8	16.0	14.0
EBITDA	11.0	11.2	0.9	19.4	16.0
EBIT	10.4	9.8	0.0	20.9	16.7
PAT	23.3	16.4	2.2	19.4	17.3

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	1,103	1,114	1,119	1,103	1,105
EBITDA	535	473	529	487	517
EBITDA Margin (%)	48.5	42.4	47.2	44.2	46.8
PAT	328	301	327	300	337
EPS (Rs)	2.9	2.7	2.9	2.7	3.0

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	57.3	57.9	57.9	57.9	58.1
FII	11.2	11.2	11.0	11.1	11.0
DII	8.1	8.4	8.7	8.9	8.7
Public and Others	23.4	22.6	22.5	22.1	22.2

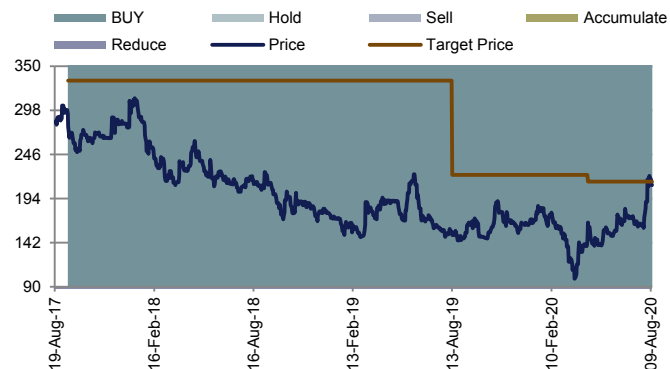
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
13-Aug-20	208	238	12m	Buy	Rohit Sinha
02-Jun-20	153	214	12m	Buy	Rohit Sinha
16-Apr-20	166	214	12m	Buy	Rohit Sinha
07-Feb-20	175	222	12m	Buy	Rohit Sinha
07-Feb-20	175	222	12m	Buy	Rohit Sinha
06-Jan-20	165	222	12m	Buy	Rohit Sinha
05-Nov-19	187	222	12m	Buy	Rohit Sinha
13-Aug-19	151	222	12m	Buy	Rohit Sinha
28-May-19	212	333	12m	Buy	Amar Mourya
03-Oct-18	187	333	12m	Buy	Amar Mourya
13-Aug-18	220	333	12m	Buy	Amar Mourya
09-Jul-18	211	333	12m	Buy	Amar Mourya
21-May-18	221	333	12m	Buy	Amar Mourya
06-Feb-18	256	333	12m	Buy	Amar Mourya
14-Nov-17	268	333	12m	Buy	Amar Mourya
12-Sep-17	279	333	12m	Buy	Amar Mourya

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

GHCL

Refer to important disclosures at the end of this report

Progressive revival in the offing

CMP: Rs 150
as of (August 17, 2020)

TP: Rs 170 (■)
12 months

Rating: BUY (■)

We hosted Mr. R.S. Jalan, MD, Mr. Raman Chopra, CFO, and Mr. Abhishek Chaturvedi, GM- Finance of GHCL Ltd. (GHCL)

Key Meeting Takeaways

- The soda ash market in FY20 faced certain headwinds primarily in H2FY20 due to demand reduction ensuing from the economic slowdown in certain end industries. Management estimates overall demand destruction to be in range of 12-15% and this would come back in next 3-4 quarters. Prices have been down 10-12% from peak in Mar'20 and GHCL expects ~2% correction in the near term, before any sort of positive recovery is visible.
- Globally, it would be difficult for market prices to gain traction in CY20. Additionally, production cut from large players in certain regions would help in inventory rationalization in the system, which may provide some boost for prices. Prices of imported soda ash float are about USD200/ton (down USD15-20 qoq) from established markets such as the US and Turkey (competitive yet unsustainable pricing exists in emerging markets). Both spot/contractual prices are under pressure.
- China has reduced its internal production due to a 30% decline in domestic demand. Overall, imports into India are down by over 50% (115kt vs. 260kt in Q1FY20). A number of soda ash manufacturing facilities have gone under maintenance in China and it would be fairly difficult for all of them to come back online, especially in CY20, as it has become unviable for certain players to operate in the cost-competitive environment.
- Of the overall contracts, not more than 25% are long term. Almost 75% of the volume offtake is undertaken in short-term 2-3 month contracts (rest 25% volumes are for large customers: >2000tons/month). Pricing may differ 3-5% depending on customer to customer. The textiles segment underwent a significant washout in the first two months of this quarter. The garment and spinning segment shows signs of recovery, and management expects this business to turn positive from the next quarter.
- Management is currently seeking the implementation of Anti-Dumping Duty which would provide a floor to domestic prices (ADD currently exists on imports from the US and Turkey since these are major markets). Along with this, the company is seeking safeguard duty (which is usually for a 1-year period vs. 5 years for ADD).
- Capex for FY21 would be in the range of Rs1.1-1.2bn, along with Greenfield expansion undertaking. Maintenance capex to be Rs500-600mn for the year. Debt/equity would not exceed 1:1, with any undertakings. The company aims to reduce debt by Rs1.5-2bn during the entire year, with a focus on optimizing interest cost structures.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	33,413	33,051	26,784	32,257	34,157
EBITDA	7,594	7,280	6,078	7,488	7,929
EBITDA Margin (%)	22.7	22.0	22.7	23.2	23.2
APAT	3,506	3,966	2,459	3,912	4,712
EPS (Rs)	35.8	41.7	25.9	41.2	49.6
EPS (% chg)	(2.2)	16.7	(38.0)	59.1	20.4
ROE (%)	19.8	19.5	11.0	15.6	16.4
P/E (x)	4.2	3.6	5.8	3.7	3.0
EV/EBITDA (x)	3.4	3.3	3.6	2.6	2.2
P/BV (x)	0.8	0.7	0.6	0.5	0.5

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	25.9	41.2
Consensus	25.5	40.2
Mean Consensus TP (12M)	Rs 165	

Stock Details

Bloomberg Code	GHCL IN
Face Value (Rs)	10
Shares outstanding (mn)	95
52 Week H/L	227 / 69
M Cap (Rs bn/USD bn)	14 / 0.19
Daily Avg Volume (nos.)	3,59,847
Daily Avg Turnover (US\$ mn)	0.7

Shareholding Pattern Jun '20

Promoters	19.3%
FIIIs	14.5%
DIIIs	20.8%
Public and Others	45.5%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(1)	50	(16)	(25)
Rel. to Nifty	(6)	23	(9)	(26)

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	33,413	33,051	26,784	32,257	34,157
Expenditure	25,819	25,771	20,706	24,769	26,228
EBITDA	7,594	7,280	6,078	7,488	7,929
Depreciation	1,169	1,312	1,347	1,331	1,576
EBIT	6,425	5,968	4,731	6,157	6,353
Other Income	155	176	100	120	120
Interest expenses	1,273	1,198	1,055	863	693
PBT	5,306	4,946	3,286	5,228	6,296
Tax	1,801	980	827	1,316	1,585
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	3,506	3,966	2,459	3,912	4,712
Adjusted PAT	3,506	3,966	2,459	3,912	4,712

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	980	950	950	950	950
Reserves & surplus	18,275	20,540	22,428	25,771	29,912
Net worth	19,255	21,490	23,378	26,721	30,862
Minority Interest	0	0	0	0	0
Loan Funds	11,167	10,923	8,923	7,323	5,723
Net deferred tax liability	2,530	2,531	2,531	2,531	2,531
Total Liabilities	32,952	34,943	34,832	36,574	39,116
Net block	27,085	27,854	27,591	28,825	30,529
Investment	869	1,237	1,237	1,237	1,237
Current Assets	11,995	12,603	11,332	13,067	14,092
Cash & bank balance	355	1,157	1,147	2,303	2,694
Other Current Assets	1,049	796	645	777	823
Current liabilities & Provision	6,997	6,751	5,328	6,554	6,742
Net current assets	4,998	5,853	6,004	6,513	7,350
Misc. exp	0	0	0	0	0
Total Assets	32,952	34,943	34,832	36,574	39,116

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	5,151	4,770	3,186	5,108	6,176
Other Non-Cash items	0	0	0	0	0
Chg in working cap	734	(52)	(161)	648	(446)
Operating Cashflow	5,527	3,969	3,560	5,826	5,561
Capital expenditure	(2,502)	(2,080)	(1,084)	(2,564)	(3,280)
Free Cash Flow	3,025	1,888	2,477	3,262	2,281
Investments	(345)	(368)	0	0	0
Other Investing Cash Flow	(2,795)	(1,497)	(2,792)	(3,577)	(2,156)
Investing Cashflow	(2,841)	(2,321)	(1,000)	(2,500)	(3,000)
Equity Capital Raised	6	(30)	0	0	0
Loans Taken / (Repaid)	(2,116)	(245)	(2,000)	(1,600)	(1,600)
Dividend paid (incl tax)	(490)	(570)	(570)	(570)	(570)
Other Financing Cash Flow	(2,110)	(275)	(2,000)	(1,600)	(1,600)
Financing Cashflow	(2,600)	(845)	(2,570)	(2,170)	(2,170)
Net chg in cash	87	802	(10)	1,156	391
Opening cash position	268	355	1,157	1,147	2,303
Closing cash position	355	1,157	1,147	2,303	2,694

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	22.7	22.0	22.7	23.2	23.2
EBIT Margin	19.2	18.1	17.7	19.1	18.6
Effective Tax Rate	33.9	19.8	25.2	25.2	25.2
Net Margin	10.5	12.0	9.2	12.1	13.8
ROCE	22.0	19.6	14.9	18.9	18.3
ROE	19.8	19.5	11.0	15.6	16.4
RoIC	20.6	18.6	14.6	18.8	18.6

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	35.8	41.7	25.9	41.2	49.6
CEPS	47.7	55.6	40.1	55.2	66.2
BVPS	196.4	226.2	246.1	281.2	324.8
DPS	5.0	6.0	6.0	6.0	6.0

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	4.2	3.6	5.8	3.7	3.0
P/CEPS	3.2	2.7	3.8	2.8	2.3
P/BV	0.8	0.7	0.6	0.5	0.5
EV / Sales	0.8	0.7	0.8	0.6	0.5
EV / EBITDA	3.4	3.3	3.6	2.6	2.2
Dividend Yield (%)	3.3	4.0	4.0	4.0	4.0

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	0.6	0.5	0.3	0.2	0.1
Net Debt/EBIDTA	1.4	1.3	1.3	0.7	0.4
Working Cap Cycle (days)	50.7	51.9	66.2	47.6	49.8

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	14.5	(1.1)	(19.0)	20.4	5.9
EBITDA	25.3	(4.1)	(16.5)	23.2	5.9
EBIT	29.5	(7.1)	(20.7)	30.1	3.2
PAT	(1.6)	13.1	(38.0)	59.1	20.4

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	8,759	8,219	8,346	7,332	4,361
EBITDA	2,185	1,992	1,779	1,607	801
EBITDA Margin (%)	24.9	24.2	21.3	21.9	18.4
PAT	1,035	1,221	1,011	799	170
EPS (Rs)	10.6	12.4	10.3	8.4	1.8

Source: Company, Emkay Research

Shareholding Pattern (%)	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20
Promoters	18.9	18.5	19.2	19.2	19.3
FIIIs	15.9	15.9	14.7	14.8	14.5
DIIIs	17.0	17.3	20.5	17.8	20.8
Public and Others	48.2	48.3	45.6	48.3	45.5

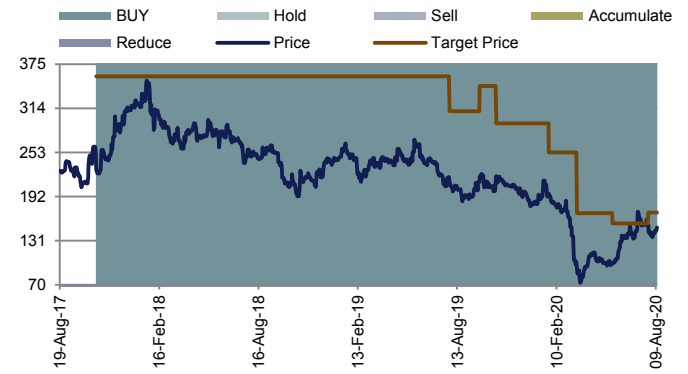
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
26-Jul-20	152	170	12m	Buy	Rohit Sinha
22-May-20	101	155	12m	Buy	Rohit Sinha
16-Apr-20	112	169	12m	Buy	Rohit Sinha
18-Mar-20	93	169	12m	Buy	Rohit Sinha
07-Feb-20	181	253	12m	Buy	Rohit Sinha
27-Jan-20	196	253	12m	Buy	Rohit Sinha
06-Jan-20	182	293	12m	Buy	Rohit Sinha
23-Oct-19	220	293	12m	Buy	Rohit Sinha
23-Sep-19	219	345	12m	Buy	Rohit Sinha
23-Sep-19	219	345	12m	Buy	Rohit Sinha
30-Jul-19	211	310	12m	Buy	Rohit Sinha
27-Apr-19	258	358	12m	Buy	Amar Mourya
23-Jan-19	257	358	12m	Buy	Amar Mourya
31-Oct-18	228	358	12m	Buy	Amar Mourya
19-Jul-18	246	358	12m	Buy	Amar Mourya
09-Jul-18	273	358	12m	Buy	Amar Mourya
26-Apr-18	269	358	12m	Buy	Amar Mourya
02-Feb-18	306	358	12m	Buy	Amar Mourya
24-Oct-17	230	358	12m	Buy	Amar Mourya

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Navin Fluorine

Refer to important disclosures at the end of this report

Doing it in the right way

CMP: Rs 1,969

as of (August 17, 2020)

TP: Rs 1,925 (■)

12 months

Rating: BUY (■)

We hosted Mr. Radhesh Welling, MD, Mr. Ketan Sablok, CFO of Navin Fluorine International Ltd. (NFIL).

Key Meeting Takeaways

- NFIL will continue to focus on three high-growth segments, i.e., Specialty Chemical, CRAMS and HPP. The focus on Inorganic Fluorides and R-gas segments may take a backseat for the time being, given the bleak demand outlook from particular industries such as stainless steel and automotive. Pharmaceuticals, Agrochemicals and Industrials would be key end-user industries for Specialty Chemicals. Under the CRAMS segment, multiple projects, 20-30, are always ongoing at any point of time.
- Management has built a strong multi-product long-term relationships with five customers, which the team would ideally like to become 7-10, in the medium term. Three out of these five customers are large pharma companies, while two are relatively smaller ones. Margin accretion, payback period or return on investment, and strategic fit remain the three key deciding factors that are evaluated prior to undertaking any project or contract on a long-term basis.
- As of now, NFIL's core focus revolves around fluorine chemistry, which may be combined with processes such as sulphonation, chlorination etc. to widen the offering base. Fluorine-based chemistry is of complex nature (with growing number of applications globally), and management plans to capitalize on this knowledge base to further penetrate the high-margin downstream fluorine chain (limited presence in India). Additionally, there are pockets of new chemistries emerging across the board, which may gain traction going forward. NFIL currently is the global leader for Boron Trifluoride (BF3).
- The company is betting big on its recently signed USD400mn project with a large global player to supply High Performance Product (HPP). The contract is spread out over seven years and would commence in FY23. Technology gathering from this deal would further enhance chemistry base for the company. The HPP segment is completely new line of business and since the domestic market is under penetrated, management expects slow but steady traction from the local market. The company plans to deploy ~Rs5bn for a greenfield project in Dahej, over the next 18 months and this includes setting up a power plant as well.
- Management is of the view that in current period for specialty chemical companies in India, selection of a particular chemistry and producing within that value chain would be critical, as China may/may not come back strongly in that specific chain, once internal structural issues are resolved. Chinese players may undertake consolidation as well, in order to drive down costs and regain market share.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	9,959	10,616	11,710	14,290	20,492
EBITDA	2,184	2,635	2,954	3,698	5,354
EBITDA Margin (%)	21.9	24.8	25.2	25.9	26.1
APAT	1,491	4,086	2,115	2,674	3,976
EPS (Rs)	30.2	82.6	42.7	54.1	80.4
EPS (% chg)	(17.2)	173.9	(48.2)	26.5	48.7
ROE (%)	14.5	32.9	14.2	16.0	20.4
P/E (x)	65.3	23.8	46.1	36.4	24.5
EV/EBITDA (x)	44.5	36.0	32.3	26.1	17.9
P/BV (x)	9.1	6.9	6.2	5.5	4.6

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	42.7	54.1
Consensus	45.5	55.1
Mean Consensus TP (12M)	Rs 1,878	

Stock Details

Bloomberg Code	NFIL IN
Face Value (Rs)	2
Shares outstanding (mn)	49
52 Week H/L	2,196 / 635
M Cap (Rs bn/USD bn)	97 / 1.30
Daily Avg Volume (nos.)	1,70,794
Daily Avg Turnover (US\$ mn)	3.8

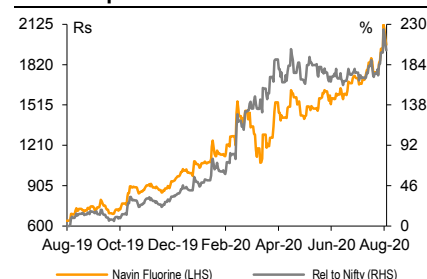
Shareholding Pattern Jun '20

Promoters	30.5%
FIIIs	19.4%
DIIIs	18.9%
Public and Others	31.2%

Price Performance

(%)	1M	3M	6M	12M
Absolute	18	37	62	200
Rel. to Nifty	12	12	75	196

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	9,959	10,616	11,710	14,290	20,492
Expenditure	7,776	7,981	8,757	10,591	15,138
EBITDA	2,184	2,635	2,954	3,698	5,354
Depreciation	275	370	429	449	592
EBIT	1,908	2,265	2,525	3,250	4,762
Other Income	344	333	500	250	250
Interest expenses	8	20	20	45	40
PBT	2,244	2,578	3,005	3,455	4,972
Tax	770	(1,436)	970	871	1,096
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	(17)	(72)	(80)	(90)	(100)
Reported Net Income	1,491	4,086	2,115	2,674	3,976
Adjusted PAT	1,491	4,086	2,115	2,674	3,976

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	99	99	99	99	99
Reserves & surplus	10,626	14,023	15,574	17,704	21,146
Net worth	10,724	14,122	15,673	17,803	21,245
Minority Interest	0	0	0	0	0
Loan Funds	272	303	303	1,303	1,053
Net deferred tax liability	0	0	0	0	0
Total Liabilities	10,997	14,425	15,976	19,106	22,297
Net block	4,695	5,676	7,828	10,469	11,977
Investment	5,084	3,713	3,793	3,883	3,983
Current Assets	3,293	6,745	6,099	6,690	9,124
Cash & bank balance	370	2,838	2,251	2,308	2,840
Other Current Assets	0	0	0	0	0
Current liabilities & Provision	2,075	1,710	1,744	1,937	2,787
Net current assets	1,218	5,035	4,355	4,753	6,337
Misc. exp	0	0	0	0	0
Total Assets	10,997	14,425	15,976	19,106	22,297

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	1,900	2,245	2,505	3,205	4,722
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(339)	(1,350)	94	(341)	(1,052)
Operating Cashflow	1,228	3,034	2,618	2,781	3,525
Capital expenditure	(493)	(1,351)	(2,580)	(3,090)	(2,100)
Free Cash Flow	735	1,683	38	(309)	1,425
Investments	(226)	1,371	(80)	(90)	(100)
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(719)	20	(2,580)	(3,090)	(2,100)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	(111)	30	0	1,000	(250)
Dividend paid (incl tax)	386	544	544	544	544
Other Financing Cash Flow	(899)	(1,130)	(1,168)	(178)	(1,438)
Financing Cashflow	(513)	(586)	(624)	366	(894)
Net chg in cash	(5)	2,467	(586)	57	531
Opening cash position	374	370	2,838	2,251	2,308
Closing cash position	370	2,837	2,251	2,308	2,840

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	21.9	24.8	25.2	25.9	26.1
EBIT Margin	19.2	21.3	21.6	22.7	23.2
Effective Tax Rate	34.3	(55.7)	32.3	25.2	22.0
Net Margin	14.8	37.8	17.4	18.1	18.9
ROCE	21.2	20.4	19.9	20.0	24.2
ROE	14.5	32.9	14.2	16.0	20.4
RoIC	36.3	33.8	28.4	28.5	33.5

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	30.2	82.6	42.7	54.1	80.4
CEPS	35.7	90.1	51.4	63.1	92.3
BVPS	216.9	285.4	316.8	359.8	429.4
DPS	7.8	11.0	11.0	11.0	11.0

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	65.3	23.8	46.1	36.4	24.5
P/CEPS	48.8	19.3	33.9	27.6	18.9
P/BV	9.1	6.9	6.2	5.5	4.6
EV / Sales	9.8	8.9	8.2	6.7	4.7
EV / EBITDA	44.5	36.0	32.3	26.1	17.9
Dividend Yield (%)	0.4	0.6	0.6	0.6	0.6

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	0.0	(0.2)	(0.1)	(0.1)	(0.1)
Net Debt/EBITDA	0.0	(1.0)	(0.7)	(0.3)	(0.3)
Working Cap Cycle (days)	31.1	75.6	65.6	62.5	62.3

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	9.1	6.6	10.3	22.0	43.4
EBITDA	1.6	20.7	12.1	25.2	44.8
EBIT	8.9	18.7	11.5	28.7	46.5
PAT	(17.1)	174.0	(48.2)	26.5	48.7

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	2,516	2,729	2,605	2,766	2,149
EBITDA	611	681	655	688	538
EBITDA Margin (%)	24.3	25.0	25.1	24.9	25.0
PAT	431	473	454	2,727	560
EPS (Rs)	8.7	9.6	9.2	55.1	11.3

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	31.0	31.0	31.0	30.5	30.5
FII	15.8	17.1	18.0	19.0	19.4
DII	18.5	17.9	17.4	18.6	18.9
Public and Others	34.7	34.0	33.6	31.9	31.2

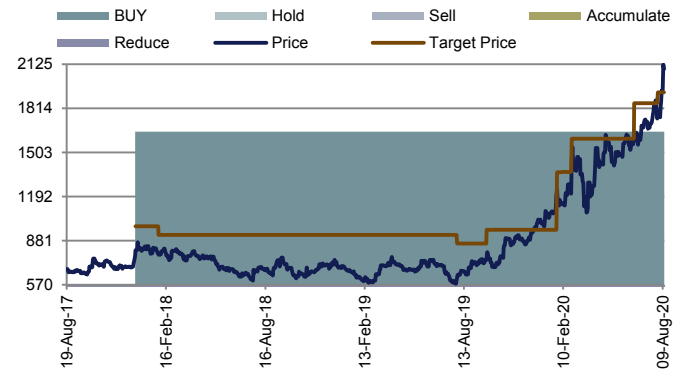
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
31-Jul-20	1,761	1,925	12m	Buy	Rohit Sinha
18-Jun-20	1,584	1,850	12m	Buy	Rohit Sinha
16-Apr-20	1,437	1,600	12m	Buy	Rohit Sinha
25-Feb-20	1,454	1,600	12m	Buy	Rohit Sinha
07-Feb-20	1,140	1,365	12m	Buy	Rohit Sinha
29-Jan-20	1,246	1,364	12m	Buy	Rohit Sinha
06-Jan-20	980	958	12m	Buy	Rohit Sinha
13-Dec-19	938	958	12m	Buy	Rohit Sinha
24-Oct-19	826	958	12m	Buy	Rohit Sinha
23-Sep-19	762	958	12m	Buy	Rohit Sinha
31-Jul-19	623	860	12m	Buy	Rohit Sinha
07-May-19	678	922	12m	Buy	Amar Mourya
02-Apr-19	751	922	12m	Buy	Amar Mourya
25-Jan-19	642	922	12m	Buy	Amar Mourya
01-Nov-18	639	922	12m	Buy	Amar Mourya
26-Jul-18	649	922	12m	Buy	Amar Mourya
09-Jul-18	647	922	12m	Buy	Amar Mourya
11-May-18	768	922	12m	Buy	Amar Mourya
02-Feb-18	783	922	12m	Buy	Amar Mourya
22-Dec-17	814	982	12m	Buy	Amar Mourya

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Steels & Pipes

APL Apollo Tubes

Refer to important disclosures at the end of this report

Strengthening balance sheet, increasing revenue and margin

CMP: Rs 2,279
as of (August 17, 2020)

TP: NA
12 months

Rating: NOT RATED

We hosted Mr. Anubhav Gupta, Chief Strategy Officer

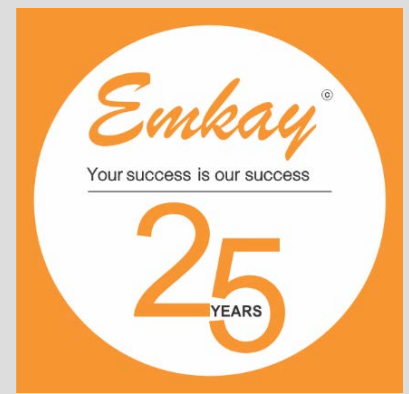
Key Meeting Takeaways

- **Focus on collection of receivables and reducing debt:** During the pandemic, when there was a complete shutdown, APL focused on collection of receivables to avoid any credit risk/bad debts. It brought down the receivables by 30% and the receivables days to 10 from 20. The collection was used for repaying the debt and bring down interest costs as well.
- **Cash and Carry:** Now the company is operating on the cash-and-carry model with minimum credit period of 2-5 days to reduce the credit risk. As per APL, the same has been accepted by the distributors, reflecting strong bargaining power of the company.
- **First one to take off post pandemic:** As per APL, it was the first tubular company to reopen all facilities and was in a position to cater to the pent-up demand and given its geographical spread, it was able to reach out maximum customers. In addition, it also tapped into the rural customers by reaching out to smaller rural distributors.
- **FY21 and FY22 Outlook:** APL plans to raise its blended margin from Rs3,500/t-Rs4,000/t through a mix of (a) increasing volume, (b) increase share of VAP, (c) bringing in more innovative products to the market. This will enable it to increase revenue and margins.
- **Acquisition:** Unless the valuations are extremely lucrative, the company has no plans for any acquisition. It will focus on increasing production from 1.6mt to 2.2mt over the next 18-24 months.

Financial Snapshot (Consolidated)

(Rs mn)	FY16	FY17	FY18	FY19	FY20
Net Sales	42,136	39,239	53,348	71,523	77,232
EBITDA	2,563	3,330	3,710	3,928	4,773
EBITDA Margin (%)	6.1	8.5	7.0	5.5	6.2
APAT	1,165	1,521	1,582	1,482	2,560
EPS (Rs)	46.6	60.8	63.3	59.3	102.4
EPS (% chg)	82.7	30.5	4.0	-6.3	72.8
ROE (%)	21.9	23.9	20.5	16.4	22.1
P/E (x)	44.7	34.3	33.0	35.2	20.4
EV/EBITDA (x)	22.7	17.3	16.0	15.1	12.3
P/BV (x)	9.2	7.4	6.2	5.4	3.8

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	NA
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	APAT IN
Face Value (Rs)	10
Shares outstanding (mn)	25
52 Week H/L	2219/1025
M Cap (Rs bn/USD bn)	52/0.7
Daily Avg Volume (nos.)	68393.0
Daily Avg Turnover (US\$ mn)	1.5

Shareholding Pattern Jun'20

Promoters	38.4%
FIIIs	0.0%
DIIIs	15.5%
Public and Others	46.1%

Price Performance

(%)	1M	3M	6M	12M
Absolute	20	74	3	57
Rel. to Nifty	15	43	12	55

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19	FY20
Net Sales	42,136	39,239	53,348	71,523	77,232
Expenditure	39,784	35,786	50,398	68,478	72,459
EBITDA	2,563	3,330	3,710	3,928	4,773
Depreciation	341	509	534	643	959
EBIT	2,222	2,821	3,176	3,286	3,814
Other Income	103	60	80	117	222
Interest expenses	695	720	813	1,134	1,073
PBT	1,630	2,160	2,443	2,269	2,963
Tax	624	639	862	787	403
Extraordinary Items	-160	0	0	1	0
Minority Int. /Income from Assoc.	0	0	0	0	0
Reported Net Income	1,006	1,521	1,581	1,483	2,560
Adjusted PAT	1,165	1,521	1,582	1,482	2,560

Source: Capitaline, Emkay Research

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19	FY20
Equity share capital	234	236	237	239	249
Reserves & surplus	5,441	6,798	8,141	9,402	13,313
Net worth	5,676	7,034	8,379	9,641	13,562
Minority Interest	0	0	0	0	0
Loan Funds	6,506	5,944	7,751	8,581	7,372
Net def. tax liability	-859	-813	-994	-1,200	-41
Total Liabilities	12,242	13,094	16,504	18,805	20,892
Net block	6,662	6,698	8,858	10,336	14,711
Investment	131	4	11	494	15
Current Assets	8,898	9,178	11,384	14,890	14,484
Cash & bank bal	14	16	68	478	444
Other Current Assets	8,884	9,162	11,316	14,412	14,040
Current liab & Prov	3,503	4,538	4,314	7,734	7,874
Net current assets	5,394	4,640	7,070	7,156	6,166
Misc. exp	0	0	0	0	0
Total Assets	12,242	13,094	16,504	18,805	20,892

Source: Capitaline, Emkay Research

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19	FY20
Opening Cash	15	14	16	68	478
Net Cash Operations	113	3,154	914	3,576	5,096
Net Cash Investing	-927	-1,697	-1,654	-2,639	-4,349
Net Cash Financing	809	-1,454	792	-528	-780
Net Inc/(Dec) in Cash	-5	2	52	410	-34
Closing Cash	10	16	68	478	444

Source: Capitaline, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19	FY20
EBITDA Margin	6.1	8.5	7.0	5.5	6.2
EBIT Margin	5.3	7.2	6.0	4.6	4.9
Effective Tax Rate	38.3	29.6	35.3	34.7	13.6
Net Margin	2.8	3.9	3.0	2.1	3.3
ROCE	20.2	22.3	21.5	18.6	19.2
ROE	21.9	23.9	20.5	16.4	22.1
RoIC	22.3	26.0	25.0	21.0	23.4

Source: Capitaline, Emkay Research

Per Share Data (Rs)	FY16	FY17	FY18	FY19	FY20
EPS	46.6	60.8	63.3	59.3	102.4
CEPS	60.3	81.2	84.6	85.0	140.8
BVPS	227.0	281.3	335.1	385.6	542.5
DPS	10.0	12.0	14.0	14.0	NA

Source: Capitaline, Emkay Research

Valuations (x)	FY16	FY17	FY18	FY19	FY20
PER	44.7	34.3	33.0	35.2	20.4
P/CEPS	34.6	25.7	24.6	24.5	14.8
P/BV	9.2	7.4	6.2	5.4	3.8
EV / Sales	1.4	1.5	1.1	0.8	0.8
EV / EBITDA	22.7	17.3	16.0	15.1	12.3
Dividend Yield (%)	0.5	0.6	0.7	0.7	NA

Source: Capitaline, Emkay Research

Gearing Ratio (x)	FY16	FY17	FY18	FY19	FY20
Net Debt/ Equity	1.1	0.8	0.9	0.8	0.5
Net Debt/EBITDA	2.5	1.8	2.1	1.9	1.4
Working Cap Cycle (days)	46.6	43.0	47.9	34.1	27.0

Source: Capitaline, Emkay Research

Growth (%)	FY16	FY17	FY18	FY19	FY20
Revenue	34.3	-6.9	36.0	34.1	8.0
EBITDA	41.1	29.9	11.4	5.9	21.5
EBIT	39.2	26.9	12.6	3.4	16.1
PAT	82.7	30.5	4.0	-6.3	72.8

Source: Capitaline, Emkay Research

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	19,936	15,838	20,405	18,087	10,792
EBITDA	1,250	720	1,605	1,199	405
EBITDA Margin (%)	6.3	4.5	7.9	6.6	3.8
PAT	518	551	743	568	168
EPS (Rs)	20.7	22.0	29.7	22.7	6.8

Source: Capitaline, Emkay Research

Shareholding (%)	Sep-19	Oct-19	Dec-19	Mar-20	Jun-20
Promoters	37.2	38.5	38.3	38.4	38.4
FIIIs	0.0	0.0	0.0	0.0	0.0
DIIIs	14.9	15.5	15.0	13.7	15.5
Public and Others	48.0	46.0	46.8	47.9	46.1

Source: Capitaline, Emkay Research

Ratnamani Metals

Refer to important disclosures at the end of this report

Capacity expansion to drive growth

CMP: Rs 1,124

as of (August 17, 2020)

TP: NA

12 months

Rating: NOT RATED

We hosted Mr. Vimal Katta, Director Finance

Key Meeting Takeaways

- Guidance on revenue:** Revenues are likely to touch Rs30bn after commercializing new capacity. While margins at 10-10.5% will be achievable, new capacity margins could shrink 50-75bps due to incremental depreciation. The company's order book as on August 1, 2020, stood at Rs8.6bn, down 55% yoy, on account of challenging business environment due to Covid-19-related disruptions. Management expects the situation to normalize by Q4FY21.
- Competition is struggling:** Majority of the European players have weak financials and are less competitive in pricing than Indian players. None of the major players have invested in any kind of brownfield/greenfield capacity in the past couple of years. Ratnamani is the only company from India, which has approval from Saudi Aramco.
- Capacity addition:** Ratnamani has 2 major capex projects. It has set up a first of its kind high-capacity hot extrusion facility for stainless steel (SS) pipes and matching cold finishing capacities. Ratnamani will have a capacity of ~28,000t in the hot extrusion capacity vs. ~5% of global capacity. It also undertook a greenfield expansion project by adding capacities in L-SAW pipes by setting-up a new facility in Kutch, which should be ready by Dec'20. These new capacities will be used for import substitution.
- Tensions with China opens up an opportunity for domestic manufacturers:** Negative sentiments towards China presents a great opportunity to the company as the import substitution gets a boost and domestic suppliers benefit in the process. Now, any material imported from China requires a BIS certification. Since China accounts for ~80% of imports, any measures preventing the imports will provide an impetus to domestic suppliers.
- Other opportunities:** The company expects sizeable orders over the next 2-4 years in the domestic market, underpinned by upgradation of refineries, nuclear plants, city gas distribution projects, cross-country pipelines and water projects. Despite the slump in crude prices, mid-size capex projects are still taking place in countries like Saudi Arabia. ~8-10% of the capex incurred in the O&G segment is spent on carbon steel and stainless steel pipes - which is evenly divided among them. Management also expects opportunities in the Defence sector

Financial Snapshot (Standalone)

(Rs mn)	FY16	FY17	FY18	FY19	FY20
Net Sales	17177	14117	17668	27549	25831
EBITDA	2856	2572	2659	4065	4239
EBITDA Margin (%)	16.6	18.2	15.1	14.8	16.4
APAT	1663	1444	1517	2529	3075
EPS (Rs)	35.4	30.7	32.3	53.8	65.4
EPS (% chg)	-3.6	-13.2	5.0	66.8	21.6
ROE (%)	17.0	12.9	12.2	17.9	19.0
P/E (x)	31.9	36.8	35.0	21.0	17.3
EV/EBITDA (x)	18.4	20.2	20.1	12.3	12.3
P/BV (x)	5.1	4.5	4.1	3.5	3.1

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	NA
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	RMT IN
Face Value (Rs)	2
Shares outstanding (mn)	47
52 Week H/L	1390/716
M Cap (Rs bn/USD bn)	53/0.7
Daily Avg Volume (nos.)	23005.0
Daily Avg Turnover (US\$ mn)	0.3

Shareholding Pattern Jun'20

Promoters	60.2%
FIIIs	9.7%
DIIIs	13.8%
Public and Others	16.4%

Price Performance

(%)	1M	3M	6M	12M
Absolute	10	28	-13	21
Rel. to Nifty	5	5	-5	19

Relative price chart



Source: Bloomberg

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19	FY20
Net Sales	17177	14117	17668	27549	25831
Expenditure	13679	11929	15956	23816	22131
EBITDA	2856	2572	2659	4065	4239
Depreciation	568	597	606	624	585
EBIT	2288	1975	2053	3441	3654
Other Income	175	140	324	412	618
Interest expenses	60	61	99	148	210
PBT	2403	2055	2279	3706	4063
Tax	751	612	761	1176	988
Extraordinary Items	-10	-1	1	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	1652	1443	1518	2529	3075
Adjusted PAT	1663	1444	1517	2529	3075

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19	FY20
Equity share capital	94	94	94	94	94
Reserves & surplus	10348	11776	12987	15125	16988
Net worth	10441	11870	13080	15219	17082
Minority Interest	0	0	0	0	0
Loan Funds	231	0	789	654	2515
Net deferred tax liability	-483	-473	-429	-359	-307
Total Liabilities	10672	11878	13869	15946	19705
Net block	4460	4481	4454	4400	4999
Investment	243	739	1	2032	1549
Current Assets	7910	8367	12398	12142	14853
Cash & bank balance	108	147	46	1417	1733
Other Current Assets	7802	8220	12352	10726	13121
Current liabilities & Provision	2017	1780	3166	4218	5427
Net current assets	5894	6587	9232	7925	9427
Misc. exp	0	0	0	0	0
Total Assets	10672	11878	13869	15946	19705

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19	FY20
Opening Cash	452	108	147	46	1,417
Net Cash from Operations	1,557	1,352	-729	5,536	2,154
Net Cash Used in Investing	-112	-1,037	212	-3,602	-3,579
Net Cash Used in Financing	-1,788	-276	416	-563	468
Net Inc/(Dec) in Cash	-343	39	-101	1,371	-957
Closing Cash	108	147	46	1,417	459

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19	FY20
EBITDA Margin	16.6	18.2	15.1	14.8	16.4
EBIT Margin	13.3	14.0	11.6	12.5	14.1
Effective Tax Rate	31.2	29.8	33.4	31.7	24.3
Net Margin	9.7	10.2	8.6	9.2	11.9
ROCE	22.7	17.5	15.9	23.1	20.5
ROE	17.0	12.9	12.2	17.9	19.0
RoIC	24.8	19.3	17.2	27.3	28.0

Per Share Data (Rs)	FY16	FY17	FY18	FY19	FY20
EPS	35.4	30.7	32.3	53.8	65.4
CEPS	47.5	43.4	45.2	67.1	77.9
BVPS	222.2	252.5	278.3	323.8	363.4
DPS	5.5	5.5	6.0	9.0	12.0

Valuations (x)	FY16	FY17	FY18	FY19	FY20
PER	31.9	36.8	35.0	21.0	17.3
P/CEPS	23.8	26.0	25.0	16.8	14.5
P/BV	5.1	4.5	4.1	3.5	3.1
EV / Sales	3.1	3.7	3.0	1.8	2.0
EV / EBITDA	18.4	20.2	20.1	12.3	12.3
Dividend Yield (%)	0.5	0.5	0.5	0.8	1.1

Gearing Ratio (x)	FY16	FY17	FY18	FY19	FY20
Net Debt/ Equity	0.0	-0.1	0.1	-0.2	0.0
Net Debt/EBIDTA	0.0	-0.3	0.3	-0.7	-0.2
Working Cap Cycle (days)	122.9	166.5	189.8	86.2	108.7

Growth (%)	FY16	FY17	FY18	FY19	FY20
Revenue	1.8	-17.8	25.2	55.9	-6.2
EBITDA	-4.6	-9.9	3.4	52.9	4.3
EBIT	-6.6	-13.7	3.9	67.6	6.2
PAT	-3.6	-13.2	5.0	66.8	21.6

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	5,877	6,103	7,561	6,291	5,781
EBITDA	1,030	1,165	1,084	960	736
EBITDA Margin (%)	17.5	19.1	14.3	15.3	12.7
PAT	627	764	1,010	674	497
EPS (Rs)	13.3	16.3	21.5	14.3	10.6

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	60.1	60.1	60.1	60.2	60.2
FIs	11.4	11.3	9.7	9.7	9.7
DIs	9.3	9.8	11.5	12.2	13.8
Public and Others	19.3	18.9	18.8	17.9	16.4

Source: Capitaline

Telecommunications

Sterlite Tech

Refer to important disclosures at the end of this report

Upbeat on the start of a new digital cycle

CMP: Rs 150
as of (August 17, 2020)

TP: NA
12 months

Rating: NOT RATED

We hosted Dr. Anand Agarwal, CEO, Mr. Anupam Jindal, Group CFO, and Mr. Pankaj Dhawan, Head of Investor Relations

Key Meeting Takeaways

- Demand stagnation in the Chinese optical fiber market has led to a sharp correction in fiber prices, which now stand at USD4-5/fkm, significantly lower than last year, when prices dropped due to excess supply. Since China accounts for ~3% of the company's revenues, management believes that this will not impact it meaningfully. However, it did highlight that current prices are unsustainable and a recovery should be anticipated soon.
- With peak investment levels recorded in FY20, SOTL IN has completed the cycle of organic capex, except for the expansion of its cabling facility, for which the decision has been deferred to the end of this year. The company is exploring options for inorganic expansion.
- Currently, O&M revenues account for ~2% of revenues. The expectation is for this to rise to 12-13% by FY23, on the back of project execution.
- The majority of revenues is derived from geographies such as the Middle East and Europe. The company entered the North American market two years ago and is hopeful for the geography to account for double-digits of the revenue mix by FY23.
- Management expects 5G auctions to take place in the latter half of next year.
- With a strong order book of Rs100bn at the end of FY20, SOTL is confident about achieving double-digit revenue growth, along with a reduction in net debt-to-equity to 0.5, while maintaining a RoCE of 20% by FY23.
- FCF generation for FY21 may be impacted by Covid-19. However, FCF should turn positive in FY22.
- The focus has shifted toward becoming an all-round solutions provider, from a pure optical fiber and cable player. Going forward, fiber and cable will become a subset of its integrated solutions.

Financial Snapshot (Consolidated)

(Rs mn)	FY16	FY17	FY18	FY19	FY20
Net Sales	21440	24489	31771	50873	51544
EBITDA	4592	5189	7441	11196	10103
EBITDA Margin (%)	21.4	21.2	23.4	22.0	19.6
APAT	1536	2017	3355	5614	4712
EPS (Rs)	3.9	5.1	8.5	14.1	11.9
EPS (% chg)	1617.7	31.4	66.3	67.3	-16.1
ROE (%)	16.7	24.7	32.6	38.8	25.9
P/E (x)	38.8	29.5	17.7	10.6	12.6
EV/EBITDA (x)	15.1	13.2	9.2	6.8	7.9
P/BV (x)	7.9	6.8	5.1	3.5	3.1

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	NA
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	SOTL IN
Face Value (Rs)	2
Shares outstanding (mn)	397
52 Week H/L	180/59
M Cap (Rs bn/USD bn)	54/0.7
Daily Avg Volume (nos.)	2837609.0
Daily Avg Turnover (US\$ mn)	4.5

Shareholding Pattern Jun'20

Promoters	54.2%
FIIs	3.8%
DIIIs	6.7%
Public and Others	35.4%

Price Performance

(%)	1M	3M	6M	12M
Absolute	-2	39	13	-4
Rel. to Nifty	-6	14	23	-5

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Consolidated)

Income Statement

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19	FY20
Net Sales	21440	24489	31771	50873	51544
Expenditure	16966	20360	24171	41024	40464
EBITDA	4592	5189	7441	11196	10103
Depreciation	1256	1592	1822	1950	2903
EBIT	3336	3597	5618	9246	7201
Other Income	107	206	393	369	343
Interest expenses	1192	1229	1038	1055	2210
PBT	2250	2574	4973	8560	5333
Tax	652	397	1332	2782	1089
Extraordinary Items	1	-3	-12	14	-373
Minority Int. /Income from Assoc.	61	163	298	150	-95
Reported Net Income	1537	2014	3343	5628	4339
Adjusted PAT	1536	2017	3355	5614	4712

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19	FY20
Equity share capital	790	797	802	805	808
Reserves & surplus	6756	8004	10951	16388	18390
Net worth	7546	8801	11753	17193	19198
Minority Interest	312	452	820	954	1032
Loan Funds	10852	10925	11775	20671	25769
Net deferred tax liability	-281	34	-222	-744	-573
Total Liabilities	20009	21672	25326	39301	46705
Net block	11370	13127	12341	24679	30596
Investment	164	491	1746	1355	3333
Current Assets	12357	14378	18012	38709	35353
Cash & bank balance	777	1374	1385	2337	2445
Other Current Assets	11580	13004	16627	36373	32907
Current liabilities & Provision	5855	7437	11570	30078	24668
Net current assets	6502	6941	6442	8631	10685
Misc. exp	0	0	0	0	0
Total Assets	20009	21672	25326	39301	46705

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19	FY20
Opening Cash	548	605	1,298	1,196	1,490
Net Cash from Operations	2,147	4,885	7,290	6,311	6,964
Net Cash Used in Investing	-1,280	-2,323	-5,865	-11,718	-6,241
Net Cash Used in Financing	-809	-1,869	-1,515	5,702	-679
Net Inc/(Dec) in Cash	57	693	-90	295	45
Closing Cash	605	1,298	1,208	1,490	1,535

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19	FY20
EBITDA Margin	21.4	21.2	23.4	22.0	19.6
EBIT Margin	15.6	14.7	17.7	18.2	14.0
Effective Tax Rate	29.0	15.4	26.8	32.5	20.4
Net Margin	7.2	8.2	10.6	11.0	9.1
ROCE	7.4	17.3	23.9	28.6	16.7
ROE	16.7	24.7	32.6	38.8	25.9
RoIC	10.6	19.1	29.1	36.2	19.7

Per Share Data (Rs)	FY16	FY17	FY18	FY19	FY20
EPS	3.9	5.1	8.5	14.1	11.9
CEPS	7.0	9.1	13.0	19.1	19.2
BVPS	19.0	22.2	29.6	43.3	48.4
DPS	1.0	1.3	2.0	3.5	3.5

Valuations (x)	FY16	FY17	FY18	FY19	FY20
PER	38.8	29.5	17.7	10.6	12.6
P/CEPS	21.3	16.5	11.5	7.9	7.8
P/BV	7.9	6.8	5.1	3.5	3.1
EV / Sales	3.2	2.8	2.1	1.5	1.5
EV / EBITDA	15.1	13.2	9.2	6.8	7.9
Dividend Yield (%)	0.7	0.8	1.3	2.3	2.3

Gearing Ratio (x)	FY16	FY17	FY18	FY19	FY20
Net Debt/ Equity	1.3	1.0	0.7	1.0	1.0
Net Debt/EBITDA	2.2	1.7	1.2	1.5	2.0
Working Cap Cycle (days)	97.5	83.0	58.1	45.2	58.3

Growth (%)	FY16	FY17	FY18	FY19	FY20
Revenue	-30.8	14.2	29.7	60.1	1.3
EBITDA	-0.3	13.0	43.4	50.5	-9.8
EBIT	21.0	7.8	56.2	64.6	-22.1
PAT	1617.7	31.4	66.3	67.3	-16.1

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	14,320	13,597	12,027	11,601	8,762
EBITDA	3,221	2,867	1,889	2,127	1,211
EBITDA Margin (%)	22.5	21.1	15.7	18.3	13.8
PAT	1,414	1,596	881	803	60
EPS (Rs)	3.6	4.0	2.2	2.0	0.2

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	53.8	53.7	53.7	53.6	54.2
FIIIs	5.6	5.7	4.9	4.2	3.8
DIIIs	7.3	7.0	6.1	6.4	6.7
Public and Others	33.3	33.6	35.3	35.7	35.4

Tata Communications

Refer to important disclosures at the end of this report

On the right track

CMP: Rs 847
as of (August 17, 2020)

TP: Rs 950 (▼)
12 months

Rating: BUY (■)

We hosted Ms. Pratibha Advani, CFO, and Mr. Vipul Garg, Head of Investor Relations

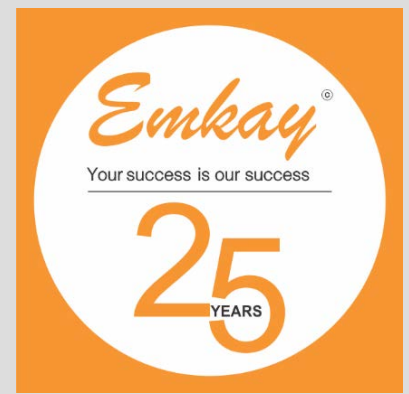
Key Meeting Takeaways

- The company is on track to achieve significant debt reduction over the next three years. Most of this deleveraging will be achieved organically – through internal accruals, given the improved traction witnessed in its growth services segment, which turned EBITDA positive last year. Additionally, the targeted RoCE levels of 20% seem well within grasp.
- Given the mature nature of the traditional product portfolio, the strategic transition toward becoming a holistic and integrated solutions provider is helping TCOM expand its addressable market, thereby improving growth prospects.
- Management is confident about achieving double-digit EBITDA growth as well as profitable growth in data revenues. This shall primarily be driven by the consistent wins in the order book, as is clearly seen from the two-year high order book inflows witnessed in Q1FY21. Further, a reduction in losses in the innovations segment should also support this.
- The company is banking on the MOVE platform and NetFoundry to be the key drivers for the innovations segment. While revenue of the former was negatively impacted by Covid-19, the latter has been seeing healthy wins in the order book, given the need for secure, cloud-based solutions to enable work-from-home.
- There is no specific timeline in place with regards to the sale of its land parcels. The expectation is for this to be completed in the medium term.
- The 26% stake in the data center business is strategically an important one and there are no plans to monetize it at the moment.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Total Revenue	1,65,250	1,70,680	1,78,200	1,87,331	1,98,092
EBITDA	27,449	32,890	38,728	42,149	45,363
EBITDA Margin (%)	16.6	19.3	21.7	22.5	22.9
APAT	(846)	3,046	7,252	8,281	10,104
EPS (Rs)	(3.0)	10.7	25.4	29.1	35.5
EPS (% chg)	(281.0)	0.0	138.1	14.2	22.0
ROE (%)	(53.7)	(38.4)	(70.6)	(272.5)	207.4
P/E (x)	(285.2)	79.2	33.3	29.1	23.9
EV/EBITDA (x)	11.5	9.9	8.0	7.0	6.0
P/BV (x)	(131.1)	(17.2)	(36.9)	523.6	26.0

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	-
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	25.4	29.1
Consensus	28.1	35.7
Mean Consensus TP (12M)	Rs 874	

Stock Details

Bloomberg Code	TCOM IN	
Face Value (Rs)	10	
Shares outstanding (mn)	285	
52 Week H/L	885 / 200	
M Cap (Rs bn/USD bn)	241 / 3.22	
Daily Avg Volume (nos.)	1,91,947	
Daily Avg Turnover (US\$ mn)	1.7	

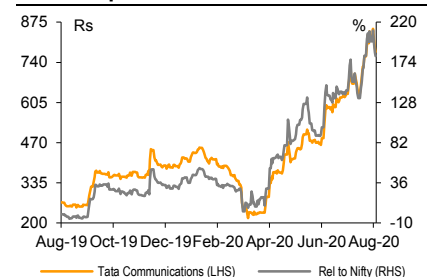
Shareholding Pattern Jun '20

Promoters	75.0%
FIIIs	17.2%
DIIIs	1.5%
Public and Others	6.3%

Price Performance

(%)	1M	3M	6M	12M
Absolute	27	88	120	215
Rel. to Nifty	23	52	135	209

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Total Revenue	1,65,250	1,70,680	1,78,200	1,87,331	1,98,092
Expenditure	1,37,801	1,37,790	1,39,472	1,45,181	1,52,729
EBITDA	27,449	32,890	38,728	42,149	45,363
Depreciation	20,676	23,577	23,653	24,186	24,650
EBIT	6,773	9,312	15,075	17,963	20,713
Other Income	603	697	1,308	1,429	1,481
Interest expenses	3,966	4,707	4,625	4,389	3,889
PBT	3,410	5,302	11,758	15,002	18,304
Tax	2,733	2,267	4,529	6,751	8,237
Extraordinary Items	22	(3,905)	(105)	0	0
Minority Int./Income from Assoc.	19	11	94	120	146
Reported Net Income	(824)	(860)	7,147	8,281	10,104
Adjusted PAT	(846)	3,046	7,252	8,281	10,104

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	2,850	2,850	2,850	2,850	2,850
Reserves & surplus	(4,670)	(15,634)	(9,388)	(2,389)	6,432
Net worth	(1,820)	(12,784)	(6,538)	461	9,282
Minority Interest	58	48	(47)	(167)	(313)
Loan Funds	99,349	1,07,788	1,02,788	87,788	77,788
Net deferred tax liability	(887)	304	304	304	304
Total Liabilities	96,700	95,356	96,508	88,386	87,061
Net block	1,11,791	1,26,704	1,16,277	1,10,091	1,03,441
Investment	14,913	15,631	15,631	15,631	15,631
Current Assets	67,816	73,576	92,135	96,985	1,11,165
Cash & bank balance	9,153	9,091	20,306	19,539	30,990
Other Current Assets	25,825	28,870	32,815	34,496	36,478
Current liabilities & Provision	1,01,923	1,26,259	1,32,744	1,39,530	1,48,385
Net current assets	(34,106)	(52,683)	(40,610)	(42,545)	(37,219)
Misc. exp	21	1,238	0	0	0
Total Assets	96,700	95,356	96,508	88,386	87,061

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	2,807	4,605	10,450	13,574	16,823
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(1,946)	19,705	(859)	1,168	6,126
Operating Cashflow	17,898	41,196	31,085	33,515	40,733
Capital expenditure	(23,380)	(38,875)	(13,969)	(18,000)	(18,000)
Free Cash Flow	(5,482)	2,321	17,116	15,515	22,733
Investments	(2,411)	(718)	0	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(25,188)	(38,896)	(12,661)	(16,571)	(16,519)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	10,080	8,439	(5,000)	(15,000)	(10,000)
Dividend paid (incl tax)	(1,534)	(1,140)	(1,283)	(1,283)	(1,283)
Other Financing Cash Flow	(1,091)	(4,953)	3,698	2,961	2,409
Financing Cashflow	3,489	(2,362)	(7,210)	(17,711)	(12,763)
Net chg in cash	(3,800)	(62)	11,215	(767)	11,451
Opening cash position	12,954	9,153	9,091	20,306	19,539
Closing cash position	9,153	9,091	20,306	19,539	30,990

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	16.6	19.3	21.7	22.5	22.9
EBIT Margin	4.1	5.5	8.5	9.6	10.5
Effective Tax Rate	80.2	42.8	38.5	45.0	45.0
Net Margin	0.4	1.8	4.1	4.4	5.1
ROCE	7.7	10.5	17.2	21.0	25.3
ROE	(53.7)	(38.4)	(70.6)	(272.5)	207.4
RoIC	10.3	14.0	25.1	34.8	49.8

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	(3.0)	10.7	25.4	29.1	35.5
CEPS	69.6	93.4	108.4	113.9	121.9
BVPS	(6.5)	(49.2)	(22.9)	1.6	32.6
DPS	5.4	4.0	4.5	4.5	4.5

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	(285.2)	79.2	33.3	29.1	23.9
P/CEPS	12.2	9.1	7.8	7.4	6.9
P/BV	(131.1)	(17.2)	(36.9)	523.6	26.0
EV / Sales	1.9	1.9	1.7	1.6	1.4
EV / EBITDA	11.5	9.9	8.0	7.0	6.0
Dividend Yield (%)	0.6	0.5	0.5	0.5	0.5

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	(40.9)	(5.9)	(10.2)	114.2	3.4
Net Debt/EBIDTA	2.7	2.5	1.7	1.2	0.7
Working Cap Cycle (days)	(95.6)	(132.1)	(124.8)	(121.0)	(125.7)

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	(1.5)	3.3	4.4	5.1	5.7
EBITDA	13.8	19.8	17.8	8.8	7.6
EBIT	33.9	37.5	61.9	19.2	15.3
PAT	0.0	0.0	0.0	15.9	22.0

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	41,686	42,728	42,287	43,979	44,029
EBITDA	8,256	8,337	7,608	8,688	10,418
EBITDA Margin (%)	19.8	19.5	18.0	19.8	23.7
PAT	766	539	585	(2,750)	2,578
EPS (Rs)	2.7	1.9	2.1	(9.6)	9.0

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	75.0	75.0	75.0	75.0	75.0
FII	18.3	18.2	17.7	17.5	17.2
DII	1.7	1.5	1.5	1.5	1.5
Public and Others	5.0	5.3	5.9	6.0	6.3

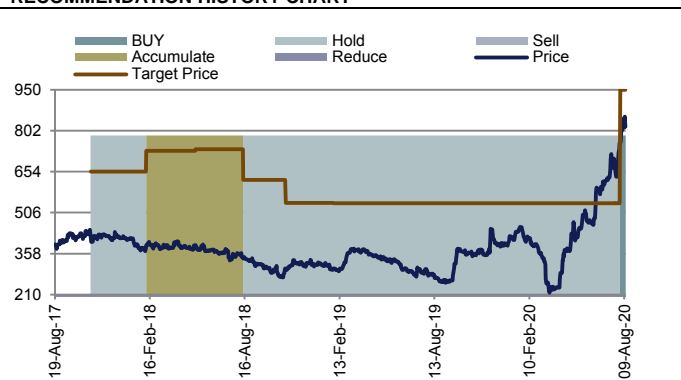
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
01-Aug-20	760	950	12m	Buy	Naval Seth
08-Apr-19	361	540	12m	Hold	Naval Seth
01-Feb-19	304	540	12m	Hold	Naval Seth
02-Nov-18	299	541	12m	Hold	Naval Seth
13-Aug-18	341	624	12m	Hold	Naval Seth
14-May-18	388	735	12m	Accumulate	Naval Seth
09-Feb-18	389	730	12m	Accumulate	Naval Seth
26-Oct-17	412	654	12m	Hold	Naval Seth

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Others

Essel Propack

Refer to important disclosures at the end of this report

New order pipeline to aid long-term growth

CMP: Rs 274
as of (August 17, 2020)

TP: Rs 230 (■)
12 months

Rating: BUY (■)

We hosted Mr. Sudhanshu Vats, Managing Director, Mr. Parag Shah, CFO, and Mr. Amit Jain, Head (Corporate Finance)

Key Meeting Takeaways

- Management expects to deliver a double-digit revenue CAGR over 3-5 years. There might be volatility on a QoQ basis.
- The customer acquisition pipeline has been institutionalized and looks robust from a 2-3 year perspective. Cross-selling is a big opportunity, which is not utilized. Q1FY21 was just the start of cross-selling.
- There has been a change in the mindset from a packaging supplier to a packaging solutions provider. ESEL is working with third-party fillers to help in other packaging elements. This helps in building up relationships and emerge as a solutions provider.
- Recyclable offering (Platina) is gaining momentum but would not become a major revenue contributor in the medium term. However, in long term it could benefit with customers not opting to partner with non-recyclable offering companies.
- ESEL might focus on more adjacent packaging areas in future and not just on tubes but within laminates as well.
- ESEL will also continue to look at inorganic opportunities to grow. The pandemic has given a lot of opportunities which are available at attractive valuations.
- Capex intensity will remain low as the sites are fungible as per demand. ESEL does not need to commit too much upfront capex. All capex over the medium term (5 Years) will be brownfield. The current installed capacity is sufficient to cater to substantial growth.
- The India-China standoff is not expected to have any impact on the company as plants in both the countries are independent and the sourcing for the company is at the global level. China operations cater largely to local clients now.

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	27,069	27,601	29,864	31,197	32,946
EBITDA	4,991	5,574	6,446	6,921	7,309
EBITDA Margin (%)	18.4	20.2	21.6	22.2	22.2
APAT	1,923	2,166	2,707	2,954	3,120
EPS (Rs)	6.1	6.9	8.6	9.4	9.9
EPS (% chg)	7.0	12.6	24.9	9.1	5.6
ROE (%)	14.6	14.8	17.1	17.4	17.2
P/E (x)	44.8	39.8	31.9	29.2	27.7
EV/EBITDA (x)	18.2	15.9	13.3	12.1	11.1
P/BV (x)	6.2	5.6	5.3	4.9	4.6

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	8.6	9.4
Consensus	8.1	10.5
Mean Consensus TP (12M)	Rs 246	

Stock Details

Bloomberg Code	ESEL IN
Face Value (Rs)	2
Shares outstanding (mn)	316
52 Week H/L	288 / 79
M Cap (Rs bn/USD bn)	86 / 1.15
Daily Avg Volume (nos.)	249,921
Daily Avg Turnover (US\$ mn)	0.7

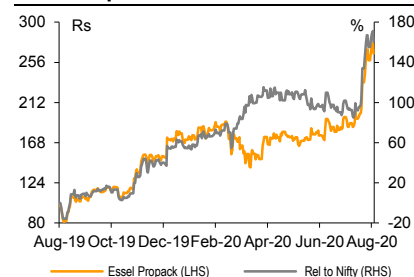
Shareholding Pattern Jun '20

Promoters	75.0%
FIIIs	4.9%
DIIIs	2.4%
Public and Others	17.8%

Price Performance

(%)	1M	3M	6M	12M
Absolute	44	57	48	174
Rel. to Nifty	40	28	58	169

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	27,069	27,601	29,864	31,197	32,946
Expenditure	22,078	22,026	23,418	24,276	25,637
EBITDA	4,991	5,574	6,446	6,921	7,309
Depreciation	1,861	2,298	2,306	2,435	2,591
EBIT	3,130	3,277	4,140	4,486	4,718
Other Income	285	134	160	160	160
Interest expenses	613	557	547	547	547
PBT	2,802	2,854	3,753	4,098	4,331
Tax	932	638	1,013	1,107	1,169
Extraordinary Items	31	(94)	(161)	0	0
Minority Int./Income from Assoc.	53	(50)	(33)	(38)	(41)
Reported Net Income	1,954	2,073	2,546	2,954	3,120
Adjusted PAT	1,923	2,166	2,707	2,954	3,120

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	631	631	631	631	631
Reserves & surplus	13,249	14,695	15,714	16,895	18,143
Net worth	13,880	15,326	16,345	17,526	18,774
Minority Interest	52	86	140	198	260
Loan Funds	6,314	6,432	5,250	5,250	5,250
Net deferred tax liability	436	375	375	375	375
Total Liabilities	20,681	22,219	22,109	23,350	24,659
Net block	13,074	13,639	10,578	9,642	8,551
Investment	168	160	160	160	160
Current Assets	11,473	13,764	16,829	19,266	22,009
Cash & bank balance	1,344	3,712	5,953	7,904	10,011
Other Current Assets	1,626	1,324	1,433	1,497	1,581
Current liabilities & Provision	4,447	5,740	5,852	6,114	6,456
Net current assets	7,027	8,025	10,977	13,152	15,553
Misc. exp	0	0	0	0	0
Total Assets	20,681	22,219	22,109	23,350	24,659

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	2,517	2,720	3,593	3,938	4,171
Other Non-Cash items	84	974	(140)	21	21
Chg in working cap	(878)	1,309	(712)	(224)	(294)
Operating Cashflow	3,130	4,876	4,581	5,611	5,866
Capital expenditure	(3,089)	(2,846)	756	(1,500)	(1,500)
Free Cash Flow	41	2,030	5,337	4,111	4,366
Investments	(38)	8	0	0	0
Other Investing Cash Flow	44	1,469	0	0	0
Investing Cashflow	(2,798)	(1,236)	916	(1,340)	(1,340)
Equity Capital Raised	73	17	0	0	0
Loans Taken / (Repaid)	371	118	(1,182)	0	0
Dividend paid (incl tax)	(394)	(888)	(1,528)	(1,772)	(1,872)
Other Financing Cash Flow	(159)	38	0	0	0
Financing Cashflow	(723)	(1,272)	(3,257)	(2,320)	(2,420)
Net chg in cash	(391)	2,368	2,241	1,951	2,107
Opening cash position	1,735	1,344	3,712	5,953	7,904
Closing cash position	1,344	3,712	5,953	7,904	10,011

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	18.4	20.2	21.6	22.2	22.2
EBIT Margin	11.6	11.9	13.9	14.4	14.3
Effective Tax Rate	33.3	22.4	27.0	27.0	27.0
Net Margin	6.9	8.0	9.2	9.6	9.6
ROCE	17.3	15.9	19.4	20.4	20.3
ROE	14.6	14.8	17.1	17.4	17.2
RoIC	17.7	17.9	24.7	29.4	32.6

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	6.1	6.9	8.6	9.4	9.9
CEPS	12.0	14.1	15.9	17.1	18.1
BVPS	44.0	48.6	51.8	55.6	59.5
DPS	1.3	3.3	4.8	5.6	0.0

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	44.8	39.8	31.9	29.2	27.7
P/CEPS	17.1	14.5	12.9	12.0	11.3
P/BV	6.2	5.6	5.3	4.9	4.6
EV / Sales	3.4	3.2	2.9	2.7	2.5
EV / EBITDA	18.2	15.9	13.3	12.1	11.1
Dividend Yield (%)	0.5	1.2	1.8	2.1	0.0

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	0.3	0.2	(0.1)	(0.2)	(0.3)
Net Debt/EBIDTA	1.0	0.5	(0.1)	(0.4)	(0.7)
Working Cap Cycle (days)	76.6	57.0	61.4	61.4	61.4

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	11.7	2.0	8.2	4.5	5.6
EBITDA	7.4	11.7	15.6	7.4	5.6
EBIT	5.1	4.7	26.4	8.3	5.2
PAT	12.1	6.1	22.9	16.0	5.6

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	6,298	7,305	7,108	6,889	7,415
EBITDA	1,086	1,525	1,579	1,385	1,466
EBITDA Margin (%)	17.2	20.9	22.2	20.1	19.8
PAT	392	593	601	486	444
EPS (Rs)	1.2	1.9	1.9	1.5	1.4

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	57.0	83.0	83.0	75.0	75.0
FII	17.2	3.9	3.8	4.6	4.9
DII	2.7	2.1	2.4	2.3	2.4
Public and Others	23.1	11.0	10.8	18.1	17.8

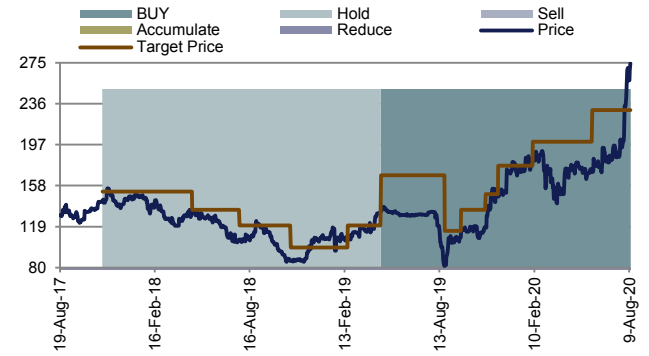
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
30-May-20	171	230	12m	Buy	Varshit Shah
26-May-20	173	200	12m	Buy	Varshit Shah
4-Mar-20	173	200	12m	Buy	Varshit Shah
7-Feb-20	182	200	12m	Buy	Varshit Shah
3-Dec-19	148	177	12m	Buy	Varshit Shah
9-Nov-19	118	150	12m	Buy	Varshit Shah
23-Sep-19	114	135	12m	Buy	Varshit Shah
23-Aug-19	82	115	12m	Buy	Varshit Shah
7-May-19	134	168	12m	Buy	Varshit Shah
23-Apr-19	134	168	12m	Buy	Varshit Shah
19-Feb-19	110	120	12m	Hold	Varshit Shah
2-Nov-18	86	99	12m	Hold	Varshit Shah
27-Jul-18	107	120	12m	Hold	Ashit Desai
28-Apr-18	135	135	12m	Hold	Ashit Desai
8-Nov-17	144	153	12m	Hold	Amit Purohit

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

Completed Date: 19 Aug 2020 23:40:23 (SGT)

Dissemination Date: 19 Aug 2020 23:41:23 (SGT)

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