MOTILAL OSWAL

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India Strategy

Booster shots!

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India Strategy

BSE Sensex: 48,093 **Nifty 50: 14,137**

Booster shots!

Cyclicals to drive 3QFY21 earnings; another upgrade in FY21/FY22 Nifty EPS

- As we enter CY21, the backdrop to the market and corporate earnings has evolved considerably in the last three months. After a good 9%/15% run-up in Nifty/NSE Midcap 100 in 2QFY21, these indices have rallied 24%/23% in 3QFY21, led by corporate earnings, supportive liquidity conditions, low interest rates, and a sharp spike in FII inflows in Nov'20 and Dec'20. Opening up of the economy, 80% reduction in active COVID-19 cases since Sep'20, and strong high frequency macro data have lifted sentiment. Recent approvals for the COVID-19 vaccines have provided a booster shot to the Indian market, which has since then been on steroids, with a much broader participation from mid-caps and small-caps. While the Nifty crossed its previous highs much earlier, the NSE Mid-cap 100 index touched a record high today, indicating improving breadth.
- After the blockbuster 2QFY21 corporate earnings season, which was characterized by big beats and upgrades across our coverage universe, 3QFY21 earnings are likely to be healthy. The drivers of earnings are also changing at the margin, with 3QFY21 earnings expected to be led by cyclical sectors like Metals and Cement, even as Healthcare is expected to post another solid quarter. The festive season has aided the demand recovery, and with vaccination against COVID-19 set to begin in the next few weeks in India, we expect demand to sustain further.
- The market closed CY20 with 15% gains despite the economic turmoil caused by the COVID-19 pandemic. Corporate India's strong focus on the balance sheet, cash flows, and cost controls helped tide over this difficult period (Mar-Sep'20) as listed large companies gained market share in an environment where unlisted and smaller players encountered multiple challenges. The post-quarter updates/commentaries from key companies like HDFC Bank, HDFC, Bajaj Finance, Bandhan Bank, Titan, Marico, Godrej Consumer, Auto OEMs, etc. are indicative of strong underlying growth trends in 3QFY21. Pick up in property registrations in key metro cities like Mumbai after a long time augurs well for broader macros as a sustained pick-up in Real Estate would have a multiplier effect on the economy. We expect the government to prioritize growth in the forthcoming Budget with a push towards fiscal spending and incentives for consumption.
- **7%/17% YoY profit growth expected for Nifty/MOSL Universe 3QFY21:** We expect PBT/PAT to grow by 20%/17% YoY in 3QFY21 for companies in MOFSL universe. Metals, Cement, Healthcare, Consumer Durables are expected to drive 3QFY21 earnings. Consumer, Private Banks, Automobiles, and NBFCs are likely to post flattish earnings YoY. Capital Goods, Retail, and Staffing are expected to post a YoY profit decline. Sales for Nifty constituents are expected to decline by 2% YoY, while EBITDA/PBT/PAT should grow by 10%/9%/7% YoY. Ex-Cement and Metals, Nifty earnings are expected to be flattish YoY. MOSL universe, ex-OMCs, is likely to see a 260bp YoY expansion in operating margin.
- **Upgrade FY21E/FY22E Nifty EPS by 4%/3%:** FY21E/FY22E Nifty EPS estimates have been upgraded by 4%/3% to INR 516/INR699 (prior INR497/INR677). The upgrade comes on the back of a 9%/4% upgrade in Nifty EPS in Nov'20 after the

2QFY21 earnings. We expect Nifty EPS to now grow by 11% in FY21E, a solid performance given the unprecedented disruptions. In FY22, we expect BFSI, Auto, IT, and Reliance Industries to lead the earnings recovery. We also introduce our FY23E Nifty EPS at INR830.

- **Key model portfolio changes**: After a spectacular run in the last six months, the market is now building in a very sharp recovery in FY22/FY23 earnings. The drivers of earnings growth are incrementally shifting towards cyclical sectors. Our model portfolio changes broadly reflect further additions in some of the cyclical positions. Lower interest rates, the prevalence of abundant liquidity, and broad-basing of economic recovery augurs well for mid- and small-caps. We have introduced a couple of mid-caps in our model portfolio. We have added **Ashok Leyland** in **Automobiles**. We maintain our **OW** stance in **IT, Healthcare, and Telecom.** We are **Neutral** on **Financials**, **Consumer** and **Autos** and **UW** on **Capital Goods, Infra** and **Energy.** We have raised **Cement to OW** with **Ultratech** and **JK Cement** as preferred ideas**;** it remains our preferred Cyclical play along with Automobiles**.** We have also increased weightage of **Metals**. We have introduced **JSPL, United Spirits, Oberoi Realty, Varun Beverages, SEIS & JK Cements** to our model portfolio. After our recent downgrade of **L&T Infotech**, we redistributed its weightage among **Infosys** and **HCL Tech** as we found the relative risk-reward ratio more favorable given their valuations.

Top picks

- **Large-caps: Infosys, ICICI Bank, SBI, Muthoot Finance, UltraTech Cement, M&M, Ashok Leyland, Bharti Airtel, HUL, Titan, Divi's Labs, HCL Tech.**
- **Mid-caps: AU Small Finance Bank, JSPL, JK Cement, Tata Consumer, Oberoi Realty, IEX, ICICI Securities, Varun Beverages, SEIS, and Gujarat Gas.**

Key sectoral trends/highlights

- PBT for our **Auto** universe is expected to grow 10% YoY, while PAT is expected to decline by 1% in 3QFY21. Excluding Tata Motors, PAT is expected to grow by 23% YoY. While Tractors (+22% YoY), PVs (+15% YoY), and 2Ws (+19% on a low base of last year) have seen a strong growth, LCVs saw a good recovery (+1.5% YoY). The decline is getting smaller for M&HCVs at 8% YoY. From our coverage universe, Mahindra CIE, Ashok Leyland, Ceat, Escorts, Motherson Sumi, M&M, and Maruti are likely to post a PAT growth of over 30% YoY. EBITDA margins for the Auto universe is likely to expand by 50bp YoY in 3QFY21.
- The **Technology** universe is likely to deliver adjusted sales (USD)/adjusted EBIT/PAT growth of 1%/12%/7% YoY in 3QFY21. Healthy order pipeline and large deal signings should drive outperformance in 3Q v/s companies' guidance in 2QFY21. Among Tier I players, we expect Infosys/TCS/HCL Tech to drive organic growth (4%/3%/3% QoQ, including cross-currency tailwinds) despite a high base and season weakness. Among Tier II IT, we expect upbeat revenue traction, with the exception of Zensar Technologies. PSYS should lead the pack with mid-single digit sequential growth.
- Earnings for the **Healthcare** universe are expected to continue the strong growth momentum (to grow by 41% YoY in 3Q v/s 24%/33% in 1Q/2QFY21), while sales should increase by 11%. All companies in our coverage universe are expected to post a YoY profit growth, with 15 out of the 19 companies expected to post an over 20% PAT growth. Among the large-cap names, Cipla/Lupin/Sun

Pharma/Divi's Labs/ Dr Reddy's Labs/Aurobindo Pharma are expected to post an 84%/74%/66%/49%/29%/15% YoY profit growth. The same for Laurus Labs is expected to jump by 3.4x in 3QFY21.

- The **Metals** universe should post a 350% YoY growth in PAT, aided by strong growth in volumes and prices as well as a low base. All companies in our coverage universe are expected to post sharp YoY expansion in profits. Sales are expected to grow by 14% YoY. EBITDA margin is expected to expand 970bp YoY to 25%. The lowest profit growth is expected at 28% YoY by HZL.
- The **Consumer** universe should post a PBT/PAT growth of 7%/1% YoY. Ex-ITC, the Consumer universe is expected to post 18%/16% PBT/PAT growth. Base is unfavorable for PAT as the same had grown 24% in 3QFY20, despite 8% PBT growth, benefitting from the tax cuts. Topline is expected to grow by 9% YoY in 3QFY21 on the back of continued momentum in rural sales, strong festive demand, and improving consumer sentiment. Page Industries/Asian Paints/Britannia/Tata Consumer/Colgate/Nestle/HUL/Pidilite is likely to post a 42%/28%/23%/20%/19%/18%/17%/16% YoY growth in profit. On the other hand, United Breweries/ITC/Marico is expected to post a decline in profit at 28%/19%/1% YoY.
- The **Cement** universe should report a 42%/89%/75% YoY growth in EBITDA/PBT/PAT. Volumes for our coverage universe are expected to improve by 7% YoY. Prices on an average rose 7% YoY across India to INR350/bag. EBITDA margins are likely to increase to 22.9% YoY from 17.6% YoY. Shree Cement/UltraTech Cement/ACC/Ambuja Cements should report a 105%/72%/69%/15% YoY growth in profits.
- The **Consumer Durables** universe should report a 30% YoY growth in PAT. Revenue is likely to grow by 11% YoY. We expect Blue Star/Havells/ Crompton/Voltas to post a PAT growth of 56%/36%/27%/12% YoY.
- Our **Private Banking** universe should report 18%/0.7%/0.1% YoY growth in PPOP/PBT/PAT. Higher credit costs, coupled with suppressed credit growth, are likely to put pressure on near-term earnings. Although slippages are likely to increase in 2HFY21, we expect heavyweights like Kotak Mahindra Bank/HDFC Bank to post a PAT growth of 20%/11% YoY. We expect net profit for IndusInd Bank/Federal Bank/Axis Bank/ICICI Bank to decline by 56%/20%/15%/14% YoY. Profit for AU Small Finance Bank is expected to grow 3x in 3QFY21E.
- **NBFCs** under our coverage are likely to post PBT/PAT decline of 2%/2% YoY. Across product segments, there is expected to be a MoM improvement in collection efficiency (CE). Disbursements are likely to have picked up in 3QFY21. Bajaj Finance in its pre-quarter update reported that the number of loans disbursed was ~80% of YoY levels at 6.6m. It is expected to post a 13% YoY decline in profits. HDFC reported that individual disbursements grew 26% YoY in 3QFY21. It is likely to post PAT growth of 15% YoY, while LIC Housing Finance is likely to report an 18% YoY growth. ICICI Securities is likely to post a 54% YoY growth in PAT, driven by robust retail brokerage volumes. L&T Finance Holdings, Mahindra & Mahindra Financial Services, Shriram City Union Finance, and Shriram Transport Finance Company are expected to post muted numbers with a 46%, 37%, 35% and 10% YoY decline in profits, respectively.
- **PSU Banks** are expected to deliver NII/PAT growth of 2.8%/~18% YoY, led by Bank of Baroda, which is expected to report a profit in 3QFY21E. We expect SBI

Sources of exhibits in this report include Bloomberg, Sebi, NSE, Capitaline, companies, and MOFSL's database

to report flat PPOP and 15% decline in PAT owing to higher provisions (3QFY20 had lowest provisions in seven quarters).

- The **Telecom** universe should report losses for the 14th straight quarter. However, losses for telcos should decline YoY to INR41b from INR60b. Bharti Airtel is likely to post a profit of INR5.3b v/s a loss of INR10.8b in 3QFY20. EBITDA margins for the sector are likely to expand 430bp YoY to 41.7%.
- The **Oil and Gas** universe should report a 11%/3% YoY growth in PBT/PAT, led by gains from the OMC names. HPCL/IOC/BPCL PAT is expected to grow by 395%/62%/38% YoY. On the other hand, upstream companies like ONGC and Oil India are expected to post a PAT growth of -39%/5% YoY. Reliance Industries is expected to post a PAT decline of 22% YoY. City gas distribution companies like Gujarat Gas/Indraprastha Gas/Mahanagar Gas are expected to post a profit growth of 51%/34%/12% YoY.
- The **Capital Goods** universe should report a PAT decline of 20% YoY. Revenue for the sector is likely to stay flattish YoY. Bharat Electronics is expected to post a 54% YoY growth in PAT. L&T/ABB India/ Siemens is expected to report a PAT decline of 26%/26%/15% YoY.
- The **Utilities** universe should see a 21%/5% YoY growth in PBT/PAT. We expect Tata Power/IEX to post a PAT growth of 34%/31% YoY. NTPC/Power Grid/Coal India is likely to post a PAT growth of 10%/8%/4% YoY.

3QFY21 PREVIEW

Cyclicals to drive earnings growth in 3QFY21E

Expect Metals, Cement, Healthcare and Consumer Durables to post over 20% YoY PAT growth

Revenue for the MOFSL universe to decline by 1% YoY, while PAT should grow by 17% YoY

Sales for Nifty constituents should decline by 2% YoY. PAT to grow by 7% YoY

Among Nifty constituents, 12 have seen an FY22E earnings upgrade of more than 5%, while four have seen downgrades of over 5%

Metals and Cement stand out; Festive season boosts demand

- Corporate earnings are likely to continue their recovery phase in 3QFY21 aided by a pick-up in both global and domestic macroeconomic activity. Vaccine roll-out has changed the broader sentiments and is helping demand recovery. Also, 3QFY21 has been characterized by demand-side recovery due to the festive season as well as sequential drop in COVID-19 cases. Active Covid-19 cases in India are now down 80% from its peak in Sep'20.
- We expect PBT/PAT for MOFSL's universe to grow by 20%/17% YoY in 3QFY21. Earnings growth in 3QFY21E is driven by cyclical. Ex-Metals and Cement, MOSL Universe is expected to post 9%/8%/5% EBITDA/PBT/PAT growth, respectively.
- Six sectors within our coverage universe are expected to post double digit YoY profit growth. Metals/Cement/Healthcare/Consumer Durables/PSU Banks/Life Insurance are expected to post PAT growth of 350%/75%/41%/ 30%/18%/17% YoY respectively. Technology/Utilities/O&G/Consumer are expected to post PAT growth of 7%/5%/3%/1% YoY. Private Banks are expected to post flattish earnings. Capital Goods/Retail/NBFCs/Autos are expected to post a PAT decline of 20%/4%/2%/1% YoY. The Telecom sector is expected to post a loss of INR41b.
- We expect revenue for MOFSL's universe to decline 1% YoY (on the base of a 1% YoY decline in 3QFY20). On a sequential basis, revenue should see 11% growth.
- EBITDA for **MOFSL's universe** is estimated to grow 15% YoY. Operating margin, excluding Financials and OMCs, should expand 260bp YoY to 22.1% from 19.5% in 3QFY20. Around 70% of MOFSL's universe should post a YoY growth in PAT, while 47% should deliver over 15% growth.
- Sales for Nifty constituents are estimated to decline by 2% YoY, while EBITDA/PBT/PAT should grow by 10%/9%/7% YoY in 3QFY21E. Ex-Metals and Cement, Nifty EBITDA/PBT/PAT should post 7%/2% / (0.5%) growth respectively.
- **Upgrade Nifty EPS by 4%/3% for FY21E/FY22E:** We have upgraded FY21E/FY22E EPS estimates for Nifty constituents by 4%/3% to INR516/INR699 (from INR497/INR677 earlier). We also introduce Nifty FY23E EPS of INR830. Among Nifty constituents, 12 have seen an upgrade of over 5%, while four have seen a downgrade more than 5%.
- Companies that have seen an upgrade to their FY22E earnings estimates are Tata Steel (44%), JSW Steel (39%), Tata Motors (28%), Tech Mahindra (23%), Hindalco (15%), SBI Life (11%), ICICI Bank (8%), Bajaj Finance (7%), HDFC (6%), and HDFC Life Insurance (6%).
- Companies that have seen a downgrade to their FY22E EPS estimates are IOC (-11%), Hero MotoCorp (-8%), IndusInd Bank (-7%), and M&M (-4%).

Exhibit 1: Expect Metals, Cement, Healthcare, and Consumer Durables to post >= 30% YoY PAT growth

Sector	Sales (INR b) Dec'20	Gr. (%) YoY	Gr. (%) QoQ	EBIDTA (INR b) Dec'20	Gr. (%) YoY	Gr. (%) QoQ	PBT (INR b) Dec'20	Gr. (%) YoY	Gr. (%) QoQ	PAT (INR b) Dec-20	Gr. (%) YoY	Gr. (%) QoQ	PAT delta INR b	PAT share (%)	Delta share (%)	EBIDTA margin (%) Chg. bp YoY	PAT margin (%) Chg. bp YoY
PAT gr. sectors	**10,333**	**-4**	**9**	**2,555**	**17**	**9**	**1,667**	**24**	**5**	**1,218**	**21**	**1**	**213**	**86**	**103**	**435**	**242**
Metals (9)	1,576	14	8	395	86	30	246	270	56	170	350	58	133	12	64	970	808
Cement (11)	369	9	15	85	42	9	59	89	6	42	75	7	18	3	9	532	435
Healthcare (19)	539	11	2	129	29	-1	102	46	-2	77	41	-3	23	5	11	328	303
Con. Durables (4)	67	11	9	8	36	0	7	33	2	5	30	4	1	0	1	204	113
PSU Banks (2)	359	3	1	236	2	7	66	-24	-25	49	18	-21	8	3	4	-66	179
Life Insurance (3)	315	14	0	11	-10	4	11	17	18	11	17	18	2	1	1	-96	8
Technology (12)	1,223	4	3	313	13	1	290	10	1	219	7	2	14	15	7	192	48
Utilities (9)	760	4	4	282	2	14	147	21	-2	113	5	-11	6	8	3	-52	23
Oil and Gas (15)	4,089	-18	17	542	2	8	362	11	1	248	3	-13	8	17	4	265	125
Consumer (17)	573	9	5	144	8	4	140	7	5	104	1	3	1	7	1	-8	-132
Private Banks (11)	463	14	2	411	18	4	236	1	-2	179	0	-1	0	13	0	303	-544
PAT de-gr. sectors	**3,642**	**5**	**18**	**731**	**9**	**14**	**299**	**3**	**42**	**200**	**-3**	**55**	**-5**	**14**	**-3**	**68**	**-45**
Automobiles (17)	1,744	9	24	204	14	21	114	10	36	85	-1	29	-1	6	0	49	-49
NBFC (15)	205	8	5	164	10	3	112	-2	4	85	-2	1	-2	6	-1	104	-452
Retail (8)	208	5	62	25	-6	198	15	-8	1,797	11	-4	1,906	0	1	0	-129	-50
Staffing (3)	64	-1	8	3	-4	12	2	27	-6	2	-5	-1	0	0	0	-13	-10
Infrastructure (3)	30	-10	14	9	-4	14	3	-24	29	2	-20	63	-1	0	0	172	-99
Capital Goods (9)	564	1	15	56	-6	25	44	-11	42	27	-20	53	-7	2	-3	-82	-134
Media (3)	31	-17	24	11	-18	48	9	-22	55	7	-22	64	-2	0	-1	-30	-115
Others (21)	338	-8	14	67	-11	20	31	-26	54	21	-36	69	-12	2	-6	-63	-272
Telecom (4)	458	12	2	191	25	2	-30	Loss	Loss	-41	Loss	Loss	19	-3	9	431	578
MOFSL universe (195)	**13,975**	**-1**	**11**	**3,286**	**15**	**10**	**1,966**	**20**	**9**	**1,418**	**17**	**6**	**207**	**100**	**100**	338	161
Nifty	**9,896**	**-2**	**11**	**2,486**	**10**	**8**	**1,461**	**9**	**6**	**1,061**	**7**	**2**	71			289	94
Sensex	**5,426**	**0**	**9**	**1,890**	**6**	**7**	**1,097**	**1**	**7**	**790**	**-1**	**1**	-11			223	-13

Source: MOFSL

Exhibit 2: MOFSL universe – Expect PBT/PAT to grow by 20%/17% YoY

	PBT (INR b)			Growth (%)		PAT (INR b)			Growth (%)	
Sector	**Dec-19**	**Sep-20**	**Dec-20**	**YoY**	**QoQ**	**Dec-19**	**Sep-20**	**Dec-20**	**YoY**	**QoQ**
Automobiles (17)	103	84	114	10.0	35.6	85	66	85	-1.0	28.5
Capital Goods (9)	50	31	44	-11.3	42.2	34	18	27	-20.4	52.6
Cement (11)	31	56	59	88.6	5.8	24	40	42	75.5	6.9
Consumer (17)	131	133	140	6.7	5.2	103	100	104	1.1	3.5
Consumer Durables (4)	5	7	7	33.2	2.0	4	5	5	29.6	3.9
Financials (31)	446	446	426	-4.5	-4.5	317	337	324	2.3	-3.7
Banks-Private (11)	235	240	236	0.7	-1.5	178	180	179	0.1	-1.0
Banks-PSU (2)	88	89	66	-24.2	-25.2	42	63	49	18.1	-21.1
Life Insurance (3)	10	10	11	17.3	18.1	9	9	11	16.8	18.5
NBFC (15)	114	107	112	-2.1	3.9	87	85	85	-2.3	0.9
Healthcare (19)	70	104	102	46.4	-1.7	55	80	77	41.2	-3.1
Infrastructure (3)	4	3	3	-23.7	29.0	3	1	2	-19.6	63.2
Media (3)	11	6	9	-22.5	55.2	8	4	7	-21.8	63.6
Metals (9)	66	158	246	270.2	55.7	38	108	170	349.7	58.2
Oil & Gas (15)	328	359	362	10.5	0.8	240	284	248	3.2	-12.7
Oil Ex OMCs (12)	262	209	236	-9.8	13.1	197	174	156	-20.9	-10.3
Retail (8)	17	1	15	-8.4	1,797.5	12	1	11	-4.1	1,905.6
Staffing (3)	2	2	2	26.9	-6.4	2	2	2	-5.0	-1.3
Technology (12)	263	287	290	10.0	1.1	205	214	219	7.1	2.5
Telecom (4)	-51	-43	-30	Loss	Loss	-60	-60	-41	Loss	Loss
Utilities (9)	122	150	147	20.7	-2.2	107	127	113	5.4	-11.3
Others (21)	42	20	31	-25.7	53.6	33	13	21	-35.8	68.6
MOFSL Universe (195)	**1,640**	**1,802**	**1,966**	**19.9**	**9.1**	**1,211**	**1,339**	**1,418**	**17.1**	**5.9**
Nifty (50)	**1,344**	**1,376**	**1,461**	**8.7**	**6.2**	**991**	**1,042**	**1,061**	**7.1**	**1.9**
Sensex (30)	**1,087**	**1,029**	**1,097**	**0.9**	**6.6**	**801**	**783**	**790**	**-1.4**	**1.0**

MOFSL universe – sales/PAT to grow by -1%/17% YoY

Exhibit 3: Sales to stay flattish YoY, dragged by Oil & Gas

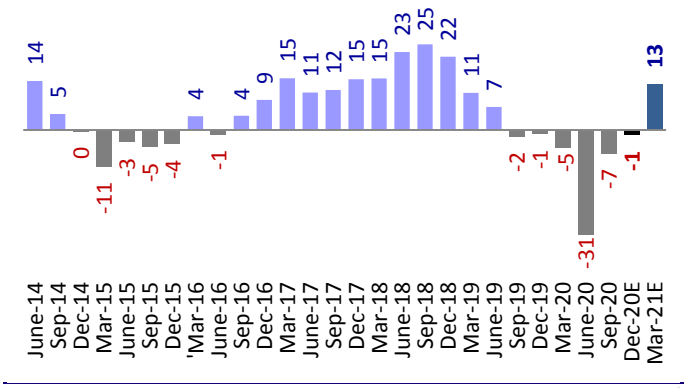


Exhibit 4: Earnings likely to grow at 17% YoY in 3QFY21

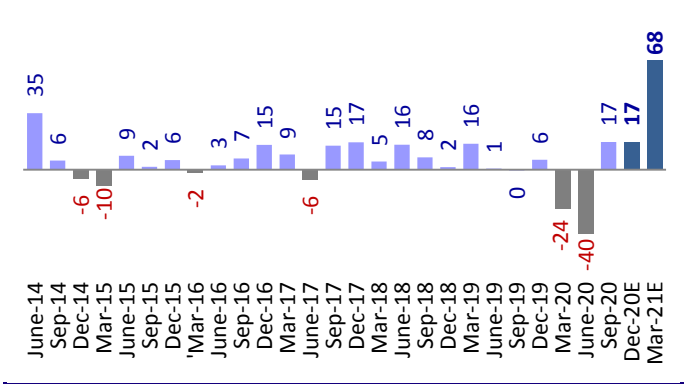
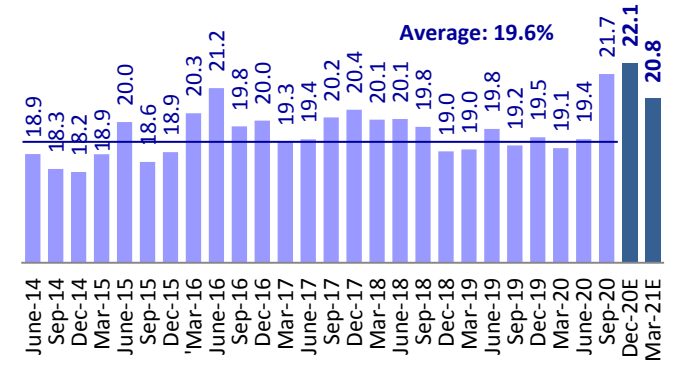
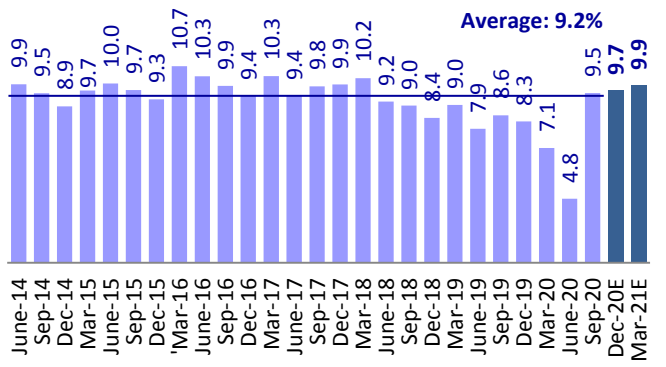


Exhibit 5: EBITDA margin to expand 260bp YoY to 22.1%



Source: MOFSL, ex financials and ex OMC

Exhibit 6: PAT margin for MOFSL's universe to expand 140bp YoY to 9.7%

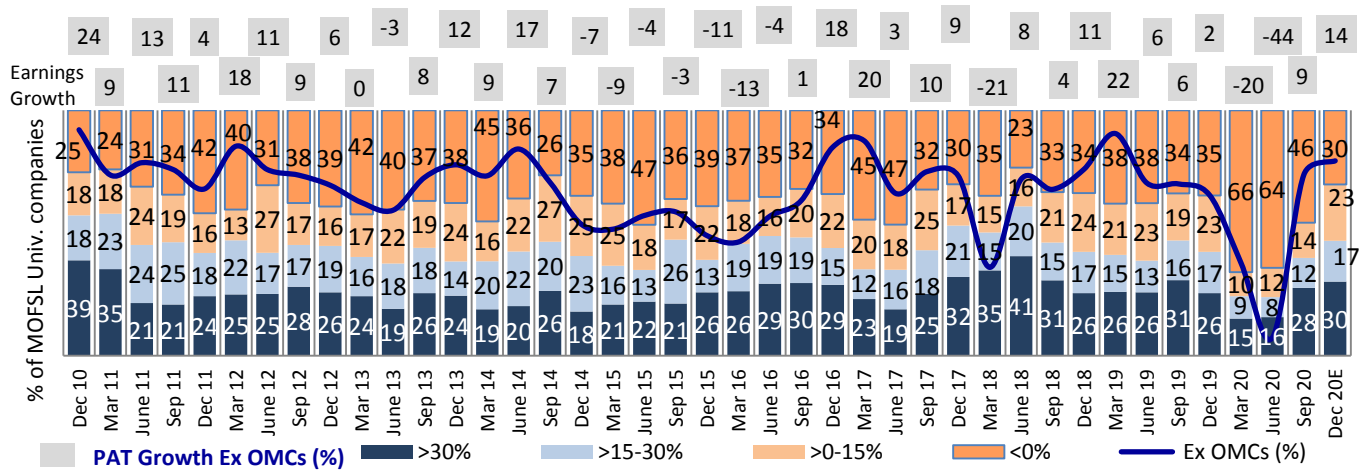


Source: MOFSL, ex financials and ex OMC

Exhibit 7: Key assumptions

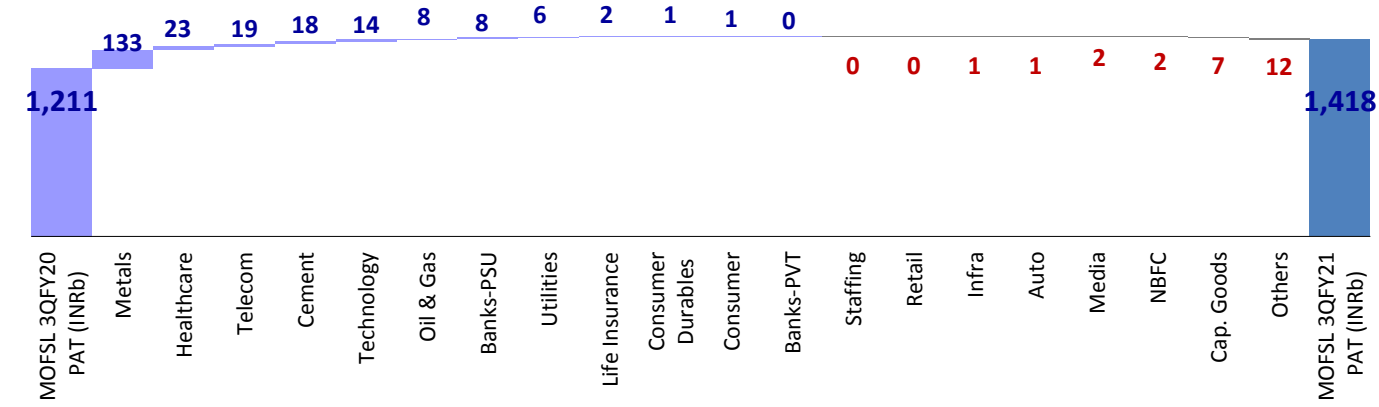
Macro	1QFY21	2QFY21	3QFY21E	4QFY21E	FY20	FY21E	FY22E	FY23E
GDP Growth (%)	**-23.9**	**-7.5**	**-0.7**	**3.4**	**4.2**	**-6.9**	**9.5**	**4.2**
IIP Growth (%)	**-35.5**	**-6.1**	**0.8**	**6.8**	**-0.8**	**-8.6**	**9.5**	**4.0**
Inflation CPI-RU (%)	**6.6**	**7.0**	**6.7**	**6.0**	**4.8**	**6.6**	**5.5**	**6.1**
Currency: USD/INR	**75.9**	**74.4**	**73.8**	**73.5**	**70.9**	**74.4**	**73.5**	**74.5**
Repo Rate (%)	**4.00**	**4.00**	**4.00**	**4.00**	**4.4**	**4.0**	**4.0**	**4.5**
Interest Rate (%): 1Year CP Rate (Avg)	5.75	4.17	3.95	4.05	**7.28**	**4.48**	**4.60**	**5.10**
10Year G Sec (Avg)	5.98	5.93	5.90	5.97	**6.69**	**5.94**	**6.04**	**6.15**
Sectoral	**1QFY21**	**2QFY21**	**3QFY21E**	**4QFY21E**	**FY20**	**FY21E**	**FY22E**	**FY23E**
Auto: CV Volume growth (%)	-89.8	-30.3	-0.4	80.2	**-35.0**	**-17.8**	**30.3**	**15.7**
Car Volume growth (%)	-81.0	16.2	7.4	23.0	**-16.1**	**-9.6**	**25.8**	**8.9**
Banking: Loan Growth (%)	6.1	5.1	4.7	4.5	**6.1**	**4.5**	**10.2**	**12.7**
Cement: Volume growth (%)	-30.0	5.0	7.0	13.0	**-3.0**	**-1.0**	**10.0**	**6.0**
Capital Goods: L&T order Intake (INRb)	236	280	612	469	**1,864**	**1,598**	**1,787**	**1,998**
Capital Goods: L&T order Intake (% YoY)	-39.0	-42.0	47.2	-18.8	**9.1**	**-14.3**	**11.9**	**11.8**
Metal: Steel (USD/Tonne)	485	520	610	675	**537**	**575**	**580**	**580**
Aluminium (USD/Tonne)	1,493	1,700	1,910	2,000	**1,750**	**1,775**	**1,750**	**1,850**
Zinc (USD/Tonne)	1,968	2,350	2,640	2,800	**2,407**	**2,450**	**2,350**	**2,500**
Oil: Brent (US$/bbl)	31.4	43.0	44.3	45.0	**60.9**	**40.9**	**50.0**	**50.0**
Singapore GRM (USD/bbl)	-0.9	0.1	1.0	4.0	**3.2**	**1.1**	**5.0**	**6.0**
Technology: $Revenue growth (%)	-6.1	6.1	2.3	2.8	**6.9**	**0.1**	**11.2**	**10.3**

Exhibit 8: 70% of companies in MOFSL's universe seen reporting PAT growth; 30% likely to post over 30% PAT growth



Around 47% of companies would grow over 15% YoY and 30% of MOFSL's universe would report over 30% PAT growth. About 70% of MOFSL's universe would report a growth in PAT.

Exhibit 9: Metals, Healthcare and Cement to lead aggregate earnings growth while Capital Goods likely to drag



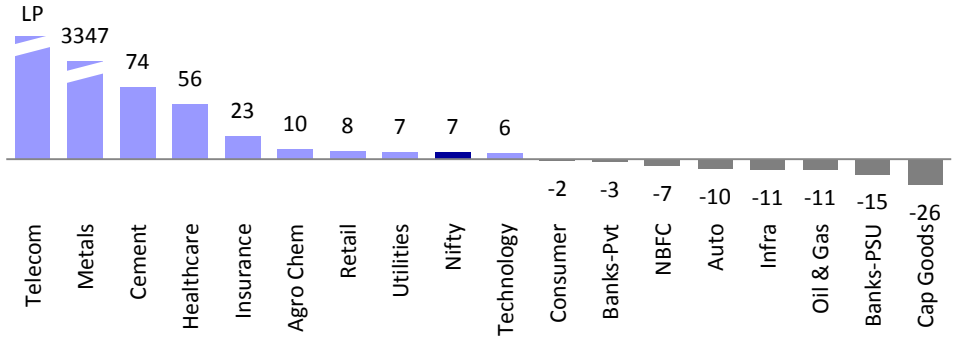
Source: MOFSL

Expect Nifty to post PBT/PAT growth of 9%/7% YoY

- We expect EBITDA/PBT/PAT for Nifty to grow by 10%/9%/7% YoY. Earnings growth would be led by cyclicals like Metals and Cement.
- Ex-Metals and Cement, Nifty EBITDA/PBT/PAT should post 7%/2% / (0.5%) growth respectively.
- Sales for Nifty constituents should decline 2% YoY – the sixth consecutive quarter of a sales decline – entirely dragged by Oil & Gas constituents. Ex-O&G, Nifty sales are expected to grow 7.7% YoY, highest in seven quarters.
- Among Nifty companies, 36 firms should report a YoY growth in PAT.

Metals, Cement, and Healthcare would support earnings in 3QFY21; Capital Goods and O&G would act as a drag

Exhibit 10: Sector-wise breakup of Nifty 3QFY21 PAT change YoY (%)



Source: MOFSL

Exhibit 11: Nifty universe PBT and PAT change

		PBT (INR M)			Growth (%)		PAT (INR M)			Growth (%)	
Sector	Sector	Dec-19	Sep-20	Dec-20	YoY	QoQ	Dec-19	Sep-20	Dec-20	YoY	QoQ
Bajaj Auto	Automobiles	16,713	14,851	18,087	8.2	21.8	12,616	11,382	13,901	10.2	22.1
Eicher Motors	Automobiles	6,275	4,624	6,549	4.4	41.6	4,987	3,433	5,317	6.6	54.9
Hero MotoCorp	Automobiles	10,115	12,500	12,504	23.6	0.0	8,804	9,535	9,518	8.1	-0.2
Mahindra & Mahindra	Automobiles	13,826	16,684	17,042	23.3	2.1	9,810	13,110	12,781	30.3	-2.5
Maruti Suzuki	Automobiles	20,064	17,478	25,562	27.4	46.3	15,648	13,716	20,322	29.9	48.2
Tata Motors	Automobiles	13,510	-8,196	851	-93.7	LP	17,394	-3,229	768	-95.6	LP
Axis Bank	Private Banks	22,718	23,170	20,034	-11.8	-13.5	17,570	16,827	15,006	-14.6	-10.8
HDFC Bank	Private Banks	99,019	1,01,103	1,08,481	9.6	7.3	74,165	75,131	82,308	11.0	9.6
ICICI Bank	Private Banks	54,654	52,658	47,643	-12.8	-9.5	41,465	42,513	35,732	-13.8	-16.0
IndusInd Bank	Private Banks	17,143	8,875	7,637	-55.4	-13.9	13,092	6,631	5,713	-56.4	-13.8
Kotak Mahindra Bank	Private Banks	19,441	29,289	25,800	32.7	-11.9	15,959	21,845	19,207	20.4	-12.1
State Bank of India	PSU Banks	1,09,697	63,415	63,548	-42.1	0.2	55,834	45,742	47,216	-15	3.2
HDFC Life Insurance	Life Insurance	2,636	3,262	3,437	30.4	5.3	2,502	3,261	3,376	34.9	3.5
SBI Life Insurance	Life Insurance	3,949	2,996	4,619	17.0	54.2	3,898	2,997	4,508	15.7	50.4
Bajaj Finance	NBFC	21,701	13,055	19,070	-12.1	46.1	16,141	9,649	14,074	-12.8	45.9
Bajaj Finserv	NBFC	26,270	21,567	17,502	-33.4	-18.8	11,256	9,863	6,784	-39.7	-31.2
HDFC	NBFC	27,745	30,381	31,795	14.6	4.7	22,273	26,926	25,512	14.5	-5.3
Larsen & Toubro	Capital Goods	32,232	21,382	28,646	-11.1	34.0	21,608	11,066	15,911	-26.4	43.8
Grasim Industries	Cement	2,150	3,894	3,000	39.5	-23.0	1,887	3,602	2,400	27.2	-33.4
Shree Cement	Cement	4,079	7,490	8,263	102.6	10.3	3,100	5,473	6,363	105.3	16.3
UltraTech Cement	Cement	11,306	18,005	20,165	78.4	12.0	8,069	12,337	13,904	72.3	12.7
Asian Paints	Consumer	10,381	11,337	13,555	30.6	19.6	7,797	8,519	10,014	28.4	17.6
Britannia	Consumer	4,969	6,706	6,087	22.5	-9.2	3,696	4,956	4,555	23.3	-8.1
Hind. Unilever	Consumer	23,280	27,420	27,404	17.7	-0.1	16,910	20,350	19,785	17.0	-2.8
ITC	Consumer	51,676	42,743	46,343	-10.3	8.4	42,740	32,324	34,526	-19.2	6.8
Nestle	Consumer	6,097	8,020	7,425	21.8	-7.4	4,681	6,026	5,505	17.6	-8.6
Cipla	Healthcare	5,064	9,257	8,887	75.5	-4.0	3,510	6,654	6,446	83.6	-3.1
Divi's Labs	Healthcare	4,694	7,091	6,683	42.4	-5.8	3,459	5,313	5,146	48.8	-3.1
Dr Reddy's Labs	Healthcare	5,503	8,360	9,598	74.4	14.8	5,945	7,392	7,678	29.2	3.9
Sun Pharma	Healthcare	12,695	20,335	18,114	42.7	-10.9	8,317	16,409	13,785	65.7	-16.0
Adani Ports	Infrastructure	17,390	18,004	15,663	-9.9	-13.0	13,523	13,937	12,067	-10.8	-13.4
Hindalco	Metals	13,724	20,691	20,984	52.9	1.4	8,745	13,702	14,353	64.1	4.7
JSW Steel	Metals	2,130	22,970	33,370	1,466.7	45.3	234	14,916	22,451	9,481.1	50.5
Tata Steel	Metals	-2,366	21,315	40,053	LP	87.9	-7,005	15,031	31,244	LP	107.9
BPCL	Oil and Gas	17,330	34,223	26,062	50.4	-23.8	12,606	23,326	17,383	37.9	-25.5
GAIL	Oil and Gas	18,716	15,503	17,313	-7.5	11.7	12,334	12,397	12,955	5.0	4.5
IOC	Oil and Gas	37,222	83,398	50,565	35.8	-39.4	23,390	62,273	37,838	61.8	-39.2
ONGC	Oil and Gas	60,537	52,282	38,939	-35.7	-25.5	42,265	37,709	25,972	-38.5	-31.1
Reliance Inds.	Oil and Gas	1,50,820	1,04,840	1,47,806	-2.0	41.0	1,19,809	95,670	92,915	-22.4	-2.9
Titan Company	Retail	6,739	2,180	7,047	4.6	223.2	4,931	1,740	5,426	10.0	211.8
HCL Technologies	Technology	37,370	41,520	41,724	11.7	0.5	30,380	31,420	31,592	4.0	0.5
Infosys	Technology	58,490	67,500	69,971	19.6	3.7	44,570	48,450	51,705	16.0	6.7
TCS	Technology	1,05,690	1,12,550	1,12,558	6.5	0.0	81,430	84,620	86,107	5.7	1.8
Tech Mahindra	Technology	14,736	14,093	14,324	-2.8	1.6	11,459	10,646	10,901	-4.9	2.4
Wipro	Technology	30,793	32,071	31,444	2.1	-2.0	24,558	24,656	24,186	-1.5	-1.9
Bharti Airtel	Telecom	-4,528	5,671	12,011	LP	111.8	-10,805	-7,444	5,347	LP	LP
Coal India	Utilities	53,347	40,600	54,337	1.9	33.8	39,208	29,508	40,753	3.9	38.1
NTPC	Utilities	20,280	40,138	42,533	109.7	6.0	28,993	41,562	32,021	10.4	-23.0
Power Grid Corp.	Utilities	34,668	37,998	36,367	4.9	-4.3	26,537	30,640	28,730	8.3	-6.2
UPL	Others	11,120	8,660	13,331	19.9	53.9	8,233	7,243	9,093	10.5	25.6
Nifty Universe		**13,43,809**	**13,75,957**	**14,60,734**	**8.7**	**6.2**	**9,90,527**	**10,41,753**	**10,61,102**	**7.1**	**1.9**

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Exhibit 12: Sales of Nifty constituents to dip by 2% in 3QFY21, Ex-O&G it should grow 7.7% - highest in seven quarters

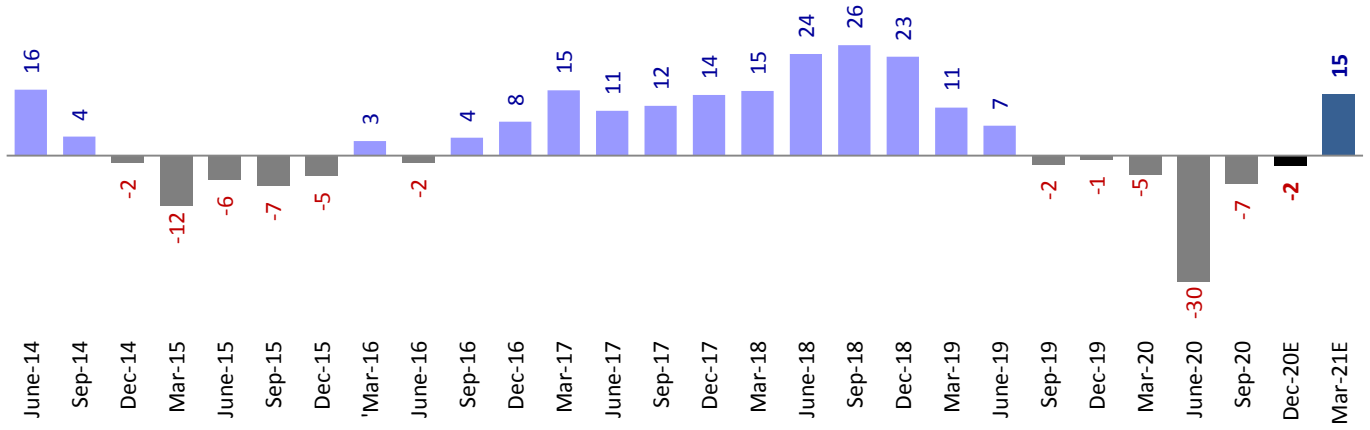

Exhibit 13: Expect Nifty PAT to grow by 7% YoY in 3QFY21; Ex-Cement and Metals it will be flattish YoY

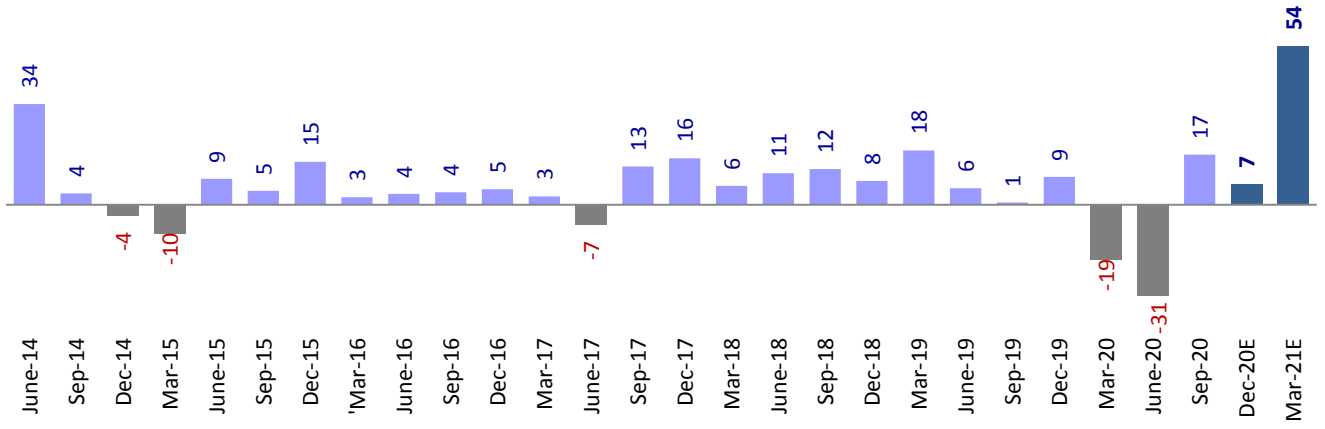

Exhibit 14: Expect EBITDA to grow by 10% YoY for Nifty constituents

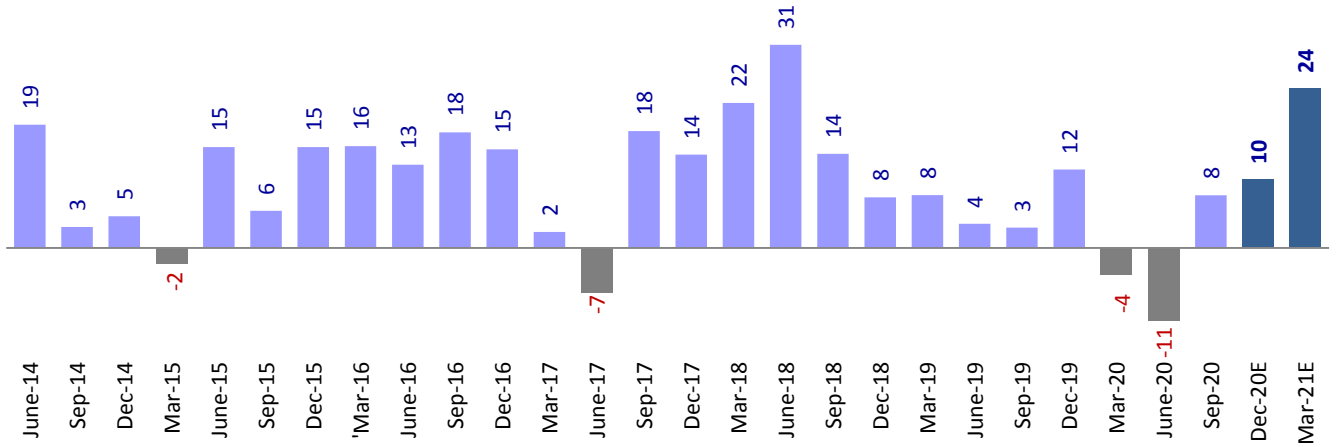

Exhibit 15: Nifty earnings snapshot in 3QFY21 (INR m)

		Sales (INR m)	Growth (%)	EBIDTA (INR m)	Growth (%)	PBT (INR m)	Growth (%)	PAT (INR m)	Growth (%)
Sector	Sector	Dec'20	YoY	Dec'20	YoY	Dec-20	YoY	Dec'20	YoY
Bajaj Auto	Automobiles	89,666	17.4	15,652	14.5	18,087	8.2	13,901	10.2
Eicher Motors	Automobiles	28,107	18.5	6,644	12.2	6,549	4.4	5,317	6.6
Hero MotoCorp	Automobiles	96,205	37.5	12,849	23.7	12,504	23.6	9,518	8.1
Mahindra & Mahindra	Automobiles	1,37,341	13.3	22,032	23.2	17,042	23.3	12,781	30.3
Maruti Suzuki	Automobiles	2,35,853	13.9	26,592	26.5	25,562	27.4	20,322	29.9
Tata Motors	Automobiles	7,14,399	-0.3	69,951	-2.8	851	-93.7	768	-95.6
Axis Bank	Banks-Private	74,026	14.7	68,285	18.9	20,034	-11.8	15,006	-14.6
HDFC Bank	Banks-Private	1,62,834	14.9	1,50,157	16.0	1,08,481	9.6	82,308	11.0
ICICI Bank	Banks-Private	96,723	13.2	85,908	13.8	47,643	-12.8	35,732	-13.8
IndusInd Bank	Banks-Private	33,007	7.4	28,121	2.0	7,637	-55.4	5,713	-56.4
Kotak Mahindra Bank	Banks-Private	39,716	15.8	31,886	33.5	25,800	32.7	19,207	20.4
State Bank	Banks-PSU	2,87,146	3.4	1,82,423	0.1	63,548	-42.1	47,216	-15
HDFC Life Insur.	Life Insurance	94,824	20.7	3,483	41.6	3,437	30.4	3,376	34.9
SBI Life Insurance	Life Insurance	1,30,956	12.0	5,680	-6.6	4,619	17.0	4,508	15.7
Bajaj Finance	NBFC	39,586	9.5	34,070	13.5	19,070	-12.1	14,074	-12.8
Bajaj Finserv	NBFC	1,47,491	1.3	1,47,486	1.3	17,502	-33.4	6,784	-39.7
HDFC	NBFC	38,102	18.6	35,795	16.6	31,795	14.6	25,512	14.5
Larsen & Toubro	Capital Goods	3,69,299	1.9	39,146	-4.9	28,646	-11.1	15,911	-26.4
Grasim Industries	Cement	42,348	-5.9	5,480	32.5	3,000	39.5	2,400	27.2
Shree Cement	Cement	32,880	15.4	10,619	25.0	8,263	102.6	6,363	105.3
Ultratech Cement	Cement	1,16,615	12.6	29,071	38.0	20,165	78.4	13,904	72.3
Asian Paints	Consumer	61,791	14.0	15,015	26.2	13,555	30.6	10,014	28.4
Britannia	Consumer	32,809	10.0	6,077	21.1	6,087	22.5	4,555	23.3
Hind. Unilever	Consumer	1,17,696	20.0	28,774	17.7	27,404	17.7	19,785	17.0
ITC	Consumer	1,12,960	-6.0	42,159	-8.6	46,343	-10.3	34,526	-19.2
Nestle	Consumer	34,982	11.1	8,407	24.9	7,425	21.8	5,505	17.6
Cipla	Healthcare	50,844	16.3	11,542	52.2	8,887	75.5	6,446	83.6
Divis Labs	Healthcare	17,733	27.0	7,237	46.5	6,683	42.4	5,146	48.8
Dr Reddy' s Labs	Healthcare	51,098	16.6	12,468	22.4	9,598	74.4	7,678	29.2
Sun Pharma	Healthcare	86,251	7.3	20,959	27.5	18,114	42.7	13,785	65.7
Adani Ports	Infrastructure	34,830	4.4	23,772	11.0	15,663	-9.9	12,067	-10.8
Hindalco	Metals	3,41,006	15.4	45,989	33.5	20,984	52.9	14,353	64.1
JSW Steel	Metals	2,03,266	14.2	52,938	140.5	33,370	1,466.7	22,451	9,481.1
Tata Steel	Metals	3,77,012	6.1	79,308	119.1	40,053	LP	31,244	LP
BPCL	Oil & Gas	6,03,562	-19.2	35,173	25.6	26,062	50.4	17,383	37.9
GAIL	Oil & Gas	1,47,703	-16.9	19,667	-5.1	17,313	-7.5	12,955	5.0
IOC	Oil & Gas	10,28,844	-17.4	79,488	16.3	50,565	35.8	37,838	61.8
ONGC	Oil & Gas	1,67,287	-29.4	78,910	-35.8	38,939	-35.7	25,972	-38.5
Reliance Inds.	Oil & Gas	12,77,650	-16.6	2,28,695	1.1	1,47,806	-2.0	92,915	-22.4
Titan Company	Retail	75,572	15.8	8,142	3.9	7,047	4.6	5,426	10.0
HCL Technologies	Technology	1,90,018	4.8	49,325	10.3	41,724	11.7	31,592	4.0
Infosys	Technology	2,53,365	9.7	73,518	26.7	69,971	19.6	51,705	16.0
TCS	Technology	4,12,000	3.4	1,15,772	6.5	1,12,558	6.5	86,107	5.7
Tech Mahindra	Technology	95,493	-1.1	17,284	10.6	14,324	-2.8	10,901	-4.9
Wipro	Technology	1,53,849	-0.6	34,370	5.7	31,444	2.1	24,186	-1.5
Bharti Airtel	Telecom	2,66,619	21.5	1,20,648	30.2	12,011	LP	5,347	LP
Coal India	Utilities	2,39,740	3.4	61,652	-0.3	54,337	1.9	40,753	3.9
NTPC	Utilities	2,56,780	2.3	85,411	-0.4	42,533	109.7	32,021	10.4
Power Grid Corp.	Utilities	98,635	5.4	87,949	6.8	36,367	4.9	28,730	8.3
UPL	Others	99,497	11.9	23,581	13.9	13,331	19.9	9,093	10.5
Nifty Universe		**98,96,014**	**-2.3**	**24,85,559**	**10.4**	**14,60,734**	**8.7**	**10,61,102**	**7.1**

Note: For Financials, sales represents net interest income, and EBITDA represents operating profit; Consensus estimates are used for Adani Ports and Bajaj Finserv

Exhibit 16: Expect 23% PAT CAGR for Nifty constituents over FY20-22E on a depressed base of the previous five years

Sector	Sales CAGR (%) (FY20-22)	EBIDTA CAGR (%) (FY20-22)	EBIDTA Margin (%) FY21E	PAT (INR b) FY21E	FY22E	FY23E	PAT Grw / CAGR (%) FY20	FY21E	FY22E	FY23E	(FY20-22)	PAT Delta (INR b) (FY20-22)	PAT Delta Share (%) (FY20-22)
High PAT CAGR (>15%)	**5**	**17**	**21.3**	**3,562**	**4,854**	**5,759**	**-11**	**26**	**36**	**19**	**31**	**2,019**	**80**
Metals (9)	9	29	21.8	471	616	561	-55	122	31	-9	70	403	16
Auto (17)	8	21	11.6	178	404	517	-51	14	127	28	61	249	10
Financials (33)	13	14	62.7	1,394	1,860	2,372	37	25	33	28	29	744	29
Banks-PVT (12)	15	16	87.1	715	958	1,235	23	29	34	29	32	405	16
Banks-PSU (2)	11	9	67.6	291	402	540	643	43	38	34	41	199	8
Insurance (3)	14	28	5.7	45	54	65	1	20	20	19	20	17	1
NBFC (16)	11	12	82.1	343	445	532	8	7	30	19	18	123	5
Healthcare (19)	11	20	23.9	302	345	396	14	37	14	15	25	124	5
Staffing (3)	12	12	5.0	6	9	13	0	7	41	52	23	3	0
Oil & Gas (15)	-1	15	12.4	1,006	1,360	1,580	-24	8	35	16	21	429	17
Ex OMCs (12)	3	10	15.2	683	1,093	1,264	-17	-9	60	16	21	342	14
Retail (8)	11	9	8.1	10	44	60	5	-69	348	38	18	12	0
Cement (11)	6	13	23.0	196	218	260	39	21	11	20	16	56	2
Medium PAT CAGR (0-15%)	**8**	**10**	**24.2**	**1,892**	**2,407**	**2,759**	**7**	**-4**	**27**	**15**	**10**	**426**	**17**
Cons. Durables (4)	8	14	10.8	19	24	28	0	0	29	17	14	5	0
Technology (12)	10	16	25.0	838	1,011	1,136	4	7	21	12	13	225	9
Media (3)	2	9	32.0	20	31	40	-21	-21	61	26	12	7	0
Cap. Goods (9)	6	9	9.5	99	154	180	-12	-21	55	17	11	29	1
Others (22)	5	7	18.7	73	187	244	33	-53	156	30	10	33	1
Consumer (18)	9	11	24.4	378	464	534	16	-1	23	15	10	82	3
Utilities (9)	5	5	35.8	465	535	598	9	-5	15	12	5	45	2
Negative PAT CAGR	**6**	**17**	**41.6**	**-172**	**-131**	**-142**	**Loss**	**Loss**	**Loss**	**Loss**	**-21**	**79**	**3**
Infrastructure (3)	0	-2	30.3	7	9	12	-12	-41	20	31	-16	-4	0
Telecom (4)	7	18	42.3	-179	-139	-154	Loss	Loss	Loss	Loss	Loss	83	3
MOFSL (199)	**5**	**15**	**22.7**	**5,283**	**7,130**	**8,377**	**-5**	**15**	**35**	**17**	**24**	**2,524**	**100**
Nifty (50)	**6**	**15**	**23.3**	**4,120**	**5,542**	**6,515**	**-3**	**13**	**35**	**18**	**23**	**1,908**	**NA**
Sensex (30)	**7**	**13**	**30.0**	**3,221**	**4,317**	**5,126**	**8**	**10**	**34**	**19**	**22**	**1,401**	**NA**

Note: For Banks, sales represents net interest income, and EBITDA represents operating profit; Sensex and Nifty Numbers are free float Source: MOFSL

Exhibit 17: Top upgrades/downgrades for Nifty companies for FY22E

(INR)	EPS upgrade/downgrade (%) FY22E
Tata Steel	44
JSW Steel	39
Tata Motors	28
Tech Mahindra	23
Hindalco	15
SBI Life Insurance	11
ICICI Bank	8
Bajaj Finance	7
HDFC	6
HDFC Life Insurance	6
Kotak Mahindra Bank	5
UPL	5
Coal India	-3
Axis Bank	-3
Mahindra & Mahindra	-4
IndusInd Bank	-7
Hero MotoCorp	-8
IOC	-11
Nifty	**3**

Source: MOFSL

Exhibit 18: Absolute FY21E PAT change (INR b) for Nifty constituents

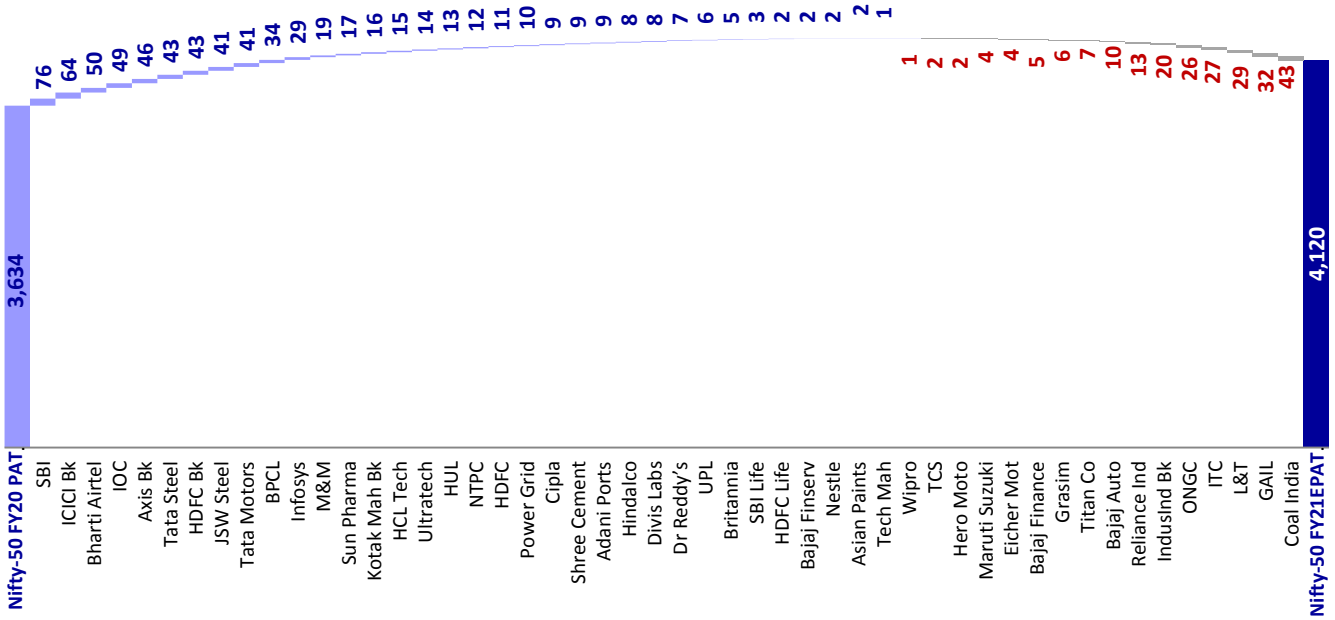

Exhibit 19: Absolute FY22E PAT change (INR b) for Nifty constituents

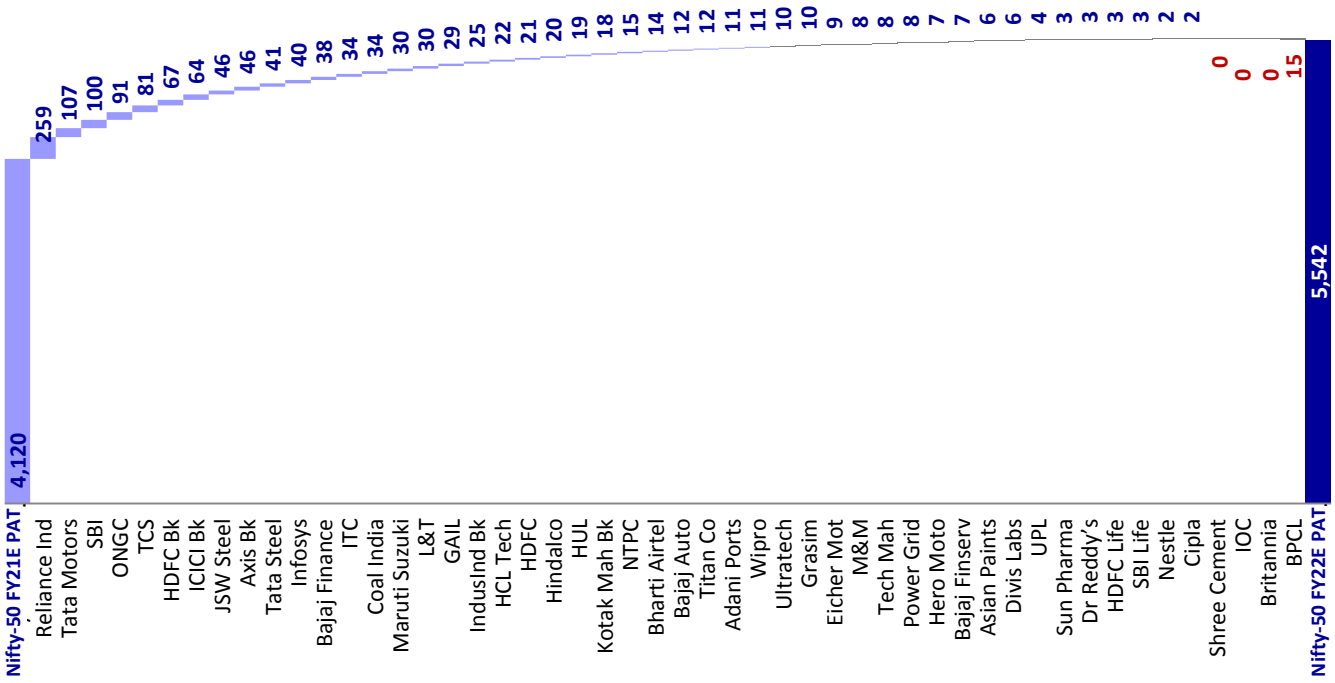

Exhibit 20: Nifty performance – Expect FF PAT CAGR (FY20-22E) of 25%

Company	Sector	Sales (INR b) FY21E	FY22E	FY23E	Sales (CAGR %) FY20-22E	EBIDTA margin (%) FY21E	FY22E	FY23E	EBITDA (CAGR %) FY20-22E	PAT (INR b) FY21E	FY22E	FY23E	PAT (CAGR %) FY20-22E	Contbn to Delta %
High PAT growth (over 20%)		**21,354**	**26,231**	**28,295**	**7**	**22**	**22**	**23**	**20**	**1,634**	**2,462**	**2,989**	**47**	**70**
Tata Motors	Automobiles	2,457	3,007	3,384	7	11	13	14	30	-50	57	101	LP	8
Bharti Airtel	Telecom	1,022	1,097	1,204	12	45	50	51	22	9	24	38	LP	3
Tata Steel	Metals	1,431	1,583	1,574	6	18	18	18	28	54	95	95	202	4
Axis Bank	Banking	296	337	396	16	90	92	94	15	63	108	170	158	5
JSW Steel	Metals	742	980	999	16	24	26	21	52	63	109	69	124	5
ICICI Bank	Banking	386	460	554	18	95	84	86	17	143	207	267	62	7
Mahindra & Mahindra	Automobiles	1,027	1,138	848	9	14	15	16	15	36	45	49	58	1
Divi's Labs	Healthcare	71	87	108	27	41	42	42	41	21	26	34	43	1
State Bank of India	Banking	1,127	1,242	1,408	13	66	66	68	10	273	374	479	37	9
Hindalco	Metals	1,238	1,459	1,488	11	13	13	14	17	47	67	74	32	1
Cipla	Healthcare	197	216	241	12	23	22	22	22	25	27	31	31	1
UltraTech Cement	Cement	427	482	530	7	26	25	26	14	52	62	77	28	1
Bajaj Finance	Banking	148	178	214	15	87	86	86	17	47	85	106	27	2
Shree Cement	Cement	125	141	158	9	33	32	32	11	25	25	28	26	0
Reliance Inds.	Oil and Gas	5,295	7,102	7,751	9	16	17	18	17	418	677	809	25	13
Sun Pharma	Healthcare	333	375	415	8	24	23	23	15	57	60	67	23	1
Adani Ports	Infrastructure	128	159	178	16	63	64	67	32	46	56	65	23	1
IOC	Oil and Gas	3,543	4,560	5,016	-3	9	8	8	44	143	143	174	23	3
Hind. Unilever	Consumer	456	508	576	14	25	27	27	18	80	99	114	21	2
Maruti Suzuki	Automobiles	708	895	995	9	9	11	13	18	53	83	104	21	1
Dr Reddy's Labs	Healthcare	196	225	257	16	25	25	26	26	29	32	37	20	1
Medium PAT growth (0-20%)		**16,733**	**19,819**	**21,621**	**4**	**25**	**25**	**26**	**11**	**2,320**	**2,851**	**3,262**	**12**	**31**
SBI Life Insurance	Banking	485	572	692	19	7	7	7	43	18	20	26	19	0
HDFC Bank	Banking	648	741	865	15	88	91	91	18	305	372	447	19	6
Infosys	Technology	1,003	1,165	1,311	13	28	28	29	22	195	235	268	19	4
Kotak Mahindra Bank	Banking	158	178	205	15	79	78	79	18	102	121	145	18	2
HDFC Life Insurance	Banking	365	429	509	15	3	4	4	32	15	18	21	18	0
BPCL	Oil and Gas	2,028	2,404	2,483	-8	9	6	7	24	84	69	84	18	1
ONGC	Oil and Gas	3,014	3,866	3,965	-5	15	15	15	-3	142	233	252	18	3
UPL	Agro Chemicals	386	420	453	8	22	23	23	13	32	36	43	17	1
Britannia	Consumer	134	145	165	12	19	18	18	17	20	19	22	16	0
HCL Technologies	Technology	755	864	963	11	26	26	26	17	126	148	165	16	2
HDFC	Banking	148	170	188	15	95	97	98	15	107	128	145	15	2
Titan Company	Retail	193	251	311	9	8	12	12	10	8	20	26	15	0
Asian Paints	Consumer	201	235	266	8	23	23	23	13	29	36	41	13	0
Bajaj Finserv	Banking	172	201	256	8	85	78	74	13	36	43	51	13	0
Eicher Motors	Automobiles	87	113	128	12	21	25	27	13	14	23	29	12	0
TCS	Technology	1,631	1,882	2,077	10	28	29	29	14	323	404	452	12	4
Tech Mahindra	Technology	381	431	476	8	17	18	18	15	42	50	55	11	0
Nestle	Consumer	134	152	174	11	25	24	24	12	22	24	28	10	0
NTPC	Utilities	1,115	1,276	1,388	6	33	33	34	7	149	164	178	10	1
Power Grid Corp.	Utilities	410	444	464	6	89	89	89	7	121	128	136	8	1
Hero MotoCorp	Automobiles	308	366	398	13	12	13	14	10	28	35	40	7	0
Wipro	Technology	615	685	745	6	22	22	22	10	97	107	118	5	1
IndusInd Bank	Banking	133	146	172	10	86	84	85	7	24	49	72	5	0
Grasim Industries	Cement	153	206	248	5	9	15	17	14	52	62	73	3	0
Bajaj Auto	Automobiles	275	358	393	9	17	17	17	11	45	57	62	2	0
ITC	Consumer	428	498	543	4	36	40	41	5	126	160	179	2	0
Larsen & Toubro	Capital Goods	1,375	1,622	1,782	6	10	12	12	7	60	90	107	1	0
PAT de-growth (<0%)		**1,489**	**1,735**	**1,820**	**2**	**16**	**19**	**20**	**4**	**166**	**229**	**264**	**-3**	**-1**
GAIL India	Oil and Gas	579	694	730	-2	10	14	14	9	42	71	75	-2	0
Coal India	Utilities	910	1,041	1,090	4	19	22	24	2	124	158	189	-3	0
Nifty (PAT free float)		**39,576**	**47,785**	**51,735**	**6**	**23**	**23**	**24**	**15**	**2,221**	**3,007**	**3,571**	**25**	**100**

MOFSL model portfolio

Sector weightage/ portfolio picks	BSE 100	MOST weight	Weight relative to BSE 100	Effective sector stance
Financials	**35.0**	**35.0**	**0.0**	**Neutral**
Private	**21.0**	**21.0**	**0.0**	**Neutral**
HDFC Bank	8.2	8.0	-0.2	Buy
ICICI Bank	5.3	7.0	1.7	Buy
Axis Bank	2.4	4.0	1.6	Buy
AU Small Finance Bank	0.0	2.0	2.0	Buy
PSU	**1.5**	**3.0**	**1.5**	**Overweight**
SBI	1.5	3.0	1.5	Buy
NBFCs	**12.5**	**11.0**	**-1.5**	**Underweight**
HDFC	6.7	7.0	0.3	Buy
Muthoot Finance	0.0	2.0	2.0	Buy
SBI Life	0.5	2.0	1.5	Buy
Technology	**14.4**	**17.0**	**2.6**	**Overweight**
Infosys	6.6	8.0	1.4	Buy
TCS	4.5	6.0	1.5	Neutral
HCL Technologies	1.5	3.0	1.5	Buy
Energy/Telecom	**13.3**	**11.0**	**-2.3**	**Underweight**
Reliance Inds	8.8	8.0	-0.8	Buy
Bharti Airtel	1.8	3.0	1.2	Buy
Consumption / Retail	**13.5**	**10.0**	**-3.5**	**Neutral**
HUL	3.1	4.0	0.9	Buy
Titan	0.9	4.0	3.1	Buy
United Spirits	0.0	2.0	2.0	Neutral
Auto	**5.9**	**6.0**	**0.1**	**Neutral**
M&M	1.0	4.0	3.0	Buy
Ashok Leyland	0.2	2.0	1.8	Buy
Healthcare	**4.9**	**6.0**	**1.1**	**Overweight**
Sun Pharma	0.9	2.0	1.1	Buy
Divis Labs	0.7	2.0	1.3	Buy
Lupin	0.3	2.0	1.7	Buy
Cap Goods, Infra & Cement	**6.3**	**5.0**	**-1.3**	**Neutral**
Larsen & Toubro	2.2	2.0	-0.2	Buy
Ultratech	0.9	3.0	2.1	Buy
Metals / Utilities	**4.7**	**4.0**	**-0.7**	**Neutral**
Hindalco	0.5	2.0	1.5	Buy
JSPL	0.0	2.0	2.0	Buy
Midcaps	**1.9**	**6.0**	**4.1**	**Overweight**
Tata Consumer	0.5	1.0	0.5	Buy
Oberoi Realty	0.0	1.0	1.0	Buy
IEX	0.0	1.0	1.0	Buy
Varun Beverages	0.0	1.0	1.0	Buy
SEIS	0.0	1.0	1.0	Buy
JK Cements	0.0	1.0	1.0	Buy
Cash	**0.0**	**0.0**	**0.00**	
TOTAL	**100.0**	**100.0**		

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BSE Sensex: 48,177 **Nifty 50: 14,133** **January 2021**

MOFSL Universe: 3QFY21 Highlights & Ready Reckoner

Note: In our quarterly performance tables, our four-quarter numbers may not always add up to the full-year numbers. This is because of differences in classification of account heads in the company's quarterly and annual results or because of differences in the way we classify account heads as opposed to the company.

All stock prices and indices as on 1 January 2021, unless otherwise stated.

MOFSL Universe: 3QFY21 aggregate performance highlights

Exhibit 1: Quarterly Performance - MOFSL Universe (INR b)

Sector	Sales			EBITDA			PAT		
(Nos of Cos)	Dec-20	Var. % YoY	Var. % QoQ	Dec-20	Var % YoY	Var % QoQ	Dec-20	Var % YoY	Var % QoQ
Automobiles (17)	1,744	9.1	24.0	204	13.8	20.9	85	-1.0	28.5
Capital Goods (9)	564	1.4	14.5	56	-6.3	24.7	27	-20.4	52.6
Cement (11)	369	8.8	14.6	85	41.8	8.5	42	75.5	6.9
Consumer (17)	573	8.5	5.5	144	8.2	4.5	104	1.1	3.5
Consumer Durables (4)	67	11.1	9.4	8	35.6	0.0	5	29.6	3.9
Financials (31)	1,342	10.0	1.7	822	10.9	4.9	324	2.3	-3.7
Banks-Private (11)	463	14.2	2.2	411	18.2	4.4	179	0.1	-1.0
Banks-PSU (2)	359	2.8	0.5	236	1.7	7.2	49	18.1	-21.1
Life Insurance (3)	315	13.9	0.2	11	-10.5	3.8	11	16.8	18.5
NBFC (15)	205	8.3	4.7	164	9.7	3.2	85	-2.3	0.9
Healthcare (19)	539	11.4	1.8	129	29.1	-1.0	77	41.2	-3.1
Infrastructure (3)	30	-9.6	14.1	9	-4.3	13.8	2	-19.6	63.2
Media (3)	31	-17.5	23.6	11	-18.2	47.7	7	-21.8	63.6
Metals (9)	1,576	13.8	8.5	395	85.6	30.2	170	349.7	58.2
Oil & Gas (15)	4,089	-18.1	16.8	542	2.3	8.5	248	3.2	-12.7
Oil Ex OMCs (12)	1,827	-20.4	12.3	369	-10.6	11.5	156	-20.9	-10.3
Retail (8)	208	4.7	62.0	25	-5.5	197.7	11	-4.1	1,905.6
Staffing (3)	64	-1.3	8.4	3	-3.8	12.0	2	-5.0	-1.3
Technology (12)	1,223	4.2	2.5	313	12.7	1.0	219	7.1	2.5
Telecom (4)	458	11.8	2.5	191	24.7	1.8	-41	Loss	Loss
Utilities (9)	760	3.8	3.8	282	2.3	14.4	113	5.4	-11.3
Others (21)	338	-8.0	14.3	67	-10.8	19.8	21	-35.8	68.6
MOFSL Universe (195)	**13,975**	**-1.5**	**11.5**	**3,286**	**15.1**	**10.2**	**1,418**	**17.1**	**5.9**
MOFSL Ex OMCs (192)	**11,712**	**2.0**	**9.9**	**3,113**	**13.6**	**10.7**	**1,326**	**13.6**	**7.9**
Nifty (50)	**9,896**	**-2.3**	**11.3**	**2,486**	**10.4**	**8.4**	**1,061**	**7.1**	**1.9**
Sensex (30)	**5,426**	**-0.5**	**8.8**	**1,890**	**6.3**	**6.8**	**790**	**-1.4**	**1.0**

Exhibit 2: Quarter-wise sales growth (% YoY)

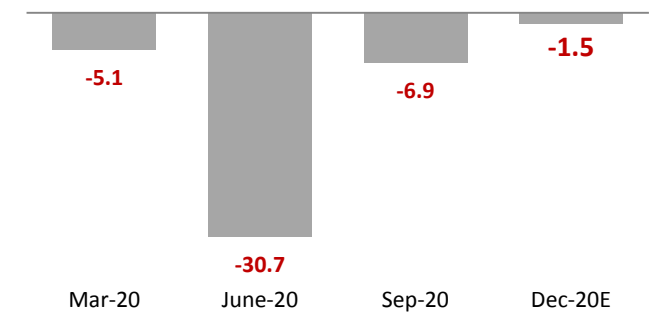


Exhibit 3: Quarter-wise net profit growth (% YoY)

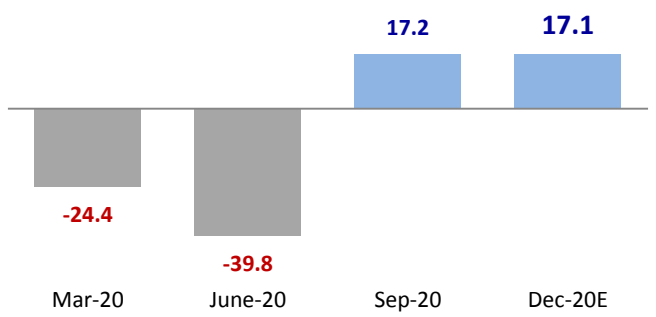


Exhibit 4: Sectoral sales growth - quarter ended Dec-20 (%)

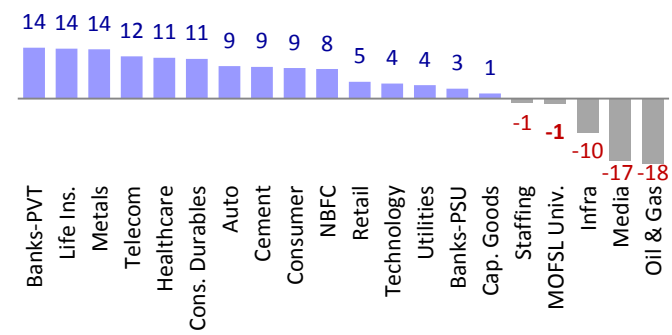
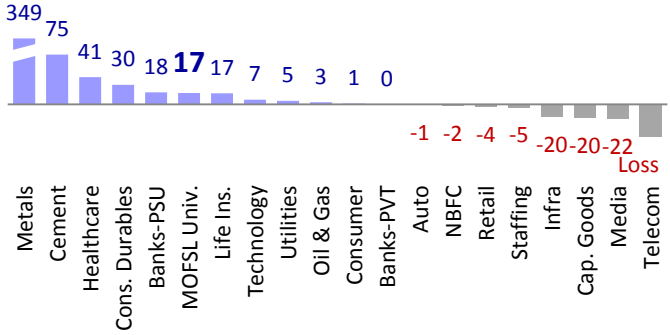


Exhibit 5: Sectoral PAT growth - quarter ended Dec-20 (%)



For Banks: Sales = Net Interest Income, EBITDA = Operating Profits
For Life Insurance: Sales = Net Premium, EBITDA = Operating Profits

Annual performance - MOFSL universe (INR Billion)

	Sales (INR b)			Chg. YoY (%)			EBIDTA (INR b)			Chg. YoY (%)			PAT (INR b)			Chg. YoY (%)		
Sector	**FY21E**	**FY22E**	**FY23E**	**FY21E**	**FY22E**	**FY23E**	**FY21E**	**FY22E**	**FY23E**	**FY21E**	**FY22E**	**FY23E**	**FY21E**	**FY22E**	**FY23E**	**FY21E**	**FY22E**	**FY23E**
Auto (17)	6,383	7,759	8,249	-3.2	21.6	6.3	738	1,038	1,180	3.6	40.7	13.7	178	404	517	14.1	127.4	28.0
Cap. Goods (9)	2,139	2,543	2,770	-5.5	18.9	8.9	204	282	319	-13.3	38.0	13.2	99	154	180	-20.7	54.8	16.9
Cement (11)	1,332	1,549	1,734	-2.6	16.2	12.0	306	345	398	13.4	12.7	15.6	196	218	260	20.7	11.4	19.6
Consumer (18)	2,160	2,479	2,784	3.4	14.7	12.3	527	640	730	1.8	21.2	14.1	378	464	534	-0.9	22.6	15.2
Cons. Dur. (4)	252	314	350	-6.4	24.4	11.6	27	34	38	5.3	23.5	13.0	19	24	28	0.5	28.7	16.7
Financials (33)	5,285	5,995	6,950	13.4	13.4	15.9	3,312	3,736	4,377	14.5	12.8	17.2	1,394	1,860	2,372	25.0	33.4	27.6
Banks-PVT (12)	1,871	2,157	2,542	15.6	15.3	17.8	1,630	1,850	2,205	19.2	13.5	19.2	715	958	1,235	29.4	33.9	29.0
Banks-PSU (2)	1,416	1,550	1,757	12.8	9.5	13.4	957	1,048	1,210	9.0	9.5	15.4	291	402	540	43.1	38.3	34.3
Insurance (3)	1,197	1,378	1,620	13.5	15.1	17.5	69	83	103	35.7	21.2	23.4	45	54	65	19.6	20.3	19.3
NBFC (16)	801	911	1,032	9.2	13.7	13.3	657	754	859	10.3	14.8	13.9	343	445	532	6.5	29.9	19.4
Healthcare (19)	2,098	2,346	2,618	10.6	11.8	11.6	502	562	633	28.7	12.0	12.6	302	345	396	36.7	14.1	14.9
Infra. (3)	110	131	148	-15.2	18.5	13.3	33	39	43	-17.1	16.0	11.9	7	9	12	-41.3	19.7	30.8
Media (3)	108	156	184	-27.6	44.1	17.8	35	52	64	-22.0	51.2	22.6	20	31	40	-21.2	60.5	26.4
Metals (9)	5,734	6,586	6,639	4.0	14.9	0.8	1,251	1,453	1,381	42.3	16.2	-5.0	471	616	561	121.9	30.6	-8.9
Oil & Gas (15)	17,388	22,278	23,797	-23.1	28.1	6.8	2,148	2,677	2,994	5.3	24.6	11.8	1,006	1,360	1,580	8.0	35.2	16.1
Ex OMCs (12)	9,759	12,941	13,818	-20.3	32.6	6.8	1,487	2,064	2,301	-13.3	38.8	11.5	683	1,093	1,264	-9.1	60.1	15.7
Retail (8)	600	840	1,040	-12.7	39.9	23.9	48	98	123	-41.2	101.5	25.5	10	44	60	-69.1	348.5	37.8
Staffing (3)	249	308	362	0.8	23.7	17.7	12	16	20	-2.5	29.0	23.6	6	9	13	6.8	40.9	52.3
Technology (12)	4,854	5,568	6,181	5.5	14.7	11.0	1,216	1,431	1,600	14.1	17.7	11.8	838	1,011	1,136	6.6	20.7	12.3
Telecom (4)	1,770	1,870	2,059	7.8	5.7	10.1	749	868	979	20.5	15.9	12.8	-179	-139	-154	Loss	Loss	Loss
Utilities (9)	3,186	3,566	3,794	-1.1	11.9	6.4	1,140	1,283	1,408	-2.1	12.6	9.7	465	535	598	-5.0	15.0	11.8
Others (22)	1,371	1,737	1,998	-12.2	26.7	15.0	256	390	463	-24.6	52.4	18.7	73	187	244	-52.5	155.9	30.1
MOFSL (199)	**55,020**	**66,023**	**71,658**	**-7.5**	**20.0**	**8.5**	**12,505**	**14,943**	**16,750**	**10.3**	**19.5**	**12.1**	**5,283**	**7,130**	**8,377**	**14.7**	**35.0**	**17.5**
Ex OMCs (196)*	**47,391**	**56,686**	**61,679**	**-3.5**	**19.6**	**8.8**	**11,844**	**14,329**	**16,056**	**7.6**	**21.0**	**12.1**	**4,960**	**6,863**	**8,061**	**12.1**	**38.4**	**17.5**

For Banks: Sales = Net Interest Income, EBIDTA = Operating Profits; *MOFSL Excl. OMCs (190)

Valuations - MOFSL universe

	PE (x)			PB (x)			EV/EBIDTA (x)			ROE (%)			Div Yld %	EARN. CAGR
Sector	**FY21E**	**FY22E**	**FY23E**	**FY21E**	**FY22E**	**FY23E**	**FY21E**	**FY22E**	**FY23E**	**FY21E**	**FY22E**	**FY23E**	**FY20**	**(FY20-FY22)**
Auto (17)	48.8	21.5	16.8	3.4	3.0	2.7	11.3	7.7	6.4	6.9	14.0	15.9	2.3	61.1
Cap. Goods (9)	35.2	22.8	19.5	2.5	2.3	2.2	22.2	16.4	14.8	7.1	10.3	11.2	2.2	10.8
Cement (11)	23.0	20.7	17.3	2.8	2.5	2.3	15.6	13.6	11.3	12.1	12.3	13.3	0.7	16.0
Consumer (18)	51.7	42.2	36.6	10.1	9.6	9.0	36.1	29.6	25.9	19.6	22.8	24.6	1.9	10.2
Cons. Durables (4)	61.6	47.9	41.0	9.6	8.5	7.6	41.0	32.7	28.6	15.6	17.8	18.4	1.6	13.7
Financials (33)	24.8	18.6	14.6	2.8	2.5	2.2	N.M	N.M	N.M	11.1	13.2	14.8	0.8	29.1
Banks-PVT (12)	26.5	19.8	15.4	3.1	2.7	2.4	N.M	N.M	N.M	11.7	13.9	15.5	0.8	31.6
Banks-PSU (2)	9.6	6.9	5.2	0.9	0.8	0.7	N.M	N.M	N.M	8.9	11.3	13.5	0.0	40.7
Insurance (3)	64.5	53.6	44.9	11.1	9.5	8.2	N.M	N.M	N.M	17.2	17.8	18.2	0.0	20.0
NBFC (16)	29.0	22.3	18.7	3.4	3.1	2.7	N.M	N.M	N.M	11.8	13.7	14.5	1.3	17.6
Healthcare (19)	27.7	24.3	21.1	4.3	3.8	3.3	16.9	14.9	13.0	15.5	15.5	15.5	0.9	24.9
Infrastructure (3)	15.5	12.9	9.9	1.0	0.9	0.9	5.8	4.8	3.9	6.4	7.2	8.6	1.4	-16.2
Media (3)	23.9	14.9	11.8	2.7	2.5	2.2	13.7	9.5	7.1	11.5	16.8	18.8	4.4	12.5
Metals (9)	10.3	7.9	8.6	1.3	1.1	1.1	6.4	5.3	5.1	12.4	14.5	12.2	2.7	70.3
Oil & Gas (15)	17.8	13.2	11.3	1.8	1.6	1.4	10.0	7.6	6.5	9.9	12.2	12.7	2.3	20.8
Ex OMCs (12)	23.4	14.6	12.6	1.9	1.7	1.5	11.9	8.0	6.8	8.1	11.8	12.2	1.9	20.6
Retail (8)	409.7	91.3	66.3	16.3	14.3	12.4	82.3	40.8	32.3	4.0	15.7	18.8	0.2	17.8
Staffing (3)	30.8	21.8	14.3	3.9	3.3	2.7	15.0	11.2	8.8	12.5	15.0	18.6	0.0	22.7
Technology (12)	28.7	23.8	21.2	9.4	8.4	7.4	18.5	15.6	13.8	32.8	35.2	35.1	3.1	13.4
Telecom (4)	-21.7	-27.9	-25.3	6.5	8.9	14.9	6.9	5.8	4.8	-30.0	-31.9	-58.9	0.7	-20.8
Utilities (9)	7.9	6.9	6.1	1.1	1.1	1.0	6.8	5.8	5.1	14.6	15.4	16.0	6.0	4.5
Others (22)	58.6	22.9	17.6	3.3	3.0	2.6	17.8	11.2	8.9	5.7	12.9	14.9	1.0	10.2
MOFSL (199)	**27.2**	**20.2**	**17.2**	**3.2**	**2.9**	**2.6**	**9.6**	**7.9**	**6.8**	**11.9**	**14.6**	**15.4**	**1.9**	**24.4**
MOFSL Ex OMCs (196)	**28.6**	**20.7**	**17.6**	**3.3**	**3.0**	**2.7**	**9.9**	**8.0**	**6.9**	**11.7**	**14.6**	**15.4**	**1.8**	**24.5**

N.M.: Not Meaningful

Ready reckoner: Quarterly performance

Sector	CMP		SALES (INR M)			EBDITA (INR M)			NET PROFIT (INR M)		
	(INR)	RECO	Dec-20	Var % YoY	Var % QoQ	Dec-20	Var % YoY	Var % QoQ	Dec-20	Var % YoY	Var % QoQ
Amara Raja Batt.	926	Neutral	20,100	15.0	3.8	3,309	16.5	-2.8	1,951	18.7	-3.1
Ashok Leyland	99	Buy	50,303	25.3	77.3	3,385	50.3	320.8	873	199.3	LP
Bajaj Auto	3483	Neutral	89,666	17.4	25.3	15,652	14.5	23.6	13,901	10.2	22.1
Bharat Forge	538	Buy	11,130	3.4	26.3	2,580	7.8	55.4	1,423	11.3	96.3
Bosch	12991	Neutral	29,171	15.0	17.7	3,518	9.8	22.1	2,807	1.7	19.1
CEAT	1094	Buy	20,260	15.0	2.4	2,545	38.9	-13.0	1,030	94.4	-43.4
Eicher Motors	2542	Buy	28,107	18.5	33.1	6,644	12.2	41	5,317	6.6	54.9
Endurance Tech.	1350	Buy	18,884	15.1	8.4	3,073	18.0	7.7	1,598	28.8	9.5
Escorts	1288	Neutral	20,536	25.7	25.2	3,620	70.5	20.3	2,750	79.7	19.6
Exide Inds.	191	Buy	27,249	13.0	-1.0	3,693	15.5	-5.8	2,148	0.7	-6.1
Hero Motocorp	3099	Buy	96,205	37.5	2.7	12,849	23.7	-0.1	9,518	8.1	-0.2
Mahindra & Mahindra	733	Buy	1,37,341	13.3	19.2	22,032	23.2	10.8	12,781	30.3	-2.5
Mahindra CIE	174	Buy	17,828	3.5	5.2	2,216	3.4	46.9	959	414.3	57.8
Maruti Suzuki	7692	Buy	2,35,853	13.9	25.8	26,592	26.5	37.5	20,322	29.9	48.2
Motherson Sumi	164	Buy	1,73,696	10.9	10.8	17,876	44.7	15.1	4,031	49.0	8.4
Tata Motors	186	Buy	7,14,399	-0.3	33.5	69,951	-2.8	23.5	768	-95.6	LP
TVS Motor	491	Neutral	52,880	28.2	14.8	4,752	30.8	10.5	2,328	28.8	18.6
Automobiles			**1743,609**	**9.1**	**24.0**	**2,04,285**	**13.8**	**20.9**	**84,504**	**-1.0**	**28.5**
ABB	1233	Buy	18,948	-3.0	17.5	1,085	-21.6	-10.6	836	-26.3	-2.2
Bharat Electronics	126	Buy	26,300	15.8	-17.5	5,089	43.5	-18.4	3,314	54.1	-16.5
BHEL	39	Sell	56,578	-0.4	53.1	579	-82.4	LP	-278	PL	Loss
Cummins India	582	Sell	14,534	0.0	25.3	2,138	-0.9	27.7	1,843	-7.3	26.6
Engineers India	79	Buy	7,432	-16.6	8.7	992	15.9	28.4	1,199	10.3	29.4
K E C International	372	Buy	32,268	5.0	-0.9	3,227	1.3	10.1	1,585	9.4	11.2
Larsen & Toubro	1297	Buy	3,69,299	1.9	19.0	39,146	-4.9	17.4	15,911	-26.4	43.8
Siemens	1603	Neutral	24,451	-8.4	-30.5	2,976	-11.6	-34.3	2,241	-14.7	-32.7
Thermax	905	Neutral	14,621	3.7	28.1	1,100	-2.9	38.6	781	-8.0	52.6
Capital Goods			**5,64,431**	**1.4**	**14.5**	**56,331**	**-6.3**	**24.7**	**27,433**	**-20.4**	**52.6**
ACC	1625	Buy	42,771	5.3	20.9	8,237	52.4	22.8	4,548	68.9	25.3
Ambuja Cements	251	Neutral	34,433	9.8	20.7	8,241	50.5	21.1	5,253	15.5	19.2
Birla Corporation	728	Buy	18,299	6.7	10.6	3,916	32.9	2.3	1,757	115.6	5.4
Dalmia Bharat	1094	Buy	26,910	11.3	11.7	6,123	34.0	-12.8	1,672	596.8	-27.9
Grasim Industries	933	Neutral	42,348	-5.9	23.2	5,480	32.5	37.7	2,400	27.2	-33.4
India Cements	180	Neutral	11,797	-1.0	10.3	2,378	84.9	1.3	738	LP	3.3
J K Cements	1923	Buy	17,425	24.1	12.4	4,247	52.9	3.4	2,308	67.8	3.3
JK Lakshmi Cem.	342	Buy	11,009	9.5	5.4	1,778	17.0	-4.8	764	55.4	-5.2
Ramco Cements	795	Neutral	14,549	14.2	15.7	4,485	124.8	1.5	2,576	171.8	9.3
Shree Cement	23952	Neutral	32,880	15.4	8.8	10,619	25.0	7.5	6,363	105.3	16.3
Ultratech Cement	5290	Buy	1,16,615	12.6	12.6	29,071	38.0	7.8	13,904	72.3	12.7
Cement			**3,69,036**	**8.8**	**14.6**	**84,575**	**41.8**	**8.5**	**42,283**	**75.5**	**6.9**
Asian Paints	2775	Neutral	61,791	14.0	15.5	15,015	26.2	18.7	10,014	28.4	17.6
Britannia	3566	Neutral	32,809	10.0	-4.0	6,077	21.1	-10.0	4,555	23.3	-8.1
Colgate	1579	Buy	12,103	5.5	-5.9	3,576	13.2	-12.6	2,366	18.9	-13.7
Dabur	534	Buy	25,647	9.0	1.9	5,450	10.6	-4.3	4,494	8.6	-6.7
Emami	424	Buy	9,670	19.0	31.6	3,142	19.0	22.2	2,383	11.1	11.7
Godrej Consumer	739	Neutral	30,281	9.0	3.9	6,730	6.6	-1.7	4,741	5.5	3.4
Hind. Unilever	2387	Buy	1,17,696	20.0	2.9	28,774	17.7	0.3	19,785	17.0	-2.8
ITC	214	Neutral	1,12,960	-6.0	1.0	42,159	-8.6	3.8	34,526	-19.2	6.8
Jyothy Labs	147	Neutral	4,928	21.0	-1.4	787	21.0	-11.4	486	14.3	-19.9
Marico	407	Buy	19,973	9.5	0.4	4,104	10.0	5.5	2,684	-1.3	-9.6
Nestle	18451	Neutral	34,982	11.1	-1.2	8,407	24.9	-6.5	5,505	17.6	-8.6
P&G Hygiene	10993	Neutral	9,968	16.0	-1.3	2,130	14.1	-7.1	1,573	15.7	-8.2
Page Industries	28141	Neutral	8,732	10.0	17.9	1,877	35.3	13.5	1,239	42.4	11.8

Ready reckoner: Quarterly performance

Sector	CMP		SALES (INR M)			EBDITA (INR M)			NET PROFIT (INR M)		
	(INR)	RECO	Dec-20	Var % YoY	Var % QoQ	Dec-20	Var % YoY	Var % QoQ	Dec-20	Var % YoY	Var % QoQ
Pidilite Inds.	1771	Neutral	21,770	13.0	15.8	5,541	19.6	8.1	4,009	16.4	12.7
Tata Consumer	601	Buy	29,884	19.9	7.4	3,890	22.3	-2.6	2,035	19.6	-25.0
United Breweries	1183	Sell	12,221	-16.0	35.7	1,727	-22.0	327.1	770	-28.1	1,819.7
United Spirits	582	Neutral	27,633	7.0	28.8	4,645	9.6	72.2	2,786	7.7	117.0
Consumer			**5,73,047**	**8.5**	**5.5**	**1,44,033**	**8.2**	**4.5**	**1,03,953**	**1.1**	**3.5**
Blue Star	806	Sell	12,100	-2.1	34.1	744	30.4	35.0	331	56.5	116.1
CG Consumer Elect.	378	Buy	12,000	12.0	0.1	1,760	28.6	-5.3	1,313	26.7	-4.2
Havells India	910	Neutral	26,900	18.5	9.7	4,022	49.5	-4.4	2,710	35.9	-3.9
Voltas	831	Neutral	16,415	10.0	1.8	1,072	9.8	9.4	974	12.0	24.3
Consumer Durables			**67,415**	**11.1**	**9.4**	**7,597**	**35.6**	**0.0**	**5,328**	**29.6**	**3.9**
Ajanta Pharma	1652	Buy	7,074	8.6	-1.2	2,172	16.8	-20.8	1,379	28.0	-19.0
Alembic Pharma	1041	Neutral	14,827	22.6	1.8	4,285	31.8	-3.4	3,022	29.0	-9.3
Alkem Lab	2950	Buy	23,609	8.2	-0.1	6,051	33.5	0.8	4,682	34.5	-0.8
Aurobindo Pharma	928	Buy	62,858	6.6	-3.0	13,703	13.4	-4.4	8,131	14.8	1.5
Biocon	466	Neutral	20,054	14.7	14.9	5,154	15.8	25.9	2,358	16.1	23.8
Cadila Health	479	Buy	38,342	5.4	0.4	8,277	18.6	-4.1	5,126	35.3	-11.3
Cipla	826	Neutral	50,844	16.3	0.9	11,542	52.2	-1.9	6,446	83.6	-3.1
Divis Labs	3847	Buy	17,733	27.0	1.4	7,237	46.5	-4.4	5,146	48.8	-3.1
Dr Reddy' s Labs	5241	Neutral	51,098	16.6	4.4	12,468	22.4	2.1	7,678	29.2	3.9
Glenmark Pharma	503	Neutral	28,217	6.9	-4.4	5,248	53.0	-7.9	2,418	35.4	-10.8
Granules India	359	Buy	8,242	17.1	-4.0	2,225	36.4	-10.6	1,363	56.5	-13.7
GSK Pharma	1611	Neutral	8,253	6.0	-6.1	1,774	42.6	-13.4	1,247	34.5	-11.3
IPCA Labs.	2181	Buy	13,801	13.8	1.4	3,464	26.6	-3.8	2,492	26.1	-1.4
Jubilant Life	852	Buy	24,787	7.1	4.4	4,908	-3.3	0.9	2,293	0.8	2.3
Laurus Labs	353	Buy	11,804	61.8	3.7	3,848	159.7	2.9	2,493	239.4	2.9
Lupin	1001	Buy	40,873	8.4	6.6	7,030	49.9	21.0	3,183	73.5	50.8
Strides Pharma	881	Buy	8,716	19.0	9.8	1,830	1.2	16.4	785	2.4	59.3
Sun Pharma	596	Buy	86,251	7.3	2.0	20,959	27.5	-5.4	13,785	65.7	-16.0
Torrent Pharma	2795	Neutral	21,257	8.1	5.4	6,654	23.2	4.8	3,272	28.2	5.6
Healthcare			**5,38,638**	**11.4**	**1.8**	**1,28,829**	**29.1**	**-1.0**	**77,299**	**41.2**	**-3.1**
Ashoka Buildcon	93	Buy	10,000	1.7	14.0	1,200	-3.5	-8.4	718	-16.1	-31.4
IRB Infra	119	Neutral	13,199	-24.3	17.5	6,779	-5.0	22.1	983	-38.5	LP
KNR Constructions	328	Buy	6,500	16.5	8.1	1,235	-0.7	-0.4	648	38.0	10.1
Infrastructure			**29,699**	**-9.6**	**14.1**	**9,214**	**-4.3**	**13.8**	**2,349**	**-19.6**	**63.2**
PVR	1342	Buy	1,234	-86.5	183.2	-539	PL	Loss	-967	PL	Loss
Sun TV	479	Buy	9,888	21.3	30.8	6,267	8.0	24.8	4,010	7.4	15.9
Zee Entertainment	225	Neutral	20,060	-2.1	16.4	5,121	-9.5	63.3	3,473	-10.7	106.4
Media			**31,182**	**-17.5**	**23.6**	**10,848**	**-18.2**	**47.7**	**6,516**	**-21.8**	**63.6**
Hindalco	238	Buy	3,41,006	15.4	7.1	45,989	33.5	2.9	14,353	64.1	4.7
Hindustan Zinc	239	Neutral	57,746	23.6	2.0	30,729	34.2	4.1	20,758	28.1	7.0
JSPL	270	Buy	1,00,250	7.8	11.6	35,172	93.3	25.2	12,940	LP	56.7
JSW Steel	390	Buy	2,03,266	14.2	6.8	52,938	140.5	24.5	22,451	9,481.1	50.5
Nalco	44	Buy	22,813	9.2	-3.9	4,062	1,082.8	47.2	1,974	LP	83.7
NMDC	116	Buy	46,718	55.4	109.5	28,874	76.8	180.3	21,587	52.2	178.8
SAIL	75	Neutral	2,04,237	23.5	20.7	44,414	345.2	133.7	19,952	LP	698.1
Tata Steel	643	Neutral	3,77,012	6.1	1.5	79,308	119.1	29.8	31,244	LP	107.9
Vedanta	160	Neutral	2,23,369	11.2	5.8	73,465	40.3	12.5	25,170	102.7	0.3
Metals			**1576,416**	**13.8**	**8.5**	**3,94,952**	**85.6**	**30.2**	**1,70,430**	**349.7**	**58.2**
Aegis Logistics	255	Buy	9,484	-56.3	45.8	1,143	4.2	11.7	667	33.6	17.0
BPCL	382	Neutral	6,03,562	-19.2	20.4	35,173	25.6	-8.7	17,383	37.9	-25.5
Castrol India	122	Buy	10,273	1.5	16.3	3,280	-3.9	13.8	2,394	-11.7	17.0
GAIL	124	Buy	1,47,703	-16.9	8.3	19,667	-5.1	47.0	12,955	5.0	4.5
Gujarat Gas	378	Buy	30,117	20.2	19.8	4,807	29.7	-34.4	2,958	50.5	-37.7

Ready reckoner: Quarterly performance

Sector	CMP		SALES (INR M)			EBDITA (INR M)			NET PROFIT (INR M)		
	(INR)	RECO	Dec-20	Var % YoY	Var % QoQ	Dec-20	Var % YoY	Var % QoQ	Dec-20	Var % YoY	Var % QoQ
Gujarat State Petronet	219	Buy	4,673	3.3	0.8	3,810	0.2	0.1	2,299	3.5	-15.2
HPCL	221	Buy	6,30,062	-10.9	21.7	58,263	186.1	61.7	36,950	394.5	49.1
Indraprastha Gas	507	Neutral	14,426	-13.3	10.5	5,382	37.4	32.2	3,810	34.2	23.7
IOC	92	Buy	1028,844	-17.4	20.2	79,488	16.3	-15.7	37,838	61.8	-39.2
Mahanagar Gas	1060	Buy	5,762	-22.6	13.7	2,977	15.1	34.7	2,079	11.8	44.0
MRPL	36	Neutral	72,986	-49.3	18.1	2,082	-25.7	27.2	-1,219	Loss	PL
Oil India	109	Buy	20,382	-31.0	-6.0	7,502	-31.5	1.8	4,279	5.3	14.7
ONGC	93	Buy	1,67,287	-29.4	-1.1	78,910	-35.8	-6.5	25,972	-38.5	-31.1
Petronet LNG	250	Buy	65,930	-26.0	5.7	11,113	0.3	-18.5	6,744	-0.1	-27.3
Reliance Inds.	1987	Buy	1277,650	-16.6	14.9	2,28,695	1.1	20.7	92,915	-22.4	-2.9
Oil & Gas			**4089,141**	**-18.1**	**16.8**	**5,42,291**	**2.3**	**8.5**	**2,48,024**	**3.2**	**-12.7**
Oil Ex OMCs			**1826,674**	**-20.4**	**12.3**	**3,69,368**	**-10.6**	**11.5**	**1,55,853**	**-20.9**	**-10.3**
Aditya Birla Fashion	166	Buy	19,649	-23.3	92.9	3,048	-25.5	LP	-404	PL	Loss
Avenue Supermarts	2791	Neutral	78,282	15.0	47.5	6,912	15.8	109.8	4,636	20.7	133.5
Jubilant Foodworks	2792	Neutral	10,808	2.0	34.2	2,859	12.7	33.2	1,158	11.7	50.6
Shoppers Stop	206	Neutral	7,242	-27.2	147.6	1,133	-42.6	LP	-100	Loss	Loss
Titan Company	1559	Buy	75,572	15.8	66.0	8,142	3.9	160.1	5,426	10.0	211.8
Trent	675	Neutral	7,662	-11.9	69.5	1,425	-17.9	2,132.1	526	-5.6	LP
V-Mart Retail	2518	Buy	5,011	-10.9	185.5	887	-24.1	LP	362	-37.8	LP
Westlife Development	449	Neutral	3,290	-24.0	57.1	172	-75.7	LP	-318	PL	Loss
Retail			**2,07,517**	**4.7**	**62.0**	**24,578**	**-5.5**	**197.7**	**11,288**	**-4.1**	**1,905.6**
Quess Corp	538	Buy	28,700	-2.7	9.7	1,607	-10.4	15.0	584	-22.0	38.2
Security & Intel	428	Buy	22,270	2.2	3.2	1,382	3.5	6.6	878	12.1	-18.8
Team Lease Serv.	2668	Buy	12,984	-3.9	15.0	286	3.9	24.2	236	-7.4	9.1
Staffing			**63,954**	**-1.3**	**8.4**	**3,275**	**-3.8**	**12.0**	**1,698**	**-5.0**	**-1.3**
Coforge	2723	Neutral	11,870	10.6	2.9	2,018	4.0	-1.5	1,211	-1.8	0.3
Cyient	513	Neutral	10,262	-7.2	2.3	1,375	-10.3	-13.5	892	-17.6	6.3
HCL Technologies	950	Buy	1,90,018	4.8	2.2	49,325	10.3	-0.4	31,592	4.0	0.5
Infosys	1260	Buy	2,53,365	9.7	3.1	73,518	26.7	3.8	51,705	16.0	6.7
L&T Infotech	3699	Neutral	31,194	11.0	4.0	7,050	33.7	2.8	4,843	28.6	6.0
Mindtree	1660	Neutral	19,958	1.6	3.6	3,912	27.7	3.4	2,519	27.9	-0.7
MphasiS	1532	Buy	24,610	8.4	1.5	4,602	7.8	1.7	3,181	8.3	6.3
Persistent Systems	1499	Buy	10,585	14.7	5.0	1,669	35.2	0.7	1,053	19.8	3.3
TCS	2928	Neutral	4,12,000	3.4	2.7	1,15,772	6.5	0.6	86,107	5.7	1.8
Tech Mahindra	978	Neutral	95,493	-1.1	1.9	17,284	10.6	1.5	10,901	-4.9	2.4
Wipro	388	Neutral	1,53,849	-0.6	1.8	34,370	5.7	-1.0	24,186	-1.5	-1.9
Zensar Tech	243	Neutral	9,760	-4.4	-0.3	1,815	160.9	-1.4	947	138.6	6.1
Technology			**1222,964**	**4.2**	**2.5**	**3,12,710**	**12.7**	**1.0**	**2,19,138**	**7.1**	**2.5**
Bharti Airtel	515	Buy	2,66,619	21.5	3.4	1,20,648	30.2	3.6	5,347	LP	LP
Indus Towers	235	Neutral	38,173	3.9	3.3	19,396	3.3	6.8	8,115	1.6	10.8
Tata Comm	1095	Neutral	44,742	5.8	1.7	11,556	51.9	-0.2	3,681	528.7	-16.1
Vodafone Idea	11	UR	1,08,178	-2.4	0.2	39,457	15.4	-5.0	-58,099	Loss	Loss
Telecom			**4,57,712**	**11.8**	**2.5**	**1,91,057**	**24.7**	**1.8**	**-40,956**	**Loss**	**Loss**
CESC	620	Buy	15,916	-3.4	-20.0	4,101	48.1	21.3	1,715	-2.6	-24.8
Coal India	135	Buy	2,39,740	3.4	13.3	61,652	-0.3	81.3	40,753	3.9	38.1
Indian Energy Exchange	220	Buy	863	44.6	22.0	707	48.4	22.9	556	31.4	19.0
JSW Energy	67	UR	18,833	-3.3	-2.8	6,042	-5.3	-34.6	1,197	-6.8	-66.0
NHPC	23	Neutral	17,754	-1.1	-30.5	8,971	-3.3	-43.0	3,344	-17.2	-74.2
NTPC	99	Buy	2,56,780	2.3	2.6	85,411	-0.4	13.4	32,021	10.4	-23.0
Power Grid Corp.	189	Buy	98,635	5.4	9.0	87,949	6.8	10.4	28,730	8.3	-6.2
Tata Power	77	UR	80,873	14.4	-2.4	18,877	4.6	-5.7	2,209	34.1	-26.1
Torrent Power	321	Buy	30,634	-0.5	-2.1	8,024	-4.5	-3.6	2,276	-27.7	-29.3
Utilities			**7,60,028**	**3.8**	**3.8**	**2,81,735**	**2.3**	**14.4**	**1,12,800**	**5.4**	**-11.3**

Ready reckoner: Quarterly performance

Sector	CMP		SALES (INR M)			EBDITA (INR M)			NET PROFIT (INR M)		
	(INR)	RECO	Dec-20	Var % YoY	Var % QoQ	Dec-20	Var % YoY	Var % QoQ	Dec-20	Var % YoY	Var % QoQ
Brigade Enterpr.	249	Buy	5,781	4.7	86.0	1,536	-1.3	75.8	232	-53.0	LP
BSE	634	Buy	1,320	19.6	2.8	267	LP	5.4	414	3.6	70.2
Concor	403	Buy	15,795	3.4	5.1	3,177	-14.5	1.5	1,808	-16.9	-3.6
Coromandel International	814	Buy	37,727	15.1	-18.2	5,040	16.7	-40.2	3,421	29.3	-41.9
EPL	261	Buy	7,616	7.1	-1.1	1,725	9.3	3.8	803	33.6	19.9
Godrej Agrovet	539	Buy	17,475	-2.0	1.4	1,454	44.5	-16.0	796	54.3	-25.6
Indiamart Inter.	7041	Buy	1,687	2.3	3.3	717	64.5	-12.2	639	60.5	-8.7
Indian Hotels	124	Buy	5,834	-57.5	127.3	50	-98.8	LP	-1,109	PL	Loss
Info Edge	4754	Neutral	2,795	-12.8	9.1	645	-39.1	25.2	586	-35.6	14.6
Interglobe Aviation	1713	Neutral	56,226	-43.4	105.1	8,808	-51.2	213.9	-5,387	PL	Loss
Kaveri Seed	523	Buy	1,127	14.5	35.2	146	118.2	12.3	131	115.8	-38.5
Lemon Tree Hotel	42	Buy	638	-68.0	34.0	122	-84.9	47.4	-369	PL	Loss
MCX	1747	Buy	981	9.8	-18.1	399	1.7	-39.3	509	-7.9	-13.1
Oberoi Realty	591	Buy	4,180	-20.7	32.3	2,111	-8.2	13.2	1,494	0.8	8.5
P I Industries	2265	Buy	11,241	32.3	-2.9	2,709	45.3	-3.3	2,058	69.9	-5.4
Phoenix Mills	787	Buy	3,695	-27.8	71.9	1,849	-28.7	101.7	520	-43.4	LP
S H Kelkar	123	Buy	3,641	25.5	2.7	606	40.6	-14.7	297	131.7	-33.0
SRF	5687	Buy	23,290	25.9	10.9	5,759	47.6	-1.1	3,366	1.2	3.5
Tata Chemicals	480	Buy	25,162	-4.1	-3.6	3,954	-16.5	2.4	1,009	-39.6	43.2
Trident	11	Buy	12,507	15.6	6.8	2,314	65.2	3.0	1,022	144.0	2.0
UPL	469	Neutral	99,497	11.9	11.3	23,581	13.9	30.4	9,093	10.5	25.6
Others			**3,38,213**	**-8.0**	**14.3**	**66,971**	**-10.8**	**19.8**	**21,334**	**-35.8**	**68.6**

PL: Profit to Loss; LP: Loss to Profit; UR: Under Review

Ready reckoner: Quarterly performance

Sector	CMP		NII (INR M)			OP. PROFITS (INR M)			NET PROFIT (INR M)		
	(INR)	Rating	Dec-20	Var % YoY	Var % QoQ	Dec-20	Var % YoY	Var % QoQ	Dec-20	Var % YoY	Var % QoQ
Financials											
AU Small Finance	875	Buy	5,720	12.9	2.0	8,951	186.1	91.9	5,658	197.5	188.2
Axis Bank	623	Buy	74,026	14.7	1.0	68,285	18.9	-1.0	15,006	-14.6	-10.8
Bandhan Bank	400	Buy	19,612	27.3	2.0	16,654	31.8	2.3	9,319	27.5	1.3
DCB Bank	120	Neutral	3,088	-4.4	-7.5	1,861	-2.0	-17.2	569	-41.2	-30.9
Equitas Holdings	68	Buy	4,673	21.8	1.3	2,297	44.9	4.5	608	-35.4	-41.0
Federal Bank	68	Buy	13,818	19.6	0.1	9,922	33.4	-1.4	3,529	-19.9	14.7
HDFC Bank	1425	Buy	1,62,834	14.9	3.2	1,50,157	16.0	8.7	82,308	11.0	9.6
ICICI Bank	528	Buy	96,723	13.2	3.3	85,908	13.8	4.0	35,732	-13.8	-16.0
IndusInd Bank	900	Buy	33,007	7.4	0.7	28,121	2.0	-1.4	5,713	-56.4	-13.8
Kotak Mahindra Bank	1994	Neutral	39,716	15.8	1.5	31,886	33.5	-3.3	19,207	20.4	-12.1
RBL Bank	231	Buy	9,434	2.2	1.2	7,255	-0.9	0.8	1,049	50.0	-27.2
Banks-Private			**4,62,650**	**14.2**	**2.2**	**4,11,296**	**18.2**	**4.4**	**1,78,697**	**0.1**	**-1.0**
Bank of Baroda	65	Neutral	71,572	0.4	-4.7	53,432	7.8	-3.8	2,113	LP	-87.4
State Bank	279	Buy	2,87,146	3.4	1.9	1,82,423	0.1	10.8	47,216	-15.4	3.2
Banks-PSU			**3,58,718**	**2.8**	**0.5**	**2,35,855**	**1.7**	**7.2**	**49,329**	**18.1**	**-21.1**
HDFC Life Insur.	678	Neutral	94,824	20.7	-5.6	3,483	41.6	151.5	3,376	34.9	3.5
ICICI Pru Life	499	Buy	89,607	10.2	4.5	1,946	-49.7	-63.9	3,122	3.2	3.0
SBI Life Insurance	836	Buy	1,30,956	12.0	1.8	5,680	-6.6	44.5	4,508	15.7	50.4
Life Insurance			**3,15,387**	**13.9**	**0.2**	**11,109**	**-10.5**	**3.8**	**11,006**	**16.8**	**18.5**
Bajaj Finance	5280	Neutral	39,586	9.5	16.3	34,070	13.5	13.3	14,074	-12.8	45.9
Chola. Inv & Fin.	412	Buy	12,752	17.8	1.9	8,950	36.0	-0.5	4,115	5.9	-4.7
HDFC	2570	Buy	38,102	18.6	5.8	35,795	16.6	3.0	25,512	14.5	-5.3
ICICI Securities	466	Buy	5,871	38.9	-13.7	2,842	53.6	-23.7	2,111	53.8	-24.1
IIFL Wealth Mgt	1029	Buy	2,234	1.1	5.9	958	26.0	22.8	796	8.8	-8.9
L&T Fin.Holdings	97	Buy	15,799	-9.2	4.0	11,618	-11.6	0.0	3,212	-45.7	29.7
LIC Housing Fin	378	Buy	12,772	4.0	3.2	11,671	2.1	4.2	7,034	17.7	-11.1
M & M Financial	179	Buy	14,874	8.4	6.9	10,366	16.7	0.5	2,297	-37.1	-24.3
Manappuram Finance	167	Buy	10,064	10.6	3.1	6,757	13.9	3.6	4,289	6.6	5.8
MAS Financial	928	Buy	893	-22.3	7.3	733	-20.8	4.1	399	-27.6	16.6
Muthoot Finance	1214	Buy	16,672	6.1	5.4	12,599	8.9	4.1	8,963	9.9	0.2
PNB Housing	368	Neutral	4,839	12.7	-22.0	4,892	2.1	-14.9	2,060	-13.1	-34.2
Repco Home Fin	241	Buy	1,373	4.2	-1.6	1,158	10.5	0.3	738	5.8	-8.7
Shriram City Union	1081	Buy	8,440	-4.9	-0.8	5,577	-2.6	-0.7	1,928	-35.0	-25.0
Shriram Transport Fin.	1070	Buy	20,922	3.9	2.7	16,170	-0.8	2.6	7,939	-9.7	16.0
NBFC			**2,05,195**	**8.3**	**4.7**	**1,64,156**	**9.7**	**3.2**	**85,466**	**-2.3**	**0.9**

PL: Profit to Loss; LP: Loss to Profit; UR: Under Review; For Banks: Sales = Net Interest Income, EBITDA = Operating Profits; For Life Insurance: Sales = Net Premium, EBITDA = Operating Profits

Ready reckoner: Full year valuations

Company Name	CMP (INR)	Reco	EPS (INR)			PE (x)			PB (x)			ROE (%)		
			FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Automobiles						**48.8**	**21.5**	**16.8**	**3.4**	**3.0**	**2.7**	**6.9**	**14.0**	**15.9**
Amara Raja Batt.	926	Neutral	37.4	41.9	48.3	24.7	22.1	19.2	3.9	3.5	3.1	16.5	16.6	17.1
Ashok Leyland	99	Buy	0.0	4.1	6.4	17,812	24	15.4	4.0	3.6	3.1	0.0	15.6	21.7
Bajaj Auto	3,483	Neutral	153.9	196.8	214.7	22.6	17.7	16.2	4.7	4.2	3.7	21.4	24.8	24.1
Bharat Forge	538	Buy	5.2	17.1	23.7	103.1	31.5	22.7	4.6	4.1	3.7	4.5	13.8	17.1
Bosch	12,991	Neutral	296.8	448.1	519.6	43.8	29.0	25.0	4.0	3.6	3.3	9.3	13.1	13.7
CEAT	1,094	Buy	82.5	99.0	114.2	13.3	11.1	9.6	1.4	1.3	1.1	11.0	12.0	12.4
Endurance Tech.	1,350	Buy	30.7	48.3	57.3	44.0	28.0	23.5	5.7	5.0	4.4	13.7	19.2	19.8
Eicher Motors	2,542	Buy	50.7	83.5	105.7	50.1	30.4	24.1	6.3	5.4	4.6	13.2	19.2	20.6
Escorts	1,288	Neutral	81.8	90.4	99.1	15.7	14.2	13.0	2.6	2.2	1.9	20.5	17.0	15.9
Exide Inds.	191	Buy	7.9	10.2	12.3	24.2	18.8	15.6	2.4	2.3	2.1	10.1	12.1	13.2
Hero Motocorp	3,099	Buy	140.5	176.0	199.8	22.1	17.6	15.5	4.2	4.0	3.7	19.5	23.4	24.9
Mahindra & Mahindra	733	Buy	30.5	37.6	41.3	24.0	19.5	17.8	2.3	2.1	2.0	9.5	10.4	11.1
Mahindra CIE	174	Buy	2.4	10.8	13.2	72.4	16.1	13.1	1.4	1.3	1.2	1.9	8.3	9.3
Maruti Suzuki	7,692	Buy	174.7	275.5	345.5	44.0	27.9	22.3	4.5	4.0	3.6	10.2	14.3	16.1
Motherson Sumi	164	Buy	2.0	6.8	8.7	83.3	24.2	18.9	4.4	3.9	3.4	5.4	17.2	19.4
Tata Motors	186	Buy	-13.9	14.9	26.4	-13.4	12.5	7.1	1.2	1.1	0.9	-8.2	9.2	14.2
TVS Motor	491	Neutral	9.9	20.2	26.2	49.6	24.3	18.7	6.0	5.0	4.2	12.5	22.5	24.4
Capital Goods						**35.2**	**22.8**	**19.5**	**2.5**	**2.3**	**2.2**	**7.1**	**10.3**	**11.2**
ABB	1,233	Buy	9.7	21.6	27.3	126.9	57.2	45.2	7.0	6.4	5.8	5.5	11.2	12.8
Bharat Electronics	126	Buy	7.1	8.5	9.4	17.8	14.8	13.5	2.8	2.6	2.3	15.9	17.3	17.3
BHEL	39	Sell	-1.0	1.4	2.2	-37.0	26.8	17.3	0.5	0.5	0.5	-1.3	1.7	2.7
Cummins India	582	Sell	18.3	22.4	25.7	31.8	26.0	22.7	3.7	3.5	3.4	11.5	13.6	14.9
Engineers India	79	Buy	5.7	7.9	8.0	13.9	10.0	9.9	2.2	2.2	2.1	15.1	20.3	20.0
K E C International	372	Buy	22.6	26.5	30.2	16.5	14.0	12.3	2.9	2.5	2.1	17.6	17.5	16.9
Larsen & Toubro	1,297	Buy	75.5	64.1	76.2	17.2	20.2	17.0	2.5	2.3	2.1	8.0	11.3	12.3
Siemens	1,603	Neutral	21.3	33.9	35.8	75.4	47.4	44.8	6.0	5.4	5.0	8.0	11.5	11.1
Thermax	905	Neutral	19.2	32.2	35.8	47.1	28.1	25.3	3.2	3.0	2.8	6.9	10.7	11.0
Cement						**23.0**	**20.7**	**17.3**	**2.8**	**2.5**	**2.3**	**12.1**	**12.3**	**13.3**
ACC	1,625	Buy	74.8	84.2	92.3	21.7	19.3	17.6	2.4	2.2	2.0	11.7	12.0	11.9
Ambuja Cements	251	Neutral	9.2	8.8	10.6	27.4	28.6	23.7	2.4	2.3	2.1	8.5	8.2	9.2
Birla Corporation	728	Buy	80.4	82.0	96.0	9.1	8.9	7.6	1.0	0.9	0.9	12.2	11.2	11.9
Dalmia Bharat	1,094	Buy	43.1	43.6	66.5	25.4	25.1	16.5	1.8	1.7	1.6	7.4	7.1	10.0
Grasim Industries	933	Neutral	78.9	94.4	110.4	11.8	9.9	8.5	1.6	1.6	1.5	1.4	3.5	4.9
India Cements	180	Neutral	7.0	5.5	7.2	25.6	32.7	25.0	1.0	1.0	0.9	3.9	3.0	3.8
J K Cements	1,923	Buy	81.0	102.9	119.5	23.7	18.7	16.1	4.2	3.5	2.9	19.1	20.6	19.9
JK Lakshmi Cem.	342	Buy	26.1	26.3	32.8	13.1	13.0	10.4	2.0	1.7	1.5	16.5	14.3	15.5
Ramco Cements	795	Neutral	37.0	35.0	42.2	21.5	22.7	18.8	3.3	2.9	2.6	16.4	13.6	14.5
Shree Cement	23,952	Neutral	692.2	687.2	765.8	34.6	34.9	31.3	5.7	4.9	4.3	17.7	15.2	14.8
Ultratech Cement	5,290	Buy	180.2	216.1	266.4	29.4	24.5	19.9	3.3	2.9	2.7	12.5	13.3	14.4
Consumer						**51.7**	**42.2**	**36.6**	**10.1**	**9.6**	**9.0**	**19.6**	**22.8**	**24.6**
Asian Paints	2,775	Neutral	30.6	37.1	43.2	90.6	74.9	64.3	23.3	20.7	18.4	27.3	29.3	30.3
Britannia	3,566	Neutral	81.3	79.6	90.8	43.8	44.8	39.3	19.3	17.7	16.3	44.2	41.2	43.2
Colgate	1,579	Buy	34.3	37.8	44.4	46.1	41.8	35.6	26.0	26.0	26.0	57.4	62.1	72.9
Dabur	534	Buy	9.4	10.9	12.8	56.8	49.0	41.8	13.1	11.8	10.6	24.0	25.3	26.7
Emami	424	Buy	15.4	15.1	16.7	27.5	28.0	25.3	8.4	8.2	8.0	33.7	29.6	31.9
Godrej Consumer	739	Neutral	16.3	18.1	20.4	45.2	40.8	36.2	9.5	9.5	9.5	21.1	23.3	26.3
Hind. Unilever	2,387	Buy	34.2	42.2	48.7	69.9	56.6	49.0	11.5	11.5	11.4	28.2	20.2	23.3
ITC	214	Neutral	10.2	13.0	14.5	20.9	16.4	14.7	3.9	3.7	3.4	19.1	22.9	24.0
Jyothy Labs	147	Neutral	5.4	5.8	6.3	27.2	25.5	23.5	4.4	4.3	4.2	16.1	17.0	18.0
Marico	407	Buy	8.5	9.7	11.2	48.0	41.9	36.2	13.4	13.0	12.0	31.5	31.4	34.5
Nestle	18,451	Neutral	226.4	249.6	288.8	81.5	73.9	63.9	75.9	67.2	60.5	102.1	96.5	99.7
P&G Hygiene	10,993	Neutral	174.7	217.6	262.1	62.9	50.5	41.9	27.9	25.1	22.4	46.6	52.3	56.5

Ready reckoner: Full year valuations

Company Name	CMP (INR)	Reco	EPS (INR)			PE (x)			PB (x)			ROE (%)		
			FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Page Industries	28,141	Neutral	259.1	433.4	487.9	108.6	64.9	57.7	34.7	30.8	28.0	31.9	47.4	48.5
Pidilite Inds.	1,771	Neutral	20.8	25.7	29.8	85.1	69.0	59.5	16.1	14.0	12.0	21.1	21.7	21.8
Tata Consumer	601	Buy	10.7	12.9	15.1	56.0	46.5	39.9	3.8	3.6	3.4	7.0	8.0	8.8
United Breweries	1,183	Sell	4.9	11.6	15.7	240	102	75.2	8.6	8.2	7.7	3.6	8.2	10.5
United Spirits	582	Neutral	6.7	13.3	17.7	87	44	32.8	10.0	8.2	6.5	11.5	18.7	19.9
Varun Beverages	909	Buy	13.2	23.8	36.2	68.9	38.2	25.1	7.4	6.3	5.1	11.0	17.8	22.5
Consumer Durables						**61.6**	**47.9**	**41.0**	**9.6**	**8.5**	**7.6**	**15.6**	**17.8**	**18.4**
Blue Star	806	Sell	7.7	18.5	25.2	105.2	43.5	32.0	9.6	8.8	7.9	9.1	20.2	24.7
CG Consumer Elect.	378	Buy	7.7	9.6	11.2	48.8	39.3	33.7	13.6	11.3	9.5	27.8	28.8	28.0
Havells India	910	Neutral	13.9	16.2	18.9	65.2	56.0	48.1	11.6	10.2	9.0	17.8	18.3	18.7
Voltas	831	Neutral	13.5	18.7	21.0	61.4	44.4	39.6	6.0	5.5	5.0	9.7	12.3	12.6
Financials														
Banks-Private						**26.5**	**19.8**	**15.4**	**3.1**	**2.7**	**2.4**	**11.7**	**13.9**	**15.5**
AU Small Finance	875	Buy	44.4	36.4	49.2	19.7	24.1	17.8	4.7	3.9	3.2	27.0	17.8	19.9
Axis Bank	623	Buy	21.3	35.4	55.7	29.2	17.6	11.2	1.9	1.7	1.5	6.8	10.3	14.4
Bandhan Bank	400	Buy	22.2	29.7	38.6	18.0	13.5	10.4	3.6	2.9	2.4	21.5	24.0	25.5
DCB Bank	120	Neutral	9.3	11.2	15.6	12.9	10.7	7.7	1.0	1.0	0.9	8.7	9.6	12.1
Equitas Holdings	68	Buy	8.0	11.7	16.3	8.5	5.8	4.2	0.8	0.8	0.7	9.7	13.5	17.7
Federal Bank	68	Buy	7.6	10.7	14.2	8.9	6.4	4.8	0.9	0.8	0.7	10.0	12.7	14.8
HDFC Bank	1,425	Buy	55.6	67.9	81.4	25.6	21.0	17.5	4.0	3.4	2.9	16.6	17.6	18.1
ICICI Bank	528	Buy	21.4	30.0	38.7	24.6	17.6	13.6	2.5	2.2	1.9	11.2	13.7	15.4
IndusInd Bank	900	Buy	32.8	64.1	94.9	27.4	14.0	9.5	1.7	1.6	1.4	6.5	11.7	15.4
Kotak Mahindra Bank	1,994	Neutral	51.7	61.0	73.4	38.5	32.7	27.2	5.1	4.5	3.8	13.4	13.1	13.9
RBL Bank	231	Buy	8.6	15.8	22.8	26.9	14.6	10.2	1.1	1.0	1.0	4.4	7.3	9.8
South Indian Bank	9	Buy	1.6	2.0	2.7	5.8	4.4	3.3	0.3	0.3	0.3	5.1	6.3	8.0
Banks-PSU						**9.6**	**6.9**	**5.2**	**0.9**	**0.8**	**0.7**	**8.9**	**11.3**	**13.5**
Bank of Baroda	65	Neutral	3.8	6.2	13.3	17.1	10.5	4.9	0.4	0.4	0.4	2.4	3.8	7.9
State Bank	279	Buy	30.6	41.9	53.6	9.1	6.7	5.2	0.9	0.8	0.7	9.8	12.6	14.5
Insurance						**64.5**	**53.6**	**44.9**	**11.1**	**9.5**	**8.2**	**17.2**	**17.8**	**18.2**
HDFC Life Insur.	678	Neutral	7.5	8.9	10.3	90.8	75.9	66.1	5.5	4.7	4.0	21.1	17.5	17.4
ICICI Pru Life	499	Buy	8.7	11.2	13.1	57.2	44.5	38.2	2.6	2.3	2.0	19.8	14.6	14.3
SBI Life Insurance	836	Buy	17.7	20.3	25.5	47.3	41.2	32.8	2.7	2.3	1.9	17.2	17.9	18.5
NBFC						**29.0**	**22.3**	**18.7**	**3.4**	**3.1**	**2.7**	**11.8**	**13.7**	**14.5**
Aditya Birla Cap	89	Buy	4.5	5.1	5.9	19.9	17.3	15.1	1.6	1.4	1.3	8.2	8.7	9.1
Bajaj Finance	5,280	Neutral	78.8	141.9	177.4	67.0	37.2	29.8	8.6	7.1	5.9	13.7	21.0	21.7
Chola. Inv & Fin.	412	Buy	20.3	24.3	30.2	20.3	16.9	13.6	3.5	2.9	2.4	18.6	18.8	19.6
HDFC	2,570	Buy	54.4	63.8	71.6	47.2	40.3	35.9	4.1	3.9	3.6	12.5	12.6	12.9
ICICI Securities	466	Buy	27.8	27.7	30.2	16.7	16.8	15.4	10.1	8.6	7.4	66.7	55.3	51.4
IIFL Wealth Mgt	1,029	Buy	39.1	49.9	61.8	26.3	20.6	16.7	2.9	2.8	2.6	11.2	13.8	16.3
L&T Fin.Holdings	97	Buy	4.7	10.8	15.2	20.7	9.0	6.4	1.3	1.1	1.0	6.4	13.5	16.5
LIC Housing Fin	378	Buy	59.6	64.8	68.1	6.3	5.8	5.5	0.9	0.8	0.7	15.8	15.1	14.1
M & M Financial	179	Buy	7.3	9.3	14.4	24.6	19.2	12.4	1.4	1.4	1.2	6.7	7.2	10.5
Manappuram Finance	167	Buy	19.4	23.9	28.1	8.6	7.0	5.9	2.0	1.6	1.3	25.5	25.3	24.1
MAS Financial	928	Buy	28.6	34.4	40.9	32.4	27.0	22.7	4.6	4.1	3.6	14.9	15.9	16.7
Muthoot Finance	1,214	Buy	88.4	104.7	122.6	13.7	11.6	9.9	3.4	2.7	2.3	27.3	26.2	25.0
PNB Housing	368	Neutral	56.9	66.6	89.8	6.5	5.5	4.1	0.7	0.6	0.6	11.4	12.2	14.7
Repco Home Fin	241	Buy	46.6	49.4	54.7	5.2	4.9	4.4	0.7	0.6	0.6	15.2	14.0	13.7
Shriram City Union	1,081	Buy	129.1	166.6	210.8	8.4	6.5	5.1	0.9	0.8	0.7	11.2	12.9	14.5
Shriram Transport Fin.	1,070	Buy	101.4	123.2	143.1	10.6	8.7	7.5	1.2	1.1	1.0	12.9	13.4	13.8
Healthcare						**27.7**	**24.3**	**21.1**	**4.3**	**3.8**	**3.3**	**15.5**	**15.5**	**15.5**
Alembic Pharma	1,041	Neutral	61.2	54.4	59.5	17.0	19.2	17.5	4.2	3.6	3.1	30.1	20.6	19.4
Alkem Lab	2,950	Buy	133.2	144.1	155.6	22.2	20.5	19.0	4.8	4.0	3.5	23.5	21.3	19.6
Ajanta Pharma	1,652	Buy	64.8	72.9	85.0	25.5	22.7	19.4	4.8	4.1	3.6	20.3	19.5	19.6

Ready reckoner: Full year valuations

Company Name	CMP (INR)	Reco	EPS (INR)			PE (x)			PB (x)			ROE (%)		
			FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Aurobindo Pharma	928	Buy	56.3	61.5	68.7	16.5	15.1	13.5	2.7	2.3	2.0	18.0	16.6	16.0
Biocon	466	Neutral	7.1	10.6	12.9	65.9	44.1	36.0	7.6	6.8	6.0	12.1	16.4	17.7
Cadila Health	479	Buy	20.4	23.4	25.0	23.5	20.4	19.1	3.5	3.1	2.8	16.3	16.2	15.4
Cipla	826	Neutral	31.3	33.9	38.0	26.4	24.4	21.8	3.7	3.2	2.8	13.8	13.2	13.0
Divis Labs	3,847	Buy	77.7	99.6	127.6	49.5	38.6	30.2	11.4	9.2	7.4	25.4	26.4	27.3
Dr Reddy' s Labs	5,241	Neutral	171.9	190.1	221.6	30.5	27.6	23.6	4.8	4.2	3.6	16.9	16.2	16.3
Glenmark Pharma	503	Neutral	33.1	33.1	38.4	15.2	15.2	13.1	2.1	1.8	1.6	14.4	12.8	13.2
Granules India	359	Buy	23.0	27.1	31.0	15.6	13.3	11.6	4.0	3.2	2.6	28.2	26.5	24.4
GSK Pharma	1,611	Neutral	27.6	35.0	40.1	58.4	46.0	40.1	14.6	13.2	11.6	25.1	28.6	28.8
IPCA Labs.	2,181	Buy	92.2	94.0	110.0	23.7	23.2	19.8	6.0	4.9	4.0	28.3	23.2	22.4
Jubilant Life	852	Buy	50.3	65.8	81.4	16.9	12.9	10.5	2.1	1.8	1.6	13.2	15.1	16.3
Laurus Labs	353	Buy	17.7	20.8	24.5	20.0	17.0	14.4	7.3	5.4	4.1	43.5	36.5	32.2
Lupin	1,001	Buy	23.3	36.8	44.5	42.9	27.2	22.5	3.4	3.1	2.8	8.2	12.1	13.3
Sun Pharma	596	Buy	23.6	25.0	28.0	25.3	23.9	21.3	3.1	2.8	2.5	12.4	12.3	12.4
Strides Pharma	881	Buy	31.7	47.3	57.1	27.8	18.6	15.4	2.8	2.5	2.3	10.7	14.3	15.5
Torrent Pharma	2,795	Neutral	76.6	96.2	106.3	36.5	29.1	26.3	8.4	7.1	6.0	24.7	26.4	24.8
Infrastructure						**15.5**	**12.9**	**9.9**	**1.0**	**0.9**	**0.9**	**6.4**	**7.2**	**8.6**
Ashoka Buildcon	93	Buy	12.2	11.1	12.7	7.6	8.4	7.3	0.9	0.8	0.7	12.4	10.0	10.4
IRB Infra	119	Neutral	4.2	6.2	10.8	28.1	19.1	11.0	0.6	0.6	0.6	2.2	3.2	5.4
KNR Constructions	328	Buy	17.4	25.0	29.7	18.8	13.1	11.0	2.5	2.1	1.8	14.1	17.5	17.6
Media						**23.9**	**14.9**	**11.8**	**2.7**	**2.5**	**2.2**	**11.5**	**16.8**	**18.8**
PVR	1,342	Buy	-71.1	21.0	39.1	-18.9	63.9	34.3	5.3	4.9	4.3	-27.4	8.0	13.4
Sun TV	479	Buy	35.5	41.1	40.5	13.5	11.6	11.8	3.2	3.0	2.8	24.3	26.4	24.2
Zee Entertainment	225	Neutral	8.0	14.7	22.5	28.3	15.3	10.0	2.2	2.0	1.7	10.0	13.7	18.4
Metals						**10.3**	**7.9**	**8.6**	**1.3**	**1.1**	**1.1**	**12.4**	**14.5**	**12.2**
Hindalco	238	Buy	21.2	30.2	33.4	11.2	7.9	7.1	1.3	1.2	1.0	12.1	15.6	15.0
Hindustan Zinc	239	Neutral	18.3	25.5	24.1	13.1	9.4	9.9	3.1	2.9	2.7	21.4	32.0	27.9
JSPL	270	Buy	41.7	32.3	35.4	6.5	8.4	7.6	0.9	0.8	0.8	13.8	10.6	10.4
JSW Steel	390	Buy	26.3	45.4	28.7	14.8	8.6	13.6	2.2	1.8	1.6	16.0	22.9	12.4
Nalco	44	Buy	3.0	4.3	5.0	14.8	10.2	8.9	0.8	0.8	0.8	5.8	8.3	9.2
NMDC	116	Buy	19.5	20.7	15.4	6.0	5.6	7.5	1.1	1.0	0.9	20.1	18.7	12.6
SAIL	75	Neutral	9.2	10.5	8.1	8.1	7.1	9.2	0.7	0.6	0.6	8.8	9.1	6.6
Tata Steel	643	Neutral	46.9	82.9	83.0	13.7	7.8	7.8	1.0	0.9	0.8	7.8	12.6	11.4
Vedanta	160	Neutral	22.5	23.8	25.3	7.1	6.7	6.3	1.1	1.1	1.0	15.6	16.4	16.4
Oil & Gas						**17.8**	**13.2**	**11.3**	**1.8**	**1.6**	**1.4**	**9.9**	**12.2**	**12.7**
Aegis Logistics	255	Buy	7.2	12.0	14.5	35.6	21.2	17.6	4.6	3.9	3.3	13.7	20.0	20.5
BPCL	382	Neutral	42.7	35.2	42.7	8.9	10.9	8.9	1.8	1.7	1.5	21.7	16.0	17.5
Castrol India	122	Buy	6.4	8.2	8.5	19.0	14.9	14.4	8.1	7.3	6.6	44.4	51.5	48.2
GAIL	124	Buy	9.3	15.7	16.6	13.3	7.9	7.4	1.1	1.0	0.9	9.2	14.4	14.0
Gujarat Gas	378	Buy	16.1	17.5	20.0	23.4	21.5	18.9	6.2	5.0	4.1	29.5	25.5	23.7
Gujarat State Petronet	219	Buy	17.2	17.8	18.9	12.7	12.3	11.5	1.6	1.5	1.3	13.6	12.5	11.9
HPCL	221	Buy	63.2	36.5	37.8	3.5	6.1	5.9	1.0	1.0	1.0	30.1	16.6	16.6
Indraprastha Gas	507	Neutral	15.6	17.8	19.0	32.6	28.4	26.7	6.0	5.1	4.5	19.8	19.4	17.9
IOC	92	Buy	15.6	15.6	19.0	5.9	5.9	4.8	0.8	0.8	0.7	14.4	13.3	15.0
Mahanagar Gas	1,060	Buy	61.3	78.4	71.7	17.3	13.5	14.8	3.2	2.8	2.5	19.4	22.0	18.0
MRPL	36	Neutral	-3.9	3.9	7.1	-9.1	9.2	5.1	0.9	0.8	0.7	-9.2	9.2	15.3
Oil India	109	Buy	12.4	16.3	19.4	8.8	6.7	5.6	0.5	0.5	0.5	4.8	7.3	8.4
ONGC	93	Buy	11.1	18.1	19.6	8.4	5.1	4.8	0.6	0.5	0.5	6.7	10.4	10.4
Petronet LNG	250	Buy	18.0	21.4	23.7	13.9	11.7	10.5	3.2	2.9	2.7	23.8	26.2	26.8
Reliance Inds.	1,987	Buy	64.8	105.1	125.6	30.7	18.9	15.8	2.5	2.2	2.0	8.7	12.6	13.3
Retail						**409.7**	**91.3**	**66.3**	**16.3**	**14.3**	**12.4**	**4.0**	**15.7**	**18.8**
Aditya Birla Fashion	166	Buy	-3.9	-0.7	0.1	-42.4	-228.8	1,579.9	20.5	21.7	21.4	-51.5	-9.9	1.4
Avenue Supermarts	2,791	Neutral	18.3	29.6	36.5	152.6	94.4	76.5	14.2	12.3	10.5	10.2	14.5	15.4
Jubilant Foodworks	2,792	Neutral	15.5	38.1	52.3	180.2	73.2	53.4	29.8	24.0	19.0	16.5	32.8	35.5

Ready reckoner: Full year valuations

Company Name	CMP (INR)	Reco	EPS (INR)			PE (x)			PB (x)			ROE (%)		
			FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Shoppers Stop	206	Neutral	-41.9	-15.1	-7.2	-4.9	-13.6	-28.5	-6.1	-4.2	-3.7	323.1	36.4	13.7
Titan Company	1,559	Buy	9.0	22.5	29.2	172.7	69.3	53.4	20.3	17.7	15.6	11.9	27.3	31.1
Trent	675	Neutral	-3.3	4.0	6.2	-202	170	108.8	9.9	9.3	8.5	-5.1	6.0	8.7
V-Mart Retail	2,518	Buy	-18.2	29.4	50.4	-138	86	50.0	10.7	9.5	8.0	NM	11.8	17.4
Westlife Development	449	Neutral	-7.7	0.2	5.7	-58.4	2,615.7	78.4	15.3	15.2	12.7	-23.1	0.6	17.6
Staffing						**30.8**	**21.8**	**14.3**	**3.9**	**3.3**	**2.7**	**12.5**	**15.0**	**18.6**
Quess Corp	538	Buy	13.4	28.8	49.5	40.1	18.7	10.9	2.5	2.1	1.7	8.1	15.3	21.8
Security & Intel	428	Buy	21.5	20.3	25.9	19.9	21.1	16.5	1.7	1.5	1.2	21.0	16.3	17.6
Team Lease Serv.	2,668	Buy	53.8	82.9	122.4	49.6	32.2	21.8	6.9	5.7	4.5	14.9	19.3	23.0
Technology						**28.7**	**23.8**	**21.2**	**9.4**	**8.4**	**7.4**	**32.8**	**35.2**	**35.1**
Coforge	2,723	Neutral	77.7	96.1	108.5	35.1	28.3	25.1	6.1	5.3	4.6	18.4	19.8	19.5
Cyient	513	Neutral	31.8	38.3	44.5	16.1	13.4	11.5	2.0	1.8	1.6	13.1	14.3	15.0
HCL Technologies	950	Buy	46.3	54.5	60.9	20.5	17.4	15.6	4.3	3.8	3.3	22.6	23.0	22.4
Infosys	1,260	Buy	45.9	55.2	63.0	27.4	22.8	20.0	7.2	6.2	5.4	27.8	29.3	29.1
L&T Infotech	3,699	Neutral	104.1	127.0	147.5	35.6	29.1	25.1	9.8	8.0	6.6	30.5	30.5	29.2
Mindtree	1,660	Neutral	58.9	68.2	75.8	28.2	24.4	21.9	7.3	6.1	5.1	28.0	27.2	25.5
MphasiS	1,532	Buy	66.2	78.0	91.9	23.1	19.6	16.7	4.9	4.3	3.5	19.7	21.8	22.7
Persistent Systems	1,499	Buy	53.3	64.3	75.8	28.1	23.3	19.8	4.5	4.0	3.5	16.5	18.0	18.7
TCS	2,928	Neutral	85.7	107.5	120.3	34.2	27.2	24.3	10.7	10.5	10.2	34.7	39.3	42.9
Tech Mahindra	978	Neutral	47.3	56.5	62.5	20.7	17.3	15.6	3.5	3.1	2.7	17.9	19.0	18.6
Wipro	388	Neutral	16.8	18.8	20.6	23.2	20.6	18.8	3.7	3.5	3.3	16.8	17.5	18.0
Zensar Tech	243	Neutral	15.2	18.3	20.0	16.0	13.3	12.1	2.3	2.0	1.8	15.4	16.5	16.0
Telecom						**-22**	**-28**	**-25.3**	**6.5**	**8.9**	**14.9**	**-30.0**	**-31.9**	**-58.9**
Bharti Airtel	515	Buy	1.7	4.4	6.9	297.1	117.9	74.2	4.5	4.3	4.1	1.4	3.7	5.7
Indus Towers	235	Neutral	16.5	18.2	18.9	14.3	12.9	12.5	3.0	2.8	2.6	21.8	22.5	21.4
Tata Comm	1,095	Neutral	51.2	66.0	77.3	21.4	16.6	14.2	267.2	15.6	7.4	-251.3	177.9	71
Vodafone Idea	11	UR	-8.1	-7.5	-8.6	-1.4	-1.5	-1.3	-1.9	-0.8	-0.5	410.0	76.6	48.4
Utilities						**7.9**	**6.9**	**6.1**	**1.1**	**1.1**	**1.0**	**14.6**	**15.4**	**16.0**
CESC	620	Buy	90.3	98.6	103.8	6.9	6.3	6.0	0.8	0.7	0.7	11.9	11.9	11.5
Coal India	135	Buy	20.2	25.7	30.7	6.7	5.3	4.4	2.3	1.9	1.5	34.1	35.2	34.5
Indian Energy Exchange	220	Buy	6.4	7.7	8.7	34.5	28.5	25.2	14.7	12.7	11.0	45.3	47.7	46.8
JSW Energy	67	UR	4.6	5.6	7.0	14.7	11.9	9.6	0.9	0.9	0.8	6.3	7.6	8.9
NHPC	23	Neutral	2.9	2.9	3.4	8.0	8.0	6.7	0.7	0.7	0.6	9.0	8.5	9.6
NTPC	99	Buy	15.1	16.6	18.0	6.6	6.0	5.5	0.8	0.7	0.7	12.2	12.7	13.0
Power Grid Corp.	189	Buy	23.1	24.5	25.9	8.2	7.7	7.3	1.4	1.3	1.2	18.0	17.9	17.6
Tata Power	77	UR	3.4	5.1	5.1	22.7	15.2	15.0	1.1	1.1	1.0	5.1	7.3	7.0
Torrent Power	321	Buy	20.2	29.2	30.3	15.9	11.0	10.6	1.6	1.4	1.3	10.2	13.4	12.6
Others						**58.6**	**22.9**	**17.6**	**3.3**	**3.0**	**2.6**	**5.7**	**12.9**	**14.9**
Brigade Enterpr.	249	Buy	0.0	7.3	4.3	-10,846	34.1	58.3	2.3	2.1	2.1	0.0	6.4	3.6
BSE	634	Buy	38.1	47.6	53.4	16.6	13.3	11.9	1.2	1.1	1.1	7.0	8.4	9.0
Concor	403	Buy	10.2	12.8	15.6	39.4	31.5	25.9	2.4	2.3	2.2	6.1	7.3	8.5
Coromandel Int.	814	Buy	50.3	54.7	60.5	16.2	14.9	13.4	4.5	3.8	3.2	30.6	27.5	25.7
EPL	261	Buy	9.3	11.5	13.3	28.1	22.8	19.6	4.9	4.2	3.7	18.3	20.0	20.2
Godrej Agrovet	539	Buy	17.6	20.7	24.2	30.7	26.0	22.2	5.1	4.5	4.0	17.4	18.4	19.1
Indiamart Inter.	7,041	Buy	95.3	102.9	125.4	73.9	68.4	56.1	24.8	16.7	11.8	69.3	45.9	38.8
Indian Hotels	124	Buy	-6.2	0.8	2.1	-19.8	157.3	60.2	4.0	4.0	3.8	-18.5	2.5	6.5
Info Edge	4,754	Neutral	20.4	27.4	40.9	233.2	173.3	116.1	13.8	13.3	12.4	7.5	7.8	11.0
Interglobe Aviation	1,713	Neutral	-128.5	54.3	114.5	-13.3	31.5	15.0	71.4	23.9	9.9	-145.7	113.4	93.8
Kaveri Seed	523	Buy	52.6	53.0	57.3	9.9	9.9	9.1	2.9	2.6	2.4	30.8	27.7	27.2
Lemon Tree Hotel	42	Buy	-1.6	0.0	0.4	-26.0	-10,664	109	4.7	4.7	4.5	-16.5	0.0	4.2
MCX	1,747	Buy	43.2	57.2	76.3	40.4	30.5	22.9	6.8	6.1	5.4	16.5	21.1	25.1
Oberoi Realty	591	Buy	15.0	27.0	30.8	39.3	21.9	19.2	2.3	2.1	1.9	6.1	10.1	10.5
P I Industries	2,265	Buy	52.1	66.9	80.5	43.5	33.9	28.1	6.5	5.5	4.7	20.0	17.6	18.1

Ready reckoner: Full year valuations

Company Name	CMP (INR)	Reco	EPS (INR)			PE (x)			PB (x)			ROE (%)		
			FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Phoenix Mills	787	Buy	2.9	19.4	32.9	274.0	40.4	23.9	2.5	2.4	2.2	1.0	6.1	9.6
Piramal Enterprises	1,481	Buy	109.8	128.1	147.9	13.5	11.6	10.0	1.1	1.0	1.0	8.4	9.4	10.0
S H Kelkar	123	Buy	8.5	10.4	12.6	14.5	11.8	9.8	1.9	1.8	1.6	13.8	15.5	17.0
SRF	5,687	Buy	201.0	242.2	289.3	28.3	23.5	19.7	4.9	4.2	3.5	20.1	19.2	19.3
Tata Chemicals	480	Buy	13.4	31.1	39.7	35.8	15.4	12.1	0.9	0.9	0.9	2.7	6.0	7.4
Trident	11	Buy	0.7	0.9	1.1	14.7	12.0	9.5	1.6	1.4	1.3	11.4	12.5	14.2
UPL	469	Neutral	42.4	47.3	56.3	11.1	9.9	8.3	1.9	1.1	1.0	18.6	18.1	18.5

UR: Under Review

BSE Sensex: 36,594 **Nifty 50: 10,768** **January 2021**

MOFSL Universe: 3QFY21 Highlights & Ready Reckoner

Note: In our quarterly performance tables, our four-quarter numbers may not always add up to the full-year numbers. This is because of differences in classification of account heads in the company's quarterly and annual results or because of differences in the way we classify account heads as opposed to the company.

All stock prices and indices as on 1 January 2021, unless otherwise stated.

Automobiles

Company

- Amara Raja Batteries
- Ashok Leyland
- Bajaj Auto
- Bharat Forge
- BOSCH
- Ceat
- Eicher Motors
- Endurance Technologies
- Escorts
- Exide Industries
- Hero MotoCorp
- Mahindra CIE
- Mahindra & Mahindra
- Maruti Suzuki
- Motherson Sumi Systems
- Tata Motors
- TVS Motor Company

Sharper-than-expected recovery in all segments

EBITDA margins to expand for the first time after eight quarters of decline

- **Volume recovery seen in 2Q continued in 3QFY21. Strong momentum was witnessed in retail sales of Tractors and PVs (YoY growth in retails), whereas the same for 2Ws was marginally lower than last year.**
- **On a wholesale basis, we estimate volumes to grow strongly for Tractors (+22% YoY), PVs (+15% YoY) and 2Ws (+19% on a low base of last year). Among CVs, LCVs saw a good recovery (+1.5% YoY), while the decline is getting smaller for M&HCVs (-8% YoY). 3Ws are witnessing a QoQ recovery in volumes.**
- **We expect the recovery in EBITDA margins to continue for the second straight quarter despite the initial impact of commodity cost inflation. The same for our OEM (ex-JLR) universe is likely to expand 190bp YoY to 12.2% (+40bp QoQ), led by price hikes (in 2Ws and Tractors), lower discounts, cost cutting, and operating leverage benefits.**
- **We are revising our FY22E EPS estimates to factor in volume upgrades as well as substantial commodity cost inflation. We upgrade TTMT (+28%), AL (+11%), BHFC (+11%), MSS (+14.5%) and ESC (+6%), whereas downgrade HMCL/MM (-8%).**

Volumes across segments recover, but the divergence in trends visible

Volume recovery, seen in 2Q, continued in 3QFY21. Strong retail momentum was witnessed for Tractors and PVs (YoY growth in retails), whereas 2Ws retails was marginally lower than last year. On a wholesale basis, we estimate volumes to grow strongly for Tractors (+22% YoY), PVs (+15% YoY) and 2Ws (+19% on a low base of last year). Among CVs, LCVs saw a good recovery (+1.5% YoY), while the decline is getting smaller for M&HCVs (-8% YoY). 3Ws are yet to see any material recovery (-31% YoY), though volumes have been better on a QoQ basis. With low starting inventory, both PVs and Tractors witnessed a waiting period due to good retail momentum, whereas 2Ws and CVs saw normalization of inventory in 3QFY21.

Recovery in EBITDA margins to continue for the second consecutive quarter

We expect the recovery in EBITDA margins to continue for the second straight quarter, despite the initial impact of commodity cost inflation. EBITDA margins for our OEM (ex-JLR) universe is likely to expand 200bp YoY to 12.2% (+50bp QoQ), led by price hikes (in 2Ws and Tractors), lower discounts, cost cutting, and operating leverage benefits. However, 2W players like HMCL (-150bp YoY), EIM (-130bp YoY) and BJAUT (-40bp YoY) would see a YoY decline.

Recovery strong, however uncertainties prevail in the near term

Contrary to our expectations, demand recovery has been stronger than expected across segments (excluding 3Ws). This is attributable to pent-up demand, positive agri economics, and a shift to private from public transport. This has led to consistent upgrade in volume estimates. However, we do see near-term uncertainties in the form of: a) supply-side disruption due to a global shortage of semi-conductors, b) sharp commodity cost inflation, led price increases, and c) risk to demand (from a price hike, fading benefit of COVID-19 to private transport, etc.). We expect the volume recovery in all segments to sustain in FY22, with core

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demand growing 5-7% for 2Ws/PVs/Tractors, supported by the benefit of low base of Apr-Aug'20. For 3Ws and CVs, we expect a sharp recovery in FY22.

Valuation and view

We are revising our FY22E EPS estimates to factor in volume upgrades as well as substantial commodity cost inflation. We upgrade TTMT (+28%), AL (+11%), BHFC (+11%), MSS (+14.5%), and ESC (+6%), whereas downgrade HMCL/MM (-8%). Being a seasonally slow month, Dec'20 saw decent demand (at par YoY) despite discounts being lower by ~50% YoY. Valuations are reflecting a recovery in 4QFY21, leaving a limited margin for safety from any negative surprises. Hence, we prefer companies with: a) higher visibility in terms of a demand recovery, b) a strong competitive positioning, c) margin drivers, and d) balance sheet strength. **MM** and **HMCL** are our top OEM picks. Among auto Component stocks, we prefer **ENDU** and **MSS**.

Exhibit 1: Summary of expected quarterly performance (INR m)

	CMP		Sales (INR m)			EBDITA (INR m)			Net profit (INR m)		
Sector	(INR)	Rating	Dec-20	YoY	QoQ	Dec-20	YoY	QoQ	Dec-20	YoY	QoQ
Automobiles											
Amara Raja Batt.	926	Neutral	20,100	15.0	3.8	3,309	16.5	-2.8	1,951	18.7	-3.1
Ashok Leyland	99	Buy	50,303	25.3	77.3	3,385	50.3	320.8	873	199.3	LP
Bajaj Auto	3483	Neutral	89,666	17.4	25.3	15,652	14.5	23.6	13,901	10.2	22.1
Bharat Forge	538	Buy	11,130	3.4	26.3	2,580	7.8	55.4	1,423	11.3	96.3
Bosch	12991	Neutral	29,171	15.0	17.7	3,518	9.8	22.1	2,807	1.7	19.1
CEAT	1094	Buy	20,260	15.0	2.4	2,545	38.9	-13.0	1,030	94.4	-43.4
Eicher Motors	2542	Buy	28,107	18.5	33.1	6,644	12.2	41	5,317	6.6	54.9
Endurance Tech.	1350	Buy	18,884	15.1	8.4	3,073	18.0	7.7	1,598	28.8	9.5
Escorts	1288	Neutral	20,536	25.7	25.2	3,620	70.5	20.3	2,750	79.7	19.6
Exide Inds.	191	Buy	27,249	13.0	-1.0	3,693	15.5	-5.8	2,148	0.7	-6.1
Hero Motocorp	3099	Buy	96,205	37.5	2.7	12,849	23.7	-0.1	9,518	8.1	-0.2
Mahindra & Mahindra	733	Buy	137,341	13.3	19.2	22,032	23.2	10.8	12,781	30.3	-2.5
Mahindra CIE	174	Buy	17,828	3.5	5.2	2,216	3.4	46.9	959	414.3	57.8
Maruti Suzuki	7692	Buy	235,853	13.9	25.8	26,592	26.5	37.5	20,322	29.9	48.2
Motherson Sumi	164	Buy	173,696	10.9	10.8	17,876	44.7	15.1	4,031	49.0	8.4
Tata Motors	186	Buy	714,399	-0.3	33.5	69,951	-2.8	23.5	768	-95.6	LP
TVS Motor	491	Neutral	52,880	28.2	14.8	4,752	30.8	10.5	2,328	28.8	18.6
Sector aggregate			**1,743,609**	**9.1**	**24.0**	**204,285**	**13.8**	**20.9**	**84,504**	**-1.0**	**28.5**

Exhibit 2: Volume snapshot for 3QFY21 ('000 units)

	3QFY21	3QFY20	YoY (%)	2QFY21	QoQ (%)	9MFY21	9MFY20	YoY (%)
Two-wheelers	6,070	5,100	19.0	5,451	11.3	13,150	16,567	-20.6
Three-wheelers	214	310	-31.0	148	44.5	425	897	-52.6
Passenger cars	676	593	14.0	460	47.1	1,238	1,693	-26.9
UVs and MPVs	431	365	18.0	322	33.7	833	960	-13.2
Total PVs	**1,107**	**958**	**15.5**	**782**	**41.6**	**2,071**	**2,653**	**-21.9**
M&HCVs	55	60	-8.0	27	100.6	88	194	-54.6
LCVs	147	144	1.5	116	26.6	292	405	-27.9
Total CVs	**202**	**204**	**-1.3**	**143**	**40.8**	**380**	**599**	**-36.5**
Tractors	253	207	22.0	235	7.5	634	565	12.3
Total (ex-Tractors)	**7,592**	**6,573**	**15.5**	**6,524**	**16.4**	**16,027**	**20,716**	**-22.6**

Exhibit 3: Trend in segment-wise EBITDA margins (%)

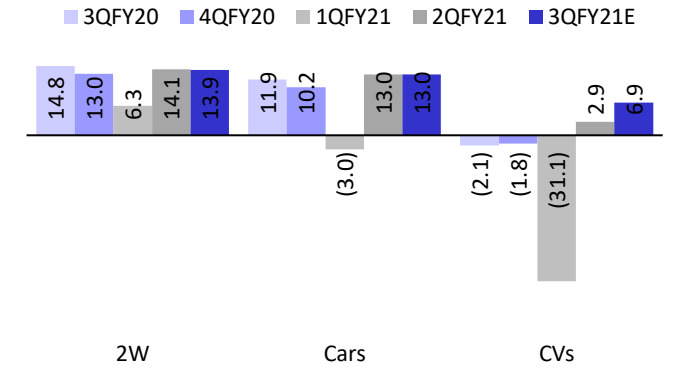


Exhibit 4: Commodity prices reasonably stable

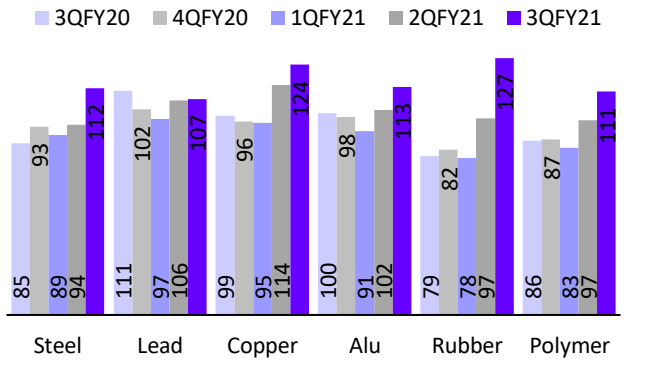
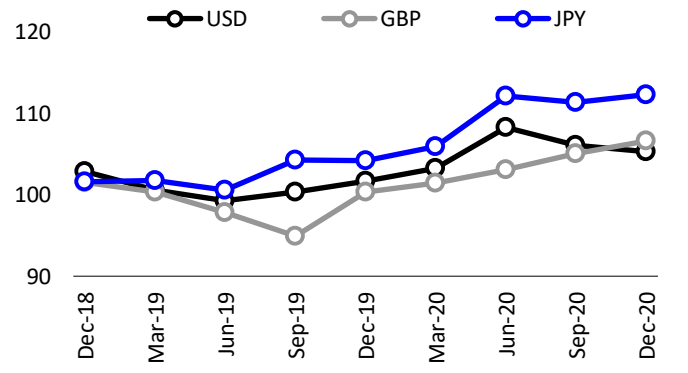
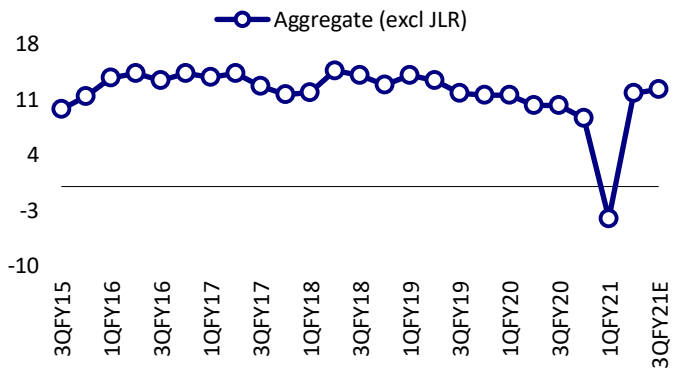


Exhibit 5: Trend in key currencies v/s INR (average, indexed)



Source: Bloomberg, MOFSL

Exhibit 6: Margins to contract YoY/QoQ



Source: Company, MOFSL

Exhibit 7: Revised estimates

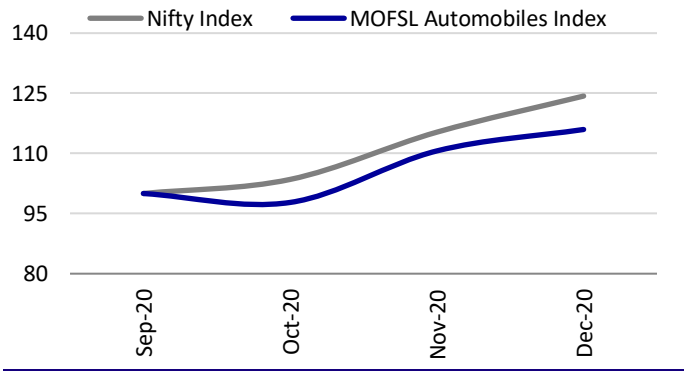
	FY21E			FY22E		
	Rev	Old	Change (%)	Rev	Old	Change (%)
Bajaj Auto	153.9	157.2	-2.1	196.8	197.9	-0.6
Hero MotoCorp	142.2	147.1	-3.3	176.0	190.9	-7.8
TVS Motor Company	9.9	9.8	0.7	20.2	19.9	1.3
Eicher Motors*	50.7	54.0	-6.1	83.5	85.6	-2.4
Maruti Suzuki*	191.8	171.4	11.9	275.5	273.8	0.6
M&M (including MVML)	31.4	32.4	-3.1	35.7	38.8	-8.2
Tata Motors*	-13.9	-14.8	6.0	14.9	11.7	28.0
Ashok Leyland	0.0	0.4	-98.5	4.1	3.7	11.0
Escorts	81.8	78.6	4.1	90.4	85.3	6.0
Amara Raja	37.4	37.2	0.5	41.9	42.3	-0.8
Bharat Forge*	5.2	4.3	20.1	17.1	15.3	11.3
BOSCH	296.8	301.6	-1.6	448.1	429.7	4.3
Ceat	82.5	86.9	-5.1	99.0	97.0	2.1
Endurance Technologies*	30.7	32.3	-5.1	48.3	48.7	-0.9
Exide Industries	8.5	8.0	6.2	10.2	10.6	-3.5
Mahindra CIE*	2.4	3.2	-25.9	10.8	10.8	0.3
Motherson Sumi Systems*	2.0	1.7	13.9	6.8	5.9	14.5

*Consolidated

Exhibit 8: Industry recovering from COVID-19 impact

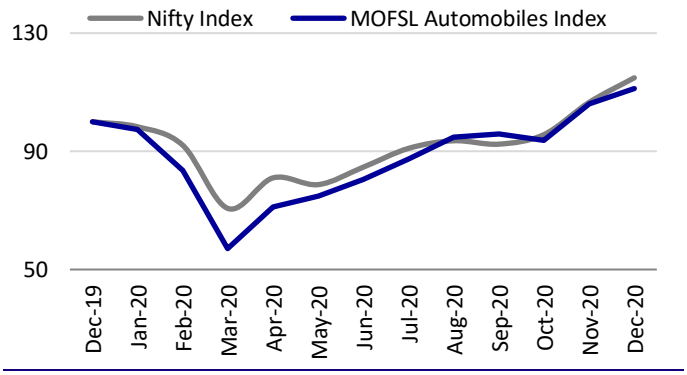
	Volumes ('000 units)			EBITDA margins (%)			Adjusted PAT (INR m)		
	3QFY21E	YoY (%)	QoQ (%)	3QFY21E	YoY (bp)	QoQ (bp)	3QFY21E	YoY (%)	QoQ (%)
BJAUT	1,307	8.7	24.1	17.5	-40	-20	13,901	10.2	22.1
HMCL	1,845	19.8	1.7	13.4	-150	-40	9,518	8.1	-0.2
TVSL	990	20.4	14.0	9.0	20	-40	2,328	28.8	18.6
MSIL	496	13.4	26.1	11.3	110	100	20,322	29.9	48.2
MM	224	3.3	20.9	16.0	130	-120	12,781	30.3	-2.5
TTMT (Standalone)	158	22.3	43.3	7.0	1,220	410	-3,698	-78.3	-68.3
TTMT (JLR) *	114	-22.9	24.4	11.3	50	20	90	-75.8	-22.9
TTMT (Consolidated)				9.8	-20	-80	768	-95.6	-124
AL	33	7.1	71.8	6.7	110	390	873	199.3	-159.8
EIM (RE)	200	9.2	32.7	23.9	-130	110	5,048	3.2	39.9
EIM (VECV)	13	3.3	56.8	8.1	200	120	707	56.9	NA
EIM (Consolidated)				23.9	-130	110	5,317	6.6	54.9
Aggregate (ex-JLR)	**5,266**	**15.1**	**14.4**	**12.2**	**200**	**50**	**61,342**	**66.2**	**53.3**

Exhibit 9: Relative performance – three-months (%)



Source: Bloomberg, MOFSL

Exhibit 10: Relative performance – one-year (%)



Source: Bloomberg, MOFSL

Exhibit 11: Comparative valuation

			EPS (INR)			P/E (x)			P/B (x)			RoE (%)		
Company	**CMP (INR)**	**Rating**	**FY21E**	**FY22E**	**FY23E**	**FY21E**	**FY22E**	**FY23E**	**FY21E**	**FY22E**	**FY23E**	**FY21E**	**FY22E**	**FY23E**
Automobiles						**48.8**	**21.5**	**16.8**	**3.4**	**3.0**	**2.7**	**6.9**	**14.0**	**15.9**
Amara Raja Batt.	926	Neutral	37.4	41.9	48.3	24.7	22.1	19.2	3.9	3.5	3.1	16.5	16.6	17.1
Ashok Leyland	99	Buy	0.0	4.1	6.4	17,812	24	15.4	4.0	3.6	3.1	0.0	15.6	21.7
Bajaj Auto	3,483	Neutral	153.9	196.8	214.7	22.6	17.7	16.2	4.7	4.2	3.7	21.4	24.8	24.1
Bharat Forge	538	Buy	5.2	17.1	23.7	103.1	31.5	22.7	4.6	4.1	3.7	4.5	13.8	17.1
Bosch	12,991	Neutral	296.8	448.1	519.6	43.8	29.0	25.0	4.0	3.6	3.3	9.3	13.1	13.7
CEAT	1,094	Buy	82.5	99.0	114.2	13.3	11.1	9.6	1.4	1.3	1.1	11.0	12.0	12.4
Endurance Tech.	1,350	Buy	30.7	48.3	57.3	44.0	28.0	23.5	5.7	5.0	4.4	13.7	19.2	19.8
Eicher Motors	2,542	Buy	50.7	83.5	105.7	50.1	30.4	24.1	6.3	5.4	4.6	13.2	19.2	20.6
Escorts	1,288	Neutral	81.8	90.4	99.1	15.7	14.2	13.0	2.6	2.2	1.9	20.5	17.0	15.9
Exide Inds.	191	Buy	7.9	10.2	12.3	24.2	18.8	15.6	2.4	2.3	2.1	10.1	12.1	13.2
Hero Motocorp	3,099	Buy	140.5	176.0	199.8	22.1	17.6	15.5	4.2	4.0	3.7	19.5	23.4	24.9
Mahindra & Mahindra	733	Buy	30.5	37.6	41.3	24.0	19.5	17.8	2.3	2.1	2.0	9.5	10.4	11.1
Mahindra CIE	174	Buy	2.4	10.8	13.2	72.4	16.1	13.1	1.4	1.3	1.2	1.9	8.3	9.3
Maruti Suzuki	7,692	Buy	174.7	275.5	345.5	44.0	27.9	22.3	4.5	4.0	3.6	10.2	14.3	16.1
Motherson Sumi	164	Buy	2.0	6.8	8.7	83.3	24.2	18.9	4.4	3.9	3.4	5.4	17.2	19.4
Tata Motors	186	Buy	-13.9	14.9	26.4	-13.4	12.5	7.1	1.2	1.1	0.9	-8.2	9.2	14.2
TVS Motor	491	Neutral	9.9	20.2	26.2	49.6	24.3	18.7	6.0	5.0	4.2	12.5	22.5	24.4

The tables below provide a snapshot of actual and estimated numbers for companies under the MOFSL coverage universe. Highlighted columns indicate the quarter/financial year under review.

Amara Raja Batteries — Neutral

CMP: INR926 | TP: INR869 (-6%) — **EPS CHANGE (%): FY21|22E: +0.5|-0.8**

- Lead cost pressures to keep margin under check in spite of strong OEM/replacement demand.
- Low impact seen in FY21 due to 40–50% revenue accruing from the B2C segment.
- Lead prices were stable during 3QFY21. However, a 9.3% QoQ price increase during 2Q would impact in 3QFY21.
- Margin would also get impacted by a QoQ increase in OEM contribution.

Quarterly performance (INR m)

Y/E March (INR m)	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	**18,150**	**16,953**	**17,478**	**15,814**	**11,510**	**19,358**	**20,100**	**18,963**	**68,395**	**69,932**
YoY Change (%)	2.0	-3.3	3.1	0.9	-36.6	14.2	15.0	19.9	0.7	2.2
RM Cost (% of sales)	67.6	64.1	64.5	63.7	66.5	65.3	66.0	65.7	65.0	65.8
Staff Cost (% of sales)	5.4	5.8	5.4	5.9	7.3	6.0	5.0	5.3	5.6	5.8
Other Exp. (% of sales)	11.6	12.8	13.9	15.0	13.0	11.1	12.5	12.6	13.3	12.2
EBITDA	**2,792**	**2,923**	**2,840**	**2,432**	**1,524**	**3,404**	**3,309**	**3,110**	**10,986**	**11,346**
Margin (%)	15.4	17.2	16.2	15.4	13.2	17.6	16.5	16.4	16.1	16.2
Depreciation	733	750	765	760	748	782	790	811	3,007	3,131
Interest	29	34	29	30	27	25	30	38	122	120
Other Income	102	180	128	141	88	113	120	129	551	450
PBT after EO	**2,132**	**2,319**	**2,174**	**1,783**	**837**	**2,710**	**2,609**	**2,390**	**8,407**	**8,545**
Tax	723	130	530	416	210	695	657	591	1,799	2,153
Tax Rate (%)	33.9	5.6	24.4	23.4	25.1	25.6	25.2	24.7	21.4	25.2
Adjusted PAT	**1,409**	**2,189**	**1,644**	**1,366**	**627**	**2,015**	**1,951**	**1,799**	**6,608**	**6,392**
YoY Change (%)	24.7	82.0	25.6	14.5	-55.5	-8.0	18.7	31.7	36.7	-3.3

E: MOFSL estimates

Ashok Leyland — Buy

CMP: INR99 | TP: INR115 (+15%) — **EPS CHANGE (%): FY21|22E: PTL|+11**

- Reasonable QoQ and YoY recovery in M&HCV volumes; strong growth expected toward FY21-end.
- LCV grew on the back of new launches (Bada Dost). The same would grow with increased geographical reach.
- See a 70bp, or ~INR10k/unit, impact from the excise exemption going away at the Pantnagar plant.
- Expect QoQ moderation in interest cost as working capital is normalized.

Quarterly performance (S/A) (INR m)

	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Total Volumes (nos)	39,608	28,938	31,205	25,489	3,814	19,444	33,410	52,608	1,25,240	1,09,276
Growth %	-6.0	-44.3	-28.7	-57.2	-90.4	-32.8	7.1	106.4	-36.5	-12.7
Realizations (INR '000)	1,435	1,358	1,287	1,506	1,707	1,459	1,506	1,547	1,395	1,524
Change (%)	-3.5	-7.4	-11.0	1.3	18.9	7.4	17.0	2.7	-5.3	9.3
Net operating revenue	**56,839**	**39,295**	**40,157**	**38,385**	**6,509**	**28,366**	**50,303**	**81,389**	**1,74,675**	**1,66,567**
Change (%)	-9.2	-48.4	-36.5	-56.6	-88.5	-27.8	25.3	112.0	-39.9	-4.6
RM/sales (%)	69.9	69.0	73.5	71.1	64.1	71.2	72.5	73.1	70.8	72.3
Staff/sales (%)	8.8	11.0	6.8	10.7	54.4	13.2	7.9	5.0	9.2	9.2
Other exp./sales (%)	11.8	14.1	14.1	13.5	32.6	12.8	12.9	12.2	13.2	13.3
EBITDA	**5,370**	**2,286**	**2,252**	**1,830**	**-3,332**	**804**	**3,385**	**7,826**	**11,737**	**8,683**
EBITDA Margin (%)	9.4	5.8	5.6	4.8	-51.2	2.8	6.7	9.6	6.7	5.2
Interest	126	301	337	331	768	872	750	548	1,095	2,938
Other Income	211	455	223	344	256	219	300	375	1,233	1,150
Depreciation	1,646	1,600	1,575	1,877	1,637	1,712	1,770	1,797	6,698	6,915
PBT before EO Item	**3,809**	**839**	**563**	**-34**	**-5,481**	**-1,561**	**1,165**	**5,857**	**5,177**	**-21**
EO Exp./(Inc.)	201	648	22	687	17	17	0	0	1,558	33
PBT after EO	**3,607**	**191**	**542**	**-721**	**-5,498**	**-1,578**	**1,165**	**5,857**	**3,619**	**-54**
Effective Tax Rate (%)	36.2	-103.5	48.8	20.5	29.3	7.1	25.0	23.8	33.8	68.5
Adjusted PAT	**2,435**	**818**	**292**	**-118**	**-3,883**	**-1,461**	**873**	**4,464**	**3,426**	**-7**
Change (%)	-44.1	-84.9	-92.4	-101.8	-259.4	-278.7	199.3	-3,875.0	-83.1	-100.2

E: MOFSL estimates

Bajaj Auto — Neutral

CMP: INR3,483 | TP: INR3,784 (+9%) — **EPS CHANGE (%): FY21|22E: -2.1|-0.6**

- Weak 3W volumes partially offset by strong 2W export growth.
- Decline in export incentives also impacting YoY margin.
- Focus on cost-cutting would drive margin improvement despite lower export incentives.
- FY21E EPS downgrade driven by lower 3W volumes.

Quarterly performance (INR m)

	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Volumes ('000 units)	1,247	1,174	1,202	992	443	1,053	1,307	1,231	4,615	4,034
Growth YoY (%)	1.7	-12.4	-4.6	-16.9	-64.5	-10.2	8.7	24.1	(8.1)	12.6)
Realization (INR/unit)	62,187	65,673	63,532	68,711	69,493	67,935	68,614	67,098	64,826	68,071
Growth YoY (%)	2.2	9.5	7.6	10.5	11.7	3.4	8.0	-2.3	7.2	5.0
Net Sales	**77,558**	**77,073**	**76,397**	**68,159**	**30,792**	**71,559**	**89,666**	**82,600**	**2,99,187**	**2,74,617**
Change (%)	3.9	-4.1	2.7	-8.1	-60.3	-7.2	17.4	21.2	(1.4)	(8.2)
RM/Sales (%)	71.7	70.5	69.9	68.4	67.1	70.7	71.5	71.4	70.2	70.8
Staff cost/Sales (%)	4.6	4.4	4.6	5.0	11.0	4.5	3.9	4.2	4.6	5.0
Oth. Exp./Sales (%)	8.2	8.6	7.8	8.2	8.7	7.1	7.2	7.4	8.2	7.4
EBITDA	**11,982**	**12,781**	**13,672**	**12,528**	**4,085**	**12,662**	**15,652**	**14,103**	**50,962**	**46,502**
EBITDA Margin (%)	15.4	16.6	17.9	18.4	13.3	17.7	17.5	17.1	17.0	16.9
Other Income	4,413	3,934	3,662	5,327	3,379	2,858	3,100	3,298	17,336	12,635
Interest	5	12	5	9	10	27	20	20	32	76
Depreciation	601	613	617	633	638	643	645	659	2,464	2,585
PBT after EO	**15,788**	**16,089**	**16,713**	**17,212**	**6,817**	**14,851**	**18,087**	**16,723**	**65,802**	**56,477**
Effective Tax Rate (%)	28.7	12.8	24.5	23.9	22.5	23.4	23.1	23.2	22.5	23.1
Adjusted PAT	**11,257**	**14,024**	**12,616**	**13,103**	**5,280**	**11,382**	**13,901**	**12,844**	**51,000**	**43,407**
Change (%)	0.9	21.7	14.5	22.8	(53.1)	(18.8)	10.2	(2.0)	15.0	(14.9)

E: MOFSL estimates

Bharat Forge — Buy

CMP: INR538 | TP: INR622 (+16%) — **EPS CHANGE (%): FY21|22E: +20|+11.3**

- Recovery in CVs/PVs to drive revenue and margin.
- Improved realization and operating leverage to support margin.
- Pickup in US Class 8 trucks' net ordering and recovery in crude oil to benefit shale oil business in FY22E.
- See an EPS upgrade due to better-than-expected recovery in India and US CV business.

Standalone quarterly performance (INR m)

	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Tonnage	**60,874**	**53,541**	**46,998**	**40,173**	**17,840**	**40,775**	**44,648**	**51,958**	**2,01,586**	**1,55,221**
Change (%)	-8.9	-23.2	-29.6	-35.9	-70.7	-23.8	-5.0	29.3	-24.2	-23.0
Realization (INR '000/t)	**221.2**	**235.2**	**229.1**	**219.3**	**239.3**	**216.2**	**249.3**	**236.9**	**226.4**	**235.3**
Change (%)	-0.1	-2.4	-9.6	-17.6	8.2	-8.1	8.8	8.0	-7.7	3.9
Net operating income	**13,466**	**12,595**	**10,767**	**8,812**	**4,270**	**8,815**	**11,130**	**12,310**	**45,639**	**36,524**
Change (%)	-9.0	-25.0	-36.4	-47.2	-68.3	-30.0	3.4	39.7	-30.0	-20.0
EBITDA	**3,519**	**3,004**	**2,394**	**1,482**	**-74**	**1,660**	**2,580**	**2,986**	**10,399**	**7,152**
EBITDA Margin (%)	26.1	23.9	22.2	16.8	-1.7	18.8	23.2	24.3	22.8	19.6
Non-Operating Income	401	495	398	315	420	313	375	407	1,609	1,515
Interest	388	291	356	415	299	75	250	219	1,450	844
Depreciation	886	893	823	847	808	883	860	872	3,449	3,423
Forex loss/(gain)	24	-197	38	379	-46	94	0	0	244	49
PBT after EO items	**2,622**	**2,512**	**1,575**	**-783**	**-716**	**892**	**1,845**	**2,302**	**5,926**	**4,323**
Eff. Tax Rate (%)	33.6	2.5	18.8	6.4	21.4	21.2	22.9	23.1	20.1	22.9
Rep. PAT	**1,741**	**2,449**	**1,278**	**-733**	**-563**	**702**	**1,423**	**1,771**	**4,735**	**3,333**
Change (%)	-25.7	7.6	-58.7	-124.5	-132.3	-71.3	11.3	-341.6	-55.8	-29.6
Adjusted PAT	**1,741**	**2,449**	**1,278**	**17**	**-563**	**725**	**1,423**	**1,771**	**5,486**	**3,356**
Change (%)	-25.7	7.6	-58.7	-99.4	-132.3	-70.4	11.3	10,034.0	-48.8	-38.8

E: MOFSL estimates

Bosch — Neutral

CMP: INR12,991 | TP: INR14,550 (+12%) — **EPS CHANGE (%): FY21|22E: -1.6|+4.3**

- Expect BOS to grow faster than underlying industry.
- Underlying industry volumes and 2W EFI business addition supports growth.
- Benefits to accrue from content increase and 2W EFI.
- EPS upgrade a reflection of sharper-than-expected recovery for PVs and CVs.

Quarterly performance (S/A) (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	**27,554**	**23,127**	**25,366**	**22,369**	**9,915**	**24,792**	**29,171**	**27,931**	**98,416**	**91,809**
YoY Change (%)	-14.2	-26.9	-15.7	-18.6	-64.0	7.2	15.0	24.9	-18.6	-6.7
RM Cost (% of sales)	54.4	55.4	52.1	53.9	57.7	59.4	57.0	56.6	53.9	57.6
Staff Cost (% of sales)	12.8	14.5	12.0	12.4	24.5	12.4	9.9	10.3	12.9	12.3
Other Expenses (% of sales)	15.2	15.5	23.2	18.5	28.1	16.6	21.0	17.0	18.1	19.4
EBITDA	**4,848**	**3,369**	**3,203**	**3,414**	**-1,021**	**2,881**	**3,518**	**4,494**	**14,834**	**9,872**
Margin (%)	17.6	14.6	12.6	15.3	-10.3	11.6	12.1	16.1	15.1	10.8
Depreciation	749	827	1,098	1,158	728	796	900	1,076	3,833	3,500
Interest	18	6	29	49	18	13	25	44	102	100
Other Income	988	1,675	1,399	1,404	1,734	1,015	1,200	1,436	5,466	5,385
PBT before EO expense	**5,068**	**4,211**	**3,475**	**3,611**	**-34**	**3,086**	**3,793**	**4,811**	**16,365**	**11,656**
Extra-Ord. expense	821	2,750	2,075	2,970	1,674	4,000	0	0	8,616	5,674
PBT after EO Expense	**4,247**	**1,461**	**1,400**	**641**	**-1,707**	**-914**	**3,793**	**4,811**	**7,749**	**5,982**
Tax Rate (%)	33.7	29.7	14.7	-26.6	29.4	29.1	26.0	26.4	24.5	24.9
Adjusted PAT	**3,435**	**3,103**	**2,760**	**3,053**	**52**	**2,356**	**2,807**	**3,539**	**12,351**	**8,754**
YoY Change (%)	-20.3	-26.3	-16.0	-25.8	-98.5	-24.1	1.7	15.9	-22.5	-29.1

Ceat — Buy

CMP: INR1,094| TP: INR1,325(+21%) — **EPS CHANGE (%): FY21|22E: -5|+2**

- Strong demand in aftermarket/OEM and high capacity utilization to drive 3QFY21 performance.
- Impact of RM cost inflation to affect margin from 3QFY21.
- Ramp-up at new TBR/PCR plant to support recovery in demand.
- EPS downgrade due to higher RM cost.

Quarterly earnings model (consolidated) (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	**17,521**	**16,916**	**17,618**	**15,734**	**11,202**	**19,785**	**20,260**	**20,229**	**67,788**	**71,476**
YoY Change (%)	2.7	-4.6	1.8	-10.6	-36.1	17.0	15.0	28.6	-2.9	5.4
RM cost (%)	60.5	58.9	57.0	54.4	59.7	53.5	56.0	57.0	57.8	56.2
Employee cost (%)	7.7	7.2	8.2	9.0	13.5	8.1	8.0	8.2	8.0	9.0
Other expenses (%)	22.3	23.9	24.4	23.9	17.6	23.5	23.4	23.6	23.6	22.6
EBITDA	**1,671**	**1,704**	**1,832**	**2,004**	**1,020**	**2,925**	**2,545**	**2,266**	**7,238**	**8,756**
Margin (%)	9.5	10.1	10.4	12.7	9.1	14.8	12.6	11.2	10.7	12.3
Depreciation	644	671	705	745	785	839	855	877	2,765	3,356
Interest	349	374	380	407	488	450	490	510	1,509	1,937
Other Income	120	43	36	35	28	38	50	84	205	200
PBT before EO expense	**798**	**702**	**783**	**887**	**-225**	**1,674**	**1,250**	**964**	**3,169**	**3,662**
Exceptional item	-298	8	3	282	218	0	0	0	-5	218
PBT	**1,095**	**693**	**780**	**605**	**-443**	**1,674**	**1,250**	**964**	**3,174**	**3,444**
Tax	326	305	301	114	-56	-15	275	244	1,046	448
Tax Rate (%)	29.7	44.0	38.6	18.7	12.6	-0.9	22.0	25.3	33.0	13.0
Minority Int. and Profit of Asso. Cos.	-56	-52	-49	-27	-40	-130	-55	75	-184	-150
Reported PAT	**826**	**440**	**528**	**519**	**-348**	**1,819**	**1,030**	**646**	**2,312**	**3,147**
Adjusted PAT	**626**	**445**	**530**	**708**	**-158**	**1,819**	**1,030**	**646**	**2,309**	**3,336**
YoY Change (%)	-15	-31	0	-12	-125	308	94	-9	-14.7	44

E: MOFSL estimates

Eicher Motors — Buy

CMP: INR2,542 | TP: INR2,787 (+10%) — **EPS CHANGE (%): FY21|22E: -6.1|-2.4**

- New model launches in 1HCY21, after the initial success of Meteor, to support a recovery in volumes.
- Earnings downgrade due to RM cost inflation.
- Order book and inquiries continue to remain healthy.
- VECV YoY margin improvement led by operating leverage.

Quarterly performance (Consolidated) (INR m)

	FY20				FY21E				FY20	FY21E
Y/E March	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Operating income	**23,819**	**21,925**	**23,710**	**22,082**	**8,182**	**21,336**	**28,307**	**29,382**	**91,536**	**87,206**
Growth (%)	-6.5	-9.0	1.3	-11.7	-65.7	-2.7	19.4	33.1	-6.6	-4.7
EBITDA	**6,144**	**5,414**	**5,923**	**4,322**	**38**	**4,711**	**6,644**	**6,636**	**21,804**	**18,028**
EBITDA Margin (%)	25.8	24.7	25.0	19.6	0.5	22.1	23.5	22.6	23.8	20.7
PAT	**4,309**	**5,644**	**4,821**	**3,183**	**102**	**3,472**	**4,933**	**4,920**	17,957	**13,427**
Share of JV Loss/(PAT)/ Min. Int.	-209	-83	-166	140	654	39	-384	-733	-317.1	-425
Recurring PAT	**4,517**	**5,727**	**4,987**	**3,043**	**-552**	**3,433**	**5,317**	**5,653**	**18,274**	**13,852**
Growth (%)	-21.6	1.1	-6.4	-44.2	-112.2	-40.0	6.6	85.8	-17.7	-24.2
Standalone (Royal Enfield)										
Net operating income	**23,526**	**21,819**	**23,635**	**21,795**	**7,692**	**21,233**	**28,307**	**29,974**	**90,775**	**87,206**
Growth (%)	-7.6	-9.2	0.8	-12.8	-67.3	-2.7	19.8	37.5	-7.3	-3.9
EBITDA	**6,093**	**5,460**	**5,952**	**4,533**	**12**	**4,838**	**6,759**	**6,880**	**22,038**	**18,488**
EBITDA Margin (%)	25.9	25.0	25.2	20.8	0.2	22.8	23.9	23.0	24.3	21.2
Recurring PAT	**4,982**	**5,705**	**4,889**	**3,462**	**123**	**3,609**	**5,048**	**5,148**	**19,038**	**13,927**
Growth (%)	-15.7	15.8	-2.5	-27.9	-97.5	-36.7	3.2	48.7	-7.8	-26.8
VECV: Quarterly performance										
Net Op. Income	**22,550**	**20,040**	**21,640**	**21,010**	**6,410**	**17,030**	**25,894**	**33,558**	**85,244**	**82,893**
Growth (%)	-13.6	-32.4	-23.2	-34.5	-71.6	-15.0	19.7	59.7	-26.5	-2.8
EBITDA	**1,250**	**1,050**	**1,330**	**378**	**-720**	**1,180**	**2,108**	**3,035**	**4,013**	**5,603**
EBITDA Margin (%)	5.5	5.2	6.1	1.8	-11.2	6.9	8.1	9.0	4.7	6.8
Recurring PAT	**380**	**150**	**450**	**-401**	**-1,200**	**-74**	**707**	**1,348**	**583**	**781**
Growth (%)	-67.8	-89.4	-40.8	-128.8	-416.3	-149.5	56.9	-436.0	-87.7	33.9

E: MOFSL estimates

Endurance Technologies — Buy

CMP: INR1350 | TP: INR1606 (+19%) — **EPS CHANGE (%): FY21|22E: -5.1|-0.9**

- Recovery in the 2W industry and ramp-up in orders on hand to drive YoY growth in revenue.
- Revenue from EU to decline in line with the industry.
- Incentives and operating leverage to drive margin.
- EPS downgrade in FY22E driven by lower EU revenue.

Quarterly performance (consolidated)

Y/E March	FY20				FY21E				FY20	FY21E
INR m	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	**18,619**	**17,713**	**16,405**	**16,038**	**6,031**	**17,422**	**18,884**	**19,698**	**68,775**	**62,035**
YoY Change (%)	0.1	-8.5	-9.5	-14.3	-67.6	-1.6	15.1	22.8	-8.4	-9.8
RM Cost (% of sales)	55.6	54.0	53.4	54.0	47.9	54.9	55.7	55.0	54.3	54.5
Staff Cost (% of sales)	9.6	9.4	10.3	10.1	21.9	9.6	8.9	8.6	9.8	10.3
Other Exp. (% of sales)	19.0	20.2	20.4	20.6	23.1	19.1	19.2	20.4	20.0	19.9
EBITDA	**2,941**	**2,911**	**2,605**	**2,449**	**427**	**2,852**	**3,073**	**3,155**	**10,906**	**9,508**
Margin (%)	15.8	16.4	15.9	15.3	7.1	16.4	16.3	16.0	15.9	15.3
Depreciation	927	986	1,000	1,230	856	973	1,025	1,282	4,143	4,136
Interest	58	49	43	26	42	35	37	42	175	156
Other Income	68	114	119	174	109	71	110	161	476	451
PBT before EO expense	**2,024**	**1,990**	**1,681**	**1,368**	**-361**	**1,916**	**2,121**	**1,992**	**7,064**	**5,668**
Exceptional Item	-472	0	0	70	0	-279	0	0	-402	-279
PBT after EO	**2,496**	**1,990**	**1,681**	**1,298**	**-361**	**2,195**	**2,121**	**1,992**	**7,465**	**5,948**
Tax	840	300	441	229	-112	524	524	487	1,810	1,422
Eff. Tax Rate (%)	33.7	15.1	26.2	17.7	31.0	23.9	24.7	24.4	24.2	23.9
Adjusted PAT	**1,298**	**1,691**	**1,240**	**1,122**	**-249**	**1,459**	**1,598**	**1,506**	**5,351**	**4,313**
YoY Change (%)	4.2	35.0	11.9	-12.4	-119.2	-13.7	28.8	34.2	3.2	-19.4

E: MOFSL estimates

Escorts — Neutral

CMP: INR1,288 | TP: INR1,417 (+10%) — **EPS CHANGE (%): FY21|22E: +4.1|+6**

- Strong rural demand led to volume growth of ~24% YoY.
- Upgrade earnings due to increase in volumes of Tractors.
- RM cost to keep margin under check.
- Yet to factor in benefits from the Kubota alliance.

Standalone quarterly performance (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	**14,230**	**13,239**	**16,334**	**13,807**	**10,616**	**16,397**	**20,536**	**19,435**	**57,610**	**66,985**
YoY Change (%)	-5.8	-5.3	-1.3	-15.4	-25.4	23.9	25.7	40.8	-7.0	16.3
Total Expenditure	12,805	11,972	14,212	11,862	9,420	13,389	16,916	16,408	50,851	56,133
EBITDA	**1,424**	**1,267**	**2,123**	**1,944**	**1,196**	**3,009**	**3,620**	**3,027**	**6,759**	**10,851**
Margins (%)	10.0	9.6	13.0	14.1	11.3	18.3	17.6	15.6	11.7	16.2
Depreciation	241	260	267	278	264	274	285	293	1,046	1,115
Interest	59	39	29	28	19	32	20	24	155	95
Other Income	167	211	267	278	298	376	320	304	923	1,298
PBT	**1,292**	**1,087**	**2,094**	**1,916**	**1,211**	**3,078**	**3,635**	**3,015**	**6,389**	**10,939**
Rate (%)	32.2	3.8	26.9	26.7	23.9	25.3	24.3	23.5	24.0	24.3
Adjusted PAT	**875**	**1,135**	**1,531**	**1,404**	**922**	**2,299**	**2,750**	**2,305**	**4,798**	**8,275**
YoY Change (%)	-26.8	10.5	15.2	15.7	5.3	102.6	79.7	64.2	1.4	72.5

Exide Industries — Buy

CMP: INR191 | TP: INR222 (+16%) — **EPS CHANGE (%): FY21|22E: -1.5|-3.5**

- Strong demand from both OEM and replacement side.
- Battery players to be less impacted in FY21 due to 40-50% revenue coming in from the B2C segment.
- Lead prices were stable during 3QFY21. However, 9.3% QoQ price increase during 2Q to impact in 3QFY21.
- Margin to also get impacted by a QoQ increase in OEM contribution.

Standalone quarterly performance (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	**27,793**	**26,109**	**24,115**	**20,551**	**15,476**	**27,534**	**27,249**	**24,327**	**98,567**	**94,586**
Growth YoY (%)	0.2	-4.0	-3.4	-20.9	-44.3	5.5	13.0	18.4	-6.9	-4.0
RM (%)	64.5	63.8	63.8	61.8	68.8	65.0	66.0	66.2	63.6	66.2
Employee cost (%)	6.0	6.7	6.9	7.7	9.0	6.9	6.4	7.2	6.8	7.2
Other Exp. (%)	14.9	15.5	16.0	17.3	12.6	13.9	14.1	13.4	15.8	13.6
EBITDA	**4,077**	**3,672**	**3,198**	**2,702**	**1,485**	**3,920**	**3,693**	**3,212**	**13,650**	**12,309**
EBITDA Margin (%)	14.7	14.1	13.3	13.1	9.6	14.2	13.6	13.2	13.8	13.0
Change (%)	4.3	10.4	2.3	-27.6	-63.6	6.8	15.5	18.9	-3.3	-9.8
Non-Operating Income	164	56	251	169	70	148	150	162	639	530
Interest	18	18	21	37	14	63	30	23	94	130
Depreciation	864	898	925	939	914	953	957	964	3,626	3,788
PBT after EO Exp.	**3,359**	**2,812**	**2,286**	**1,895**	**627**	**3,052**	**2,856**	**2,386**	**10,352**	**8,921**
Effective Tax Rate (%)	33.2	15.6	14.3	11.4	29.9	25.0	24.8	23.1	20.3	24.8
Adjusted PAT	**2,243**	**2,373**	**2,132**	**1,680**	**440**	**2,288**	**2,148**	**1,835**	**8,428**	**6,710**
Change (%)	2.2	30.8	32.1	-19.2	-80.4	-3.6	0.7	9.2	9.4	-20.4

E: MOFSL estimates

Hero MotoCorp — Buy

CMP: INR3,099 | TP: INR3,620 (+17%) — **EPS CHANGE (%): FY21|22E: -3.3 |-7.8**

- Momentum in demand recovery got diluted after the festive season.
- Strong entry-level portfolio and robust rural recovery augur well for FY22 volumes.
- Impact of RM cost inflation to get diluted by price increases taken in Oct'20 and Jan'21.
- Downgrade EPS due to commodity cost inflation.

Quarterly performance (S/A) — **(INR m)**

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Total Volumes ('000 nos)	1,843	1,691	1,541	1,277	563	1,815	1,845	1,675	6,352	5,898
Growth YoY (%)	-12.4	-20.7	-14.4	-28.3	-69.4	7.3	19.8	31.2	-18.8	-7.1
Net Realization	43,574	44,759	45,408	48,867	52,741	51,620	52,136	52,893	45,398	52,250
Growth YoY (%)	4.1	5.1	4.0	10.4	21.0	15.3	14.8	8.2	5.5	15.1
Net Op. Revenue	**80,303**	**75,707**	**69,967**	**62,384**	**29,715**	**93,673**	**96,205**	**88,590**	**288,360**	**308,184**
Growth YoY (%)	-8.8	-16.7	-11.0	-20.9	-63.0	23.7	37.5	42.0	-14.3	6.9
RM Cost (% sales)	69.6	67.7	66.6	69.2	70.5	71.1	71.5	72.1	68.3	71.5
Staff Cost (% sales)	5.8	6.2	6.7	7.0	12.9	5.5	5.5	5.6	6.4	6.2
Other Exp. (% sales)	10.1	11.6	11.8	13.2	13.0	9.7	9.7	9.3	11.6	9.9
EBITDA	**11,580**	**11,011**	**10,390**	**6,599**	**1,081**	**12,864**	**12,849**	**11,536**	**39,579**	**38,330**
EBITDA Margin (%)	14.4	14.5	14.8	10.6	3.6	13.7	13.4	13.0	13.7	12.4
Other Income	1,688	2,078	1,822	1,695	1,485	1,413	1,450	1,432	7,283	5,780
Interest	44	77	59	41	63	46	50	71	220	230
Depreciation	2,361	2,034	2,037	1,747	1,708	1,732	1,745	1,753	8,180	6,937
PBT before EO Exp./(Inc.)	**10,864**	**10,979**	**10,115**	**6,506**	**795**	**12,500**	**12,504**	**11,144**	**38,463**	**36,943**
Effective Tax Rate (%)	32.9	15.7	13.0	4.6	22.9	23.7	23.9	24.1	20.6	23.9
Adj. PAT	**6,318**	**9,226**	**8,804**	**6,207**	**613**	**9,535**	**9,518**	**8,454**	**30,554**	**28,119**
Growth (%)	-30.5	-5.5	14.5	-15.0	-90.3	3.3	8.1	36.2	-9.7	-8.0

Mahindra & Mahindra — Buy

CMP: INR733 | TP: INR841 (+15%) — **EPS CHANGE (%): FY21|22E: -3.1|-8.2**

- Strong growth in Tractors continues to drive mix and margin.
- SUV business sees good demand, but delivery restricted by supply-chain constraints.
- Faster-than-expected recovery in the LCV segment.
- EPS downgrade to account for lower Auto volumes (supply-side issues) and RM cost inflation.

Quarterly performance (incl. MVML) — **(INR m)**

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Total Volumes (nos)	2,18,039	1,91,390	2,16,816	1,51,713	95,308	1,85,270	2,23,978	2,15,475	7,77,958	7,20,031
Growth YoY (%)	-9.5	-16.3	-7.3	-35.6	-56.3	-3.2	3.3	42.0	-17.2	-7.4
Net Realization	5,87,302	5,71,349	5,59,012	5,93,536	5,86,460	6,21,920	6,13,192	6,21,341	5,76,709	6,14,338
Growth YoY (%)	5.9	2.1	1.5	1.3	-0.1	8.9	9.7	4.7	2.5	6.5
Net Op. Income	**1,28,055**	**1,09,351**	**1,21,203**	**90,047**	**55,894**	**1,15,223**	**1,37,341**	**1,33,883**	**4,48,655**	**4,42,342**
Growth YoY (%)	-4.1	-14.5	-6.0	-34.8	-56.4	5.4	13.3	48.7	-15.1	-1.4
RM Cost (% of sales)	67.9	66.0	67.3	64.3	64.8	66.8	67.6	68.1	66.6	67.2
Staff (% of sales)	6.8	7.4	6.8	7.9	13.8	6.9	6.2	6.6	7.2	7.4
Oth. Exp. (% of Sales)	11.3	12.4	11.1	14.2	11.1	9.1	10.3	11.3	12.1	10.4
EBITDA	**17,936**	**15,408**	**17,888**	**12,275**	**5,732**	**19,893**	**22,032**	**18,820**	**63,506**	**66,477**
EBITDA Margin (%)	14.0	14.1	14.8	13.6	10.3	17.3	16.0	14.1	14.2	15.0
Other income	1,919	8,225	2,092	3,155	1,338	3,839	2,200	3,159	15,391	10,535
Interest	302	331	254	359	768	1,179	800	418	1,245	3,165
Depreciation	5,839	5,721	5,900	6,172	5,813	5,870	6,390	6,664	23,631	24,737
EBIT	**12,097**	**9,688**	**11,988**	**6,103**	**-81**	**14,023**	**15,642**	**12,156**	**39,875**	**41,740**
EO Income/(Exp.)	13,671	0	-6,006	-35,776	288	-10,815	0	0	-28,112	-10,526
PBT after EO	**27,384**	**17,582**	**7,821**	**-26,877**	**777**	**5,869**	**17,042**	**14,897**	**25,910**	**38,585**
Effective Tax Rate (%)	17.5	22.9	51.4	-21.1	12.7	31.8	25.0	24.7	71.5	31.8
Reported PAT	**22,597**	**13,548**	**3,802**	**-32,550**	**678**	**1,618**	**12,781**	**11,223**	**7,397**	**26,300**
Adjusted PAT	**9,180**	**13,548**	**9,810**	**3,230**	**390**	**13,110**	**12,781**	**11,223**	**35,770**	**37,504**
Change (%)	-25.9	-19.3	-15.8	-69.1	-95.8	-3.2	30.3	247.5	-30.3	4.8

E: MOFSL estimates

Mahindra CIE — Buy

CMP: INR174 | TP: INR204 (+18%) — **EPS CHANGE (%): CY20|21E: -25.9|+0.3**

- Demand recovery seen across key segments in India.
- Focus on increasing share of new orders to drive growth.
- Recovery in the EU has been slower than expected due to a second wave of COVID-19.
- Margin expands QoQ due to operating leverage as well as cost saving initiatives.

Quarterly performance (consolidated) — (INR m)

(INR m)	CY19				CY20				CY19	CY20E
Y/E December	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**21,744**	**21,420**	**18,685**	**17,229**	**16,627**	**7,355**	**16,943**	**17,828**	**79,078**	**58,753**
YoY Change (%)	8.9	3.0	-5.7	-12.8	-23.5	-65.7	-9.3	3.5	-1.5	-25.7
EBITDA	**2,825**	**2,616**	**2,092**	**2,143**	**1,822**	**-963**	**1,508**	**2,216**	**8,319**	**4,584**
Margin (%)	13.0	12.2	11.2	12.4	11.0	-13.1	8.9	12.4	**10.5**	**7.8**
Depreciation	740	844	789	788	815	518	849	827	3,161	3,009
Interest	103	115	198	106	182	167	142	146	523	638
Other Income	148	78	42	63	49	179	420	84	331	732
PBT before EO expense	**2,130**	**1,734**	**1,147**	**1,312**	**873**	**-1,468**	**937**	**1,327**	**4,966**	**1,670**
EO Exp./(Inc.)	13	0	-51	84	-1	2	0	0	46	0
PBT after EO exp.	**2,117**	**1,734**	**1,198**	**1,228**	**874**	**-1,470**	**937**	**1,327**	**4,920**	**1,669**
Tax Rate (%)	28.0	27.2	48.9	88.7	28.3	12.5	35.2	27.8	55.7	45.7
Adj. PAT	**1,532**	**1,262**	**583**	**186**	**626**	**-1,286**	**607**	**959**	**3,564**	**907**
YoY Change (%)	16.2	-9.1	-56.1	-86.8	-59.1	-201.9	4.2	414.3	-33.2	-74.6
Margin (%)	7.0	5.9	3.1	1.1	3.8	-17.5	3.6	5.4	4.5	1.5

Maruti Suzuki — Buy

CMP: INR7,692 | TP: INR8,650 (+12.5%) — **EPS CHANGE (%): FY21|22E: 1.9|0.6**

- Stronger-than-expected demand resulting in minimal channel inventory.
- Risk of supply-side disruption due to global shortage of semi-conductors.
- Operating leverage and lower discounts to dilute RM cost increase and drive margin. Mix weak due to higher demand in entry/mid-level cars.
- Product launches and competitors' diesel portfolio performance are key monitorables.

Standalone quarterly performance — (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net operating revenues	**1,97,198**	**1,69,853**	**2,07,068**	**1,81,987**	**41,065**	**1,87,445**	**2,35,853**	**2,43,558**	**7,56,106**	**7,07,922**
Change (%)	-12.2	-23.6	5.3	-15.2	-79.2	10.4	13.9	33.8	-12.1	-6.4
EBITDA	**20,478**	**16,063**	**21,021**	**15,464**	**-8,634**	**19,336**	**26,592**	**27,549**	**84,772**	**64,843**
EBITDA Margins (%)	10.4	9.5	10.2	8.5	-21.0	10.3	11.3	11.3	11.2	9.2
Depreciation	9,186	9,261	8,580	8,230	7,833	7,659	7,800	8,124	35,257	31,416
EBIT	**11,292**	**6,802**	**12,441**	**7,234**	**-16,467**	**11,677**	**18,792**	**19,425**	**49,515**	**33,428**
EBIT Margins (%)	5.7	4.0	6.0	4.0	-40.1	6.2	8.0	8.0	6.5	4.7
Non-Operating Income	8,364	9,200	7,840	8,804	13,183	6,025	7,000	7,183	34,208	33,391
PBT	**19,109**	**15,720**	**20,064**	**15,755**	**-3,457**	**17,478**	**25,562**	**26,385**	**82,394**	**65,969**
Effective Tax Rate (%)	24.9	13.6	22.0	18.0	27.9	21.5	20.5	21.0	17.2	20.6
Adjusted PAT	**14,355**	**13,586**	**15,648**	**12,917**	**-2,494**	**13,716**	**20,322**	**20,848**	**68,252**	**52,392**
Change (%)	-27.3	-35.3	5.1	-28.1	-117.4	1.0	29.9	61.4	-15.1	-23.2

Motherson Sumi — Buy

CMP: INR164| TP: INR189 (+15%) — **EPS CHANGE (%): FY21|22E: +13.9|+14.5**

- Global business largely normalized. Further improvement in efficiencies for greenfield plants is a key moniterable.
- India PV industry recovery better than expected.
- EPS upgrade reflects upgrades in improving business outlook for the India business as well as for PKC.

Quarterly performance (consolidated) (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	**1,67,925**	**1,59,242**	**1,56,611**	**1,51,591**	**85,039**	**1,56,731**	**1,73,696**	**1,91,355**	**6,35,369**	**6,06,821**
YoY Change (%)	13.7	5.4	-4.9	-11.7	-49.4	-1.6	10.9	26.2	0.0	-4.5
EBITDA	**12,550**	**13,190**	**12,358**	**13,916**	**-6,300**	**15,530**	**17,876**	**20,390**	**52,014**	**47,497**
Margin (%)	7.5	8.3	7.9	9.2	-7.4	9.9	10.3	10.7	8.2	7.8
Depreciation	6,365	6,551	6,938	7,927	7,123	7,467	7,630	9,491	27,780	31,711
Interest	1,559	1,254	1,791	1,382	1,115	1,289	1,400	2,330	5,986	6,135
Other income	547	825	783	151	481	593	500	877	2,307	2,450
PBT after EO Expense	**5,173**	**6,211**	**4,412**	**4,759**	**-14,058**	**6,771**	**9,346**	**10,041**	**20,554**	**12,100**
Tax Rate (%)	34.3	30.1	27.8	69.7	15.2	26.4	31.0	11.1	39.8	31.0
Min. Int. and Share of profit	84	496	480	-390	-3,810	1,088	2,418	1,882	669	1,578
Adjusted PAT	**3,315**	**3,846**	**2,705**	**1,834**	**-8,104**	**3,720**	**4,031**	**6,576**	**11,700**	**6,222**
YoY Change (%)	-25.2	3.6	-30.5	-55.3	-344.4	-3.3	49.0	258.6	-27.5	-46.8

E: MOFSL estimates

Tata Motors — Buy

CMP: INR186 | TP: INR252 (+35%) — **EPS CHANGE (%): FY21|22E: +6|+28**

- India business losses to reduce due to demand recovery in CVs and strong PV demand.
- India business to have an adverse mix (CV contribution to revenue ~56% v/s 72% YoY).
- JLR mix improvement to continue with higher share of LR and China; cost-cutting to aid performance.
- FY22E EPS upgrade driven by India volume upgrade for CVs and PVs.

Quarterly performance (consolidated) (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
JLR vols. (incl. JV)	**1,18,550**	**1,34,489**	**1,47,416**	**1,24,947**	**65,425**	**91,367**	**1,13,658**	**1,44,459**	**5,25,402**	**4,14,909**
JLR Realizations (GBP/unit)	48,698	50,246	48,477	45,729	58,452	59,250	58,658	53,884	48,291	56,983
JLR EBITDA (%)	4.2	13.4	10.8	4.8	3.6	11.1	11.3	13.7	8.7	10.9
JLR PAT (GBP m)	**-389**	**111**	**372**	**-531**	**-648**	**117**	**90**	**410**	**-415**	**-31**
S/A vol. (units)	**1,37,475**	**1,05,031**	**1,29,381**	**1,01,490**	**25,047**	**1,10,379**	**1,58,199**	**1,90,353**	**4,73,377**	**4,83,978**
S/A Realizations (INR/unit)	9,71,225	9,52,146	7,67,385	9,58,998	10,72,731	8,75,900	9,32,298	10,17,325	-35	2
S/A EBITDA (%)	6.4	-1.7	-5.2	-4.4	-26.2	2.9	7.0	8.4	1.3	4.8
S/A PAT (INR m)	**-890**	**-13,553**	**-17,053**	**-22,418**	**-21,406**	**-11,650**	**-3,698**	**1,913**	**-45,683**	**-34,863**
Net Op. Income	**6,14,670**	**6,54,320**	**7,16,761**	**6,24,930**	**3,19,831**	**5,35,300**	**7,14,399**	**8,87,397**	**26,10,680**	**24,56,926**
Growth (%)	-7.8	-9.1	-6.8	-27.7	-48.0	-18.2	-0.3	42.0	-13.5	-5.9
EBITDA	**29,955**	**71,605**	**71,965**	**23,733**	**6,356**	**56,653**	**69,951**	**1,03,490**	**1,97,258**	**2,36,450**
EBITDA Margin (%)	4.9	10.9	10.0	3.8	2.0	10.6	9.8	11.7	7.6	9.6
Depreciation	51,117	52,996	51,993	58,149	55,994	56,015	57,100	59,835	2,14,254	2,28,943
Forex Loss/(Gain)	1,375	1,160	-1,972	16,824	-471	-4,330	0	-7,847	17,387	-12,648
Other Income	8,360	6,726	9,001	5,645	6,065	6,332	7,000	7,354	29,732	26,752
Interest Expenses	17,116	18,354	17,436	19,528	18,768	19,496	19,000	18,956	72,433	76,220
PBT before EO	**-31,294**	**5,821**	**13,510**	**-65,123**	**-61,870**	**-8,196**	**851**	**39,900**	**-77,085**	**-29,314**
EO Exp./(Inc.)	1,088	-391	11	28,007	-32	-49	0	0	28,714	-81
PBT after EO Exp.	**-32,382**	**6,212**	**13,499**	**-93,130**	**-61,837**	**-8,147**	**851**	**39,900**	**-1,05,800**	**-29,233**
Tax rate (%)	-6.1	71.7	-44.8	-3.8	-35.6	57.9	20.0	9.7	-3.7	-73.0
PAT	**-34,343**	**1,758**	**19,545**	**-96,713**	**-83,842**	**-3,433**	**681**	**36,014**	**-1,09,752**	**-50,581**
Minority Interest	-187	-289	-176	-305	60	-72	-110	-31	-956	-153
Share in profit of Associate Cos.	-2,454	-3,635	-1,986	-1,925	-598	360	198	921	-10,000	882
Adjusted PAT	**-35,855**	**-2,571**	**17,394**	**-69,890**	**-84,436**	**-3,229**	**768**	**36,905**	**-90,921**	**-49,992**
Growth (%)	88.5	(54.1)	(250.6)	(426.8)	135.5	25.6	(95.6)	(152.8)	515.0	-45.0

E: MOFSL estimates

TVS Motor Company — Neutral

CMP: INR491 | TP: INR543 (11%) — **EPS CHANGE (%): FY21|22E: +0.7|+1.3**

- Strong volume growth would be offset by higher RM cost and no export incentives.
- Mix improvement led by strong export growth.
- Price increases taken and lower discounts support realizations.
- Volume upgrade diluted by higher RM cost.

Standalone quarterly performance (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Vols. ('000 units)	**923.2**	**885.8**	**821.5**	**632.9**	**266.9**	**867.8**	**989.5**	**903.5**	**3,263.5**	**3,027.8**
Growth (%)	(0.5)	(18.6)	(17.0)	(30.2)	(71.1)	(2.0)	20.4	42.8	(16.6)	(7.2)
Realization (INR '000/unit)	**48.4**	**49.1**	**50.2**	**55.0**	**53.6**	**53.1**	**53.4**	**54.1**	**50.3**	**53.6**
Growth (%)	7.7	7.0	6.6	13.7	10.8	8.1	6.4	(1.6)	8.2	6.4
Net Sales	**44,686**	**43,478**	**41,255**	**34,814**	**14,317**	**46,055**	**52,880**	**48,907**	**1,64,233**	**1,62,159**
Growth (%)	7.1	(12.9)	(11.5)	(20.7)	(68.0)	5.9	28.2	40.5	(9.8)	(1.3)
RM (% of sales)	75.1	73.4	72.2	75.0	75.9	76.5	76.3	77.0	73.9	76.5
Emp cost (% of sales)	5.6	5.4	5.7	6.4	13.8	4.7	4.4	4.7	5.7	5.4
Other exp. (% of sales)	11.3	12.5	13.3	11.6	13.8	9.5	10.3	10.0	12.2	10.3
EBITDA	**3,558**	**3,820**	**3,633**	**2,449**	**-488**	**4,301**	**4,752**	**4,043**	**13,459**	**12,608**
EBITDA Margin (%)	8.0	8.8	8.8	7.0	(3.4)	9.3	9.0	8.3	8.2	7.8
Interest	291	285	211	235	523	407	350	338	1,022	1,618
Depreciation	1,194	1,241	1,213	1,243	911	1,331	1,340	1,339	4,890	4,920
Other Income	12	49	9	251	26	111	50	31	321	218
PBT before EO Exp.	**2,085**	**2,343**	**2,218**	**1,222**	**-1,896**	**2,674**	**3,112**	**2,398**	**7,867**	**6,288**
EO Exp.	0	-760	760	323	0	0	0	0	323	
Tax rate (%)	31.8	17.8	16.9	17.8	26.7	26.6	25.2	24.8	21.5	25.2
Adjusted PAT	**1,423**	**1,953**	**1,808**	**993**	**-1,391**	**1,963**	**2,328**	**1,804**	**6,176**	**4,703**
Growth (%)	(4.6)	(7.6)	1.3	(27.8)	(197.7)	0.5	28.8	81.8	(7.8)	(23.8)

Capital Goods

Company name
ABB
Bharat Electronics
BHEL
Cummins India
Engineers India
KEC International
Larsen & Toubro
Siemens
Thermax

Recovery in order inflows is a key monitorable

Commodity price inflation may offset cost rationalization to some extent

- Overall 3QFY21 revenue for companies under our coverage should be flat YoY (+1.4%). Aggregate EBITDA should come in 6% lower with a gradual rise in efficiency across all project sites, leading to operating leverage inching to pre COVID-19 levels, offset by the impact of rising commodity prices. Adjusted PAT is pegged 20% lower YoY, largely owing to L&T, due to losses in the Hyderabad Metro project as the same has now been fully commissioned.
- With execution now ramping up gradually for all companies, order inflow outlook and working capital levels are key monitorables. Also, commentary on commodity price inflation and the ability to pass on the same to clients in a weak environment should be watched out for.
- Demand recovery across key sectors is important from an order inflow perspective. Sustainability of cost reduction initiatives undertaken by companies owing to the COVID-19 shutdown is another key area. Any fixed cost reduction, if sustainable, could emerge as the key catalyst going forward.

Revenue to remain flat YoY; BEL and KEC to provide support

With a sharp revenue decline (34%/13%) seen in 1Q/2QFY21 owing to the COVID-19 lockdown, we expect a sequential recovery (+15%) on an aggregate basis. Revenue is seen flat YoY on an aggregate basis, with over 90% efficiency factored across the board. BEL is expected to outperform with a 16% YoY revenue growth on the back of a strong order book, while the same for KEC pegged at 5% YoY. L&T's consolidated revenue is expected to be flat YoY, with core business revenue likely to remain flat as we expect the company to gradually ramp up execution with an eye on working capital management. Short-cycle businesses such as ABB/Siemens are expected to witness a 3%/8% revenue decline. The same in Engineers India is expected to be at 17% YoY owing to lower revenue from the Turnkey segment.

EBITDA to decline owing to lower operating leverage

Aggregate EBITDA is expected to decline 6% YoY, with BHEL being a major laggard. Excluding BHEL, EBITDA decline is likely to be limited to 2% YoY. While short cycle businesses like ABB/Siemens are expected to report a 22%/12% decline, BEL is expected to outperform with a 43% rise in operating profit (partly owing to a soft base YoY). In spite of a 5% revenue growth, KEC is likely to report flat EBITDA YoY as we expect a minor margin impact from commodity price inflation, particularly in Brazil orders. Commentary on the latest capacity utilization and efficiency levels across project sites would hereafter hold the key to 2HFY21 outlook.

Look for companies with sustaining cost-cutting measures after a revival

Adjusted PAT is expected to decline by 20% YoY for our coverage universe. Excluding BHEL, the decline should be lower at 16% YoY. L&T is expected to report a 26% YoY decline in adjusted PAT owing to higher depreciation, interest expense, and tax rate. Excluding L&T, the decline is expected to moderate at 11%. Going forward, we are looking for companies with better cost structures and the ability to sustain the same during this recovery phase after the lifting of COVID-19 lockdown restrictions. Our top picks are L&T and KEC. BHEL and Cummins are our top Sell ideas in the sector.

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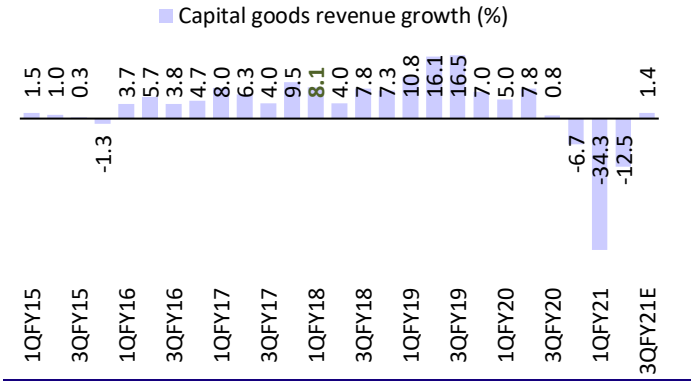
Exhibit 1: Summary of expected quarterly performance

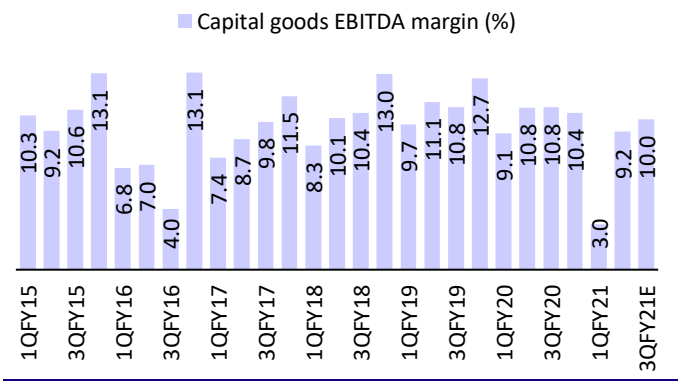
Sector	CMP		SALES (INR M)			EBDITA (INR M)			NET PROFIT (INR M)		
	(INR)	RECO	Dec-20	Var % YoY	Var % QoQ	Dec-20	Var % YoY	Var % QoQ	Dec-20	Var % YoY	Var % QoQ
ABB	1233	Buy	18,948	-3.0	17.5	1,085	-21.6	-10.6	836	-26.3	-2.2
Bharat Electronics	126	Buy	26,300	15.8	-17.5	5,089	43.5	-18.4	3,314	54.1	-16.5
BHEL	39	Sell	56,578	-0.4	53.1	579	-82.4	LP	-278	PL	Loss
Cummins India	582	Sell	14,534	0.0	25.3	2,138	-0.9	27.7	1,843	-7.3	26.6
Engineers India	79	Buy	7,432	-16.6	8.7	992	15.9	28.4	1,199	10.3	29.4
K E C International	372	Buy	32,268	5.0	-0.9	3,227	1.3	10.1	1,585	9.4	11.2
Larsen & Toubro	1297	Buy	3,69,299	1.9	19.0	39,146	-4.9	17.4	15,911	-26.4	43.8
Siemens	1603	Neutral	24,451	-8.4	-30.5	2,976	-11.6	-34.3	2,241	-14.7	-32.7
Thermax	905	Neutral	14,621	3.7	28.1	1,100	-2.9	38.6	781	-8.0	52.6
Capital Goods			**5,64,431**	**1.4**	**14.5**	**56,331**	**-6.3**	**24.7**	**27,433**	**-20.4**	**52.6**

Exhibit 2: Aggregate revenue to remain flat YoY



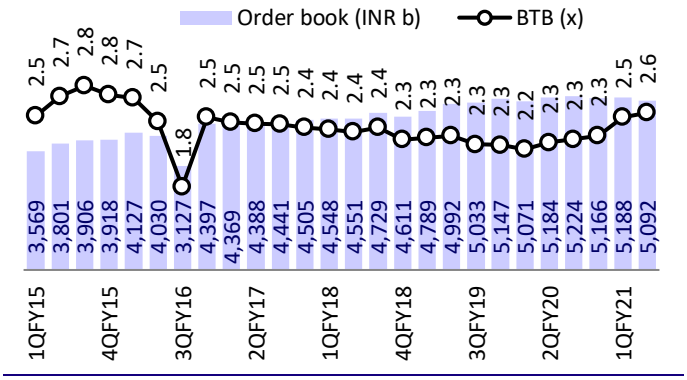
Source: MOFSL, Company

Exhibit 3: EBITDA margin to rise sequentially



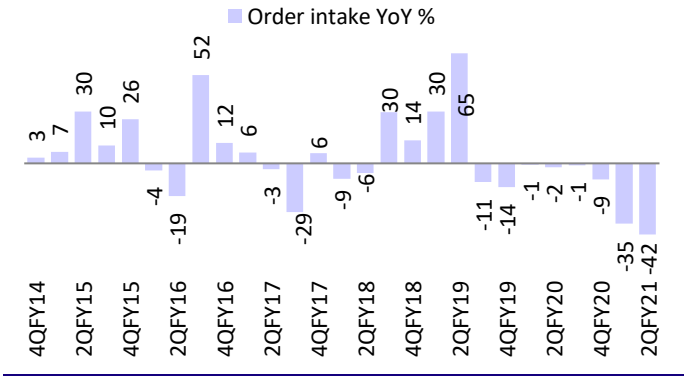
Source: MOFSL, Company

Exhibit 4: Book-to-bill stable at 2.6x



Source: MOFSL, Company

Exhibit 5: Order inflow trend

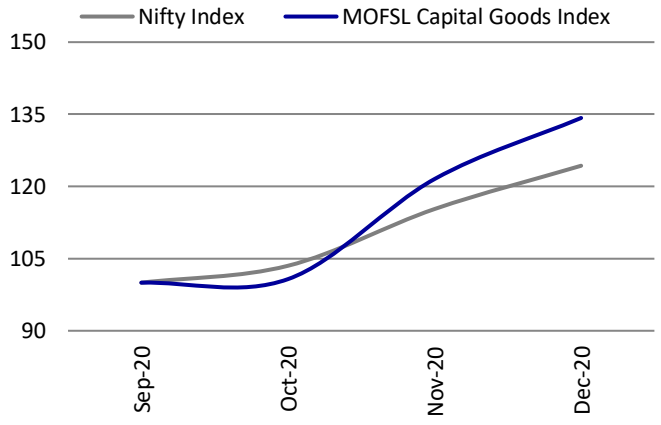


Source: MOFSL, Company

Exhibit 6: Summary of comparative full-year valuation

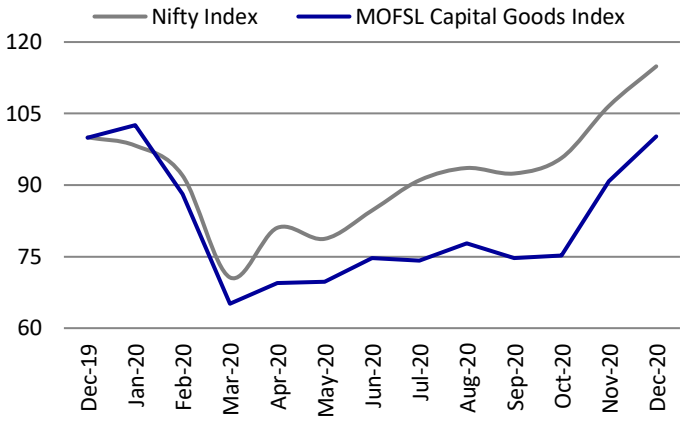
Company Name	CMP (INR)	Reco	EPS (INR)			PE (x)			PB (x)			ROE (%)		
			FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Capital Goods						**35.2**	**22.8**	**19.5**	**2.5**	**2.3**	**2.2**	**7.1**	**10.3**	**11.2**
ABB	1,233	Buy	9.7	21.6	27.3	126.9	57.2	45.2	7.0	6.4	5.8	5.5	11.2	12.8
Bharat Electronics	126	Buy	7.1	8.5	9.4	17.8	14.8	13.5	2.8	2.6	2.3	15.9	17.3	17.3
BHEL	39	Sell	-1.0	1.4	2.2	-37.0	26.8	17.3	0.5	0.5	0.5	-1.3	1.7	2.7
Cummins India	582	Sell	18.3	22.4	25.7	31.8	26.0	22.7	3.7	3.5	3.4	11.5	13.6	14.9
Engineers India	79	Buy	5.7	7.9	8.0	13.9	10.0	9.9	2.2	2.2	2.1	15.1	20.3	20.0
K E C International	372	Buy	22.6	26.5	30.2	16.5	14.0	12.3	2.9	2.5	2.1	17.6	17.5	16.9
Larsen & Toubro	1,297	Buy	75.5	64.1	76.2	17.2	20.2	17.0	2.5	2.3	2.1	8.0	11.3	12.3
Siemens	1,603	Neutral	21.3	33.9	35.8	75.4	47.4	44.8	6.0	5.4	5.0	8.0	11.5	11.1
Thermax	905	Neutral	19.2	32.2	35.8	47.1	28.1	25.3	3.2	3.0	2.8	6.9	10.7	11.0

Exhibit 7: Relative performance – three months (%)



Source: Bloomberg, MOFSL

Exhibit 8: Relative performance – one year (%)



Source: Bloomberg, MOFSL

The tables below provide a snapshot of actual and estimated numbers for companies under the MOFSL coverage universe. Highlighted columns indicate the quarter/financial year under review.

ABB — Buy

CMP: INR1210 | TP: INR1280 (+6%) — **EPS CHANGE (%): CY20|21: -|-**

- Revenue to decline 3% YoY as the company slowly inches toward normalcy.
- Adjusted PAT should come in at INR836m (-26% YoY), owing to lower other income and higher depreciation.
- EBITDA at INR1085m (-22% YoY) with EBITDA margin at 5.7%, down 140bp YoY.
- Watch out for commentary on ramping up of production facilities and order inflow outlook for 2021.

Quarterly performance (INR m)

Y/E December	2019				2020E				2019	2020E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales	**18,503**	**17,258**	**17,456**	**19,533**	**15,222**	**9,858**	**16,122**	**18,948**	**73,151**	**60,150**
Change (%)	18.1	3.6	17.0	-0.7	-17.7	-42.9	-7.6	-3.0	9.3	-17.8
EBITDA	**1,455**	**1,239**	**1,234**	**1,384**	**145**	**234**	**1,214**	**1,085**	**5,312**	**2,678**
Change (%)	62.6	41.5	88.7	-35.8	-90.0	-81.1	-1.6	-21.6	16.0	-49.6
As a % of Sales	7.9	7.2	7.1	7.1	1.0	2.4	7.5	5.7	7.3	4.5
Depreciation	233	220	227	224	271	249	247	258	904	1,025
Interest	26	96	44	47	34	38	28	31	214	130
Other Income	191	204	164	384	458	266	201	305	943	1,230
Extra-ordinary Income	272	-	-	(748)	429	10	(48)	-	(476)	392
PBT (Before Exceptional Items)	**1,387**	**1,127**	**1,127**	**1,497**	**298**	**214**	**1,140**	**1,101**	**5,137**	**2,753**
Tax	497	429	339	362	81	62	285	266	1,627	693
Effective Tax Rate (%)	35.8	38.1	30.1	24.2	27.2	28.8	25.0	24.1	31.7	25.2
Reported PAT	**1,162**	**697**	**788**	**387**	**646**	**163**	**807**	**836**	**3,034**	**2,452**
Adjusted PAT	**890**	**697**	**788**	**1,135**	**217**	**153**	**855**	**836**	**3,510**	**2,060**
Change (%)	95.2	58.9	118.6	-11.8	-75.6	-78.1	8.5	-26.3	38.1	-41.3

Bharat Electronics — Buy

CMP: INR114 | TP: INR140 (+23%) — **EPS CHANGE (%): FY21|22: -|-**

- Expect revenue to grow by 16% YoY to INR26.3b.
- Robust order book of INR522b, with order book-to-revenue at 4x.
- EBITDA margin to increase by 370bp YoY owing higher operating leverage and one-offs in the base quarter.
- Commentary on FY21 revenue, margin, and order inflow outlook (incremental Ventilator orders).

Quarterly performance (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**21,015**	**27,427**	**22,710**	**58,058**	**16,706**	**31,887**	**26,300**	**61,737**	**1,29,211**	**1,36,630**
Change (%)	(0.0)	(18.9)	(16.4)	49.5	(20.5)	16.3	15.8	6.3	6.9	5.7
EBITDA	**3,481**	**5,447**	**3,547**	**14,826**	**1,467**	**6,235**	**5,089**	**13,085**	**27,301**	**25,876**
Change (%)	12.1	(36.2)	(53.8)	59.6	(57.9)	14.5	43.5	(11.7)	(4.6)	(5.2)
As a % of Sales	16.6	19.9	15.6	25.5	8.8	19.6	19.3	21.2	21.1	18.9
Depreciation	828	857	861	950	888	914	950	1,016	3,496	3,768
Interest	3	12	1	16	1	3	9	20	33	33
Other Income	254	150	332	283	184	274	300	342	1,019	1,100
PBT	**2,904**	**4,729**	**3,017**	**14,142**	**762**	**5,592**	**4,430**	**12,391**	**24,792**	**23,176**
Tax	857	1,334	866	3,797	221	1,622	1,116	2,874	6,853	5,833
Effective Tax Rate (%)	29.5	28.2	28.7	26.8	29.0	29.0	25.2	23.2	27.6	25.2
Reported PAT	**2,047**	**3,395**	**2,151**	**10,345**	**541**	**3,971**	**3,314**	**9,517**	**17,938**	**17,342**
Change (%)	13.9	(40.6)	(57.6)	54.7	(73.6)	17.0	54.1	(8.0)	(6.9)	(3.3)
Adjusted PAT	**2,047**	**3,395**	**2,151**	**10,345**	**541**	**3,971**	**3,314**	**9,517**	**17,938**	**17,342**
Change (%)	**13.9**	**(40.6)**	**(57.6)**	**54.7**	**(73.6)**	**17.0**	**54.1**	**(8.0)**	(6.9)	(3.3)

BHEL — Sell

CMP: INR35 | TP: INR27 (-24%) — **EPS CHANGE (%): FY21|22: -|-**

- Revenue to remain flat YoY at INR56.6b.
- PAT loss to narrow down sequentially at INR278m.
- EBITDA to come in at INR579m, with a sequential improvement due to higher operating leverage.
- Watch out for any movement in receivables, ramp-up in operations, and order inflows.

Quarterly performance (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Sales (Net)	**45,317**	**62,257**	**56,794**	**50,493**	**19,909**	**36,952**	**56,578**	**1,12,062**	**2,14,861**	**2,25,500**
Change (%)	-23.7	-8.2	-22.6	-51.0	-56.1	-40.6	-0.4	121.9	-29.4	5.0
EBITDA	**-2,667**	**2,669**	**3,287**	**-5,617**	**-10,589**	**-6,325**	**579**	**15,740**	**-2,329**	**-595**
Change (%)	NA	10.8	50.3	-140.3	NA	NA	-82.4	NA	-110.9	NA
As a % of Sales	-5.9	4.3	5.8	-11.1	-53.2	-17.1	1.0	14.0	-1.1	-0.3
Interest	1,080	1,187	1,391	1,412	1,146	945	1,000	1,010	5,070	4,100
Depreciation	1,148	1,193	1,145	1,543	1,185	1,152	1,150	1,180	5,029	4,667
Other Income	1,455	1,356	1,512	1,482	955	1,048	1,200	1,290	5,806	4,493
PBT	**-3,440**	**1,645**	**2,263**	**-7,090**	**-11,964**	**-7,374**	**-371**	**14,840**	**-6,621**	**-4,869**
Tax	-1,277	459	675	8,252	-2,993	-1,813	-94	3,673	8,109	-1,226
Effective Tax Rate (%)	37.1	27.9	29.8	-116.4	25.0	24.6	25.2	24.8	-122.5	25.2
Reported PAT	**-2,162**	**1,186**	**1,588**	**-15,341**	**-8,972**	**-5,561**	**-278**	**11,167**	**-14,730**	**-3,643**
Change (%)	NA	-36.0	-17.3	-324.7	NA	NA	NA	NA	NA	NA
Adjusted PAT	**-2,162**	**1,186**	**1,588**	**-15,341**	**-8,972**	**-5,561**	**-278**	**11,167**	**-14,730**	**-3,643**
Change (%)	NA	-36.0	-17.3	-324.7	NA	NA	NA	NA	NA	NA

Cummins India — Sell

CMP: INR572 | TP: INR385 (-33%) — **EPS CHANGE (%): FY21|22: - |-**

- Expect revenue to come in at INR14.5b, flat YoY.
- Management commentary on execution ramp-up and demand across various end-markets.
- Expect EBITDA to come in at INR2.1b, flat YoY. Operating margin expected at 14.7% (-10bp YoY).
- Watch out for FY21 guidance and outlook on demand in domestic and export markets.

Quarterly performance (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**13,430**	**13,084**	**14,534**	**10,528**	**4,982**	**11,602**	**14,534**	**12,747**	**51,577**	**43,865**
Change (%)	1.1	-12.0	-3.3	-21.5	-62.9	-11.3	0.0	21.1	-8.9	-15.0
EBITDA	**1,514**	**1,525**	**2,158**	**667**	**29**	**1,674**	**2,138**	**1,573**	**5,863**	**5,415**
Change (%)	-29.5	-39.2	-4.8	-61.2	-98.1	9.8	-0.9	136.0	-20.2	-30.1
As a % of Sales	11.3	11.7	14.8	6.3	0.6	14.4	14.7	12.3	11.4	12.3
Depreciation	291	293	296	308	303	327	325	323	1,187	1,278
Interest	52	55	47	49	43	40	50	67	203	200
Other Income	769	926	723	898	666	580	600	726	3,315	2,571
PBT	**1,940**	**2,102**	**2,538**	**1,208**	**349**	**1,887**	**2,363**	**1,909**	**7,789**	**6,508**
Tax	525	269	551	-5	72	431	520	408	1,341	1,432
Effective Tax Rate (%)	27.1	12.8	21.7	(0.4)	20.7	22.9	22.0	21.4	17.2	22.0
Adjusted PAT	**1,415**	**1,833**	**1,988**	**1,213**	**277**	**1,456**	**1,843**	**1,501**	**6,448**	**5,076**
Change (%)	(22.7)	(13.4)	6.2	(13.9)	(80.4)	(20.6)	(7.3)	23.7	(10.8)	(21.3)
Extra-ordinary Income (net)	-	-	(125)	(30)	249	-	-	-	(155)	249
Reported PAT	**1,415**	**1,833**	**1,862**	**1,183**	**526**	**1,456**	**1,843**	**1,501**	**6,293**	**5,325**
Change (%)	(22.7)	(13.4)	(0.5)	(16.0)	(62.9)	(20.6)	(1.0)	26.8	(12.9)	(15.4)

Engineers India — Buy

CMP: INR79 | TP: INR90 (+14%) — **EPS CHANGE (%): FY21|22: -|-**

- Expect Turnkey segment revenue to decline by 35% YoY and Consultancy revenue to increase by 10% YoY.
- Adjusted PAT to come in at INR1.2b (+10% YoY).
- Favorable revenue mix to aid EBITDA (+16% YoY), with 370bp YoY increase in EBITDA margin.
- Watch out for an update on execution across various sites and the ongoing buyback.

Quarterly performance (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	**7,349**	**7,237**	**8,906**	**8,538**	**4,678**	**6,834**	**7,432**	**3,423**	**32,031**	**22,367**
YoY Change (%)	28.2	6.2	54.4	39.4	-36.3	-5.6	-16.6	-59.9	31.0	-30.2
Total Expenditure	5,954	6,168	8,050	7,428	4,464	6,062	6,440	2,942	27,600	19,908
EBITDA	**1,395**	**1,069**	**856**	**1,110**	**214**	**773**	**992**	**481**	**4,430**	**2,460**
Margin (%)	19.0	14.8	9.6	13.0	4.6	11.3	13.3	14.1	13.8	11.0
Depreciation	57	58	56	67	53	60	65	77	238	254
Interest	3	4	4	6	4	5	4	4	17	17
Other Income	583	655	657	685	497	533	680	913	2,580	2,622
PBT	**1,917**	**1,663**	**1,453**	**1,722**	**653**	**1,241**	**1,603**	**1,313**	**6,755**	**4,810**
Tax	676	986	366	425	172	314	404	320	2,453	1,211
Rate (%)	35.3	59.3	25.2	24.7	26.4	25.3	25.2	24.4	36.3	25.2
Reported PAT	**1,241**	**678**	**1,087**	**1,297**	**481**	**927**	**1,199**	**993**	**4,302**	**3,599**
Adjusted PAT	**1,241**	**678**	**1,087**	**1,297**	**481**	**927**	**1,199**	**993**	**4,302**	**3,599**
YoY Change (%)	43.3	-30.7	19.7	36.7	-61.3	36.8	10.3	-23.5	16.3	-16.3
Margin (%)	16.9	9.4	12.2	15.2	10.3	13.6	16.1	29.0	13.4	16.1

KEC International — Buy

CMP: INR367 | TP: INR450 (+23%) — **EPS CHANGE (%): FY21|22: - | -**

- Revenue to grow by 5% YoY.
- Watch out for commentary on the ongoing ramp-up in execution across domestic and international project sites.
- Expect EBITDA margin at 10% (-40bp YoY/+100bp QoQ).
- Outlook on order inflows across various segments a key monitorable.

Quarterly performance (INR m)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Sales	**24,125**	**28,088**	**30,731**	**36,710**	**22,068**	**32,577**	**32,268**	**39,017**	**1,19,654**	**1,25,929**
Change (%)	14.6	16.6	16.1	-4.4	-8.5	16.0	5.0	6.3	8.8	5.2
EBITDA	**2,513**	**2,938**	**3,185**	**3,707**	**1,949**	**2,931**	**3,227**	**3,983**	**12,343**	**12,090**
Change (%)	16.2	16.1	13.2	-7.1	-22.5	-0.2	1.3	7.5	7.3	-2.1
As a % of Sales	10.4	10.5	10.4	10.1	8.8	9.0	10.0	10.2	10.3	9.6
Depreciation	366	347	367	392	391	374	400	429	1,472	1,594
Interest	795	822	811	652	663	674	675	680	3,080	2,692
Other Income	27	36	21	27	69	68	50	65	111	252
Extra-ordinary Items	0	0	0	0	0	0	0	0	0	0
PBT	**1,379**	**1,805**	**2,028**	**2,691**	**965**	**1,950**	**2,202**	**2,940**	**7,903**	**8,056**
Tax	493	414	579	762	257	525	616	858	2,247	2,256
Effective Tax Rate (%)	35.7	22.9	28.5	28.3	26.6	26.9	28.0	29.2	28.4	28.0
Reported PAT	**886**	**1,391**	**1,449**	**1,929**	**708**	**1,426**	**1,585**	**2,082**	**5,655**	**5,801**
Change (%)	2.0	42.2	29.0	-3.0	-20.1	2.5	9.4	7.9	18.5	2.6
Recurring PAT	**886**	**1,391**	**1,449**	**1,929**	**708**	**1,426**	**1,585**	**2,082**	**5,655**	**5,801**
Change (%)	2.0	44.4	30.7	-0.5	-20.1	2.5	9.4	7.9	16.3	2.6

Larsen & Toubro — Buy

CMP: INR1,292 | TP: INR1,450 (+13%) — **EPS CHANGE (%): FY21|22: -|-**

- Expect order inflows in the core business to increase by 67% YoY (INR500b).
- Watch out for ramp-up in execution trend and return of migrant laborers to project sites.
- Expect consolidated revenue at INR369b (+2% YoY), with core E&C revenue remaining flat YoY (INR257b).
- Outlook for 4QFY21 and commentary on working capital management are key monitorables.

Quarterly performance (INR b)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Sales	**296**	**353**	**362**	**442**	**213**	**310**	**369**	**483**	**1,455**	**1,375**
Change (%)	9.7	15.2	5.9	2.2	-28.3	-12.2	1.9	9.1	7.6	-5.5
EBITDA	**30.7**	**40.2**	**41.2**	**51.2**	**16.2**	**33.3**	**39.1**	**54.5**	**163.3**	**143.2**
Change (%)	11.3	13.6	9.8	-3.0	-47.2	-17.1	-4.9	6.4	6.5	-12.3
Margin (%)	10.4	11.4	11.4	11.6	7.6	10.7	10.6	11.3	11.2	10.4
Depreciation	4.6	6.3	6.6	7.1	6.7	7.1	7.0	7.1	24.6	27.9
Interest	5.9	6.9	7.0	8.2	10.6	10.4	9.0	8.9	28.0	38.8
Other Income	6.3	6.0	4.7	6.6	7.8	5.6	5.5	7.0	23.6	25.8
PBT	**26.6**	**33.0**	**32.2**	**42.5**	**6.7**	**21.4**	**28.6**	**45.5**	**134.3**	**102.2**
Tax	7.9	7.9	7.1	9.7	2.6	6.8	7.7	12.2	32.6	29.2
Effective Tax Rate (%)	29.9	24.0	22.1	22.7	38.3	31.6	27.0	26.7	24.3	28.6
Adjusted PAT (Before MI and AI)	**18.6**	**25.1**	**25.1**	**32.8**	**4.1**	**14.6**	**20.9**	**33.3**	**101.7**	**73.0**
Reported PAT	**14.7**	**25.3**	**23.5**	**32.0**	**3.0**	**55.2**	**15.9**	**31.8**	95.5	106.0
Change (%)	21.2	13.3	15.2	-6.5	-79.4	118.4	-32.4	-0.4	7.2	11.0
Extraordinary Inc./(Exp.) - incl. discontinued operations	1.1	2.2	1.9	1.3	2.3	44.1	0.0	0.0	6.5	46.5
Adjusted PAT	**13.6**	**23.1**	**21.6**	**30.6**	**0.7**	**11.1**	**15.9**	**31.8**	**88.9**	**59.5**
Change (%)	20.5	28.4	13.8	-4.7	-94.8	-52.1	-26.4	3.9	10.6	-33.1

Siemens — Neutral

CMP: INR1,572 | TP: INR1,515 (-4%) — **EPS CHANGE (%): FY20|21: -|-**

- Revenue to fall by 8% YoY, with a decline expected across key segments.
- Higher depreciation and lower other income YoY to result in a 15% YoY decline in PAT.
- EBITDA to decline by 12% YoY owing to lack of operating leverage, EBITDA margin to decline by 40bp YoY.
- Watch out for commentary across segments, updates on execution rate and order inflows and outlook for FY21E.

Quarterly performance (INR m)

Y/E September	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Total Revenue	**26,686**	**24,744**	**12,074**	**35,190**	**24,451**	**32,095**	**30,821**	**45,533**	**98,694**	**1,32,900**
Change (%)	-4.9	-30.3	-62.2	-9.2	-8.4	29.7	155.3	29.4	-24.1	34.7
EBITDA	**3,365**	**2,018**	**-9**	**4,529**	**2,976**	**3,733**	**3,630**	**5,032**	**9,903**	**15,370**
Change (%)	9.8	-52.6	-100.3	5.7	-11.6	85.0	NA	11.1	-34.5	55.2
As a % of Sales	12.6	8.2	-0.1	12.9	12.2	11.6	11.8	11.1	10.0	11.6
Depreciation	611	598	665	630	630	650	650	652	2,504	2,582
Interest	77	109	48	58	50	50	50	50	292	200
Other Income	855	808	822	614	700	750	800	1,267	3,099	3,517
Extra-ordinary Items	0	193	-147	-55	0	0	0	1,172	-9	1,172
PBT	**3,532**	**2,119**	**100**	**4,455**	**2,996**	**3,783**	**3,730**	**5,597**	**10,206**	**16,106**
Tax	905	604	-1	1,124	755	953	940	1,406	2,632	4,054
Effective Tax Rate (%)	25.6	28.5	-1.0	25.2	25.2	25.2	25.2	25.1	25.8	25.2
Reported PAT	**2,627**	**1,708**	**-46**	**3,276**	**2,241**	**2,829**	**2,790**	**5,363**	**7,565**	**13,223**
Adjusted PAT	**2,627**	**1,515**	**101**	**3,331**	**2,241**	**2,829**	**2,790**	**4,191**	**7,574**	**12,052**
Change (%)	15.2	-48.8	-95.9	-4.7	-14.7	86.8	2,662.4	25.8	-32.6	59.1

Thermax — Neutral

CMP: INR908 | TP: INR790 (-13%) — **EPS CHANGE (%): FY21|22: -|-**

- Revenue: Energy segment expected to remain flat YoY, Environment and Chemical segment to grow 15% YoY.
- PAT to come in at INR781m (-8% YoY owing to higher tax rate).
- EBITDA to fall by 3% YoY, with a decline in EBITDA margin by 50bp.
- Watch out for demand outlook across segments and various end-markets, and update on execution ramp-up.

Quarterly performance (INR m)

	FY20				FY21E				FY20	FY21E
Y/E March	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3QE**	**4QE**		
Sales	**13,925**	**16,059**	**14,101**	**13,230**	**6,649**	**11,412**	**14,621**	**17,929**	**57,313**	**50,611**
Change (%)	34.5	12.5	-1.8	-36.2	-52.2	-28.9	3.7	35.5	-4.0	-11.7
EBITDA	**991**	**1,303**	**1,132**	**636**	**-114**	**793**	**1,100**	**1,350**	**4,062**	**3,129**
Change (%)	42.9	18.4	5.5	-62.8	-111.5	-39.1	-2.9	112.4	-11.2	-23.0
As a % of Sales	7.1	8.1	8.0	4.8	-1.7	7.0	7.5	7.5	7.1	6.2
Depreciation	262	281	316	308	280	287	320	361	1,166	1,248
Interest	44	38	19	49	40	47	35	26	150	148
Other Income	216	220	258	307	209	228	300	423	1,000	1,159
Extra-ordinary Items	-	-	-	-	-	(200)	-	-	-	-
PBT	**901**	**1,204**	**1,054**	**586**	**-225**	**687**	**1,045**	**1,386**	**3,745**	**2,893**
Tax	273	947	205	196	-72	175	263	362	1,621	728
Effective Tax Rate (%)	30.3	78.7	19.4	33.4	32.1	25.5	25.2	26.1	43.3	25.2
Reported PAT	**628**	**257**	**850**	**390**	**-153**	**312**	**781**	**1,024**	**2,125**	**2,165**
Change (%)	28.2	(65.5)	13.2	(69.2)	(124.3)	21.6	(8.0)	162.4	(34.7)	1.9
Adjusted PAT	**628**	**257**	**850**	**390**	**-153**	**512**	**781**	**1,024**	**2,125**	**2,165**
Change (%)	29.8	(62.3)	30.4	(68.6)	(124.3)	99.2	(8.0)	162.4	(30.6)	1.9

Cement

Company
ACC
Ambuja Cements
Birla Corporation
Dalmia Bharat
Grasim Industries
India Cements
JK Cement
JK Lakshmi Cement
The Ramco Cement
Shree Cement
UltraTech Cement

Volume recovery continues, margins stay strong

Lower fixed costs should offset the impact of rising variable cost

- We estimate our coverage universe to report a 11%/ 42%/ 80% YoY growth in Revenue/ EBITDA/ PAT due to higher cement prices and strong volumes (+7% YoY, +15% QoQ). While realization is expected to grow 4.5% YoY (-1% QoQ) to INR4,974/t, EBITDA per ton is estimated to rise 33% YoY to INR1,225/t (-1% QoQ) supported by 2% YoY fall in cost to INR3,750/t.
- Cement industry volumes have continued to recover, led by rural housing and a pickup in government spending (particularly in East and North).
- Pan India average cement price has been up 7% YoY (flat QoQ) in 3QFY21, despite softening prices across regions in Dec'20.

Volumes stay strong - up 7% YoY led by North, East and Central

- Volume recovery after the lifting of COVID-19 led restrictions has sustained even in 3QFY21, which is positive for the sector.
- While demand was strong in Oct, it tapered off in Nov due to festive holidays (Diwali, Chhath) and workers returning to their villages for the same. The same however improved again in Dec.
- As per our channel checks, volumes are growing >10% YoY in the North, East, and Central India. While demand has remained weak in South and Maharashtra, it has recovered strongly from the 15–20% YoY decline seen in 2QFY21.
- Demand in East has been particularly strong, supported by pre-election spending by the state governments in West Bengal and Assam. Odisha, on the other hand, has seen an uptick in industrial infra demand.
- In 3QFY21, we estimate volumes for our Coverage Universe to have grown 7% YoY (15% QoQ), with higher growth for North and East based companies.
- JK Cement, particularly, is expected to report very strong volume growth (+23% YoY), supported by capacity expansion. We further expect volumes to grow 14%/ 9%/ 9%/ 8%/ 6%/ 4%/ 1% for Shree/ UltraTech/ Dalmia/ JK Lakshmi/ Ambuja/ Birla Corp/ ACC. On the other hand, we expect decline of 10% YoY for India Cements and 5% YoY for Ramco due to their high exposure to South.

Prices up in North/Central, but declines in the East

- Pan India average cement price has been up 7% YoY in 3QFY21, led by a 17% increase in South and 6-7% in North, Central, and West, even as East was flat.
- Pan India average price, however, has been flat QoQ on 3% MoM decline in December across regions. On a QoQ basis, price was +3%/+2%/0%/-1%/-5% in North/Central/West/ South/East in 3QFY21.
- East posted sharp decline – 6%/7%/8%/5% QoQ decline was seen in Bihar/Jharkhand/Odisha/West Bengal due to new capacities and higher inter-regional flow of material from South.
- Prices in North were up 3% QoQ in 3QFY21 led by a 4%/4%/2% QoQ rise in Punjab/Haryana/Rajasthan. Prices in the Central region were up 2% QoQ (up 6% YoY). Prices in the West were flat QoQ on account of the 1% QoQ decline in

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Gujarat, while it was up 1% QoQ in Mumbai. We expect average realization for our coverage universe to be up 4.5% YoY at INR4,974 (-1% QoQ).

Cost to decline by 2% YoY on lower fixed costs and operating leverage

- We expect average cost per tonne for our coverage universe to decline by 2% YoY (+1% QoQ) to INR3,750 due to lower fixed costs and operating leverage gains from higher volumes. This should offset the impact of an increase in cost of power and fuel (+3% YoY, +8% QoQ) and freight (+2% YoY, +1% QoQ).
- We expect EBITDA/t to increase 33% YoY (-6% QoQ) to INR1,225 for our coverage universe.

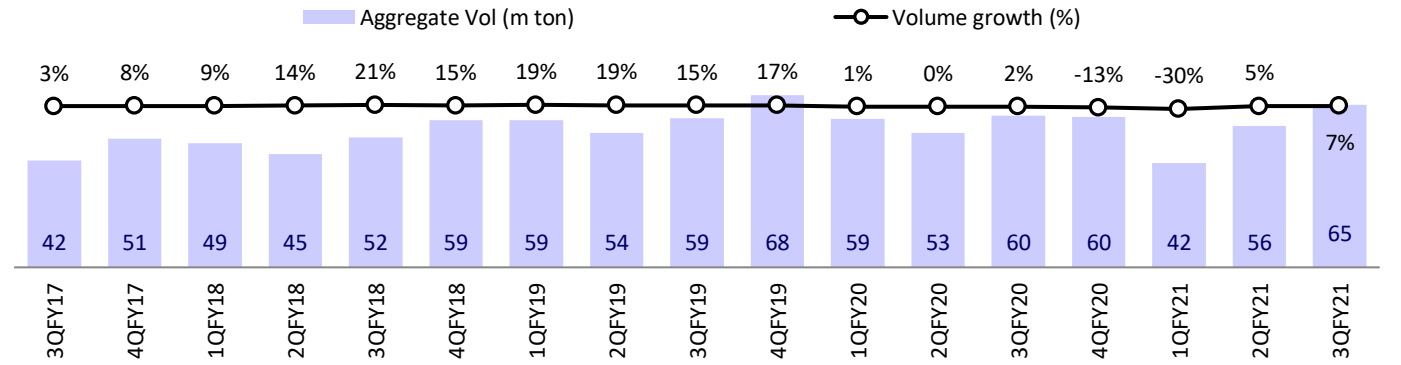
Top picks – UltraTech, ACC and Dalmia Bharat

- While we are structurally positive on the industry outlook, we prefer North and Central as these markets have a higher clinker utilization of over 80%.
- We adopt a bottom-up stock-picking approach and prefer companies that: a) are moving down the cost curve, b) have the potential to gain market share, and c) provide valuation comfort.
- UltraTech is our top large-cap pick, while Dalmia Bharat is the top mid-cap pick. We also like ACC as a value pick, but do not see much upside in Shree, Ramco, and Ambuja, whose potential market share gains are already priced in.

Exhibit 1: Summary of expected quarterly performance

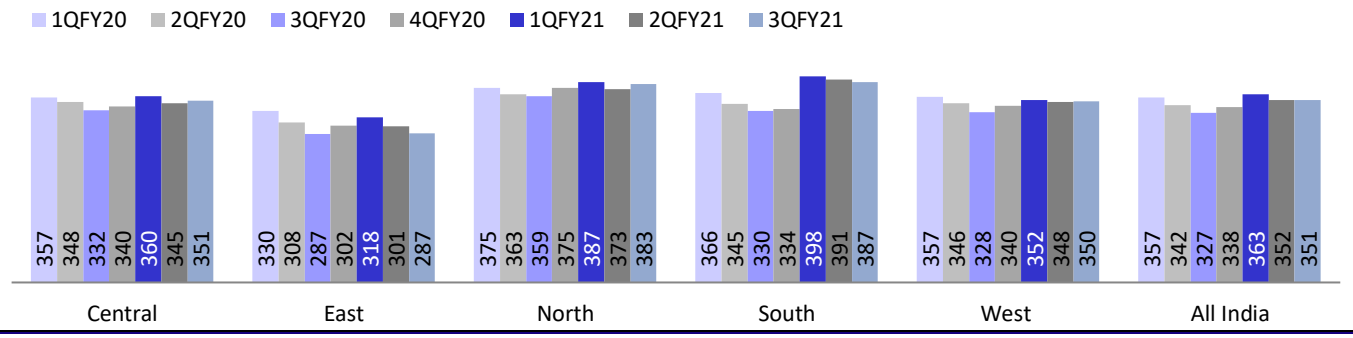
	CMP		Sales (INR m)			EBITDA (INR m)			Net profit (INR m)		
Sector	(INR)	Rating	Dec'20	YoY	QoQ	Dec'20	YoY	QoQ	Dec'20	YoY	QoQ
ACC	1,625	Buy	42,771	5.3	20.9	8,237	52.4	22.8	4,548	68.9	25.3
Ambuja Cements	251	Neutral	34,433	9.8	20.7	8,241	50.5	21.1	5,253	15.5	19.2
Birla Corporation	728	Buy	18,299	6.7	10.6	3,916	32.9	2.3	1,757	115.6	5.4
Dalmia Bharat	1,094	Buy	26,910	11.3	11.7	6,123	34.0	-12.8	1,672	596.8	-27.9
Grasim Industries	933	Neutral	42,348	-5.9	23.2	5,480	32.5	37.7	2,400	27.2	-33.4
India Cements	180	Neutral	11,797	-1.0	10.3	2,378	84.9	1.3	738	LP	3.3
J K Cements	1,923	Buy	17,425	24.1	12.4	4,247	52.9	3.4	2,308	67.8	3.3
JK Lakshmi Cem.	342	Buy	11,009	9.5	5.4	1,778	17.0	-4.8	764	55.4	-5.2
Ramco Cements	795	Neutral	14,549	14.2	15.7	4,485	124.8	1.5	2,576	171.8	9.3
Shree Cement	23,952	Neutral	32,880	15.4	8.8	10,619	25.0	7.5	6,363	105.3	16.3
Ultratech Cement	5,290	Buy	1,16,615	12.6	12.6	29,071	38.0	7.8	13,904	72.3	12.7
Cement			**3,69,036**	**8.8**	**14.6**	**84,575**	**41.8**	**8.5**	**42,283**	**75.5**	**6.9**

Exhibit 2: Expect volumes for the MOFSL universe to rise 7% YoY to 65mt in 3QFY21E



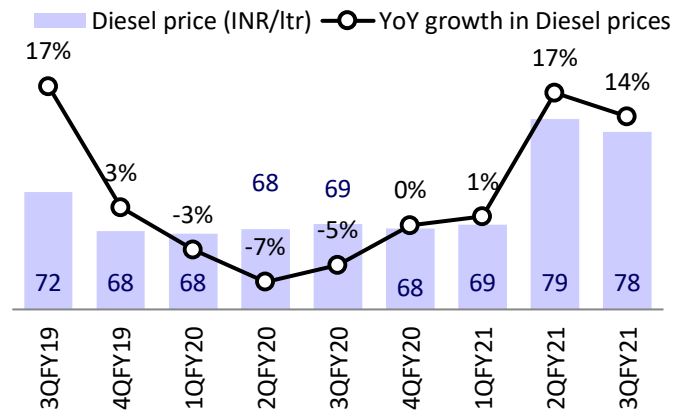
Source: Company, MOFSL

Exhibit 3: Pan-India 3QFY21 average prices (INR/bag) were up 7% YoY and flat QoQ



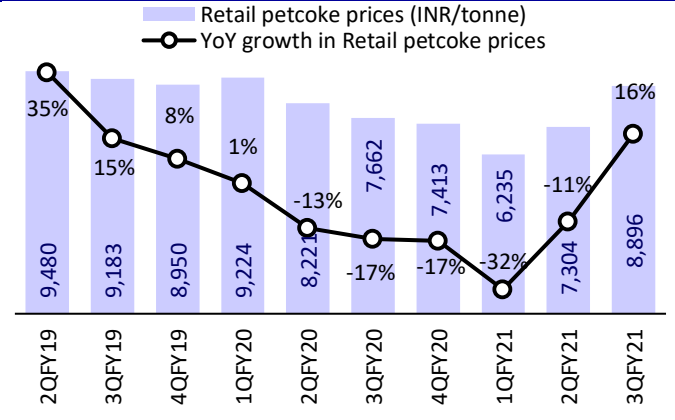
Source: Company, MOFSL

Exhibit 4: Diesel prices up 14% YoY in 3QFY21



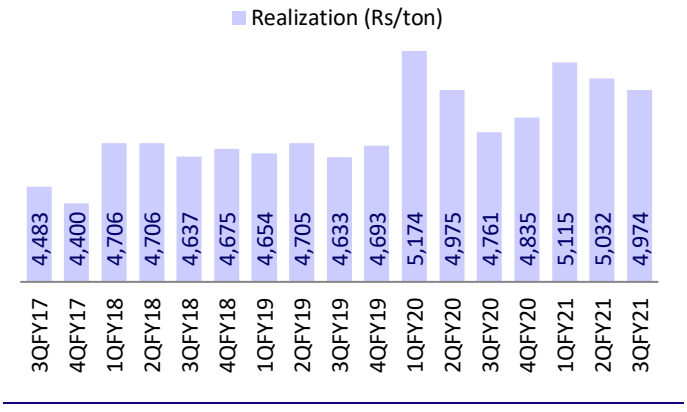
Source: Company, MOFSL

Exhibit 5: Petcoke prices up 16% YoY in 3QFY21



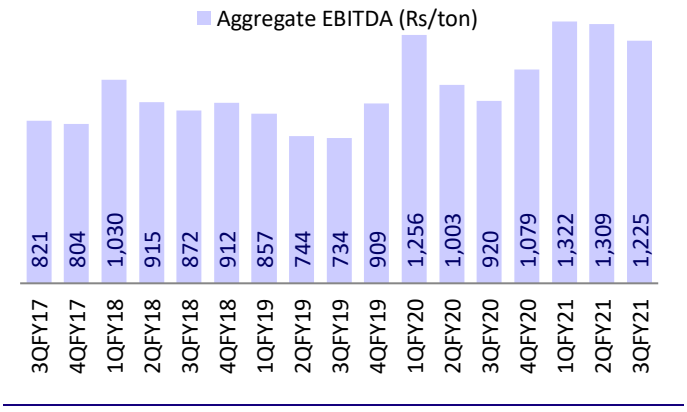
Source: Company, MOFSL

Exhibit 6: Realization for MOFSL universe up 4.5% YoY in 3QFY21



Source: Company, MOFSL

Exhibit 7: EBITDA/t up 33% YoY in 3QFY21



Source: Company, MOFSL

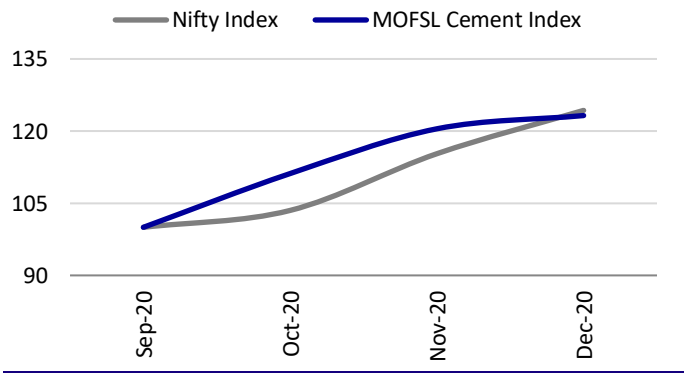
Exhibit 8: Key operating parameters

	Volume (mt)			Realization (INR/t)			EBITDA (INR/t)		
	3QFY21	YoY (%)	QoQ (%)	3QFY21	YoY (INR)	QoQ (INR)	3QFY21	YoY (INR)	QoQ (INR)
ACC	7.8	0.9	20.6	4,944	329	-96	1,052	355	19
Ambuja Cements	6.9	5.7	21.9	4,923	278	-19	1,192	355	-8
UltraTech Cement	22.9	9.4	14.0	5,101	147	-61	1,272	264	-72
Birla Corporation	3.6	4.0	9.4	4,900	157	20	1,098	239	-76
India Cements	2.4	-10.0	13.6	4,928	450	-149	993	510	-120
Shree Cement	7.1	14.0	9.0	4,618	57	-10	1,494	134	-19
Dalmia Bharat	5.6	9.0	15.8	4,841	100	-180	1,101	205	-361
JK Cement	3.1	23.0	12.0	5,537	47	20	1,350	264	-112
JK Lakshmi Cement	2.5	8.0	5.4	4,381	62	0	707	55	-75
The Ramco Cements	2.7	-5.0	22.3	5,378	902	-180	1,671	957	-224
Sector aggregate	**64.6**	**7.0**	**14.7**	**4,974**	**214**	**-58**	**1,225**	**304**	**-84**

Exhibit 9: Valuation summary

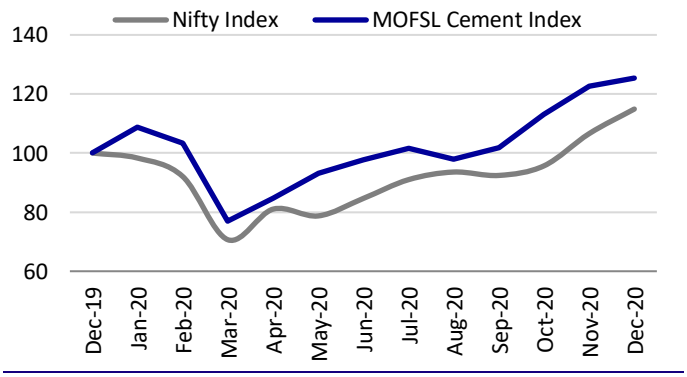
	CMP		EPS (INR)			P/E (x)			P/B (x)			RoE (%)		
Company	(INR)	Rating	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Cement						**23.0**	**20.7**	**17.3**	**2.8**	**2.5**	**2.3**	**12.1**	**12.3**	**13.3**
ACC	1,625	Buy	74.8	84.2	92.3	21.7	19.3	17.6	2.4	2.2	2.0	11.7	12.0	11.9
Ambuja Cements	251	Neutral	9.2	8.8	10.6	27.4	28.6	23.7	2.4	2.3	2.1	8.5	8.2	9.2
Birla Corporation	728	Buy	80.4	82.0	96.0	9.1	8.9	7.6	1.0	0.9	0.9	12.2	11.2	11.9
Dalmia Bharat	1,094	Buy	43.1	43.6	66.5	25.4	25.1	16.5	1.8	1.7	1.6	7.4	7.1	10.0
Grasim Industries	933	Neutral	78.9	94.4	110.4	11.8	9.9	8.5	1.6	1.6	1.5	1.4	3.5	4.9
India Cements	180	Neutral	7.0	5.5	7.2	25.6	32.7	25.0	1.0	1.0	0.9	3.9	3.0	3.8
J K Cements	1,923	Buy	81.0	102.9	119.5	23.7	18.7	16.1	4.2	3.5	2.9	19.1	20.6	19.9
JK Lakshmi Cem.	342	Buy	26.1	26.3	32.8	13.1	13.0	10.4	2.0	1.7	1.5	16.5	14.3	15.5
Ramco Cements	795	Neutral	37.0	35.0	42.2	21.5	22.7	18.8	3.3	2.9	2.6	16.4	13.6	14.5
Shree Cement	23,952	Neutral	692.2	687.2	765.8	34.6	34.9	31.3	5.7	4.9	4.3	17.7	15.2	14.8
Ultratech Cement	5,290	Buy	180.2	216.1	266.4	29.4	24.5	19.9	3.3	2.9	2.7	12.5	13.3	14.4

Exhibit 10: Relative performance – three months (%)



Source: Bloomberg, MOFSL

Exhibit 11: Relative performance – one year (%)



Source: Bloomberg, MOFSL

The tables below provide a snapshot of actual and estimated numbers for companies under the MOFSL coverage universe. Highlighted columns indicate the quarter/financial year under review.

ACC — Buy

CMP INR1,641 | TP: INR1,980 (+21%) — **EPS CHANGE (%): CY20|21: +0.5|-0.9**

- Dispatches to increase by 0.9% YoY to 7.83mt in 4QCY20E.
- Realization to decline by 2% QoQ to INR4,944/t.
- EBITDA/t estimated at INR1,052 (+INR19 QoQ).

Quarterly performance (standalone) — (INR m)

Y/E December	CY19				CY20E				CY19	CY20E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Cement Sales (mt)	7.50	7.20	6.44	7.76	6.56	4.76	6.49	7.83	28.89	25.64
YoY Change (%)	5.5	-0.6	-1.5	3.9	-12.5	-33.9	0.8	0.9	1.8	-11.3
Cement Realization	4,609	5,130	4,860	4,615	4,639	5,164	5,040	4,944	4,801	4,931
YoY Change (%)	1.6	7.7	3.8	0.5	0.7	0.7	3.7	7.1	3.4	2.7
QoQ Change (%)	0.4	11.3	-5.3	-5.0	0.5	11.3	-2.4	-1.9		
Net Sales	**39,191**	**41,497**	**35,276**	**40,603**	**35,017**	**26,008**	**35,373**	**42,771**	**156,567**	**139,170**
YoY Change (%)	8.1	7.8	2.7	4.2	-10.6	-37.3	0.3	5.3	5.8	-11.1
Total Expenditure	33,882	33,680	29,713	35,197	29,159	20,764	28,666	34,535	132,472	113,123
EBITDA	**5,309**	**7,817**	**5,563**	**5,406**	**5,859**	**5,244**	**6,707**	**8,237**	**24,095**	**26,047**
Margin (%)	13.5	18.8	15.8	13.3	16.7	20.2	19.0	19.3	15.4	18.7
Depreciation	1,467	1,460	1,504	1,600	1,571	1,618	1,600	1,642	6,030	6,430
Interest	209	199	163	292	106	131	160	203	862	600
Other Income	1,525	519	508	560	547	502	449	502	3,112	2,000
PBT before EO Item	**5,159**	**6,677**	**4,405**	**4,074**	**4,728**	**3,998**	**5,397**	**6,893**	**20,315**	**21,017**
EO Income/(Expense)	0	0	0	0	0	0	0	0	0	0
PBT after EO Item	**5,159**	**6,677**	**4,405**	**4,074**	**4,728**	**3,998**	**5,397**	**6,893**	**20,315**	**21,017**
Tax	1,774	2,164	1,406	1,381	1,529	1,318	1,766	2,345	6,726	6,958
Rate (%)	34.4	32.4	31.9	33.9	32.3	33.0	32.7	34.0	33.1	33.1
Reported PAT	**3,384**	**4,513**	**3,000**	**2,692**	**3,199**	**2,680**	**3,631**	**4,548**	**13,589**	**14,059**
Adjusted PAT	**3,384**	**4,513**	**3,000**	**2,692**	**3,199**	**2,680**	**3,631**	**4,548**	**13,589**	**14,059**
Margin (%)	8.6	10.9	8.5	6.6	9.1	10.3	10.3	10.6	8.7	10.1
YoY Change (%)	38.1	38.6	45.9	17.1	-5.5	-40.6	21.0	68.9	35.1	3.5

Ambuja Cements — Neutral

CMP INR253 | TP: INR250 (-1%) — **EPS CHANGE (%): CY20|21: +2.3|+0.9**

- Dispatches to increase by 6% YoY to 6.91mt in 4QCY20E.
- EBITDA/t estimated at INR1,192 (- INR8/t QoQ).
- Realization to decline by 0.4% QoQ to INR4,923/t.

Quarterly performance (standalone) — (INR m)

Y/E December	CY19				CY20E				CY19	CY20E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales Volume (mt)*	6.39	5.87	5.26	6.54	5.77	4.19	5.67	6.91	24.06	22.54
YoY Change (%)	2.2	-8.1	-4.2	6.7	-9.7	-28.6	7.8	5.7	-0.8	-6.3
Cement Realization (INR/ton)	4,455	4,961	4,859	4,645	4,783	5,119	4,942	4,923	4,719	4,929
YoY Change (%)	0.8	8.3	5.8	3.0	7.4	3.2	1.7	6.0	4.3	4.5
QoQ Change (%)	-1.2	11.3	-2.0	-4.4	3.0	7.0	-3.5	-0.4		
Net Sales	**29,276**	**29,783**	**26,261**	**31,359**	**28,275**	**21,768**	**28,525**	**34,433**	**116,679**	**113,001**
YoY Change (%)	2.3	-1.3	0.5	9.5	-3.4	-26.9	8.6	9.8	2.7	-3.2
Total Expenditure	-24,644	-22,799	-21,863	-25,885	-22,243	-15,815	-21,721	-26,192	-95,190	-85,972
EBITDA	**4,633**	**6,984**	**4,398**	**5,474**	**6,033**	**5,952**	**6,803**	**8,241**	**21,489**	**27,029**
Margin (%)	15.8	23.4	16.7	17.5	21.3	27.3	23.9	23.9	18.4	23.9
Depreciation	1,314	1,309	1,329	1,487	1,379	1,289	1,287	1,312	5,438	5,266
Interest	175	208	216	237	231	183	185	211	835	809
Other Income	2,402	580	628	656	881	1,922	523	293	4,265	3,619
PBT before EO Item	**5,546**	**6,047**	**3,481**	**4,407**	**5,304**	**6,402**	**5,855**	**7,011**	**19,480**	**24,572**
Extraordinary Inc./(Exp.)	0	0	0	0	0	0	0	0	0	0
PBT after EO Exp./(Inc.)	**5,546**	**6,047**	**3,481**	**4,407**	**5,304**	**6,402**	**5,855**	**7,011**	**19,480**	**24,572**
Tax	1,276	1,926	1,135	-142	1,313	1,868	1,450	1,758	4,195	6,389
Rate (%)	23.0	31.9	32.6	-3.2	24.8	29.2	24.8	25.1	21.5	26.0
Reported Profit	**4,270**	**4,121**	**2,346**	**4,549**	**3,991**	**4,534**	**4,405**	**5,253**	**15,285**	**18,184**
Adjusted PAT	**4,270**	**4,121**	**2,346**	**4,549**	**3,991**	**4,534**	**4,405**	**5,253**	**15,285**	**18,184**
YoY Change (%)	57.1	-17.5	31.4	75.3	-6.5	10.0	87.8	15.5	26.4	19.0

Birla Corporation — Buy

CMP INR735 | TP: INR935 (+27%) — **EPS CHANGE (%): FY21|22: +12|+5**

- Consolidated Cement volumes to increase by 4% YoY to 3.57mt.
- Expect blended EBITDA/t at INR1,098 (-INR76/t QoQ).
- Realizations to increase by 0.4% QoQ to INR4,900/t.

Consolidated performance (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Cement Sales (mt)	3.64	3.20	3.43	3.30	2.41	3.26	3.57	3.76	13.40	13.00
YoY Change (%)	3.5	4.3	7.2	-14.3	-33.8	1.9	4.0	14.0	-1.8	-3.0
Cement Realization	4,954	4,810	4,743	4,889	4,935	4,880	4,900	4,972	4,912	4,922
YoY Change (%)	10.1	6.0	3.8	5.7	-0.4	1.5	3.3	1.7	7.9	0.2
QoQ Change (%)	7.1	-2.9	-1.4	3.1	1.0	-1.1	0.4	1.5		
Net Sales	**18,838**	**16,269**	**17,151**	**16,900**	**12,220**	**16,543**	**18,299**	**19,645**	**69,157**	**66,706**
YoY Change (%)	13.9	11.1	10.2	-9.8	-35.1	1.7	6.7	16.2	5.6	-3.5
Total Expenditure	14,992	13,148	14,205	13,453	9,889	12,716	14,382	15,376	55,797	52,362
EBITDA	**3,847**	**3,121**	**2,946**	**3,446**	**2,331**	**3,827**	**3,916**	**4,269**	**13,360**	**14,343**
Margin (%)	20.4	19.2	17.2	20.4	19.1	23.1	21.4	21.7	19.3	21.5
Depreciation	862	879	884	894	877	918	920	921	3,519	3,636
Interest	960	1,030	977	909	800	760	780	815	3,877	3,155
Other Income	169	199	203	281	190	212	190	225	851	817
Profit before Tax	**2,192**	**1,411**	**1,289**	**1,924**	**845**	**2,361**	**2,406**	**2,758**	**6,815**	**8,370**
EO Income/(Expense)	0	0	0	0	0	0	0	0	0	0
Profit before Tax after EO	**2,192**	**1,411**	**1,289**	**1,924**	**845**	**2,361**	**2,406**	**2,758**	**6,815**	**8,370**
Tax	786	527	474	-24	188	694	650	644	1,763	2,176
Rate (%)	35.9	37.4	36.8	-1.2	22.2	29.4	27.0	23.4	25.9	26.0
Reported PAT	**1,406**	**883**	**815**	**1,947**	**657**	**1,666**	**1,757**	**2,113**	**5,052**	**6,194**
Adjusted. PAT	**1,406**	**883**	**815**	**1,947**	**657**	**1,666**	**1,757**	**2,113**	**5,052**	**6,194**
YoY Change (%)	67.7	442.3	197.8	51.9	-53.2	88.6	115.6	8.5	97.6	22.6

E: MOFSL estimates

Dalmia Bharat — Buy

CMP INR1,137 | TP: INR1,310 (+15%) — **EPS CHANGE (%): FY21|22: +2.5|-4.7**

- Estimate volumes at 5.56mt (+9% YoY).
- Expect EBITDA/t at INR1,101 (-INR362 QoQ).
- Realization to decline by 3.6% QoQ.

Quarterly performance (consolidated) (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Sales Dispatches (mt)	4.55	4.47	5.10	5.17	3.66	4.80	5.56	6.26	19.29	20.28
YoY Change (%)	0.9	8.2	14.1	-7.2	-19.6	7.4	9.0	21.1	3.3	5.1
Realization (INR/ton)	5,576	5,002	4,741	4,803	5,393	5,021	4,841	4,896	5,015	5,000
YoY Change (%)	6.2	-1.6	-2.1	-5.9	-3.3	0.4	2.1	1.9	-1.2	-0.3
QoQ Change (%)	9.3	-10.3	-5.2	1.3	12.3	-6.9	-3.6	1.1		
Net Sales	**25,370**	**22,360**	**24,180**	**24,830**	**19,740**	**24,100**	**26,910**	**30,650**	**96,740**	**101,400**
YoY Change (%)	7.1	6.5	11.7	-12.6	-22.2	7.8	11.3	23.4	2.0	4.8
EBITDA	**6,660**	**4,750**	**4,570**	**5,080**	**6,140**	**7,020**	**6,123**	**7,156**	**21,060**	**26,439**
Margin (%)	26.3	21.2	18.9	20.5	31.1	29.1	22.8	23.3	21.8	26.1
Depreciation	3,420	4,060	4,050	3,750	3,010	3,020	3,240	3,364	15,280	12,634
Interest	1,160	1,030	950	1,240	730	730	1,000	977	4,380	3,437
Other Income	440	490	680	560	550	410	400	380	2,170	1,740
PBT after EO Expense	**2,520**	**150**	**250**	**650**	**2,950**	**3,680**	**2,283**	**3,194**	**3,570**	**12,107**
Tax Rate (%)	39.7	-140.0	-4.0	63.1	36.3	37.0	25.0	31.1	33.3	33.0
Reported PAT (pre-minority)	**1,520**	**360**	**260**	**240**	**1,880**	**2,320**	**1,712**	**2,199**	**2,380**	**8,112**
Minority + associate	50	90	20	-20	-20	0	40	120	140	140
PAT Adjusted for EO items	**1,470**	**270**	**240**	**260**	**1,900**	**2,320**	**1,672**	**2,079**	**2,240**	**7,972**
YoY Change (%)	172.1	-2,883.5	-14.3	-88.6	29.3	759.3	596.8	699.8	-27.3	255.9

E: MOFSL estimates

Grasim Industries — Neutral

CMP INR964 | TP: INR920 (-5%) — **EPS CHANGE (%): FY21|22: +16|+26**

- Weak realization in both VSF and Chemicals.
- Expect EBITDA margin at 12.9% (+3.7pp YoY, +1.4pp QoQ).
- VSF and Chemicals business to witness lower volume.

Quarterly performance (standalone) — (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	**50,006**	**47,974**	**44,989**	**43,125**	**19,436**	**34,382**	**42,348**	**57,190**	**186,094**	**153,356**
YoY Change (%)	4.4	-6.3	-15.0	-19.4	-61.1	-28.3	-5.9	32.6	-9.4	-17.6
EBITDA	**8,437**	**6,593**	**4,134**	**3,941**	**-1,450**	**3,980**	**5,480**	**6,356**	**23,106**	**14,366**
Margin (%)	16.9	13.7	9.2	9.1	-7.5	11.6	12.9	11.1	12.4	9.4
Depreciation	2,032	2,085	2,123	2,227	2,126	2,153	2,300	2,333	8,468	8,912
Interest	780	861	673	724	784	757	830	879	3,039	3,251
Other Income	847	2,862	813	733	987	2,824	650	375	5,254	4,836
PBT before EO Items	**6,471**	**6,510**	**2,150**	**1,723**	**-3,374**	**3,894**	**3,000**	**3,519**	**16,854**	**7,039**
Extraordinary Inc./(Exp.)	-2,902	0	-102	63	-577	0	0	0	-2,941	0
PBT after EO Items	**3,570**	**6,510**	**2,048**	**1,786**	**-3,951**	**3,894**	**3,000**	**3,519**	**13,913**	**7,039**
Tax	1,553	1,245	202	-1,785	-1,260	292	600	1,964	1,214	1,595
Rate (%)	43.5	19.1	9.8	-100.0	31.9	7.5	20.0	55.8	8.7	22.7
Reported PAT	**2,017**	**5,265**	**1,847**	**3,571**	**-2,691**	**3,602**	**2,400**	**1,555**	**12,700**	**5,444**
Adjusted. PAT	**4,395**	**5,265**	**1,887**	**1,079**	**-2,114**	**3,602**	**2,400**	**1,555**	**12,625**	**5,444**
Margin (%)	8.8	11.0	4.2	2.5	-10.9	10.5	5.7	2.7	6.8	3.5
YoY Change (%)	-31.6	-52.0	-69.0	-79.9	-148.1	-31.6	27.2	44.2	-56.2	-56.9

E: MOFSL estimates

India Cement — Neutral

CMP INR176 | TP: INR168 (-5%) — **EPS CHANGE (%): FY21|22: +14.8|-10**

- Expect volumes to decline by 10% YoY to 2.39mt.
- Estimate blended EBITDA/t at INR993 (-INR120 QoQ).
- Realization to decline by 3% QoQ to INR4,928/t.

Quarterly performance (standalone) — (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Sales Dispatches (mt)	3.04	2.67	2.66	2.65	1.43	2.11	2.39	2.89	11.02	8.82
YoY Change (%)	-1	-13	-10	-21	-53	-21	-10	9	-11.4	-20.0
Realization (INR/ton)	**4,828**	**4,671**	**4,478**	**4,352**	**5,301**	**5,077**	**4,928**	**4,803**	**4,589**	**4,983**
YoY Change (%)	9.1	3.6	0.6	-7.3	9.8	8.7	10.0	10.4	1.4	8.6
QoQ Change (%)	2.8	-3.3	-4.1	-2.8	21.8	-4.2	-2.9	-2.5		
Net Sales	**14,688**	**12,457**	**11,911**	**11,519**	**7,570**	**10,697**	**11,797**	**13,865**	**50,575**	**43,929**
YoY Change (%)	7.9	-10.2	-9.5	-26.3	-48.5	-14.1	-1.0	20.4	-10.1	-13.1
EBITDA	**2,420**	**1,472**	**1,287**	**675**	**1,557**	**2,347**	**2,378**	**2,071**	**5,852**	**8,354**
Margin (%)	16.5	11.8	10.8	5.9	20.6	21.9	20.2	14.9	11.6	19.0
Depreciation	599	613	615	642	600	601	615	633	2,469	2,449
Interest	799	816	806	924	730	705	830	871	3,345	3,135
Other Income	32	32	33	180	33	57	50	107	277	247
PBT before EO expense	**1,054**	**75**	**-101**	**-711**	**261**	**1,098**	**983**	**675**	**316**	**3,017**
Extra-Ord expense	0	0	0	1,000	0	0	0	0	1,000	
PBT	**1,054**	**75**	**-101**	**-1,711**	**261**	**1,098**	**983**	**675**	**-684**	**3,017**
Tax	331	34	-48	-600	91	384	246	124	(329)	845
Rate (%)	31.5	44.8	46.9	35.1	34.9	34.9	25.0	18.4	48.1	28.0
Reported PAT	**722**	**41**	**-54**	**-1,111**	**170**	**714**	**738**	**551**	**-355**	**2,172**
Adjusted PAT	**706**	**50**	**-68**	**-476**	**170**	**714**	**738**	**551**	**212**	**2,172**
YoY Change (%)	235.8	250.0	-316.6	-208.6	-76.0	1,327.2	-1,187.7	-215.7	-69.5	925.0
Margin (%)	4.8	0.4	-0.6	-4.1	2.2	6.7	6.3	4.0	0.4	4.9

E: MOFSL estimates

JK Cement — Buy

CMP INR1,962 | TP: INR2,250 (+15%) — **EPS CHANGE (%): FY21|22: -0.5|-6.1**

- Estimate volumes (grey+white) to increase by 23% YoY.
- Expect EBITDA/t at INR1,350 (-INR111 QoQ).
- Estimate 0.4% QoQ increase in realizations.

Quarterly performance (Standalone) — (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Sales Dispatches (mt)	2.31	2.24	2.56	2.67	1.77	2.81	3.15	3.50	9.77	11.22
YoY Change (%)	-0.2	3.7	2.4	-7.3	-23.5	25.5	23.0	31.2	-1.0	14.8
Realization (INR/t)	5,750	5,600	5,490	5,538	5,464	5,517	5,537	5,483	5,590	5,504
YoY Change (%)	19.3	9.9	7.7	6.9	-5.0	-1.5	0.9	-1.0	10.8	-1.5
QoQ Change (%)	11.0	-2.6	-2.0	0.9	-1.3	1.0	0.4	-1.0		
Net Sales	**13,280**	**12,542**	**14,042**	**14,774**	**9,650**	**15,507**	**17,425**	**19,190**	**54,638**	**61,772**
YoY Change (%)	19.0	14.0	10.3	-1.0	-27.3	23.6	24.1	29.9	9.7	13.1
Total Expenditure	10,245	10,002	11,264	11,312	7,497	11,400	13,178	14,743	42,822	46,818
EBITDA	**3,035**	**2,540**	**2,777**	**3,463**	**2,153**	**4,107**	**4,247**	**4,448**	**11,815**	**14,954**
Margin (%)	22.9	20.3	19.8	23.4	22.3	26.5	24.4	23.2	21.6	24.2
Depreciation	494	518	556	577	580	597	630	649	2,144	2,455
Interest	534	561	561	572	572	537	540	532	2,229	2,180
Other Income	172	180	237	271	203	287	220	249	859	959
PBT before EO expense	**2,179**	**1,641**	**1,897**	**2,585**	**1,204**	**3,260**	**3,297**	**3,516**	**8,302**	**11,278**
PBT	**2,179**	**1,641**	**1,897**	**803**	**1,204**	**3,260**	**3,297**	**3,516**	**6,520**	**11,278**
Tax	641	553	521	801	427	1,025	989	1,280	2,516	3,722
Rate (%)	29.4	33.7	27.5	99.7	35.5	31.4	30.0	36.4	38.6	33.0
Reported PAT	**1,538**	**1,088**	**1,376**	**2**	**777**	**2,235**	**2,308**	**2,236**	**4,004**	**7,556**
Adjusted PAT	**1,538**	**1,088**	**1,376**	**1,784**	**777**	**2,235**	**2,308**	**2,236**	**5,785**	**7,556**
YoY Change (%)	211.8	68.2	125.8	18.9	-49.5	105.5	67.8	25.3	78.1	30.6

JK Lakshmi — Buy

CMP INR345 | TP: INR445 (+29%) — **EPS CHANGE (%): FY21|22: -2.2|-1.8**

- Cement volumes estimated to increase 8% YoY.
- Expect realization to be flat QoQ.
- EBITDA/t estimated at INR707 (-INR76 QoQ).
- Expect EBITDA to increase by 17% YoY to INR1.8b.

Quarterly performance — (INR m)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Sales Dispatches (mt)	2.33	2.06	2.33	2.47	1.91	2.39	2.51	2.93	9.18	9.73
YoY Change (%)	1.9	(3.1)	1.0	-16.2	(18.2)	15.8	8.0	18.9	-4.9	6.0
Realization (INR/t)	4,472	4,541	4,319	4,305	4,331	4,381	4,381	4,440	4,404	4,389
YoY Change (%)	10.7	13.4	6.5	8.0	(3.1)	(3.5)	1.4	3.1	9.6	(0.3)
QoQ Change (%)	12.2	1.6	(4.9)	-0.3	0.6	1.1	-	1.3		
Net Sales	**10,419**	**9,355**	**10,050**	**10,612**	**8,252**	**10,448**	**11,009**	**13,007**	**40,435**	**42,715**
YoY Change (%)	12.8	9.9	7.5	-9.5	-20.8	11.7	9.5	22.6	4.2	5.6
EBITDA	**1,698**	**1,487**	**1,519**	**2,020**	**1,433**	**1,867**	**1,778**	**2,294**	**6,724**	**7,372**
Margin (%)	16.3	15.9	15.1	19.0	17.4	17.9	16.1	17.6	16.6	17.3
Depreciation	453	437	485	510	484	493	513	569	1,884	2,060
Interest	399	390	428	425	378	381	300	249	1,644	1,308
Other Income	59	68	147	225	82	183	193	46	501	505
PBT before EO expense	**905**	**728**	**754**	**1,311**	**653**	**1,176**	**1,158**	**1,522**	**3,697**	**4,509**
Extra-Ordinary expense	302	0	0	0	0	0	0	0	302	0
PBT	**603**	**728**	**754**	**1,311**	**653**	**1,176**	**1,158**	**1,522**	**3,394**	**4,509**
Tax	209	268	262	303	209	370	394	470	1,042	1,443
Rate (%)	34.6	36.9	34.7	23.1	32.0	31.5	34.0	30.9	30.7	32.0
Reported PAT	**394**	**459**	**492**	**1,008**	**444**	**806**	**764**	**1,052**	**2,352**	**3,066**
Adjusted PAT	**696**	**459**	**492**	**1,008**	**444**	**806**	**764**	**1,052**	**2,654**	**3,066**
YoY Change (%)	406	488	233	133	-36	76	55	4	234	16

E: MOFSL estimates

The Ramco Cement — Neutral

CMP INR798 | TP: INR805 (+1%) — **EPS CHANGE (%): FY21|22: -0.4|-6.3**

- Estimate volumes to decline by 5% YoY to 2.7mt.
- Expect EBITDA/t at INR1,671 (-INR224 QoQ).
- Realizations to decline by 3.2% QoQ to INR5,378.

Quarterly performance (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales Dispatches (mt)	2.70	2.72	2.84	2.93	1.94	2.21	2.70	3.34	11.20	10.19
YoY Change (%)	3.4	10.3	3.5	-10.9	-28.2	-18.9	-5.0	14.0	0.7	-9.0
Realization (INR/ton)	4,989	4,708	4,475	4,725	5,284	5,558	5,378	5,191	4,718	5,338
YoY Change (%)	10.0	1.8	1.9	1.8	5.9	18.1	20.2	9.9	3.7	13.1
QoQ Change (%)	7.5	-5.6	-4.9	5.6	11.8	5.2	-3.2	-3.5		
Net Sales	**13,698**	**13,129**	**12,746**	**13,899**	**10,418**	**12,570**	**14,549**	**17,401**	**53,435**	**54,939**
YoY Change (%)	13.7	11.2	5.6	-9.1	-23.9	-4.3	14.2	25.2	4.3	2.8
EBITDA	**3,452**	**2,915**	**1,995**	**2,793**	**2,600**	**4,420**	**4,485**	**4,783**	**11,117**	**16,287**
Margin (%)	25.2	22.2	15.6	20.1	25.0	35.2	30.8	27.5	20.8	29.6
Depreciation	758	765	797	833	844	855	935	1,009	3,153	3,642
Interest	135	147	215	216	299	265	250	254	714	1,069
Other Income	223	129	119	114	101	83	90	101	622	375
PBT before EO expense	**2,782**	**2,132**	**1,101**	**1,858**	**1,557**	**3,383**	**3,390**	**3,620**	**7,872**	**11,951**
Extra-Ordinary expense	0	0	0	0	0	0	0	0	0	0
PBT	**2,782**	**2,132**	**1,101**	**1,858**	**1,557**	**3,383**	**3,390**	**3,620**	**7,872**	**11,951**
Tax	862	450	153	396	461	1,026	814	926	1,861	3,227
Rate (%)	31.0	21.1	13.9	21.3	29.6	30.3	24.0	25.6	23.6	27.0
Reported PAT	**1,920**	**1,682**	**948**	**1,462**	**1,096**	**2,358**	**2,576**	**2,694**	**6,011**	**8,724**
Adjusted PAT	**1,920**	**1,682**	**948**	**1,462**	**1,096**	**2,358**	**2,576**	**2,694**	**6,011**	**8,724**
YoY Change (%)	53.6	46.9	-6.2	-13.2	-42.9	40.2	171.8	84.3	18.1	45.1
Margin (%)	14.0	12.8	7.4	10.5	10.5	18.8	17.7	15.5	11.2	15.9

Shree Cement — Neutral

CMP INR24,034 | TP: INR24,900 (+4%) — **EPS CHANGE (%): FY21|22: +1|-0.6**

- Cement volumes estimated to increase by 14% YoY.
- Expect realization to decline by 0.2% QoQ.
- Expect EBITDA/t at INR1,494 (-INR19 QoQ).
- EBITDA to increase by 25% YoY to INR10.6b.

Quarterly performance (S/A) (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Sales Dispatches (mt)	6.06	5.72	6.25	6.91	4.93	6.53	7.12	8.31	24.92	26.89
YoY Change (%)	-13.3	1.4	5.3	-5.4	-18.6	14.2	14.0	20.3	-3.6	7.9
Cement Realization (INR/Ton)	5,013	4,898	4,561	4,659	4,717	4,628	4,618	4,711	4,569	4,619
YoY Change (%)	22.1	14.8	5.7	10.3	-5.9	-5.5	1.3	1.1	7.8	1.1
QoQ Change (%)	18.7	-2.3	-6.9	2.1	1.2	-1.9	-0.2	2.0		
Net Sales	**30,364**	**28,017**	**28,483**	**32,175**	**23,258**	**30,224**	**32,880**	**39,123**	**119,040**	**125,484**
YoY Change (%)	-3.0	8.3	2.4	-2.0	-23.4	7.9	15.4	21.6	1.2	5.4
Total Expenditure	21,342	19,576	19,990	21,387	16,252	20,344	22,260	25,874	82,295	84,670
EBITDA	**9,022**	**8,442**	**8,493**	**10,789**	**7,006**	**9,880**	**10,619**	**13,248**	**36,745**	**40,814**
Margin (%)	29.7	30.1	29.8	33.5	30.1	32.7	32.3	33.9	30.9	32.5
Depreciation	4,027	4,283	4,322	4,362	2,714	2,786	3,000	2,814	16,994	11,314
Interest	680	717	741	726	706	627	580	558	2,865	2,471
Other Income	511	578	649	978	1,244	1,024	1,224	1,498	2,716	4,990
PBT before EO Expense	**4,826**	**4,018**	**4,079**	**6,678**	**4,831**	**7,490**	**8,263**	**11,374**	**19,602**	**32,019**
Extra-Ordinary Expense	0	0	0	0	0	0	0	0	0	0
PBT	**4,826**	**4,018**	**4,079**	**6,678**	**4,831**	**7,490**	**8,263**	**11,374**	**19,602**	**32,019**
Tax	1,196	928	980	797	1,123	2,018	1,901	1,989	5,248	7,044
Rate (%)	24.8	23.1	24.0	11.9	23.3	26.9	23.0	17.5	19.9	22.0
Reported PAT	**3,630**	**3,091**	**3,100**	**5,882**	**3,708**	**5,473**	**6,363**	**9,385**	**15,702**	**24,975**
Adjusted PAT	**3,630**	**3,091**	**3,100**	**5,882**	**3,708**	**5,473**	**6,363**	**9,385**	**15,702**	**24,975**
YoY Change (%)	6.9	35.9	2.9	83.3	2.1	77.1	105.3	59.6	39.1	59.1

E:MOFSL estimates

UltraTech Cement

Buy

CMP INR5,327 | TP: INR6,240 (+17%)

EPS CHANGE (%): FY21|22: -1.5|-0.8

- Cement volumes estimated to increase by 9.4% YoY.
- Realizations expected to decline by 1.2% QoQ.
- EBITDA/t seen at INR1,272 (-INR72 QoQ).

Quarterly performance (Consol.) **(INR m)**

	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Sales (mt)	21.42	18.69	20.90	21.44	14.65	20.06	22.86	25.23	82.33	82.70
YoY Change (%)	8.3	-1.0	-4.0	-15.7	-31.6	7.3	9.4	17.7	-3.9	0.4
Blended Realization (INR/t)*	5,331	5,147	4,954	5,012	5,211	5,162	5,101	5,171	5,117	5,163
YoY Change (%)	10.5	5.1	3.2	3.0	-2.3	0.3	3.0	3.2	5.3	0.9
QoQ Change (%)	9.8	-3.5	-3.8	1.2	4.0	-0.9	-1.2	1.4		
Net Sales	**114,197**	**96,204**	**103,538**	**107,456**	**76,338**	**103,542**	**116,615**	**130,460**	**421,248**	**426,955**
YoY Change (%)	19.6	4.0	-0.9	-13.1	-33.2	7.6	12.6	21.4	1.2	1.4
EBITDA	**29,493**	**19,180**	**21,062**	**24,401**	**20,746**	**26,961**	**29,071**	**32,433**	**94,142**	**109,598**
Margin (%)	25.8	19.9	20.3	22.7	27.2	26.0	24.9	24.9	22.3	25.7
Depreciation	6,884	6,684	6,730	6,724	6,462	6,737	6,837	6,792	27,022	26,828
Interest	5,029	5,071	4,708	5,048	3,930	3,568	3,468	3,525	19,857	14,492
Other Income	1,347	1,475	1,682	1,979	2,788	1,349	1,400	1,600	6,478	7,137
PBT before EO expense	**18,928**	**8,900**	**11,306**	**14,608**	**13,142**	**18,005**	**20,165**	**23,715**	**53,742**	**75,415**
Extra-Ordinary expense	0	0	1,332	-21,120	1,574	3,357	0	0	-19,788	
PBT after EO Expense	**18,928**	**8,900**	**9,973**	**35,728**	**11,568**	**14,647**	**20,165**	**23,715**	**73,530**	**75,415**
Tax	6,118	3,113	2,862	3,320	3,603	5,662	6,251	7,373	15,413	22,889
Rate (%)	32.3	35.0	28.7	9.3	31.1	38.7	31.0	31.1	21.0	30.4
Reported PAT	**12,810**	**5,787**	**7,112**	**32,408**	**7,965**	**8,986**	**13,914**	**16,342**	**58,117**	**52,526**
Adjusted PAT	**12,811**	**5,790**	**8,069**	**13,265**	**9,060**	**12,337**	**13,904**	**16,328**	**39,935**	**51,629**
YoY Change (%)	92.3	62.2	103.7	24.2	-29.3	113.1	72.3	23.1	60.9	29.3

E: MOFSL estimates

Consumer

Asian Paints
Britannia Industries
Colgate
Dabur
Emami
Godrej Consumer
GSK Consumer
Hindustan Unilever
ITC
Jyothy Laboratories
Marico
Nestle India
Page Industries
Pidilite Industries
P&GHH
United Breweries
United Spirits

Good recovery led by rural and festive demand

Strongest topline growth in seven quarters

Topline growth momentum has well and truly returned post the pandemic impact in previous quarters, with cumulative sales for our Coverage Universe expected to grow 8.5% YoY for 3QFY21. This is the strongest pace of growth estimated since the Mar'19 quarter. Continued momentum in rural sales, good winter season sales, upbeat festive season demand, improving consumer sentiment, and some pent-up demand are likely to lead to healthy growth for 3QFY21. Furthermore, this is likely to only get stronger in subsequent quarters, driven by some of the above factors as well by a weak base off the COVID impact. On a cumulative basis, EBITDA growth of 8.2% is estimated in 3QFY21, in line with sales growth. Healthy operating leverage and sharp cost-saving efforts undertaken in previous quarters are likely to limit the impact of material cost inflation and the normalization of ad spends. A lower interest rate environment impacting other income and a relatively higher tax rate YoY imply cumulative PBT and PAT growth are likely to be at 6.7% YoY and 1.1% YoY, respectively, the latter being a four-quarter high.

Asian Paints and Dabur to be volume standouts among large-caps

Among the large-caps, HUVR is expected to post like-to-like volume growth of 6% (17% reported volume growth), with reported sales, EBITDA, and PAT growth of 20.0%, 17.7%, and 17.0%, respectively, aided by the GSK merger. ITC's cigarette volumes are likely to have normalized toward the latter part of 3QFY21. On the other hand, overall cigarette volumes are expected to be down 7% YoY for the quarter, leading to YoY declines of 6.0% in overall sales, 8.6% in EBITDA, and 19.2% in PAT. 3QFY21 is thus likely to be the fourth consecutive quarter of declines in sales, EBITDA, and PBT for ITC. APNT is expected to have standout results among the large-caps, with volume, sales, EBITDA, and PAT growth of 19%, 14%, 26.2%, and 28.4%, respectively. Dabur is likely to continue its volume momentum (12% in 3QFY21E) as a result of initiatives undertaken over the past 1.5 years. TCPL is likely to have another strong quarter on all fronts, with sales, EBITDA, and PAT growth forecasts at 19.9%, 22.3%, and 19.6%, respectively. Good results are also expected from BRIT, NEST, HMN, PIDI, PGHH, and PAG. On the other hand, UBBL is the only company besides ITC expected to post declines in sales, EBITDA, and PAT.

Commodity cost basket seeing some inflation

Crude prices remained steady with a 4.1% increase sequentially in 3QFY21, but continue to trade lower (29%) on a YoY basis. Prices were up 15.2% MoM at USD49.8/barrel (monthly average for Dec'20). Other Non-Agri commodities witnessed inflation. VAM costs rose 10% YoY and 18.7% QoQ (Nov'20 YTD). Titanium dioxide (TiO_2) costs were marginally higher at 1.8% YoY and 3% sequentially. Up to Nov'20, HDPE costs increased 15.5% YoY YTD and LLP costs were up 9.1% YoY. Gold prices rose 31.6% YoY, but declined 2% QoQ. Palm fatty acid distillate (PFAD) prices were up 53% YoY / 25.2% QoQ. On the other hand, Agri commodities, barring palm oil and copra, were largely benign. The sugar index was down 3.4% YoY / 2.2% QoQ. Wheat cost fell 24.2% YoY / 5.7% QoQ. Mentha prices declined 21.4% YoY / 0.4% QoQ. Barley cost fell 31.6% YoY, but was up 2.9% QoQ. However, palm oil cost continued to trend higher, rising 35.1% YoY and 21.2% QoQ. Copra was up 17.8%

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YoY / 12.6% QoQ (Nov'20 YTD). India's molasses WPI was up 3.1% YoY, but was 2.9% lower sequentially (Nov'20 YTD). Recovering sales growth momentum would give higher confidence to take price increases. Expected ad spend revival is another sign of management confidence. Cost savings and operating leverage would enable minimize the margin impact of higher material costs and ad spends in 3QFY21.

We prefer staples and rural plays

HUVR, **DABUR**, and **MRCO** continue to be our preferred picks. The consistently improving outlook for rural consumption is likely to benefit both HUVR and Dabur. Gradual recovery in HUVR's high-margin Discretionary portfolio as well as synergies from GSKCH would likely be the key drivers of HUVR's medium-term earnings growth. In addition to rural tailwinds, Dabur is also likely to benefit from strong growth in its core Herbal portfolio as well as benefit from the pace of new launches, distribution technology upgrade, power brand focus, and direct reach expansion. A large portion of MRCO's portfolio is either demonstrating admirable resilience or faster-than-expected recovery, leading to an improving growth outlook.

Exhibit 1: Improved overall performance – APNT, DABUR, NEST, PIDI, PGHH, PAG to outperform

Sector	CMP		SALES (INR M)			EBDITA (INR M)			NET PROFIT (INR M)		
	(INR)	RECO	Dec-20	Var % YoY	Var % QoQ	Dec-20	Var % YoY	Var % QoQ	Dec-20	Var % YoY	Var % QoQ
Asian Paints	2775	Neutral	61,791	14.0	15.5	15,015	26.2	18.7	10,014	28.4	17.6
Britannia	3566	Neutral	32,809	10.0	-4.0	6,077	21.1	-10.0	4,555	23.3	-8.1
Colgate	1579	Buy	12,103	5.5	-5.9	3,576	13.2	-12.6	2,366	18.9	-13.7
Dabur	534	Buy	25,647	9.0	1.9	5,450	10.6	-4.3	4,494	8.6	-6.7
Emami	424	Buy	9,670	19.0	31.6	3,142	19.0	22.2	2,383	11.1	11.7
Godrej Consumer	739	Neutral	30,281	9.0	3.9	6,730	6.6	-1.7	4,741	5.5	3.4
Hind. Unilever	2387	Buy	1,17,696	20.0	2.9	28,774	17.7	0.3	19,785	17.0	-2.8
ITC	214	Neutral	1,12,960	-6.0	1.0	42,159	-8.6	3.8	34,526	-19.2	6.8
Jyothy Labs	147	Neutral	4,928	21.0	-1.4	787	21.0	-11.4	486	14.3	-19.9
Marico	407	Buy	19,973	9.5	0.4	4,104	10.0	5.5	2,684	-1.3	-9.6
Nestle	18451	Neutral	34,982	11.1	-1.2	8,407	24.9	-6.5	5,505	17.6	-8.6
P&G Hygiene	10993	Neutral	9,968	16.0	-1.3	2,130	14.1	-7.1	1,573	15.7	-8.2
Page Industries	28141	Neutral	8,732	10.0	17.9	1,877	35.3	13.5	1,239	42.4	11.8
Pidilite Inds.	1771	Neutral	21,770	13.0	15.8	5,541	19.6	8.1	4,009	16.4	12.7
Tata Consumer	601	Buy	29,884	19.9	7.4	3,890	22.3	-2.6	2,035	19.6	-25.0
United Breweries	1183	Sell	12,221	-16.0	35.7	1,727	-22.0	327.1	770	-28.1	1,819.7
United Spirits	582	Neutral	27,633	7.0	28.8	4,645	9.6	72.2	2,786	7.7	117.0
Consumer			**5,73,047**	**8.5**	**5.5**	**1,44,033**	**8.2**	**4.5**	**1,03,953**	**1.1**	**3.5**

Exhibit 2: Expect improved volume growth for most companies in 3QFY21

Quarter Ending (gr. %)	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21E
Asian Paints (Dom Deco)	6.0	10.0	10.0	11.0	21.0	10.0	16.0	14.0	11.0	2.5	(38.0)	11.0	19.0
Britannia (Biscuits)	11.0	11.0	11.0	11.0	7.0	7.0	3.0	3.0	3.0	0.0	21.0	9.0	7.0
Colgate (Toothpaste)	12.0	4.0	4.0	7.0	7.0	5.0	4.0	4.0	2.3	(8.0)	0.0	4.0	4.5
Dabur	13.0	7.7	21.0	8.1	12.4	4.3	9.6	4.8	5.6	(14.6)	(9.7)	16.8	12.0
Emami	6.0	8.0	18.0	**(4.0)**	3.5	0.0	0.0	1.0	(2.0)	(20.0)	(28.0)	10.0	18.0
Hindustan Unilever	11.0	11.0	12.0	10.0	10.0	7.0	5.0	5.0	5.0	(7.0)	4.0	14.0	17.0
ITC (cigarette)	**(3.0)**	**(2.0)**	1.0	6.0	7.0	8.0	3.0	2.5	2.5	(11.0)	(37.0)	(12.0)	(7.0)
Marico (Dom.)	9.4	1.0	12.4	6.0	5.0	8.0	6.0	1.0	(1.0)	(3.0)	(14.0)	11.0	8.6
Pidilite	23.0	13.0	20.2	11.0	13.0	4.0	6.0	(1.0)	2.0	(3.1)	(58.6)	7.4	16.0

Source: Company, MOFSL

Exhibit 3: Relative performance – 3m (%)

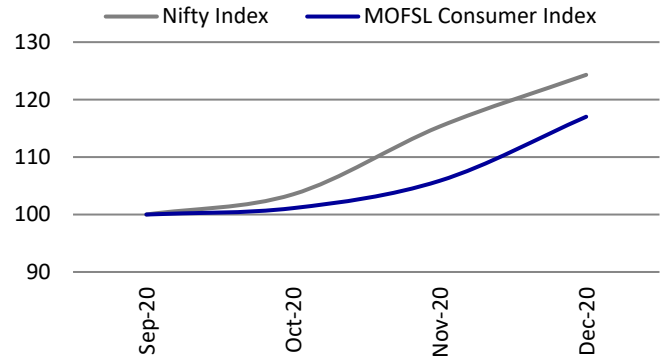
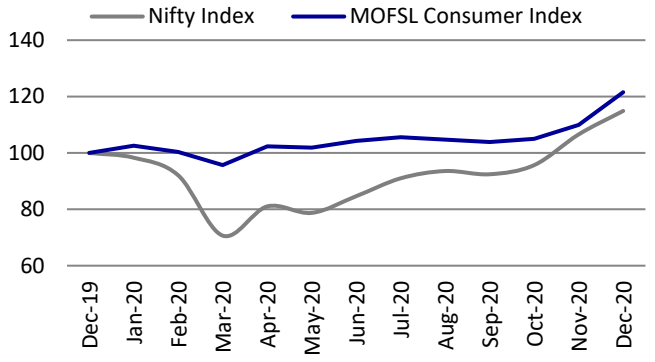
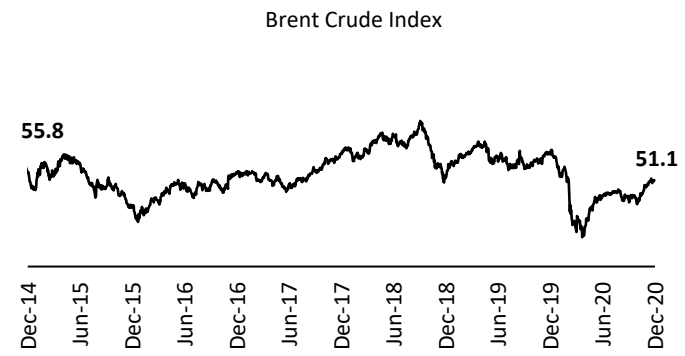


Exhibit 4: Relative performance – 1Yr (%)



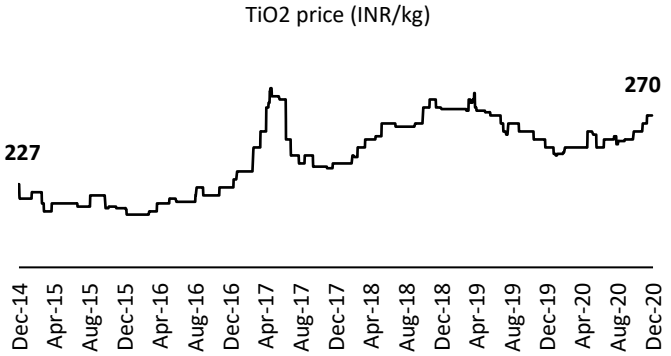
Source: Bloomberg, MOFSL

Exhibit 5: Crude down 29% YoY, up 4.1% QoQ in 3QFY21



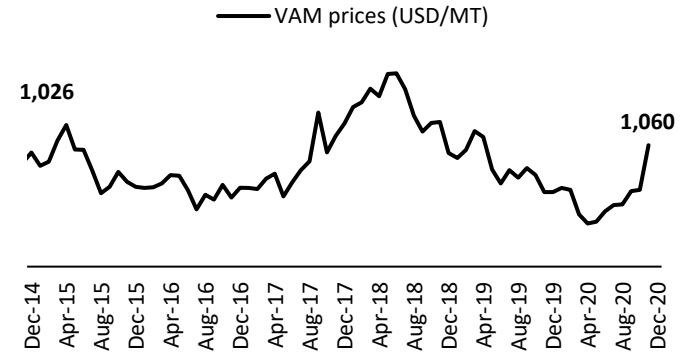
Source: Bloomberg, MOFSL

Exhibit 6: TiO2 up 1.8% YoY / 3% QoQ



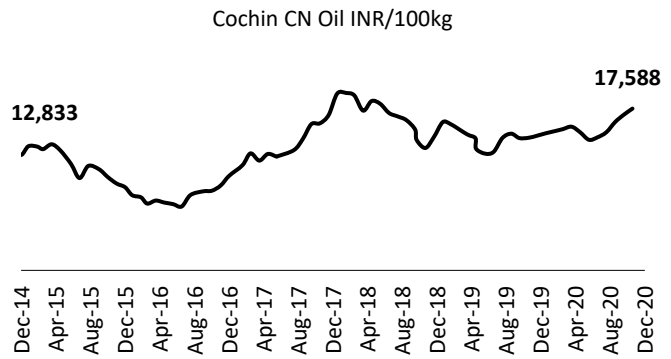
Source: Bloomberg, MOFSL

Exhibit 7: VAM prices up 10% YoY / 18.7% QoQ up to Nov'20



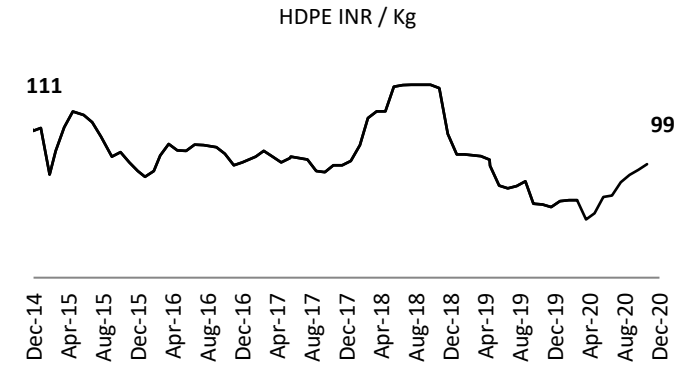
Source: Bloomberg, MOFSL

Exhibit 8: Copra (up to Nov'20) up 17.8% YoY / 12.6% QoQ



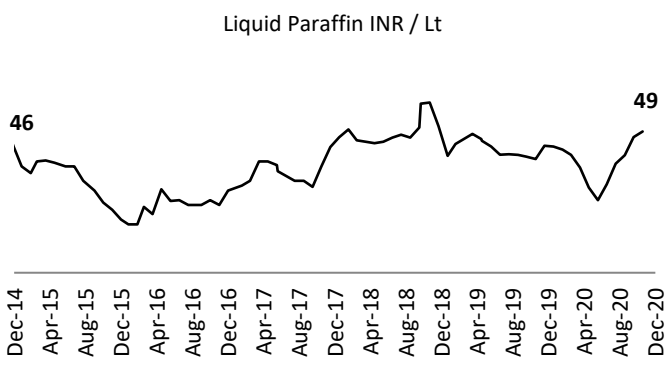
Source: Company, MOFSL

Exhibit 9: HDPE prices (up to Nov'20) up 15.5% YoY / 6.5% QoQ



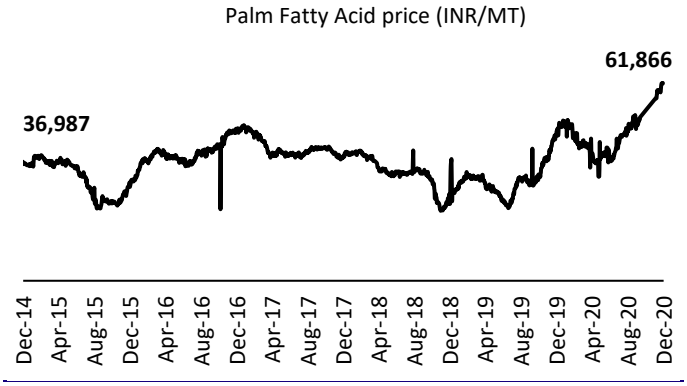
Source: Company, MOFSL

Exhibit 10: LLP prices (up to Nov'20) up 9.1% YoY / 16.6% QoQ



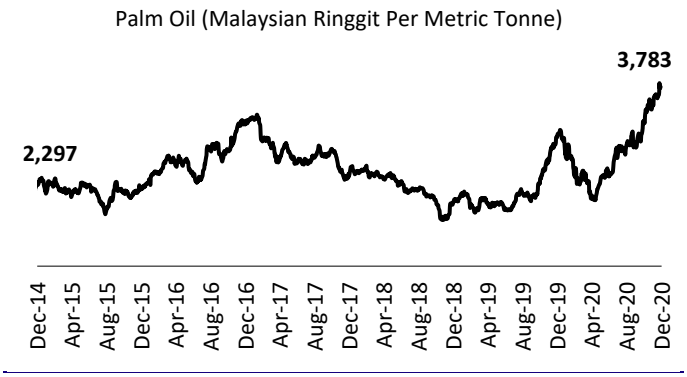
Source: Company, MOFSL

Exhibit 11: PFAD prices up 53% YoY / 25.2% QoQ



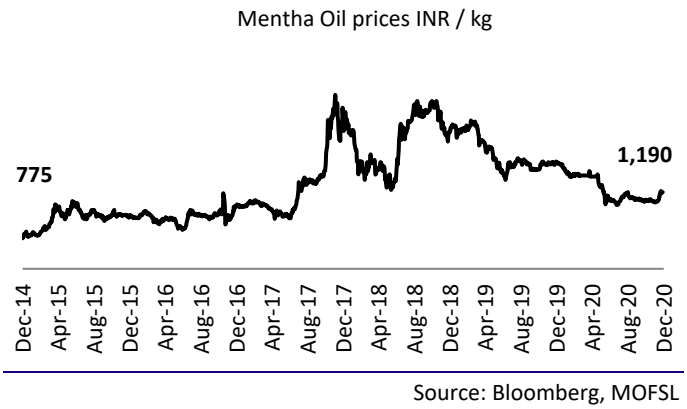
Source: Bloomberg, MOFSL

Exhibit 12: Palm oil prices up 35.1% YoY / 21.2% QoQ



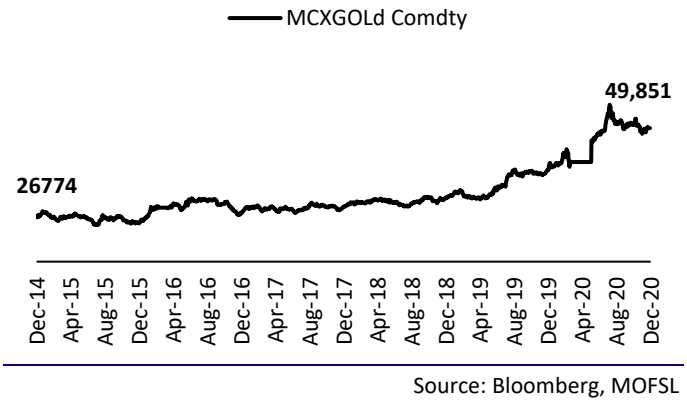
Source: Bloomberg, MOFSL

Exhibit 13: Mentha prices down 21.4% YoY, but flat QoQ



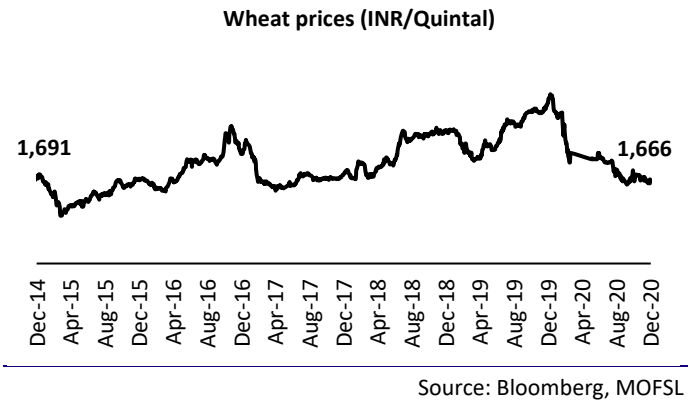
Source: Bloomberg, MOFSL

Exhibit 14: MCX gold commodity up 31.6% YoY, down 2% QoQ



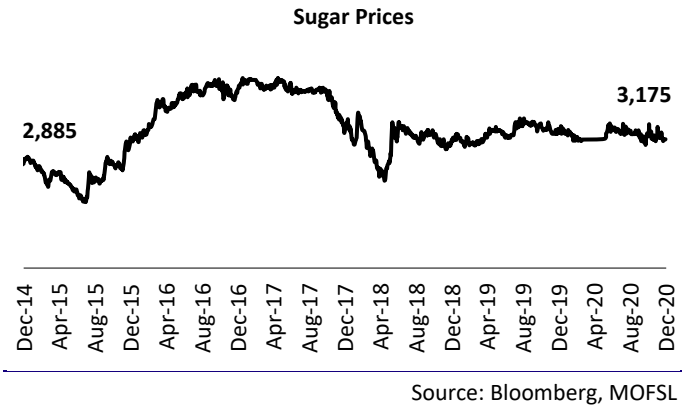
Source: Bloomberg, MOFSL

Exhibit 15: Wheat prices down 24.2% YoY / 5.7% QoQ



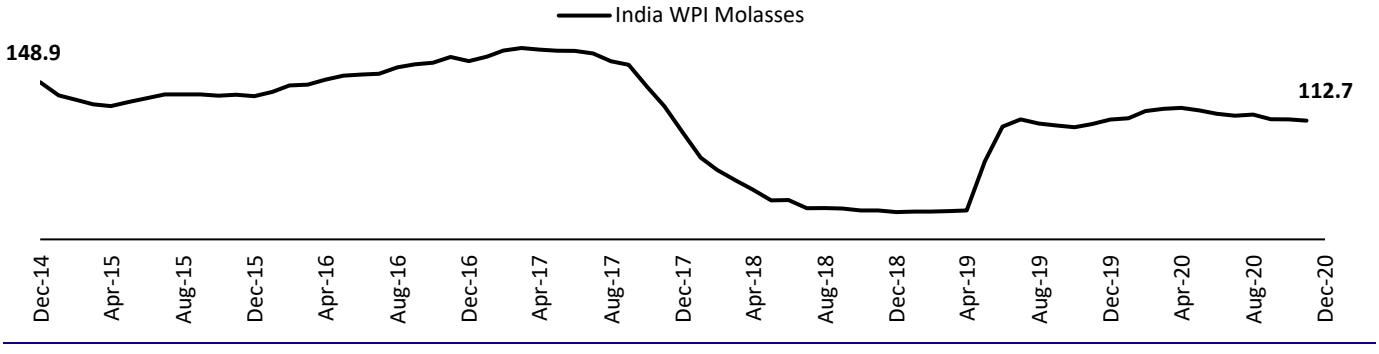
Source: Bloomberg, MOFSL

Exhibit 16: Sugar prices down 3.4% YoY / 2.2% QoQ



Source: Bloomberg, MOFSL

Exhibit 17: WPI molasses (up to Nov'20) up 3.3% YoY, but down 2.9% QoQ



Source: Bloomberg, MOFSL

Exhibit 18: Comparative valuation

Company Name	CMP (INR)	Reco	EPS (INR)			PE (x)			PB (x)			ROE (%)		
			FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Consumer						**51.7**	**42.2**	**36.6**	**10.1**	**9.6**	**9.0**	**19.6**	**22.8**	**24.6**
Asian Paints	2,775	Neutral	30.6	37.1	43.2	90.6	74.9	64.3	23.3	20.7	18.4	27.3	29.3	30.3
Britannia	3,566	Neutral	81.3	79.6	90.8	43.8	44.8	39.3	19.3	17.7	16.3	44.2	41.2	43.2
Colgate	1,579	Buy	34.3	37.8	44.4	46.1	41.8	35.6	26.0	26.0	26.0	57.4	62.1	72.9
Dabur	534	Buy	9.4	10.9	12.8	56.8	49.0	41.8	13.1	11.8	10.6	24.0	25.3	26.7
Emami	424	Buy	15.4	15.1	16.7	27.5	28.0	25.3	8.4	8.2	8.0	33.7	29.6	31.9
Godrej Consumer	739	Neutral	16.3	18.1	20.4	45.2	40.8	36.2	9.5	9.5	9.5	21.1	23.3	26.3
Hind. Unilever	2,387	Buy	34.2	42.2	48.7	69.9	56.6	49.0	11.5	11.5	11.4	28.2	20.2	23.3
ITC	214	Neutral	10.2	13.0	14.5	20.9	16.4	14.7	3.9	3.7	3.4	19.1	22.9	24.0
Jyothy Labs	147	Neutral	5.4	5.8	6.3	27.2	25.5	23.5	4.4	4.3	4.2	16.1	17.0	18.0
Marico	407	Buy	8.5	9.7	11.2	48.0	41.9	36.2	13.4	13.0	12.0	31.5	31.4	34.5
Nestle	18,451	Neutral	226.4	249.6	288.8	81.5	73.9	63.9	75.9	67.2	60.5	102.1	96.5	99.7
P&G Hygiene	10,993	Neutral	174.7	217.6	262.1	62.9	50.5	41.9	27.9	25.1	22.4	46.6	52.3	56.5
Page Industries	28,141	Neutral	259.1	433.4	487.9	108.6	64.9	57.7	34.7	30.8	28.0	31.9	47.4	48.5
Pidilite Inds.	1,771	Neutral	20.8	25.7	29.8	85.1	69.0	59.5	16.1	14.0	12.0	21.1	21.7	21.8
Tata Consumer	601	Buy	10.7	12.9	15.1	56.0	46.5	39.9	3.8	3.6	3.4	7.0	8.0	8.8
United Breweries	1,183	Sell	4.9	11.6	15.7	240	102	75.2	8.6	8.2	7.7	3.6	8.2	10.5
United Spirits	582	Neutral	6.7	13.3	17.7	87	44	32.8	10.0	8.2	6.5	11.5	18.7	19.9
Varun Beverages	909	Buy	13.2	23.8	36.2	68.9	38.2	25.1	7.4	6.3	5.1	11.0	17.8	22.5

The tables below provide a snapshot of actual and estimated numbers for companies under the MOFSL Coverage Universe. Highlighted columns indicate the quarter/financial year under review.

Asian Paints — Neutral

CMP: INR2,775 | TP: INR2,590 (-7%) — **EPS CHANGE (%): FY21|22: +3.4|+3.0**

- Expect 19% YoY volume growth due to a good festive season
- GM expansion due to YoY decline in crude prices
- Tio2 prices up 1.8% YoY in 3QFY21E
- Watch out for commentary on demand outlook

Quarterly Performance (Consol.) (INR m)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Est. Dom. Deco. Vol. growth (%)	**16.0**	**14.0**	**11.0**	**2.5**	**-38.0**	**11.0**	**19.0**	**26.0**	**10.9**	**4.5**
Net Sales	**51,047**	**50,507**	**54,203**	**46,356**	**29,227**	**53,502**	**61,791**	**56,456**	**2,02,113**	**2,00,977**
Change (%)	16.3	9.4	3.0	-7.1	-42.7	5.9	14.0	21.8	5.0	-0.6
Gross Profit	**22,280**	**21,435**	**23,313**	**21,250**	**13,077**	**23,758**	**28,115**	**26,776**	**88,278**	**91,725**
Gross Margin (%)	43.6	42.4	43.0	45.8	44.7	44.4	45.5	47.4	43.7	45.6
EBITDA	**11,579**	**9,548**	**11,894**	**8,596**	**4,843**	**12,652**	**15,015**	**12,725**	**41,618**	**45,235**
Margin (%)	22.7	18.9	21.9	18.5	16.6	23.6	24.3	22.5	20.6	22.5
Change (%)	24.5	13.0	7.7	-3.0	-58.2	32.5	26.2	48.0	10.5	8.7
Interest	267	259	241	257	201	205	210	224	1,023	840
Depreciation	1,918	1,972	1,971	1,945	1,912	1,936	1,950	1,973	7,805	7,771
Other Income	735	1,052	698	558	471	826	700	658	3,043	2,655
PBT	**10,131**	**8,369**	**10,381**	**6,953**	**3,200**	**11,337**	**13,555**	**11,186**	**35,833**	**39,279**
Tax	3,511	72	2,776	2,190	862	2,936	3,416	2,685	8,549	9,898
Effective Tax Rate (%)	34.7	0.9	26.7	31.5	26.9	25.9	25.2	24.0	23.9	25.2
Adjusted PAT	**6,742**	**8,450**	**7,797**	**4,803**	**2,196**	**8,519**	**10,014**	**8,637**	**27,791**	**29,367**
Change (%)	18.3	67.1	20.3	-1.8	-67.4	0.8	28.4	79.8	25.5	5.7

E: MOFSL Estimates

Britannia Industries — Neutral

CMP: INR3,566 | TP: INR3,890 (9%) — **EPS CHANGE (%): FY21|22: +2.6|+1.8**

- Expect 7% volume growth in base business for 3QFY21
- Watch out for commentary on demand trends
- GM up 110bp YoY due to benign agri commodity prices
- RM cost outlook/comment on NCD – key monitorables

Consol. Quarterly Performance (INR m)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Base business volume growth (%)	**3.0**	**3.0**	**3.0**	**0.0**	**21.0**	**9.0**	**7.0**	**10.0**	**2.3**	**11.7**
Net Sales	**27,004**	**30,488**	**29,827**	**28,677**	**34,207**	**34,191**	**32,809**	**32,438**	**1,15,996**	**1,33,645**
YoY change (%)	6.2	6.2	4.9	2.5	26.7	12.1	10.0	13.1	4.9	15.2
Gross Profit	**10,912**	**12,247**	**12,185**	**11,377**	**14,248**	**14,540**	**13,780**	**13,628**	**46,721**	**56,195**
Margins (%)	40.4	40.2	40.9	39.7	41.7	42.5	42.0	42.0	40.3	42.0
EBITDA	**3,947**	**4,922**	**5,020**	**4,543**	**7,169**	**6,754**	**6,077**	**5,812**	**18,432**	**25,813**
Margins (%)	14.6	16.1	16.8	15.8	21.0	19.8	18.5	17.9	15.9	19.3
YoY growth (%)	1.4	8.3	11.1	4.1	81.7	37.2	21.1	27.9	6.3	40.0
Depreciation	448	449	467	485	480	485	500	523	1,848	1,988
Interest	101	161	237	270	256	298	310	317	769	1,181
Other Income	675	682	652	786	937	735	820	1,007	2,794	3,499
PBT	**4,072**	**4,994**	**4,969**	**4,574**	**7,370**	**6,706**	**6,087**	**5,979**	**18,609**	**26,142**
Tax	1,430	955	1,273	849	1,944	1,750	1,532	1,354	4,507	6,580
Rate (%)	35.1	19.1	25.6	18.6	26.4	26.1	25.2	22.7	24.2	25.2
Adjusted PAT	**2,642**	**4,038**	**3,696**	**3,725**	**5,427**	**4,956**	**4,555**	**4,624**	**14,102**	**19,562**
YoY change (%)	2.4	33.2	22.9	26.5	105.4	22.7	23.3	24.1	21.9	38.7

E: MOFSL Estimates

Colgate — Buy

CMP: INR1,579 | TP: INR1,860 (+19%) — **EPS CHANGE (%): FY21|22: -0.2|+0.8**

- Expect 4.5% YoY volume growth in 3QFY21
- Watch out for A&P intensity in Toothpaste category
- YoY GM expansion due to lower material costs
- Market share movement a key monitorable, if disclosed

Quarterly Performance (INR m)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Toothpaste Volume Gr %	**4.0**	**4.0**	**2.3**	**-8.0**	**0.0**	**4.0**	**4.5**	**15.0**	**0.6**	**5.9**
Net Sales (incldg. OOI)	**10,849**	**12,218**	**11,472**	**10,713**	**10,406**	**12,855**	**12,103**	**12,325**	**45,251**	**47,689**
YoY change (%)	*4.2*	*4.6*	*4.3*	*-7.1*	*-4.1*	*5.2*	*5.5*	*15.1*	*1.4*	*5.4*
Gross Profit	**7,145**	**7,910**	**7,541**	**6,926**	**6,883**	**8,759**	**8,113**	**8,129**	**29,522**	**31,883**
Gross margin (%)	*65.9*	*64.7*	*65.7*	*64.7*	*66.1*	*68.1*	*67.0*	*66.0*	*65.2*	*66.9*
EBITDA	**2,998**	**3,230**	**3,161**	**2,629**	**3,080**	**4,093**	**3,576**	**3,452**	**12,017**	**14,201**
Margins (%)	*27.6*	*26.4*	*27.6*	*24.5*	*29.6*	*31.8*	*29.6*	*28.0*	*26.6*	*29.8*
YoY growth (%)	6.5	-2.0	0.5	-15.3	2.7	26.7	13.2	31.3	-2.8	18.2
Depreciation	499	504	515	462	454	461	520	538	1,979	1,973
Interest	23	24	29	20	20	18	29	29	96	96
Financial other Income	152	86	58	196	63	76	87	103	492	328
PBT	**2,628**	**2,788**	**2,674**	**2,344**	**2,669**	**3,689**	**3,114**	**2,987**	**10,434**	**12,459**
Tax	937	347	683	302	687	947	747	757	2,269	3,139
Rate (%)	*35.7*	*12.4*	*25.6*	*12.9*	*25.7*	*25.7*	*24.0*	*25.3*	*21.7*	*25.2*
Adj PAT	**1,691**	**2,441**	**1,991**	**2,042**	**1,982**	**2,742**	**2,366**	**2,230**	**8,165**	**9,321**
YoY change (%)	*1.3*	*24.3*	*3.6*	*2.1*	*17.2*	*12.3*	*18.9*	*9.3*	*8.1*	*14.2*

E: MOFSL Estimates

Dabur — Buy

CMP: INR534 | TP: INR620 (+16%) — **EPS CHANGE (%): FY21|22: +0.0|+0.0**

- Expect 12% YoY volume growth in 3QFY21
- Watch out for outlook on domestic volume growth / winter demand
- Expect GM/EM change of +10bp/+30bp YoY
- Outlook on performance in international business – key monitorable

Quarterly Performance (Consol.) (INR m)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Domestic FMCG vol. growth (%)	**9.6**	**4.8**	**5.6**	**-14.6**	**-9.7**	**16.8**	**12.0**	**28.0**	**1.4**	**11.8**
Net sales	**22,733**	**22,120**	**23,530**	**18,654**	**19,800**	**25,160**	**25,647**	**23,311**	**86,846**	**93,918**
YoY change (%)	9.3	4.1	7.0	-12.3	-12.9	13.7	9.0	25.0	1.8	8.1
Gross profit	**11,256**	**11,235**	**11,785**	**9,158**	**9,784**	**12,802**	**12,872**	**11,752**	**43,434**	**47,210**
Margin (%)	49.5	50.8	50.1	49.1	49.4	50.9	50.2	50.4	50.0	50.3
EBITDA	**4,576**	**4,895**	**4,929**	**3,523**	**4,166**	**5,694**	**5,450**	**4,695**	**17,924**	**20,005**
Margins (%)	20.1	22.1	20.9	18.9	21.0	22.6	21.2	20.1	20.6	21.3
YoY growth (%)	18.5	8.6	10.7	-23.0	-9.0	16.3	10.6	33.3	3.0	11.6
Depreciation	528	545	544	588	567	596	609	626	2,205	2,399
Interest	153	152	105	86	78	75	90	101	495	345
Other income	733	818	745	758	718	876	789	769	3,053	3,152
PBT	**4,629**	**5,016**	**5,025**	**3,606**	**4,238**	**5,899**	**5,540**	**4,736**	**18,277**	**20,413**
Tax	834	662	875	627	825	1,067	1,036	848	2,997	3,776
Rate (%)	18.0	13.2	17.4	17.4	19.5	18.1	18.7	17.9	16.4	18.5
Adjusted PAT	**3,791**	**4,350**	**4,137**	**2,972**	**3,418**	**4,817**	**4,494**	**3,869**	**15,250**	**16,598**
YoY change (%)	15.2	15.5	13.0	-31.0	-9.8	10.7	8.6	30.2	1.5	8.8

E: MOFSL Estimates

Emami — Buy

CMP: INR424 | TP: INR510 (+20%) — **EPS CHANGE (%): FY21|22: +3.4|+6.2**

- Expect 18% YoY growth in domestic volumes in 3QFY21
- Watch out for volume growth / winter demand outlook
- Expect GM expansion of 140bp, but flat EM
- Rural outlook – key metrics

Consol. Quarterly perfor. (INR m)

Y/E MARCH	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Domestic volume growth (%)	0.0	1.0	-2.0	-20.0	-28.0	10.0	18.0	30.0	-5.3	7.5
Net Sales	**6,486**	**6,601**	**8,126**	**5,327**	**4,813**	**7,348**	**9,670**	**7,081**	**26,549**	**28,913**
YoY change (%)	5.6	5.1	0.2	-16.8	-25.8	11.3	19.0	32.9	-1.5	8.9
Gross Profit	**4,162**	**4,602**	**5,545**	**3,471**	**3,200**	**5,163**	**6,733**	**4,686**	**17,788**	**19,783**
Gross margin (%)	64.2	69.7	68.2	65.2	66.5	70.3	69.6	66.2	67.0	68.4
EBITDA	**1,341**	**1,930**	**2,640**	**985**	**1,230**	**2,571**	**3,142**	**1,905**	**6,906**	**8,848**
Margins (%)	20.7	29.2	32.5	18.5	25.5	35.0	32.5	26.9	26.0	30.6
YoY change	11.4	3.0	0.2	-36.6	-8.3	33.2	19.0	93.3	-5.0	28.1
Depreciation	204	178	214	219	194	216	225	285	774	919
Interest	44	93	49	24	47	25	39	51	210	162
Other Income	115	164	156	145	67	79	101	140	571	387
PBT	**1,209**	**1,822**	**2,533**	**887**	**1,056**	**2,409**	**2,979**	**1,709**	**6,492**	**8,153**
Tax	177	211	403	-74	95	284	596	330	713	1,305
Rate (%)	14.6	11.6	15.9	-8.3	9.0	11.8	20.0	19.3	11.0	16.0
PAT before Amortization	**1,039**	**1,621**	**2,146**	**980**	**973**	**2,133**	**2,383**	**1,360**	**5,833**	**6,849**
YoY change (%)	18.1	12.6	2.8	-20.0	-6.4	31.6	11.1	38.8	5.7	17.4

E: MOFSL Estimates

Godrej Consumer — Neutral

CMP: INR739 | TP: INR790 (+7%) — **EPS CHANGE (%): FY21|22: 0.0|+2.6**

- Domestic sales to grow 9% YoY in 3QFY21E
- Outlook on new launches – key monitorable
- Watch out for premiumization and growth trends in the Hygiene segment
- Watch out for demand outlook in Indonesia / margin improvement in Africa

Quarterly Perf.(Consolidated) (INR m)

Y/E March	FY20				FY21				FY20	FY21E	FY21	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Net Sales (including OOI)	**23,488**	**26,302**	**27,781**	**21,538**	**23,273**	**29,151**	**30,281**	**25,957**	**99,108**	**108,662**	**28,932**	0.8%
YoY change (%)	-5.2	-1.1	2.0	-12.2	-0.9	10.8	9.0	20.5	-3.9	9.6	10.0	
Gross Profit	**13,417**	**14,884**	**15,757**	**12,433**	**12,629**	**16,318**	**17,145**	**14,802**	**56,491**	**60,894**	**16,198**	
Margin (%)	57.1	56.6	56.7	57.7	54.3	56.0	56.6	57.0	57.0	56.0	56.0	
EBITDA	**4,589**	**5,765**	**6,313**	**4,765**	**4,727**	**6,844**	**6,730**	**5,973**	**21,430**	**24,274**	**6,457**	6.0%
Margins (%)	19.5	21.9	22.7	22.1	20.3	23.5	22.2	23.0	21.6	22.3	22.3	
YoY growth (%)	2.2	7.1	2.4	-17.8	3.0	18.7	6.6	25.3	-1.2	13.3	12.0	
Depreciation	473	477	490	532	493	509	530	552	1,973	2,085	483	
Interest	551	531	477	615	483	313	310	323	2,174	1,430	531	
Other Income	214	266	235	492	218	139	165	200	1,123	722	297	
PBT	**3,746**	**4,976**	**5,574**	**4,110**	**3,968**	**6,045**	**6,055**	**5,414**	**18,406**	**21,482**	**5,741**	5.3%
Tax	843	805	1,084	1,258	963	1,463	1,314	1,028	3,932	4,768	1,246	
Rate (%)	22.5	16.2	19.5	30.6	24.3	24.2	21.7	19.0	21.4	22.2	21.7	
Adj PAT	**2,904**	**4,174**	**4,496**	**2,850**	**3,001**	**4,584**	**4,741**	**4,388**	**14,482**	**16,713**	**4,495**	2.0%
YoY change (%)	-8.6	16.2	7.7	-28.0	3.3	9.8	5.5	54.0	-2.8	15.4	7.7	

Hindustan Unilever — Buy

CMP: INR2,387 | TP: INR2,640 (+11%) — **EPS CHANGE (%): FY21|22: -1.8|-1.3**

- See domestic volume growth (incl. GSKCH) of 17% YoY
- Watch out for outlook for pace of rural and urban growth
- GM contraction due to impact on higher material costs
- Outlook for competitive intensity, downtrading, RM cost

Quarterly perf. (Standalone) (INR b)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Domestic volume growth (%)	**5.0**	**5.0**	**5.0**	**-7.0**	**4.0**	**14.0**	**17.0**	**28.0**	**2.0**	**15.8**
Net sales	**101.1**	**98.5**	**98.1**	**90.1**	**105.6**	**114.4**	**117.7**	**118.1**	**387.9**	**455.8**
YoY change (%)	*6.6*	*6.7*	*2.6*	*-9.4*	*4.4*	*16.1*	*20.0*	*31.1*	*1.5*	*17.5*
Gross Profit	**54.7**	**53.7**	**53.2**	**48.4**	**54.7**	**60.7**	**60.2**	**61.8**	**209.9**	**237.4**
Margin %	*54.0*	*54.5*	*54.2*	*53.7*	*51.8*	*53.0*	*51.2*	*52.3*	*54.1*	*52.1*
EBITDA	**26.5**	**24.4**	**24.5**	**20.7**	**26.4**	**28.7**	**28.8**	**29.5**	**96.0**	**113.4**
YoY change (%)	*17.6*	*21.0*	*19.5*	*-11.0*	*-0.1*	*17.4*	*17.7*	*43.0*	*11.1*	*18.2*
Margins (%)	*26.2*	*24.8*	*24.9*	*22.9*	*25.0*	*25.1*	*24.4*	*25.0*	*24.8*	*24.9*
Depreciation	2.1	2.4	2.3	2.6	2.4	2.5	2.6	2.8	9.4	10.4
Interest	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	1.1	1.1
Other income	1.5	1.8	1.4	2.7	1.6	1.5	1.6	1.7	7.3	6.4
PBT	**25.6**	**23.6**	**23.3**	**20.5**	**25.3**	**27.4**	**27.4**	**28.2**	**92.9**	**108.3**
Tax	8.1	5.2	6.4	5.8	5.3	6.5	7.6	8.7	25.5	28.2
Rate (%)	*31.5*	*22.2*	*27.4*	*28.3*	*21.0*	*23.8*	*27.8*	*30.9*	*27.4*	*26.0*
PAT bei	**17.5**	**18.3**	**16.9**	**14.7**	**18.7**	**20.4**	**19.8**	**19.5**	**67.4**	**80.1**
YoY change (%)	*11.7*	*20.4*	*20.7*	*-7.6*	*7.0*	*11.1*	*17.0*	*15.0*	*10.9*	*18.8*
Reported Profit	**17.6**	**18.5**	**16.2**	**15.2**	**18.8**	**20.1**	**19.8**	**19.5**	**67.4**	**78.1**

E: MOFSL Estimates

ITC — Neutral

CMP: INR214 | TP: INR200 (-6%) — **EPS CHANGE (%): FY21|22: 0.0|0.0**

- Expect cigarette volume decline of 7%
- Commentary on demand trends and further price hike in cigarettes
- Watch out for commentary on Hotel business recovery
- Demand outlook for 'Other-FMCG' business – a key monitorable

Quarterly Performance (INR b)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Est. cigarette vol. gr. (%)	**3.0**	**2.5**	**2.5**	**-11.0**	**-37.0**	**-12.0**	**-7.0**	**6.0**	**-0.8**	**-12.5**
Net Sales	**113**	**117**	**120**	**108**	**89**	**112**	**113**	**114**	**456**	**428**
YoY change (%)	4.0	3.4	5.1	-9.6	-21.2	-4.1	-6.0	5.3	1.4	-6.2
Gross Profit	**72**	**72**	**75**	**68**	**50**	**64**	**67**	**68**	**276**	**250**
Margin (%)	63.4	61.6	62.2	62.5	55.7	57.6	59.2	60.0	60.4	58.3
EBITDA	**46**	**46**	**46**	**42**	**26**	**41**	**42**	**43**	**179**	**153**
Growth (%)	8.7	8.5	6.6	-8.9	-42.0	-11.0	-8.6	4.1	3.5	-14.9
Margins (%)	40.4	39.1	38.4	38.4	29.7	36.3	37.3	38.0	39.3	35.6
Depreciation	4	4	4	4	4	4	4	4	16	16
Interest	0	0	0	0	0	0	0	0	1	1
Other Income	6	7	10	8	9	6	8	9	30	32
PBT	**48**	**48**	**52**	**45**	**31**	**43**	**46**	**48**	**193**	**168**
Tax	16	8	9	7	8	10	12	12	40	42
Rate (%)	34.0	16.3	17.3	15.8	25.1	24.4	25.5	25.6	20.9	25.2
Adj PAT	**32**	**40**	**43**	**38**	**23**	**32**	**35**	**36**	**153**	**126**
YoY change (%)	12.6	36.2	33.2	9.1	-26.2	-19.7	-19.2	-6.3	22.5	-17.6

E: MOFSL estimate; Full-year COGS also includes contract processing charges (included in other op. exps. in quarterly)

Jyothy Labs — Neutral

CMP: INR147 | TP: INR150 (+2%) — **EPS CHANGE (%): FY21|22: 0.0|+2.3**

- S/A net sales to grow 21% YoY
- Watch out for demand outlook, especially in South India
- GM to contract 20bp YoY and EM to remain flat
- Update on launches/performance of HI portfolio

Standalone Quarterly Perf. (INR m)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	**4,116**	**4,642**	**4,073**	**3,823**	**4,287**	**4,996**	**4,928**	**5,352**	**16,654**	**19,563**
YoY change (%)	2.3	8.5	-6.2	-24.2	4.1	7.6	21.0	40.0	-5.9	17.5
Gross Profit	**1,965**	**2,119**	**1,941**	**1,709**	**1,968**	**2,373**	**2,339**	**2,463**	**7,734**	**9,142**
Margins (%)	47.7	45.6	47.7	44.7	45.9	47.5	47.5	46.0	46.4	46.7
EBITDA	**655**	**791**	**651**	**402**	**782**	**889**	**787**	**750**	**2,499**	**3,208**
EBITDA growth %	12.4	8.1	-9.3	-51.4	19.4	12.4	21.0	86.6	-12.6	28.4
Margins (%)	15.9	17.0	16.0	10.5	18.3	17.8	16.0	14.0	15.0	16.4
Depreciation	185	188	193	191	187	193	199	191	757	771
Interest	61	59	69	58	51	29	38	44	248	161
Other Income	48	55	53	45	42	39	43	60	201	184
PBT	**458**	**598**	**441**	**196**	**587**	**706**	**593**	**575**	**1,694**	**2,460**
Tax	61	66	16	-64	83	100	107	106	79	395
Rate (%)	13.4	11.0	3.6	-32.5	14.1	14.1	18.0	18.5	4.7	16.1
Adjusted PAT	**359**	**532**	**425**	**260**	**504**	**607**	**486**	**468**	**1,577**	**2,065**
YoY change (%)	10.9	17.4	-12.1	-61.2	40.4	14.0	14.3	79.9	-18.4	31.0

E: MOFSL Estimates

Marico — Buy

CMP: INR407 | TP: INR470 (+15%) — **EPS CHANGE (%): FY21|22: -2.7|-0.8**

- Expect 10% domestic volume growth
- Watch out for comments on volume growth trends across key categories
- Expect GM contraction on downtrading and a high base
- Outlook for RM and margin guidance for international segment – key monitorables

Quarterly Performance (INR m)

Y/E March	FY20				FY21				FY20	FY21E	FY21	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Domestic volume growth (%)	6.0	1.0	-1.0	-3.0	-14.0	11.0	10.0	12.2	0.8	4.8	7.3	
Net Sales	**21,660**	**18,290**	**18,240**	**14,960**	**19,250**	**19,890**	**19,973**	**16,647**	**73,150**	**75,760**	**19,570**	1.6%
YoY Change (%)	6.9	-0.4	-2.0	-7.0	-11.1	8.7	9.5	11.3	-0.3	3.6	7.0	
Gross Profit	**10,290**	**9,080**	**8,960**	**7,370**	**9,410**	**9,550**	**9,691**	**8,207**	**35,470**	**36,858**	**9,559**	
Gross margin (%)	47.5	49.6	49.1	49.3	48.9	48.0	48.5	49.3	48.5	48.7	48.8	
EBITDA	**4,610**	**3,530**	**3,730**	**2,820**	**4,670**	**3,890**	**4,104**	**3,142**	**14,690**	**15,806**	**3,777**	3.0%
Margins (%)	21.3	19.3	20.4	18.9	24.3	19.6	20.5	18.9	20.1	20.9	19.3	
YoY Change (%)	26.0	15.7	3.9	-4.1	1.3	10.2	10.0	11.4	10.9	7.6	7.0	
Depreciation	350	350	320	380	340	330	352	378	1,400	1,400	361	
Interest	120	130	120	130	90	80	102	121	500	393	131	
Other Income	280	350	290	320	190	270	299	305	1,240	1,064	354	
PBT	**4,420**	**3,400**	**3,580**	**2,630**	**4,430**	**3,750**	**3,949**	**2,948**	**14,030**	**15,077**	**3,639**	3.1%
Tax	1,150	880	820	530	1,030	690	1,185	900	3,310	3,804	964	
Rate (%)	26.0	25.9	22.9	20.2	23.3	18.4	30.0	30.5	23.6	25.2	26.5	
Minority Interest	70	50	40	60	90	90	80	80	220	340	50	
Adjusted PAT	**3,200**	**2,470**	**2,720**	**2,040**	**3,310**	**2,970**	**2,684**	**1,968**	**10,500**	**10,933**	**2,625**	13.2%
YoY Change (%)	25.5	16.5	10.6	-3.3	3.4	20.2	-1.3	-3.5	13.4	4.1	6.3	

E: MOSL Estimates

Nestle India — Neutral

CMP: INR18,451 | TP: INR16,440 (-11%) — **EPS CHANGE (%): CY20|21: 2.1|1.7**

- Sales growth momentum recovering gradually
- Commentary on material cost outlook
- GM expansion of 150bp YoY due to soft commodity prices
- Watch out for commentary on slowdown in 'in-home' consumption demand

Quarterly performance (INR m)

Y/E December	CY19				CY20				CY19	CY20E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**30,030**	**30,009**	**32,158**	**31,493**	**33,253**	**30,505**	**35,417**	**34,982**	**1,23,689**	**1,34,157**
YoY Change (%)	8.9	11.2	9.4	8.7	10.7	1.7	10.1	11.1	9.5	8.5
COGS	12,453	12,522	13,650	13,614	14,533	13,319	14,843	14,593	52,239	57,287
Gross Profit	**17,576**	**17,487**	**18,508**	**17,879**	**18,720**	**17,186**	**20,574**	**20,389**	**71,450**	**76,869**
Margin (%)	58.5	58.3	57.6	56.8	56.3	56.3	58.1	58.3	57.8	57.3
EBITDA	**7,645**	**7,226**	**7,745**	**6,730**	**8,006**	**7,584**	**8,991**	**8,407**	**28,892**	**32,987**
Margins (%)	25.5	24.1	24.1	21.4	24.1	24.9	25.4	24.0	23.4	24.6
YoY Growth (%)	7.4	8.7	4.4	9.6	4.7	5.0	16.1	24.9	5.7	14.2
Depreciation	914	941	911	796	914	924	911	959	3,164	3,708
Interest	339	320	321	284	410	408	405	429	1,198	1,651
Other income	732	726	564	447	429	379	345	407	2,469	1,560
PBT	**7,124**	**6,691**	**7,078**	**6,097**	**7,111**	**6,631**	**8,020**	**7,425**	**26,999**	**29,188**
Tax	2,379	2,213	1,044	1,416	1,784	1,657	1,994	1,920	7,054	7,355
Rate (%)	33.4	33.1	14.8	23.2	25.1	25.0	24.9	25.9	26.1	25.2
Adjusted PAT	**4,745**	**4,478**	**6,034**	**4,681**	**5,327**	**4,975**	**6,026**	**5,505**	**19,944**	**21,832**
YoY Change (%)	8.1	8.0	30.3	15.6	12.3	11.1	-0.1	17.6	15.8	9.5

E: MOFSL Estimates

Page Industries — Neutral

CMP: INR28,141 | TP: INR24,400 (-13%) — **EPS CHANGE (%): FY21|22: 0.0|0.0**

- Expect low-single-digit volume growth due to pent-up demand and a good festive season
- Watch out for commentary on demand environment
- Gross/EBITDA margin expansion due to higher sales and a better sales mix
- Commentary on traction in Kids Wear segment

Quarterly Performance (INR m)

Y/E MARCH	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	**8,350**	**7,754**	**7,938**	**5,413**	**2,848**	**7,403**	**8,732**	**6,944**	**29,454**	**25,927**
YoY change (%)	2.4	12.3	7.5	-11.0	-65.9	-4.5	10.0	28.3	3.3	-12.0
Gross Profit	**4,598**	**4,344**	**4,220**	**3,185**	**1,370**	**4,106**	**4,977**	**4,040**	**16,346**	**14,493**
Gross margin (%)	55.1	56.0	53.2	58.8	48.1	55.5	57.0	58.2	55.5	55.9
Other Expenditure	2,731	2,854	2,832	2,603	1,717	2,452	3,100	2,549	11,021	9,819
% to sales	32.7	36.8	35.7	48.1	60.3	33.1	35.5	36.7	37.4	37.9
EBITDA	**1,866**	**1,490**	**1,388**	**581**	**-347**	**1,654**	**1,877**	**1,491**	**5,326**	**4,674**
Margins (%)	22.4	19.2	17.5	10.7	-12.2	22.3	21.5	21.5	18.1	18.0
YoY change	-1.4	4.4	-16.0	-51.4	P/L	10.9	35.3	156.4	-13.7	-12.2
Depreciation	140	147	164	163	160	157	172	190	614	679
Interest	83	81	90	85	77	75	90	111	339	353
Other Income	55	57	35	99	61	37	52	70	246	220
PBT	**1,699**	**1,321**	**1,169**	**432**	**-524**	**1,459**	**1,668**	**1,260**	**4,620**	**3,863**
Tax	592	175	299	122	-128	350	429	323	1,188	973
Rate (%)	34.8	13.3	25.6	28.2	24.5	24.0	25.7	25.6	25.7	25.2
PAT	**1,107**	**1,145**	**870**	**310**	**-396**	**1,109**	**1,239**	**937**	**3,432**	**2,890**
YoY change (%)	-11.1	23.6	-14.6	-58.6	P/L	-3.2	42.4	202.1	-12.9	-15.8

E: MOFSL Estimates

P&G Hygiene — Neutral

CMP: INR10,933 | TP: INR12,000 (+10%) — **EPS CHANGE (%): FY21|22: 0.0|0.0**

- Expect sales growth of 16% YoY in 3QFY21
- Watch out for commentary on demand recovery trends
- Gross/EBITDA margins to contract 160bp/30bp YoY
- A&P spends a key monitorable

Standalone - Quarterly Earnings (INR m)

Y/E June	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	**8,521**	**8,593**	**6,561**	**6,345**	**10,095**	**9,968**	**8,069**	**7,021**	**30,020**	**35,152**
YoY Change (%)	7.6	5.0	-6.2	-0.5	18.5	16.0	23.0	10.6	1.9	17.1
Gross profit	**5,146**	**5,381**	**4,371**	**4,013**	**6,663**	**6,080**	**5,164**	**4,590**	**18,912**	**22,498**
Margin (%)	60.4	62.6	66.6	63.2	66.0	61.0	64.0	65.4	63.0	64.0
EBITDA	**1,822**	**1,867**	**1,384**	**1,103**	**2,293**	**2,130**	**1,964**	**1,346**	**6,176**	**7,734**
Growth	-13.1	-2.4	-3.6	70.2	25.8	14.1	41.9	22.1	1.4	25.2
Margins (%)	21.4	21.7	21.1	17.4	22.7	21.4	24.3	19.2	20.6	22.0
Depreciation	115	115	118	132	118	122	142	158	479	540
Interest	4	22	24	10	4	15	15	21	61	55
Other Income	110	90	145	96	96	110	120	125	441	451
PBT	**1,814**	**1,820**	**1,388**	**1,056**	**2,267**	**2,103**	**1,927**	**1,292**	**6,078**	**7,589**
Tax	445	461	371	364	552	530	486	342	1,642	2,068
Rate (%)	24.6	25.3	29.0	34.5	19.1	25.2	25.2	26.5	27.5	25.2
Adj PAT	**1,368**	**1,359**	**1,016**	**692**	**1,715**	**1,573**	**1,442**	**950**	**4,436**	**5,679**
YoY Change (%)	0.9	9.5	12.8	13.9	25.3	15.7	41.9	37.2	5.8	28.0
Margins (%)	16.1	15.8	15.5	10.9	17.0	15.8	17.9	13.5	14.8	16.2

E: MOFSL Estimates

Pidilite Industries — Neutral

CMP: INR1,771 | TP: INR1,580 (-11%) — **EPS CHANGE (%): FY21|22: 2.9|1.1**

- Expect 16% volume growth in domestic Consumer & Bazaar segment
- Watch out for outlook for demand in domestic Consumer & Bazaar and Industrial segments
- Expect GM expansion on premiumization
- Outlook for raw material prices, especially VAM prices – a key monitorable

Consol. - Quarterly Earnings Model (INR m)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	**20,166**	**18,066**	**19,266**	**15,447**	**8,778**	**18,803**	**21,770**	**17,886**	**72,945**	**67,238**
YoY change (%)	10.0	2.8	4.2	-5.8	-56.5	4.1	13.0	15.8	3.1	-7.8
Gross Profit	**10,361**	**9,644**	**10,363**	**8,552**	**4,694**	**10,520**	**12,191**	**10,024**	**38,920**	**37,428**
Margin (%)	51.4	53.4	53.8	55.4	53.5	55.9	56.0	56.0	53.4	55.7
EBITDA	**4,437**	**3,682**	**4,632**	**3,009**	**664**	**5,126**	**5,541**	**4,182**	**15,760**	**15,513**
YoY change (%)	16.3	0.5	37.5	7.9	-85.0	39.2	19.6	39.0	15.6	-1.6
Margins (%)	22.0	20.4	24.0	19.5	7.6	27.3	25.5	23.4	21.6	23.1
Depreciation	377	402	419	501	461	479	500	526	1,699	1,966
Interest	73	83	82	98	91	87	85	75	336	337
Other Income	399	558	398	140	200	217	250	251	1,494	918
PBT	**4,385**	**3,755**	**4,530**	**2,550**	**312**	**4,778**	**5,206**	**3,832**	**15,219**	**14,129**
Tax	1,444	293	1,084	656	159	1,220	1,197	981	3,477	3,556
Rate (%)	32.9	7.8	23.9	25.7	50.8	25.5	23.0	25.6	23.7	25.2
Adj PAT	**2,941**	**3,462**	**3,445**	**1,894**	**154**	**3,558**	**4,009**	**2,852**	**11,742**	**10,573**
YoY change (%)	22.4	48.2	58.0	-23.1	-94.8	2.8	16.4	50.6	25.1	-10.0
Margins (%)	14.6	19.2	17.9	12.3	1.7	18.9	18.4	15.9	16.1	15.7

E: MOFSL Estimates

Tata Consumer Products — Buy

CMP: INR601 | TP: INR623 (+4%) — **EPS CHANGE (%): FY21|22: +35|+20**

- India Foods biz revenue to grow 20% YoY
- Outlook on tea prices
- Update on integration of Foods business and its synergy benefits
- Update on new product launches in India Foods business

Consol. - Quarterly perf. (INR m)

Y/E March	FY20				FY21				FY20	FY21
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Gross Sales	**23,924**	**23,471**	**24,930**	**24,050**	**27,139**	**27,813**	**29,884**	**28,925**	**96,374**	**1,13,761**
YoY Change (%)	32.7	33.3	30.3	35.5	13.4	18.5	19.9	20.3	32.9	18.0
Total Expenditure	20,415	20,323	21,748	20,967	22,313	23,818	25,993	24,836	83,453	96,960
EBITDA	**3,509**	**3,148**	**3,181**	**3,084**	**4,827**	**3,996**	**3,890**	**4,089**	**12,922**	**16,801**
Margins (%)	14.7	13.4	12.8	12.8	17.8	14.4	13.0	14.1	13.4	14.8
Depreciation	576	587	614	640	619	626	655	660	2,417	2,560
Interest	186	204	201	187	173	179	178	178	779	708
Other Income	331	280	285	219	327	262	280	220	1,116	1,089
PBT before EO expense	**3,078**	**2,637**	**2,651**	**2,476**	**4,362**	**3,454**	**3,337**	**3,471**	**10,842**	**14,623**
Extra-Ord expense	-81	-15	-8	-2,644	633	-239	0	0	-2,748	394
PBT	**2,997**	**2,622**	**2,643**	**-168**	**4,995**	**3,215**	**3,337**	**3,471**	**8,094**	**15,017**
Tax	1,022	636	750	334	1,104	871	934	972	2,742	3,881
Rate (%)	34.1	24.3	28.4	-198.2	22.1	27.1	28.0	28.0	33.9	25.8
Minority Interest	164	147	153	-460	180	161	168	-506	4	3
Profit/Loss of Asso. Cos.	-74	92	-46	-723	-435	389	-200	-500	-751	-747
Reported PAT	**1,737**	**1,932**	**1,694**	**-765**	**3,276**	**2,571**	**2,035**	**2,505**	**4,598**	**10,386**
Adj PAT	**1,818**	**1,947**	**1,702**	**1,879**	**2,643**	**2,712**	**2,035**	**2,505**	**7,346**	**9,895**
YoY Change (%)	35.2	10.3	71.4	499.0	45.4	39.3	19.6	33.3	66.4	34.7
Margins (%)	7.6	8.3	6.8	7.8	9.7	9.8	6.8	8.7	7.6	8.7

United Breweries — Sell

CMP: INR1,183 | TP: INR860 (-27%) — **EPS CHANGE (%): FY21|22: 0.0|0.0**

- Expect 16% YoY revenue decline due to continued restrictions on bars and pubs
- Watch out for comments on demand environment, recovery, and on-trade channel
- Expect EBITDA margin contraction of 110bp due to lower sales
- Cost trend and outlook for RM – key monitorables

Standalone - Quarterly Earnings Model (INR m)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	**20,485**	**15,786**	**14,548**	**14,242**	**5,069**	**9,006**	**12,221**	**16,665**	**65,092**	**42,961**
YoY Change (%)	9.8	3.4	0.3	-12.6	-75.3	-42.9	-16.0	17.0	0.5	-34.0
Gross Profit	**10,314**	**8,225**	**7,692**	**7,248**	**2,365**	**4,707**	**6,477**	**8,930**	**33,581**	**22,479**
Margin (%)	50.3	52.1	52.9	50.9	46.7	52.3	53.0	53.6	51.6	52.3
EBITDA	**3,289**	**1,925**	**2,215**	**1,323**	**-957**	**404**	**1,727**	**2,906**	8,758	**4,081**
YoY Change (%)	-17.8	-39.5	-10.6	-22.8	-129.1	-79.0	-22.0	119.8	-23	-53.4
Margins (%)	16.1	12.2	15.2	9.3	-18.9	4.5	14.1	17.4	13.5	9.5
Depreciation	692	689	736	734	505	612	700	777	2,851	2,594
Interest	77	88	99	48	72	60	80	69	287	280
Other Income	32	19	35	6	14	326	40	47	69	427
PBT	**2,552**	**1,167**	**1,416**	**547**	**-1,519**	**59**	**987**	**2,108**	**5,689**	**1,634**
Tax	907	16	346	135	-376	18	217	468	1,406	327
Rate (%)	35.5	1.3	24.4	24.7	24.8	31.5	22.0	22.2	24.7	20.0
Adj PAT	**1,645**	**1,151**	**1,070**	**412**	**-1,143**	**40**	**770**	**1,640**	**4,279**	**1,307**
YoY Change (%)	-25.9	-29.7	-2.0	-39.4	-169.5	-96.5	-28.1	298.2	-24.0	-69.4
Margins (%)	8.0	7.3	7.4	2.9	-22.5	0.4	6.3	9.8	6.6	3.0

E: MOFSL Estimates

United Spirits — Neutral

CMP: INR582 | TP: INR570 (-2%) — **EPS CHANGE (%): FY21|22: 1.4|1.1**

- Expect 10% YoY volume growth in 3QFY21
- Watch out for commentary on demand environment, recovery, and on-trade channel
- Expect EM expansion due to sales growth
- Outlook for ENA/molasses and price increase granted by states – key monitorables

Quarterly Performance (INR m)

Y/E March	FY20				FY21				FY20	FY21E
(Standalone)	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Volume growth %	**6.0**	**1.0**	**-1.8**	**-13.3**	**-49.2**	**-3.9**	**10.0**	**27.0**	**-1.2**	**-4.0**
Total revenues	**22,184**	**22,962**	**25,825**	**19,938**	**10,302**	**21,459**	**27,633**	**24,827**	**90,909**	**84,220**
YoY change (%)	10.4	3.2	3.4	-11.4	-53.6	-6.5	7.0	24.5	1.2	-7.4
Gross Profit	**10,497**	**10,325**	**11,459**	**8,408**	**4,291**	**9,041**	**12,020**	**11,199**	**40,689**	**36,552**
Margin (%)	*47.3*	*45.0*	*44.4*	*42.2*	*41.7*	*42.1*	*43.5*	*45.1*	*44.8*	*43.4*
EBITDA	**3,971**	**4,156**	**4,240**	**2,714**	**-776**	**2,697**	**4,645**	**4,012**	**15,081**	**10,578**
Margins (%)	*17.9*	*18.1*	*16.4*	*13.6*	*-7.5*	*12.6*	*16.8*	*16.2*	*16.6*	*12.6*
EBITDA growth (%)	*66.4*	*-6.2*	*18.4*	*-4.3*	*-119.5*	*-35.1*	*9.6*	*47.8*	*17.1*	*-29.9*
Depreciation	500	573	524	678	638	571	590	635	2,275	2,434
Interest	520	452	455	480	499	507	480	440	1,907	1,926
PBT From operations	**2,951**	**3,131**	**3,261**	**1,556**	**-1,913**	**1,619**	**3,575**	**2,936**	**10,899**	**6,218**
Other income	101	137	176	41	95	128	150	155	455	528
PBT	**3,052**	**3,268**	**3,437**	**1,597**	**-1,818**	**1,747**	**3,725**	**3,091**	**11,354**	**6,745**
Tax	1,065	1,022	849	510	-415	463	939	902	3,445	1,889
Rate (%)	34.9	31.3	24.7	31.9	22.8	26.5	25.2	29.2	30.3	28.0
Adj. PAT	**1,987**	**2,246**	**2,588**	**1,087**	**-1,403**	**1,284**	**2,786**	**2,189**	**7,909**	**4,857**
YoY change (%)	88.5	-13.2	21.7	-16.9	-170.6	-42.8	7.7	101.3	16.9	-38.6

E: MOFSL Estimate

Consumer Durables

Company name
Blue Star
CG Consumer Elect.
Havells India
Voltas

Expect another quarter of strong earnings

Demand revival along with cost rationalization efforts to drive earnings

- Within Consumer Durables companies under our coverage, we expect 3QFY21 revenue to increase by 11% YoY. The recovery in demand across the sector has been faster than expected, with revenue in 1Q/2QFY21 coming in at -50%/+3% YoY. Aggregate EBITDA is expected to increase by 36% YoY, with companies across the board expected to pass on the recent uptick in commodity prices and sustain its ongoing cost rationalization measures. Adjusted PAT is expected to increase by 30% YoY.
- Channel level inventory for Air Conditioners need to be watched closely as it holds the key for primary sales going into the important summer season. Project business for Blue Star and Voltas is expected to recover gradually as COVID-19 led provisions may continue for some more time.
- Sustainability of cost reduction initiatives undertaken by companies owing to the COVID-19 shutdown is another key area. Though certain costs like advertising spends and promotion expenses are expected to come back, any fixed cost reduction, if sustainable, could emerge as the key catalyst ahead.

Revenue to increase 11% YoY on sustained demand across categories

With a sharp revenue decline witnessed in 1QFY21 owing to the lockdown, revenue recovery across companies has been swift. Categories like Lighting, Water Heaters and other small appliances are expected to perform better owing to the seasonality factor and higher wear and tear of appliances across households. The AC segment is likely to witness subdued revenue due to higher than normal inventory in the system and the off-season, leading to lower primary sales for brands. Categories such as Dishwashers, Laptops, Mobile Phones, Kitchen Appliances, and Microwaves have witnessed robust growth (exponential in certain cases). However, our coverage universe is not materially exposed to such product categories. Havells India is expected to outperform, with 19% YoY revenue growth, while we expect a 2% decline in Blue Star's revenue owing to decline in the EMP business.

Price hikes and sustained cost rationalization measures to aid EBITDA

Of late, commodity prices have surged with copper, steel and aluminum up 15-25% YoY. This is not necessarily a negative catalyst as we expect companies under our coverage to undertake price increases. Also, costs rationalization measures like cut down on advertising spends, promotion, and travel expenses are expected to continue for some more time, thereby providing a significant boost to margin with rising demand levels. We expect aggregate EBITDA to increase by 36% YoY.

Crompton is our top pick; look for better entry points in Havells and Voltas

Adjusted PAT is expected to decline by 30% YoY for our coverage universe. Going forward, we are looking for companies with better cost structures and ability to sustain price increases. Crompton Greaves Consumer Electricals is our top pick. We also like Havells and Voltas for their superior business models, but due to valuation constraints, we have Neutral ratings on both. Blue Star is our Sell idea in the sector.

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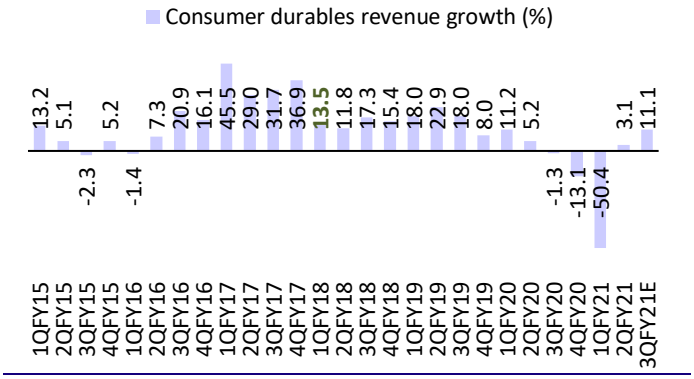
Exhibit 1: Summary of expected quarterly performance

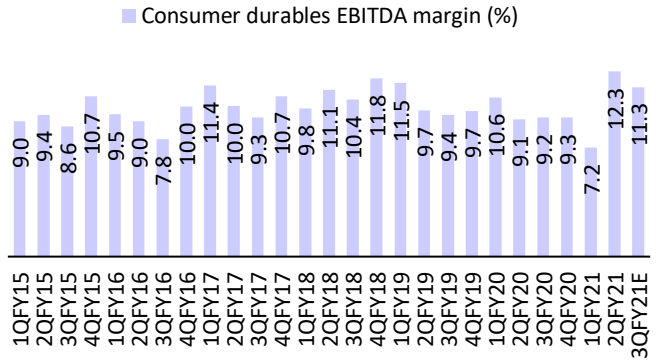
Sector	CMP (INR)	RECO	SALES (INR M) Dec-20	Var % YoY	Var % QoQ	EBDITA (INR M) Dec-20	Var % YoY	Var % QoQ	NET PROFIT (INR M) Dec-20	Var % YoY	Var % QoQ
Consumer			**5,73,047**	**8.5**	**5.5**	**1,44,033**	**8.2**	**4.5**	**1,03,953**	**1.1**	**3.5**
Blue Star	806	Sell	12,100	-2.1	34.1	744	30.4	35.0	331	56.5	116.1
CG Consumer Elect.	378	Buy	12,000	12.0	0.1	1,760	28.6	-5.3	1,313	26.7	-4.2
Havells India	910	Neutral	26,900	18.5	9.7	4,022	49.5	-4.4	2,710	35.9	-3.9
Voltas	831	Neutral	16,415	10.0	1.8	1,072	9.8	9.4	974	12.0	24.3
Consumer Durables			**67,415**	**11.1**	**9.4**	**7,597**	**35.6**	**0.0**	**5,328**	**29.6**	**3.9**

Exhibit 2: Aggregate revenue to decline 8% YoY



Source: MOFSL, Company

Exhibit 3: EBITDA margin to rise YoY



Source: MOFSL, Company

Exhibit 4: Summary of comparative full-year valuation

Company Name	CMP (INR)	Reco	EPS (INR) FY21E	FY22E	FY23E	PE (x) FY21E	FY22E	FY23E	PB (x) FY21E	FY22E	FY23E	ROE (%) FY21E	FY22E	FY23E
Consumer Durables						**61.6**	**47.9**	**41.0**	**9.6**	**8.5**	**7.6**	**15.6**	**17.8**	**18.4**
Blue Star	806	Sell	7.7	18.5	25.2	105.2	43.5	32.0	9.6	8.8	7.9	9.1	20.2	24.7
CG Consumer Elect.	378	Buy	7.7	9.6	11.2	48.8	39.3	33.7	13.6	11.3	9.5	27.8	28.8	28.0
Havells India	910	Neutral	13.9	16.2	18.9	65.2	56.0	48.1	11.6	10.2	9.0	17.8	18.3	18.7
Voltas	831	Neutral	13.5	18.7	21.0	61.4	44.4	39.6	6.0	5.5	5.0	9.7	12.3	12.6

The tables below provide a snapshot of actual and estimated numbers for companies under the MOFSL coverage universe. Highlighted columns indicate the quarter/financial year under review.

Blue Star — Sell

CMP: INR800 | TP: INR680 (-15%) — **EPS CHANGE (%): FY21|22: - |-**

- UCP revenue to increase by 7% YoY, while EMP revenue to decline by 8% YoY.
- Expect adjusted PAT at INR331b (+57% YoY), aided by reduced tax rate.
- EBITDA margin to increase by 150bp YoY owing to sustained cost controls.
- Watch out for inventory in the channel and outlook for ACs in 4QFY21.

Quarterly performance (INR m)

	FY20				FY21E				FY20	FY21E
Y/E March	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**15,755**	**12,495**	**12,359**	**12,994**	**6,260**	**9,021**	**12,100**	**15,619**	**53,602**	**43,000**
Change (%)	4.5	21.0	12.5	-18.6	-60.3	-27.8	-2.1	20.2	2.4	-19.8
EBITDA	**1,149**	**736**	**570**	**373**	**14**	**551**	**744**	**879**	**2,828**	**2,187**
Change (%)	-16.0	26.7	34.7	-65.9	-98.8	-25.1	30.4	135.4	-18.4	-22.7
As a % of Sales	7.3	5.9	4.6	2.9	0.2	6.1	6.1	5.6	5.3	5.1
Depreciation	203	216	223	237	209	206	210	210	880	835
Interest	82	68	76	69	185	179	150	136	295	650
Other Income	217	106	61	64	86	59	50	55	447	250
Extra-ordinary Items	0	-17	-16	-8	0	0	0	0	-40	0
PBT	**1,080**	**558**	**332**	**131**	**(295)**	**225**	**434**	**588**	**2,100**	**952**
Tax	325	169	120	40	-95	74	112	149	653	240
Effective Tax Rate (%)	30	30	36	30	32	33	26	25	31	25
MI/Share of profit from JV	14	8	(1)	5	3	3	9	11	26	26
Reported PAT	**768**	**379**	**196**	**89**	**(197)**	**153**	**331**	**450**	**1,433**	**738**
Change (%)	-16.1	94.1	NM	-88.9	-125.6	-59.6	69.0	405.9	-24.6	-48.5
Adjusted PAT	**768**	**397**	**212**	**96**	**(197)**	**153**	**331**	**450**	**1,473**	**738**
Change (%)	0.6	78.0	239.5	-88.3	-125.6	-61.4	56.5	366.6	-21.4	-49.9

CG Consumer Elect. — Buy

CMP: INR369 | TP: INR390 (+7%) — **EPS CHANGE (%): FY21|22: -|-**

- ECD/Lighting revenue to increase by 12%/13% YoY.
- Expect PAT at INR1.3b (+27% YoY).
- EBITDA margin to improve by 190bp owing to operating leverage and sustained cost control measures.
- Watch out for ramp-up in consumer demand across products and market share gains if any.

Quarterly performance (INR m)

	FY20				FY21E				FY20	FY21E
Y/E March	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**13,468**	**10,758**	**10,713**	**10,181**	**7,132**	**11,984**	**12,000**	**12,884**	**45,120**	**44,000**
Change (%)	11.9	3.7	4.0	-15.6	-47.0	11.4	12.0	26.6	0.7	-2.5
EBITDA	**1,919**	**1,295**	**1,369**	**1,384**	**988**	**1,859**	**1,760**	**1,902**	**5,969**	**6,508**
Change (%)	14.7	4.5	8.6	-17.9	-48.5	43.5	28.6	37.4	1.9	9.0
As a % of Sales	14.2	12.0	12.8	13.6	13.9	15.5	14.7	14.8	13.2	14.8
Depreciation	58	64	64	82	80	77	80	82	268	319
Interest	150	87	87	83	108	111	100	81	407	400
Other Income	173	122	174	119	188	167	175	171	589	700
PBT	**1,885**	**1,267**	**1,391**	**1,339**	**988**	**1,837**	**1,755**	**1,909**	**5,883**	**6,490**
Tax	660	154	355	341	251	467	442	474	1,510	1,633
Effective Tax Rate (%)	35.0	12.1	25.5	25.5	25.4	25.4	25.2	24.8	25.7	25.2
Adjusted PAT	**1,224**	**1,113**	**1,036**	**998**	**737**	**1,371**	**1,313**	**1,435**	**4,373**	**4,856**
Change (%)	17.4	44.7	30.1	(11.8)	(39.8)	23.2	26.7	43.8	16.9	11.0
Extra-ordinary Income (net)	0	-	574	-	0	-	0	-	574	-
Reported PAT	**1,224**	**1,113**	**1,610**	**998**	**737**	**1,371**	**1,313**	**1,435**	**4,947**	**4,856**
Change (%)	17.4	44.7	102.1	(29.5)	(39.8)	23.2	(18.4)	43.8	22.9	(1.8)

Havells India — Neutral

CMP: INR905 | TP: INR850 (-6%) — **EPS CHANGE (%): FY21|22: - | -**

- Revenue: Havells' core (+21% YoY)/Lloyd flat YoY.
- Watch out for commentary on the demand scenario for Havells' core segments.
- Expect EBITDA margin to improve by +310bp YoY, EBITDA by +50% YoY.
- Lloyd's strategy for 4QFY21 and the current inventory level in the channel are key monitorables.

Quarterly Performance (INR m)

	FY20				FY21E				FY20	FY21E
Y/E March	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**27,127**	**22,305**	**22,699**	**22,161**	**14,791**	**24,518**	**26,900**	**29,291**	**94,292**	**95,500**
Change (%)	4.5	1.8	-10.2	-19.5	-45.5	9.9	18.5	32.2	-6.3	1.3
Adjusted EBITDA	**2,781**	**2,350**	**2,690**	**2,453**	**1,309**	**4,207**	**4,022**	**3,792**	**10,274**	**13,329**
Change (%)	-10.9	-10.5	-8.6	-22.1	-52.9	79.0	49.5	54.6	-13.2	29.7
Adjusted EBITDA margin (%)	10.3	10.5	11.8	11.1	8.8	17.2	14.9	12.9	10.9	14.0
Depreciation	470	532	553	625	604	591	600	598	2,179	2,393
Interest	47	51	53	46	167	173	150	110	197	600
Other Income	395	290	239	195	322	364	350	292	1,120	1,328
Extra-ordinary items	-	-	-	-	-	428	-	-	-	428
PBT	**2,659**	**2,058**	**2,324**	**1,977**	**860**	**3,808**	**3,622**	**3,376**	**9,017**	**11,665**
Tax	898	255	329	205	226	987	912	812	1,687	2,936
Effective Tax Rate (%)	33.8	12.4	14.2	10.4	26.3	25.9	25.2	24.0	18.7	25.2
Reported PAT	**1,761**	**1,803**	**1,995**	**1,772**	**633**	**3,249**	**2,710**	**2,564**	**7,330**	**9,157**
Change (%)	-16.3	0.9	0.9	-11.7	-64.0	80.2	35.9	44.7	-6.9	24.9
Adjusted PAT	**1,761**	**1,803**	**1,995**	**1,772**	**633**	**2,821**	**2,710**	**2,564**	**7,330**	**8,729**
Change (%)	-16.3	0.9	0.9	-11.7	-64.0	56.5	35.9	44.7	-6.9	19.1

Voltas — Neutral

CMP: INR819 | TP: INR820 (-) — **EPS CHANGE (%): FY21|22: -|-**

- UCP/EMP revenue to increase by 8%/11% YoY.
- Adjusted PAT to increase by 12% YoY to INR974m, with lower losses from Beko JV.
- Operating profit to increase by 10% YoY; operating margin to remain flat YoY at 6.5%.
- UCP segment outlook for 4QFY21, inventory level in channel, and outlook on execution in the EMPS segment.

Quarterly Performance (INR m)

	FY20				FY21E				FY20	FY21E
Y/E March	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**26,540**	**14,219**	**14,925**	**20,896**	**12,969**	**16,125**	**16,415**	**24,290**	**76,581**	**69,800**
Change (%)	23.6	0.0	0.0	1.3	-51.1	13.4	10.0	16.2	7.5	-8.9
EBITDA	**2,912**	**1,059**	**976**	**1,920**	**668**	**980**	**1,072**	**2,564**	**6,867**	**5,283**
Change (%)	19.7	-2.5	-15.7	33.1	-77.1	-7.5	9.8	33.5	12.3	-23.1
As a % of Sales	11.0	7.4	6.5	9.2	5.1	6.1	6.5	10.6	9.0	7.6
Depreciation	77	80	80	82	82	84	90	97	320	353
Interest	44	49	57	61	67	58	60	65	211	250
Other Income	433	726	543	605	674	383	500	543	2,306	2,100
Extra-ordinary Items	-301	-43	0	-20	0	0	0	0	-364	0
PBT	**2,923**	**1,612**	**1,381**	**2,362**	**1,192**	**1,221**	**1,422**	**2,946**	**8,278**	**6,780**
Tax	1,046	448	314	572	258	353	358	738	2,380	1,706
Effective Tax Rate (%)	32.4	27.1	22.7	24.0	21.6	28.9	25.2	25.0	27.5	25.2
Share of profit of associates/JV's	(225)	(100)	(198)	(203)	(123)	(84)	(90)	(299)	(726)	(596)
Reported PAT	**1,652**	**1,064**	**869**	**1,587**	**812**	**784**	**974**	**1,909**	**5,172**	**4,478**
Change (%)	-10.2	2.9	7.4	13.6	-50.9	-26.4	12.0	20.3	1.8	-13.4
Adjusted PAT	**1,953**	**1,107**	**869**	**1,607**	**812**	**784**	**974**	**1,909**	**5,536**	**4,478**
Change (%)	6.2	7.0	-6.2	15.1	-58.4	-29.2	12.0	18.8	6.5	-19.1

Financials – Banks and Insurance

3QFY21 earnings estimate (INR b)

PAT (INR b)	3Q FY21E	YoY (%)	QoQ (%)
Pvt Banks			
AUBANK	5.66	197.5	75.8
AXSB	15.01	-14.6	-10.8
BANDHAN	9.32	27.5	1.3
DCBB	0.57	-41.2	-30.9
EQUITAS	0.61	-35.4	-41.0
FB	3.53	-19.9	14.7
HDFCB	82.31	11.0	9.6
ICICIBC	35.73	-13.8	-16.0
IIB	5.71	-56.4	-13.8
KMB	19.21	20.4	-12.1
RBK	1.05	50.0	-27.2
Pvt Total	**178.70**	**0.1**	**-1.7**
PSU Banks			
BOB	2.11	-115.0	-87.4
SBIN	47.22	-15.4	3.2
PSU Total	**49.33**	**18.1**	**-21.1**
Banks Total	**228.03**	**3.5**	**-6.6**
Life Insurance			
HDFCLIFE	3.38	34.9	3.5
IPRULIFE	3.12	3.2	3.0
SBILIFE	4.51	15.7	50.4
Life Total	**11.01**	**16.8**	**18.5**

Earnings outlook poised for recovery

Remain watchful of asset quality; growth momentum to pick up

- **The earnings outlook is poised for recovery,** led by healthy traction in economic recovery and abating concerns of sharp deterioration in asset quality. On the growth front, retail disbursements are showing healthy recovery (led by Tractors, 2W, Housing loans, and Gold loans), with certain segments reaching pre-COVID levels or even higher. On the other hand, banks remain cautious on the unsecured book. CV and corporate loan demand remains tepid. Overall, we estimate business growth to pick up, aided by a good festive season, and expect systemic loan growth at 4.5% for FY21E. The private banks under our coverage are likely to grow relatively higher at ~9% YoY.
- **We remain watchful of asset quality** as banks recognize NPLs from moratorium / overdue loans. Although, overall trends have fared better than earlier expected, led by sharp improvement in collection efficiency. Overall, large banks reported collection efficiency of 95–97%, while mid-sized banks / MFI-focused players reported efficiency in the early 90%, resulting in low restructuring guidance by lenders. We believe although slippages are likely to increase in 2HFY21 (post the end of the SC order), many banks have already provided for this likely increase and carry additional provision buffers – which should limit the impact on profitability. We expect banks to continue to strengthen their balance sheets –as they have already shored up their capital ratios to absorb asset quality shocks – and estimate credit cost to remain elevated. Overall, we estimate our banking coverage universe to deliver ~12%/4% growth in 3QFY21 PPoP/PAT.
- **In private banks, provisioning would continue to weigh on earnings.** We **estimate private banks to report PPoP growth of ~18% YoY (+4.4% QoQ), and PAT to remain flattish YoY (~2% QoQ decline).** Higher credit cost, coupled with suppressed credit growth, is likely to put pressure on near-term earnings. Furthermore, higher slippages would result in interest reversals, putting pressure on NII. However, this may be partly offset by higher treasury income and traction in fee income as business activity picks up.
  - **Loan growth is likely to pick up,** led by improving consumer sentiment and a good festive season. On the other hand, wholesale lending remains muted. Growth is driven by a secured retail book as the bank remains cautious of higher stress in the unsecured portfolio. **Thus, we expect private banks' loans to grow 9%/16% over FY21/FY22,** and we estimate AXSB/ICICIBC to deliver 8.1%/6.6% YoY loan growth over 3QFY21. On the other hand, HDFCB reported a growth of 15.6% YoY, while IIB reported flattish growth; expect KMB/RBL to continue to report tepid growth trends.
  - **Margin trajectory to remain moderately under pressure** given the continued monetary easing, low lending rates, and relatively higher liquidity on the balance sheets – although the quantum is likely to moderate. Negative carry on NII on higher slippages could also impact margins. However, banks with a strong liability franchise are better placed to tackle margin pressure. Overall, we expect a low-single-digit impact on the margins of private banks. **We expect NII growth of 14% YoY,** led by BANDHAN (27%), KMB (16%), and HDFCB (15%).

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- **Deposit traction would remain strong**, reflecting steady 11% YoY growth for the system, while many banks have increased focus on ramping up retail deposits. Most banks indicated that the deposit rates have bottomed out and cost of funds is likely to remain largely stable.
- **Asset quality** would remain under watch as the bulk of the stress is likely to be recognized over 2HFY21. We remain watchful of banks such as AXSB, IIB, and RBL given the high rating downgrades and sluggish commentaries by the managements. Within MFI, while collection efficiency improved in Oct'20, certain state-specific reasons (farmer protests, floods, etc.) have impacted recovery trends, keeping us watchful of BANDHAN, IIB, and RBK.

- **PSBs' earnings would remain under pressure.** We estimate weakness to continue in PSBs, barring SBIN, impacted by sluggish loan growth, a higher proportion of MSME/SME loans, and delay in the resolution of stressed accounts. **PSBs are expected to deliver NII growth of 2.8% YoY and PAT growth of ~18% YoY**. However, treasury gains for these banks may remain a positive.
- **In mid-sized private banks, asset quality challenges would persist.** We expect the performances of mid-sized private banks to remain muted as they face challenges on the asset quality front even as collection efficiency improves. We estimate DCB to report decline of ~41% YoY in net earnings, while RBK's earnings should be impacted by higher credit cost. FB is best placed in terms of liability franchise and would reflect a stable margin trajectory, led by an improving CASA mix. However, it is likely to report earnings decline of ~20% YoY as we factor in higher credit cost.
- **In small finance banks, while collection efficiency is improving, the tail risk remains.** We expect AUBANK to report strong PPoP/PAT growth (led by a stake sale in Aavas), while using some of these gains to create higher provisions. EQUITAS is expected to report PPoP growth of 45% YoY and PAT decline of 35% YoY.
- **In life insurers, while premium growth remains tepid, operating metrics are resilient.** HDFCLIFE is witnessing gradual recovery in its new business premium (NBP) and would reflect APE growth of 19% YoY. On the other hand, IPRULIFE would continue to reflect tepid trends as FY21E is likely to be a base reset period, reflecting strong protection trends and slowdown in low-margin ULIPs. SBILIFE would also reflect tepid trends, with an APE decline of 1% over 3QFY21. Overall, we expect VNB growth of 25% for HDFCLIFE and 13% for SBILIFE, while IPRULIFE would report VNB decline of 5% YoY over 3QFY21.
- **Other monitorables:**
  - **Collection efficiency / Restructuring –** Management commentary on collection efficiency and slippage trends would be an important metric to assess the banking system's health in the near term. Also, more clarity would emerge on the restructuring pool. This would be the key in assessing the asset quality impact arising from the COVID-19 pandemic.
  - **Margins & growth outlook –** Margins may be impacted by muted loan growth, low lending rates, and the negative impact of interest reversals; although, this would be offset by lower cost of funds, to some extent.
  - **Treasury performance –** While bonds yield stood largely stable during the quarter, banks were sitting on MTM gains and could see some treasury profit booking during the quarter.

Our top picks – ICICIBC, HDFCB, SBIN, AUBANK, and SBILIFE

ICICIBC: Financial Snapshot (INR b)

Y/E March	FY20	FY21E	FY22E
NII	332.7	386.4	459.8
OP	281.0	366.3	385.0
NP	79.3	143.1	206.9
NIM (%)	3.7	3.7	3.8
EPS (INR)	12.3	21.4	30.0
EPS Gr (%)	135.0	74.4	40.2
ABV/Sh. (INR)	151.3	183.7	209.8
Cons. BV/Sh. (INR)	189.9	196.9	219.0
Ratios			
RoE (%)	7.3	11.2	13.7
RoA (%)	0.8	1.2	1.6
Valuations			
P/BV (x) (Cons)	2.8	2.7	2.4
P/ABV (x)	2.6	2.2	1.9
P/E (x)	32.4	18.6	13.3

*Adjusted for Investment in subs

ICICIBC (Buy)

- ICICIBC has substantially increased its PCR to 81.6% – the highest in the Banking sector – and carries an additional COVID-related provision of INR87.7b. Furthermore, the bank expects the COVID impact to be limited, with corporate restructuring to be ~1% of loans. Thus, ICICIBC is well-cushioned with higher provisions on its balance sheet and guided for normalization of credit cost from FY22.
- ICICIBC continues to see strong growth in retail deposits and has succeeded in building a robust liability franchise over the past few years. It has one of the lowest funding costs among the private banks, enabling it to underwrite profitable business without taking undue balance sheet risks and further supporting margins.
- The retail mix remains healthy with (a) a CASA ratio of 43.8%, (b) the retail contribution to fees at ~75%, and (c) the loan mix increased to ~66%.
- Thus, we estimate RoA/RoE of 1.8%/15.4% for FY23E. Adjusted for subsidiaries, the standalone bank trades at 1.9x FY22E ABV.

HDFCB: Financial Snapshot (INR b)

Y/E MARCH	FY20	FY21E	FY22E
NII	561.9	648.1	740.8
OP	487.5	568.1	674.0
NP	262.6	305.1	372.3
NIM (%)	4.2	4.1	4.1
EPS (INR)	48.0	55.6	67.9
EPS Gr. (%)	21.2	15.8	22.0
BV/Sh. (INR)	311.8	357.9	415.5
ABV/Sh. (INR)	300.3	343.6	397.3
Ratios			
RoE (%)	16.4	16.6	17.6
RoA (%)	1.9	1.9	2.0
Valuations			
P/E(X)	29.7	25.6	21.0
P/BV (X)	4.6	4.0	3.4
P/ABV (X)	4.7	4.1	3.6

HDFCB (Buy)

- HDFCB has shown robust traction in the corporate portfolio, thus compensating for the softness in retail lending. Over 1HFY21, the corporate segment contributed entirely to the overall loan growth, raising its share to 52% of total loans. It continues to focus on lending to high-rated corporates, which has enabled sharp decline in RWA/total assets to ~65% (v/s 75% in FY19).
- Stress for HDFCB in the MSME segment declined to 3% (v/s 9% as earlier anticipated); expect the overall restructuring to be in the low single digits. The bank has prudently made additional provisions of INR77.6b, while reporting collection efficiency of 97%. This would allow it to absorb any asset quality shocks. We, thus, estimate credit cost of 1.5%/1.4% for FY21/FY22.
- A strong liability franchise would support margins; the bank is, thus, well-placed to gain incremental market share on both the asset and liability fronts. We estimate the loan book / PAT to grow by 15%/19% CAGR over FY20–23E. The bank trades at 3.6x FY22E ABV.

SBIN: Financial Snapshot (INR b)

Y/E March	FY20	FY21E	FY22E
NII	980.8	1,127.3	1,242.2
OP	681.3	746.5	825.6
NP	144.9	214.1	307.3
NIM (%)	3.0	3.1	3.1
EPS (INR)	16.2	24.0	34.4
EPS Gr. (%)	NM	47.8	43.5
ABV (INR)	186.7	210.0	241.0
Cons. BV (INR)	266.7	294.3	333.2
Ratios			
RoE (%)	7.2	9.8	12.6
RoA (%)	0.4	0.5	0.7
Valuations			
P/BV (x) (Cons.)	1.0	0.9	0.8
P/ABV (x)*	0.8	0.7	0.6
P/E (x)*	8.6	5.8	4.1

*Adjusted for investment in subs

SBIN (Buy)

- SBIN appears well-positioned to report a strong uptick in earnings as the uncertainty brought about by the pandemic has receded significantly. While collection trends have improved to ~97%, restructuring of only up to 1% of loans is expected. Furthermore, legacy issues in the corporate NPA cycle are now largely behind, and the bank carries a healthy PCR of ~88% on corporate NPA.
- The bank increased its PCR (including TWO) to ~88% in 2QFY21, from ~65% in 1QFY18, and holds a higher PCR on power NPAs (~73% PCR) v/s peers. We thus expect credit costs to normalize from FY22E.
- SBIN inarguably has one of the best liability franchises (CASA mix: ~45%). This puts it in a better position to manage yield pressure, while a reduction in the interest rate on deposits would continue to support margins to a large extent.

- Subs – SBI MF, SBI Life Insurance, SBI Cards, and SBI Cap – have exhibited robust performances over the last few years, which could result in value unlocking.
- Overall, we estimate FY23E RoA/RoE of 0.8%/14.5%. Subs account for ~42% of the total valuation. Adj. for subs, the standalone bank trades at 0.6x FY22E ABV.

AUBANK: Financial Snapshot (INR b)

Y/E Mar	FY20	FY21E	FY22E
NII	19.1	23.0	27.5
OP	12.0	22.3	19.9
NP	6.7	13.5	11.1
NIM (%)	5.1	5.1	5.2
EPS (INR)	22.6	44.4	36.4
EPS Gr. (%)	71.3	96.3	-18.1
BV/Sh. (INR)	142.2	186.6	223.0
ABV/Sh. (INR)	138.9	183.2	218.5
Ratios			
ROE (%)	18.0	27.0	17.8
ROA (%)	1.8	3.0	2.1
Valuations			
P/E(X)	38.7	19.7	24.1
P/BV (X)	6.2	4.7	3.9
P/ABV (X)	6.3	4.8	4.0

AUBANK (Buy)

- AUBANK is focused on scaling up its key business lines of Vehicle/MSME loans. It further aims to expand the new segments of Housing Loan, Gold Loan, Consumer Durable Financing, etc. However, we expect loan growth to remain soft for FY21E with just 14% growth; loans are expected to reflect better trends from FY22.
- AUBANK has shown strong progress in building a granular liability franchise, with the proportion of deposits to overall funding constantly improving. The proportion of retail deposits (CASA + retail TD) increased sharply to 54%; the recent rate cuts have led to a sharp improvement in incremental cost of funds, which declined 140bp YoY to 6.1%.
- On the asset quality front, sharp decline in the moratorium book and improving collection trends ease concerns around asset quality. Collection efficiency in Sep'20 reached a near-normal run-rate (96% v/s the long-term average of 98%), while the moratorium pool declined to 3%, providing further comfort. However, we expect a potential increase in delinquencies in the near term.
- Historically, AUBANK has seen LGDs of ~40% due to the secured nature of the portfolio. With a higher provision buffer (1% of total loans) and PCR of 71%, we expect credit cost to remain under control at 1.9%/1.4% for FY21/FY22E. The stock currently trades at 3.9x FY22E BV.

SBILIFE: Financial Snapshot (INR b)

Y/E MARCH	FY20	FY21E	FY22E
Net Premiums	403	485	572
Surplus / Deficit	19.0	32.2	38.7
Sh. PAT	14.2	17.7	20.3
NBP gr- unwtd (%)	20.3	15.0	20.0
NBP gr- APE (%)	10.2	4.8	25.6
Premium gr (%)	23.2	20.1	18.2
VNB margin (%)	18.7	20.8	21.1
RoE (%)	17.4	18.6	18.4
RoEV (%)	17.4	17.2	17.9
Total AUM (INR t)	1.6	2.0	2.4
VNB	20.1	22.9	29.2
EV per share	263	308	363
Valuations			
P/EV (x)	3.4	2.9	2.5
P/EPS (x)	62.9	48.6	42.3

SBILIFE (Buy)

- SBILIFE has increased its focus on the Non-PAR Savings/Protection business as the proportion remains the lowest among the listed insurers. An improvement in the product mix toward high margins should aid VNB expansion. As per our analysis, ~44% of SBILIFE's VNB contribution comes from these segments, while for all other players it ranges at 60–80%.
- The company's strong parentage and wide branch network provides it with a distinct distribution advantage over peers. This enables it to maintain low cost ratios and to capitalize on SBIN's large clientele (449m), which presents a long-term structural growth story.
- It has one of the lowest cost structures among peers, aided by lower cost of acquisitions, arguably reflecting lower commission structures. This would further enable SBILIFE to maintain higher product margins v/s peers. We expect SBILIFE to maintain its cost leadership, with GWP remaining at 9.8% over FY23E.
- SBILIFE has reported an improvement in persistency rate across cohorts (barring the 49th month), with the highest improvement seen in the 61st month (+340bp YoY to 60.9% in 1HFY21) – which aided growth in the Renewal business (+29% YoY v/s 7% for IPRU and 22% for HDFCLIFE).
- SBILIFE continues to report steady growth in the Protection business, while the ULIP business is expected to see a gradual recovery. We expect growth to revive meaningfully from FY22E. We estimate a VNB margin of ~21.4% by FY23E and a 22% VNB CAGR over FY20–23E. We expect operating RoEV to sustain at ~19% by FY23E. The stock currently trades at 2.5x FY22E EV.

Exhibit 1: 3QFY21 earnings estimates (INR m)

	NII (INR m)			PPoP (INR m)			PAT (INR m)		
Private Banks	**Dec'20**	**YoY (%)**	**QoQ (%)**	**Dec'20**	**YoY (%)**	**QoQ (%)**	**Dec'20**	**YoY (%)**	**QoQ (%)**
AU Bank	5,720	12.9	2.0	8,951	186.1	91.9	5,658	197.5	75.8
Axis Bank	74,026	14.7	1.0	68,285	18.9	-1.0	15,006	-14.6	-10.8
Bandhan Bank	19,612	27.3	2.0	16,654	31.8	2.3	9,319	27.5	1.3
DCB Bank	3,088	-4.4	-7.5	1,861	-2.0	-17.2	569	-41.2	-30.9
Equitas Holdings	4,673	21.8	1.3	2,297	44.9	4.5	608	-35.4	-41.0
Federal Bank	13,818	19.6	0.1	9,922	33.4	-1.4	3,530	-19.9	14.7
HDFC Bank	162,834	14.9	3.2	150,157	16.0	8.7	82,308	11.0	9.6
ICICI Bank	96,723	13.2	3.3	85,908	13.8	4.0	35,732	-13.8	-16.0
IndusInd Bank	33,007	7.4	0.7	28,121	2.0	-1.4	5,713	-56.4	-13.8
Kotak Mahindra Bank	39,716	15.8	1.5	31,886	33.5	-3.3	19,207	20.4	-12.1
RBL Bank	9,434	2.2	1.2	7,255	-0.9	0.8	1,049	50.0	-27.2
Pvt Banking Sector	**462,650**	**14.2**	**2.2**	**411,296**	**18.2**	**4.4**	**178,698**	**0.1**	**-1.7**
PSU Banks									
Bank of Baroda	71,572	0.4	-4.7	53,432	7.8	-3.8	2,113	NM	-87.4
State Bank	287,146	3.4	1.9	182,423	0.1	10.8	47,216	-15.4	3.2
PSU Banking Sector	**358,718**	**2.8**	**0.5**	**235,855**	**1.7**	**7.2**	**49,329**	**18.1**	**-21.1**
Banking Sector	**821,368**	**8.9**	**1.5**	**647,151**	**11.6**	**5.4**	**228,028**	**3.5**	**-6.6**
Life Insurance									
HDFC Standard life	94,824	20.7	-5.6	3,437	30.4	5.3	3,376	34.9	3.5
ICICI Prudential life	89,607	10.2	4.5	3,233	6.4	-2.0	3,122	3.2	3.0
SBI life	130,956	12.0	1.8	4,619	17.0	54.2	4,508	15.7	50.4
Life Insurance	**315,387**	**13.9**	**0.2**	**11,288**	**17.3**	**18.1**	**11,006**	**16.8**	**18.5**

Note: For Life Insurance - NII represents net premium income, PPoP represents shareholder's PBT and PAT represents shareholder's profits; NM: Not Meaningful

Exhibit 2: Loan growth remains moderate at 6.1%

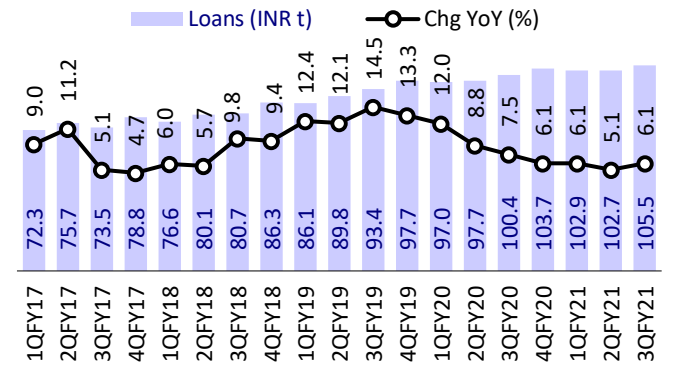


Exhibit 3: Deposit growth remains healthy at 11.3%

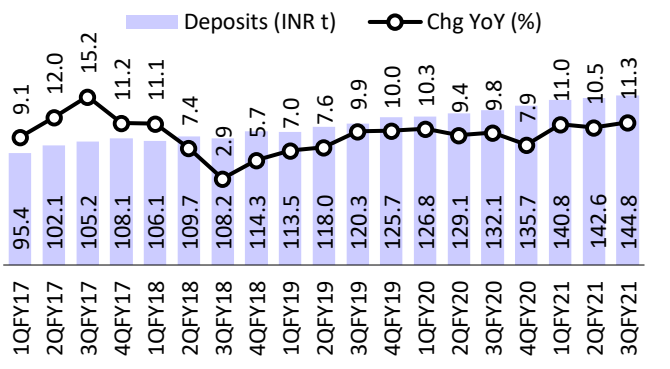


Exhibit 4: NIMs would exhibit marginal pressure as loan growth and NII remain under pressure even as excess liquidity is deployed, supported by lower cost of funds, to some extent

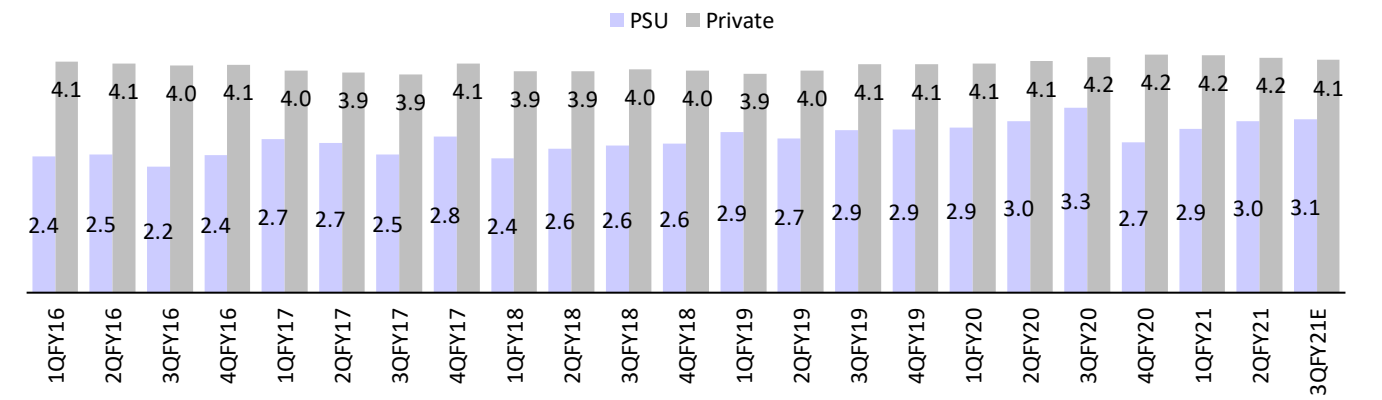


Exhibit 5: Change in estimates across our Coverage Universe – aggregate earnings showing signs of stabilizing

PAT (INR m)	Old Estimates		Revised Estimates		% Change	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Private Banks						
AXSB	64,596	112,309	62,725	108,409	-2.9%	-3.5%
BANDHAN	35,883	46,821	35,695	47,862	-0.5%	2.2%
DCBB	2,973	3,511	2,898	3,475	-2.5%	-1.0%
HDFCB	300,850	364,706	305,137	372,323	1.4%	2.1%
ICICIBC	136,744	199,127	143,106	206,943	4.7%	3.9%
IIB	24,657	52,262	23,809	48,501	-3.4%	-7.2%
KMB	69,894	82,597	74,826	88,227	7.1%	6.8%
FB	15,342	21,356	15,234	21,343	-0.7%	-0.1%
RBK	5,324	10,381	5,124	9,453	-3.8%	-8.9%
AUBANK	13,625	10,875	13,504	11,060	-0.9%	1.7%
EQUITAS	2,742	4,002	2,848	4,127	3.9%	3.1%
Total Private Banks	**672,630**	**907,947**	**684,907**	**921,723**	**1.8%**	**1.5%**
YoY growth	**28.1%**	**35.0%**	**30.4%**	**34.6%**		
PSU Banks						
BOB	16,790	28,280	17,451	28,468	3.9%	0.7%
SBIN	216,483	302,329	214,099	307,319	-1.1%	1.7%
Total PSU Bank	**233,273**	**330,608**	**231,550**	**335,787**	**-0.7%**	**1.6%**
YoY growth	**55.2%**	**41.7%**	**54.0%**	**45.0%**		
Total for Banks	**905,903**	**1,238,555**	**916,456**	**1,257,510**	**1.2%**	**1.5%**
YoY growth	**34.1%**	**36.7%**	**35.7%**	**37.2%**		
Life Insurance						
HDFCLIFE	14,546	17,140	15,121	18,098	4.0%	5.6%
IPRULIFE	11,901	13,633	12,509	16,083	5.1%	18.0%
SBILIFE	16,581	18,329	17,664	20,308	6.5%	10.8%

Source: MOFSL, Company

Slippages to remain elevated over FY21, impacted by the COVID-19 outbreak

Exhibit 6: Slippage ratio trend across banks; to normalize from FY22

Slippage Ratio (%)	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
AXSB	6.1	8.2	3.0	3.7	3.8	2.9	2.3
DCBB	1.8	1.9	1.9	2.7	3.4	2.9	2.2
HDFCB	1.4	2.1	1.9	1.9	2.4	2.1	1.9
ICICIBC	7.5	6.1	2.0	2.2	3.4	2.6	2.2
IIB	1.4	2.6	3.3	3.0	3.3	2.5	2.1
KMB	1.2	1.0	0.9	1.4	2.3	1.5	1.2
FB	1.6	2.7	1.6	1.7	2.5	2.1	1.8
RBK	2.5	1.9	1.8	6.2	5.7	4.1	2.8
AUBANK	1.7	2.1	2.5	2.5	2.6	2.3	1.8
BoB	3.5	6.0	3.0	3.4	4.4	3.8	3.0
SBIN	7.0	8.4	1.6	2.2	2.9	2.2	1.9

Source: MOFSL, Company

Credit cost to stay elevated over FY21 as banks would look to provide for COVID-19-related provisions

Exhibit 7: Credit cost trend across banks; to normalize from FY22

Credit Cost (%)	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
AXSB	3.4	3.8	2.6	3.5	3.0	2.4	1.8
BANDHAN	0.6	1.6	2.1	2.1	2.7	2.0	1.5
DCBB	0.8	0.8	0.6	1.1	1.6	1.5	1.1
HDFCB	0.7	1.0	1.0	1.3	1.5	1.4	1.3
ICICIBC	3.4	3.5	3.6	2.3	2.6	1.4	1.3
IIB	1.1	0.9	1.9	2.4	3.7	2.3	1.7
KMB	0.7	0.6	0.5	1.0	1.1	0.9	0.7
FB	0.9	1.1	0.8	1.0	1.5	1.2	1.0
RBK	0.9	1.0	1.4	3.6	3.7	3.2	2.8
AUBANK	1.7	1.3	0.8	1.1	1.9	1.4	1.2
BoB	2.2	3.7	2.9	3.1	2.6	2.4	2.1
SBIN	3.2	3.9	2.6	1.9	2.1	1.6	1.4

Source: MOFSL, Company

Exhibit 8: Snapshot of reported and proforma (not recorded due to SC order) asset quality ratios as of 2QFY21

As on 2QFY21 (%)	Reported GNPA	Reported NNPA	Pro-forma GNPA	Pro-forma NNPA
AXSB	4.18	0.98	4.28	1.03
BANDHAN	1.18	0.36	1.54	0.72
DCBB	2.27	0.83	2.39	0.92
HDFCB	1.08	0.17	1.37	0.35
ICICIBC	5.17	1.00	5.36	1.12
IIB	2.21	0.52	2.32	0.61
KMB	2.55	0.64	2.70	0.74
FB*	2.84	0.99	NA	NA
RBK	3.34	1.38	3.49	1.49
AUBANK	1.54	0.45	1.63	0.53
EQUITAS	2.48	1.03	2.86	1.45
BOB	9.14	2.51	9.33	2.67
SBIN	5.28	1.59	5.88	2.08

*FB did not disclose the ratios but indicated that the slippages would have been higher by INR2.37b

Source: MOSL, Company

Banks carry higher provision buffers to tackle COVID-related stress

Exhibit 9: Snapshot of additional provision buffers as of 2QFY21

As of 2QFY21	Loans (INR b)	COVID Provisions	Additional Provision	Total Provisions Buffer	As a % of loans
AXSB	5,764	30.0	78.4	108.4	1.9%
BANDHAN	733	17.4	3.6	21.0	2.9%
DCBB	249	1.4	1.0	2.5	1.0%
HDFCB	10,383	15.5	77.5	93.0	0.9%
ICICIBC	6,526	87.7	14.4	102.1	1.6%
IIB	2,012	21.6	NA	21.6	1.1%
IDFC First	900	20.0	NA	20.0	2.2%
KMB	2,048	12.7	NA	12.7	0.6%
FB	1,229	1.9	4.0	5.9	0.5%
RBK	562	6.7	NA	6.7	1.2%
AUBANK	272	2.8	NA	2.8	1.0%
EQUTAS	159	1.7	NA	1.7	1.1%
SBIN	22,939	32.5	NA	32.5	0.1%
SBI Cards	219	7.6	NA	7.6	3.5%

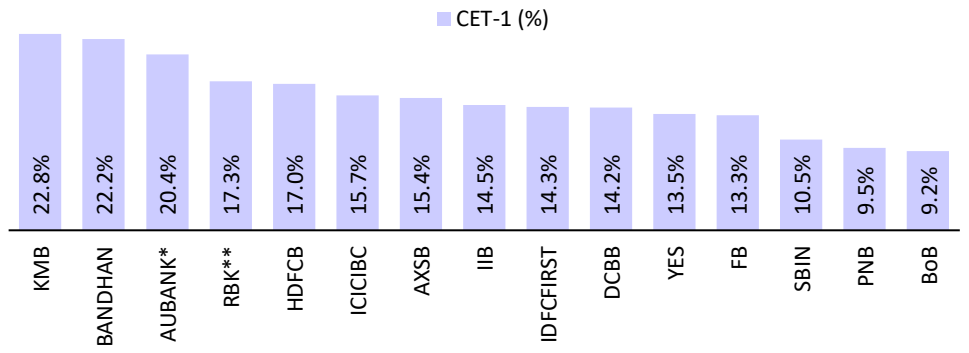
Source: MOSL, Company

Exhibit 10: Snapshot of collection efficiency across banks and segments as of 2QFY21

Collection Efficiency	%	Comments
AXSB	97%	❖ Demand resolution stood at 94% as of Sep'20 (increased to 97% in Oct'20)
HDFCB	97%	❖ Collection trends at 97% levels (~99% in the non-moratorium book)
ICICIBC	97%	❖ Represents demand resolution in the retail business at pre-COVID levels
IIB	95.7%	❖ For vehicles, CE stands at 94.3%, while for MFI, it stands at 93%
KMB	Mid 90%	❖ CE for the overall book would be at mid-90 levels
DCB	NA	❖ CE at 91% for Home Loans, 87.5% for Business Loans, and 77% for CV
Federal	95%	❖ 95% of Feb'20 levels as of Sep'20
RBL	NA	❖ MFI – advance payments reached ~93%, while excluding arrears, it stood at ~87% ❖ (b) Credit cards – total collections stood at ~91%
AUBANK	96%	❖ Customer activation rate in Sep'20 improved to 78% (v/s avg. of 80%)
Bandhan	93%	❖ 96% of customers have started to make payments
BOB	91%	❖ 94% in the non-moratorium book and 87% in the moratorium book
SBIN	97%	❖ Represents CE in the domestic loan book (excluding Agri segment)

Source: MOSL, Company

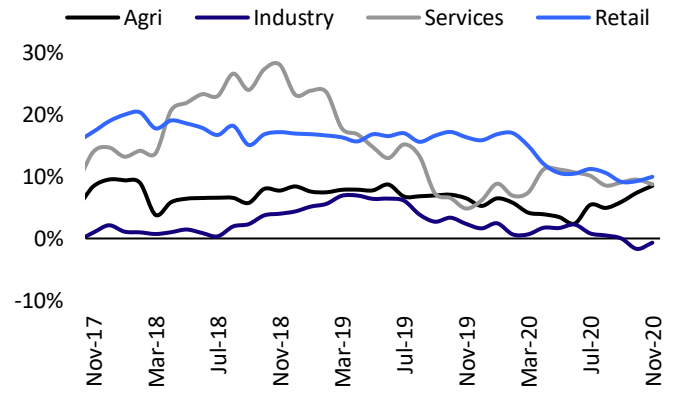
Exhibit 11: Current CET-1 ratios across banks as of 2QFY21



*Includes the recent stake sale in Aavas
**Includes the impact of capital raise during 3QFY21

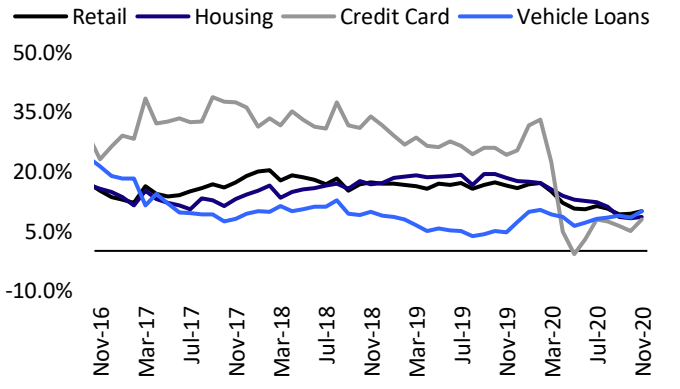
Source: MOFSL, Company

Exhibit 12: Retail loan growth at multi-year lows of ~9-10%; retail mix improved ~930bp to 29% from 19% in FY15



Source: MOFSL, RBI

Exhibit 13: Housing/Vehicle growth moderated to ~8%/10% YoY; Credit Card growth moderated to ~8%



Source: MOFSL, RBI

Exhibit 14: Decline in TD rates would offset margin pressure

Peak Deposit rate (%)	Dec '18	Sep '19	Nov '19	Apr '20	Jun '20	Dec '20	YoY Change (bps)
BOB	6.80	6.60	6.40	5.70	5.30	5.00	(140)
PNB	6.75	6.60	6.40	5.80	5.50	5.20	(120)
SBIN	6.75	6.70	6.25	5.70	5.40	4.90	(135)
AXSB	7.30	7.00	6.85	6.10	5.80	5.15	(170)
HDFCB	7.40	7.00	6.85	6.00	5.50	4.90	(195)
ICICIBC	7.70	7.00	6.85	6.00	5.50	4.90	(195)
KMB	7.40	6.80	6.50	5.80	5.25	4.75	(175)
Repo Rate	6.50	5.40	5.15	4.40	4.00	4.00	(115)

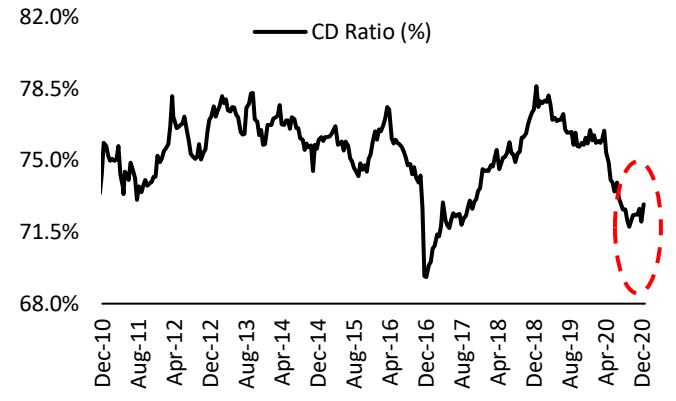
Source: MOFSL, Company

Exhibit 15: Most large banks have cut SA rates

SA Rate (%)	Old	Revised
AXSB	3.25%	3.00%
HDFCB	3.50%	3.00%
ICICIBC	3.25%	3.00%
IIB	4.00%	4%/5%/6%
KMB	4.00%	3.5%/4%
RBK	5.50%	4.75%/6%/6.75%
FB*	2.90%	2.50%
BoB	3.25%	2.75%
PNB	3.50%	3.00%
SBIN	2.75%	2.70%

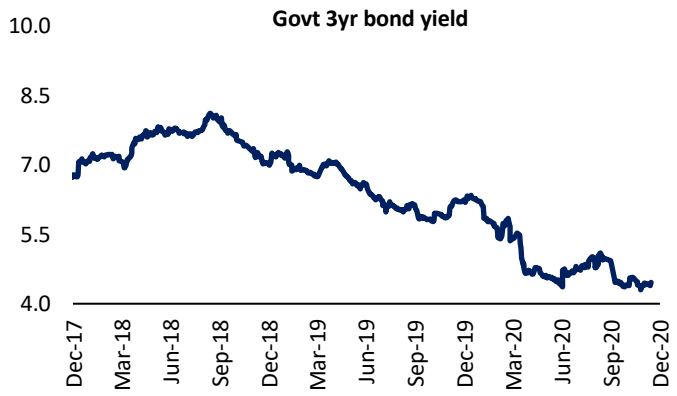
*For FB, the rate is 150bp below repo rate Source: MOFSL, Company

Exhibit 16: CD ratio was at decadal lows of ~73% (barring demonetization)



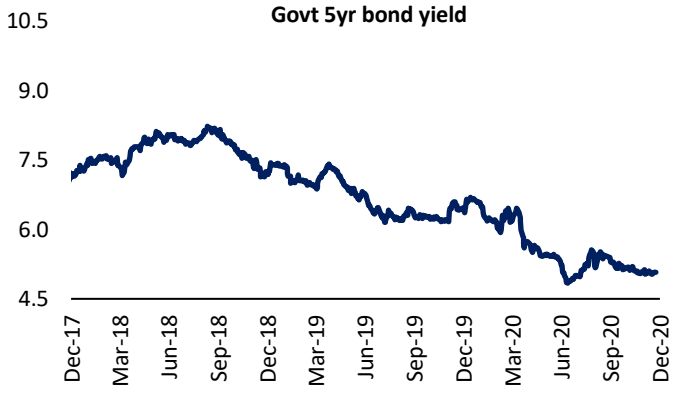
Source: MOFSL, BBG

Exhibit 17: 3Yr. G-Sec yield moderated 180bp over CY20YTD; currently stands at 4.5%



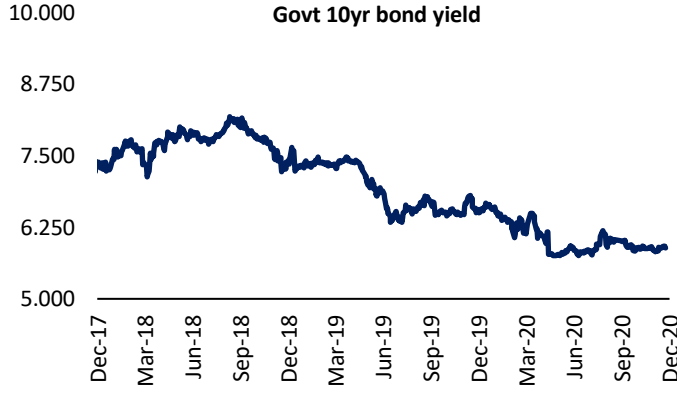
Source: MOFSL, BBG

Exhibit 18: 5Yr. G-Sec yield moderated 140bp over CY20YTD; currently stands at 5.1%



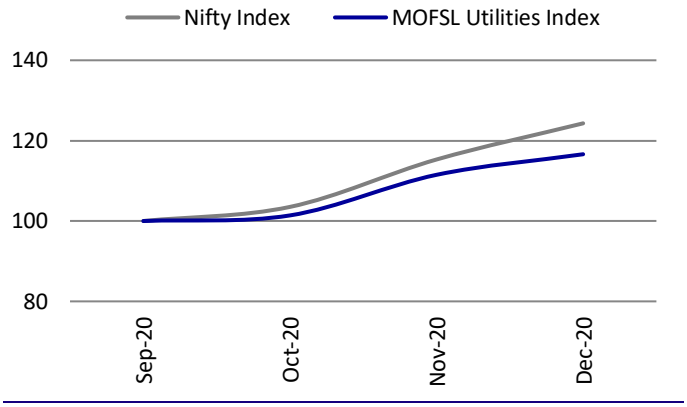
Source: MOFSL, BBG

Exhibit 19: 10Yr. G-Sec yield moderated 70bp over CY20YTD; currently stands at 5.9%



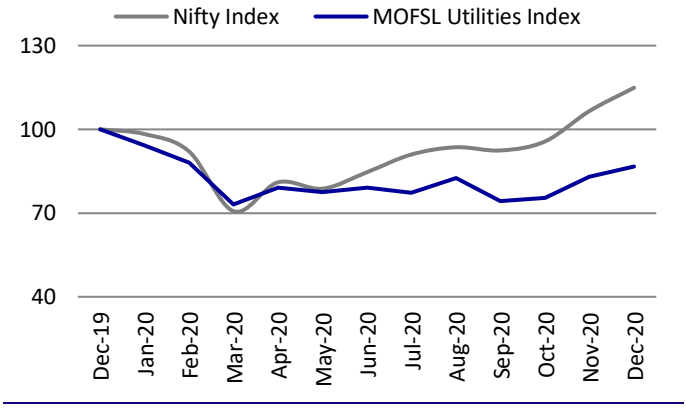
Source: MOFSL, BBG

Exhibit 20: Relative performance – 3 months (%)



Source: MOFSL, Company

Exhibit 21: Relative performance – 1 year (%)



Source: MOFSL, Company

Exhibit 22: Valuation summary

			EPS (INR)			PE (x)			PB (x)			ROE (%)		
Company Name	**CMP (INR)**	**Reco**	**FY21E**	**FY22E**	**FY23E**	**FY21E**	**FY22E**	**FY23E**	**FY21E**	**FY22E**	**FY23E**	**FY21E**	**FY22E**	**FY23E**
Financials														
Banks-Private						**26.5**	**19.8**	**15.4**	**3.1**	**2.7**	**2.4**	**11.7**	**13.9**	**15.5**
AU Small Finance	875	Buy	44.4	36.4	49.2	19.7	24.1	17.8	4.7	3.9	3.2	27.0	17.8	19.9
Axis Bank	623	Buy	21.3	35.4	55.7	29.2	17.6	11.2	1.9	1.7	1.5	6.8	10.3	14.4
Bandhan Bank	400	Buy	22.2	29.7	38.6	18.0	13.5	10.4	3.6	2.9	2.4	21.5	24.0	25.5
DCB Bank	120	Neutral	9.3	11.2	15.6	12.9	10.7	7.7	1.0	1.0	0.9	8.7	9.6	12.1
Equitas Holdings	68	Buy	8.0	11.7	16.3	8.5	5.8	4.2	0.8	0.8	0.7	9.7	13.5	17.7
Federal Bank	68	Buy	7.6	10.7	14.2	8.9	6.4	4.8	0.9	0.8	0.7	10.0	12.7	14.8
HDFC Bank	1,425	Buy	55.6	67.9	81.4	25.6	21.0	17.5	4.0	3.4	2.9	16.6	17.6	18.1
ICICI Bank	528	Buy	21.4	30.0	38.7	24.6	17.6	13.6	2.5	2.2	1.9	11.2	13.7	15.4
IndusInd Bank	900	Buy	32.8	64.1	94.9	27.4	14.0	9.5	1.7	1.6	1.4	6.5	11.7	15.4
Kotak Mahindra Bank	1,994	Neutral	51.7	61.0	73.4	38.5	32.7	27.2	5.1	4.5	3.8	13.4	13.1	13.9
RBL Bank	231	Buy	8.6	15.8	22.8	26.9	14.6	10.2	1.1	1.0	1.0	4.4	7.3	9.8
South Indian Bank	9	Buy	1.6	2.0	2.7	5.8	4.4	3.3	0.3	0.3	0.3	5.1	6.3	8.0
Banks-PSU						**9.6**	**6.9**	**5.2**	**0.9**	**0.8**	**0.7**	**8.9**	**11.3**	**13.5**
Bank of Baroda	65	Neutral	3.8	6.2	13.3	17.1	10.5	4.9	0.4	0.4	0.4	2.4	3.8	7.9
State Bank	279	Buy	30.6	41.9	53.6	9.1	6.7	5.2	0.9	0.8	0.7	9.8	12.6	14.5
			EPS (INR)			**PE (x)**			**PEV (x)**			**ROEV (%)**		
			FY21E	**FY22E**	**FY23E**	**FY21E**	**FY21E**	**FY22E**	**FY23E**	**FY21E**	**FY21E**	**FY22E**	**FY23E**	**FY21E**
Insurance						**64.5**	**53.6**	**44.9**	**11.1**	**9.5**	**8.2**	**17.2**	**17.8**	**18.2**
HDFC Life Insur.	678	Neutral	7.5	8.9	10.3	90.8	75.9	66.1	5.5	4.7	4.0	21.1	17.5	17.4
ICICI Pru Life	499	Buy	8.7	11.2	13.1	57.2	44.5	38.2	2.6	2.3	2.0	19.8	14.6	14.3
SBI Life Insurance	836	Buy	17.7	20.3	25.5	47.3	41.2	32.8	2.7	2.3	1.9	17.2	17.9	18.5

(*) Multiples adj. for value of key ventures/Investments

The tables below provide a snapshot of actual and estimated numbers for companies under the MOFSL Coverage Universe. Highlighted columns indicate the quarter/financial year under review.

AU Small Finance Bank — Buy

CMP: INR875 | TP: INR1,100 (+26%) — **EPS CHANGE (%): FY21|22: -0.9|+1.7**

- Margins to remain stable at ~5.1%
- Loan growth to improve QoQ, but remain under pressure, while deposits to witness healthy traction
- Watchful of asset quality; focus on stress pool of ~3%
- CoF and C/I ratio are other key monitorables

Quarterly Performance (INR m)

	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Interest Income	**3,956**	**4,516**	**5,068**	**5,549**	**5,159**	**5,606**	**5,720**	**6,471**	**19,089**	**22,955**
% Change (Y-o-Y)	38.1	40.7	45.7	43.4	30.4	24.1	12.9	16.6	42.2	20.3
Other Income	2,109	1,508	1,612	1,831	2,258	2,857	7,427	2,335	7,061	14,877
Total Income	**6,065**	**6,024**	**6,681**	**7,381**	**7,416**	**8,463**	**13,146**	**8,806**	**26,150**	**37,832**
Operating Expenses	3,157	3,247	3,552	4,223	2,961	3,800	4,196	4,583	14,179	15,540
Operating Profit	**2,908**	**2,777**	**3,128**	**3,158**	**4,456**	**4,663**	**8,951**	**4,223**	**11,972**	**22,293**
% Change (Y-o-Y)	90.7	58.5	75.1	46.4	53.2	67.9	186.1	33.7	65.8	86.2
Provisions	315	610	401	1,506	1,813	574	2,294	915	2,832	5,596
Profit before Tax	**2,593**	**2,167**	**2,727**	**1,652**	**2,643**	**4,089**	**6,656**	**3,308**	**9,140**	**16,696**
Tax Provisions	690	447	825	429	635	870	998	688	2,392	3,192
Net Profit	**1,903**	**1,719**	**1,902**	**1,223**	**2,008**	**3,219**	**5,658**	**2,620**	**6,748**	**13,504**
% Change (Y-o-Y)	147.3	88.1	99.5	3.5	5.5	87.2	197.5	114.2	76.7	100.1
Operating Parameters										
Deposit (INR b)	198.5	221.5	238.7	261.6	267.3	269.8	280.1	300.9	261.6	300.9
Loan (INR b)	231.0	248.1	265.7	269.9	262.5	272.3	288.6	307.3	269.9	307.3
Deposit Growth (%)	98.5	72.1	62.5	34.7	34.7	21.8	17.4	15.0	34.7	15.0
Loan Growth (%)	51.3	36.9	32.9	18.3	13.6	9.8	8.6	13.9	18.3	13.9
Asset Quality										
GNPA (%)	2.1	2.0	1.9	1.7	1.7	1.5	2.2	2.4	1.7	2.4
NNPA (%)	1.3	1.1	1.0	0.8	0.6	0.5	0.7	0.7	0.8	0.7
PCR (%)	40.5	43.9	46.8	52.5	63.5	71.0	68.0	70.6	52.5	70.6

Axis Bank — Buy

CMP: INR623 | TP: INR725 (+16%) — **EPS CHANGE (%): FY20|21: -2.9|-3.5**

- Credit cost to stay elevated; bank guides for higher slippages
- Restructuring / BB & below pool to remain under watch
- Margins to decline ~8bp QoQ to ~3.5%
- Loan/Deposit growth to stay modest

Quarterly Performance (INR b)

	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Interest Income	**58.4**	**61.0**	**64.5**	**68.1**	**69.9**	**73.3**	**74.0**	**78.4**	**252.1**	**295.5**
% Change (Y-o-Y)	13.1	16.6	15.2	19.3	19.5	20.1	14.7	15.1	16.1	17.2
Other Income	38.7	39.0	37.9	39.9	25.9	38.1	40.6	43.1	155.4	147.6
Total Income	**97.1**	**100.0**	**102.4**	**107.9**	**95.7**	**111.3**	**114.6**	**121.4**	**407.4**	**443.1**
Operating Expenses	38.2	40.5	45.0	49.4	37.3	42.4	46.3	50.8	173.0	176.7
Operating Profit	**58.9**	**59.5**	**57.4**	**58.5**	**58.4**	**69.0**	**68.3**	**70.7**	**234.4**	**266.4**
% Change (Y-o-Y)	34.8	45.4	3.9	16.7	-0.8	15.9	18.9	20.8	23.3	13.7
Provisions	38.1	35.2	34.7	77.3	44.2	45.8	48.3	44.3	185.3	182.5
Profit before Tax	**20.8**	**24.3**	**22.7**	**-18.8**	**14.3**	**23.2**	**20.0**	**26.4**	**49.0**	**83.9**
Tax	7.1	25.5	5.1	-4.9	3.2	6.3	5.0	6.6	32.8	21.1
Net Profit	**13.7**	**-1.1**	**17.6**	**-13.9**	**11.1**	**16.8**	**15.0**	**19.8**	**16.3**	**62.7**
% Change (Y-o-Y)	95.4	NM	4.5	NM	-18.8	NM	-14.6	NM	-65.2	285.5
Operating Parameters										
Deposit (INR t)	5.4	5.8	5.9	6.4	6.3	6.4	6.6	7.0	6.4	7.0
Loan (INR t)	5.0	5.2	5.5	5.7	5.6	5.8	5.9	6.2	5.7	6.2
Deposit Growth (%)	20.9	21.7	15.1	16.7	16.2	8.8	11.1	9.0	16.7	9.0
Loan Growth (%)	12.7	14.4	15.8	15.5	12.9	10.5	8.1	9.0	15.5	9.0
Asset Quality										
Gross NPA (%)	5.3	5.0	5.0	4.9	4.7	4.2	5.0	5.2	4.9	5.2
Net NPA (%)	2.0	2.0	2.1	1.6	1.2	1.0	1.4	1.4	1.6	1.4
PCR (%)	62.5	61.7	59.6	69.0	74.8	77.2	73.0	74.5	69.0	74.5

Bandhan Bank — Buy

CMP: INR400 | TP: INR450 (+13%) — **EPS CHANGE (%): FY20|21: -0.5|+2.2**

- NIMs to moderate to ~7.9%
- Business growth to remain healthy
- Slippages to increase, which would keep credit cost higher
- Commentary around collection efficiency a key metric

Quarterly Performance (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Interest Income	**15,746**	**15,290**	**15,403**	**16,800**	**18,115**	**19,231**	**19,612**	**21,867**	**63,239**	**78,825**
% Change (YoY)	51.8	41.9	37.0	33.6	15.0	25.8	27.3	30.2	40.7	24.6
Other Income	3,310	3,603	3,577	5,002	3,868	3,818	4,268	5,397	15,492	17,351
Total Income	**19,056**	**18,893**	**18,980**	**21,802**	**21,983**	**23,049**	**23,880**	**27,265**	**78,731**	**96,176**
Operating Expenses	5,505	5,824	6,341	6,595	6,141	6,773	7,226	7,769	24,265	27,909
Operating Profit	**13,551**	**13,069**	**12,639**	**15,207**	**15,842**	**16,275**	**16,654**	**19,496**	**54,466**	**68,267**
% Change (YoY)	65.1	49.5	40.4	31.9	16.9	24.5	31.8	28.2	45.3	25.3
Other Provisions	1,254	1,455	2,949	8,274	8,491	3,945	4,212	3,899	13,932	20,547
Profit Before Tax	**12,297**	**11,614**	**9,690**	**6,933**	**7,351**	**12,330**	**12,442**	**15,597**	**40,534**	**47,721**
Tax	4,261	1,896	2,380	1,760	1,853	3,130	3,123	3,920	10,297	12,026
Net Profit	**8,036**	**9,718**	**7,310**	**5,173**	**5,498**	**9,200**	**9,319**	**11,678**	**30,237**	**35,695**
% Change (YoY)	66.8	99.3	120.7	-20.5	-31.6	-5.3	27.5	125.7	54.9	18.1
Operating Parameters										
Deposits (INR b)	437	492	549	571	606	661	686	731	571	731
Loans (INR b)	415	598	606	666	697	733	759	802	666	802
Deposit Growth (%)	42.3	49.3	58.5	32.0	38.7	34.4	24.9	28.0	32.0	28.0
Loan Growth (%)	35.9	88.4	78.9	68.1	68.1	22.6	25.2	20.4	68.1	20.4
Asset Quality										
Gross NPA (%)	1.7	1.8	1.9	1.5	1.4	1.2	1.9	2.3	1.5	2.3
Net NPA (%)	0.6	0.6	0.8	0.6	0.5	0.4	0.6	0.6	0.6	0.6
PCR (%)	65.9	68.3	58.4	60.8	66.6	70.0	67.0	74.2	60.8	74.2

Bank of Baroda — Neutral

CMP: INR65 | TP: INR60 (-7%) — **EPS CHANGE (%): FY20|21: +3.9|+0.7**

- Elevated credit cost and NII moderation to dent earnings
- Asset quality to remain under pressure
- Rundown in international book to continue
- Movement in watchlist / stress pool to be key monitorable

Quarterly Performance (INR m)

	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Interest Income	**64,981**	**70,279**	**71,291**	**67,982**	**68,161**	**75,075**	**71,572**	**73,787**	**274,513**	**288,595**
% Change (YoY)	48.3	56.4	50.3	34.2	4.9	6.8	0.4	8.5	48.5	5.1
Other Income	19,156	28,239	27,412	28,347	18,183	28,023	29,250	32,877	103,173	108,332
Total Income	**84,137**	**98,519**	**98,702**	**96,328**	**86,344**	**103,098**	**100,821**	**106,664**	**377,686**	**396,927**
Operating Expenses	41,375	45,160	49,118	45,120	43,144	47,580	47,389	48,459	180,772	186,572
Operating Profit	**42,762**	**53,359**	**49,585**	**51,208**	**43,199**	**55,518**	**53,432**	**58,205**	**196,914**	**210,355**
% Change (YoY)	42.3	73.1	40.1	32.6	1.0	4.0	7.8	13.7	46.0	6.8
Provisions	32,849	42,092	71,554	68,441	56,277	30,016	50,497	50,235	214,935	187,025
Profit before Tax	**9,913**	**11,268**	**-21,970**	**-17,233**	**-13,078**	**25,502**	**2,935**	**7,970**	**-18,021**	**23,330**
Tax	2,815	3,901	-7,900	-22,299	-4,435	8,716	822	776	-23,483	5,879
Net Profit	**7,099**	**7,367**	**-14,070**	**5,066**	**-8,643**	**16,786**	**2,113**	**7,194**	**5,462**	**17,451**
% Change (YoY)	34.5	73.2	NM	NM	NM	127.9	NM	42.0	26.0	219.5
Operating Parameters										
Deposit (INR b)	8,955	8,941	8,962	9,460	9,345	9,543	9,755	10,027	9,460	10,027
Loan (INR b)	6,332	6,373	6,545	6,901	6,867	6,699	6,901	7,281	6,901	7,281
Deposit Growth (%)	54.0	47.3	46.8	48.1	4.3	6.7	8.9	6.0	48.1	6.0
Loan Growth (%)	52.8	47.0	45.9	47.2	8.4	5.1	5.4	5.5	47.2	5.5
Asset Quality										
Gross NPA (%)	10.3	10.3	10.4	9.4	9.4	9.1	10.0	10.1	9.4	10.1
Net NPA (%)	4.0	3.9	4.1	3.1	2.8	2.5	3.1	3.2	3.1	3.2
PCR (%)	64.1	64.4	63.8	68.9	71.9	74.4	71.0	70.8	68.9	70.8

DCB Bank — Neutral

CMP: INR120 | TP: INR110 (-8%) — **EPS CHANGE (%): FY20|21: -2.5|-1.0**

- Credit cost to remain high on potential stress in SME/LAP
- Expect slippages to rise, which could keep asset quality under pressure; loans under restructuring to be key
- C/I ratio may remain under pressure and could rise
- NIM compression / loan growth to remain key monitorable

Quarterly Performance (INR m)

	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Interest Income	**3,048**	**3,134**	**3,231**	**3,237**	**3,067**	**3,339**	**3,088**	**3,212**	**12,649**	**12,707**
% Change (Y-o-Y)	11.6	11.2	10.0	7.6	0.6	6.6	-4.4	-0.8	10.1	0.5
Other Income	868	1,014	931	1,099	776	925	872	946	3,911	3,520
Total Income	**3,915**	**4,148**	**4,162**	**4,336**	**3,843**	**4,264**	**3,960**	**4,159**	**16,560**	**16,226**
Operating Expenses	2,250	2,302	2,263	2,215	1,932	2,016	2,099	2,261	9,029	8,309
Operating Profit	**1,665**	**1,845**	**1,899**	**2,121**	**1,911**	**2,248**	**1,861**	**1,897**	**7,531**	**7,918**
% Change (Y-o-Y)	17.8	26.3	9.3	14.5	14.8	21.8	-2.0	-10.5	16.5	5.1
Provisions	406	433	590	1,182	837	1,131	1,100	975	2,611	4,043
Profit before Tax	**1,259**	**1,413**	**1,309**	**938**	**1,075**	**1,117**	**761**	**923**	**4,919**	**3,875**
Tax	448	499	342	251	281	294	192	210	1,540	976
Net Profit	**811**	**914**	**967**	**688**	**794**	**823**	**569**	**713**	**3,379**	**2,898**
% Change (Y-o-Y)	16.6	24.5	12.3	-28.6	-2.1	-10.0	-41.2	3.7	3.9	-14.2
Operating Parameters										
Deposit (INR b)	287.9	293.6	297.3	303.7	294.3	287.7	295.5	309.8	303.7	309.8
Loan (INR b)	240.4	248.0	254.4	253.5	250.6	248.8	245.8	243.3	253.5	243.3
Deposit Growth (%)	15.0	12.2	8.1	6.8	2.2	-2.0	-0.6	2.0	6.8	2.0
Loan Growth (%)	13.2	12.4	11.1	7.5	4.2	0.3	-3.4	-4.0	7.5	-4.0
Asset Quality										
Gross NPA (%)	2.0	2.1	2.2	2.5	2.4	2.3	3.1	3.4	2.5	3.4
Net NPA (%)	0.8	1.0	1.0	1.2	1.0	0.8	1.2	1.4	1.2	1.4
PCR (%)	58.9	54.5	52.8	53.5	60.0	64.1	62.0	61.2	53.5	61.2

Equitas Holdings — Buy

CMP: INR68 | TP: INR65 (-5%) — **EPS CHANGE (%): FY20|21: +3.9|+3.1**

- NIMs to moderate to ~8.9% (~12bp) QoQ
- Watch out for asset quality in MSME book; focus to remain on collection efficiency
- Moderation in business growth and elevated credit cost to impact earnings
- Loan under restructuring to be key

Quarterly Performance (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Interest Income	**3,372**	**3,505**	**3,836**	**4,561**	**4,043**	**4,613**	**4,673**	**4,715**	**14,953**	**18,044**
% Change (YoY)	32.5	29.1	23.3	44.9	19.9	31.6	21.8	3.4	29.8	20.7
Other Income	592	639	857	736	297	637	822	1,012	2,824	2,767
Total Income	**3,963**	**4,145**	**4,693**	**5,297**	**4,339**	**5,249**	**5,495**	**5,727**	**17,777**	**20,811**
Operating Expenses	2,768	2,833	3,108	3,092	2,919	3,053	3,199	3,529	11,801	12,700
Operating Profit	**1,196**	**1,312**	**1,584**	**2,205**	**1,420**	**2,197**	**2,297**	**2,197**	**5,976**	**8,111**
% Change (YoY)	57.2	23.6	30.4	80.1	18.8	67.5	44.9	-0.4	40.2	35.7
Provisions	308	454	405	1,300	683	839	1,464	1,319	2,466	4,306
Profit before Tax	**888**	**858**	**1,180**	**906**	**737**	**1,358**	**833**	**878**	**3,509**	**3,805**
Tax	317	363	239	154	160	328	225	245	1,073	958
Net Profit	**571**	**495**	**941**	**752**	**577**	**1,030**	**608**	**633**	**2,436**	**2,848**
% Change (YoY)	61.2	1.5	51.2	17.0	1.1	108.1	-35.4	-15.8	15.7	16.9
Operating Parameters										
AUM (INR b)	123	133	146	154	156	167	177	192	154	184
Deposits (INR b)	91	100	105	108	118	129	134	140	108	140
Loans (INR b)	120	130	137	137	144	159	164	170	137	170
AUM Growth (%)	35	33	37	31	27	26	21	25	31	20
Deposit Growth (%)	60	44	33	20	29	29	27	30	20	30
Loan Growth (%)	43	38	30	19	20	23	20	24	19	24
Asset Quality										
Gross NPA (%)	2.7	2.9	2.9	2.7	2.9	2.5	3.6	4.3	3.0	4.3
Net NPA (%)	1.5	1.6	1.7	1.5	1.5	1.0	1.9	2.3	1.8	2.3
PCR (%)	44.0	38.8	43.5	45.2	44.2	50.2	48.0	48.2	40.7	48.2

Federal Bank — Buy

CMP: INR68 | TP: INR80 (+18%) — **EPS CHANGE (%): FY20|21: -0.7|-0.1**

- Business growth to remain modest
- Asset quality ratio and loans under restructuring to be key
- Credit cost to stay high due to exposure to SMEs
- NIMs to be stable at ~3.1%

Quarterly Performance (INR m)

	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Interest Income	**11,542**	**11,238**	**11,549**	**12,160**	**12,964**	**13,799**	**13,818**	**14,253**	**46,489**	**54,834**
% Change (YoY)	17.8	9.9	7.2	10.9	12.3	22.8	19.6	17.2	11.3	18.0
Other Income	3,915	4,209	4,079	7,111	4,884	5,093	5,118	5,378	19,314	20,473
Total Income	**15,457**	**15,447**	**15,628**	**19,271**	**17,848**	**18,892**	**18,936**	**19,631**	**65,803**	**75,307**
Operating Expenses	7,629	8,259	8,190	9,678	8,524	8,827	9,015	9,331	33,756	35,697
Operating Profit	**7,828**	**7,188**	**7,438**	**9,593**	**9,324**	**10,065**	**9,922**	**10,300**	**32,047**	**39,610**
% Change (YoY)	29.8	3.0	5.1	27.1	19.1	40.0	33.4	7.4	16.0	23.6
Provisions	1,920	2,518	1,609	5,675	3,946	5,921	5,247	4,319	11,722	19,432
Profit before Tax	**5,907**	**4,670**	**5,830**	**3,918**	**5,378**	**4,145**	**4,675**	**5,981**	**20,325**	**20,178**
Tax	2,065	503	1,423	906	1,370	1,069	1,145	1,360	4,898	4,944
Net Profit	**3,842**	**4,167**	**4,406**	**3,012**	**4,008**	**3,076**	**3,530**	**4,621**	**15,428**	**15,234**
% Change (YoY)	46.2	56.6	32.1	-21.0	4.3	-26.2	-19.9	53.4	24.0	-1.3
Operating Parameters										
Deposit (INR b)	1,325	1,395	1,446	1,523	1,549	1,567	1,617	1,675	1,523	1,675
Loan (INR b)	1,120	1,159	1,192	1,223	1,213	1,229	1,264	1,320	1,223	1,320
Deposit Growth (%)	19.1	18.1	17.1	12.8	16.9	12.3	11.8	10.0	12.8	10.0
Loan Growth (%)	18.8	14.8	13.0	10.9	8.3	6.1	6.0	8.0	10.9	8.0
Asset Quality										
Gross NPA (%)	3.0	3.1	3.0	2.8	3.0	2.8	3.4	3.7	2.8	3.7
Net NPA (%)	1.5	1.6	1.6	1.3	1.2	1.0	1.3	1.3	1.3	1.3
PCR (%)	50.7	49.0	46.4	54.5	59.6	65.7	63.0	65.3	54.5	65.3

HDFC Bank — Buy

CMP: INR1,425 | TP: INR1,650 (+16%) — **EPS CHANGE (%): FY20|21: +1.4|+2.1**

- Deposit growth strong, while loan growth remains healthy
- Watch out for asset quality in Agri and unsecured book
- Margins broadly stable at ~4.1%
- Commentary around credit cards and fee income traction

Quarterly Performance (INR b)

	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Interest Income	**132.9**	**135.2**	**141.7**	**152.0**	**156.7**	**157.8**	**162.8**	**170.8**	**561.9**	**648.1**
% Change (Y-o-Y)	22.9	14.9	12.7	16.2	17.8	16.7	14.9	12.4	16.5	15.3
Other Income	49.7	55.9	66.7	60.3	40.8	60.9	73.1	75.2	232.6	250.1
Total Income	**182.6**	**191.0**	**208.4**	**212.4**	**197.4**	**218.7**	**236.0**	**246.1**	**794.5**	**898.1**
Operating Expenses	71.2	74.1	79.0	82.8	69.1	80.6	85.8	94.6	307.0	330.1
Operating Profit	**111.5**	**117.0**	**129.5**	**129.6**	**128.3**	**138.1**	**150.2**	**151.5**	**487.5**	**568.1**
% Change (Y-o-Y)	28.9	23.4	20.1	19.5	15.1	18.1	16.0	16.9	22.6	16.5
Provisions	26.1	27.0	30.4	37.8	38.9	37.0	41.7	42.7	121.4	160.3
Profit before Tax	**85.3**	**90.0**	**99.0**	**91.7**	**89.4**	**101.1**	**108.5**	**108.8**	**366.1**	**407.8**
Tax	29.7	26.5	24.9	22.5	22.8	26.0	26.2	27.7	103.5	102.6
Net Profit	**55.7**	**63.4**	**74.2**	**69.3**	**66.6**	**75.1**	**82.3**	**81.1**	**262.6**	**305.1**
% Change (Y-o-Y)	21.0	26.8	32.8	17.7	19.6	18.4	11.0	17.1	24.6	16.2
Operating Parameters										
Deposit Growth (%)	18.5	22.6	25.2	24.3	24.6	20.3	19.1	16.5	24.3	16.5
Loan Growth (%)	17.1	19.5	19.9	21.3	20.9	15.8	15.6	12.0	21.3	12.0
Deposit	9,546	10,216	10,674	11,475	11,894	12,293	12,710	13,368	11,475	13,368
Loan	8,297	8,970	9,360	9,937	10,033	10,383	10,820	11,129	9,937	11,129
Asset Quality										
Gross NPA (%)	1.4	1.4	1.4	1.3	1.4	1.1	1.3	1.8	1.3	1.8
Net NPA (%)	0.4	0.4	0.5	0.4	0.3	0.2	0.3	0.5	0.4	0.5
PCR (%)	69.7	69.7	66.7	72.0	76.2	84.5	75.0	75.6	72.0	75.6

ICICI Bank — Buy

CMP: INR528 | TP: INR630 (+19%) — **EPS CHANGE (%): FY20|21: +4.7|+3.9**

- Loan growth modest; margins to moderate to ~3.5%
- Commentary on restructuring book and asset quality
- Slippages to stay elevated, resulting in higher credit cost
- Movement in stressed loans to remain key monitorable

Quarterly Performance (INR b)

	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Interest Income	**77.4**	**80.6**	**85.5**	**89.3**	**92.8**	**93.7**	**96.7**	**103.2**	**332.7**	**386.4**
% Change (YoY)	26.8	25.6	24.3	17.1	19.9	16.2	13.2	15.6	23.1	16.2
Other Income	34.3	41.9	45.7	42.5	61.4	40.3	46.2	49.5	164.5	197.4
Total Income	**111.6**	**122.5**	**131.2**	**131.8**	**154.2**	**133.9**	**142.9**	**152.7**	**497.2**	**583.8**
Operating Expenses	48.7	53.8	55.7	57.9	46.5	51.3	57.0	62.7	216.1	217.5
Operating Profit	**62.9**	**68.7**	**75.5**	**73.9**	**107.8**	**82.6**	**85.9**	**90.0**	**281.0**	**366.3**
% Change (YoY)	8.3	30.9	22.8	18.6	71.4	20.2	13.8	21.8	19.9	30.3
Provisions	35.0	25.1	20.8	59.7	75.9	30.0	38.3	33.8	140.5	178.0
Profit before Tax	**27.9**	**43.7**	**54.7**	**14.2**	**31.8**	**52.7**	**47.6**	**56.2**	**140.5**	**188.3**
Tax	8.8	37.1	13.2	2.0	5.8	10.1	11.9	17.3	61.2	45.2
Net Profit	**19.1**	**6.5**	**41.5**	**12.2**	**26.0**	**42.5**	**35.7**	**38.9**	**79.3**	**143.1**
% Change (YoY)	NM	-27.9	158.4	26.0	36.2	549.1	-13.8	218.2	135.8	80.4
Operating Parameters										
Deposit	6,607	6,963	7,163	7,710	8,016	8,329	8,647	9,020	7,710	9,020
Loan	5,924	6,134	6,357	6,453	6,312	6,526	6,774	7,098	6,453	7,098
Deposit Growth (%)	20.8	24.6	18.1	18.1	21.3	19.6	20.7	17.0	18.1	17.0
Loan Growth (%)	14.7	12.6	12.6	10.0	6.5	6.4	6.6	10.0	10.0	10.0
Asset Quality										
Gross NPA (%)	7.3	7.0	6.5	6.1	6.1	5.2	5.9	5.9	6.1	5.9
Net NPA (%)	1.8	1.6	1.5	1.4	1.2	1.0	1.5	1.4	1.4	1.4
PCR (%)	74.1	76.1	76.1	75.6	78.5	81.6	76.5	77.1	75.7	77.1

IndusInd Bank — Buy

CMP: INR900 | TP: INR850 (-6%) — **EPS CHANGE (%): FY20|21: -3.4|-7.2**

- Loan growth to continue to witness pressure, while deposits to show strong traction
- Margins to moderate marginally to ~4.1%
- Asset quality to remain pressured, led by higher strain on MFI and Auto businesses; restructuring book to be key
- Credit cost to remain elevated as PCR remains high

Quarterly Performance (INR m)

	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Interest Income	**28,440**	**29,094**	**30,742**	**32,312**	**33,092**	**32,780**	**33,007**	**33,680**	**120,587**	**132,559**
% Change (YoY)	34.0	32.0	34.4	44.7	16.4	12.7	7.4	4.2	36.3	9.9
Other Income	16,633	17,272	17,900	17,722	15,204	15,543	16,086	17,131	69,527	63,965
Total Income	**45,072**	**46,365**	**48,642**	**50,034**	**48,296**	**48,323**	**49,094**	**50,811**	**190,114**	**196,524**
Operating Expenses	19,163	20,131	21,065	21,467	19,019	19,803	20,973	22,635	82,373	82,430
Operating Profit	**25,910**	**26,234**	**27,577**	**28,567**	**29,277**	**28,520**	**28,121**	**28,175**	**107,741**	**114,094**
% Change (YoY)	35.6	31.7	30.3	38.2	13.0	8.7	2.0	-1.4	33.2	5.9
Provisions	4,306	7,377	10,435	24,403	22,589	19,644	20,484	19,547	46,521	82,264
Profit before Tax	**21,603**	**18,857**	**17,143**	**4,164**	**6,689**	**8,875**	**7,637**	**8,628**	**61,220**	**31,830**
Tax	7,278	4,848	4,050	1,012	1,585	2,245	1,925	2,267	17,027	8,021
Net Profit	**14,325**	**14,010**	**13,092**	**3,152**	**5,103**	**6,631**	**5,713**	**6,362**	**44,193**	**23,809**
% Change (YoY)	38.3	52.2	32.9	-12.5	-64.4	-52.7	-56.4	101.8	33.9	-46.1
Operating Parameters										
Deposit Growth (%)	26.3	23.2	23.3	3.7	5.3	10.0	10.6	24.0	3.7	24.0
Loan Growth (%)	28.4	20.8	19.8	10.9	2.4	2.1	0.1	5.0	10.9	5.0
Deposit (INR b)	2,006	2,072	2,167	2,020	2,113	2,279	2,396	2,505	2,020	2,505
Loan (INR b)	1,935	1,971	2,074	2,068	1,981	2,012	2,077	2,171	2,068	2,171
Asset Quality										
Gross NPA (%)	2.2	2.2	2.2	2.5	2.5	2.2	2.8	2.9	2.5	2.9
Net NPA (%)	1.2	1.1	1.1	0.9	0.9	0.5	0.8	0.8	0.9	0.8
PCR (%)	43.3	49.6	52.5	63.3	66.6	76.7	72.0	74.2	63.3	74.2

Kotak Mahindra Bank — Neutral

CMP: INR1,994 | TP: INR1,800 (-10%) — **EPS CHANGE (%): FY20|21: +7.1|+6.8**

- Loan growth to remain under pressure, while deposits to show healthy traction
- Commentary around stress in SME book and other unsecured loans, which could keep credit cost elevated
- Liability franchise to remain strong; reduction in cost of funds to result in stable margins at ~4.5%
- Asset quality to remain largely stable, with GNPA at ~2.7%

Quarterly Performance (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Interest Income	**31,730**	**33,496**	**34,295**	**35,597**	**37,239**	**39,132**	**39,716**	**41,831**	**134,997**	**157,918**
% Change (Y-o-Y)	22.8	24.6	16.7	16.8	17.4	16.8	15.8	17.5	20.5	17.0
Other Income	13,047	12,244	13,414	14,894	7,735	14,520	14,891	16,037	53,721	53,184
Total Income	**44,778**	**45,740**	**47,710**	**50,490**	**44,974**	**53,652**	**54,608**	**57,868**	**188,718**	**211,102**
Operating Expenses	20,789	20,654	23,829	23,238	18,737	20,678	22,722	24,589	88,509	86,726
Operating Profit	**23,989**	**25,086**	**23,881**	**27,253**	**26,237**	**32,975**	**31,886**	**33,279**	**100,208**	**124,376**
% Change (Y-o-Y)	18.0	19.7	23.2	19.4	9.4	31.4	33.5	22.1	20.0	24.1
Other Provisions	3,168	4,079	4,440	10,475	9,620	3,686	6,085	4,950	22,162	24,342
Profit before Tax	**20,822**	**21,006**	**19,441**	**16,778**	**16,617**	**29,289**	**25,800**	**28,328**	**78,047**	**100,035**
Tax Provisions	7,220	3,762	3,482	4,112	4,173	7,444	6,594	6,998	18,575	25,209
Net Profit	**13,602**	**17,245**	**15,959**	**12,666**	**12,445**	**21,845**	**19,207**	**21,330**	**59,472**	**74,826**
% Change (Y-o-Y)	32.7	51.1	23.6	-10.0	-8.5	26.7	20.4	68.4	22.2	25.8
Deposits (INRb)	2,329	2,331	2,394	2,628	2,615	2,616	2,707	2,825	2,628	2,825
Loans (INRb)	2,080	2,133	2,168	2,197	2,040	2,048	2,096	2,154	2,197	2,154
Deposit growth (%)	22.8	13.2	12.0	16.4	12.3	12.2	13.1	7.5	16.4	7.5
Loan growth (%)	17.6	15.3	10.4	6.8	-1.9	-4.0	-3.3	-2.0	6.8	-2.0
Asset Quality										
Gross NPA (%)	2.2	2.3	2.5	2.3	2.7	2.6	2.7	2.7	2.3	2.7
Net NPA (%)	0.7	0.9	0.9	0.7	0.9	0.6	0.8	0.8	0.7	0.8
PCR (%)	67.0	64.0	64.4	69.0	68.4	75.6	70.0	71.6	69.0	71.6

RBL Bank — Buy

CMP: INR231 | TP: INR270 (+17%) — **EPS CHANGE (%): FY20|21: -3.8|-8.9**

- Loan growth under pressure, led by weak environment
- Asset quality to deteriorate sharply due to exposure to MFI / Credit Cards; collection efficiency remains key
- Credit cost to remain elevated in the near term
- Growth in deposits, liquidity positioning to be key monitorables

Quarterly Performance (INR m)

	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Interest Income	**8,173**	**8,687**	**9,227**	**10,210**	**10,413**	**9,321**	**9,434**	**10,304**	**36,296**	**39,472**
% Change (Y-o-Y)	47.9	46.5	40.8	38.2	27.4	7.3	2.2	0.9	42.9	8.7
Other Income	4,812	4,415	4,870	5,005	3,333	4,562	4,745	4,934	19,102	17,574
Total Income	**12,985**	**13,102**	**14,096**	**15,215**	**13,746**	**13,883**	**14,179**	**15,238**	**55,399**	**57,046**
Operating Expenses	6,960	6,744	6,775	7,696	6,849	6,685	6,924	7,490	27,883	27,948
Operating Profit	**6,026**	**6,358**	**7,322**	**7,519**	**6,897**	**7,198**	**7,255**	**7,748**	**27,516**	**29,098**
% Change (Y-o-Y)	39.4	41.6	46.9	34.3	14.5	13.2	-0.9	3.0	41.8	5.7
Other Provisions	1,970	5,333	6,383	6,012	5,002	5,256	5,852	6,141	19,989	22,250
Profit before Tax	**4,056**	**1,025**	**939**	**1,508**	**1,896**	**1,942**	**1,403**	**1,607**	**7,528**	**6,847**
Tax Provisions	1,386	482	239	364	483	500	354	386	2,471	1,723
Net Profit	**2,671**	**543**	**700**	**1,144**	**1,412**	**1,442**	**1,049**	**1,221**	**5,057**	**5,124**
% Change (Y-o-Y)	40.5	-73.4	-68.9	-53.7	-47.1	165.4	50.0	6.7	-41.7	1.3
Operating Parameters										
Deposit (INR b)	608.1	628.3	629.1	578.1	617.4	645.1	659.3	682.2	578.1	682.2
Loan (INR b)	568.4	584.8	596.4	580.2	566.8	561.6	583.7	615.0	580.2	615.0
Deposit Growth (%)	35.3	31.5	20.5	-1.0	1.5	2.7	4.8	18.0	-1.0	18.0
Loan Growth (%)	34.7	27.5	19.5	6.8	-0.3	-4.0	-2.1	6.0	6.8	6.0
Asset Quality										
Gross NPA (%)	1.4	2.6	3.3	3.6	3.5	3.3	4.5	4.7	3.6	4.7
Net NPA (%)	0.7	1.6	2.1	2.1	1.7	1.4	2.2	2.2	2.0	2.2
PCR (%)	52.9	40.7	38.5	44.3	53.2	59.4	52.0	54.4	44.3	54.4

State Bank of India

Buy

CMP: INR279 | TP: INR330 (+18%)

EPS CHANGE (%): FY20|21: -1.1|+1.7

- Credit cost to remain high as the bank continues to strengthen its balance sheet
- Business growth to remain modest
- Restructuring book and impact on asset quality to be key
- Margins to remain stable at ~3.1%

Quarterly Performance (INR b)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Interest Income	**229.4**	**246.0**	**277.8**	**227.7**	**266.4**	**281.8**	**287.1**	**291.9**	**980.8**	**1,127.3**
% Change (YoY)	5.2	17.7	22.4	-0.8	16.1	14.6	3.4	28.2	11.0	14.9
Other Income	80.2	120.2	91.1	160.8	95.0	85.3	96.7	134.6	452.2	411.5
Total Income	**309.5**	**366.2**	**368.8**	**388.4**	**361.4**	**367.1**	**383.9**	**426.4**	**1,433.1**	**1,538.8**
Operating Expenses	177.1	184.2	186.6	203.8	180.8	202.5	201.4	207.5	751.7	792.2
Operating Profit	**132.5**	**182.0**	**182.2**	**184.7**	**180.6**	**164.6**	**182.4**	**218.9**	**681.3**	**746.5**
% Change (YoY)	10.6	30.9	44.3	9.0	36.3	-9.6	0.1	18.5	22.9	9.6
Other Provisions	91.8	131.4	72.5	135.0	125.0	101.2	118.9	112.1	430.7	457.2
Profit before Tax	**40.6**	**50.6**	**109.7**	**49.7**	**55.6**	**63.4**	**63.5**	**106.8**	**250.6**	**289.3**
Tax Provisions	17.5	20.5	53.9	13.9	13.7	17.7	16.3	27.5	105.7	75.2
Net Profit	**23.1**	**30.1**	**55.8**	**35.8**	**41.9**	**45.7**	**47.2**	**79.2**	**144.9**	**214.1**
% Change (YoY)	NM	218.7	41.2	327.1	81.2	51.9	-15.4	121.3	NM	47.8
Operating Parameters										
Deposits (INR t)	29.5	30.3	31.1	32.4	34.2	34.7	35.4	36.4	32.4	36.4
Loans (INR t)	21.3	21.5	22.0	23.3	23.0	22.9	23.5	24.4	23.3	24.4
Deposit Growth (%)	7.3	8.0	9.9	11.3	16.0	14.4	13.9	12.4	11.3	12.4
Loan Growth (%)	13.8	9.6	7.4	6.4	7.7	6.9	7.0	5.0	6.4	5.0
Asset Quality										
Gross NPA (%)	7.5	7.2	6.9	6.2	5.4	5.3	6.3	6.5	6.2	6.5
Net NPA (%)	3.1	2.8	2.7	2.2	1.9	1.6	2.0	2.2	2.2	2.2
PCR (%)	61.1	62.9	63.5	65.2	67.1	71.0	69.0	68.0	65.2	68.0

HDFC Standard Life Insurance — Neutral

CMP: INR678 | TP: INR650 (-4%) — **EPS CHANGE (%): FY20|21: +4.0|+5.6**

- New business premium remains healthy
- VNB margins to improve, resulting in healthy VNB
- Expense ratio to remain stable
- Protection mix to improve; RoEV to stay modest

INR m

Policy holder's A/c	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net premium income	64,512	74,537	78,543	104,645	57,218	100,454	94,824	112,210	322,236	364,707
Growth (%)	*29.2%*	*10.0%*	*13.9%*	*2.1%*	*-11.3%*	*34.8%*	*20.7%*	*7.2%*	*11.4%*	*13.2%*
PAT	**4,246**	**3,087**	**2,502**	**3,117**	**4,511**	**3,261**	**3,376**	**3,973**	**12,953**	**15,121**
Growth (%)	*11.7%*	*7.6%*	*1.9%*	*-14.4%*	*6.2%*	*5.6%*	*34.9%*	*27.5%*	*1.4%*	*16.7%*
Key metrics (INR b)										
New business APE	17.1	17.6	18.2	18.7	12.0	20.9	21.6	27.4	71.6	81.8
VNB	5.1	4.5	4.5	5.1	2.9	5.5	5.6	7.1	19.2	21.1
AUM	1,296	1,310	1,365	1,272	1,400	1,506	1,583	1,614	1,272	1,614
Key Ratios (%)										
VNB Margins	29.8	25.4	24.7	27.4	24.3	25.6	26.0	25.9	25.9	25.8
Solvency ratio	193.0	192.0	195.0	184.1	190.0	203.0	201.0	196.1	184.1	196.1

ICICI Prudential Life Insurance — Buy

CMP: INR499 | TP: INR575 (+15%) — **EPS CHANGE (%): FY20|21: +5.1|+18.0**

- New business premium to increase, but remain under pressure
- VNB margins to witness moderation
- Expense ratio to remain stable
- Mix of Protection business to continue to improve

INR m

Policy holder's A/c	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net premium income	62,081	80,647	81,310	104,751	55,511	85,722	89,607	116,377	328,790	347,217
Growth (%)	*14.2%*	*6.1%*	*8.7%*	*4.2%*	*-10.6%*	*6.3%*	*10.2%*	*11.1%*	*7.5%*	*5.6%*
PAT	**2,849**	**3,019**	**3,025**	**1,795**	**2,876**	**3,032**	**3,122**	**3,469**	**10,687**	**12,509**
Growth (%)	1.2%	0.3%	1.9%	-31.3%	0.9%	0.5%	3.2%	93.3%	-6.3%	17.0%
Key metrics (INR b)										
New Business APE	14.7	19.0	20.4	17.0	8.2	14.7	15.1	23.5	71.1	61.5
VNB	3.1	4.0	4.3	4.7	2.0	4.0	4.1	6.4	16.0	16.4
AUM	1,640	1,655	1,720	1,530	1,700	1,815	2,001	2,084	1,530	2,084
Key Ratios (%)										
VNB Margins	21.0	21.1	20.9	23.8	24.4	27.4	26.8	27.0	21.7	26.7
Solvency ratio	217	211	207	194	205	206	202	200	194	200

SBI Life Insurance — Buy

CMP: INR895 | TP: INR1,050 (+17%) — **EPS CHANGE (%): FY20|21: +6.5|+10.8**

- New business premium to witness healthy uptick
- VNB margins to witness improvement, thereby improving VNB
- To maintain cost leadership
- Mix of Protection business to continue to improve

INR b

Policy holder's A/c	FY20				FY21				FY20	FY21e
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net premium income	66.6	101.1	116.9	118.6	75.9	128.6	131.0	149.6	403.2	485.0
Growth (%)	*40%*	*32%*	*28%*	*5%*	*14%*	*27%*	*12%*	*26%*	*23%*	*20%*
PAT	**3.7**	**1.3**	**3.9**	**5.3**	**3.9**	**3.0**	**4.5**	**6.2**	**14.2**	**17.7**
Growth (%)	*5%*	*-48%*	*47%*	*16%*	*5%*	*131%*	*16%*	*18%*	*7%*	*24%*
Key metrics (INR b)										
New Business APE	18.6	28.1	33.8	26.9	12.7	27.1	33.5	36.8	105.1	110.1
VNB	3.3	5.2	6.2	5.4	2.4	5.1	7.0	8.4	20.1	22.9
AUM	1,470	1,548	1,642	1,604	1,754	1,864	1,999	2,020	1,604	2,020
Key Ratios (%)										
VNB margins	17.7	18.5	18.3	20.1	18.9	18.8	20.9	22.7	18.7	20.8
Solvency ratio	217.0	220.0	230.0	195.0	239.0	245.0	220.0	205.1	195.0	205

Financials - NBFCs

Company name
Bajaj Finance
Chola Inv. & Fin.
HDFC
ICICI Securities
IIFL Wealth Management
LIC Housing Finance
M&M Financial Services
Manappuram Finance
MAS Financial Services
Muthoot Finance
PNB Housing Finance
Shriram City Union
Shriram Transport Finance

A decisive quarter

Collection efficiency improving, but below pre-COVID levels; all eyes on restructuring numbers

- **3QFY21 is the first quarter post lifting of the moratorium. Across product segments, there is expected to be MoM improvement in collection efficiency (CE). Adjusted for arrear collections, on-time CE is only marginally below pre-COVID levels. In addition, a large portion of customers who had not paid a single EMI during the moratorium period have started making payments in 3Q.**
- **The festival season was largely healthy across segments. Home loans witnessed a sharp improvement in volumes, with disbursements expected to be up YoY for the large players. In the Vehicle Finance segment, 2W volumes were slightly tepid, while PV and Tractor volumes remained healthy. M&HCV sales, though subdued, continue to improve every quarter. In the Consumer Durables space, BAF regained some lost market share. Gold lenders witnessed a steady quarter on disbursements.**
- **Given the accommodative stance of RBI, the incremental cost of funds continued to decline in the quarter. AAA-rated players with strong parentage are now able to borrow three-year money at ~5%. While the securitization market was largely shut during the moratorium period, there was some opening up. Sell-down volumes gained traction in 3Q, though not to pre-COVID levels yet. We expect margin expansion across most players in the quarter.**
- **Capital market players continued to witness strong traction during the quarter. Equity and derivative trading volumes for the industry remained elevated. New margin regulations from 1 December 2020 have not had any major impact on brokers. However, managements are guiding at a larger impact with the gradual tightening in margin funding norms over the next three quarters. Within the wealth management space, inflows remain healthy. However, clients remain risk-averse and continue to invest more in debt as compared to equity.**
- **Over the past six months, steady improvement across all important parameters has been encouraging. Continued excess liquidity at the system level should be positive for margins going forward. On the asset quality front, we expect companies to make elevated provisions for another 1-2 quarters, post which credit costs should revert to normal. Disclosures on restructuring will be a key monitorable. We continue to favor players with strong balance sheets and least impacted by the COVID-19 lockdown. Our top picks are HDFC, MUTH, ISEC, and IIFLWAM.**

HFCs: Growth momentum picking up; asset quality least disrupted

Contrary to initial expectations, home sales witnessed a sharp recovery in the past few months. Good schemes/discounts by builders, record low interest rates, and stamp duty cuts in certain states were key drivers, in our view. The home loan segment continues to witness heightened competitive intensity, especially from banks. **Nevertheless, HDFC delivered 26% YoY disbursement growth in individual loans in the quarter. We expect it to deliver ~10% YoY AUM growth, while other large HFCs are likely to deliver muted growth.** PNBHOUSI has nearly stopped fresh corporate sanctions and is undertaking primarily retail lending now. At the same time, its priority remains raising equity capital as soon as possible. REPCO is focusing more on collections. Hence, loan growth has taken a back seat and is likely to be in mid-single digits. While companies have not guided at any number, they do not foresee any major asset quality stress in the Retail Lending segment. The Non-Retail segment remains a key monitorable.

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Vehicle financiers – Disbursements divergent; asset quality tail risk remains

Auto sales remained healthy across most products. Tractors and PVs witnessed a healthy festival season, while the same for 2Ws was a bit tepid compared to expectations. Though M&HCV volumes have seen a recovery QoQ, sales remain much below pre-COVID levels. **Used CV sales remain healthy on the back of unaffordability of new M&HCVs due to the recent price hikes.** Disbursements of vehicle financiers under our coverage are likely to be divergent. **In our opinion, CIFC and SHTF would deliver disbursements close to YoY levels, while that for MMFS would be at ~65% of YoY levels given its cautious approach to growth.** Margins could be a key positive surprise for MMFS and CIFC, given the sharp decline in incremental cost of funds in the quarter. On the asset quality front, CE has been on an improving trend. Also, as per managements, restructuring has been minimal (less than 1-2% of loans).

Gold financiers shining

Our interactions with the managements of gold financiers suggest that disbursements remained healthy, in line with 2Q levels. Both specialized gold financiers continue to focus on increasing share of online gold loans. There is a negligible impact of the 90% LTV cap norm for banks on the ground. With portfolio LTV ~65%, there is unlikely to be any asset quality risk. In the non-gold portfolio, we expect MGFL to witness a healthy performance on disbursements and asset quality in the Housing Finance segment. However, vehicle Finance and MFI segments still face some collection headwinds, in our opinion.

Wholesale lending still muted; diversified financiers better off

Real Estate activity, in terms of construction and sales, has been picking up. Labor, which was an issue at some projects, has returned to cities with the lifting of lockdown restrictions. However, lenders are disbursing only to existing projects and are not looking much at new projects. Diversified financiers are better off. **BAF witnessed a sharp sequential improvement in disbursement volumes to ~80% of YoY levels. AUM grew 5% QoQ to INR1.44t. We expect it to undertake elevated provisioning in 3Q too.** LTFH and SCUF, too, are likely to have sequentially flattish AUM. We expect LTFH to continue to build up its macro-prudential provision buffer.

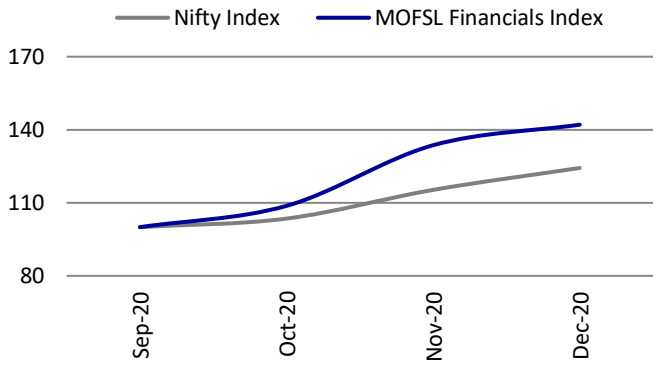
Capital market players on healthy growth trajectory

3QFY21 remained a healthy quarter in terms of cash and derivatives trading volumes. We expect this to result in strong retail brokerage volumes for ISEC. The impact of the margin funding regulations from 1 December 2020 on industry volumes was minimal. However, with tightening of these regulations over the next three quarters, the impact could be more meaningful. ISEC continues to deliver a steady run-rate in new client acquisition, backed by its open architecture and increasing share of non-ICICIBC channels. IIFL Wealth had a stable quarter in terms of flows, in our view. TBR revenue could be lumpy as it is dependent on deal syndication opportunities. Traction in IIFL One and expense ratio reduction are key monitorables.

Exhibit 1: Quarterly performance

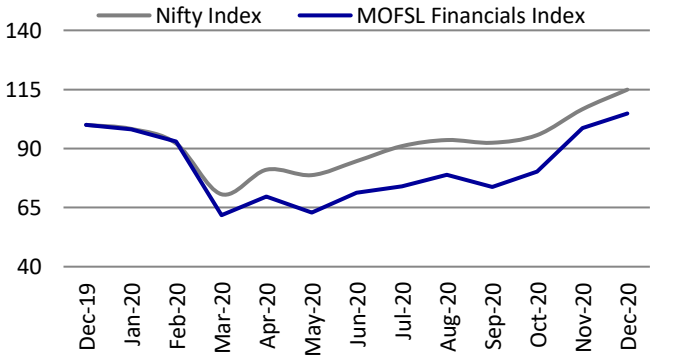
Sector	CMP (INR)	Rating	NII (INR m)			Operating profit (INR m)			Net profit (INR m)		
			Dec-20	Variance YoY (%)	Variance QoQ (%)	Dec-20	Variance YoY (%)	Variance QoQ (%)	Dec-20	Variance YoY (%)	Variance QoQ (%)
Bajaj Finance	5280	Neutral	39,586	9.5	16.3	34,070	13.5	13.3	14,074	-12.8	45.9
Chola. Inv & Fin.	412	Buy	12,752	17.8	1.9	8,950	36.0	-0.5	4,115	5.9	-4.7
HDFC	2570	Buy	38,102	18.6	5.8	35,795	16.6	3.0	25,512	14.5	-5.3
ICICI Securities	466	Buy	5,871	38.9	-13.7	2,842	53.6	-23.7	2,111	53.8	-24.1
IIFL Wealth Mgt	1029	Buy	2,234	1.1	5.9	958	26.0	22.8	796	8.8	-8.9
L&T Fin.Holdings	97	Buy	15,799	-9.2	4.0	11,618	-11.6	0.0	3,212	-45.7	29.7
LIC Housing Fin	378	Buy	12,772	4.0	3.2	11,671	2.1	4.2	7,034	17.7	-11.1
M & M Financial	179	Buy	14,874	8.4	6.9	10,366	16.7	0.5	2,297	-37.1	-24.3
Manappuram Finance	167	Buy	10,064	10.6	3.1	6,757	13.9	3.6	4,289	6.6	5.8
MAS Financial	928	Buy	893	-22.3	7.3	733	-20.8	4.1	399	-27.6	16.6
Muthoot Finance	1214	Buy	16,672	6.1	5.4	12,599	8.9	4.1	8,963	9.9	0.2
PNB Housing	368	Neutral	4,839	12.7	-22.0	4,892	2.1	-14.9	2,060	-13.1	-34.2
Repco Home Fin	241	Buy	1,373	4.2	-1.6	1,158	10.5	0.3	738	5.8	-8.7
Shriram City Union	1081	Buy	8,440	-4.9	-0.8	5,577	-2.6	-0.7	1,928	-35.0	-25.0
Shriram Transport Fin.	1070	Buy	20,922	3.9	2.7	16,170	-0.8	2.6	7,939	-9.7	16.0
NBFC			**2,05,195**	**8.3**	**4.7**	**1,64,156**	**9.7**	**3.2**	**85,466**	**-2.3**	**0.9**

Exhibit 2: Relative performance — three months (%)



Source: Bloomberg, MOFSL

Exhibit 3: Relative performance —one-year (%)



Source: Bloomberg, MOFSL

Exhibit 4: EPS estimates largely unchanged for FY21-22E

Company	Old estimates (INR)		New estimates (INR)		Change (%)	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
BAF	72.1	132.0	73.9	140.1	9.3	7.5
CIFC	19.9	23.2	20.3	24.3	1.8	4.6
HDFC	55.0	61.7	55.0	61.7	-0.8	4.8
ISEC	27.8	27.7	27.8	27.7	-	-
IIFL Wealth	39.1	49.9	39.1	49.9	-	-
LICHF	59.6	59.6	59.6	64.8	-0.0	8.8
MMFS	8.0	9.1	7.3	9.3	-8.7	2.5
MASFIN	28.6	34.4	28.6	34.4	-	-
MUTH	87.3	102.2	88.4	104.7	1.2	2.5
MGFL	19.6	23.8	19.4	23.9	-0.7	0.5
PNBHOUSI	56.9	66.6	56.9	66.6	-	-0.0
SCUF	130.2	147.1	129.1	166.6	-0.9	13.2
SHTF	99.7	115.2	101.4	123.2	1.7	6.2
REPCO	48.0	50.8	46.6	49.4	-3.0	2.8

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

The tables below provide a snapshot of actual and estimated numbers for companies under the MOFSL coverage universe. Highlighted columns indicate the quarter/financial year under review.

Bajaj Finance — Neutral

CMP INR5,280 | TP: INR4,900 (-7%) — **EPS CHANGE (%): FY21|22: 9.3|7.5**

- Client acquisition/disbursement volumes at ~90%/80% of YoY levels
- Expect INR15b in provisions in 3QFY21E.
- AUM grew 5% QoQ to INR1.44t.
- Incremental cost of funds sub-6%

BAF: Quarterly performance (INR m)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Interest Income	51,010	54,635	61,037	63,023	57,932	57,631	62,810	64,136	229,704	242,508
Interest expenses	21,134	23,234	24,890	25,474	24,976	23,581	23,224	23,010	94,732	94,792
Net Interest Income	**29,876**	**31,400**	**36,147**	**37,549**	**32,956**	**34,050**	**39,586**	**41,125**	**134,972**	**147,716**
YoY Growth (%)	38.9	40.8	38.9	36.9	10.3	8.4	9.5	9.5	38.8	9.4
Other Operating Income	7,068	8,596	9,201	9,286	8,565	7,602	7,611	7,840	34,152	31,619
Net Income	**36,944**	**39,997**	**45,347**	**46,834**	**41,521**	**41,652**	**47,197**	**48,965**	**169,124**	**179,335**
YoY Growth (%)	43.3	47.7	41.4	38.4	12.4	4.1	4.1	4.5	42.4	6.0
Operating Expenses	12,922	13,830	15,339	14,515	11,567	11,593	13,127	15,112	56,608	51,399
Operating Profit	**24,022**	**26,167**	**30,008**	**32,320**	**29,954**	**30,059**	**34,070**	**33,853**	**112,516**	**127,936**
YoY Growth (%)	47.9	49.6	43.8	45.5	24.7	14.9	13.5	4.7	46.5	13.7
Provisions and Cont.	5,507	5,942	8,308	19,538	16,857	17,004	15,000	14,987	39,295	63,848
Profit before Tax	**18,514**	**20,224**	**21,701**	**12,782**	**13,097**	**13,055**	**19,070**	**18,866**	**73,221**	**64,088**
Tax Provisions	6,562	5,161	5,560	3,301	3,474	3,406	4,996	4,947	20,584	16,823
Net Profit	**11,953**	**15,063**	**16,141**	**9,481**	**9,623**	**9,649**	**14,074**	**13,919**	**52,638**	**47,265**
YoY Growth (%)	43.0	63.1	52.3	-19.4	-19.5	-35.9	-12.8	46.8	31.8	-10.2
Key Operating Parameters (%)										
Credit Cost	1.85	1.86	2.46	5.56	4.93	5.15	4.39	4.09	3.06	
Cost to Income Ratio	35.0	34.6	33.8	31.0	27.9	27.8	27.8	30.9	33.5	
Tax Rate	35.4	25.5	25.6	25.8	26.5	26.1	26.2	26.2	28.1	

Cholamandalam Inv. & Fin. — Buy

CMP: INR412 | TP: INR475 (+15%) — **EPS CHANGE (%): FY21|22: 1.8|4.6**

- Disbursements back to prior year levels.
- Lower yields with stable CoF to impact margin marginally.
- Collection efficiency continues to improve MoM.
- Expect to continue to build the COVID provision buffer.

CIFC: Quarterly performance (INR m)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Income from Operations	20,295	21,970	22,749	21,513	21,136	24,364	24,722	25,223	86,529	95,446
Interest Expense	10,870	11,769	11,924	11,359	11,307	11,852	11,970	12,463	45,922	47,592
Net Interest Income	**9,425**	**10,200**	**10,825**	**10,154**	**9,830**	**12,512**	**12,752**	**12,760**	**40,607**	**47,854**
YoY Growth (%)	*16.3*	*24.6*	*23.7*	*13.0*	*4.3*	*22.7*	*17.8*	*25.7*	*19.3*	*17.8*
Total Income	**9,425**	**10,201**	**10,825**	**10,156**	**9,830**	**12,546**	**12,753**	**12,760**	**40,609**	**47,889**
YoY Growth (%)	*16.2*	*24.6*	*23.7*	*13.0*	*4.3*	*23.0*	*17.8*	*25.6*	*19.3*	*17.9*
Operating Expenses	3,500	4,016	4,244	4,016	3,458	3,551	3,803	4,368	15,776	15,180
Operating Profit	**5,925**	**6,185**	**6,581**	**6,140**	**6,372**	**8,996**	**8,950**	**8,392**	**24,833**	**32,709**
YoY Growth (%)	*11.9*	*17.0*	*17.6*	*18.8*	*7.5*	*45.5*	*36.0*	*36.7*	*16.3*	*31.7*
Provisions & Loan Losses	1,095	952	1,360	5,567	562	3,176	3,500	3,228	8,973	10,465
Profit before Tax	**4,830**	**5,233**	**5,221**	**573**	**5,810**	**5,820**	**5,450**	**5,164**	**15,860**	**22,244**
Tax Provisions	1,688	2,163	1,336	147	1,501	1,501	1,335	1,269	5,334	5,605
Net Profit	**3,142**	**3,070**	**3,885**	**427**	**4,309**	**4,319**	**4,115**	**3,895**	**10,526**	**16,638**
YoY Growth (%)	*10.2*	*0.8*	*27.6*	*-85.4*	*37.1*	*40.7*	*5.9*	*813.1*	*-11.3*	*58.1*
Key Parameters (Calc., %)										
Yield on loans	14.2	14.7	15.0	14.6	14.6	15.7	15.2	15.0	14.5	15.3
Cost of funds	8.2	8.5	8.6	8.3	8.0	8.0	7.9	8.0	8.7	8.1
Spread	6.0	6.2	6.4	6.4	7.7	7.7	7.4	7.0	5.8	7.3
NIM	6.1	6.2	6.6	6.5	6.6	7.8	7.5	7.2	6.0	7.4
C/I ratio	37.1	39.4	39.2	39.5	35.2	28.3	29.8	34.2	38.9	31.7
Credit cost	0.8	0.7	0.9	3.7	0.4	1.9	2.1	1.9	1.6	1.6
Tax rate	34.9	41.3	25.6	25.6	25.8	25.0	24.5	24.6	33.6	25.2

HDFC — Buy

CMP INR2,570| TP: INR2,960 (+15%) — **EPS CHANGE (%): FY21|22: -0.8|4.8**

- 26% YoY growth in individual disbursements in the quarter
- Margin to expand due to lower CoF and capital raise in 2Q.
- Expect ~12% YoY retail AUM growth in FY21E.
- ESOP expense of INR1.5b in 2QFY21

HDFC: Quarterly Performance (INR m)

Y/E March	FY20				FY21				FY20	FY21
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Interest Income	1,07,811	1,07,809	1,09,827	1,12,046	1,11,524	1,10,020	1,10,984	1,12,063	4,37,493	4,44,590
Interest Expense	77,393	78,307	77,696	76,618	78,171	73,991	73,621	73,336	3,10,014	2,99,118
Net Interest Income	**30,418**	**29,502**	**32,132**	**35,428**	**33,353**	**36,028**	**37,362**	**38,727**	**1,27,480**	**1,45,471**
YoY Change (%)	10.9	12.7	11.0	12.1	9.7	22.1	16.3	9.3	11.4	14.1
Assignment Income	2,962	2,639	1,703	2,376	1,834	1,590	2,000	2,415	9,679	7,840
NII (including assignment income)	**33,380**	**32,141**	**33,834**	**37,803**	**35,188**	**37,619**	**39,362**	**41,142**	**1,37,158**	**1,53,311**
YoY Change (%)	15.7	6.6	7.4	17.1	5.4	17.0	16.3	8.8	11.5	11.8
Other Operating Income	628	641	699	1,014	484	780	838	943	2,983	3,046
Core Income	**34,008**	**32,782**	**34,534**	**38,818**	**35,672**	**38,399**	**40,200**	**42,086**	**1,40,141**	**1,56,357**
YoY Change (%)	15.4	6.1	7.7	15.1	4.9	17.1	16.4	8.4	11.1	11.6
Operating Expenses	3,817	3,789	3,839	3,534	3,964	3,658	4,995	5,347	14,980	17,964
YoY Change (%)	-25.1	17.7	13.2	11.9	3.8	-3.5	30.1	51.3	0.8	19.9
Core Operating profits	**30,191**	**28,992**	**30,695**	**35,284**	**31,708**	**34,741**	**35,205**	**36,738**	**1,25,161**	**1,38,392**
YoY Change (%)	23.9	4.7	7.1	15.4	5.0	19.8	14.7	4.1	12.5	10.6
Provisions	3,200	2,541	2,950	7,240	2,990	4,360	4,000	4,187	15,931	15,537
Core PBT	**26,991**	**26,451**	**27,745**	**28,044**	**28,718**	**30,381**	**31,205**	**32,551**	**1,09,230**	**1,22,855**
YoY Change (%)	11.6	0.3	0.9	0.0	6.4	14.9	12.5	16.1	2.9	12.5
Profit on Sale of Inv./MTM on Inv.	18,492	13,048	90,588	4,300	13,352	1,660	2,500	2,498	1,26,428	20,010
Dividend income	11	10,738	38	21	2,982	3,230	3,000	2,946	10,807	12,158
One off expense/Prov	-5,700	-5,000	-27,000	-5,500	-9,000				-43,200	-9,000
Other Income	58	67	60	59	16	47	75	106	244	244
PBT	**39,851**	**45,304**	**91,430**	**26,924**	**36,068**	**35,318**	**36,780**	**38,100**	**2,03,509**	**1,46,267**
YoY Change (%)	29.8	29.8	218.7	-27.1	-9.5	-22.0	-59.8	41.5	55.1	-28.1
Provision for Tax	7,820	5,689	7,705	4,599	5,553	6,617	7,356	7,534	25,813	27,059
PAT	**32,031**	**39,615**	**83,725**	**22,325**	**30,515**	**28,701**	**29,424**	**30,567**	**1,77,697**	**1,19,207**
YoY Change (%)	46.3	60.6	296.1	-22.0	-4.7	-27.6	-64.9	36.9	84.5	-32.9

ICICI Securities — Buy

CMP INR466 | TP: INR625 (+34%) — **EPS CHANGE (%): FY21|22: 0.0|0.0**

- Industry volumes healthy; ISEC to gain market share.
- Opex to remain elevated given the revenue sharing agreement with ICICIBC.
- Pick-up in non-ICICIBC customer acquisition to drive market share gains.
- Distribution income to witness a sequential pick-up.

Quarterly Performance (INR m)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Revenue from Operations	3,865	4,170	4,222	4,804	5,460	6,807	5,866	5,920	17,062	24,053
Other Income	156	12	4	15	4	-2	5	14	187	20
Total Income	**4,021**	**4,182**	**4,227**	**4,819**	**5,464**	**6,805**	**5,871**	**5,934**	**17,249**	**24,073**
Change YoY (%)	-7.7	-8.7	4.4	12.5	35.9	62.7	38.9	23.1	-0.1	39.6
Operating Expenses	2,261	2,341	2,376	2,742	2,870	3,082	3,029	3,051	9,720	12,032
Change YoY (%)	-3.1	-6.5	-3.7	14.5	26.9	31.6	27.5	11.3	0.2	23.8
PBT	**1,760**	**1,841**	**1,851**	**2,077**	**2,594**	**3,723**	**2,842**	**2,882**	**7,529**	**12,042**
Change YoY (%)	-13.1	-11.4	17.1	10.0	47.4	102.2	53.6	38.8	-0.6	59.9
Tax Provisions	622	490	479	519	663	942	731	735	2,109	3,071
Net Profit	**1,138**	**1,351**	**1,372**	**1,559**	**1,931**	**2,782**	**2,111**	**2,147**	**5,420**	**8,971**
Change YoY (%)	-15.0	0.7	35.6	28.3	69.7	105.9	53.8	37.8	10.4	65.5
Key Operating Parameters (%)										
Cost to Income Ratio	56.2	56.0	56.2	56.9	52.5	45.3	51.6	51.4	56.4	50.0
PBT Margin	43.8	44.0	43.8	43.1	47.5	54.7	48.4	48.6	43.6	50.0
Tax Rate	35.4	26.6	25.9	25.0	25.6	25.3	25.7	25.5	28.0	25.5
PAT Margin	28.3	32.3	32.5	32.3	35.3	40.9	36.0	36.2	31.4	37.3

IIFL Wealth Management — Buy

CMP INR1,029 | TP: INR1,240 (+21%) — **EPS CHANGE (%): FY21|22: 0.0|0.0**

- 3% QoQ growth in net AUM to INR1.71t.
- Expect a pick-up in ARR.
- ESOP provisioning to keep employee cost elevated.
- Commentary on trend in new flows and margin important.

Quarterly performance (INR m)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Revenue	**2,108**	**2,316**	**2,210**	**2,570**	**1,990**	**2,110**	**2,234**	**2,412**	**9,204**	**8,746**
Change (%)	-27.5	-13.7	1.0	5.0	-5.6	-8.9	1.1	-6.2	-10.0	-5.0
ARR Assets Income	1,286	1,249	1,390	1,420	1,280	1,390	1,490	1,643	5,345	5,803
TBR Assets Income	823	1,067	820	1,150	710	720	744	769	3,860	2,943
Operating Expenses	**1,269**	**1,304**	**1,450**	**1,630**	**1,300**	**1,330**	**1,276**	**1,282**	**5,650**	**5,188**
Change (%)	-11.0	-7.2	12.4	38.6	2.4	2.0	-12.0	-21.4	6.7	-8.2
Cost-to-Income Ratio (%)	60.2	56.3	65.6	63.4	65.3	63.0	57.1	53.1	61.4	59.3
Operating Profit	**839**	**1,011**	**760**	**940**	**690**	**780**	**958**	**1,130**	**3,554**	**3,558**
Change (%)	-43.4	-20.9	-15.4	-26.1	-17.8	-22.9	26.0	20.2	-28.0	0.1
Other Income	62	-191	230	-790	400	350	125	125	-690	1,000
Profit Before Tax	**901**	**820**	**990**	**150**	**1,090**	**1,130**	**1,083**	**1,255**	**2,865**	**4,558**
Change (%)	-40.3	-47.1	-4.1	-88.3	20.9	37.8	9.4	736.9	-46.7	59.1
Tax	287	136	258	171	271	257	287	334	853	1,149
Tax Rate (%)	31.8	16.6	26.1	114.2	24.8	22.7	26.5	26.6	29.8	25.2
PAT	**615**	**684**	**732**	**-21**	**819**	**873**	**796**	**921**	**2,012**	**3,409**
Change (%)	-43.8	-31.9	-8.6	-102.5	33.3	27.6	8.8	NM	-46.1	69.4
PAT Margin (%)	29.2	29.5	33.1	-0.8	41.2	41.4	35.6	38.2	21.9	39.0
Key Operating Parameters (%)										
AUM (INR B)	**1,423**	**1,439**	**1,508**	**1,388**	**1,583**	**1,671**	**1,713**	**1,882**	**1,388**	**1,583**
Change (%)	24.3	19.7	15.9	1.6	11.2	16.2	13.6	35.6	1.6	14.0

LIC Housing Finance — Buy

CMP INR378 | TP: INR460 (+22%) — **EPS CHANGE (%): FY21|22: 0.0|8.8**

- Expect loan growth at 7% YoY with largely stable mix.
- Estimate provisions of INR2.8b v/s INR1.1b QoQ.
- Lower CoF to offset yield pressure; spreads stable at 1.5%.
- Watch out for commentary on restructuring.

Quarterly performance (INR m)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Interest Income	47,565	49,100	49,432	48,474	49,342	49,382	49,219	48,895	1,94,620	1,96,837
Interest Expense	36,026	37,018	37,152	37,642	37,645	37,002	36,447	35,827	1,47,839	1,46,920
Net Interest Income	**11,539**	**12,082**	**12,279**	**10,832**	**11,697**	**12,380**	**12,772**	**13,068**	**46,781**	**49,917**
YoY Growth (%)	17.8	15.3	17.8	-9.8	1.4	2.5	4.0	20.6	9.5	6.7
Fees and other income	507	691	533	396	433	437	585	680	2,078	2,136
Net Income	**12,046**	**12,773**	**12,812**	**11,227**	**12,130**	**12,817**	**13,357**	**13,748**	**48,859**	**52,053**
YoY Growth (%)	16.5	19.4	15.5	-10.9	0.7	0.3	4.3	22.5	9.2	6.5
Operating Expenses	1,064	1,432	1,383	2,288	1,367	1,615	1,687	1,852	6,167	6,521
Operating Profit	**10,982**	**11,341**	**11,430**	**8,940**	**10,763**	**11,202**	**11,671**	**11,896**	**42,692**	**45,532**
YoY Growth (%)	15.7	17.6	15.2	-18.1	-2.0	-1.2	2.1	33.1	6.8	6.7
Provisions and Cont.	2,573	2,780	3,977	672	587	1,109	2,800	3,079	10,002	7,575
Profit before Tax	**8,409**	**8,561**	**7,453**	**8,267**	**10,177**	**10,093**	**8,871**	**8,817**	**32,690**	**37,957**
Tax Provisions	2,302	839	1,478	4,053	2,002	2,184	1,836	1,835	8,672	7,857
Net Profit	**6,107**	**7,722**	**5,975**	**4,214**	**8,175**	**7,909**	**7,034**	**6,981**	**24,018**	**30,100**
YoY Growth (%)	7.5	34.7	0.2	-39.2	33.9	2.4	17.7	65.7	-1.2	25.3
Key Operating Parameters (%)										
Yield on loans (Cal)	9.70	9.80	9.68	9.32	9.39	9.34	9.10	8.76	9.71	9.09
Cost of funds (Cal)	8.39	8.42	8.17	8.01	7.94	7.82	7.57	7.15	8.17	7.40
Spreads (Cal)	1.31	1.38	1.51	1.31	1.45	1.52	1.53	1.60	1.54	1.69
Margin (Cal)	2.35	2.41	2.40	2.08	2.23	2.34	2.36	2.34	2.25	2.22
Credit Cost (Cal)	0.52	0.55	0.78	0.13	0.11	0.21	0.52	0.55	0.50	0.35
Cost-to-Income Ratio	8.8	11.2	10.8	20.4	11.3	12.6	12.6	13.5	12.6	12.5
Tax Rate	27.4	9.8	19.8	49.0	19.7	21.6	20.7	20.8	26.5	20.7

Mahindra Financial Services — Buy

CMP INR179 | TP: INR210 (+18%) — **EPS CHANGE (%): FY21|22: -8.7|2.5**

- Disbursements likely to be ~65% of YoY levels.
- Expect provisioning at INR7.3b v/s INR6.2b QoQ.
- Expect a sequential uptick in opex.
- Less than 1% of the book has opted for restructuring.

Quarterly performance (INR m)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Operating Income	23,940	24,864	25,806	26,369	26,405	26,129	26,967	27,619	1,00,979	1,07,120
Other Income	185	545	354	389	144	366	375	366	1,473	1,252
Total income	**24,125**	**25,409**	**26,160**	**26,758**	**26,549**	**26,495**	**27,342**	**27,986**	**1,02,451**	**1,08,372**
YoY Growth (%)	24.4	18.4	16.5	7.9	10.0	4.3	4.5	4.6	16.3	5.8
Interest Expense	11,282	12,022	12,089	12,895	12,646	12,216	12,094	12,202	48,287	49,158
Net Income	**12,843**	**13,387**	**14,072**	**13,863**	**13,903**	**14,279**	**15,249**	**15,783**	**54,164**	**59,215**
YoY Growth (%)	17.7	10.2	14.8	3.8	8.3	6.7	8.4	13.9	11.3	9.3
Operating Expenses	5,600	5,196	5,189	4,197	3,457	3,968	4,882	5,408	20,182	17,715
Operating Profit	**7,243**	**8,190**	**8,883**	**9,666**	**10,447**	**10,311**	**10,366**	**10,376**	**33,982**	**41,500**
YoY Growth (%)	2.6	4.1	19.3	23.9	44.2	25.9	16.7	7.3	12.6	22.1
Provisions	6,196	3,606	4,001	6,741	8,427	6,194	7,250	7,503	20,545	29,374
Profit before Tax	**1,047**	**4,584**	**4,882**	**2,925**	**2,020**	**4,117**	**3,116**	**2,872**	**13,438**	**12,126**
Tax Provisions	363	2,066	1,229	716	523	1,082	820	753	4,374	3,177
Net Profit	**684**	**2,518**	**3,653**	**2,209**	**1,497**	**3,035**	**2,297**	**2,120**	**9,064**	**8,949**
YoY Growth (%)	-74.6	-34.0	14.6	-62.4	118.7	20.6	-37.1	-4.0	-41.8	-1.3
Key Operating Parameters (%)										
Yield on loans (Cal)	15.3	15.5	15.7	15.9	16.2	16.1	16.3	16.2	15.8	15.8
Cost of funds (Cal)	8.4	8.6	8.4	8.7	8.2	7.9	8.1	8.2	8.6	8.3
Spreads (Cal)	6.9	6.8	7.3	7.2	8.0	8.2	8.2	7.9	7.2	7.5
Credit Cost (Cal)	4.0	2.3	2.5	4.1	5.2	3.9	4.5	4.5	3.3	4.4
Cost-to-Income Ratio	43.6	38.8	36.9	30.3	24.9	27.8	32.0	34.3	37.3	29.9
Tax Rate	34.6	45.1	25.2	24.5	25.9	26.3	26.3	26.2	32.5	26.2

MAS Financial — Buy

CMP IN928 | TP: INR1,040 (+12%) — **EPS CHANGE (%): FY21|22: 0.0|0.0**

- Expect AUM to grow 4% QoQ.
- Gain on assignments to pick-up marginally.
- With an improvement in NIM, net income should grow 7% YoY.
- Provisions to be lower than prior quarters by ~INR200m.

Quarterly performance (INR m)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Revenue from Operations	**1,592**	**1,675**	**1,836**	**1,729**	**1,604**	**1,530**	**1,605**	**1,731**	**7,224**	**6,469**
Interest Income	1,357	1,394	1,447	1,393	1,412	1,206	1,267	1,348	5,969	5,233
Gain on assignments	200	242	344	289	157	245	275	306	1,093	984
Other operating Income	35	38	45	46	34	79	63	76	162	252
Interest expense	640	718	686	690	694	697	711	733	2,961	2,834
Total income	**953**	**957**	**1,150**	**1,039**	**910**	**833**	**893**	**998**	**4,263**	**3,635**
Growth YoY (%)	*21.1*	*11.5*	*11.8*	*5.3*	*-4.4*	*-13.0*	*-22.3*	*-3.9*	*16.5*	*-14.7*
Operating Expenses	196	231	225	232	122	129	161	185	988	597
Operating Profit	**756**	**725**	**925**	**807**	**788**	**704**	**733**	**813**	**3,275**	**3,038**
Growth YoY (%)	*25.5*	*10.4*	*12.1*	*0.8*	*4.2*	*-3.0*	*-20.8*	*0.8*	*13.6*	*-7.3*
Provisions	130	226	186	327	299	248	200	202	889	948
Profit before tax	**627**	**500**	**739**	**479**	**489**	**456**	**533**	**611**	**2,386**	**2,089**
Growth YoY (%)	*33.8*	*-6.8*	*6.6*	*-25.1*	*-21.9*	*-8.7*	*-28.0*	*27.5*	*2.0*	*-12.4*
Tax Provisions	219	98	188	123	123	114	134	153	573	524
Net Profit	**407**	**402**	**551**	**357**	**366**	**342**	**399**	**458**	**1,813**	**1,565**
Growth YoY (%)	*33.7*	*16.2*	*21.3*	*-14.2*	*-10.2*	*-14.9*	*-27.6*	*28.4*	*19.2*	*-13.7*

Manappuram Finance — Buy

CMP INR167 | TP: INR205 (+23%) — **EPS CHANGE (%): FY21|22: -0.7|0.5**

- Expect 4% QoQ/16% YoY growth in AUM.
- Credit costs to remain elevated at INR1b due to higher provisioning for non-gold loan business.
- Lower incremental yields; margin expected ~15%.
- Expect minimal restructuring in the non-gold loan book.

Quarterly performance (INR m)

Y/E March	FY20				FY21				FY20	FY21
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Interest Income	11,613	12,445	13,567	14,719	14,758	15,473	15,859	16,229	52,171	62,319
Interest Expense	4,058	4,249	4,465	5,808	5,668	5,710	5,795	5,886	18,322	23,059
Net Interest Income	**7,555**	**8,196**	**9,102**	**8,911**	**9,089**	**9,763**	**10,064**	**10,343**	**33,848**	**39,260**
YoY Growth (%)	22.0	21.6	29.8	26.1	20.3	19.1	10.6	16.1	25.3	16.0
Other income	395	896	576	1,462	407	307	380	431	3,341	1,525
Total Income	**7,950**	**9,092**	**9,677**	**10,374**	**9,496**	**10,070**	**10,444**	**10,774**	**37,190**	**40,785**
Operating Expenses	3,537	3,654	3,742	3,807	3,121	3,545	3,687	3,816	14,741	14,169
Operating Profit	**4,413**	**5,438**	**5,935**	**6,567**	**6,376**	**6,524**	**6,757**	**6,959**	**22,449**	**26,615**
YoY Growth (%)	35.8	48.5	49.7	55.0	44.5	20.0	13.9	6.0	48.5	18.6
Provisions	341	293	491	1,226	1,453	1,080	1,000	1,046	2,376	4,579
Profit before Tax	**4,071**	**5,144**	**5,444**	**5,341**	**4,923**	**5,444**	**5,757**	**5,913**	**20,073**	**22,037**
Tax Provisions	1,404	1,068	1,421	1,359	1,249	1,390	1,468	1,513	5,270	5,619
Net Profit	**2,668**	**4,077**	**4,022**	**3,982**	**3,674**	**4,054**	**4,289**	**4,400**	**14,803**	**16,418**
YoY Growth (%)	33.4	82.0	62.8	43.6	37.7	-0.5	6.6	10.5	56.1	10.9

Muthoot Finance — Buy

CMP INR 1,214| TP: INR1,500 (+24%) — **EPS CHANGE (%): FY21|22: 1.2|2.5**

- Expect provisions of INR600m v/s INR107m QoQ.
- Lower incremental yields; spreads expected ~13%.
- Expect 5% QoQ/28% YoY growth in AUM to INR491b.
- New client acquisition key to growth given stable gold prices.

Quarterly performance (INR m)

Y/E March	FY20				FY21				FY20	FY21
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Income from operations	18,274	21,057	22,806	23,506	23,160	25,066	26,006	26,995	85,644	1,01,228
Other operating income	294	312	399	497	691	768	625	696	1,502	2,779
Total Operating income	**18,568**	**21,369**	**23,206**	**24,004**	**23,851**	**25,834**	**26,631**	**27,691**	**87,146**	**1,04,007**
YoY Growth (%)	13.8	29.5	35.2	27.7	28.4	20.9	14.8	15.4	26.7	19.3
Total Income	**18,587**	**21,405**	**23,209**	**24,026**	**23,854**	**25,845**	**26,656**	**27,728**	**87,228**	**1,04,082**
YoY Growth (%)	13.8	29.7	35.2	27.8	28.3	20.7	14.9	15.4	26.8	19.3
Interest Expense	6,416	6,699	7,094	7,700	8,715	9,241	9,334	9,319	27,909	36,609
Net Income	**12,171**	**14,707**	**16,115**	**16,326**	**15,139**	**16,603**	**17,322**	**18,409**	**59,319**	**67,473**
Operating Expenses	3,972	3,969	4,542	5,304	3,738	4,496	4,724	5,436	17,787	18,394
Operating Profit	**8,199**	**10,738**	**11,573**	**11,021**	**11,400**	**12,107**	**12,599**	**12,972**	**41,531**	**49,079**
YoY Growth (%)	8.2	43.6	47.6	35.3	39.0	12.8	8.9	17.7	33.8	18.2
Provisions	33	265	612	48	146	107	600	787	957	1,640
Profit before Tax	**8,166**	**10,473**	**10,961**	**10,974**	**11,255**	**12,000**	**11,999**	**12,185**	**40,574**	**47,438**
Tax Provisions	2,866	1,894	2,809	2,822	2,847	3,056	3,036	3,063	10,391	12,002
Net Profit	**5,300**	**8,579**	**8,152**	**8,151**	**8,408**	**8,944**	**8,963**	**9,122**	**30,183**	**35,436**
YoY Growth (%)	7.8	77.3	68.0	59.4	58.6	4.3	9.9	11.9	53.0	17.4
Key Operating Parameters (%)										
Yield on loans (Cal)	21.2	23.9	25.0	24.0	23.0	23.4	22.2	22.1	22.1	21.6
Cost of funds (Cal)	9.3	9.5	9.3	8.8	9.2	9.1			8.7	9.5
Spreads (Cal)	11.9	14.4	15.7	15.1	13.9	14.3			13.4	12.1
NIMs (Cal)	13.9	16.4	17.4	16.3	14.6	15.0	14.4	14.7	14.9	13.8
Credit Cost	0.0	0.3	0.7	0.0	0.1	0.1	0.5	0.6	0.2	0.4
Cost-to-Income Ratio	32.6	27.0	28.2	32.5	24.7	27.1	27.3	29.5	30.0	27.3
Tax Rate	35.1	18.1	25.6	25.7	25.3	25.5	25.3	25.1	25.6	25.3

PNB Housing Finance — Neutral

CMP INR368 | TP: INR390 (+6%) — **EPS CHANGE (%): FY21|22: 0.0|0.0**

- Expect disbursements of INR39b; AUM to be flat QoQ.
- Expect provisions at INR2.3b v/s INR1.8b QoQ.
- Spreads (calc.) to witness some pressure ~2.9%.
- Commentary on equity capital raise important.

PNBHF: Quarterly performance (INR m)

	FY20				FY21				FY20	FY21
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	19,794	20,159	18,904	18,026	18,015	19,603	18,035	17,407	76,882	73,061
Interest Expense	15,127	15,213	14,610	13,800	13,635	13,397	13,196	12,877	58,750	53,105
Net Interest Income	**4,667**	**4,946**	**4,293**	**4,226**	**4,380**	**6,206**	**4,839**	**4,530**	**18,133**	**19,956**
YoY Growth (%)	10.1	29.1	21.3	-9.2	-6.2	25.5	12.7	7.2	11.5	10.1
Other income	2,532	2,145	1,844	1,493	708	612	1,265	1,811	8,013	4,396
Total Income	**7,199**	**7,091**	**6,138**	**5,719**	**5,088**	**6,818**	**6,104**	**6,342**	**26,146**	**24,352**
YoY Growth (%)	31.2	22.4	-8.1	-20.6	-29.3	-3.8	-0.5	10.9	3.9	-6.9
Operating Expenses	1,417	1,315	1,347	1,443	1,042	1,067	1,212	1,520	5,522	4,842
YoY Growth (%)	9.6	-7.5	-13.9	-12.8	-26.4	-18.9	-10.0	5.4	-7.0	-12.3
Operating Profit	**5,782**	**5,776**	**4,790**	**4,276**	**4,046**	**5,751**	**4,892**	**4,822**	**20,624**	**19,510**
YoY Growth (%)	37.9	32.1	-6.4	-23.0	-30.0	-0.4	2.1	12.8	7.2	-5.4
Provisions	1,642	1,516	1,808	7,548	751	1,796	2,250	2,445	12,514	7,241
Profit before Tax	**4,140**	**4,260**	**2,983**	**-3,272**	**3,295**	**3,956**	**2,642**	**2,377**	**8,110**	**12,269**
Tax Provisions	1,296	592	612	-852	723	823	581	572	1,648	2,699
Profit after tax	**2,845**	**3,668**	**2,370**	**-2,421**	**2,572**	**3,133**	**2,060**	**1,805**	**6,462**	**9,570**
YoY Growth (%)	11.2	45.0	-21.8	-163.7	-9.6	-14.6	-13.1	-174.6	-45.8	48.1

Repco Home Finance — Buy

CMP INR241 | TP: INR340 (+41%) — **EPS CHANGE (%): FY21|22: -3.0|-2.8**

- Disbursements ~INR6b (near YoY levels).
- CE key monitorable; expect credit costs of INR175m.
- NIMs on loans to stabilize QoQ at 4.7%.
- Expect minimal restructuring of loans.

Quarterly performance (INR m)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Interest Income	3,286	3,322	3,406	3,441	3,384	3,486	3,469	3,456	13,174	13,795
Interest Expense	2,015	2,085	2,088	2,062	2,104	2,090	2,095	2,100	8,250	8,389
Net Income	**1,271**	**1,237**	**1,318**	**1,379**	**1,280**	**1,396**	**1,373**	**1,356**	**4,924**	**5,406**
YoY Growth (%)	11.2	3.4	10.8	18.5	0.7	12.9	4.2	-1.6	4.9	9.8
Other income	-2	33	4	20	35	16	60	91	337	202
Total Income	**1,270**	**1,270**	**1,322**	**1,399**	**1,315**	**1,412**	**1,433**	**1,447**	**5,261**	**5,608**
YoY Growth (%)	6.8	5.4	11.0	19.9	3.6	11.2	8.4	3.4	10.7	6.6
Operating Expenses	235	249	274	307	235	257	275	301	1,065	1,068
YoY Growth (%)	7.3	5.7	8.5	10.8	0.1	3.2	0.3	-1.9	8.2	0.3
Operating Profit	**1,035**	**1,021**	**1,048**	**1,093**	**1,080**	**1,155**	**1,158**	**1,147**	**4,196**	**4,540**
YoY Growth (%)	6.7	5.3	11.6	22.7	4.4	13.1	10.5	5.0	11.4	8.2
Provisions	75	1	115	403	221	72	175	178	594	647
Profit before Tax	**960**	**1,020**	**933**	**690**	**859**	**1,083**	**983**	**969**	**3,602**	**3,894**
Tax Provisions	336	14	236	213	219	275	246	242	798	981
Profit after tax	**624**	**1,006**	**697**	**477**	**640**	**808**	**738**	**727**	**2,804**	**2,913**
YoY Growth (%)	2.4	51.1	25.3	-7.4	2.6	-19.7	5.8	52.4	19.5	3.9
Loan growth (%)	12.6	10.7	9.0	7.2	5.6	5.2	4.9	4.9	6.9	7.0
Cost-to-Income Ratio (%)	18.5	19.6	20.7	21.9	17.9	18.2	19.2	20.8	20.2	19.0
Tax Rate (%)	35.0	1.3	25.3	30.8	25.5	25.4	25.0	24.9	22.2	25.2
Key Parameters (%)										
Yield on loans (Cal)	11.7	11.6	11.8	11.7	11.4	11.6	11.4	11.2	11.7	
Cost of funds (Cal)	8.6	8.5	8.4	8.3	8.3	8.2	8.1	8.0	8.5	
Spreads (Cal)	3.2	3.1	3.4	3.4	3.0	3.4	3.3	3.2	3.2	
NIMs (Reported)	4.5	4.3	4.6	4.7	4.3	4.6			4.4	
Credit Cost	0.3	0.0	0.4	1.4	0.7	0.2	0.6	0.6		
Cost-to-Income Ratio	18.5	19.6	20.7	21.9	17.9	18.2	19.2	20.8		
Tax Rate	35.0	1.3	25.3	30.8	25.5	25.4	25.0	24.9		

Shriram City Union Finance — Buy

CMP INR1,081 | TP: INR1,250 (+16%) — **EPS CHANGE (%): FY21|22: -0.9|13.2**

- Disbursements of ~INR57b driven by 2W and gold finance.
- Expect ~INR3b in credit costs in 3QFY21E.
- Expect flat AUM sequentially (down 7% YoY).
- Raised long-term borrowings of INR45b in 3QFY21.

Quarterly performance (INR m)

Y/E MARCH	FY20				FY21				FY20	FY21
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Interest Income	14,449	14,361	14,174	13,988	13,899	13,698	13,630	13,746	56,972	54,973
Interest expense	5,316	5,359	5,296	5,497	5,375	5,190	5,190	5,247	21,402	21,002
Net Interest Income	**9,134**	**9,002**	**8,877**	**8,490**	**8,525**	**8,508**	**8,440**	**8,499**	**35,570**	**33,972**
YoY Growth (%)	*-1.3*	*-7.8*	*-0.6*	*-5.3*	*-6.7*	*-5.5*	*-4.9*	*0.1*	*-3.6*	*-4.5*
Fees and Other Income	423	541	525	514	246	293	450	532	1,901	1,521
Net Operating Income	**9,557**	**9,543**	**9,402**	**9,004**	**8,771**	**8,801**	**8,890**	**9,031**	**37,471**	**35,493**
YoY Growth (%)	*2.1*	*-6.5*	*1.7*	*-3.9*	*-8.2*	*-7.8*	*-5.5*	*0.3*	*-1.9*	*-5.3*
Operating Expenses	3,783	3,799	3,675	3,861	3,105	3,182	3,313	3,456	15,084	13,056
Operating Profit	**5,774**	**5,744**	**5,727**	**5,143**	**5,666**	**5,619**	**5,577**	**5,574**	**22,387**	**22,437**
YoY Growth (%)	*1.6*	*-8.0*	*2.3*	*-10.4*	*-1.9*	*-2.2*	*-2.6*	*8.4*	*-3.8*	*0.2*
Provisions	1,933	1,969	1,822	3,114	3,102	2,015	3,000	2,933	8,837	11,049
Profit before Tax	**3,841**	**3,775**	**3,905**	**2,029**	**2,564**	**3,604**	**2,577**	**2,641**	**13,550**	**11,387**
Tax Provisions	1,309	800	937	498	642	1,035	649	543	3,545	2,870
Net Profit	**2,532**	**2,975**	**2,968**	**1,531**	**1,923**	**2,569**	**1,928**	**2,098**	**10,005**	**8,518**
YoY Growth (%)	*10.3*	*19.3*	*14.7*	*-39.1*	*-24.1*	*-13.7*	*-35.0*	*37.1*	*1.2*	*-14.9*
Key Operating Parameters (%)										
Yield on loans (calc., %)	19.3	19.1	19.1	19.1	19.3	19.6	19.8	20.0	19.7	19.7
Cost of funds (calc., %)	9.5	9.8	9.8	9.7	9.6	9.6	9.4	9.4	9.4	9.2
Spreads (%)	9.8	9.3	9.4	9.4	9.7	10.0	10.4	10.6	10.4	10.5
Cost-to-Income Ratio (%)	39.6	39.8	39.1	42.9	35.4	36.2	37.3	38.3	40.3	36.8
Credit cost (calc., %)	2.6	2.6	2.5	4.2	4.3	2.9	0.0	0.0	3.0	3.9
Tax Rate (%)	34.1	21.2	24.0	24.6	25.0	28.7	25.2	20.6	26.2	25.2

Shriram Transport Finance — Buy

CMP INR1,062 | TP: INR1,325 (+25%) — **EPS CHANGE (%): FY21|22: 1.7|6.2**

- Expect disbursements of INR115b (at YoY levels).
- CE improving; bake in provisions of INR6b (flattish QoQ).
- Expect NIMs on loans to stabilize QoQ at 8%.
- Watch out for commentary around restructuring of loans.

Quarterly performance (INR m)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Interest Income	39,721	41,099	41,337	40,922	41,026	42,997	43,212	44,329	1,62,675	1,71,564
Interest expense	20,112	21,134	21,193	21,589	22,672	22,629	22,290	22,991	82,703	90,583
Net Interest Income	**19,609**	**19,965**	**20,144**	**19,333**	**18,354**	**20,368**	**20,922**	**21,338**	**79,972**	**80,981**
Change YoY (%)	6.1	-3.3	-0.8	0.1	-6.4	2.0	3.9	10.4	1.6	1.3
Other Operating Income	502	1,077	1,524	762	383	480	500	553	2,949	1,445
Other Income	89	23	22	46	38	35	55	75	203	2,120
Net Income	**20,200**	**21,064**	**21,689**	**20,142**	**18,775**	**20,883**	**21,477**	**21,966**	**83,124**	**84,546**
Change YoY (%)	7.6	0.4	4.5	1.1	-7.1	-0.9	-1.0	9.1	3.5	1.7
Operating Expenses	4,772	5,189	5,382	5,416	3,823	5,125	5,307	5,559	20,788	19,814
Operating Profit	**15,428**	**15,875**	**16,307**	**14,726**	**14,952**	**15,759**	**16,170**	**16,406**	**62,336**	**64,732**
Change YoY (%)	9.8	-2.2	0.7	-2.6	-3.1	-0.7	-0.8	11.4	1.2	3.8
Provisions	5,612	6,607	4,444	11,287	10,646	6,555	5,500	6,101	27,949	28,801
Profit before Tax	**9,816**	**9,269**	**11,863**	**3,439**	**4,306**	**9,204**	**10,670**	**10,306**	**34,387**	**35,931**
Tax Provisions	3,473	1,618	3,072	1,205	1,105	2,359	2,732	2,633	9,360	8,828
Net Profit	**6,343**	**7,651**	**8,792**	**2,234**	**3,201**	**6,846**	**7,939**	**7,673**	**25,027**	**27,103**
Change YoY (%)	10.7	25.5	38.4	-70.1	-49.5	-10.5	-9.7	243.5	-2.4	8.3
Key Operating Parameters (%)										
Yield on loans (Cal)	16.2	16.5	16.3	16.0	16.0	16.6	16.4	16.6	16.0	16.0
Cost of funds (Cal)	9.0	9.3	9.3	9.3	9.6	9.5	9.2	9.4	9.1	9.4
Spreads (Cal)	7.2	7.1	7.0	6.8	6.4	7.1	7.1	7.2	6.9	6.6
NIMs (Reported)	7.2	7.2	7.1	6.8	6.4	6.7				
Credit Cost	2.1	2.5	1.6	4.1	3.8	2.3	1.9	2.1	2.8	2.7
Cost-to-Income Ratio	23.6	24.6	24.8	26.9	20.4	24.5	24.7	25.3	25.0	23.4
Tax Rate	35.4	17.5	25.9	35.0	25.7	25.6	25.6	25.5	27.2	24.6

Healthcare

Company name
Alembic Pharma
Ajanta Pharma
Alkem Lab
Aurobindo Pharma
Biocon
Cadila Health
Cipla
Divi's Labs
Dr Reddy's Labs
Glenmark Pharma
Granules India
GSK Pharma
IPCA Labs.
Jubilant Life
Laurus Labs.
Lupin
Strides Pharma
Sun Pharma
Torrent Pharma

Superior product mix / Lower opex to drive earnings growth

YoY sales growth picking up gradually

The aggregate sales growth for companies under our coverage is expected to be steady at 11% YoY for 3QFY21. Factors such as a) a favorable product mix and b) an increase in operational cost at a slower rate v/s sales growth are expected to keep profitability at elevated levels, driving much higher YoY growth of 29%/41% YoY in EBITDA/PAT for the quarter. On a sequential basis, we expect sales/EBITDA/PAT to moderate to INR538b/INR129b/INR77b on a) one-time COVID specific opportunities in 2QFY21 and b) reduced export incentive benefits. Also, operational cost, particularly related to the Domestic Formulation segment is expected to be higher for 3Q v/s 2QFY21, impacting the overall profitability of pharma companies sequentially.

Better doctor-patient connect to lead to improved DF sales growth for 3QFY21

We expect YoY growth trajectory to have improved further in 3QFY21 – 9.7% YoY growth in the Domestic Formulations (DF) segment at the aggregate level for companies under our coverage. Growth is attributable to: a) more clinics opening up and rising outpatient consultations, leading to higher doctor-patient connect and b) enhanced digital tools used by medical representatives (MR) for better knowledge-based marketing to doctors. Management commentaries indicate an increase in operational costs with the easing of the lockdown. That said, the rise in operational costs is expected to be calibrated with the sales outlook and spend by the competition. Additionally, some structural cost savings are expected from digital promotions and virtual conferences. Specifically, company-wise, the addition of the Wockhardt portfolio and better traction in the Chronic segment are expected to result in 21% YoY growth for DRRD. Strong traction in the 'Fabiflu' medicine to treat COVID would lead to 15% YoY growth for GNP. Renewed strategy would drive 16% YoY growth for ALPM. Higher offtake of Pain-related medicine is likely to fuel 10% YoY growth for IPCA. We expect growth in Acute therapies to be 10% YoY for ALKEM. The high base of the past year is expected to drive YoY growth for SUNP/LPC under check at 3% YoY / 8% YoY.

Niche launches/better traction in existing molecules to aid US sales growth

We expect US sales to have grown 6% YoY for 3QFY21, higher v/s 4% YoY growth seen in 2QFY21 at an aggregate level for the companies under our coverage. This is largely on the back of new launches and better market share gains in existing products. Particularly, we expect DRRD/Cipla to deliver 22%/19% YoY growth in US sales for 3Q, led by niche launches and ramp-up in limited-competition products (Albuterol for Cipla). Alkem is expected to deliver 4.3% YoY growth on superior execution. After four quarters of YoY decline, we expect LPC's US sales to be back on the growth path – 6% YoY growth for 3QFY21. The robust base business run-rate for ALPM is expected to sustain as well, with 9% YoY growth expected for 3QFY21. Regulatory constraints are likely to continue to hurt TRP's US sales. Overall, with slower base business erosion, the faster pace of ANDA approvals, and reduced regulatory risk, we expect the outlook to remain positive for the US Generics business.

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DIVI/CIPLA/LAURUS/LPC/SUN to outperform in Healthcare

The higher offtake of APIs, better traction in CRAMS, and increased capacity utilization are expected to drive earnings growth for DIVI. Earnings growth in CIPLA/LPC would be driven by ramp-up in Albuterol sales. LAURUS would also see growth due to superior execution. COVID may impact the Radiopharma business of JLS for 3QFY21.

INR appreciates marginally on QoQ basis

The INR appreciated against the USD on a QoQ basis (to INR73 on average in 3QFY21) against INR74 in 2QFY21. However, the benefit of a favorable currency may be visible on a YoY basis as the INR has depreciated against the USD YoY by ~5% (from INR70.5 in 3QFY20). However, companies' individual hedging policies would lead to a varying impact across companies under our Coverage Universe.

Raise our estimates/TP for DIVI/SUNP/CDH

We raise our EPS estimates for DIVI by 2% for FY21/FY22, rolling forward our Target Price to INR4,450. We raise our EPS estimate for SUNP by 2% for FY21/FY22 and revised the PE multiple to 25x (from 24x earlier), factoring in better traction in the Specialty portfolio and an improving outlook for the Branded Generics segment. Accordingly, we revise our Target Price to INR700 on a 12M forward earnings basis. We further tweak our estimates for CDH and raise the PE multiple to 22x (from 20x earlier), factoring in improved sales growth in the DF segment and good progress on the COVID vaccine development. Accordingly, we revise our Target Price to INR565 on a 12M forward earnings basis.

Exhibit 1: Summary of quarterly performance (INR m)

Sector	CMP		SALES (INR M)			EBDITA (INR M)			NET PROFIT (INR M)		
	(INR)	RECO	Dec-20	Var % YoY	Var % QoQ	Dec-20	Var % YoY	Var % QoQ	Dec-20	Var % YoY	Var % QoQ
Ajanta Pharma	1652	Buy	7,074	8.6	-1.2	2,172	16.8	-20.8	1,379	28.0	-19.0
Alembic Pharma	1041	Neutral	14,827	22.6	1.8	4,285	31.8	-3.4	3,022	29.0	-9.3
Alkem Lab	2950	Buy	23,609	8.2	-0.1	6,051	33.5	0.8	4,682	34.5	-0.8
Aurobindo Pharma	928	Buy	62,858	6.6	-3.0	13,703	13.4	-4.4	8,131	14.8	1.5
Biocon	466	Neutral	20,054	14.7	14.9	5,154	15.8	25.9	2,358	16.1	23.8
Cadila Health	479	Buy	38,342	5.4	0.4	8,277	18.6	-4.1	5,126	35.3	-11.3
Cipla	826	Neutral	50,844	16.3	0.9	11,542	52.2	-1.9	6,446	83.6	-3.1
Divis Labs	3847	Buy	17,733	27.0	1.4	7,237	46.5	-4.4	5,146	48.8	-3.1
Dr Reddy' s Labs	5241	Neutral	51,098	16.6	4.4	12,468	22.4	2.1	7,678	29.2	3.9
Glenmark Pharma	503	Neutral	28,217	6.9	-4.4	5,248	53.0	-7.9	2,418	35.4	-10.8
Granules India	359	Buy	8,242	17.1	-4.0	2,225	36.4	-10.6	1,363	56.5	-13.7
GSK Pharma	1611	Neutral	8,253	6.0	-6.1	1,774	42.6	-13.4	1,247	34.5	-11.3
IPCA Labs.	2181	Buy	13,801	13.8	1.4	3,464	26.6	-3.8	2,492	26.1	-1.4
Jubilant Life	852	Buy	24,787	7.1	4.4	4,908	-3.3	0.9	2,293	0.8	2.3
Laurus Labs	353	Buy	11,804	61.8	3.7	3,848	159.7	2.9	2,493	239.4	2.9
Lupin	1001	Buy	40,873	8.4	6.6	7,030	49.9	21.0	3,183	73.5	50.8
Strides Pharma	881	Buy	8,716	19.0	9.8	1,830	1.2	16.4	785	2.4	59.3
Sun Pharma	596	Buy	86,251	7.3	2.0	20,959	27.5	-5.4	13,785	65.7	-16.0
Torrent Pharma	2795	Neutral	21,257	8.1	5.4	6,654	23.2	4.8	3,272	28.2	5.6
Healthcare			**5,38,638**	**11.4**	**1.8**	**1,28,829**	**29.1**	**-1.0**	**77,299**	**41.2**	**-3.1**

Source: Company, MOFSL

Exhibit 2: Relative performance – three months (%)

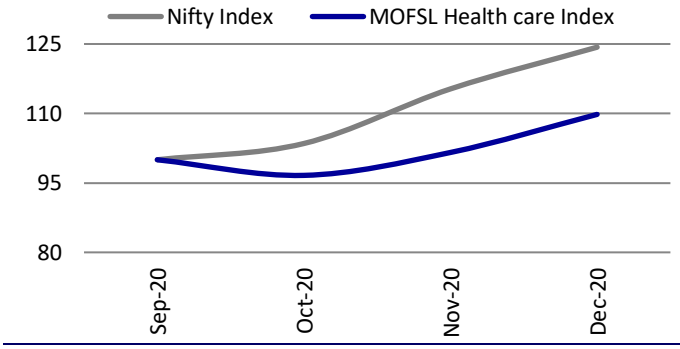
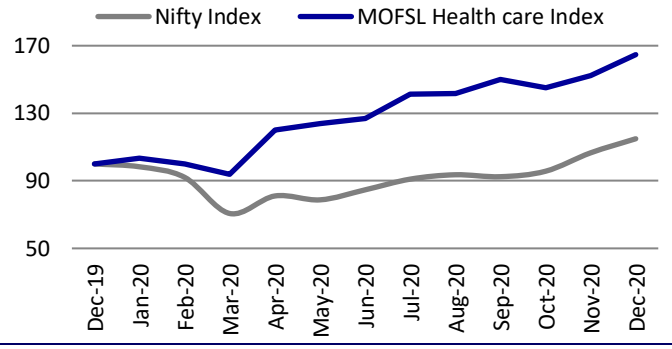
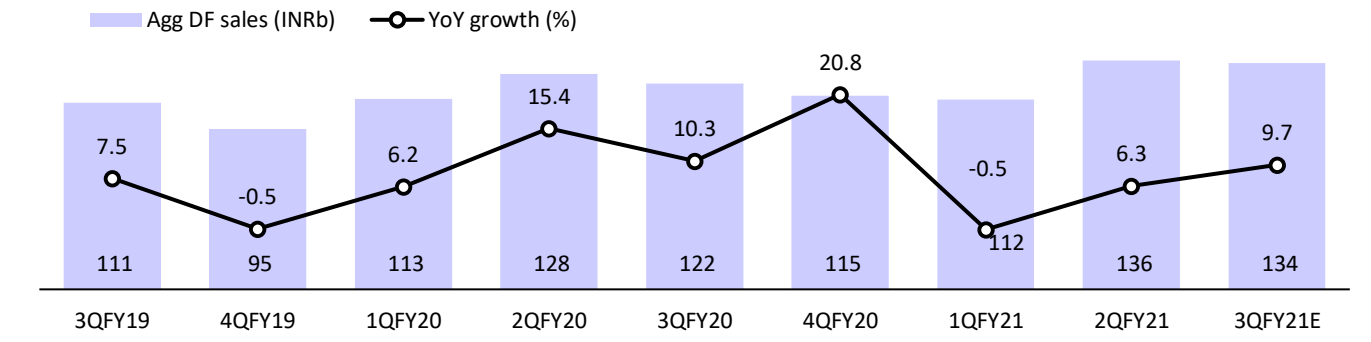


Exhibit 3: Relative performance – one year (%)



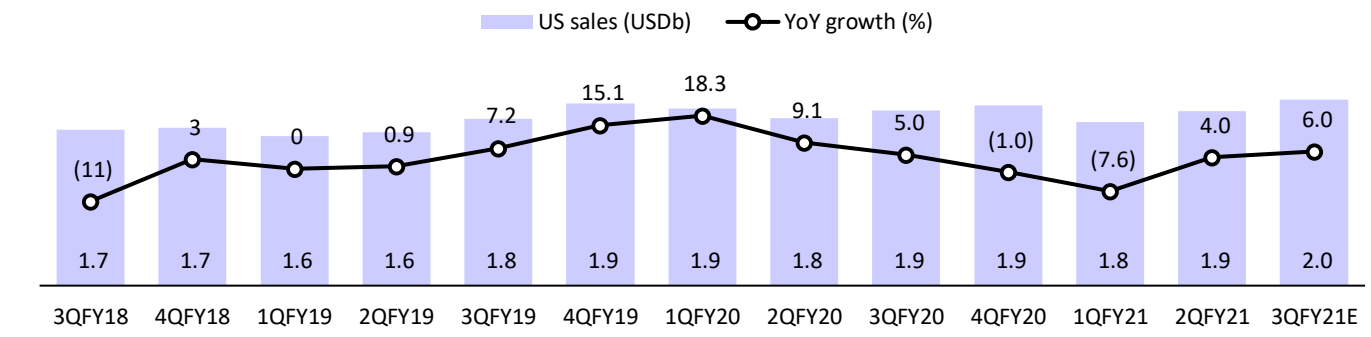
Source: Bloomberg, MOFSL

Exhibit 4: Unlocking and improved traction in MR–doctor connect to revive growth in Domestic Formulations in 3QFY21



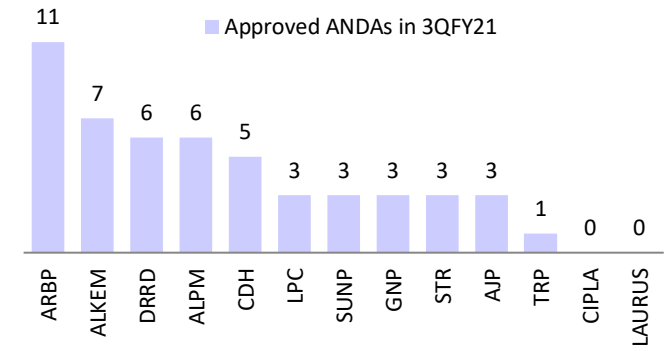
Source: MOFSL, Company

Exhibit 5: US sales growth to be 6% on YoY basis



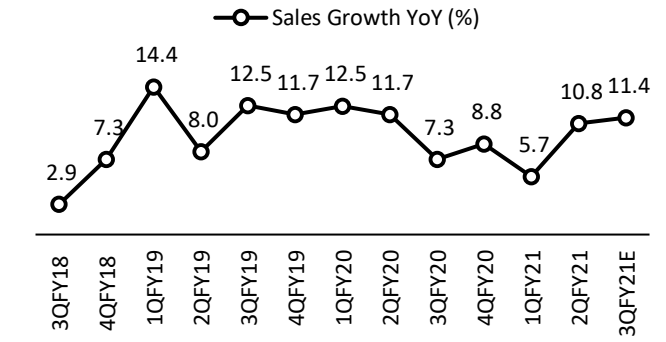
Source: MOFSL, Company

Exhibit 6: 51 ANDAs approved on aggregate basis for 3QFY21



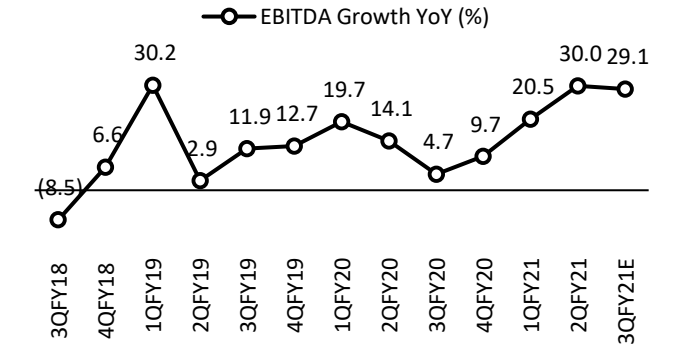
Source: MOFSL, Company

Exhibit 7: YoY agg. sales growth to be on gradual uptrend



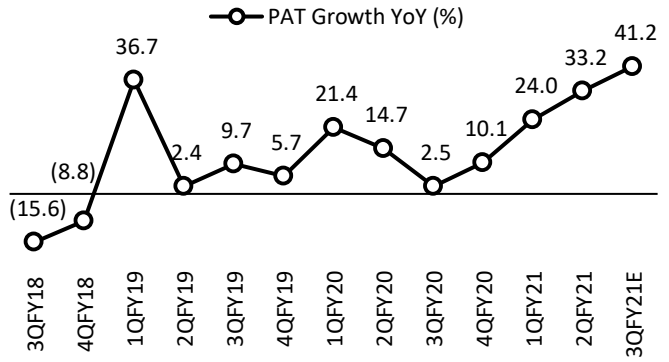
Source: MOFSL, Company

Exhibit 8: Controlled cost to drive better EBITDA growth…



Source: MOFSL, Company

Exhibit 9: …as well as PAT growth for the quarter



Source: MOFSL, Company

Exhibit 10: Comparative valuation

Company Name	CMP (INR)	Reco	EPS (INR)			PE (x)			PB (x)			ROE (%)		
			FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Healthcare						**27.7**	**24.3**	**21.1**	**4.3**	**3.8**	**3.3**	**15.5**	**15.5**	**15.5**
Alembic Pharma	1,041	Neutral	61.2	54.4	59.5	17.0	19.2	17.5	4.2	3.6	3.1	30.1	20.6	19.4
Alkem Lab	2,950	Buy	133.2	144.1	155.6	22.2	20.5	19.0	4.8	4.0	3.5	23.5	21.3	19.6
Ajanta Pharma	1,652	Buy	64.8	72.9	85.0	25.5	22.7	19.4	4.8	4.1	3.6	20.3	19.5	19.6
Aurobindo Pharma	928	Buy	56.3	61.5	68.7	16.5	15.1	13.5	2.7	2.3	2.0	18.0	16.6	16.0
Biocon	466	Neutral	7.1	10.6	12.9	65.9	44.1	36.0	7.6	6.8	6.0	12.1	16.4	17.7
Cadila Health	479	Buy	20.4	23.4	25.0	23.5	20.4	19.1	3.5	3.1	2.8	16.3	16.2	15.4
Cipla	826	Neutral	31.3	33.9	38.0	26.4	24.4	21.8	3.7	3.2	2.8	13.8	13.2	13.0
Divis Labs	3,847	Buy	77.7	99.6	127.6	49.5	38.6	30.2	11.4	9.2	7.4	25.4	26.4	27.3
Dr Reddy' s Labs	5,241	Neutral	171.9	190.1	221.6	30.5	27.6	23.6	4.8	4.2	3.6	16.9	16.2	16.3
Glenmark Pharma	503	Neutral	33.1	33.1	38.4	15.2	15.2	13.1	2.1	1.8	1.6	14.4	12.8	13.2
Granules India	359	Buy	23.0	27.1	31.0	15.6	13.3	11.6	4.0	3.2	2.6	28.2	26.5	24.4
GSK Pharma	1,611	Neutral	27.6	35.0	40.1	58.4	46.0	40.1	14.6	13.2	11.6	25.1	28.6	28.8
IPCA Labs.	2,181	Buy	92.2	94.0	110.0	23.7	23.2	19.8	6.0	4.9	4.0	28.3	23.2	22.4
Jubilant Life	852	Buy	50.3	65.8	81.4	16.9	12.9	10.5	2.1	1.8	1.6	13.2	15.1	16.3
Laurus Labs	353	Buy	17.7	20.8	24.5	20.0	17.0	14.4	7.3	5.4	4.1	43.5	36.5	32.2
Lupin	1,001	Buy	23.3	36.8	44.5	42.9	27.2	22.5	3.4	3.1	2.8	8.2	12.1	13.3
Sun Pharma	596	Buy	23.6	25.0	28.0	25.3	23.9	21.3	3.1	2.8	2.5	12.4	12.3	12.4
Strides Pharma	881	Buy	31.7	47.3	57.1	27.8	18.6	15.4	2.8	2.5	2.3	10.7	14.3	15.5
Torrent Pharma	2,795	Neutral	76.6	96.2	106.3	36.5	29.1	26.3	8.4	7.1	6.0	24.7	26.4	24.8

The tables below provide a snapshot of actual and estimated numbers for companies under the MOFSL Coverage Universe. Highlighted columns indicate the quarter/financial year under review.

Ajanta Pharma — Buy

CMP: INR1,669 | TP: INR1,990 (+19%) — **EPS CHANGE (%): FY21|22|23: 3.7|0.3|0.4**

- Expect 15% YoY growth in Asia/Africa business for 3QFY21
- Watch out for contracts for institutional Anti-Malaria business
- Expect DF growth of 6.6% YoY v/s marginal YoY decline in 2QFY21
- Outlook for ANDA approvals/launches over next 12M

Consol. - Quarterly perf. (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	**6,119**	**6,428**	**6,512**	**6,820**	**6,682**	**7,159**	**7,074**	**6,906**	**25,879**	**27,821**
YoY Change (%)	19.8	18.1	34.2	32.4	9.2	11.4	8.6	1.3	25.9	7.5
Total Expenditure	4,436	4,651	4,652	5,156	4,450	4,417	4,902	5,177	18,895	18,946
EBITDA	**1,684**	**1,776**	**1,860**	**1,663**	**2,232**	**2,743**	**2,172**	**1,728**	**6,983**	**8,875**
YoY Change (%)	1.6	6.9	61.3	30.9	32.6	54.4	16.8	3.9	21.6	27.1
Margins (%)	27.5	27.6	28.6	24.4	33.4	38.3	30.7	25.0	27.0	31.9
Depreciation	228	233	236	260	280	283	283	304	957	1,150
EBIT	**1,456**	**1,543**	**1,624**	**1,403**	**1,952**	**2,459**	**1,889**	**1,425**	**6,026**	**7,725**
YoY Change (%)	-2.0	3.8	68.0	29.5	34.1	59.3	16.3	1.6	20.0	28.2
Interest	18	49	16	36	16	15	25	40	119	96
Other Income	76	132	146	167	131	49	25	18	522	223
PBT before EO expense	**1,515**	**1,626**	**1,754**	**1,534**	**2,067**	**2,492**	**1,889**	**1,403**	**6,429**	**7,851**
Extra-Ord expense	0	11	3	-225	0	0	0	0	-211	0
PBT	**1,515**	**1,616**	**1,751**	**1,759**	**2,067**	**2,492**	**1,889**	**1,403**	**6,640**	**7,851**
Tax	368	452	676	467	589	790	510	230	1,963	2,120
Rate (%)	24.3	28.0	38.6	26.6	28.5	31.7	27.0	16.4	29.6	27.0
Reported PAT	**1,146**	**1,164**	**1,076**	**1,292**	**1,478**	**1,702**	**1,379**	**1,173**	**4,677**	**5,731**
Adj PAT	**1,146**	**1,171**	**1,078**	**1,126**	**1,478**	**1,702**	**1,379**	**1,173**	**4,522**	**5,731**
YoY Change (%)	8.4	-6.6	48.3	26.7	28.9	45.3	28.0	4.1	15.1	26.8

Alembic Pharma — Neutral

CMP: INR1,049 | TP: INR1,100 (+5%) — **EPS CHANGE (%): FY21|22|23: 18.2|2.3|0.3**

- Expect US sales to grow by 10% YoY to USD80m
- Outlook for ANDA filings from new dosages for FY21/FY22
- Domestic business to grow 16% YoY with revival in Acute therapies
- Update on commercialization of new facilities

Quarterly perf. (Consol.) (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	**9,489**	**12,409**	**12,091**	**12,068**	**13,413**	**14,571**	**14,827**	**14,024**	**46,060**	**56,835**
YoY Change (%)	10.0	10.1	18.8	30.2	41.4	17.4	22.6	16.2	17.0	23.4
Total Expenditure	7,240	8,954	8,841	8,793	9,340	10,137	10,542	10,097	33,827	40,115
EBITDA	**2,249**	**3,455**	**3,251**	**3,275**	**4,074**	**4,434**	**4,285**	**3,927**	**12,233**	**16,720**
YoY Change (%)	49.0	14.3	34.2	84.0	81.1	28.3	31.8	19.9	39.9	36.7
Margins (%)	23.7	27.8	26.9	27.1	30.4	30.4	28.9	28.0	26.6	29.4
Depreciation	354	360	418	441	415	438	450	447	1,573	1,750
EBIT	**2,603**	**3,815**	**3,669**	**3,717**	**4,489**	**4,872**	**4,735**	**4,374**	**13,806**	**18,470**
YoY Change (%)	28.3	25.6	44.0	47.4	72.4	27.7	29.1	17.7	39.5	33.8
Interest	50	71	74	78	67	45	30	-29	272	112
Other Income	33	4	4	9	3	32	12	-8	49	40
PBT before EO expense	**1,878**	**3,029**	**2,763**	**2,765**	**3,595**	**3,984**	**3,817**	**3,501**	**10,437**	**14,897**
Extra-Ord expense	328	0	0	109	0	0	0	0	436	0
PBT	**1,550**	**3,029**	**2,763**	**2,660**	**3,595**	**3,984**	**3,817**	**3,501**	**10,001**	**14,897**
Tax	360	525	486	621	668	730	840	891	1,992	3,128
Rate (%)	23.2	17.3	17.6	23.4	18.6	18.3	22.0	25.5	19.9	21.0
MI & P/L of Asso. Cos.	-47	41	-65	-214	-87	-80	-45	-38	-285	-250
Reported PAT	**1,237**	**2,463**	**2,342**	**2,252**	**3,015**	**3,334**	**3,022**	**2,648**	**8,294**	**12,019**
Adj PAT	**1,504**	**2,463**	**2,342**	**2,334**	**3,015**	**3,334**	**3,022**	**2,648**	**8,643**	**12,019**
YoY Change (%)	66.2	23.1	37.9	88.2	100.4	35.4	29.0	13.4	47.7	39.1

Alkem Labs — Buy

CMP: INR2,920 | TP: INR3,570 (+22%) — **EPS CHANGE (%): FY21|22|23: 1.3|(1.4)|0.0**

- Expect India biz (66% of sales) to grow 10% YoY in 3QFY21 v/s flat sales QoQ
- Outlook for Trade Generics in DF business
- Expect recent launches to ramp-up US sales to US86m
- Outlook for revival of hospital injectables in DF

Quarterly Perf. (Conl.) (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4Q		
Net Revenues	**18,495**	**22,640**	**21,818**	**20,490**	**19,775**	**23,628**	**23,609**	**21,538**	**83,444**	**88,550**
YoY Change (%)	10.8	18.0	13.3	10.6	6.9	4.4	8.2	5.1	29.7	20.4
EBITDA	**2,645**	**4,752**	**4,533**	**3,030**	**5,072**	**6,005**	**6,051**	**3,682**	**14,960**	**20,809**
YoY Change (%)	23.5	30.7	44.8	28.4	91.8	26.4	33.5	21.5	41.6	86.3
Margins (%)	14.3	21.0	20.8	14.8	25.6	25.4	25.6	17.1	17.9	23.5
Depreciation	558	564	595	631	668	702	710	730	2,348	2,811
EBIT	**2,087**	**4,188**	**3,938**	**2,400**	**4,404**	**5,303**	**5,341**	**2,952**	**12,612**	**17,999**
YoY Change (%)	21.5	31.7	48.4	34.2	111.0	26.6	35.6	23.0	38.0	94.8
Margins (%)	11.3	18.5	18.0	11.7	22.3	22.4	22.6	13.7	15.1	20.3
Interest	161	178	170	142	171	180	170	160	651	682
Other Income	175	314	279	275	435	355	340	359	1,042	1,489
PBT before EO Exp	**2,100**	**4,325**	**4,046**	**2,533**	**4,668**	**5,478**	**5,511**	**3,150**	**13,004**	**18,806**
EO Exp/(Inc)		226		180	-260	0			406	-260
PBT after EO Exp	**2,100**	**4,098**	**4,046**	**2,353**	**4,928**	**5,478**	**5,511**	**3,150**	**12,598**	**19,066**
Tax	227	293	147	438	696	662	744	567	1,105	2,669
Rate (%)	10.8	6.8	3.6	17.3	14.1	12.1	13.5	18.0	8.5	14.2
PAT (pre Minority Interest)	**1,873**	**3,805**	**3,900**	**1,915**	**4,232**	**4,815**	**4,767**	**2,583**	**11,493**	**16,397**
Minority Interest	18	97	80	28	12	95	85	60	222	251
Reported PAT	**1,855**	**3,708**	**3,820**	**1,888**	**4,220**	**4,721**	**4,682**	**2,523**	**11,271**	**16,145**
Adj Net Profit	**1,855**	**3,918**	**3,481**	**2,153**	**3,997**	**4,721**	**4,682**	**2,523**	**11,407**	**15,922**
YoY Change (%)	36.2	54.3	58.9	45.1	115.5	20.5	34.5	17.2	49.5	39.6

Aurobindo Pharma — Buy

CMP: INR898 | TP: INR1,100 (+22%) — **EPS CHANGE (%): FY21|22|23: 0.0|(0.7)|0.0**

- Expect sales of USD413m in US biz for ARBP in 3QFY21
- Progress on tie-ups with developers for vaccine manufacturing opportunity
- New product additions, low base of last year to drive ARV business
- Progress on biosimilar product development

Quarterly performance (Consolidated) (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	**54,446**	**56,005**	**58,950**	**61,584**	**59,248**	**64,834**	**62,858**	**67,568**	**230,985**	**254,508**
YoY Change (%)	28.1	17.9	11.9	16.4	8.8	15.8	6.6	9.7	18.1	10.2
EBITDA	**11,464**	**11,675**	**12,080**	**13,424**	**13,174**	**14,328**	**13,703**	**14,278**	**48,643**	**55,483**
YoY Change (%)	47.1	13.8	11.2	18.8	14.9	22.7	13.4	6.4	20.9	14.1
Margins (%)	21.1	20.8	20.5	21.8	22.2	22.1	21.8	21.1	21.1	21.8
Depreciation	2,409	2,433	2,501	2,324	2,555	2,573	2,610	2,502	9,667	10,241
EBIT	**9,055**	**9,241**	**9,579**	**11,100**	**10,618**	**11,755**	**11,093**	**11,776**	**38,976**	**45,242**
YoY Change (%)	45.0	7.2	3.8	17.6	17.3	27.2	15.8	6.1	16.2	16.1
Interest	499	409	371	318	211	157	280	331	1,598	979
Other Income	110	206	220	326	934	472	490	705	862	2,600
PBT before EO expense	**8,666**	**9,038**	**9,428**	**11,108**	**11,341**	**12,069**	**11,303**	**12,150**	**38,240**	**46,863**
Forex loss/(gain)	-48	272	-89	262	378	-66	0	0	397	312
Exceptional (expenses)/income	(127)	(128)	(129)	123	0	0	0	0	(261)	0
PBT	**8,587**	**8,638**	**9,388**	**10,969**	**10,964**	**12,135**	**11,303**	**12,150**	**37,582**	**46,551**
Tax	2,278	2,244	2,329	2,285	3,037	3,873	3,052	3,305	9,135	13,267
Rate (%)	26.5	26.0	24.8	20.8	27.7	31.9	27.0	27.2	24.3	28.5
Minority Interest	-47	-1	6	185	120	205	120	55	143	500
Reported PAT	**6,357**	**6,395**	**7,053**	**8,499**	**7,807**	**8,057**	**8,131**	**8,790**	**28,304**	**32,784**
Adj PAT	**6,415**	**6,691**	**7,083**	**8,609**	**8,080**	**8,012**	**8,131**	**8,790**	**28,798**	**33,007**
YoY Change (%)	25.9	0.9	2.3	29.7	26.0	19.7	14.8	2.1	13.9	14.6

Biocon — Neutral

CMP: INR459 | TP: INR430 (-7%) — **EPS CHANGE (%): FY21|22|23: (3.5)|(2.1)|(2.2)**

- Expect 10% YoY growth in biologics sales for 3QFY21
- Update on strategy related to ramp-up in Glargine sales and pipeline for developed markets
- Expect Syngene sales to grow 16% YoY for 3QFY21
- Outlook for building ANDA pipeline in small molecules

Quarterly performance (Consolidated) (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	**14,589**	**15,720**	**17,480**	**15,575**	**16,713**	**17,448**	**20,054**	**21,014**	**63,005**	**75,228**
YoY Change (%)	29.8	19.0	13.4	1.9	14.6	11.0	14.7	34.9	14.3	19.4
Total Expenditure	10,220	11,690	13,030	12,390	12,590	13,354	14,900	15,105	46,974	55,949
EBITDA	**4,369**	**4,030**	**4,450**	**3,185**	**4,123**	**4,094**	**5,154**	**5,909**	**16,031**	**19,279**
YoY Change (%)	83.7	18.9	9.5	-22.3	-5.6	1.6	15.8	85.5	15.1	20.3
Margins (%)	29.9	25.6	25.5	20.4	24.7	23.5	25.7	28.1	25.4	25.6
Depreciation	1,242	1,320	1,440	1,524	1,668	1,777	1,800	1,858	5,522	7,103
EBIT	**3,127**	**2,710**	**3,010**	**1,661**	**2,455**	**2,317**	**3,354**	**4,050**	**10,509**	**12,176**
YoY Change (%)	125.5	19.4	4.0	-42.8	-21.5	-14.5	11.4	143.8	11.1	15.9
Interest	166	140	180	168	125	65	70	69	649	329
Other Income	241	380	360	631	183	155	180	232	1,614	750
Extraordinary income	0	675	0	0	0	-180	0	0	675	-180
PBT	**3,202**	**3,625**	**3,190**	**2,124**	**2,513**	**2,227**	**3,464**	**4,213**	**12,149**	**12,417**
Tax	852	1,000	850	450	809	223	866	1,082	3,151	2,980
Rate (%)	26.6	27.6	26.6	21.2	32.2	10.0	25.0	25.7	25.9	24.0
Minority Interest	210	347	310	360	180	261	240	238	1,227	919
PAT	**2,061**	**2,448**	**2,030**	**1,230**	**1,488**	**1,743**	**2,358**	**2,893**	**7,769**	**8,482**
Adj PAT	**2,061**	**2,089**	**2,030**	**1,230**	**1,488**	**1,905**	**2,358**	**2,893**	**7,410**	**8,644**
YoY Change (%)	72.7	14.2	-10.6	-42.7	-27.8	-8.8	16.1	135.2	-0.4	16.6

Cadila Healthcare — Buy

CMP: INR480 | TP: INR565 (+15%) — **EPS CHANGE (%): FY21|22|23: 2.0 |2.2|1.8**

- Expect US sales to be flat YoY at USD238m in 3QFY21
- Update on clinical trials related to COVID vaccine
- Expect DF sales to grow by 12% YoY for 3QFY21
- Update on Injectable ANDA filings/approvals for US in FY21

Quarterly Performance (Consolidated) (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Revenues	**34,963**	**33,666**	**36,381**	**37,521**	**36,399**	**38,200**	**38,342**	**40,887**	**142,531**	**153,828**
YoY Change (%)	20.8	13.7	1.7	0.5	4.1	13.5	5.4	9.0	8.3	7.9
Total Expenditure	27,943	27,410	29,403	29,609	28,245	29,566	30,065	31,879	114,365	119,755
EBITDA	**7,020**	**6,256**	**6,978**	**7,912**	**8,154**	**8,634**	**8,277**	**9,008**	**28,166**	**34,073**
YoY Change (%)	8.8	-9.0	-16.9	-5.9	16.2	38.0	18.6	13.9	-6.5	21.0
Margins (%)	20.1	18.6	19.2	21.1	22.4	22.6	21.6	22.0	19.8	22.2
Depreciation	1,716	1,723	1,741	1,785	1,768	1,790	1,800	1,870	6,965	7,228
EBIT	**5,304**	**4,533**	**5,237**	**6,127**	**6,386**	**6,844**	**6,477**	**7,139**	**21,201**	**26,845**
YoY Change (%)	5.4	-16.1	-23.7	-10.6	20.4	51.0	23.7	16.5	-12.2	26.6
Margins (%)	15.2	13.5	14.4	16.3	17.5	17.9	16.9	17.5	14.9	17.5
Interest	891	897	805	825	677	457	440	394	3,418	1,968
Other Income	226	269	201	443	225	275	285	293	1,139	1,078
PBQ before EO Income	**4,639**	**3,905**	**4,633**	**5,745**	**5,934**	**6,662**	**6,322**	**7,038**	**18,922**	**25,956**
EO Exp/(Inc)	700	2,681	62	525	0	1,320	0	0	3,968	1,320
PBT after EO Income	**3,939**	**1,224**	**4,571**	**5,220**	**5,934**	**5,342**	**6,322**	**7,038**	**14,954**	**24,636**
Tax	791	395	927	1,085	1,235	1,106	1,296	1,710	3,198	5,347
Rate (%)	20.1	32.3	20.3	20.8	20.8	20.7	20.5	24.3	21.4	21.7
Min. Int/Adj on Consol	-112	243	95	-216	-159	498	100	61	10	500
Reported PAT	**3,036**	**1,072**	**3,739**	**3,919**	**4,540**	**4,734**	**5,126**	**5,390**	**11,766**	**19,789**
Adj PAT	**3,595**	**3,328**	**3,788**	**4,335**	**4,540**	**5,781**	**5,126**	**5,390**	**15,047**	**20,836**
YoY Change (%)	-21.9	-20.3	-25.8	-11.8	26.3	73.7	35.3	24.3	-20.0	38.5
Margins (%)	10.3	9.9	10.4	11.6	12.5	15.1	13.4	13.2	10.6	13.5

Cipla — Neutral

CMP: INR820 | TP: INR850 (+4%) — **EPS CHANGE (%): FY21|22|23: 0.0|0.9|0.8**

- Albuterol ramp-up to drive strong 19% YoY growth in US sales to USD163m
- Key changes witnessed in DF post the implementation of One-India strategy
- Expect DF segment sales to grow by 11% YoY for 3QFY21
- Update on Albuterol market share, other inhaler products under development in US

Quarterly Performance (Consolidated) (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Revenues	**39,890**	**43,958**	**43,710**	**43,762**	**43,462**	**50,383**	**50,844**	**52,144**	**171,320**	**196,832**
YoY Change (%)	1.3	9.6	9.1	-0.6	9.0	14.6	16.3	19.2	4.7	14.9
Total Expenditure	30,844	34,863	36,127	37,427	32,973	38,617	39,302	40,865	139,260	151,757
EBITDA	**9,046**	**9,095**	**7,583**	**6,335**	**10,488**	**11,766**	**11,542**	**11,279**	**32,060**	**45,074**
YoY Change (%)	24.5	29.5	7.2	-34.1	15.9	29.4	52.2	78.0	3.5	40.6
Margins (%)	22.7	20.7	17.3	14.5	24.1	23.4	22.7	21.6	18.7	22.9
Depreciation	2,680	2,830	2,779	3,134	2,690	2,651	2,850	2,986	11,423	11,177
EBIT	**6,366**	**6,265**	**4,804**	**3,201**	**7,799**	**9,115**	**8,692**	**8,293**	**20,637**	**33,898**
YoY Change (%)	31.2	49.1	15.9	-51.6	22.5	45.5	80.9	159.1	4.2	64.3
Interest	521	461	462	530	460	393	380	337	1,974	1,571
Other Income	784	1,005	721	932	655	535	575	636	3,442	2,400
Profit before Tax	**6,629**	**6,810**	**5,064**	**3,603**	**7,993**	**9,257**	**8,887**	**8,591**	**22,105**	**34,727**
One-time (expense)/income	0	0	-	-324	0	0	-	0	-324	0
PBT after EO expense	**6,629**	**6,810**	**5,064**	**3,279**	**7,993**	**9,257**	**8,887**	**8,591**	**21,782**	**34,727**
Tax	1,922	2,006	1,528	856	2,278	2,638	2,470	2,337	6,312	9,724
Rate (%)	29.0	29.4	30.2	23.8	28.5	28.5	27.8	27.2	28.6	28.0
Minority Interest	-75.4	90.9	25.5	-36.4	-64.8	-35.8	-30.0	-19.4	4.6	-150.0
Reported PAT	**4,782**	**4,714**	**3,510**	**2,460**	**5,780**	**6,654**	**6,446**	**6,273**	**15,465**	**25,153**
Adj PAT	**4,782**	**4,714**	**3,510**	**2,747**	**5,780**	**6,654**	**6,446**	**6,273**	**15,752**	**25,153**
YoY Change (%)	31.4	59.8	5.7	-46.4	20.9	41.2	83.6	128.4	4.8	59.7

Divi's Laboratories — BUY

CMP: INR3,800 | TP: INR4,450 (+18%) — **EPS CHANGE (%): FY21|22|23: 1.9|2.0|7.2**

- Expect better traction in contract manufacturing to drive sales for quarter
- Progress on capacity utilization at new facilities
- Superior product mix/operating leverage to drive margins on YoY basis
- Industry outlook for drug development activities by innovator; subsequent effect on CRAMS biz

Quarterly Performance (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Op Revenue	**11,628**	**14,456**	**13,963**	**13,897**	**17,305**	**17,493**	**17,733**	**18,679**	**53,944**	**71,209**
YoY Change (%)	16.8	9.2	2.7	9.7	48.8	21.0	27.0	34.4	9.1	32.0
EBITDA	**3,932**	**5,106**	**4,939**	**4,445**	**7,001**	**7,568**	**7,237**	**7,675**	**18,422**	**29,480**
YoY Change (%)	11.5	-2.1	-7.3	-4.4	78.0	48.2	46.5	72.7	-1.6	60.0
Margins (%)	33.8	35.3	35.4	32.0	40.5	43.3	40.8	41.1	34.1	41.4
Depreciation	438	459	467	498	562	611	700	949	1,862	2,822
EBIT	**3,494**	**4,646**	**4,472**	**3,947**	**6,439**	**6,956**	**6,537**	**6,726**	**16,559**	**26,658**
YoY Change (%)	12.4	-3.0	-8.8	-6.6	84.3	49.7	46.2	70.4	-2.8	61.0
Interest	3	38	16	4	2	2	4	11	61	18
Other Income	303	338	237	196	125	136	150	179	1,075	590
PBT before EO Income	**3,794**	**4,947**	**4,694**	**4,139**	**6,562**	**7,091**	**6,683**	**6,894**	**17,574**	**27,230**
Forex gain /(Loss)	-61	-68	180	571	48	-156	0	0	621	-108
PBT	**3,733**	**4,879**	**4,873**	**4,710**	**6,610**	**6,935**	**6,683**	**6,894**	**18,195**	**27,122**
Tax	1,009	1,311	1,282	827	1,689	1,739	1,537	1,544	4,429	6,509
Rate (%)	27.0	26.9	26.3	17.6	25.6	25.1	23.0	22.4	23.5	24.1
PAT	**2,724**	**3,568**	**3,591**	**3,884**	**4,921**	**5,196**	**5,146**	**5,349**	**13,765**	**20,613**
Adj. PAT	**2,768**	**3,618**	**3,459**	**3,145**	**4,818**	**5,313**	**5,146**	**5,349**	**12,990**	**20,626**
YoY Change (%)	11.6	-1.1	-11.2	-3.6	74.0	46.9	48.8	70.1	-2.3	58.8

Dr Reddy's Labs — Neutral

CMP: INR5,157 | TP: INR5,450 (+7%) — **EPS CHANGE (%): FY21|22|23: 0.0|1.9|4.7**

- US sales to grow 22% YoY to USD275m on new launches
- Outlook for demand and order book in PSAI result in increased shift among formulators toward Indian suppliers
- India revenue to grow by 21% YoY on better traction in Chronic portfolio and addition of Wockhardt portfolio
- Update on niche ANDA filings/launches over next 12–15M

Quarterly Performance - IFRS (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Sales	**38,435**	**40,809**	**43,838**	**44,318**	**44,175**	**48,967**	**51,098**	**51,623**	**167,400**	**195,863**
YoY Change (%)	3.3	7.5	13.9	15.5	14.9	20.0	16.6	16.5	10.1	17.0
Total Expenditure	31,168	32,328	33,650	34,912	33,046	36,752	38,630	39,253	132,058	147,681
EBITDA	**7,267**	**8,481**	**10,188**	**9,406**	**11,129**	**12,215**	**12,468**	**12,370**	**35,342**	**48,182**
YoY Change (%)	-4.1	14.6	24.9	47.0	53.1	44.0	22.4	31.5	21.4	36.3
Margins (%)	18.9	20.8	23.2	21.2	25.2	24.9	24.4	24.0	21.1	24.6
Amortization	3,082	3,339	3,085	2,965	3,140	3,272	3,300	3,411	12,472	13,123
EBIT	**4,185**	**5,142**	**7,103**	**6,441**	**7,989**	**8,943**	**9,168**	**8,960**	**22,870**	**35,060**
YoY Change (%)	-6.3	16.7	40.7	100.3	90.9	73.9	29.1	39.1	33.5	53.3
Margins (%)	10.9	12.6	16.2	14.5	18.1	18.3	17.9	17.4	13.7	17.9
Other Income	865	483	823	708	800	459	430	408	2,879	2,097
PBT before EO expenses	**5,050**	**5,625**	**7,926**	**7,149**	**8,789**	**9,402**	**9,598**	**9,368**	**25,749**	**37,157**
One-off income/(expense)	3,450	2,039	-13,200			-781	0		-7,718	-781
Profit before Tax	**8,500**	**7,663**	**-5,276**	**7,146**	**8,789**	**8,620**	**9,596**	**9,365**	**18,033**	**36,369**
Tax	1,872	-3,261	423	-500	2,996	998	1,920	1,704	-1,466	7,617
Rate (%)	22.0	-42.6	-8.0	-7.0	34.1	11.6	20.0	18.2	-8.1	20.9
Reported Profit	**6,628**	**10,924**	**-5,699**	**7,646**	**5,793**	**7,623**	**7,678**	**7,664**	**19,499**	**28,759**
Adjusted PAT	**4,444**	**5,705**	**5,945**	**5,714**	**5,793**	**7,392**	**7,678**	**7,664**	**21,807**	**28,528**
YoY Change (%)	-2.6	13.2	22.5	90.0	30.4	29.6	29.2	34.1	24.9	30.8

GSK Pharma — Neutral

CMP: INR1,600 | TP: INR1,480 (-6%) — **EPS CHANGE (%): FY21|22|23: 2.5| 3.2|0.0**

- Expect 6% YoY growth in 3QFY21, with recovery in Acute segment
- Update on structural changes in marketing efforts on account of COVID
- Uptick in operating cost to drag down margins on QoQ basis
- Update on potential new launches over next 12–15M

Quarterly Performance (Consolidated) (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
(Standalone)	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	**7,880**	**8,820**	**7,786**	**7,758**	**6,486**	**8,793**	**8,253**	**8,067**	**32,244**	**31,599**
YoY Change (%)	7.1	8.0	-5.7	3.3	-17.7	-0.3	6.0	4.0	3.1	-2.0
Total Expenditure	6,227	6,880	6,542	6,022	5,345	6,745	6,479	6,361	25,671	24,930
EBITDA	**1,653**	**1,940**	**1,244**	**1,736**	**1,141**	**2,049**	**1,774**	**1,706**	**6,573**	**6,669**
YoY Change (%)	21.9	17.5	-9.3	6.5	-31.0	5.6	42.6	-1.7	9.4	1.5
Margins (%)	21.0	22.0	16.0	22.4	17.6	23.3	21.5	21.1	20.4	21.1
Depreciation	191	227	183	226	218	220	210	208	827	855
EBIT	**1,462**	**1,713**	**1,061**	**1,510**	**923**	**1,829**	**1,564**	**1,498**	**5,746**	**5,814**
YoY Change (%)	17.7	11.5	-15.2	1.2	-36.9	6.8	47.5	-0.8	4.1	1.2
Margins (%)	18.6	19.4	13.6	19.5	14.2	20.8	19.0	18.6	17.8	18.4
Interest	9	9	30	15	11	9	10	16	63	46
Other Income	308	159	165	158	152	90	140	190	790	573
PBT before EO Expense	**1,761**	**1,863**	**1,196**	**1,653**	**1,065**	**1,911**	**1,694**	**1,672**	**6,472**	**6,341**
Tax	626	457	268	385	278	505	447	436	1,698	1,665
Rate (%)	35.5	24.5	22.4	23.3	26.1	26.4	26.4	26.1	18.9	26.3
Adjusted PAT	**1,173**	**1,406**	**927**	**1,269**	**787**	**1,406**	**1,247**	**1,236**	**4,775**	**4,676**
YoY Change (%)	27.0	24.9	9.3	0.1	-32.9	0.0	34.5	-2.6	14.6	-2.1
Margins (%)	14.9	15.9	11.9	16.4	12.1	16.0	15.1	15.3	14.8	14.8
One-off Expense/(Income)	38	-3,622	7,539	-113	-320	641	0	0	3,843	321
Reported PAT	**1,135**	**5,028**	**-6,612**	**1,382**	**1,107**	**765**	**1,247**	**1,236**	**932**	**4,355**

Glenmark Pharma — Neutral

CMP: INR494 | TP: INR495 (0%) — **EPS CHANGE (%): FY21|22|23: 2.2|(1.5)|0.0**

- Expect 15% YoY growth in DF sales, led by COVID drugs / better offtake of Acute therapy-related medicine
- Update on stake sale in NCE entity
- 28% YoY decline in LATAM sales (partly on high base of past year) to somewhat drag down overall perf. US sales to be USD110m for 3QFY21
- Update on Favipiravir exports and domestic sales

Quarterly performance (Consolidated) — (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Revenues (Core)	**22,836**	**27,637**	**26,386**	**27,113**	**23,448**	**29,525**	**28,217**	**26,703**	**103,972**	**107,893**
YoY Change (%)	7.2	8.8	5.1	7.3	2.7	6.8	6.9	-1.5	7.1	3.8
EBITDA	**3,276**	**3,991**	**3,431**	**4,095**	**4,781**	**5,699**	**5,248**	**4,880**	**14,793**	**20,608**
YoY Change (%)	5.5	0.1	-11.9	16.4	45.9	42.8	53.0	19.2	2.0	39.3
Margins (%)	14.3	14.4	13.0	15.1	20.4	19.3	18.6	18.3	14.2	19.1
Depreciation	907	942	1,060	1,263	1,132	1,041	1,190	1,306	4,172	4,669
EBIT	**2,369**	**3,049**	**2,371**	**2,832**	**3,648**	**4,658**	**4,058**	**3,573**	**10,622**	**15,938**
YoY Change (%)	2.4	-3.6	-22.6	4.6	54.0	52.8	71.1	26.2	-5.5	50.1
Margins (%)	10.4	11.0	9.0	10.4	15.6	15.8	14.4	13.4	10.2	14.8
Interest	930	898	961	985	937	806	820	957	3,773	3,521
Other Income	409	541	1,019	654	185	80	120	165	2,623	550
PBT before EO Expense	**1,848**	**2,693**	**2,430**	**2,501**	**2,896**	**3,932**	**3,358**	**2,781**	**9,472**	**12,967**
One-off loss/(gain)	250	-780	-280	-679	-680	539	0	0	-1,489	-141
PBT after EO Expense	**1,598**	**3,473**	**2,710**	**3,180**	**3,576**	**3,393**	**3,358**	**2,781**	**10,961**	**13,108**
Tax	506	918	801	977	1,036	1,054	940	641	3,201	3,670
Rate (%)	31.6	26.4	29.6	30.7	29.0	31.1	28.0	23.0	29.2	28.0
Reported PAT	**1,093**	**2,555**	**1,908**	**2,203**	**2,540**	**2,339**	**2,418**	**2,140**	**7,760**	**9,438**
Adj PAT (excl one-offs)	**1,359**	**1,993**	**1,786**	**1,801**	**2,057**	**2,711**	**2,418**	**2,140**	**6,938**	**9,326**
YoY Change (%)	-5.8	-3.5	-16.8	8.6	51.4	36.0	35.4	18.9	-5.1	34.4

Granules India — Buy

CMP: INR365 | TP: INR480 (32%) — **EPS CHANGE (%): FY21|22|23: (7.0)|(4.6)|(4.6)**

- Improved traction in PFI/API to drive 17% YoY growth in sales for 3QFY21
- Update on offtake of key APIs/pricing of raw materials given logistics constraints at ports
- Superior product mix to drive profitability
- Update on ANDA pipeline and niche launches

Quarterly Performance — (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
(Consolidated)	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	**5,953**	**6,995**	**7,040**	**5,999**	**7,356**	**8,581**	**8,242**	**9,001**	**25,986**	**33,180**
YoY Change (%)	31.3	20.4	11.4	-2.2	23.6	22.7	17.1	50.0	14.0	27.7
EBITDA	**1,186**	**1,436**	**1,632**	**1,219**	**1,987**	**2,489**	**2,225**	**2,722**	**5,473**	**9,423**
YoY Change (%)	63.4	42.9	44.0	15.5	67.5	73.3	36.4	123.2	39.6	72.2
Margins (%)	19.9	20.5	23.2	20.3	27.0	29.0	27.0	30.2	21.1	28.4
Depreciation	287	303	390	390	341	361	380	373	1,370	1,454
EBIT	**900**	**1,133**	**1,242**	**830**	**1,647**	**2,128**	**1,845**	**2,349**	**4,104**	**7,969**
YoY Change (%)	87.1	53.1	43.9	6.1	83.1	87.8	48.6	183.1	43.2	94.2
Margins (%)	15.1	16.2	17.6	13.8	22.4	24.8	22.4	26.1	15.8	24.0
Interest	69	69	67	66	60	63	60	63	270	245
Other Income	19	87	35	225	56	32	52	25	366	166
PBT before EO expense	**849**	**1,151**	**1,210**	**989**	**1,643**	**2,098**	**1,837**	**2,311**	**4,199**	**7,890**
Extra-Ord expense	0	0	320	-378	151	-75	0	0	-57	76
PBT	**849**	**1,151**	**889**	**1,367**	**1,492**	**2,173**	**1,837**	**2,311**	**4,257**	**7,813**
Tax	272	193	249	444	377	537	474	636	1,157	2,024
Rate (%)	32.0	16.8	28.0	32.5	25.3	24.7	25.8	27.5	27.2	25.9
(Profit)/Loss of JV/Asso. Cos.	-255	0	0	0	0	0	0	0	-255	0
Reported PAT	**832**	**958**	**641**	**923**	**1,115**	**1,637**	**1,363**	**1,675**	**3,354**	**5,790**
Adjusted PAT	**832**	**958**	**871**	**651**	**1,228**	**1,580**	**1,363**	**1,656**	**3,313**	**5,827**
YoY Change (%)	60.7	59.0	44.4	4.6	47.5	64.9	56.5	154.5	41.3	75.9
Margins (%)	14.0	13.7	12.4	10.8	16.7	18.4	16.5	18.4	12.7	17.6

Ipca Laboratories — Buy

CMP: INR2,167 | TP: INR2,650 (+22%) — **EPS CHANGE (%): FY21|22|23: (1.6)| (1.0)|(1.1)**

- Expect 10%/25% growth in DF/API segment sales for 3QFY21
- Update on growth in DF (ex-HCQS sales) given increased MR-doctor-patient connect with easing of lockdown
- Controlled cost to drive 250bp YoY EBITDA margin expansion
- Growth outlook for API segment given increased inclination for Indian suppliers

Quarterly Performance (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Revenues (Core)	**10,782**	**12,839**	**12,129**	**10,738**	**15,344**	**13,611**	**13,801**	**13,334**	**46,487**	**56,090**
YoY Change (%)	23.2	26.9	20.5	22.1	42.3	6.0	13.8	24.2	23.2	20.7
EBITDA	**1,987**	**2,659**	**2,737**	**2,197**	**5,883**	**3,602**	**3,464**	**3,037**	**9,580**	**15,986**
YoY Change (%)	40.4	29.8	32.8	33.5	196.1	35.5	26.6	38.2	33.6	66.9
Margins (%)	18.4	20.7	22.6	20.5	38.3	26.5	25.1	22.8	20.6	28.5
Depreciation	461	496	508	639	510	521	530	570	2,105	2,132
EBIT	**1,526**	**2,162**	**2,228**	**1,558**	**5,373**	**3,081**	**2,934**	**2,466**	**7,475**	**13,854**
YoY Change (%)	60.7	35.6	39.0	30.0	252.0	42.5	31.7	58.3	39.8	85.3
Margins (%)	14.2	16.8	18.4	14.5	35.0	22.6	21.3	18.5	16.1	24.7
Interest	46	42	40	37	27	23	28	50	165	128
Other Income	112	148	181	137	121	-16	120	155	578	380
PBT before EO Expense	**1,592**	**2,268**	**2,369**	**1,658**	**5,466**	**3,041**	**3,026**	**2,572**	**7,888**	**14,105**
One-off (gain)/ Expense	-91	0	0	536	0	-171	0	0	445	-171
PBT after EO Expense	**1,683**	**2,268**	**2,369**	**1,123**	**5,466**	**3,212**	**3,026**	**2,572**	**7,442**	**14,276**
Tax	374	319	369	292	999	526	514	429	1,353	2,468
Rate (%)	23.5	14.1	15.6	17.6	18.3	17.3	17.0	16.7	17.2	17.5
Reported PAT	**1,310**	**1,949**	**2,001**	**830**	**4,468**	**2,686**	**2,512**	**2,143**	**6,090**	**11,808**
Minority Interest	-16	-18	-25	-23	-7	-16	-20	-28	-78	-70
Adj PAT after Minority Int	**1,223**	**1,931**	**1,975**	**1,352**	**4,461**	**2,528**	**2,492**	**2,115**	**6,485**	**11,595**
YoY Change (%)	44.2	37.2	47.2	37.6	264.7	30.9	26.1	56.5	41.6	78.8

Jubilant Life Sciences — Buy

CMP: INR848 | TP: INR1,020 (+20%) — **EPS CHANGE (%): FY21|22|23: 4.5|4.1|3.8**

- Expect 15% YoY growth in Pharma (52% of sales) to drive overall growth
- Update on CDMO segment, particularly related to COVID drug/vaccine contracts
- COVID-related impact on specialty pharma may moderate EBITDA margins on YoY/QoQ basis
- Update on Radiopharma business considering second wave of COVID in developed countries

Consolidated - Quarterly Earnings Model (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	**21,819**	**22,659**	**23,152**	**23,914**	**18,929**	**23,749**	**24,787**	**25,479**	**91,544**	**92,943**
YoY Change (%)	5.0	-0.2	-2.6	0.2	-13.2	4.8	7.1	6.5	0.5	1.5
Total Expenditure	17,332	17,975	18,078	18,548	15,907	18,887	19,879	20,472	71,933	75,145
EBITDA	**4,486**	**4,685**	**5,074**	**5,366**	**3,022**	**4,862**	**4,908**	**5,007**	**19,611**	**17,799**
YoY Change (%)	2.5	4.1	2.9	16.4	-32.6	3.8	-3.3	-6.7	6.5	-9.2
Margins (%)	20.6	20.7	21.9	22.4	16.0	20.5	19.8	19.7	21.4	19.2
Depreciation	1,027	1,168	1,135	1,289	1,123	1,158	1,170	1,187	4,619	4,638
EBIT	**3,460**	**3,516**	**3,940**	**4,077**	**1,899**	**3,703**	**3,738**	**3,820**	**14,992**	**13,160**
YoY Change (%)	-1.0	-2.5	-0.2	11.4	-45.1	5.3	-5.1	-6.3	1.9	-12.2
Margins (%)	15.9	15.5	17.0	17.0	10.0	15.6	15.1	15.0	16.4	14.2
Interest	726	716	720	712	760	640	660	687	2,874	2,746
Other Income	97	123	60	194	81	73	80	91	474	325
PBT before EO expense	**2,831**	**2,922**	**3,280**	**3,559**	**1,221**	**3,137**	**3,158**	**3,224**	**12,592**	**10,740**
Extra-Ord expense	140	0	346	0	0	0	0	0	486	0
PBT	**2,691**	**2,922**	**2,933**	**3,559**	**1,221**	**3,137**	**3,158**	**3,224**	**12,105**	**10,740**
Tax	841	428	899	955	341	896	865	798	3,123	2,900
Rate (%)	31.2	14.7	30.7	26.8	27.9	28.5	27.4	24.8	25.8	27.0
Reported PAT	**1,850**	**2,494**	**2,034**	**2,605**	**880**	**2,240**	**2,293**	**2,426**	**8,982**	**7,840**
Adj PAT	**1,947**	**2,494**	**2,274**	**2,605**	**880**	**2,240**	**2,293**	**2,426**	**9,319**	**7,840**
YoY Change (%)	-2.9	18.9	-13.7	17.4	-54.8	-10.2	0.8	-6.9	4.1	-15.9

Laurus Labs — Buy

CMP: INR363 | TP: INR430 (+18%) — **EPS CHANGE (%): FY21|22|23: 0.4|0.0|0.0**

- Expect Formulation/API segment to be on strong growth track with 60%/66% YoY growth for 3Q
- Outlook for ANDA-led Formulations business for next 12–24M
- Expect Synthesis segment to grow 25% YoY for 3QFY21
- Update on contracts for ARV segment and progress on capex

Consolidated - Quarterly Earnings Model (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	**5,506**	**7,124**	**7,296**	**8,391**	**9,743**	**11,388**	**11,804**	**12,780**	**28,317**	**45,716**
YoY Change (%)	2.1	21.1	37.8	32.1	77.0	59.9	61.8	52.3	23.6	61.4
Total Expenditure	4,673	5,746	5,814	6,474	6,960	7,650	7,956	8,521	22,672	31,087
EBITDA	**833**	**1,378**	**1,482**	**1,918**	**2,783**	**3,739**	**3,848**	**4,259**	**5,645**	**14,629**
YoY Change (%)	-2.7	51.2	68.9	71.2	234.3	171.3	159.7	122.1	50.0	159.1
Margins (%)	15.1	19.3	20.3	22.9	28.6	32.8	32.6	33.3	19.9	32.0
Depreciation	458	478	476	461	488	510	525	580	1,873	2,103
EBIT	**374**	**900**	**1,006**	**1,457**	**2,295**	**3,229**	**3,323**	**3,679**	**3,773**	**12,526**
YoY Change (%)	-21.0	75.4	123.6	112.7	513.3	258.9	230.3	152.5	77.8	232.0
Margins (%)	6.8	12.6	13.8	17.4	23.6	28.4	28.2	28.8	13.3	27.4
Interest	225	256	208	207	151	137	150	170	896	608
Other Income	45	14	19	17	71	51	65	-4	59	183
PBT before EO expense	**194**	**658**	**817**	**1,267**	**2,215**	**3,143**	**3,238**	**3,505**	**2,936**	**12,101**
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0
PBT	**194**	**658**	**817**	**1,267**	**2,215**	**3,143**	**3,238**	**3,505**	**2,936**	**12,101**
Tax	43	92	82	166	497	720	745	700	383	2,662
Rate (%)	22.1	14.0	10.1	13.1	22.4	22.9	23.0	20.0	13.1	22.0
Reported PAT	**151**	**566**	**735**	**1,102**	**1,718**	**2,423**	**2,493**	**2,805**	**2,553**	**9,439**
Adj PAT	**151**	**566**	**735**	**1,102**	**1,718**	**2,423**	**2,493**	**2,805**	**2,553**	**9,439**
YoY Change (%)	-25.2	104.4	312.4	155.1	1,038.0	328.4	239.4	154.6	132.6	269.7

Lupin — Buy

CMP: INR975 | TP: INR1135 (+16%) — **EPS CHANGE (%): FY21|22|23: (6.0)| (2.9)|(2.8)**

- Expect niche launches to drive US sales to USD205m
- Update on g-Spiriva litigation
- DF business to grow 8% YoY for 3Q
- Update on Albuterol/Levothyroxine market share and ramp-up post the launch in the US market

Quarterly Performance (Consolidated) (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q*	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	**38,777**	**38,822**	**37,693**	**38,457**	**35,279**	**38,350**	**40,873**	**43,785**	**153,748**	**158,287**
YoY Change (%)	0.6	-1.7	-4.5	-1.1	-9.0	-1.2	8.4	13.9	4.8	3.0
Total Expenditure	31,309	32,416	33,002	33,204	30,194	32,538	33,843	35,753	130,200	132,328
EBITDA	**7,468**	**6,406**	**4,691**	**5,253**	**5,085**	**5,812**	**7,030**	**8,032**	**23,548**	**25,959**
YoY Change (%)	5.5	16.5	-31.2	-32.6	-31.9	-9.3	49.9	52.9	-8.0	10.2
Margins (%)	19.3	16.5	12.4	13.7	14.4	15.2	17.2	18.3	15.3	16.4
Depreciation	2,502	2,526	2,532	2,143	2,146	2,127	2,200	2,442	9,702	8,916
EBIT	**4,967**	**3,880**	**2,159**	**3,111**	**2,938**	**3,684**	**4,830**	**5,591**	**13,846**	**17,044**
YoY Change (%)	10.6	36.5	-53.3	-44.5	-40.8	-5.0	123.8	79.7	-6.2	23.1
Margins (%)	12.8	10.0	5.7	8.1	8.3	9.6	11.8	12.8	9.0	10.8
Interest	844	826	886	1,074	443	336	400	383	3,630	1,562
Other Income	666	1,280	936	826	433	250	350	418	3,578	1,450
EO Exp/(Inc)	0	5,465	3,287	-2,091	204	0	0	0	6,261	204
PBT	**4,789**	**-1,131**	**-1,078**	**4,954**	**2,725**	**3,598**	**4,780**	**5,625**	**7,533**	**16,727**
Tax	2,155	695	7,670	1,051	1,643	1,467	1,577	1,501	11,571	6,189
Rate (%)	45.0	-61.5	-711.4	21.2	60.3	40.8	33.0	26.7	153.6	37.0
Minority Interest	-13	27	-64	7	-12	-21	-20	-32	-43	-85
Reported PAT	**2,647**	**-1,853**	**-8,685**	**3,896**	**1,069**	**2,110**	**3,183**	**4,091**	**-3,995**	**10,453**
Adj PAT	**2,807**	**3,373**	**1,834**	**2,559**	**1,150**	**2,110**	**3,183**	**4,091**	**10,572**	**10,534**
YoY Change (%)	38.4	26.8	-36.2	-0.1	-59.0	-37.4	73.5	59.9	0.2	-0.4

Strides Pharma — Buy

CMP: INR891 | TP: INR920 (4%) — **EPS CHANGE (%): FY21|22|23: 3.3|6.5|6.5**

- Expect steady traction in US sales to USD64m
- Update on strategy related to Injectables and CDMO businesses, including vaccines
- Expect Other regulated market to grow 15% YoY
- Update on upcoming ANDA pipeline and launch pace

Consolidated - Quarterly Earnings Model (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	**6,858**	**7,151**	**7,324**	**6,186**	**7,818**	**7,936**	**8,716**	**9,803**	**27,520**	**34,272**
YoY Change (%)	3.4	37.6	28.5	0.4	14.0	11.0	19.0	58.5	26.3	24.5
Total Expenditure	5,621	5,685	5,516	5,350	6,308	6,363	6,885	7,689	22,172	27,246
EBITDA	**1,237**	**1,466**	**1,808**	**837**	**1,510**	**1,572**	**1,830**	**2,113**	**5,347**	**7,026**
YoY Change (%)	188.9	203.2	150.6	-9.4	22.1	7.2	1.2	152.5	109.3	31.5
Margins (%)	18.0	20.5	24.7	13.5	19.3	19.8	21.0	21.6	19.4	20.5
Depreciation	429	420	435	453	491	528	530	545	1,737	2,094
EBIT	**808**	**1,046**	**1,374**	**384**	**1,019**	**1,044**	**1,300**	**1,568**	**3,610**	**4,931**
YoY Change (%)	485.8	498.0	210.2	-38.8	26.1	-0.2	-5.3	308.9	161.2	36.7
Interest	353	404	396	403	369	369	380	401	1,557	1,519
Other Income	103	130	122	177	123	129	145	152	531	548
PBT before EO expense	**557**	**772**	**1,100**	**157**	**773**	**804**	**1,065**	**1,319**	**2,584**	**3,961**
Extra-Ord expense	93	-845	-171	1,888	-488	-180	0	0	965	-668
PBT	**464**	**1,617**	**1,270**	**-1,731**	**1,261**	**984**	**1,065**	**1,319**	**1,619**	**4,629**
Tax	31	74	113	-105	33	61	133	227	113	454
Rate (%)	6.7	4.6	8.9	6.0	2.6	6.2	12.5	17.2	7.0	9.8
MI & (P)/L of Asso. Cos.	178	213	235	421	192	262	147	100	1,046	700
Reported PAT from Continuing Ops.	**254**	**1,331**	**922**	**-2,048**	**1,036**	**662**	**785**	**992**	**460**	**3,474**
Adj. PAT from Continuing Ops.	**341**	**524**	**767**	**-274**	**560**	**493**	**785**	**992**	**1,358**	**2,830**
YoY Change (%)	-995.6	NA	203.3	NA	64.1	-5.9	2.4	NA	72.1	108.3

Sun Pharma — Buy

CMP: INR584 | TP: INR700 (+20%) — **EPS CHANGE (%): FY21|22|23: 2.1 |2.1|6.0**

- Decline in Taro sales to be offset by better specialty sales – driving 7% YoY overall growth in US sales (USD375m)
- Watch out for prescription trends in Specialty portfolio
- DF sales to post modest growth of 3% YoY over high base of last year
- Outlook on Branded Generics market in emerging markets considering easing of COVID-led lockdown

Quarterly Performance (Consolidated) (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Revenues	**82,593**	**79,492**	**80,387**	**80,780**	**74,672**	**84,588**	**86,251**	**87,427**	**323,252**	**332,938**
YoY Change (%)	15.7	16.1	5.0	14.7	-9.6	6.4	7.3	8.2	12.7	3.0
Total Expenditure	64,461	63,421	63,953	66,799	58,209	62,435	65,292	67,741	258,634	253,677
EBITDA	**18,132**	**16,071**	**16,434**	**13,982**	**16,463**	**22,153**	**20,959**	**19,686**	**64,618**	**79,261**
YoY Change (%)	19.2	11.6	-7.1	47.3	-9.2	37.8	27.5	40.8	13.8	22.7
Margins (%)	22.0	20.2	20.4	17.3	22.0	26.2	24.3	22.5	20.0	23.8
Depreciation	4,571	4,733	5,470	5,754	4,959	4,986	5,070	5,224	20,528	20,240
EBIT	**13,560**	**11,338**	**10,964**	**8,228**	**11,504**	**17,167**	**15,889**	**14,461**	**44,090**	59,021
YoY Change (%)	21.1	11.9	-15.6	66.2	-15.2	51.4	44.9	75.8	12.3	33.9
Interest	1,041	839	630	518	520	333	325	300	3,027	1,477
Net Other Income	3,281	3,750	2,361	2,091	2,719	3,501	2,550	2,230	11,483	11,000
PBT before EO Exp	**15,801**	**14,249**	**12,695**	**9,802**	**13,703**	**20,335**	**18,114**	**16,391**	**52,546**	**68,544**
Less: EO Exp/(Inc)	-674	-85	-818	4,027	35,542	1,164	0	0	2,450	36,705
PBT	**16,474**	**14,334**	**13,513**	**5,774**	**-21,839**	**19,172**	**18,114**	**16,392**	**50,096**	**31,839**
Tax	1,461	2,660	3,276	831	2,459	-312	3,079	2,999	8,228	8,225
Rate (%)	9.2	18.7	25.8	8.5	17.9	-1.5	17.0	18.3	15.7	12.0
Minority Interest	1,139	1,033	1,102	946	-7,742	1,356	1,250	1,336	4,219	-3,800
Reported PAT	**13,875**	**10,641**	**9,135**	**3,998**	**- 16,556**	**18,128**	**13,785**	**12,057**	**37,649**	**27,414**
Adj Net Profit*	**13,208**	**10,556**	**8,317**	**7,385**	**11,460**	**16,409**	**13,785**	**15,056**	**39,466**	**56,710**
YoY Change (%)	34.4	3.5	-11.7	7.4	-13.2	55.4	65.7	103.9	588.5	**43.7**

Torrent Pharmaceuticals — Neutral

CMP: INR2,767 | TP: INR2,675 (-3%) — **EPS CHANGE (%): FY21|22|23: 0.0| 0.0|1.9**

- Lack of new approvals due to regulatory constraints to keep US sales (USD48m) in check
- Update on feedback from USFDA on Dahej/Indrad
- DF sales expected to grow ~13% YoY, led by strong Chronic portfolio and partly on low base of last year
- Update on new launches in Brazil / business prospects in Germany

Quarterly performance (Consolidated) — **(INR m)**

Y/E March	FY20				FY21E				FY20	FY21E
INR m	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Revenues	**20,220**	**20,050**	**19,660**	**19,460**	**20,560**	**20,170**	**21,257**	**22,222**	**79,390**	**84,210**
YoY Change (%)	8.0	5.9	-1.1	4.8	1.7	0.6	8.1	14.2	4.3	6.1
EBITDA	**5,410**	**5,410**	**5,400**	**5,480**	**6,770**	**6,350**	**6,654**	**6,660**	**21,700**	**26,433**
YoY Change (%)	13.4	14.4	2.7	15.9	25.1	17.4	23.2	21.5	11.3	21.8
Margins (%)	26.8	27.0	27.5	28.2	32.9	31.5	31.3	30.0	27.3	31.4
Depreciation	1,600	1,630	1,630	1,680	1,610	1,650	1,680	1,697	6,540	6,637
EBIT	**3,810**	**3,780**	**3,770**	**3,800**	**5,160**	**4,700**	**4,974**	**4,962**	**15,160**	**19,796**
YoY Change (%)	16.5	17.8	1.9	21.4	35.4	24.3	31.9	30.6	13.9	30.6
Margins (%)	18.8	18.9	19.2	19.5	25.1	23.3	23.4	22.3	19.1	23.5
Interest	1,220	1,160	1,110	1,020	1,020	920	880	838	4,510	3,658
Other Income	200	340	530	150	40	60	75	85	1,220	260
PBT before EO Expense	**2,790**	**2,960**	**3,190**	**2,930**	**4,180**	**3,840**	**4,169**	**4,210**	**11,870**	**16,398**
PBT after EO Expense	**2,790**	**2,960**	**3,190**	**2,930**	**4,020**	**3,840**	**4,169**	**4,210**	**11,870**	**16,238**
Tax	630	520	680	-210	810	740	896	997	1,620	3,444
Rate (%)	22.6	17.6	21.3	-7.2	19.4	19.3	21.5	23.7	13.6	21.0
Reported PAT	**2,160**	**2,440**	**2,510**	**3,140**	**3,210**	**3,100**	**3,272**	**3,212**	**10,250**	**12,795**
Adj PAT	**2,160**	**2,440**	**2,552**	**2,344**	**3,370**	**3,100**	**3,272**	**3,212**	**9,496**	**12,955**
YoY Change (%)	32.5	36.3	18.6	41.5	56.0	27.0	28.2	37.0	31.4	36.4
Margins (%)	10.7	12.2	13.0	12.0	16.4	15.4	15.4	14.5	12.0	15.4

Infrastructure

Company name
Ashoka Buildcon
IRB Infra
KNR Constructions

Working capital and project execution to be tracked

Construction activity and road traffic almost at pre-COVID levels

- Awarding in the Roads sector had peaked in FY18, with the National Highways Authority of India (NHAI) granting 7,397km in orders. Ordering activity has since then remained subdued (FY19: 2,222km) due to delays faced by the NHAI in land acquisitions and banks' cautiousness in lending to infrastructure projects. Ordering by NHAI was already tepid up to Dec'19, with 1,095km orders awarded. After **the lifting of lockdown restrictions from mid-May'20, NHAI has resumed its ordering activity with 1,330km of orders awarded in 1HFY21, which is higher by 60% YoY.** Based on the pace of ordering, it is expected that NHAI would exceed its ordering target of 4,500km in FY21.
- Across sites, labor availability is ~90%, with project efficiency around the same level. Traffic across major routes has improved sequentially, with toll collections rising on a MoM basis.

Sequential improvement in execution across project sites

- Construction activity is expected to witness an uptick in 3QFY21 after a muted 1HFY21, owing to COVID-19 led shutdowns and the monsoon season.
- Ordering has shown signs of a pickup in the Roads sector, with a strong bid pipeline in place. Do note that ordering has been weak over the past two years now. There is room for strong ordering in the near term, given the land acquisition work done by NHAI. However, funding constraints continue to impact the sector's fundamentals, especially interest in HAM projects.
- The COVID-19 led lockdown has altered the sector's fortunes for the worse as: a) working capital requirements may escalate leading to hurdles in execution ramp-up post lifting of lockdown restrictions, b) return of migrant workers back to construction sites and ramping up execution are key challenges, and c) leverage was already on the rise due to increasing exposure to HAM projects, which has increased the balance sheet risk for road companies.
- Unlike the general perception, declining interest rates are turning out to be negative for road players. This is because they carry negative spread on the debt of HAM projects. Note that NHAI pays at the bank rate of +3%, which is currently 7.25% on capital. However, the cost of debt is currently higher. This, along with the risk of increase in the cost of equity (due to the COVID-19-led lockdown), has wiped out the valuations of HAM projects. On a positive note, returns would now be linked to the MCLR rate rather than the bank rate, thereby addressing the negative spread concern. However, this is applicable only for future projects.

Execution for coverage universe to decline 10% YoY

- We expect execution for our coverage universe to decline 10% YoY, with IRB witnessing a 24% YoY revenue decline. However, revenue for IRB is not comparable YoY due to monetization of nine assets through the InvIT route and consolidation of the Mumbai-Pune Phase II project. Excluding IRB, revenue is expected to rise by 7% YoY, with KNRC seen outperforming with 17% growth.

Lower operating leverage to impact profitability

We expect operating profit to decline by 4% YoY for our coverage universe, with higher profitability in IRB owing to a favorable revenue mix. Operating profit for

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KNRC is expected to remain flat in spite of the higher revenue growth due to adverse revenue mix (lower revenue from irrigation projects). Net profit for our coverage universe is likely to decline by 20% YoY with a 38% dip in IRB, largely attributed to asset monetization through the InvIT route. KNRC is expected to report a 38% YoY increase in net profit (owing to lower depreciation, interest, and tax rate).

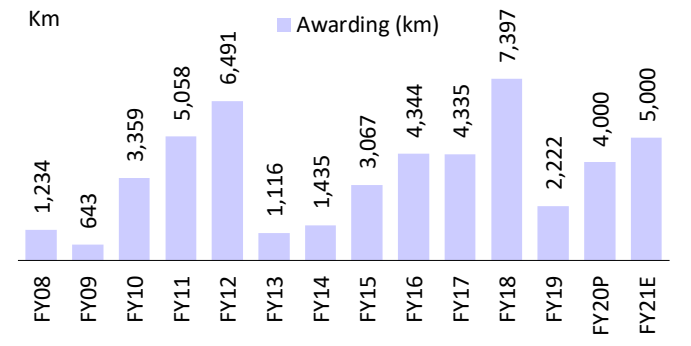
Look for strong balance sheets and proven discipline

KNRC and ASBL are our top picks in the sector. We like KNR owing to its net cash balance sheet on account of the already monetized HAM projects, superior focus on working capital management over growth, and superior execution capabilities. ASBL's improved working capital management, debt reduction in FY20, and the ability to execute projects in a timely manner are key positives.

Exhibit 1: Summary of expected quarterly performance

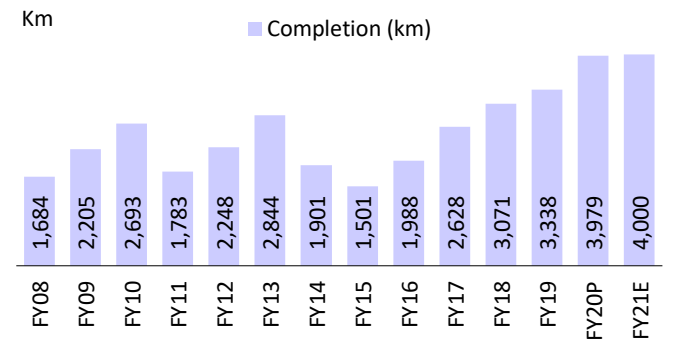
Sector	CMP		SALES (INR M)			EBDITA (INR M)			NET PROFIT (INR M)		
	(INR)	RECO	Dec-20	Var % YoY	Var % QoQ	Dec-20	Var % YoY	Var % QoQ	Dec-20	Var % YoY	Var % QoQ
Ashoka Buildcon	93	Buy	10,000	1.7	14.0	1,200	-3.5	-8.4	718	-16.1	-31.4
IRB Infra	119	Neutral	13,199	-24.3	17.5	6,779	-5.0	22.1	983	-38.5	LP
KNR Constructions	328	Buy	6,500	16.5	8.1	1,235	-0.7	-0.4	648	38.0	10.1
Infrastructure			**29,699**	**-9.6**	**14.1**	**9,214**	**-4.3**	**13.8**	**2,349**	**-19.6**	**63.2**

Exhibit 2: NHAI awarding trend



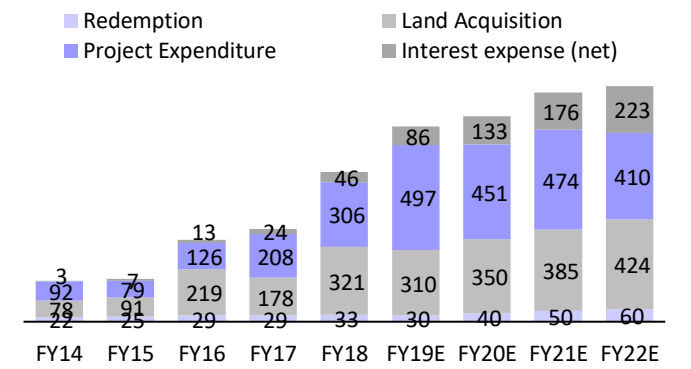
Source: NHAI, MOFSL

Exhibit 3: Expect road construction to be muted in FY21E



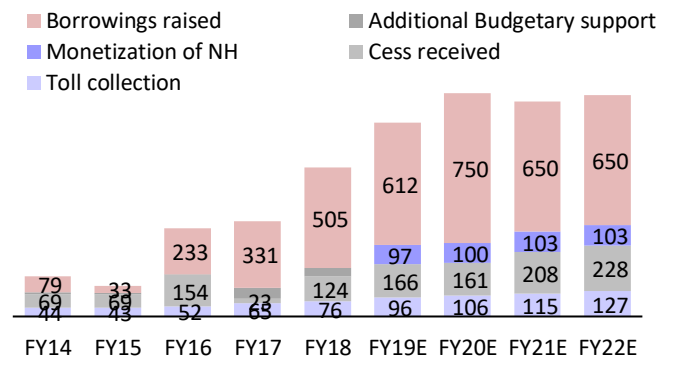
Source: NHAI, MOFSL

Exhibit 4: NHAI financials – Application of funds (INR b)



Source: NHAI, MOFSL estimates from FY19 onwards

Exhibit 5: NHAI financials – Sources of funds (INR b)



Source: NHAI, MOFSL estimates from FY19 onwards

Exhibit 6: Comparative valuation

Company Name	CMP (INR)	Reco	EPS (INR)			PE (x)			PB (x)			ROE (%)		
			FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Infrastructure						**15.5**	**12.9**	**9.9**	**1.0**	**0.9**	**0.9**	**6.4**	**7.2**	**8.6**
Ashoka Buildcon	93	Buy	12.2	11.1	12.7	7.6	8.4	7.3	0.9	0.8	0.7	12.4	10.0	10.4
IRB Infra	119	Neutral	4.2	6.2	10.8	28.1	19.1	11.0	0.6	0.6	0.6	2.2	3.2	5.4
KNR Constructions	328	Buy	17.4	25.0	29.7	18.8	13.1	11.0	2.5	2.1	1.8	14.1	17.5	17.6

The tables below provide a snapshot of actual and estimated numbers for companies under the MOFSL coverage universe. Highlighted columns indicate the quarter/financial year under review.

Ashoka Buildcon — Buy

CMP: INR90 | TP: INR125 (+38%) — **EPS CHANGE (%): FY21|22: -|-**

- Revenue expected to remain flat YoY at INR10b.
- Adjusted PAT to decline by 16% YoY partly due to lower other income.
- EBITDA to remain flat YoY with a 60bp decline in margin.
- Watch out for commentary on new order inflows, ramp-up of construction activity, and asset monetization.

Quarterly performance (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	**8,768**	**8,223**	**9,836**	**12,548**	**5,724**	**8,775**	**10,000**	**13,290**	**39,374**	**37,789**
YoY Change (%)	30.4	7.6	-7.7	-4.0	-34.7	6.7	1.7	5.9	3.4	-4.0
EBITDA	**1,095**	**1,229**	**1,243**	**2,289**	**819**	**1,309**	**1,200**	**1,609**	**5,856**	**4,936**
Margin (%)	12.5	14.9	12.6	18.2	14.3	14.9	12.0	12.1	14.9	13.1
Depreciation	266	271	283	290	223	218	220	248	1,111	908
Interest	214	231	200	209	166	197	220	246	855	829
Other Income	342	392	369	346	483	498	200	209	1,449	1,391
PBT	**957**	**1,118**	**1,129**	**2,136**	**913**	**1,393**	**960**	**1,324**	**5,340**	**4,590**
Tax	310	391	274	493	222	346	242	345	1,468	1,155
Rate (%)	32.4	35.0	24.2	23.1	24.4	24.8	25.2	26.0	27.5	25.2
Reported PAT	**647**	**727**	**855**	**1,642**	**691**	**1,047**	**718**	**979**	**3,871**	**3,435**
Adjusted PAT	**647**	**727**	**855**	**1,642**	**691**	**1,047**	**718**	**979**	**3,871**	**3,435**
YoY Change (%)	22.8	17.1	-16.1	56.0	6.8	44.0	-16.1	-40.4	20.2	-11.3
Margin (%)	7.4	8.8	8.7	13.1	12.1	11.9	7.2	7.4	9.8	9.1

IRB — Neutral

CMP: INR110 | TP: INR113 (+3%) — **EPS CHANGE (%): FY21|22: -|-**

- Revenue: Construction (-39% YoY)/BOT (+31% YoY).
- Operating margin to increase on account of favorable sales mix.
- Order book to deplete further, leading to construction revenue declining in FY21E.
- Watch out for any possible reimbursement of lost toll revenue and new order wins on a BOT basis.

Quarterly performance (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**17,730**	**17,521**	**17,426**	**15,845**	**10,223**	**11,233**	**13,199**	**12,845**	**68,522**	**47,500**
YoY Change (%)	15.3	22.3	-2.6	-18.7	-42.3	-35.9	-24.3	-18.9	2.2	-30.7
EBITDA	**8,554**	**7,474**	**7,137**	**6,549**	**4,776**	**5,550**	**6,779**	**6,463**	**29,714**	**23,568**
Margin (%)	48.2	42.7	41.0	41.3	46.7	49.4	51.4	50.3	43.4	49.6
Depreciation	1,535	1,139	955	1,054	844	1,285	1,600	1,708	4,683	5,437
Interest	3,628	3,813	4,099	4,104	3,656	4,350	4,200	3,951	15,644	16,156
Other Income	481	490	475	504	512	455	500	650	1,950	2,117
Extra-Ordinary expense	0	0	0	574	0	0	0	0	574	0
PBT	**3,872**	**3,012**	**2,558**	**1,895**	**788**	**370**	**1,479**	**1,455**	**11,337**	**4,091**
Tax	1,805	1,010	961	767	331	150	346	380	4,544	1,207
Rate (%)	46.6	33.5	37.6	40.5	42.0	40.5	23.4	26.1	40.1	29.5
Share of profit in Associates	0	0	0	-158	-759	-417	-150	-75	-158	-1,400
Reported PAT	**2,066**	**2,002**	**1,597**	**1,543**	**-301**	**-197**	**983**	**999**	**7,209**	**1,484**
Adjusted PAT	**2,066**	**2,002**	**1,597**	**969**	**-301**	**-197**	**983**	**999**	**6,635**	**1,484**
YoY Change (%)	-17.4	15.7	-27.0	-53.4	-114.6	-109.8	-38.5	3.1	-21.9	-77.6
Margin (%)	11.7	11.4	9.2	6.1	-2.9	-1.8	7.4	7.8	9.7	3.1

KNR Constructions

Buy

CMP: INR326 | TP: INR390 (+20%)

EPS CHANGE (%): FY21|22: -|-

- Revenue is expected to come in at INR6.5b, up 17% YoY.
- Adjusted PAT expected at INR648m (+38% YoY) owing to lower depreciation, interest and tax rate.
- Expect flat operating profit YoY. Operating margin to decline 330bp YoY owing to adverse revenue mix.
- Watch out for receivable position from ongoing irrigation projects.

Quarterly performance (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	**4,646**	**5,232**	**5,579**	**6,756**	**4,794**	**6,012**	**6,500**	**7,694**	**22,212**	**25,000**
YoY Change (%)	-13.9	25.7	24.3	-5.6	3.2	14.9	16.5	13.9	4.8	12.5
Total Expenditure	3,746	4,154	4,335	5,287	3,850	4,772	5,265	6,238	17,522	20,125
EBITDA	**900**	**1,078**	**1,244**	**1,469**	**943**	**1,240**	**1,235**	**1,456**	**4,691**	**4,875**
Margin (%)	19.4	20.6	22.3	21.7	19.7	20.6	19.0	18.9	21.1	19.5
Depreciation	389	475	517	538	331	352	380	434	1,918	1,497
Interest	90	98	142	145	102	158	80	35	474	375
Other Income	168	36	70	73	61	76	100	113	346	350
Extra-Ordinary expense	0	280	-67	0	0	-90	0	0	213	-90
PBT	**589**	**541**	**655**	**859**	**571**	**807**	**875**	**1,100**	**2,644**	**3,353**
Tax	112	120	186	187	173	218	228	286	605	905
Rate (%)	19.0	22.1	28.4	21.8	30.3	27.1	26.0	26.0	22.9	27.0
Reported PAT	**477**	**701**	**402**	**672**	**398**	**498**	**648**	**814**	**2,252**	**2,358**
Adjusted PAT	**477**	**421**	**469**	**672**	**398**	**588**	**648**	**814**	**2,039**	**2,448**
YoY Change (%)	-16.6	-6.5	-10.0	-29.0	-16.6	39.7	38.0	21.1	-18.3	20.0
Margin (%)	10.3	8.0	8.4	9.9	8.3	9.8	10.0	10.6	9.2	9.8

Media

Company name
PVR
Sun TV
Zee Entertainment

Festive season to fuel expectations

Ad revenues to rise, driven by festive season

Ad revenues are expected to post growth for 3QFY21, led by the festive season, heavy traction in IPL, increasing economic activity, and the revival of consumer spending. Most of the major categories – such as FMCG, Consumer Durables, Auto, E-Commerce, and BFSI – have seen healthy sales and spend toward marketing and branding during the festival period. We expect ad revenues for our media companies to largely recover, with an 11% revenue drop YoY. ZEEL/SUNTV should see a 5%/5% YoY decrease in ad revenues. Other media channels such as radio and print are expected to have longer recovery times and may take some more months to stabilize.

Subscription revenue to be steady

Most of the channels have gradually begun production and airing their daily soaps, leading to the return of subscribers. Subscription revenues are expected to grow 11% YoY as entertainment from home continues with the airing of new shows. ZEEL is expected to report 14% YoY growth in subscription revenues, driven by increased viewership. SUNTV's subscription revenues are expected to grow 7% YoY, driven by rising digitization benefits from cable TV in the southern states in India.

Profitability to be impacted due to loss of revenues

Overall, we expect broadcasters to post decent performances YoY as ad revenues have seen an uptick sequentially, driven by rising economic sentiment. ZEEL is expected to post flattish YoY revenue (2% drop YoY) due to a drop in revenues from the Sales & Services segment; SUNTV's revenues are expected to grow 19% YoY. Production cost is expected to increase QoQ, offsetting any savings from the previous quarters. ZEEL's EBITDA should plunge 10% YoY, with margins of 25.5%; SUNTV is expected to post 8% YoY growth in EBITDA, with margins of 63.4%. Subsequently, ZEEL is expected to shed -11% YoY, while SUNTV's PAT would grow 7% YoY.

PVR to face quarter of muted business: Cinemas were allowed to operate from mid-October'20 and yet just 75–80% of PVR screens have reopened. Although there was some excitement around the festive season in some regions, footfall and occupancies remain low for exhibitors – due to the lack of new movies and COVID-19 concerns deterring consumers from flocking to cinema halls. Just two major movie (Hollywood) launches were seen in 3QFY21, which led to lower footfall. We expect PVR to post sales of INR1.2b (87% lower YoY), with EBITDA / net loss of INR0.5b/INR1b.

Exhibit 1: Expected quarterly performance summary (INR m)

Sector	CMP		Sales (INR m)			EBITDA (INR m)			Net Profit (INR m)		
	(INR)	RECO	Dec'20	Var % YoY	Var % QoQ	Dec'20	Var % YoY	Var % QoQ	Dec'20	Var % YoY	Var % QoQ
PVR	1342	Buy	1,234	-86.5	183.2	-539	PL	Loss	-967	PL	Loss
Sun TV	479	Buy	9,888	21.3	30.8	6,267	8.0	24.8	4,010	7.4	15.9
Zee Entertainment	225	Neutral	20,060	-2.1	16.4	5,121	-9.5	63.3	3,473	-10.7	106.4
Media			**31,182**	**-17.5**	**23.6**	**10,848**	**-18.2**	**47.7**	**6,516**	**-21.8**	**63.6**

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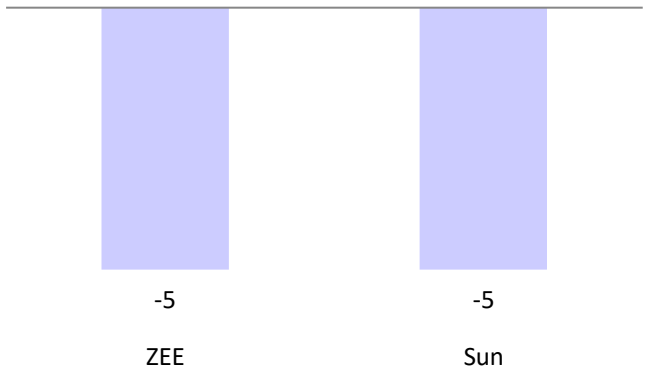
Exhibit 1: Media coverage – quarterly snapshot

	FY19				FY20				FY21			YoY (%)	QoQ (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q		
Advertisement Revenue (INR b)													
ZEE Ent.	4.2	8.8	4.2	8.8	4.2	8.8	4.2	8.8	4.2	9.0	11.7	-5	30
SUN TV	3.6	3.4	3.8	3.4	3.7	3.4	3.4	2.9	1.2	2.4	3.2	-5	35
PVR	0.7	0.8	1.1	0.9	0.9	0.9	1.2	0.7	0.0	0.0	0.1	-89	NM
Aggregate MOFSL Universe	**15.8**	**16.3**	**19.6**	**16.5**	**16.5**	**16.6**	**16.9**	**14.0**	**5.4**	**11.4**	**15.1**	**-11**	**32**
Growth (YoY %)	**18%**	**18%**	**20%**	**13%**	**4%**	**1%**	**-13%**	**-15%**	**-67%**	**-31%**	**-11%**		
Total Revenue (INR b)													
ZEE Ent	17.7	19.8	21.7	20.2	20.1	21.2	20.5	19.5	13.1	17.2	20.1	-2	16
SUN TV	42.5	10.9	32.4	24.0	-1.7	3.3	-9.9	-17.3	6.1	7.6	9.9	21	31
PVR	9.4	27.6	51.3	43.2	26.4	37.3	8.6	-23.0	0.0	0.4	1.2	-87	NM
Aggregate MOFSL Universe	**35.9**	**34.3**	**39.1**	**37.5**	**39.9**	**38.7**	**37.8**	**33.3**	**19.2**	**25.2**	**31.2**	**-17**	**24**
Growth (YoY %)	**21%**	**22%**	**27%**	**24%**	**11%**	**13%**	**-3%**	**-11%**	**-52%**	**-35%**	**-17%**		
EBITDA (INR b)													
ZEE Ent.	5.7	6.8	7.5	5.7	6.6	6.9	5.7	-2.8	2.2	3.1	5.1	-9	63
SUN TV	7.3	5.5	6.7	6.1	6.8	4.7	5.8	5.0	4.2	5.0	6.3	8	25
PVR	1.4	1.2	1.6	1.6	1.6	1.9	1.8	0.4	-1.2	-0.8	-0.5	-130	-34
Aggregate MOFSL Universe	**14.4**	**13.5**	**15.9**	**13.4**	**15.0**	**13.6**	**13.3**	**2.6**	**5.1**	**7.3**	**10.9**	**-18**	**48**
Growth (YoY %)	**38%**	**26%**	**33%**	**19%**	**4%**	**0%**	**-16%**	**-80%**	**-66%**	**-46%**	**-18%**		
EBITDA Margin (%)													
ZEE Ent.	31.9	34.2	34.8	28.1	32.9	32.7	27.6	-14.5	16.8	18.2	25.5	-210bps	730bps
SUN TV	65.6	73.9	73.8	68.4	62.0	60.6	71.2	68.5	52.1	66.4	63.4	-780bps	-300bps
PVR	19.7	17.5	19.5	19.2	18.0	20.0	19.7	6.6	NM	NM	NM	NM	NM
Margins MOFSL Universe	**40.1**	**39.4**	**40.5**	**35.7**	**37.6**	**35.0**	**35.1**	**7.9**	**16.7**	**29.1**	**34.8**	**-30bps**	**570bps**
Growth (YoY, bp)	**480**	**111**	**192**	**-139**	**-243**	**-437**	**-542**	**-2,783**	**-2,089**	**-592**	**-30**		
PAT (INR b)													
ZEE Ent.	3.5	4.1	5.2	3.0	4.6	5.6	3.9	-4.7	1.4	1.7	3.5	-11	106
SUN TV	4.1	3.5	3.5	2.8	3.8	3.7	3.7	2.5	1.9	3.5	4.0	7	16
PVR	0.5	0.3	0.5	0.5	0.6	0.8	0.7	-0.4	-2.0	-1.2	-1.0	-236	-17
Aggregate MOFSL Universe	**8.1**	**7.9**	**9.3**	**6.3**	**9.0**	**10.0**	**8.3**	**-2.6**	**1.3**	**4.0**	**6.5**	**-22**	**64**
Growth (YoY %)	**35%**	**-2%**	**30%**	**42%**	**12%**	**27%**	**-10%**	**-141%**	**-85%**	**-60%**	**-22%**		

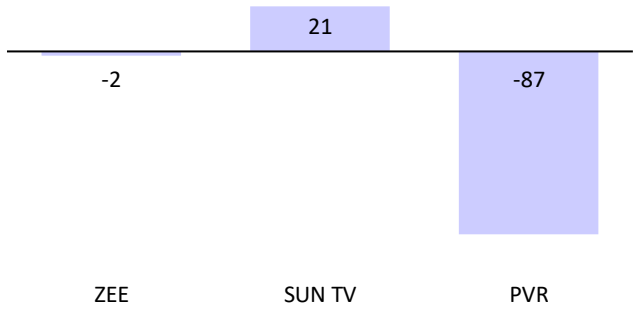
Source: Company, MOFSL

Exhibit 2: 3QFY21E ad revenue growth (YoY, %)



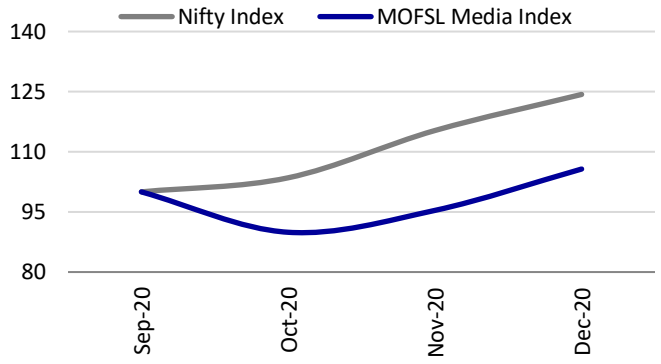
Source: Company, MOFSL

Exhibit 3: 3QFY21E total revenue growth (YoY, %)



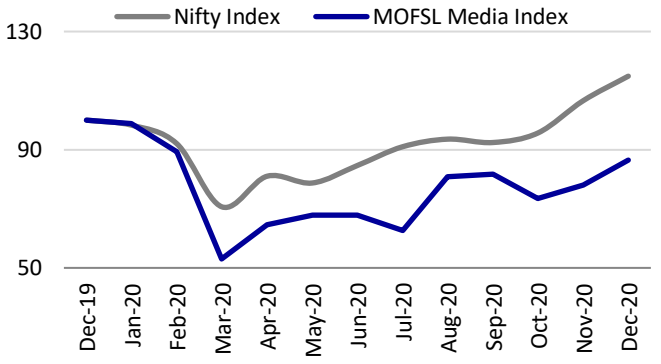
Source: Company, MOFSL

Exhibit 4: Relative performance – three months (%)



Source: Bloomberg, MOFSL

Exhibit 5: Relative performance – one year (%)



Source: Bloomberg, MOFSL

Exhibit 6: Comparative valuation

	CMP		EPS (INR)			PE (x)			PB (x)			RoE (%)		
Company Name	**INR**	**Reco**	**FY21E**	**FY22E**	**FY23E**	**FY21E**	**FY22E**	**FY23E**	**FY21E**	**FY22E**	**FY23E**	**FY21E**	**FY22E**	**FY23E**
Media						**23.9**	**14.9**	**11.8**	**2.7**	**2.5**	**2.2**	**11.5**	**16.8**	**18.8**
PVR	1,342	Buy	-71.1	21.0	39.1	-18.9	63.9	34.3	5.3	4.9	4.3	-27.4	8.0	13.4
Sun TV	479	Buy	35.5	41.1	40.5	13.5	11.6	11.8	3.2	3.0	2.8	24.3	26.4	24.2
Zee Entertainment	225	Neutral	8.0	14.7	22.5	28.3	15.3	10.0	2.2	2.0	1.7	10.0	13.7	18.4

PVR — Buy

CMP: INR1,342 | TP: INR1,569 (+17%) — **EPS CHANGE (%): FY21|22: NM|NM**

- Theatres start reopening slowly
- Rent cost exemption to be favorable
- Costs to increase post reopening
- Movies remain muted in the near term

Quarterly Performance (INR m)

Y/E March	FY20				FY21			
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE
Net Sales	**8,804**	**9,732**	**9,157**	**6,451**	**43**	**436**	**1,234**	**3,236**
YoY Change (%)	26.4	37.3	**8.6**	-23.0	-99.5	-95.5	-86.5	-49.8
Total Expenditure	7,217	7,788	**7,355**	6,023	1,286	1,246	1,771	2,457
EBITDA	**1,587**	**1,944**	**1,802**	**428**	**-1,243**	**-810**	**-537**	**779**
YoY Change (%)	15.6	56.8	**9.7**	-73.4	-178.4	-141.7	-129.8	82.1
Depreciation	549	598	**563**	614	603	583	608	638
Interest	414	390	**392**	325	353	351	355	360
Other Income	68	62	**82**	167	83	0	47	59
PBT before EO expense	**691**	**1,018**	**929**	**-344**	**-2,116**	**-1,744**	**-1,452**	**-160**
Extra-Ord expense	1	2	**2**	1	2	4	0	0
PBT	**690**	**1,016**	**928**	**-345**	**-2,118**	**-1,749**	**-1,452**	**-160**
Tax	104	258	**221**	44	(707)	(587)	(487)	458
Rate (%)	15.1	25.4	**23.8**	-12.8	33.4	33.6	33.5	-286.5
MI & Profit/Loss of Asso. Cos.	0	2	**1**	1	1	1	0	0
Reported PAT	**586**	**760**	**708**	**-388**	**-1,410**	**-1,161**	**-966**	**-618**
Adj PAT	**586**	**760**	**708**	**-346**	**-1,410**	**-1,161**	**-966**	**-618**
YoY Change (%)	12.0	130.2	**36.7**	-174.0	-340.6	-252.7	-236.5	78.7

E: MOFSL Estimates

Sun TV — Buy

CMP: INR479 | TP: INR550 (+15%) — **EPS CHANGE (%): FY21|22: 0|0**

- Ad revenues improve QoQ
- Loss of revenue from IPL
- Subscription revenues on a steady path
- Recovery in viewership across channels

Standalone – Quarterly Perf. (INR m)

Y/E March	FY20				FY21			
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE
Revenue	**10,804**	**7,739**	**8,150**	**7,352**	**6,061**	**7,562**	**9,888**	**8,499**
YoY Change (%)	-3.6	3.3	-9.9	-17.3	-43.9	-2.3	21.3	15.6
Total Expenditure	3,975	3,052	2,346	2,317	1,896	2,541	3,620	2,528
EBITDA	**6,829**	**4,687**	**5,804**	**5,035**	**4,165**	**5,020**	**6,267**	**5,971**
YoY Change (%)	-7.1	-15.4	-13.0	-17.2	-39.0	7.1	8.0	18.6
Depreciation	1,585	1,444	1,436	2,328	1,455	913	1,207	1,313
Interest	21	20	19	19	18	16	19	25
Other Income	567	721	636	570	1,086	516	317	301
PBT	**5,791**	**3,945**	**4,985**	**3,259**	**3,779**	**4,607**	**5,358**	**4,934**
Tax	1,972	280	1,250	759	951	1,148	1,348	1,241
Rate (%)	34.1	7.1	25.1	23.3	25.2	24.9	25.2	25.2
Reported PAT	**3,819**	**3,665**	**3,735**	**2,500**	**2,828**	**3,459**	**4,010**	**3,692**
YoY Change (%)	-6.7	4.3	6.3	-11.7	-25.9	-5.6	7.4	47.7

E: MOFSL Estimates

ZEE Entertainment — Neutral

CMP: INR225 | TP: INR225 (0%) — **EPS CHANGE (%): FY21|22: 0|0**

- Ad revenues to fall 5% YoY
- Subscription revenue to grow 14% YoY
- New show productions to attract advertisers
- Healthy viewership across channels

Consolidated - Quarterly Earnings Model (INR m)

Y/E March	FY20				FY21E			
	1Q	2Q	3Q	4QE	1Q	2Q	3QE	4QE
Revenue	**20,081**	**21,220**	**20,487**	**19,511**	**13,120**	**17,227**	**20,060**	**20,848**
YoY Change (%)	13.3	7.4	-5.5	-3.4	-34.7	-18.8	-2.1	6.9
Total Expenditure	13,484	14,291	14,829	22,349	10,921	14,090	14,939	16,243
EBITDA	**6,598**	**6,929**	**5,658**	**-2,839**	**2,199**	**3,137**	**5,121**	**4,605**
EBITDA Margin (%)	32.9%	32.7%	27.6%	-14.5%	16.8%	18.2%	25.5%	22.1%
Depreciation	690	583	656	778	719	651	684	682
Interest	205	180	200	864	45	13	120	303
Other Income	1,039	681	710	407	264	379	325	332
Fair Value through P&L gain/(loss)	679	-88	-401	-2,787	-1,123	-207	0	0
PBT before EO expense	**7,420**	**6,760**	**5,110**	**-6,860**	**576**	**2,644**	**4,641**	**3,952**
Extra-Ord expense	0	1,706	0	1,137	0	970	0	0
PBT	**7,420**	**5,054**	**5,110**	**-7,997**	**576**	**1,674**	**4,641**	**3,952**
Tax	2,146	921	1,622	-372	284	740	1,168	995
Rate (%)	28.9	18.2	31.7	4.7	49.2	44.2	25.2	25.2
MI & P/L of Asso. Cos.	-31	1	-6	42	-11	-7	-6	42
Reported PAT	**5,306**	**4,132**	**3,494**	**-7,667**	**304**	**942**	**3,479**	**2,916**
Adj PAT	**4,596**	**5,616**	**3,889**	**-4,671**	**1,416**	**1,683**	**3,473**	**2,957**
YoY Change (%)	32.2	37.4	-25.9	-257.4	-69.2	-70.0	-10.7	-163.3

E: MOFSL Estimates

Metals

Company
Hindalco Industries
Hindustan Zinc
Jindal Steel & Power
JSW Steel
National Aluminum Co
NMDC
Steel Authority of India
Tata Steel
Vedanta

A blockbuster quarter

Our top picks: HNDL and JSP

Strong pricing trends to boost earnings

With global economies rebounding from the COVID-19 pandemic, demand for metals improved significantly. This, coupled with a raw material shortage, has pushed metal prices higher. In 3QFY21, average aluminum/zinc prices rose ~13% QoQ each, whereas Indian steel prices rose ~19% QoQ. We expect domestic steel consumption to rise ~7% YoY in 3QFY21. Steel volume for our coverage universe is seen declining 5%/1% QoQ/YoY due to inventory liquidations in the base quarters.

Improved domestic demand and higher regional steel prices led domestic mills to raise HRC and rebar prices. Domestic steel producers raised HRC/rebar prices by INR13,000/t (cumulative) during the quarter. On an average, HRC/rebar prices (ex-Mumbai) were 19% higher QoQ at ~INR46,500/44,000 per tonne. With improved domestic prices and product mix, we expect blended realizations for steel companies to improve by ~INR5,000-6,000/t QoQ in 3QFY21.

Revenue for steel companies under our coverage (TATA, JSTL, SAIL and JSP) is expected to improve 8% QoQ (12% YoY) to INR885b due to higher realizations. On the cost front, while coking coal prices remain subdued, iron ore prices increased sharply. NMDC raised prices for iron ore fines by INR1,700/t (cumulative) to INR4,600/t. The same averaged ~INR1,100/t higher QoQ. Coking coal prices averaged 5% lower QoQ at USD119/t. We expect margins for SAIL and TATA to increase by a higher amount given their integrated operations. We expect EBITDA/t for TATA/SAIL/JSP/JSTL to increase by INR4,976/INR5,536/INR3,805/INR2,987. We expect EBITDA for steel companies to increase 41% QoQ to INR212b. For NMDC, we expect EBITDA to rise 180% QoQ to INR29b on the back of higher realization (INR4,949/t, +47% QoQ) and higher volumes (9.4mt, +43% QoQ).

Recovery in LME prices to improve profitability in the Non-Ferrous segment

Strong recovery in LME base metals seen in 2QFY21 continued in 3Q. On an average, aluminum prices were higher by 13% QoQ to USD1,920/t, zinc by 13% QoQ to USD2,633/t, lead by 1% QoQ to USD1,903/t, and copper by 9% QoQ to USD7,108/t. Silver prices increased by 1% QoQ to INR62,400/kg. INR appreciated ~1% against the USD, which should marginally offset the rise in LME prices.

We expect EBITDA for HNDL's India operations to increase 19% QoQ to INR15.2b on the back of higher LME prices. We expect adjusted EBITDA from Novelis' operations (including Aleris) to remain strong at USD442m (down 3% QoQ) due to seasonally lower volumes (902kt, down 2% QOQ). We expect EBITDA for HZ to increase by 4% QoQ to INR30.7b (34% YoY) due to improved LME prices, higher metal volumes, and silver prices. However, the same should get be partially offset by an expected decline in silver volumes. VEDL's EBITDA (ex-HZ) is expected to improve by 19% QoQ

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to INR42.7b on the back of an improvement in EBITDA from aluminum, steel, and oil and gas segments.

Top picks – HNDL and JSP

We continue to prefer structurally efficient companies like HNDL given: a) its low capital and operating costs, b) ~75% margin accrues from non-LME linked operations, and c) its strong balance sheet. Our top pick is HNDL. In the Ferrous space, JSP remains our top pick on strong volume growth, margins and deleveraging.

Exhibit 1: Expected quarterly performance summary

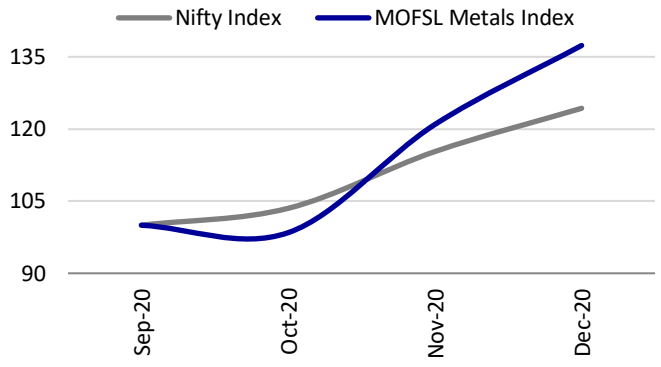
Company	CMP		Sales (INR m)			EBDITA (INR m)			Net Profit (INR m)		
	(INR)	Rating	Dec'20	YoY (%)	QoQ (%)	Dec'20	YoY (%)	QoQ (%)	Dec'20	YoY (%)	QoQ (%)
Hindalco	238	Buy	3,41,006	15.4	7.1	45,989	33.5	2.9	14,353	64.1	4.7
Hindustan Zinc	239	Neutral	57,746	23.6	2.0	30,729	34.2	4.1	20,758	28.1	7.0
JSPL	270	Buy	1,00,250	7.8	11.6	35,172	93.3	25.2	12,940	LP	56.7
JSW Steel	390	Buy	2,03,266	14.2	6.8	52,938	140.5	24.5	22,451	9,481.1	50.5
Nalco	44	Buy	22,813	9.2	-3.9	4,062	1,082.8	47.2	1,974	LP	83.7
NMDC	116	Buy	46,718	55.4	109.5	28,874	76.8	180.3	21,587	52.2	178.8
SAIL	75	Neutral	2,04,237	23.5	20.7	44,414	345.2	133.7	19,952	LP	698.1
Tata Steel	643	Neutral	3,77,012	6.1	1.5	79,308	119.1	29.8	31,244	LP	107.9
Vedanta	160	Neutral	2,23,369	11.2	5.8	73,465	40.3	12.5	25,170	102.7	0.3
Metals			**1576,416**	**13.8**	**8.5**	**3,94,952**	**85.6**	**30.2**	**1,70,430**	**349.7**	**58.2**

Exhibit 2: Key assumptions for Steel companies

Key assumptions	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21E	QoQ	YoY
JSW Steel									
Sales - mt	3.75	3.6	4.03	3.7	2.79	4.12	3.86	-6%	-4%
Realization/t	47,195	41,817	38,504	41,289	36,892	40,769	46,269	13%	20%
EBITDA/t	10,219	6,472	5,998	8,703	5,122	10,136	13,123	29%	119%
Tata Steel									
Standalone									
Sales - mt	3.01	2.97	3.43	2.91	2.11	3.59	3.20	-11%	-7%
Realization/t	53,513	50,038	44,522	48,837	44,344	45,577	51,615	13%	16%
EBITDA/t	13,159	11,703	11,020	12,538	5,940	12,882	17,858	39%	62%
Tata Steel BSL									
Sales - mt	0.86	1.04	1.25	0.98	0.69	1.28	1.05	-18%	-16%
Realization/t	50,381	43,710	40,176	43,609	38,862	43,120	48,563	13%	21%
EBITDA/t	9,000	4,988	2,194	7,908	2,190	8,643	11,788	36%	437%
Tata Steel Europe									
Sales - mt	2.26	2.29	2.35	2.39	1.94	2.26	2.23	-1%	-5%
EBITDA/t (USD)	4	10	-57	4	-43	-27	35	-226%	-161%
SAIL									
Sales - mt	3.25	3.15	4.09	3.74	2.24	4.21	4.42	5%	8%
Realization/t	45,614	44,878	40,443	43,194	40,534	40,237	46,237	15%	14%
EBITDA/t	4,869	3,684	2,439	5,218	-1,801	4,518	10,055	123%	312%
JSPL									
Sales- standalone	1.43	1.33	1.61	1.33	1.48	1.83	1.78	-3%	11%
Realization/t	47,453	46,077	39,048	42,514	38,209	39,966	44,880	12%	15%
EBITDA/t	11,245	9,437	8,398	11,746	11,525	13,247	17,052	29%	103%
JPL's Power volumes (MUs)	2,615	2,988	2,276	1,905	2,435	2,184	2,750	26%	21%

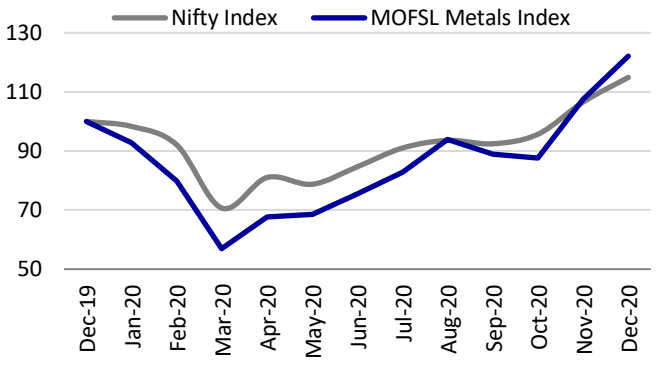
Source: MOFSL

Exhibit 3: Relative performance – three-months (%)



Source: Bloomberg, MOFSL

Exhibit 4: Relative performance – one-year (%)



Source: Bloomberg, MOFSL

Exhibit 5: Average aluminum prices for 3QFY21 (USD/t)

Quarter	Aluminum			Premium			Aluminum total price			Alumina		
	Avg.	QoQ	YoY	Avg.	QoQ	YoY	Avg.	QoQ	YoY	Avg.	QoQ	YoY
3QFY21	1,918	13%	9%	80	7%	7%	1,998	12%	9%	280	3%	0%
2QFY21	1,704	14%	-3%	75	1%	-28%	1,779	13%	-5%	273	13%	-9%
1QFY21	1,493	-12%	-17%	74	-8%	-24%	1,567	-12%	-17%	242	-15%	-34%
4QFY20	1,694	-3%	-9%	80	7%	-5%	1,774	-3%	-9%	286	1%	-27%
3QFY20	1,754	-1%	-11%	75	-16%	0%	1,829	-1%	-10%	282	-7%	-36%
2QFY20	1,765	-1%	-14%	89	-8%	7%	1,854	-2%	-13%	302	-18%	-44%
1QFY20	1,792	-4%	-21%	97	15%	-21%	1,889	-3%	-21%	369	-5%	-29%
4QFY19	1,861	-5%	-14%	84	12%	-22%	1,945	-5%	-14%	389	-12%	2%
3QFY19	1,967	-4%	-7%	75	-10%	-21%	2,042	-5%	-7%	441	-19%	-1%
2QFY19	2,056	-9%	2%	83	-33%	-9%	2,139	-10%	2%	544	4%	63%
1QFY19	2,254	4%	18%	123	14%	6%	2,377	5%	17%	523	36%	77%
4QFY18	2,159	3%	17%	108	14%	5%	2,267	3%	16%	383	-14%	13%
3QFY18	2,105	5%	23%	95	4%	29%	2,200	5%	23%	446	33%	46%
2QFY18	2,011	5%	24%	91	-22%	21%	2,103	4%	24%	335	13%	43%
1QFY18	1,910	3%	21%	117	13%	17%	2,027	4%	21%	295	-13%	17%
4QFY17	1,848	8%	22%	103	40%	-8%	1,950	9%	20%	340	12%	55%
3QFY17	1,711	6%	14%	73	-3%	-21%	1,784	5%	12%	305	30%	31%
2QFY17	1,621	3%	2%	76	-24%	-25%	1,696	1%	0%	235	-7%	-20%
1QFY17	1,572	4%	-11%	100	-10%	-50%	1,672	3%	-15%	253	15%	-25%
4QFY16	1,516	1%	-16%	111	20%	-70%	1,627	2%	-25%	219	-6%	-36%
3QFY16	1,500	-6%	-24%	93	-8%	-78%	1,592	-6%	-33%	233	-20%	-34%
2QFY16	1,592	-10%	-20%	100	-49%	-75%	1,693	-14%	-29%	292	-13%	-9%
1QFY16	1,767	-2%	-2%	198	-48%	-47%	1,965	-10%	-10%	337	-2%	6%

Source: MOFSL, Bloomberg

Exhibit 6: Average prices of other base metals in 3QFY21 (USD/t)

Quarter	Zinc			Copper			Lead			Silver (INR/kg)		
	Avg.	QoQ	YoY	Avg.	QoQ	YoY	Avg.	QoQ	YoY	Avg.	QoQ	YoY
3QFY21	2,632	13%	10%	7,181	10%	22%	1,903	1%	-7%	62,548	2%	39%
2QFY21	2,340	19%	0%	6,517	22%	12%	1,875	12%	-8%	61,473	34%	43%
1QFY21	1,968	-8%	-29%	5,339	-6%	-13%	1,670	-10%	-11%	45,823	3%	24%
4QFY20	2,131	-11%	-21%	5,657	-4%	-9%	1,851	-9%	-9%	44,584	-1%	14%
3QFY20	2,392	2%	-9%	5,874	1%	-4%	2,050	1%	4%	44,997	5%	20%
2QFY20	2,347	-15%	-8%	5,803	-5%	-5%	2,031	8%	-3%	42,960	16%	14%
1QFY20	2,761	2%	-11%	6,114	-2%	-11%	1,882	-8%	-21%	37,021	-5%	-6%
4QFY19	2,709	3%	-21%	6,215	1%	-11%	2,038	4%	-19%	39,018	4%	1%
3QFY19	2,627	3%	-19%	6,164	1%	-10%	1,967	-6%	-21%	37,465	0%	-3%
2QFY19	2,545	-18%	-14%	6,106	-11%	-4%	2,103	-12%	-10%	37,529	-5%	-3%
1QFY19	3,112	-9%	20%	6,868	-1%	21%	2,385	-5%	10%	39,423	2%	-1%
4QFY18	3,410	5%	23%	6,959	2%	20%	2,521	1%	11%	38,509	0%	-7%
3QFY18	3,235	9%	29%	6,819	7%	29%	2,491	7%	16%	38,571	0%	-7%
2QFY18	2,955	14%	31%	6,345	12%	33%	2,332	8%	25%	38,659	-3%	-16%
1QFY18	2,596	-6%	35%	5,662	0	20%	2,166	0	26%	39,766	-4%	0%
4QFY17	2,774	11%	65%	5,818	10%	24%	2,269	6%	30%	41,378	0%	16%
3QFY17	2,509	11%	55%	5,281	11%	8%	2,144	15%	27%	41,376	-10%	19%
2QFY17	2,251	17%	22%	4,769	1%	-9%	1,870	9%	9%	45,793	15%	32%
1QFY17	1,918	14%	-12%	4,735	0	-22%	1,720	0	-12%	39,661	11%	7%
4QFY16	1,682	4%	-19%	4,680	-4%	-20%	1,747	4%	-3%	35,608	2%	-4%
3QFY16	1,615	-13%	-28%	4,893	-7%	-26%	1,683	-2%	-16%	34,778	0%	-5%
2QFY16	1,847	-16%	-20%	5,263	-13%	-25%	1,715	-12%	-21%	34,690	-7%	-19%
1QFY16	2,187	5%	6%	6,052	0	-11%	1,944	0	-7%	37,177	0%	-11%

Source: MOFSL, Company

Exhibit 7: Valuation summary

	M-cap (USD m)	CMP (INR)	Rating	EPS		P/E (x)		EV/EBITDA (x)		P/B (x)	
				FY21E	FY22E	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Steel											
JSW Steel	13,086	395	Buy	26.3	45.4	15.0	8.7	8.9	5.9	2.2	1.8
Tata Steel	9,038	681	Neutral	46.9	82.9	14.5	8.2	6.6	5.9	1.1	1.0
JSPL	3,534	285	Buy	41.7	32.3	6.8	8.8	4.2	4.5	1.0	0.9
SAIL	4,399	78	Neutral	9.2	10.5	8.4	7.4	6.8	5.9	0.7	0.7
Non-Ferrous											
Vedanta	6,236	169	Neutral	22.5	23.8	7.5	7.1	5.6	4.8	1.2	1.1
Hindalco	7,046	250	Buy	21.2	30.2	11.8	8.3	6.7	5.3	1.4	1.2
Nalco	1,632	46	Buy	3.0	4.3	15.5	10.6	5.1	4.8	0.9	0.9
Mining											
Hindustan Zinc	13,849	254	Neutral	21.1	18.8	12.1	13.5	6.9	8.5	3.0	3.2
NMDC	6,515	121	Buy	19.5	20.7	6.2	5.8	4.1	3.7	1.2	1.0

Source: MOFSL

Exhibit 8: Comparative valuation

Company Name	CMP INR	Reco	EPS (INR)			PE (x)			PB (x)			RoE (%)		
			FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Metals						**10.3**	**7.9**	**8.6**	**1.3**	**1.1**	**1.1**	**12.4**	**14.5**	**12.2**
Hindalco	238	Buy	21.2	30.2	33.4	11.2	7.9	7.1	1.3	1.2	1.0	12.1	15.6	15.0
Hindustan Zinc	239	Neutral	18.3	25.5	24.1	13.1	9.4	9.9	3.1	2.9	2.7	21.4	32.0	27.9
JSPL	270	Buy	41.7	32.3	35.4	6.5	8.4	7.6	0.9	0.8	0.8	13.8	10.6	10.4
JSW Steel	390	Buy	26.3	45.4	28.7	14.8	8.6	13.6	2.2	1.8	1.6	16.0	22.9	12.4
Nalco	44	Buy	3.0	4.3	5.0	14.8	10.2	8.9	0.8	0.8	0.8	5.8	8.3	9.2
NMDC	116	Buy	19.5	20.7	15.4	6.0	5.6	7.5	1.1	1.0	0.9	20.1	18.7	12.6
SAIL	75	Neutral	9.2	10.5	8.1	8.1	7.1	9.2	0.7	0.6	0.6	8.8	9.1	6.6
Tata Steel	643	Neutral	46.9	82.9	83.0	13.7	7.8	7.8	1.0	0.9	0.8	7.8	12.6	11.4
Vedanta	160	Neutral	22.5	23.8	25.3	7.1	6.7	6.3	1.1	1.1	1.0	15.6	16.4	16.4

The tables below provides snapshot of actual and estimated numbers for companies under the MOFSL coverage universe. Highlighted columns indicate the quarter/financial year under review.

Hindalco Industries — Buy

CMP INR250 | TP: INR305 (+22%) — **EPS CHANGE (%): FY21|22:+4|+15**

- EBITDA to increase on improved LME aluminum prices, though the full benefit would not flow in due to 58% LME hedging at USD1,716/t.
- Copper volumes to remain low, thus impacting margin.
- Novelis' EBITDA to increase 29% YoY on higher volumes. Expect adjusted EBITDA/t of USD490, flattish QoQ.
- Watch out for Copper Tc/Rc margins in CY21.

Quarterly performance (standalone+Utkal)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Aluminum (sales, kt)	320	328	328	314	303	303	320	324	1,290	1,250
Copper (sales, kt)	82	82	84	86	58	75	70	74	334	277
Net Sales	**1,00,790**	**99,770**	**1,02,540**	**1,00,140**	**74,640**	**95,650**	**1,01,083**	**1,10,214**	**4,02,815**	**3,81,667**
EBITDA	**11,560**	**11,120**	**12,200**	**13,450**	**9,560**	**12,740**	**15,201**	**16,343**	**48,330**	**53,214**
Aluminum (incl. Utkal)	8,480	8,060	9,640	10,390	8,560	10,660	13,703	14,594	36,570	47,517
USD/t	379	349	413	457	372	469	574	598	399	505
Copper	3,080	3,060	2,560	3,060	1,000	2,080	1,498	1,749	11,760	5,697
Interest	4,710	4,790	4,780	4,380	4,570	3,890	4,190	4,140	18,660	16,790
Depreciation	5,000	5,010	5,110	5,230	5,140	5,060	5,143	5,114	20,350	20,458
Other Income	720	1,580	1,190	1,290	1,820	2,010	1,228	1,927	4,780	7,614
PBT (before EO item)	**2,570**	**2,900**	**3,500**	**5,130**	**1,670**	**5,800**	**7,095**	**9,015**	**14,100**	**23,581**
EO item	-220	-310	610	1,000	-390	-660			1,080	-1,050
PBT (after EO item)	**2,350**	**2,590**	**4,110**	**6,130**	**1,280**	**5,140**	**7,095**	**9,015**	**15,180**	**22,531**
Total Tax	940	830	1,490	2,340	440	1,890	2,342	2,975	5,600	7,647
% Tax	40.0	32.0	36.3	38.2	34.4	36.8	33.0	33.0	36.9	33.9
Reported PAT	**1,410**	**1,760**	**2,620**	**3,790**	**840**	**3,250**	**4,754**	**6,040**	**9,580**	**14,884**
Adjusted PAT	**1,696**	**1,914**	**2,310**	**3,386**	**1,096**	**3,828**	**4,754**	**6,040**	**9,306**	**15,718**
Novelis' shipments (kt)	**830**	**835**	**797**	**811**	**781**	**923**	**902**	**880**	**3,273**	**3,506**
Novelis adjusted EBITDA (USD m)	**368**	**378**	**343**	**354**	**253**	**455**	**442**	**426**	**1,443**	**1,570**

Hindustan Zinc — Neutral

CMP INR254 | TP: INR250 (-2%) — **EPS CHANGE (%): FY21|22: +10|+19**

- EBITDA to grow by 34% YoY on greater volumes and higher LME and silver prices.
- Refined metal production to increase ~9% QoQ to 234kt.
- Silver volumes to decline sequentially due to lower lead production. EBITDA to improve by 4% QoQ.

Quarterly performance (INR m)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Mine production. (kt)	213	219	235	249	202	238	245	259	916	945
Sales										
Zinc refined (kt)	168	168	172	173	163	181	184	190	680	718
Lead refined (kt)	48	44	42	48	45	57	50	58	181	210
Silver (tonne)	155	135	153	144	146	203	166	164	587	678
Zinc LME (USD/t)	2,761	2,347	2,392	2,131	1,968	2,340	2,630	2,750	2,408	2,422
Net Sales	**49,870**	**45,110**	**46,720**	**43,910**	**39,890**	**56,600**	**57,746**	**63,269**	**1,85,610**	**2,17,505**
Change (YoY %)	-6.1	-5.6	-15.7	-20.0	-20.0	25.5	23.6	44.1	-12.1	17.2
EBITDA	**24,770**	**21,170**	**22,890**	**19,640**	**15,760**	**29,520**	**30,729**	**34,438**	**88,470**	**1,10,447**
Change (YoY %)	-8.7	-9.3	-19.3	-29.6	-36.4	39.4	34.2	75.3	-17.1	24.8
Finance cost	290	250	420	160	520	680	1,306	1,306	1,120	3,813
DD&A	5,340	5,950	5,970	5,530	5,440	6,520	6,650	6,783	22,790	25,394
Other Income	4,290	5,900	4,450	4,700	6,840	3,900	4,012	4,197	19,340	18,949
PBT	**23,430**	**20,870**	**20,950**	**18,650**	**16,640**	**26,220**	**26,785**	**30,545**	**83,900**	**1,00,190**
Total Tax	5,780	60	4,750	5,260	3,050	6,820	6,027	6,873	15,850	22,769
% Tax	24.7	0.3	22.7	28.2	18.3	26.0	22.5	22.5	18.9	22.7
Reported PAT	**17,650**	**20,810**	**16,200**	**13,390**	**13,590**	**19,400**	**20,758**	**23,672**	**68,050**	**77,421**
Adjusted PAT	**17,650**	**20,810**	**16,200**	**13,390**	**13,590**	**19,400**	**20,758**	**23,672**	**68,050**	**77,421**
Change (YoY %)	-8.0	14.7	-26.7	-33.4	-23.0	-6.8	28.1	76.8	-14.5	13.8

Jindal Steel & Power — Buy

CMP INR284 | TP: INR375 (+32%) — **EPS CHANGE (%): FY21|22: +0|+0**

- Standalone sales volumes (excluding pig iron) to grow by 11% YoY, EBITDA by 25% QoQ.
- Standalone EBITDA/t to increase by 29% QoQ to INR17,052/t.
- Jindal Power's EBITDA to increase by 25% QoQ to INR5.2b on the back 48% QoQ higher Power generation.
- Consolidated EBITDA to increase by 25% QoQ to INR35.2b, the highest ever quarterly EBITDA.

Quarterly performance (consolidated) (INR m)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	**99,456**	**89,395**	**92,998**	**88,107**	**74,645**	**89,839**	**1,00,250**	**1,02,698**	**3,69,955**	**3,67,432**
Change (YoY %)	2.9	-10.4	-2.8	-13.3	-24.9	0.5	7.8	16.6	-6.0	-0.7
EBITDA	**21,731**	**16,415**	**18,195**	**22,198**	**20,819**	**28,104**	**35,172**	**43,726**	**78,539**	**1,27,820**
Change (YoY %)	-4.5	-25.6	-12.4	20.3	-4.2	71.2	93.3	97.0	-6.6	62.7
Interest	11,090	10,301	10,024	10,078	9,240	7,981	7,638	6,548	41,493	31,406
Depreciation	10,536	10,390	10,179	10,500	8,641	8,729	8,729	8,701	41,604	34,800
Other Income	8	8	0	246	31	224	0	0	262	255
PBT (before EO item)	**113**	**-4,266**	**-2,008**	**1,865**	**2,969**	**11,618**	**18,806**	**28,477**	**-4,296**	**61,870**
Extra-ordinary Income	0	0	0	1,838	1,203	171	0	0	1,838	1,373
PBT (after EO item)	**113**	**-4,266**	**-2,008**	**3,704**	**4,171**	**11,789**	**18,806**	**28,477**	**-2,458**	**63,243**
Total Tax	987	-273	178	647	1,262	2,756	5,266	7,734	1,539	17,017
Reported PAT	**-874**	**-3,993**	**-2,186**	**3,056**	**2,909**	**9,033**	**13,540**	**20,743**	**-3,997**	**46,226**
Adjusted PAT	**95**	**-3,005**	**-2,243**	**2,224**	**1,226**	**8,257**	**12,940**	**20,143**	**-5,580**	**42,566**

JSW Steel — Buy

CMP INR395 | TP: INR466 (+18%) — **EPS CHANGE (%): FY21|22: +10|+12**

- Standalone sales to decline by 4% YoY/6% QoQ to 3.86mt.
- Standalone EBITDA/t to increase 29% QoQ to INR13,123 on a 13% increase in realization/t to INR46,269.
- Consolidated EBITDA expected to increase 24% QoQ to INR53b; the highest ever quarterly EBITDA.

Quarterly performance (consolidated) (INR m)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	**1,98,120**	**1,71,060**	**1,78,050**	**1,78,870**	**1,17,820**	**1,90,360**	**2,03,266**	**2,30,576**	**7,26,100**	**7,42,022**
Change (YoY %)	-3.4	-20.6	-12.4	-20.0	-40.5	11.3	14.2	28.9	-14.3	2.2
EBITDA	**37,160**	**22,650**	**22,010**	**29,750**	**13,410**	**42,530**	**52,938**	**67,066**	**1,11,570**	**1,75,945**
Change (YoY %)	-27.2	-53.8	-51.1	-33.0	-63.9	87.8	140.5	125.4	-41.1	57.7
EBITDA (INR/t)	9,909	6,292	5,462	8,041	4,806	10,323	13,705	16,743	7,399	11,906
EBITDA (USD/t)	**142**	**89**	**77**	**111**	**64**	**139**	**184**	**225**	**104**	**160**
Interest	10,420	11,270	10,600	10,360	10,160	9,590	9,546	9,502	42,650	38,797
Depreciation	10,260	10,570	10,550	11,080	10,470	11,490	11,490	12,490	42,460	45,940
Other Income	1,410	1,560	1,270	1,220	1,320	1,520	1,468	1,404	5,460	5,712
PBT (before EO Item)	**17,890**	**2,370**	**2,130**	**9,530**	**-5,900**	**22,970**	**33,370**	**46,479**	**31,920**	**96,919**
EO Items		26,160	2,500	**-8,050**		1,610			20,610	1,610
PBT (after EO Item)	**17,890**	**28,530**	**4,630**	**1,480**	**-5,900**	**24,580**	**33,370**	**46,479**	**52,530**	**98,529**
Total Tax	7,620	3,020	2,490	-690	-610	9,100	10,979	15,236	12,440	34,705
% Tax	42.6	10.6	53.8	-46.6	10.3	37.0	32.9	32.8	23.7	35.2
Reported PAT	**10,270**	**25,510**	**2,140**	**2,170**	**-5,290**	**15,480**	**22,391**	**31,243**	**40,090**	**63,824**
MI (Profit)/Loss	200	240	240	430	210	-20	215	209	1,110	614
Share of P/(L) of Ass.	-190	-150	-270	-290	-530	470	-155	-126	-900	-341
Adjusted PAT	**10,280**	**809**	**234**	**10,360**	**-5,610**	**14,916**	**22,451**	**31,326**	**21,683**	**63,082**
Change (YoY %)	-57	-96	-99	-32	-155	1,744	9,481	202	-72	191

Nalco — Buy

CMP INR44 | TP: INR51 (+15%) — **EPS CHANGE (%): FY21|22: +67|+79**

- EBITDA to rise 47% QoQ on higher LME prices.
- Expect aluminum EBITDA of USD315/t in 3QFY21.

Quarterly performance (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Alumina production (kt)	583	477	516	585	466	487	516	585	2,161	2,054
CoP (USD/t)	*263*	*241*	*222*	*208*	*209*	*219*	*225*	*224*	*230*	*220*
Aluminium production (kt)	111	110	96	102	98	106	100	106	418	409
CoP (USD/t)	*2,017*	*2,164*	*2,145*	*1,864*	*1,613*	*1,787*	*1,811*	*1,838*	*2,053*	*1,774*
Aluminum Sales (kt)	103	110	96	82	73	123	100	106	391	401
Alumina Sales (kt)	231	386	374	412	235	285	327	384	1,403	1,231
Avg. LME aluminum prices (USD/t)	1,792	1,762	1,752	1,694	1,493	1,703	1,925	1,950	1,750	1,768
NSR premiums (USD/t)	257	212	207	211	207	212	215	215	222	212
Alumina NSR (USD/t)	369	298	273	279	246	286	293	303	305	282
Net Sales	**20,841**	**23,636**	**20,884**	**19,359**	**13,806**	**23,749**	**22,813**	**25,730**	**84,718**	**86,098**
Change (YoY %)	-29.9	-22.3	-23.2	-30.0	-33.8	0.5	9.2	32.9	-26.3	1.6
EBITDA	**2,144**	**322**	**343**	**2,084**	**1,291**	**2,759**	**4,062**	**4,839**	**4,892**	**12,950**
Alumina - EBITDA (USD/t)	106	57	51	72	36	68	68	79	68	66
Aluminum - EBITDA (USD/t)	62	-157	-148	-10	118	143	329	327	-66	232
As % of Net Sales	10.3	1.4	1.6	10.8	9.3	11.6	17.8	18.8	5.8	15.0
Interest	16	16	17	8	18	18	18	18	57	73
Depreciation	1,264	1,343	1,341	1,351	1,359	1,432	1,395	1,414	5,298	5,600
Other Income	614	566	482	1,064	333	242	386	532	2,726	1,492
PBT (before EO Item)	**1,477**	**-472**	**-532**	**1,789**	**247**	**1,550**	**3,034**	**3,939**	**2,262**	**8,770**
Extra-ordinary Income	0	0	0	0	0	0	0	0		
PBT (after EO Item)	**1,477**	**-472**	**-532**	**1,789**	**247**	**1,550**	**3,034**	**3,939**	**2,262**	**8,770**
Total Tax	499	-188	-193	762	80	476	1,060	1,376	880	2,993
% Tax	33.8	39.9	36.2	42.6	32.6	30.7	34.9	34.9	38.9	34.1
Reported PAT	**978**	**-284**	**-340**	**1,028**	**166**	**1,075**	**1,974**	**2,563**	**1,382**	**5,777**
Adjusted PAT	**978**	**-284**	**-340**	**1,028**	**166**	**1,075**	**1,974**	**2,563**	**1,382**	**5,777**

NMDC — Buy

CMP INR121 | TP: INR145 (+20%) — **EPS CHANGE (%): FY21|22: +18|+12**

- EBITDA expected to increase 180% QoQ (+77% YoY) to INR28.9b on higher volumes and strong pricing.
- Iron ore realization to increase by 47% QoQ to INR4,949/t due to sharp price hikes.
- Iron ore sales volumes to increase by 12% YoY to 9.4mt.
- Expect EBITDA/t of INR3,059/t, up 96% QoQ (+57% YoY).

Quarterly performance (INR m)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	**32,637**	**22,418**	**30,064**	**31,873**	**19,375**	**22,299**	**46,718**	**57,954**	**1,16,992**	**1,46,345**
EBITDA	**19,265**	**11,126**	**16,334**	**15,478**	**7,549**	**10,302**	**28,874**	**34,001**	**62,203**	**80,726**
Change (QoQ %)	30	-20	-28	-23	-61	-7	77	120	-13	30
EBITDA/t (INR)	**2,222**	**1,913**	**1,942**	**1,796**	**1,203**	**1,560**	**3,059**	**3,631**	**1,974**	**2,547**
Interest	117	97	98	-213	93	17	98	195	99	403
Depreciation	648	976	646	675	573	534	646	1,116	2,869	2,869
Other Income	1,228	1,275	1,302	1,333	717	884	1,041	999	5,138	3,642
PBT (before EO Item)	**19,728**	**11,329**	**16,892**	**16,350**	**7,600**	**10,634**	**29,172**	**33,689**	**64,373**	**81,095**
Extra-ordinary items	-596	-524	-419	-9,238	0	0	0	0	-10,778	0
PBT (after EO Item)	**19,132**	**10,805**	**16,473**	**7,112**	**7,600**	**10,634**	**29,172**	**33,689**	**53,596**	**81,095**
Total Tax	7,337	3,771	2,707	3,598	2,267	2,892	7,585	8,759	17,413	21,503
% Tax	38.4	34.9	16.4	50.6	29.8	27.2	26.0	26.0	32.5	26.5
Reported PAT	**11,794**	**7,034**	**13,766**	**3,514**	**5,333**	**7,742**	**21,587**	**24,930**	**36,183**	**59,592**
Adjusted PAT	**12,390**	**7,558**	**14,185**	**12,752**	**5,333**	**7,742**	**21,587**	**24,930**	**46,886**	**59,592**

SAIL — Neutral

CMP INR79 | TP: INR81 (+3%) — **EPS CHANGE (%): FY20|21: +188|+66**

- Expect highest quarterly EBITDA in a decade of INR44.4b. EBITDA/t expected at INR10,055/t, 1.2x QoQ.
- Expect volumes to rise 8% YoY to 4.4mt.
- Realization/t to improve 15% QoQ to INR46,237/t on higher prices and improved product mix.
- Watch out for debt-reduction guidance.

Quarterly performance (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Sales (mt)	3.2	3.1	4.1	3.7	2.2	4.2	4.4	4.1	14.2	15.0
Change (YoY %)	-0.7	-9.4	26.4	-9.4	-31.1	33.6	8.0	10.0	0.8	5.3
Realization (INR/t)	45,614	44,878	40,443	43,194	40,534	40,237	46,237	50,237	43,328	44,800
Change (YoY %)	-6.2	-6.7	-17.3	-3.6	-11.1	-10.3	14.3	16.3	-8.7	*3.4*
Net Sales	**1,48,200**	**1,41,274**	**1,65,413**	**1,61,718**	**90,675**	**1,69,236**	**2,04,237**	**2,06,895**	**6,16,606**	**6,71,044**
Change (%)	-6.8	-15.5	4.5	-12.6	-38.8	19.8	23.5	27.9	-7.9	8.8
NSR to RM Spread (INR/t)	24,841	24,712	18,495	26,930	22,562	19,483	28,570	32,351	23,538	26,160
EBITDA	**15,819**	**11,597**	**9,976**	**19,538**	**-4,028**	**19,005**	**44,414**	**53,984**	**56,930**	**1,13,375**
EBITDA/t (INR)	4,869	3,684	2,439	5,218	-1,801	4,518	10,055	13,108	4,000	7,569
Interest	7,884	9,404	8,494	9,086	8,863	7,204	8,480	8,055	34,868	32,601
Depreciation	8,725	9,011	9,263	10,552	9,733	9,898	10,089	10,133	37,551	39,853
Other Income	1,828	1,587	1,866	4,570	2,777	1,976	1,866	1,866	9,852	8,486
PBT (before EO Inc.)	**1,039**	**-5,230**	**-5,914**	**4,469**	**-19,847**	**3,879**	**27,712**	**37,663**	**-5,636**	**49,407**
PBT (after EO Inc.)	**1,039**	**-5,230**	**-5,914**	**41,812**	**-19,847**	**6,103**	**27,712**	**37,663**	**31,707**	**51,631**
Total Tax	351	-1,802	-1,618	14,560	-7,144	2,170	7,759	10,546	11,491	13,331
% Tax	33.8	34.5	27.4	34.8	36.0	35.6	28.0	28.0	36.2	25.8
Reported PAT	**688**	**-3,428**	**-4,296**	**27,252**	**-12,703**	**3,933**	**19,952**	**27,117**	**20,216**	**38,300**
Adjusted PAT	**688**	**-3,428**	**-4,296**	**2,913**	**-12,703**	**2,500**	**19,952**	**27,117**	**-4,123**	**36,867**
Change (YoY %)	-90.5	-159.5	-168.0	-42.2	-1,945.2	-172.9	-564.4	830.9	-116.9	-994.1

Tata Steel — Neutral

CMP INR681 | TP: INR687 (+1%) — **EPS CHANGE (%): FY21|22: +83|+9**

- Standalone EBITDA to increase by 24% QoQ to INR57.1b; EBITDA/t to increase by 39% QoQ to INR17,858/t.
- Expect EBITDA in Europe to turn positive at USD35/t.
- EBITDA for Tata Steel BSL to increase ~12% QoQ to INR12.4b, EBITDA/t to increase 36% QoQ to INR11,788.
- Consolidated EBITDA expected at INR79.3b, up 30%/119% QoQ/YoY.

Quarterly performance (consolidated) (INR m)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	**3,59,471**	**3,45,792**	**3,55,204**	**3,37,700**	**2,42,885**	**3,71,540**	**3,77,012**	**4,35,186**	**13,98,167**	**14,30,564**
Change (YoY %)	-5.0	-20.6	-13.8	-20.4	-32.4	7.4	6.1	28.9	-11.3	2.3
EBITDA	**53,769**	**38,196**	**36,197**	**46,469**	**5,055**	**61,108**	**79,308**	**1,09,764**	**1,74,631**	**2,59,688**
Change (YoY %)	-16.9	-57.2	-46.2	-38.2	-90.6	60.0	119.1	136.2	-40.6	48.7
(% of Net Sales)	15.0	11.0	10.2	13.8	2.1	16.4	21.0	25.2	12.5	18.2
EBITDA(USD/t)	**122**	**83**	**70**	**100**	**14**	**111**	**158**	**208**	**93**	**140**
Interest	18,064	18,714	19,306	19,251	19,983	19,402	18,550	18,940	75,335	76,621
Depreciation	20,828	21,272	20,187	22,241	21,108	22,611	22,939	23,053	84,470	90,098
Other Income	2,511	1,836	929	13,159	1,926	2,221	2,234	2,419	18,435	8,335
PBT (before EO Inc.)	**17,387**	**46**	**-2,366**	**18,136**	**-34,110**	**21,315**	**40,053**	**70,191**	**33,261**	**1,01,304**
EO Income/(expenses)	160	-336	-3,286	-34,059	584	432			-35,021	923
PBT (after EO Inc.)	**17,547**	**-290**	**-5,652**	**-15,923**	**-33,526**	**21,747**	**40,053**	**70,191**	**-1,760**	**1,02,228**
Total Tax	11,238	-40,500	6,210	-2,633	12,715	6,129	9,984	18,844	-25,684	48,979
% Tax	64.6	-88,428	-263	-14.5	-37.3	28.8	24.9	26.8	-77.2	48
Reported PAT	**6,309**	**40,210**	**-11,863**	**-13,290**	**-46,242**	**15,619**	**30,069**	**51,347**	**23,924**	**53,249**
Minority Interest	-100	-1,013	-1,367	-1,405	-2,356	891	-732	80	-3,829	-2,117
Share of asso. PAT	522	224	205	928	150	736	443	589	1,880	1,917
Adj. PAT (after MI and asso.)	**6,771**	**-537**	**-7,005**	**13,802**	**-44,320**	**15,031**	**31,244**	**51,856**	**10,373**	**53,702**
Change (YoY %)	-70.5	NA	NA	NA	NA	NA	-546.0	275.7	-89.8	417.7

Note: Quarterly nos. do not account for div. on preference shares

Vedanta — Neutral

CMP INR169 | TP: INR187 (+11%) — **EPS CHANGE (%): FY21|22: +14|+32**

- Consolidated EBITDA to rise 12% QoQ/40% YoY on higher LME prices.
- Watch out for volume ramp-up in Oil and Gas and status of Gamsberg mine in Vedanta Zinc International.
- Expect aluminum/steel EBITDA to rise 28%/44% QoQ.

Quarterly performance (INR m)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	**2,13,740**	**2,19,580**	**2,00,840**	**1,97,550**	**1,59,730**	**2,11,070**	**2,23,369**	**2,40,099**	**8,31,710**	**8,34,267**
Change (YoY %)	-3.7	-3.3	-15.1	-15.8	-25.3	-3.9	11.2	21.5	-9.6	0.3
Total Expenditure	1,61,760	1,75,350	1,48,460	1,52,030	1,19,800	1,45,760	1,49,904	1,60,463	6,37,600	5,75,927
EBITDA	**51,980**	**44,230**	**52,380**	**45,520**	**39,930**	**65,310**	**73,465**	**79,636**	**1,94,110**	**2,58,341**
Change (YoY %)	-15.0	-15.1	-7.2	-25.8	-23.2	47.7	40.3	74.9	-16.0	33.1
As a % of Net Sales	24.3	20.1	26.1	23.0	25.0	30.9	32.9	33.2	23.3	31.0
Finance cost	13,410	13,400	12,320	10,640	12,520	13,120	12,726	12,943	49,770	51,310
DD&A	21,550	23,950	22,910	22,520	17,330	19,380	20,880	22,207	90,930	79,797
Other Income	3,800	8,560	6,470	6,270	10,250	6,370	6,370	6,164	25,100	29,154
PBT (before EO item)	**20,820**	**15,440**	**23,620**	**18,630**	**20,330**	**39,180**	**46,229**	**50,649**	**78,510**	**1,56,388**
EO exp. (income)	-4,190	3,660	-13,850	1,71,320	0	-950	0	0	1,56,940	-950
PBT (after EO item)	**25,010**	**11,780**	**37,470**	**-1,52,690**	**20,330**	**40,130**	**46,229**	**50,649**	**-78,430**	**1,57,338**
Total Tax	5,570	-15,530	10,820	-31,860	5,110	5,890	14,793	17,995	-31,000	43,789
% Tax	22.3	-131.8	28.9	20.9	25.1	14.7	32.0	35.5	39.5	27.8
Reported PAT	**19,440**	**27,310**	**26,650**	**-1,20,830**	**15,220**	**34,240**	**31,436**	**32,654**	**-47,430**	**1,13,550**
Profit from Asso.	0	-10	0	0	0	0	0	0	-9	-3
Minority interest	5,930	5,720	3,170	4,380	4,890	8,200	6,265	9,427	19,200	28,782
Adjusted PAT	**7,811**	**4,470**	**12,419**	**7,916**	**10,330**	**25,090**	**25,170**	**23,227**	**32,617**	**83,814**
Change (YoY %)	-54.2	-59.3	-28.9	-66.3	32.2	461.2	102.7	193.4	-52.7	157.0

Oil & Gas

Company name
Aegis Logistics
BPCL
Castrol India
GAIL
Gujarat Gas
Gujarat State Petronet
HPCL
Indraprastha Gas
IOC
Mahanagar Gas
MRPL
Oil India
ONGC
Petronet LNG
Reliance Industries

3QFY21: Margins improvement across the board

Crude prices remain volatile, refining margins improve marginally

- **The quarter saw mixed sentiments, ranging from fear of second wave of COVID at the start of the quarter to optimism of COVID-19 vaccine in the later part of the quarter. Thus, improving global economic recovery and decision by OPEC+ to rigorously monitor global oil market led to spike in crude oil prices.**
- **We expect our coverage universe to report sales at -18%/+17% YoY/QoQ (ex. OMC at -20%/+12%), EBITDA at +2%/+9% (ex. OMC -11%/+12%) and PAT at +3%/-13% (ex. OMC at -21%/-10%), led by -30%/+3% YoY/ QoQ change in crude oil price realizations.**
- **Improved quarter for RIL (standalone):** RIL is expected to report GRM of USD7.0/bbl (v/s USD5.7 in 2QFY21). Refinery throughput gradually improved (-8% YoY, +9% QoQ) after maintenance shutdown in Aug'20. We expect EBITDA of INR229b (flat YoY, +12% QoQ) on consol. and INR103b (-20% YoY, +35% QoQ) on standalone basis (aided by multiyear high petchem margins in 3QFY21). RJio's ARPU to improve by 3% QoQ to INR149 (+16% YoY – owing to benefit from the price hike taken in Dec'19), with subs at 415mn (+12% YoY, +2% QoQ).
- **OMCs: GRMs remain weak, marketing margins remain strong:** SG GRM improved marginally QoQ primarily due to improvement in ATF cracks (OMCs have lower ATF yield), while other two transportation fuel (Gasoline and Gasoil) remained largely at similar levels. Marketing margins trend (INR4.5-5/lit) above its long term average. We have built in core GRM for OMCs at USD2.0/bbl, with inventory gain of USD2.5/bbl for BPCL and HPCL, and USD2.0/bbl for IOCL. IOCL remains our preferred pick due to strong FCFF and high dividend yield.
- **GUJGA is likely to clock highest ever volumes at 10.5mmscmd** (+13% YoY and +7% QoQ) aided by gas volumes boost at Morbi. GUJGA decreased discount to its Morbi customers by INR4/scm in Dec'20 (as spot LNG and propane prices increase QoQ) - we expect EBIDTA/scm to be marginally higher QoQ.

Exhibit 1: Expected quarterly performance summary

Sector	CMP		SALES (INR M)			EBDITA (INR M)			NET PROFIT (INR M)		
	(INR)	RECO	Dec-20	Var % YoY	Var % QoQ	Dec-20	Var % YoY	Var % QoQ	Dec-20	Var % YoY	Var % QoQ
Aegis Logistics	255	Buy	9,484	-56.3	45.8	1,143	4.2	11.7	667	33.6	17.0
BPCL	382	Neutral	6,03,562	-19.2	20.4	35,173	25.6	-8.7	17,383	37.9	-25.5
Castrol India	122	Buy	10,273	1.5	16.3	3,280	-3.9	13.8	2,394	-11.7	17.0
GAIL	124	Buy	1,47,703	-16.9	8.3	19,667	-5.1	47.0	12,955	5.0	4.5
Gujarat Gas	378	Buy	30,117	20.2	19.8	4,807	29.7	-34.4	2,958	50.5	-37.7
Gujarat State Petronet	219	Buy	4,673	3.3	0.8	3,810	0.2	0.1	2,299	3.5	-15.2
HPCL	221	Buy	6,30,062	-10.9	21.7	58,263	186.1	61.7	36,950	394.5	49.1
Indraprastha Gas	507	Neutral	14,426	-13.3	10.5	5,382	37.4	32.2	3,810	34.2	23.7
IOC	92	Buy	1028,844	-17.4	20.2	79,488	16.3	-15.7	37,838	61.8	-39.2
Mahanagar Gas	1060	Buy	5,762	-22.6	13.7	2,977	15.1	34.7	2,079	11.8	44.0
MRPL	36	Neutral	72,986	-49.3	18.1	2,082	-25.7	27.2	-1,219	Loss	PL
Oil India	109	Buy	20,382	-31.0	-6.0	7,502	-31.5	1.8	4,279	5.3	14.7
ONGC	93	Buy	1,67,287	-29.4	-1.1	78,910	-35.8	-6.5	25,972	-38.5	-31.1
Petronet LNG	250	Buy	65,930	-26.0	5.7	11,113	0.3	-18.5	6,744	-0.1	-27.3
Reliance Inds.	1987	Buy	1277,650	-16.6	14.9	2,28,695	1.1	20.7	92,915	-22.4	-2.9
Oil & Gas			**4089,141**	**-18.1**	**16.8**	**5,42,291**	**2.3**	**8.5**	**2,48,024**	**3.2**	**-12.7**
Oil Ex OMCs			**1826,674**	**-20.4**	**12.3**	**3,69,368**	**-10.6**	**11.5**	**1,55,853**	**-20.9**	**-10.3**

Source: MOFSL

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Brent marginally up QoQ, as OPEC+ increased patrolling

- Brent prices were on a see-saw ranging from USD37/bbl to USD52/bbl. At the start of the quarter, the prices touched lows of USD37/bbl as various countries around the globe imposed further lockdowns amidst fear of second wave of COVID. While at the last meeting of this historic year in Dec'20, OPEC+ decided on additional voluntary cuts of a mere 0.5mnbopd to 7.2mnbopd, starting Jan'21, against the scheduled cut of 2mnbopd to 5.7mnbopd. The group also decided to hold monthly meetings, starting Jan'21, to assess market conditions and decide on production adjustments for the following month, which would be no more than 0.5mnbopd – thus, increasing monitoring to balance the struggling global oil market.
- This move would lead to more rigorous control over the global crude oil market until a better balance is struck between demand and supply. This would also answer the huge inventory buildup that is yet to be consumed, as well as increase in production from US Shale (with breakeven ~USD48-54/bbl).
- We believe that the move would result in a more stable crude oil prices, with room for both extending as well as easing of cuts. In line with the same, we keep our crude oil prices unchanged at USD50/bbl for FY22-23E.
- Furthermore, we expect no subsidy burden on oil marketing companies (OMCs) or upstream companies (ONGC/Oil India) in the quarter.

SG GRM at USD1.0/bbl (improves QoQ – primarily due to ATF)

- Singapore GRM for the quarter improved primarily due to improvement in ATF and LPG cracks, while Gasoline and Gasoil cracks remained largely same QoQ.
- Gasoline cracks averaged at USD2.8/bbl in 3QFY21 (v/s USD2.9/bbl in 2QFY21).
- While, Gasoil cracks averaged USD3.0/bbl in 3QFY21 (v/s USD3.4/bbl in 2QFY21) – although recording an up move from lows of USD0.6/bbl during start of the quarter to USD5/bbl at the end of the quarter.
- ATF cracks averaged at USD2.4/bbl in 3QFY21 (up from –USD0.7/bbl in 2QFY21) as demand for air travel gradually picked up across the globe. The cracks have further improved to ~USD4.8/bbl by end of the quarter.
- Also, LPG and FO cracks improved QoQ. FO cracks averaged at –USD0.3/bbl in 3QFY21 (up from –USD2.3/bbl in 2QFY21), while LPG cracks average –USD2.7/bbl in 3QFY21 (up from –USD12.5/bbl in 2QFY21).
- Naphtha cracks recorded a decline QoQ, averaging –USD1.5/bbl during the quarter (v/s nil in 2QFY21). PE / PP / PVC Delta improved 25%/27%/52% QoQ due to improvement in product prices (of ~15-29%) led by strong demand from downstream manufacturers.
- Indian refiners are likely to report inventory gain during the quarter as per their inventory carrying cycle.

Domestic oil and gas production growth continues to decline

- Total domestic oil production declined ~4% YoY and was flat QoQ over Oct–Nov'20 (primarily due to weakness in OINL production, while ONGC's production was flattish), and domestic gas production decreased ~9% YoY and ~8% QoQ. (Dec'20 *data yet to be released*).
- LNG consumption was up ~20% YoY and ~17% QoQ over Oct-Nov'20, primarily driven by recovery in demand from city gas sector to pre-COVID levels and higher gas offtake from fertilizer plants during the quarter.

Exhibit 2: O&G product prices, cracks & margins (USD/bbl)

(USD/bbl)	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	YoY (%)	QoQ (%)
Oil							
WTI	56.9	46.0	27.8	40.9	42.4	(25.6)	3.6
Brent	63.4	50.6	29.5	43.0	44.3	(30.4)	2.8
Dubai	62.1	50.7	30.6	42.9	44.5	(28.4)	3.6
Arab Light-Heavy	2.3	3.1	0.4	0.3	(0.2)	NM	NM
Gas							
Henry Hub (USD/mmbtu)	2.4	1.9	1.7	2.0	2.5	1.9	23.6
Oil to Gas	26.5	26.2	17.5	21.9	18.0	(32.0)	(17.7)
Exchange Rate (INR/USD)	71.2	72.4	75.9	74.4	73.8	3.6	(0.8)
Product Cracks (v/s Dubai)							
LPG	(19.0)	(16.8)	(3.1)	(12.5)	(2.7)	85.9	78.6
Gasoline	8.1	4.9	0.4	2.9	2.8	NM	(2.7)
Diesel	12.0	9.7	4.6	3.4	3.0	(74.6)	(11.3)
Jet/Kero	13.9	8.6	(0.1)	(0.7)	2.4	(83.0)	NM
Naphtha	(2.5)	(3.2)	(3.2)	0.0	(1.5)	40.9	NM
Fuel Oil	(18.3)	(7.1)	(1.5)	(2.3)	(0.3)	98.4	87.0
SGRM	1.6	1.2	(0.9)	0.1	1.0	(30.2)	NM

Source: MOFSL, Company

Other ideas (ex. OMCs and RIL): Valuation and view

- **PLNG remains our top pick** as it offers a structural story amid huge potential demand for gas in India, the improving pipeline infrastructure and the increasing emphasis on usage of cleaner fuel by industries. Small Scale LNG (ssLNG) has potential of 8-9mmtpa of LNG for trucks in next 8-10 years. **Dahej is further expanding to 19.5mmtpa (over next 2-3 years) from 17.5mmtpa at present. We believe the company would be able to achieve optimal utilization rates even at higher capacity owing to its location and infrastructural leverage, along with downstream contracts/marketing abilities of its promoters.**

- **GAIL – Concerns regarding US HH contracts to subside soon:** The main concern on the stock is losses in the US LNG contracts. We remain positive on GAIL and reiterate our earlier belief in gas off-takes from the Ramagundam fertilizer plant (~2mmscmd) and from Matix fertilizer plant (~2.25mmscmd). Also, the company had earlier guided that an additional volume boost of 8- 9mmscmd would come from the Jagdishpur-Haldia pipeline in FY22E. All of these would eventually de-risk the US HH contracts and make these contracts profitable in India. **Owing to the huge demand supply mismatch across the globe on the path of normalization in the post COVID world, spot LNG prices and petchem margins are trending at multi-year highs. GAIL has reported concerns in its Gas trading and Petchem segment in 1HFY21, which are now likely to see some gains.**

- **CGDs increase prices to offset COVID impact:** MAHGL and IGL have deacresed CNG retail prices by INR1-1.7/kg during the quarter (retaining some of the entire benefits of reduction in APM prices on 1st Oct'20). Further aided by stable INR rates during the quarter, we expect IGL and MAHGL to report higher EBITDA/scm margins (YoY and QoQ). **Total volumes are expected to have recovered to pre-COVID levels for IGL (although PNG commercial remains a laggard) during the quarter; while for MAHGL we expect volumes down ~11%**

YoY in 3QFY21 due to extended lockdowns in Mumbai.
GUJGA is our top pick among the CGDs.

- **ONGC appears attractive on continued discovery of new fields:** In FY20, ONGC made 12 discoveries (seven onshore, five offshore); of which seven are prospects (three onshore, four offshore) and five are pools (four onshore, one offshore). The management has notified seven new discoveries (four pools and three prospects) in FY21 so far. We model in flattish oil production for the next two years, while we build a 14% gas production CAGR to 26.8bcm/30.8bcm for FY22/FY23E. The company is likely to generate FCF of INR554b (translating to FCF yield of ~45%), with dividend yield of ~5% over FY22–23.

Exhibit 3: Relative performance – 3M (%)

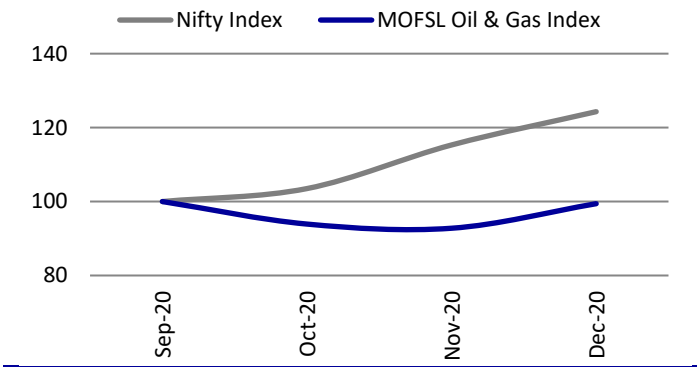
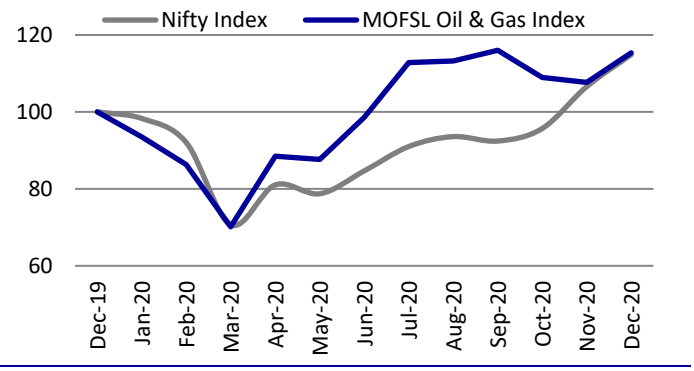


Exhibit 4: Relative performance – 1Yr (%)



Source: Bloomberg, MOFSL

Exhibit 5: Comparative valuations

Company Name	CMP (INR)	Reco	EPS (INR)			PE (x)			PB (x)			ROE (%)		
			FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Oil & Gas						**17.8**	**13.2**	**11.3**	**1.8**	**1.6**	**1.4**	**9.9**	**12.2**	**12.7**
Aegis Logistics	255	Buy	7.2	12.0	14.5	35.6	21.2	17.6	4.6	3.9	3.3	13.7	20.0	20.5
BPCL	382	Neutral	42.7	35.2	42.7	8.9	10.9	8.9	1.8	1.7	1.5	21.7	16.0	17.5
Castrol India	122	Buy	6.4	8.2	8.5	19.0	14.9	14.4	8.1	7.3	6.6	44.4	51.5	48.2
GAIL	124	Buy	9.3	15.7	16.6	13.3	7.9	7.4	1.1	1.0	0.9	9.2	14.4	14.0
Gujarat Gas	378	Buy	16.1	17.5	20.0	23.4	21.5	18.9	6.2	5.0	4.1	29.5	25.5	23.7
Gujarat State Petronet	219	Buy	17.2	17.8	18.9	12.7	12.3	11.5	1.6	1.5	1.3	13.6	12.5	11.9
HPCL	221	Buy	63.2	36.5	37.8	3.5	6.1	5.9	1.0	1.0	1.0	30.1	16.6	16.6
Indraprastha Gas	507	Neutral	15.6	17.8	19.0	32.6	28.4	26.7	6.0	5.1	4.5	19.8	19.4	17.9
IOC	92	Buy	15.6	15.6	19.0	5.9	5.9	4.8	0.8	0.8	0.7	14.4	13.3	15.0
Mahanagar Gas	1,060	Buy	61.3	78.4	71.7	17.3	13.5	14.8	3.2	2.8	2.5	19.4	22.0	18.0
MRPL	36	Neutral	-3.9	3.9	7.1	-9.1	9.2	5.1	0.9	0.8	0.7	-9.2	9.2	15.3
Oil India	109	Buy	12.4	16.3	19.4	8.8	6.7	5.6	0.5	0.5	0.5	4.8	7.3	8.4
ONGC	93	Buy	11.1	18.1	19.6	8.4	5.1	4.8	0.6	0.5	0.5	6.7	10.4	10.4
Petronet LNG	250	Buy	18.0	21.4	23.7	13.9	11.7	10.5	3.2	2.9	2.7	23.8	26.2	26.8
Reliance Inds.	1,987	Buy	64.8	105.1	125.6	30.7	18.9	15.8	2.5	2.2	2.0	8.7	12.6	13.3

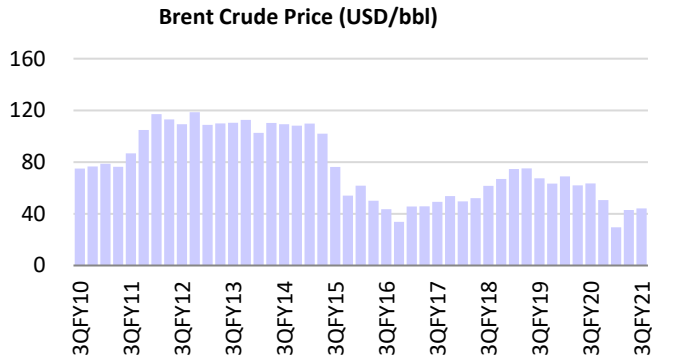
Source: MOFSL

Our key assumptions

- Our crude price assumptions are USD50/bbl for FY22/FY23E.
- We expect the regional benchmark Singapore GRM **to recover to USD5–6/bbl over the medium-to-long term.**

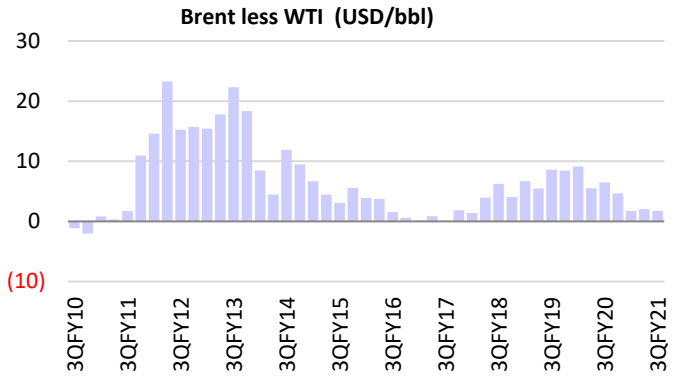
Brent down 30% YoY and up 3% QoQ

Exhibit 6: Brent down 30% YoY, while up 3% QoQ



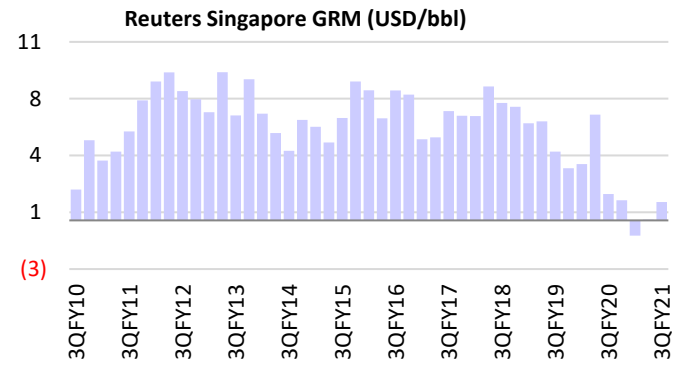
Source: Bloomberg, MOFSL

Exhibit 7: Brent Premium to WTI contracts to USD1.8/bbl



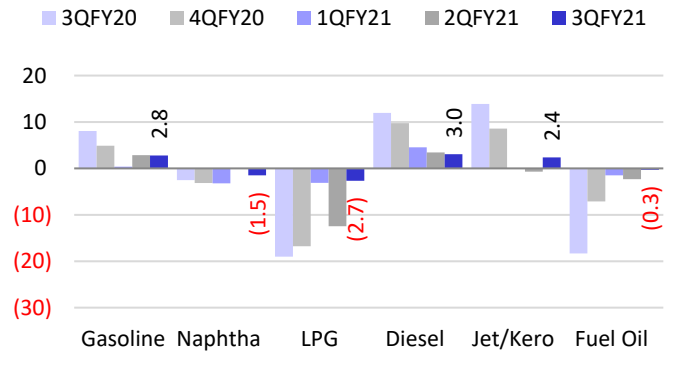
Source: Bloomberg, MOFSL

Exhibit 8: Reuters Singapore GRM (average) improves QoQ and stands at USD1.0/bbl (v/s USD0.1/bbl in 2QFY21)



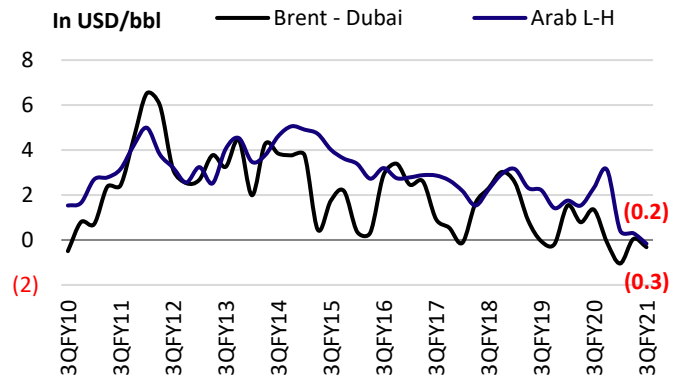
Source: Bloomberg, MOFSL

Exhibit 9: Gasoline and Diesel cracks remains at similar levels, while ATF and LPG cracks improve QoQ (USD/bbl)



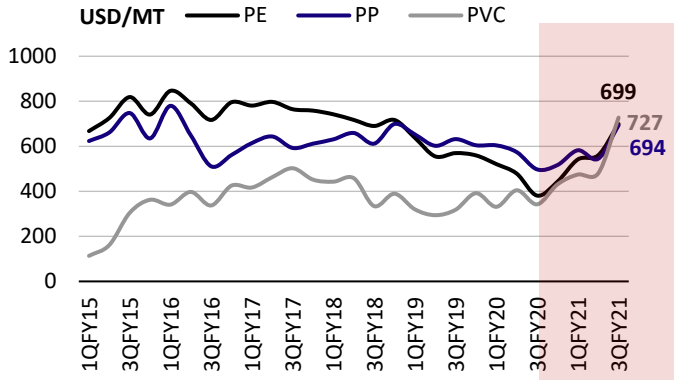
Source: Reuters, MOFSL

Exhibit 10: Crude differentials shrank QoQ for Arab L-H at -USD0.2/bbl, and for Brent-Dubai at -USD0.3/bbl



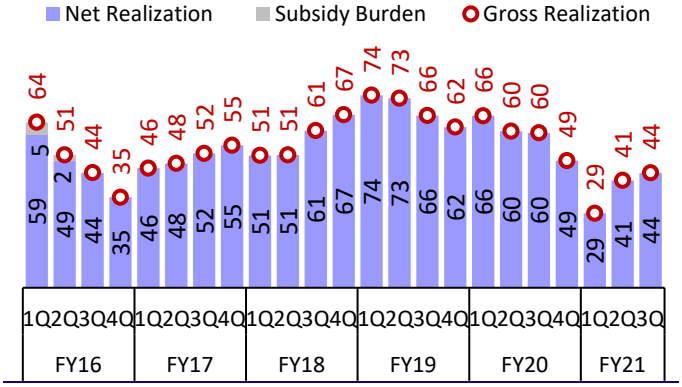
Source: Bloomberg, MOFSL

Exhibit 11: Spreads over Naphtha for PE, PP, and PVC improves on QoQ and YoY basis



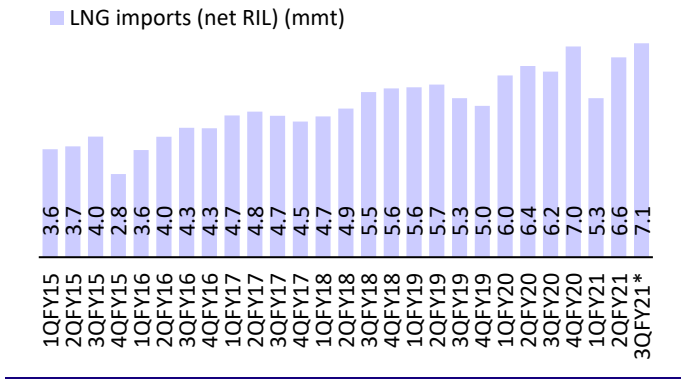
Source: Bloomberg, MOFSL

Exhibit 12: With nil subsidy, we model ONGC's net realization for 3QFY21E at USD44/bbl



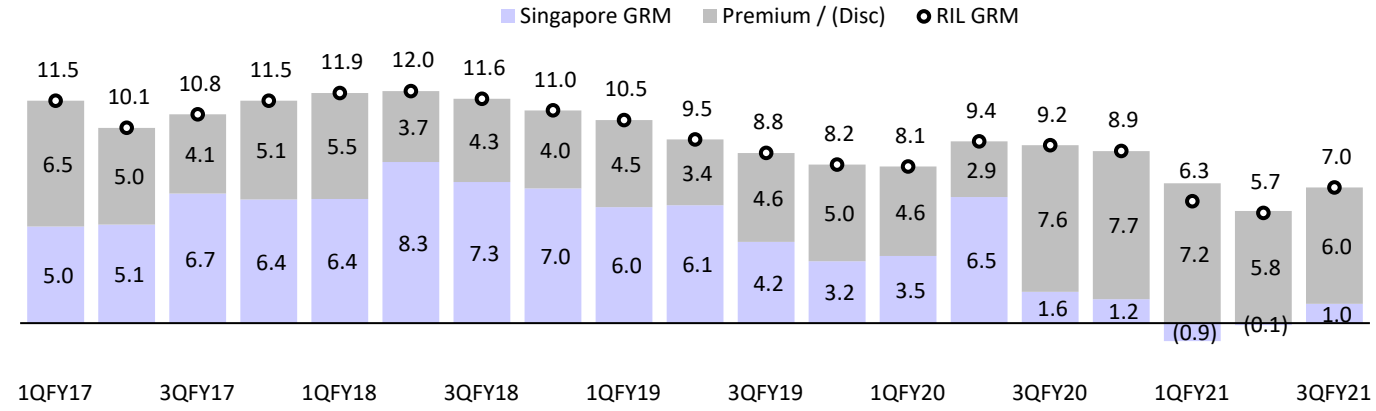
Source: Company, MOFSL

Exhibit 13: LNG imports (net RIL) (mmt) to increase 7% QoQ and 15% YoY in 3QFY21E



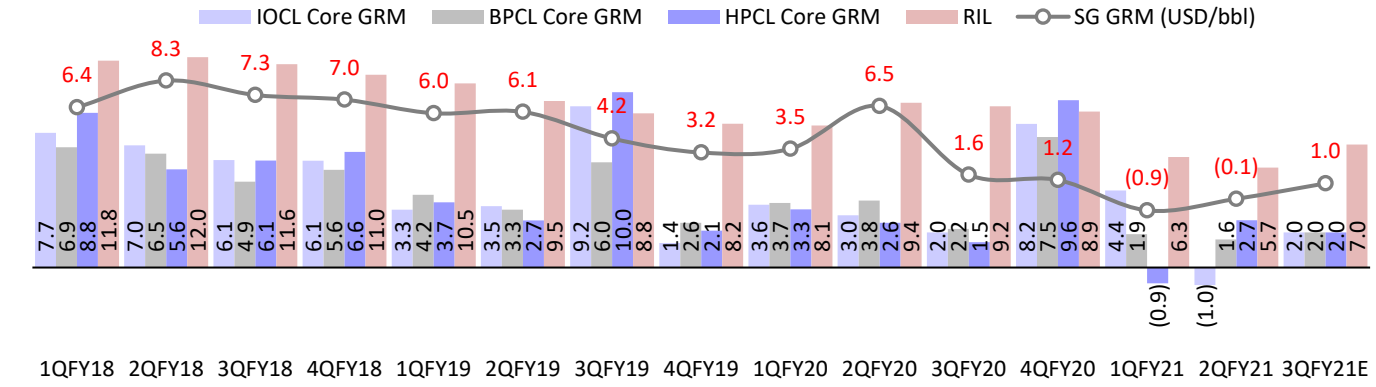
*Dec'20 data extrapolated for 3QFY21e Source: PPAC, MOFSL

Exhibit 14: Expect RIL's GRM at USD7.0/bbl (USD/bbl) in 3QFY21



Source: MOFSL, Company

Exhibit 15: GRMs for OMCs (USD/bbl)



Source: MOFSL, Company

The tables below provide a snapshot of actual and estimated numbers for companies under the MOFSL coverage universe. Highlighted columns indicate the quarter/financial year under review.

Aegis Logistics — Buy

CMP INR255 | TP: INR300 (+18%) — **EPS CHANGE (%): FY21|22: +5|-1**

- India's LPG consumption was +4% YoY and +5% QoQ in Oct-Nov, while the imports were +4% YoY and +26% QoQ.
- Watch out for utilization of Uran–Chakkan pipeline (at Mumbai) and development of Pipavav railway gantry.
- AGIS guided normalization of logistics/distribution volumes in 3QFY21/4QFY21.
- Announcement for any new projects and completion of ESOP scheme remains key.

Consolidated - Quarterly Earning Model (INR M)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**19,553**	**18,177**	**21,686**	**12,417**	**6,364**	**6,504**	**9,484**	**9,362**	**71,833**	**31,713**
YoY Change (%)	92.3	27.5	64.2	-33.0	-67.5	-64.2	-56.3	-24.6	27.9	-55.9
EBITDA	**1,020**	**-281**	**1,096**	**930**	**674**	**1,023**	**1,143**	**1,462**	**2,765**	**4,301**
Margins (%)	5.2	-1.5	5.1	7.5	10.6	15.7	12.0	15.6	3.8	13.6
Depreciation	159	170	172	187	176	180	185	199	687	739
Interest	85	74	94	79	47	41	58	85	331	230
Other Income	62	26	46	195	50	66	87	146	328	349
PBT before EO expense	**839**	**-499**	**876**	**860**	**501**	**868**	**987**	**1,324**	**2,076**	**3,681**
PBT	**839**	**-499**	**876**	**860**	**501**	**868**	**987**	**1,324**	**2,076**	**3,681**
Rate (%)	25.7	31.5	32.4	45.8	26.5	26.1	25.2	25.3	35.5	25.6
MI & P/L of Asso. Cos.	54	72	93	125	70	72	72	129	344	344
Reported PAT	**570**	**-414**	**499**	**341**	**298**	**570**	**667**	**860**	**996**	**2,395**
YoY Change (%)	10.3	-184.6	-15.6	-44.7	-47.6	-237.7	33.6	152.1	-55.0	140.4

E: MOFSL Estimates

BPCL — Neutral

CMP INR382 | TP: INR415 (+9%) — **EPS CHANGE (%): FY21|22: +13|+1**

- Refinery throughput is estimated at 7.1mmt (-16% YoY, +26% QoQ) due to delayed revival in products demand.
- Gross marketing margins (estimated at INR5.3/liter); expected to be slightly higher than long term average.
- Expect reported GRMs at US4.5/bbl (with inventory gain estimate of USD2.5/bbl), as crude prices were volatile.
- Watch out for further details on EoI submitted by various parties for BPCL privatization.

Standalone - Quarterly Earning Model (INR B)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**763.2**	**643.4**	**747.3**	**689.9**	**387.9**	**501.5**	**603.6**	**541.6**	**2,843.8**	**2,034.5**
YoY Change (%)	6.4	-11.0	-5.6	-6.8	-49.2	-22.1	-19.2	-21.5	-4.3	-28.5
EBITDA	**21.8**	**27.6**	**28.0**	**5.9**	**39.7**	**38.5**	**35.2**	**32.2**	**83.3**	**145.6**
Margins (%)	2.9	4.3	3.7	0.9	10.2	7.7	5.8	5.9	2.9	7.2
Depreciation	9.1	9.5	9.7	9.5	10.0	9.9	10.8	10.8	37.9	41.4
Interest	4.5	6.4	5.1	5.8	5.9	0.1	5.1	7.1	21.8	18.2
Other Income	5.1	8.7	5.1	11.6	5.9	4.2	6.7	10.0	30.5	26.8
PBT	**13.5**	**16.6**	**17.3**	**-20.7**	**29.3**	**33.0**	**26.1**	**24.3**	**26.7**	**112.6**
Rate (%)	20.5	-3.2	27.3	34.2	29.0	31.8	33.3	33.3	-0.5	31.8
Adj PAT	**10.8**	**17.1**	**12.6**	**-6.5**	**20.8**	**23.3**	**17.4**	**16.2**	**37.7**	**77.7**
YoY Change (%)	-53.1	40.2	154.6	-120.8	93.1	36.5	37.9	-349.6	-47.2	106.1
Key Assumptions										
Refining throughput (mmt)	7.5	7.7	8.4	8.4	5.1	5.6	7.1	8.0	31.9	25.9
Core GRM (USD/bbl)	3.7	3.8	2.2	7.4	1.9	1.6	2.0	4.0	4.3	2.4
Marketing volume excld exports (mmt)	11.1	10.3	11.0	10.7	7.5	8.9	10.8	10.7	43.1	38.0
Marketing GM incld inv (INR/litre)	4.4	5.0	4.8	4.4	8.9	6.6	5.3	4.7	5.0	5.8

E: MOFSL Estimates

Castrol (India) — Buy

CMP INR122 | TP: INR170 (+39%) — **EPS CHANGE (%): CY20|21: +5|+6**

- Volumes forecast at 55.7m liters (+3% YoY, +19% QoQ).
- EBITDA margin expected to be lower, due to increase in base oil prices with improvement in Brent oil prices.
- Expected realization ~INR190/liter (+1% YoY and QoQ).
- Operating margin expansion, launch of new products and OEM tie-ups remains key.

Quarterly Performance (INR Million)

Y/E December	CY19				CY20				CY19	CY20E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Volume (m litres)	**50.4**	**55.4**	**44.2**	**54.0**	**37.6**	**29.0**	**47.0**	**55.7**	**204**	**169**
Realization	**194**	**188**	**192**	**187**	**183**	**169**	**188**	**190**	190	182
Net Sales	**9,762**	**10,396**	**8,492**	**10,118**	**6,880**	**4,906**	**8,831**	**10,273**	**38,768**	**30,890**
YoY Change (%)	5.3	2.2	-8.4	-2.1	-29.5	-52.8	4.0	1.5	-0.7	-20.3
EBITDA	**2,830**	**2,843**	**2,445**	**3,412**	**1,730**	**953**	**2,882**	**3,280**	**11,530**	**8,845**
YoY Change (%)	3.2	13.0	7.5	7.5	-38.9	-66.5	17.9	-3.9	7.7	-23.3
Margins (%)	29.0	27.3	28.8	33.7	25.1	19.4	32.6	31.9	29.7	28.6
Depreciation	162	166	186	183	222	206	215	224	697	867
Interest	3	3	3	3	11	14	9	6	12	40
Other Income	211	159	116	162	198	152	117	148	648	615
PBT	**2,876**	**2,833**	**2,372**	**3,388**	**1,695**	**885**	**2,775**	**3,198**	**11,469**	**8,553**
Rate (%)	35.7	35.5	20.6	19.9	26.1	26.1	26.3	25.1	27.9	25.8
PAT	**1,850**	**1,827**	**1,884**	**2,713**	**1,252**	**654**	**2,046**	**2,394**	**8,274**	**6,346**
YoY Change (%)	1.8	11.3	25.3	28.0	-32.3	-64.2	8.6	-11.7	16.8	-23.3

GAIL — Buy

CMP INR124 | TP: INR160 (+29%) — **EPS CHANGE (%): FY21|22: +11|+2**

- Expect transmission volumes -2% YoY, while +1% QoQ to 108mmscmd, recovering almost to pre-COVID levels.
- Petchem volumes are expected at ~200kmt (-5% YoY and -11% QoQ); with plants operating at near full capacity.
- Increased gas consumption by fertilizer units and recovery in city gas demand to pre-COVID levels drove the growth.
- Key to watch: Progress on Jagdishpur-Haldia pipeline and pre-commissioning status of various fertilizer plants.

Quarterly Performance (INR Million)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**1,83,115**	**1,80,411**	**1,77,688**	**1,77,550**	**1,20,875**	**1,36,445**	**1,47,703**	**1,73,652**	**7,18,764**	**5,78,675**
Change (%)	5.9	-6.4	-10.2	-5.4	-34.0	-24.4	-16.9	-2.2	-4.3	-19.5
EBITDA	**22,590**	**15,627**	**20,724**	**24,754**	**6,226**	**13,381**	**19,667**	**20,802**	**83,694**	**60,076**
% of Net Sales	12.3	8.7	11.7	13.9	5.2	9.8	13.3	12.0	11.6	10.4
Depreciation	4,057	4,398	4,890	5,016	4,583	4,843	4,619	4,636	18,360	18,681
Interest	239	275	242	329	495	274	315	330	1,085	1,414
Other Income	1,512	4,401	3,124	5,132	2,413	7,239	2,580	2,644	14,168	14,877
Extraordinary item*	0	0	0	1,016	0	0	0	0	1,016	0
PBT	**19,805**	**15,355**	**18,716**	**25,557**	**3,562**	**15,503**	**17,313**	**18,481**	**79,434**	**54,859**
Tax	6,930	4,713	6,210	-4,625	1,007	3,107	4,358	4,585	13,227	13,056
Rate (%)	35.0	30.7	33.2	-18.1	28.3	20.0	25.2	24.8	16.7	23.8
PAT	**12,875**	**10,643**	**12,507**	**30,182**	**2,555**	**12,397**	**12,955**	**13,895**	**66,206**	**41,802**
Change (%)	2.2	-45.8	-25.6	168.9	-80.2	16.5	3.6	-54.0	9.9	-36.9
Adj PAT	**12,875**	**10,643**	**12,334**	**38,341**	**2,555**	**12,397**	**12,955**	**13,895**	**74,193**	**41,802**
Change (%)	2.2	-45.8	-25.2	163.6	-80.2	16.5	5.0	-63.8	17.3	-43.7
Key Assumptions										
Gas Trans. volume (mmsmd)	105	109	110	109	90	106	108	111	108	104
Petchem sales ('000MT)	136	217	211	174	183	224	200	201	738	808

E: MOFSL Estimates

Gujarat Gas — Buy

CMP INR378 | TP: INR440 (+17%) — **EPS CHANGE (%): FY21|22: +1|0**

- Expect volumes at 10.5mmscmd (+13% YoY, +7% QoQ), primarily due to gas volumes boost at Morbi.
- GUJGA decreased discount to Morbi customers in lieu of increase in spot prices (even propane prices are up QoQ).
- EBITDA margin to be lower QoQ at INR5.0/scm (v/s INR8.1 in 2QFY21 – benefitted from lower spot prices).
- Non-Morbi industrial volumes and expansion of CNG network remains a key outlook for volumes growth.

Standalone - Quarterly Perf. (INR Million)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**26,146**	**25,129**	**25,062**	**26,666**	**10,829**	**25,130**	**30,117**	**30,131**	**1,03,003**	**96,207**
YoY Change (%)	48.1	27.9	18.4	39.8	-58.6	0.0	20.2	13.0	32.8	-6.6
EBITDA	**4,665**	**3,706**	**3,705**	**4,267**	**1,857**	**7,330**	**4,807**	**4,622**	**16,343**	**18,617**
Margins (%)	17.8	14.7	14.8	16.0	17.2	29.2	16.0	15.3	15.9	19.4
Depreciation	779	802	795	805	823	856	839	839	3,180	3,357
Interest	510	528	465	420	401	339	339	353	1,922	1,432
Other Income	225	237	186	189	149	208	326	326	837	1,008
PBT	**3,602**	**2,614**	**2,632**	**3,230**	**783**	**6,343**	**3,955**	**3,755**	**12,078**	**14,836**
Rate (%)	35.1	-97.9	25.3	23.9	25.1	25.1	25.2	25.2	1.2	25.2
Reported PAT	**2,337**	**5,173**	**1,965**	**2,458**	**587**	**4,748**	**2,958**	**2,809**	**11,933**	**11,102**
Adj PAT	**2,337**	**5,173**	**1,965**	**2,458**	**587**	**4,748**	**2,958**	**2,809**	**11,933**	**11,102**
YoY Change (%)	92.5	1,159.4	30.6	111.0	-74.9	-8.2	50.5	14.3	177.8	-7.0
Total volume (mmscmd)	**9.2**	**9.3**	**9.3**	**9.9**	**4.1**	**9.8**	**10.5**	**10.6**	**9.4**	**8.8**
EBITDA (INR/scm)	**5.6**	**4.3**	**4.3**	**4.7**	**4.9**	**8.1**	**5.0**	**4.8**	**4.7**	**5.7**

E: MOFSL Estimates

Gujarat State Petronet — Buy

CMP INR219 | TP: INR320 (+46%) — **EPS CHANGE (%): FY21|22: +2|0**

- Transmission volumes are expected to be up 11% YoY and 3% QoQ at 41mmscmd, supported by huge volumes growth in GUJGA during the quarter.
- There are concerns over tariff reduction, in line with the revised new tax rate. However, the increase in capex (for capacity expansion) should ensure lesser impact on tariff.
- Company remains biggest beneficiary of the upcoming LNG terminals in Gujarat and renewed focus on reducing industrial pollution by the NGT.
- Commissioning of Mehsana-Bhatinda pipeline and further expansion/debottlenecking of three pipelines connecting three LNG terminals (in Gujarat) remain key.

Standalone - Quarterly Earning Model (INR Million)

Y/E March	FY20				FY21				FY20	FY21
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**5,126**	**5,411**	**4,524**	**4,388**	**4,028**	**4,634**	**4,673**	**5,952**	**19,449**	**19,287**
YoY Change (%)	31.0	-9.6	-0.3	1.1	-21.4	-14.4	3.3	35.6	3.6	-0.8
EBITDA	**4,020**	**4,371**	**3,800**	**3,557**	**3,462**	**3,807**	**3,810**	**4,375**	**15,749**	**15,453**
YoY Change (%)	16.9	-15.3	7.6	8.0	-13.9	-12.9	0.2	23.0	2.1	-1.9
Margins (%)	78.4	80.8	84.0	81.1	85.9	82.2	81.5	73.5	81.0	80.1
Depreciation	489	498	497	483	488	554	567	633	1,966	2,241
Interest	479	438	383	346	290	249	228	212	1,645	979
Other Income	77	454	52	67	43	515	57	99	649	714
PBT	**3,129**	**3,890**	**2,972**	**2,795**	**2,727**	**3,519**	**3,072**	**3,629**	**12,786**	**12,947**
Tax	1,068	-659	751	539	733	808	773	922	1,699	3,237
Rate (%)	34.1	-16.9	25.3	19.3	26.9	23.0	25.2	25.4	13.3	25.0
Reported PAT	**2,061**	**4,549**	**2,221**	**2,256**	**1,994**	**2,711**	**2,299**	**2,706**	**11,087**	**9,710**
YoY Change (%)	42.7	40.7	28.0	47.1	-3.3	-40.4	3.5	20.0	39.5	-12.4
Margins (%)	40.2	84.1	49.1	51.4	49.5	58.5	49.2	45.5	57.0	50.3
Key Operating Parameters										
Transmission Volume (mmscmd)	38.2	39.2	36.9	36.8	33.3	39.8	41.0	42.0	37.8	39.0
Implied Tariff (INR/mscm)	1,434	1,211	1,311	1,284	1,297	1,239	1,239	1,265	1,309	1,260

E: MOFSL Estimates

HPCL — Buy

CMP INR221 | TP: INR295 (+34%) — **EPS CHANGE (%): FY21|22: +42 |-5**

- We model in refining throughput at 4.1mmt (flat YoY and QoQ), with reported GRM of USD4.5/bbl.
- We model nil-subsidy sharing and estimate inventory gain of USD2.5/bbl for HPCL during the quarter.
- Gross marketing margin for the quarter is expected at INR6.7/liter (up YoY and QoQ for the company).
- Concerns of huge capex and execution risk at Vizag prevail; but HPCL attractive for its marketing leverage.

Standalone - Quarterly Earning Model (INR Billion)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**709.9**	**608.7**	**707.5**	**661.5**	**377.2**	**517.7**	**630.1**	**530.6**	**2,687.6**	**2,055.6**
YoY Change (%)	5.0	-9.8	-1.9	-2.6	-46.9	-14.9	-10.9	-19.8	-2.3	-23.5
EBITDA	**16.4**	**24.5**	**20.4**	**0.7**	**43.5**	**36.0**	**58.3**	**29.4**	**61.9**	**167.2**
Margins (%)	2.3	4.0	2.9	0.1	11.5	7.0	9.2	5.5	2.3	8.1
Depreciation	8.2	8.1	8.7	8.1	8.7	8.7	9.5	11.1	33.0	37.9
Forex loss	-1.9	1.2	1.7	7.7	0.0	-5.7	-0.2	0.0	8.7	-5.9
Interest	2.1	2.9	2.5	3.4	3.2	2.6	3.5	4.6	10.8	13.8
Other Income	4.2	3.9	4.1	4.2	5.6	2.4	3.9	4.0	16.4	15.9
PBT before EO expense	**12.4**	**16.2**	**11.5**	**-14.3**	**37.3**	**32.9**	**49.4**	**17.7**	**25.8**	**137.3**
Extra-Ord expense	0.0	0.0	0.0	10.0	0.0	0.0	0.0	0.0	10.0	0.0
PBT	**12.4**	**16.2**	**11.5**	**-24.3**	**37.3**	**32.9**	**49.4**	**17.7**	**15.7**	**137.3**
Tax	4.3	5.6	4.0	-24.6	9.1	8.1	12.4	4.5	-10.6	34.2
Rate (%)	34.6	34.9	35.1	101.1	24.5	24.7	25.2	25.2	-67.7	24.9
Adj PAT	**8.1**	**10.5**	**7.5**	**10.3**	**28.1**	**24.8**	**36.9**	**13.3**	**36.4**	**103.1**
YoY Change (%)	-52.8	-3.6	201.8	-65.3	247.0	135.4	394.5	28.7	-39.6	183.3
Key Assumptions										
Refining throughput (mmt)	3.9	4.6	4.2	4.5	4.0	4.1	4.1	4.4	17.2	16.5
Core GRM (USD/bbl)	3.3	2.5	1.5	9.5	-0.9	2.7	2.0	4.0	4.2	2.0
Marketing sales volume incl exports (mmt)	10.1	9.4	10.6	9.6	7.6	8.4	10.4	10.4	39.6	36.8
Marketing GM incld inv (INR/litre)	3.8	4.5	4.1	3.6	8.2	6.0	6.7	5.0	4.0	6.5

E: MOFSL Estimates

Indraprastha Gas — Neutral

CMP INR507 | TP: INR510 (0%) — **EPS CHANGE (%): FY21|22: +21|+5**

- IGL took a price cut of INR1.5-1.7/kg (during the quarter) on the back of downward revision in the APM prices.
- CNG volumes are assumed to have recovered to pre-COVID level during the quarter.
- Despite this price cut, IGL retained ~INR0.7/scm, thus we expect EBITDA margin to be higher at INR8.7/scm.
- Recovery in PNG commercial (malls, restaurants, etc.) volumes to pre-COVID levels remain a laggard.

Quarterly performance (INR Million)

Y/E MARCH	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**15,761**	**16,925**	**16,642**	**15,525**	**6,386**	**13,054**	**14,426**	**14,311**	**64,853**	**48,177**
Change (%)	22.4	19.1	10.3	0.6	-59.5	-22.9	-13.3	-7.8	12.6	-25.7
EBITDA	**3,585**	**3,926**	**3,918**	**3,767**	**834**	**4,071**	**5,382**	**5,325**	**15,196**	**15,613**
EBITDA (Rs/scm)	6.3	6.5	6.4	6.6	3.4	8.0	8.7	8.7	6.4	7.9
% Change	21.5	27.5	23.3	13.7	-76.7	3.7	37.4	41.3	21.4	2.7
Depreciation	605	621	641	655	682	711	712	744	2,523	2,849
Interest	16	18	20	27	24	23	20	14	81	81
Other Income	354	390	508	313	306	657	441	360	1,564	1,764
PBT before EO	**3,318**	**3,677**	**3,764**	**3,398**	**435**	**3,994**	**5,091**	**4,926**	**14,157**	**14,447**
Rate (%)	34.2	-3.6	24.6	25.4	26.9	22.9	25.2	25.2	19.7	24.6
PAT	**2,184**	**3,810**	**2,839**	**2,534**	**318**	**3,079**	**3,810**	**3,686**	**11,365**	**10,894**
PAT (Rs/scm)	3.8	6.3	4.6	4.5	1.3	6.1	6.2	6.0	4.8	4.9
Change (%)	24.1	103.4	43.4	12.4	-85.4	-19.2	34.2	45.5	44.5	-4.2
Gas Volumes (mmscmd)										
CNG	4.66	4.92	4.91	4.49	1.60	3.91	4.91	4.90	4.75	3.83
PNG	1.59	1.65	1.78	1.74	1.11	1.59	1.78	1.89	1.69	1.59
Total	**6.25**	**6.58**	**6.70**	**6.23**	**2.71**	**5.50**	**6.70**	**6.79**	**6.44**	**5.43**

E: MOFSL Estimates

IOC — Buy

CMP INR92 | TP: INR150 (+63%) — **EPS CHANGE (%): FY21|22: +3 |-11**

- We expect refinery throughput ~18.0mmt (+3% YoY, +29% QoQ) as refinery operations normalize during the quarter.
- Company is also likely to see some benefits from multiyear high petchem margins during the quarter.
- Expect core GRM at US2.0/bbl (inventory gain of ~USD2.0/bbl), with gross marketing margins at INR5.3/lit.
- We model in nil subsidy for the quarter. IOCL remains our top pick among the pack based on its strong FCF yield.

Standalone - Quarterly Earning Model (INR Billion)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**1,315.1**	**1,116.9**	**1,246.2**	**1,184.4**	**624.0**	**856.1**	**1,028.8**	**1,044.5**	**4,862.6**	**3,553.5**
YoY Change (%)	1.6	-15.4	-11.0	-6.2	-52.6	-23.3	-17.4	-11.8	-7.9	-26.9
EBITDA	**83.5**	**47.1**	**68.3**	**27.5**	**55.1**	**94.3**	**79.5**	**87.1**	**226.4**	**316.0**
Margins (%)	6.3	4.2	5.5	2.3	8.8	11.0	7.7	8.3	4.7	8.9
Depreciation	20.9	21.0	21.9	23.9	23.5	24.0	24.4	25.5	87.7	97.5
Forex loss	-0.9	11.4	1.8	25.4	0.0	-7.5	-0.3	0.0	37.6	-7.8
Interest	15.1	13.1	13.1	18.5	11.7	2.2	13.8	17.4	59.8	45.1
Other Income	5.4	6.5	5.7	17.2	6.4	7.8	9.0	12.6	34.8	35.8
PBT before EO expense	**53.8**	**8.1**	**37.2**	**-23.1**	**26.3**	**83.4**	**50.6**	**56.8**	**76.1**	**217.1**
PBT	**53.8**	**8.1**	**37.2**	**-136.1**	**26.3**	**83.4**	**50.6**	**56.8**	**-36.9**	**217.1**
Rate (%)	33.2	30.8	37.2	61.9	27.3	25.3	25.2	25.2	135.5	25.5
Reported PAT	**36.0**	**5.6**	**23.4**	**-51.9**	**19.1**	**62.3**	**37.8**	**42.5**	**13.1**	**161.7**
Adj PAT	**36.0**	**5.6**	**23.4**	**61.2**	**19.1**	**62.3**	**37.8**	**42.5**	**126.2**	**161.7**
YoY Change (%)	-47.4	-82.6	226.3	0.3	-46.9	1,005.3	61.8	-30.5	-25.3	28.2
Margins (%)	2.7	0.5	1.9	5.2	3.1	7.3	3.7	4.1	2.6	4.6
Key Assumptions										
Refining throughput (mmt)	17.3	17.5	17.5	17.1	12.9	14.0	18.0	18.0	69.4	62.9
Core GRM (USD/bbl)	3.6	3.0	2.0	8.2	4.4	-1.0	2.0	4.0	4.2	2.4
Domestic sale of refined products (mmt)	20.5	19.0	20.4	19.2	14.2	16.0	20.0	19.9	79.0	70.2
Marketing GM incld inv (INR/litre)	5.1	5.3	4.8	9.4	8.6	5.9	5.3	4.7	6.2	6.1

E: MOFSL Estimates

Mahanagar Gas — Buy

CMP INR1,060 | TP: INR1,200 (+14%) — **EPS CHANGE (%): FY21|22: +16|+15**

- MAHGL took a price cut of ~INR1.0/kg on the back of downward revision in the APM prices.
- Although, expect volumes at 2.7mmscmd (-11% YoY, +31% QoQ), primarily due to extended lockdown in Mumbai.
- We expect EBITDA/scm to be ~INR12 in 3QFY21, as MAHGL retained some benefits of decrease in APM prices.
- Volume growth remains a key challenge, while current high margins raises question on its sustainability.

Standalone - Quarterly Earning Model (INR Million)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**7,575**	**7,836**	**7,445**	**6,866**	**2,618**	**5,067**	**5,762**	**6,658**	**29,721**	**20,105**
YoY Change (%)	22.3	12.5	-1.1	-5.0	-65.4	-35.3	-22.6	-3.0	6.5	-32.4
EBITDA	**2,768**	**2,734**	**2,588**	**2,438**	**800**	**2,211**	**2,977**	**2,976**	**10,528**	**8,963**
EBITDA/SCM	10.3	9.9	9.2	9.6	7.9	11.6	12.0	10.9	9.7	11.0
Margins (%)	36.5	34.9	34.8	35.5	30.6	43.6	51.7	44.7	35.4	44.6
Depreciation	372	391	415	440	423	425	440	471	1,617	1,758
Interest	14	15	16	21	15	20	20	24	65	79
Other Income	203	230	287	270	245	184	261	353	990	1,043
PBT	**2,586**	**2,558**	**2,444**	**2,247**	**607**	**1,950**	**2,778**	**2,833**	**9,835**	**8,169**
Rate (%)	34.2	-5.8	23.9	25.9	25.5	26.0	25.2	26.6	19.3	25.9
Reported PAT	**1,702**	**2,706**	**1,861**	**1,666**	**453**	**1,443**	**2,079**	**2,078**	**7,935**	**6,053**
YoY Change (%)	32.7	98.6	25.4	24.8	-73.4	-46.7	11.8	24.8	45.2	-23.7
Margins (%)	22.5	34.5	25.0	24.3	17.3	28.5	36.1	31.2	26.7	30.1
Sales Volumes (mmscmd)										
CNG	2.2	2.2	2.2	2.0	0.5	1.3	1.9	2.4	2.1	1.5
PNG - Total	0.8	0.8	0.8	0.8	0.6	0.8	0.8	0.7	0.8	0.7
Total Volumes	**3.0**	**3.0**	**3.1**	**2.8**	**1.1**	**2.1**	**2.7**	**3.0**	**3.0**	**2.2**

E: MOFSL Estimates

MRPL — Neutral

CMP INR36 | TP: INR30 (-15%) — **EPS CHANGE (%): FY21|22: NM|-15**

- MRPL production is expected at 2.9mmt (-29% YoY and +15% QoQ).
- Currently, the company lacks significant tailwinds in a subdued refining margin environment.
- Expect reported GRM at USD3.5/bbl, with inventory gain of USD2/bbl during the quarter.
- Progress on the desalination plant is likely to reduce dependence on the Nethravathi River.

Standalone - Quarterly Earning Model (INR Million)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**92,805**	**1,32,027**	**1,43,864**	**1,41,323**	**44,726**	**61,823**	**72,986**	**93,406**	**5,10,019**	**2,72,941**
YoY Change (%)	-31.5	-2.6	-7.1	-20.9	-51.8	-53.2	-49.3	-33.9	-17.8	-46.5
EBITDA	**-4,748**	**-2,395**	**2,801**	**-14,132**	**-4,777**	**1,636**	**2,082**	**2,635**	**-18,475**	**1,576**
Margins (%)	-5.1	-1.8	1.9	-10.0	-10.7	2.6	2.9	2.8	-3.6	0.6
Depreciation	1,906	2,009	1,958	1,960	2,001	2,098	2,035	2,007	7,832	8,142
Forex loss	-262	2,240	-196	5,089	100	-730	-25	0	6,872	-655
Interest	1,441	2,287	1,835	1,864	1,345	-27	2,181	2,181	7,426	5,681
Other Income	204	194	346	307	254	288	283	306	1,050	1,131
PBT before EO expense	**-7,630**	**-8,737**	**-450**	**-22,738**	**-7,969**	**582**	**-1,828**	**-1,247**	**-39,554**	**-10,461**
PBT	**-7,630**	**-8,737**	**-450**	**-22,738**	**-7,969**	**582**	**-1,828**	**-1,247**	**-39,554**	**-10,461**
Rate (%)	34.5	34.2	18.5	29.8	34.8	38.4	33.3	33.3	31.5	34.1
Reported PAT	**-5,001**	**-5,745**	**-366**	**-15,964**	**-5,199**	**358**	**-1,219**	**-832**	**-27,076**	**-6,891**
YoY Change (%)	-232.0	-251.6	-64.5	513.9	3.9	-106.2	232.7	-94.8	-895.4	-74.6
Margins (%)	-5.4	-4.4	-0.3	-11.3	-11.6	0.6	-1.7	-0.9	-5.3	-2.5
Key Assumptions										
Refining throughput (mmt)	2.56	3.68	4.10	3.83	1.85	2.52	2.90	3.73	14.17	11.00
Reported GRM (USD/bbl)	-0.42	0.68	3.19	-4.52	-1.49	3.85	3.50	3.00	-0.27	2.22

E: MOFSL Estimates

Oil India — Buy

CMP INR109 | TP: INR130 (+19%) — **EPS CHANGE (%): FY21|22: +68|-5**

- Net realization to decline 32% YoY and remain flat QoQ – in line with movement in crude oil prices.
- Oil volumes are expected at 0.68mmt (-6% YoY, -6% QoQ) as production decline from its fields continue.
- We assume no subsidy burden for the company in 3QFY21 and also in the near future due to benign crude prices.
- Gas sales volumes are expected at 0.56bcm (-6% YoY, +2% QoQ), as gas offtake from city gas sector improves.

Quarterly Performance (INR Million)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**33,734**	**32,136**	**29,520**	**25,896**	**17,439**	**21,690**	**20,382**	**22,587**	**1,21,285**	**82,098**
Change (%)	-0.5	-14.2	-16.0	-16.1	-48.3	-32.5	-31.0	-12.8	-11.7	-32.3
EBITDA	**13,532**	**12,429**	**10,960**	**6,785**	**1,972**	**7,373**	**7,502**	**8,704**	**43,705**	**25,551**
% of Net Sales	40.1	38.7	37.1	26.2	11.3	34.0	36.8	38.5	36.0	31.1
Change (%)	-3.9	-15.7	-28.0	-37.1	-85.4	-40.7	-31.5	28.3	-20.3	-41.5
D,D&A	3,994	4,154	4,243	20,327	3,585	3,737	4,494	6,160	32,718	17,976
Interest	1,235	1,208	1,218	1,327	1,278	1,217	1,267	1,727	4,988	5,488
OI (incl. Oper. other inc)	1,227	2,679	1,354	9,942	1,306	1,112	3,977	9,514	15,202	15,908
PBT before exceptionals	**9,530**	**9,746**	**6,853**	**-4,928**	**-1,585**	**3,531**	**5,718**	**10,331**	**21,201**	**17,996**
Exceptional item	**0.0**	**0**	**0.0**	**0.0**	**934**	**1,341**	**0.0**	**0.0**	**0**	**2,275**
PBT after exceptionals	**9,530**	**9,746**	**6,853**	**-4,928**	**-2,519**	**2,190**	**5,718**	**10,331**	**21,201**	**15,720**
Tax	3,282	3,473	2,789	-14,184	-33	-200	1,439	2,750	-4,640	3,957
Rate (%)	34.4	35.6	40.7	287.8	2.1	-5.7	25.2	26.6	-21.9	22.0
PAT	**6,248**	**6,272**	**4,064**	**9,256**	**-2,486**	**2,390**	**4,279**	**7,581**	**25,841**	**11,764**
Change (%)	-11.2	-27.2	-67.1	-543.9	-139.8	-61.9	5.3	-18.1	-0.2	-54.5
Adj. PAT	**6,248**	**6,272**	**4,064**	**9,256**	**-1,552**	**3,731**	**4,279**	**7,581**	**25,841**	**14,039**
Key Assumptions (USD/bbl)										
Oil sales (mmt)	0.80	0.79	0.73	0.75	0.73	0.72	0.68	0.61	3.06	2.76
Gas sales (bcm)	0.61	0.66	0.60	0.53	0.58	0.55	0.56	0.58	2.40	2.26
Net Oil Realization	**66.3**	**61.3**	**63.3**	**52.2**	**30.4**	**42.7**	**43.1**	**48.8**	**60.8**	**41.3**

E: MOFSL Estimates

ONGC — Buy

CMP INR93 | TP: INR110 (+18%) — **EPS CHANGE (%): FY21|22: +12|-6**

- Net realization is expected to be down by 26% YoY, but up 7% QoQ – as per the movement in crude oil prices.
- We expect no subsidy for the company during the quarter.
- Oil sales are expected to be -3% YoY and flat QoQ, and gas sales are to be -5% YoY and +1% QoQ.
- Outlook on various field developments and their status remains key for volume growth going forward.

Standalone - Quarterly Earning Model (INR Billion)

Y/E March	FY20				FY21				FY20	FY21
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**265.5**	**244.9**	**237.1**	**214.6**	**130.1**	**169.2**	**167.3**	**189.4**	**962.1**	**656.0**
YoY Change (%)	-2.4	-12.5	-14.4	-19.8	-51.0	-30.9	-29.4	-11.7	-12.3	-31.8
EBITDA	**151.1**	**132.9**	**123.0**	**85.9**	**59.1**	**84.4**	**78.9**	**77.3**	**492.9**	**299.7**
Margins (%)	56.9	54.3	51.9	40.0	45.4	49.9	47.2	40.8	51.2	45.7
Depreciation	61.6	62.6	70.2	80.4	49.5	51.3	51.2	53.4	274.7	205.3
Interest	6.5	6.8	6.3	8.7	4.9	3.2	5.5	8.3	28.2	21.9
Other Income	7.5	26.9	14.0	13.3	4.4	22.4	16.7	23.3	61.6	66.6
PBT before EO expense	**90.6**	**90.4**	**60.5**	**10.1**	**9.0**	**52.3**	**38.9**	**38.8**	**251.6**	**139.1**
Extra-Ord expense	0.0	0.0	0.0	49.0	0.0	12.4	0.0	0.0	49.0	12.4
PBT	**90.6**	**90.4**	**60.5**	**-38.9**	**9.0**	**39.9**	**38.9**	**38.8**	**202.6**	**126.7**
Tax	31.5	27.8	18.3	-7.9	4.1	11.1	13.0	12.9	69.6	41.1
Rate (%)	34.8	30.7	30.2	20.4	45.1	27.9	33.3	33.3	34.4	32.4
Reported PAT	**59.0**	**62.6**	**42.3**	**-31.0**	**5.0**	**28.8**	**26.0**	**25.9**	**133.0**	**85.6**
Adj PAT	**59.0**	**62.6**	**42.3**	**8.0**	**5.0**	**37.7**	**26.0**	**25.9**	**172.0**	**94.5**
YoY Change (%)	-3.9	-24.2	-48.8	-80.2	-91.6	-39.8	-38.5	223.0	-35.6	-45.0
Margins (%)	22.2	25.6	17.8	3.7	3.8	22.3	15.5	13.7	17.9	14.4
Key Assumptions (USD/bbl)										
Net Oil Realization	66.3	60.3	59.7	49.0	28.7	41.4	44.3	50.0	58.8	41.1
Crude oil sold (mmt)	5.3	5.4	5.2	5.4	5.2	5.1	5.1	5.2	21.3	20.5
Gas sold (bcm)	5.0	4.9	4.8	4.7	4.2	4.6	4.6	4.9	19.4	18.3
VAP sold (tmt)	952.0	850.0	890.0	866.0	680.0	836.0	852.7	858.1	3,558.0	3,226.8

E: MOFSL Estimates

Petronet LNG — Buy

CMP INR250 | TP: INR340 (+36%) — **EPS CHANGE (%): FY21|22: -3|+1**

- India's LNG consumption was up 20% YoY and 17% QoQ in Oct-Nov, driven by gas demand from fertilizer and CGD.
- We model utilization for Dahej at 100% and Kochi at 20%.
- Total volumes are expected to be flat YoY, but -8% QoQ (as Dabhol terminal resumes operations) at ~233tbtu.
- Ramp-up of Kochi terminal and announcement of new projects remains key to watch.

Standalone - Quarterly Earning Model (INR Million)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**86,134**	**93,612**	**89,102**	**85,672**	**48,836**	**62,358**	**65,930**	**92,254**	**3,54,520**	**2,69,377**
YoY Change (%)	-6.1	-12.9	-11.8	2.2	-43.3	-33.4	-26.0	7.7	-7.7	-24.0
EBITDA	**10,239**	**11,605**	**11,076**	**6,975**	**9,099**	**13,632**	**11,113**	**10,697**	**39,895**	**44,541**
Margins (%)	11.9	12.4	12.4	8.1	18.6	21.9	16.9	11.6	11.3	16.5
Depreciation	1,899	1,960	1,960	1,942	1,936	1,952	2,048	2,256	7,761	8,191
Interest	1,005	1,051	940	1,035	881	850	995	1,255	4,032	3,982
Other Income	1,044	975	842	865	684	1,596	946	559	3,726	3,784
Extra-Ord expense	0	721	0	0	0	0	0	0	721	0
PBT	**8,379**	**8,848**	**9,017**	**4,863**	**6,966**	**12,426**	**9,015**	**7,745**	**31,107**	**36,152**
Rate (%)	33.1	-24.7	25.1	26.2	25.3	25.4	25.2	25.3	13.3	25.3
Reported PAT	**5,603**	**11,031**	**6,752**	**3,590**	**5,202**	**9,273**	**6,744**	**5,787**	**26,976**	**27,006**
Adj PAT	**5,603**	**11,752**	**6,752**	**3,590**	**5,202**	**9,273**	**6,744**	**5,787**	**27,697**	**27,006**
YoY Change (%)	-4.5	108.8	19.4	-18.4	-7.1	-21.1	-0.1	61.2	28.5	-2.5
Margins (%)	6.5	12.6	7.6	4.2	10.7	14.9	10.2	6.3	7.8	10.0
Key Assumptions										
Total Volumes (Tbtu)	226.0	250.0	233.0	219.0	190.0	254.0	233.2	249.2	928.0	926.3

Reliance Industries

Buy

CMP INR1,987 | TP: INR2,280 (+15%)

EPS CHANGE (%): FY21|22: 0|0

- RIL is expected to report GRM at USD7.0/bbl, benefitting from spike in ATF cracks during the quarter, while Arab Lt-Hv spread shrinks marginally QoQ.
- We expect RJio's ARPU to improve by 3% QoQ to INR149 (+16% YoY – owing to benefit from the price hike taken in Dec'19), with subs at 415mn (+12% YoY, +2% QoQ).
- Petchem margins improved QoQ with PE/PP/PVC delta up 25%/27%/52% - thus likely to offset the continued pain from delay in recovery of refining margins.
- We expect EBITDA of INR229b (flat YoY, +12% QoQ) on consol. and INR103b (-20% YoY, +35% QoQ) on SA basis

Consolidated - Quarterly Perf. **(INR Billion)**

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**1,570**	**1,493**	**1,532**	**1,365**	**883**	**1,112**	**1,278**	**2,023**	**5,959**	**5,295**
YoY Change (%)	21.9	4.2	-2.4	-1.6	-43.8	-25.5	-16.6	48.2	4.7	-11.1
EBITDA	**213**	**222**	**226**	**220**	**169**	**189**	**229**	**246**	**881**	**833**
Margins (%)	13.6	14.8	14.8	16.1	19.1	17.0	17.9	12.2	14.8	15.7
Depreciation	50	53	55	63	63	66	69	63	222	262
Interest	51	55	54	61	67	61	37	56	220	222
Other Income	31	36	34	39	44	42	26	65	140	177
PBT before EO expense	**143**	**150**	**151**	**135**	**82**	**105**	**148**	**192**	**579**	**527**
Extra-Ord expense	0	0	2	43	-50	0	0	0	44	-50
PBT	**143**	**150**	**149**	**93**	**132**	**105**	**148**	**192**	**535**	**576**
Tax	42	37	31	27	3	0	43	35	137	81
Rate (%)	29.5	24.7	20.9	28.9	2.0	-0.1	29.0	19.8	25.7	14.3
MI & Profit/Loss of Asso. Cos.	-0.3	-0.5	-0.6	0.3	-3.1	9.3	12.1	16.5	-1.1	34.8
Reported PAT	**101**	**114**	**118**	**65**	**132**	**96**	**93**	**127**	**399**	**459**
Adj PAT	**101**	**114**	**120**	**96**	**84**	**96**	**93**	**127**	**431**	**418**
YoY Change (%)	6.9	18.9	15.5	-8.1	-17.5	-15.7	-22.4	32.4	8.1	-3.0
Margins (%)	6.5	7.6	7.8	7.0	9.5	8.6	7.3	6.3	7.2	7.7
Key assumptions										
Refining throughput (mmt)	17.5	16.7	18.1	18.3	16.6	15.3	16.7	17.5	70.6	66.1
GRM (USD/bbl)	8.1	9.4	9.2	8.9	6.3	5.7	7.0	8.0	8.9	6.8
Petchem sales (mmt)	8.7	9.9	9.9	9.8	8.9	9.7	10.0	10.0	38.3	38.6
Petchem (EBITDA/mt)	142	128	103	85	66	83	90	90	114	82

E: MOFSL Estimates

Retail

Company name
Aditya Birla Fashion
Avenue Supermarts
Jubilant Foodworks
Shoppers Stop
Titan Company
Trent
V-Mart Retail

On revival path post lockdown

Resumption of operations, festive and winter seasons to aid recovery

The Retail industry has been among the most impacted by the nationwide COVID-led lockdown. However, with the opening up of the economy, along with the arrival of the festive season in 3QFY21, >95% of stores were operating at full capacity with no time restrictions. Thus, overall operations reached pre-COVID levels. Better performances are expected v/s 2QFY21 on the back of more operational stores with fewer restrictions, a healthy festive season (starting with Navratri and Diwali), and a good winter season. Also, the average bill size has gone up owing to the onset of the winter season. In line with 2QFY21, Casual Wear and Athleisure are expected to see stronger demand, and Formal Wear may lag behind due to the work-from-home policies of organizations. Revenues fell an average 50% YoY in Apparel and 10% in Grocery Retail in 2QFY21. In comparison, 3QFY21 is likely to see a ~20% YoY drop in Apparel revenues and 15% growth in Grocery Retail revenues; despite this, overall SSSG may remain negative YoY.

Category- and format-wise sales trends vary

Retail operations and sales recovery have been better in tier 2/3 cities v/s urban areas, given the lower COVID-led impact seen in rural India. Further resumption of operations and footfall on the high street is better v/s malls – as stores in malls were seeing 60–65% of last-year (LY) sales, while stores on the high street were reporting 80–85% of LY sales. Customers, too, have been downtrading to products with lower ASP. Thus, in the Apparel space, value retailers a) with a higher presence in tier 2/3 towns and on the high streets and b) that sell products with lower ASPs are likely to see faster recovery. Grocery retailers, too, have seen quicker recovery given the non-discretionary nature of products; general merchandisers have also seen relatively swift recovery.

DMart, Trent to see swifter recovery v/s peers

Thus, we expect retailers to see aggregate flat revenue YoY, primarily supported by DMart – it caters to the Essential category, and with the unlocking, it has also been able to sell in the Non-Essential Apparel and General Merchandise categories. We expect DMart to achieve 15% YoY revenue growth, while apparel retailers would see aggregate 20% YoY revenue decline. Retailers such as Pantaloons/SHOP with a higher presence in malls are expected to lag behind others. Trent is expected to fare better. Westside is reporting >85% of LY sales and Zudio has reached >100% of LY levels on the back of strong store additions. Subsequently, we expect ABFRL/SHOP/Trent/V-Mart to post 23%/27%/12%/11% YoY decline in revenues. We expect same-store sales growth (SSSG) in apparel players to be down ~20% YoY in 3QFY21, but much better than 2QFY21, which reported nearly >50% YoY lower levels.

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Lower opex to cushion market impact

We expect gross margins to improve 340bps QoQ on aggregate in 3QFY21 on account of the resumption of sales at retail stores. Costs should improve QoQ given the resumption of operations. Despite the YoY fall in revenues and higher no of stores, the fixed cost base is expected to be lower as rental negotiations up to Mar'21 and lower employee expenses would cushion the margin impact. Expect retailers to post EBITDA profit, albeit lower than last year's levels. Our aggregate EBITDA is expected to decline 10.3% YoY on ~20% decline in apparel retailers, partially offset by 16% growth in DMart. ABFRL/SHOP would report PAT loss on higher interest expense, while other retailers may turn PAT profitable. ABFRL's interest cost should reduce in the coming quarters with certain major announcements related to fundraising.

Maintain our stance – ABFRL/V-Mart

We continue to prefer ABFRL and V-Mart in the Retail space, encouraged by their better execution capabilities and strong working capability management to navigate the current economic turmoil. While high leverage remains a key concern for ABFRL, a rights issue of INR10b (INR5b already received and second tranche of INR2.5b is expected in 4QFY21) and INR15b cash from the equity stake sale to Flipkart should reduce leverage and strengthen the balance sheet. Trent's strong cash position and opportunities in the Zudio format should aid growth; however, the recent run-up in stock price leads us to maintain a Neutral rating on the stock (with a strong positive view on its business capabilities).

Exhibit 1: Expected quarterly performance summary (INR m)

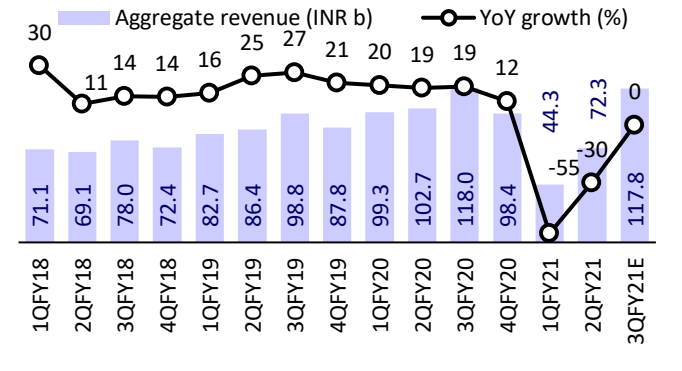
Sector	CMP		Sales (INR M)			EBDITA (INR M)			Net Profit (INR M)		
	(INR)	RECO	Dec-20	Var % YoY	Var % QoQ	Dec-20	Var % YoY	Var % QoQ	Dec-20	Var % YoY	Var % QoQ
Aditya Birla Fashion	166	Buy	19,649	-23.3	92.9	3,048	-25.5	LP	-404	PL	Loss
Avenue Supermarts	2791	Neutral	78,282	15.0	47.5	6,912	15.8	109.8	4,636	20.7	133.5
Jubilant Foodworks	2792	Neutral	10,808	2.0	34.2	2,859	12.7	33.2	1,158	11.7	50.6
Shoppers Stop	206	Neutral	7,242	-27.2	147.6	1,133	-42.6	LP	-100	Loss	Loss
Titan Company	1559	Buy	75,572	15.8	66.0	8,142	3.9	160.1	5,426	10.0	211.8
Trent	675	Neutral	7,662	-11.9	69.5	1,425	-17.9	2,132.1	526	-5.6	LP
V-Mart Retail	2518	Buy	5,011	-10.9	185.5	887	-24.1	LP	362	-37.8	LP
Westlife Development	449	Neutral	3,290	-24.0	57.1	172	-75.7	LP	-318	PL	Loss
Retail			**2,07,517**	**4.7**	**62.0**	**24,578**	**-5.5**	**197.7**	**11,288**	**-4.1**	**1,905.6**

Exhibit 2: Retail coverage financial snapshot

	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21E	YoY gr. (%)	QoQ (%)
Total revenue (INR b)													
ABFRL	19.1	20.1	22.8	19.2	20.7	23.0	25.6	18.2	3.2	10.2	19.6	-23.3	92.9
DMART	45.8	48.9	54.7	50.6	58.1	59.9	68.1	62.6	38.8	54.2	78.3	15.0	44.5
SHOP	8.3	8.6	10.0	7.9	8.3	8.5	9.9	7.1	0.5	2.7	7.2	-27.2	166.7
TRENT	5.9	6.2	6.6	6.7	7.7	8.2	8.7	7.2	1.0	3.7	7.7	-11.9	109.4
VMART	3.6	2.6	4.7	3.4	4.5	3.1	5.6	3.3	0.8	1.6	5.0	-10.9	217.8
Aggregate MOFSL universe	**82.7**	**86.4**	**98.8**	**87.8**	**99.3**	**102.7**	**118.0**	**98.4**	**44.3**	**72.3**	**117.8**	**-0.1**	**63.0**
Growth (YoY)	**16**	**25**	**27**	**21**	**20**	**19**	**19**	**12**	**-55**	**-30**	**0**		
Gross Profit (INR b)													
ABFRL	9.92	10.46	11.39	10.16	11.17	11.55	13.32	9.32	1.33	4.83	9.73	-27.0	101.3
DMART	7.27	7.16	8.19	7.42	9.52	9.22	10.43	8.50	5.52	8.12	11.80	13.2	45.5
SHOP	3.39	3.55	4.11	3.49	3.56	3.50	4.24	2.84	0.17	0.98	2.61	-38.5	166.7
TRENT	3.21	3.13	3.48	3.17	4.07	3.91	4.40	3.36	0.13	1.28	3.68	-16.5	187.2
VMART	1.21	0.77	1.66	1.00	1.39	0.98	2.04	0.95	0.24	0.47	1.72	-15.9	262.8
Aggregate MOFSL universe	**25.01**	**25.06**	**28.83**	**25.24**	**29.71**	**29.16**	**34.44**	**24.96**	**7.39**	**15.68**	**29.53**	**-14.2**	**88.4**
Growth (YoY)	**14**	**15**	**17**	**16**	**19**	**16**	**19**	**-1**	**-75**	**-46**	**-14**		
Gross margin (%)													
ABFRL	51.9	52.1	49.9	53.0	54.1	50.3	52.0	51.3	41.4	47.4	49.5	-250bps	210bps
DMART	15.9	14.6	15.0	14.7	16.4	15.4	15.3	13.6	14.2	15.0	15.1	-20bps	10bps
SHOP	41.0	41.1	41.2	44.1	42.8	41.4	42.6	40.0	32.1	36.0	36.0	-660bps	0bps
TRENT	54.4	50.8	53.0	47.4	53.0	47.8	50.6	46.5	13.3	35.0	48.0	-260bps	1300bps
VMART	33.6	29.2	35.6	29.0	30.6	31.2	36.3	28.5	30.8	30.0	34.3	-210bps	430bps
Aggregate gross margin (%)	**30.2**	**29.0**	**29.2**	**28.7**	**29.9**	**28.4**	**29.2**	**25.4**	**16.7**	**21.7**	**25.1**	**-410bps**	**340bps**
EBITDA (INR b)													
ABFRL	1.14	1.43	1.73	1.25	3.14	3.46	4.09	1.56	-3.51	-0.02	3.05	-25.5	NM
DMART	4.23	3.88	4.50	3.72	5.97	5.17	5.97	4.17	1.12	3.24	6.91	15.8	113.4
SHOP	0.41	0.54	0.97	0.59	1.38	1.37	1.97	0.77	-1.02	-0.60	1.13	-42.6	NM
TRENT	0.71	0.59	0.73	0.34	1.64	1.33	1.74	0.93	-1.19	-0.44	1.43	-17.9	NM
VMART	0.43	-0.01	0.73	0.18	0.58	0.11	1.17	0.28	-0.06	-0.03	0.89	-24.1	NM
Aggregate MOFSL universe	**6.93**	**6.43**	**8.66**	**6.07**	**12.71**	**11.45**	**14.94**	**7.71**	**-4.67**	**2.15**	**13.40**	**-10.3**	**523.0**
Growth (YoY)	**37.5**	**23.7**	**12.3**	**9.0**	**83.5**	**78.1**	**72.5**	**26.9**	**-136.7**	**-81.2**	**-10.3**		
EBITDA margin (%)													
ABFRL	5.9	7.1	7.6	6.5	15.2	15.1	16.0	8.6	-109.8	-0.2	15.5	-50bps	1570bps
DMART	9.2	7.9	8.2	7.4	10.3	8.6	8.8	6.7	2.9	6.0	8.8	10bps	290bps
SHOP	5.0	6.3	9.7	7.5	16.6	16.2	19.9	10.8	-189.9	-22.0	15.6	-420bps	3760bps
TRENT	12.0	9.6	11.1	5.0	21.4	16.2	20.0	12.9	-123.7	-12.1	18.6	-140bps	3070bps
VMART	12.0	-0.5	15.7	5.2	12.8	3.6	20.8	8.4	-7.5	-2.0	17.7	-310bps	1970bps
Margins MOFSL universe	**8.4**	**7.4**	**8.8**	**6.9**	**12.8**	**11.2**	**12.7**	**7.8**	**-10.5**	**3.0**	**11.4**	**-130bps**	**840bps**
PAT (INR b)													
ABFRL	0.06	0.43	0.70	2.03	0.22	0.07	-0.33	-1.40	-4.00	-1.81	-0.40	21.1	NM
DMART	2.45	2.19	2.47	1.92	3.23	3.23	3.84	2.71	0.40	1.73	4.64	20.7	168.7
SHOP	0.10	0.13	0.44	0.11	0.02	-0.05	-0.05	-1.33	-1.15	-1.49	-0.10	90.7	NM
TRENT	0.38	0.33	0.40	0.16	0.58	0.38	0.56	0.03	-1.39	-0.97	0.53	-5.6	NM
VMART	0.25	-0.04	0.42	-0.01	0.18	-0.18	0.58	-0.08	-0.34	-0.43	0.36	-37.8	NM
Aggregate MOFSL universe	**3.24**	**3.03**	**4.44**	**4.21**	**4.23**	**3.44**	**4.59**	**-0.08**	**-6.48**	**-2.98**	**5.02**	**9.3**	**NM**
Growth (YoY)	**51.4**	**53.0**	**18.4**	**22.1**	**24.7**	**10.6**	**1.5**	**NM**	**NM**	**NM**	**9.3**		

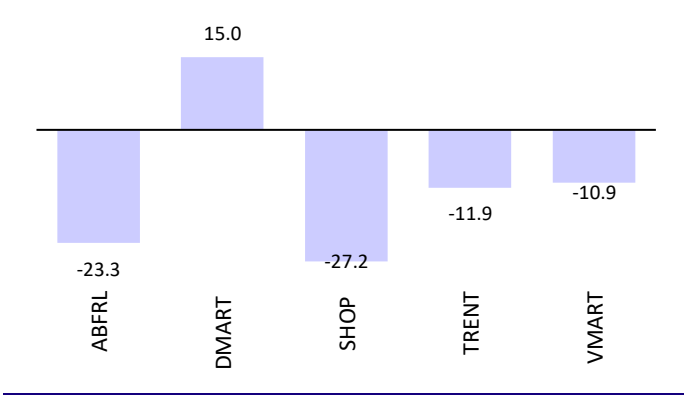
Source: Company, MOFSL

Exhibit 3: Aggregate revenue growth (YoY, %)



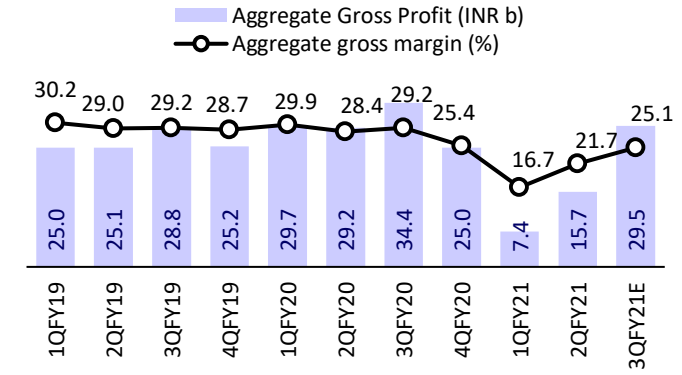
Source: Company, MOFSL

Exhibit 4: Revenue growth (YoY, %)



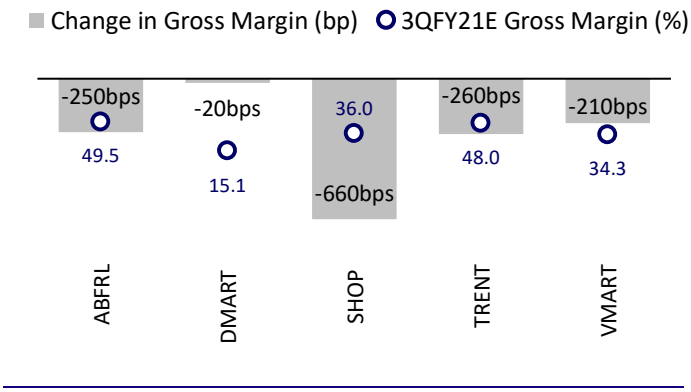
Source: Company, MOFSL

Exhibit 5: Aggregate gross profit growth (YoY, %)



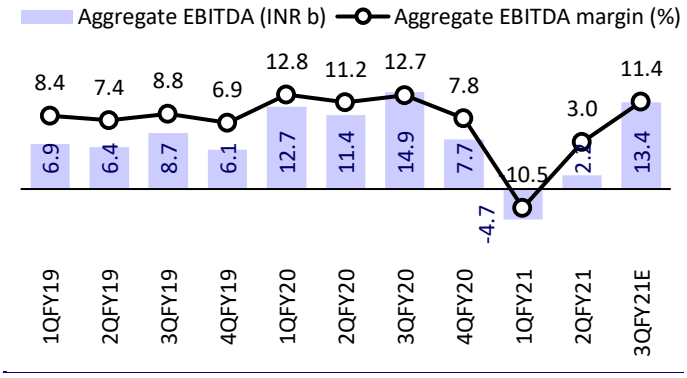
Source: Company, MOFSL

Exhibit 6: Change in gross margins (YoY, %)



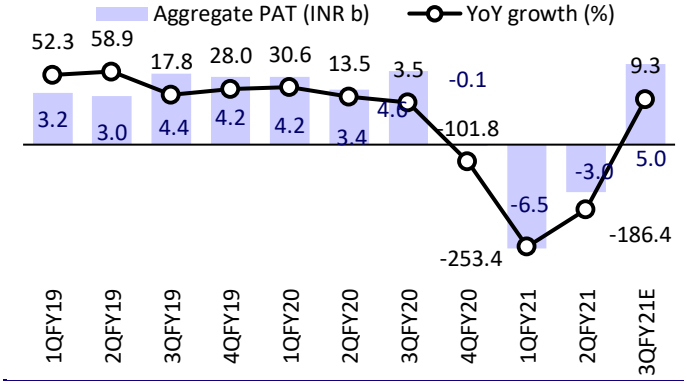
Source: Company, MOFSL

Exhibit 7: Aggregate EBITDA growth (YoY, %)



Source: Company, MOFSL

Exhibit 8: Aggregate PAT growth (YoY, %)



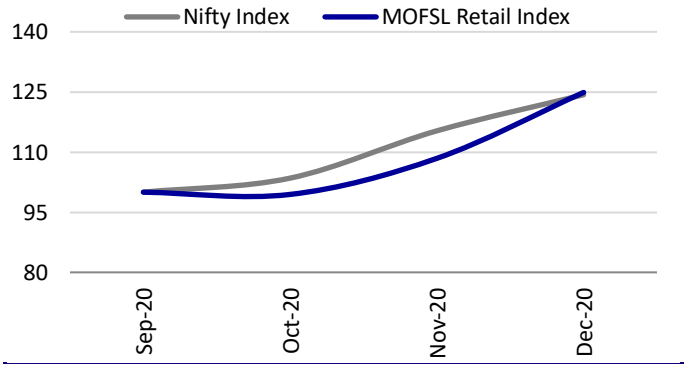
Source: Company, MOFSL

Exhibit 9: Retail coverage KPI snapshot

	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21E
Total store count											
Madura EBO's	2229	2288	2369	2406	2506	2544	2656	2699	2662	2679	2721
Pantaloons	282	288	302	308	314	331	343	342	342	342	349
DMART	157	160	164	176	184	189	196	214	216	218	223
Shoppers Stop	83	83	83	83	83	84	89	84	84	84	86
Westside	130	135	142	150	155	161	167	165	166	161	173
V-Mart	179	190	200	214	227	239	257	266	266	266	269
Store adds											
Madura EBO's	39	59	81	37	100	38	112	43	-37	17	42
Pantaloons	7	6	14	6	6	17	12	-1	0	0	7
DMART	2	3	4	12	8	5	7	18	2	2	5
Shoppers Stop	0	0	0	0	0	1	5	-5	0	0	2
Westside	5	5	7	8	5	6	6	-2	1	-5	12
V-Mart	8	11	10	14	13	12	18	9	0	0	3
Total Store Adds	**61**	**84**	**116**	**77**	**132**	**79**	**160**	**62**	**-34**	**14**	**71**
SSSG (%)											
Pantaloons	-2.0	-2.0	17.0	-4.4	4.1	10.4	4.9	-11.7	-92.0	-56.5	-28.0
Madhura EBOs	0.0	8.0	8.0	6.0	3.2	7.0	15.0	-6.0	-86.0	-50.0	-22.0
Shoppers Stop	-1.2	3.6	8.9	3.7	5.2	-2	1	-16.0	-95.0	-70.0	-30.0
Westside	8.0	9.0	12.0	12.0	12.0	14.0	10.2	-7.3	-90.0	-58.0	-20.0
V-Mart	1.2	0.0	11.0	3.5	5.2	1.0	2.0	-18.6	-84.7	-56.0	-17.0

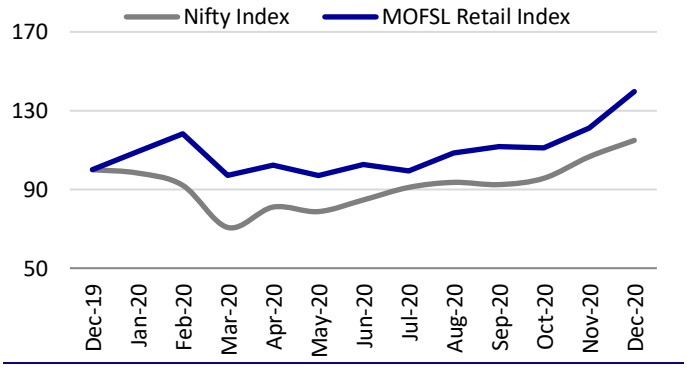
Source: Company, MOFSL

Exhibit 10: Relative performance – three months (%)



Source: Bloomberg, MOFSL

Exhibit 11: Relative performance – one year (%)



Source: Bloomberg, MOFSL

Exhibit 12: Comparative valuation

	CMP		EPS (INR)			PE (x)			PB (x)			RoE (%)		
Company Name	**INR**	**Reco**	**FY20**	**FY21E**	**FY22E**	**FY20**	**FY21E**	**FY22E**	**FY20**	**FY21E**	**FY22E**	**FY20**	**FY21E**	**FY22E**
Retail						**409.7**	**91.3**	**66.3**	**16.3**	**14.3**	**12.4**	**4.0**	**15.7**	**18.8**
Aditya Birla Fashion	166	Buy	-3.9	-0.7	0.1	-42.4	-228.8	1,579.9	20.5	21.7	21.4	-51.5	-9.9	1.4
Avenue Supermarts	2,791	Neutral	18.3	29.6	36.5	152.6	94.4	76.5	14.2	12.3	10.5	10.2	14.5	15.4
Jubilant Foodworks	2,792	Neutral	15.5	38.1	52.3	180.2	73.2	53.4	29.8	24.0	19.0	16.5	32.8	35.5
Shoppers Stop	206	Neutral	-41.9	-15.1	-7.2	-4.9	-13.6	-28.5	-6.1	-4.2	-3.7	323.1	36.4	13.7
Titan Company	1,559	Buy	9.0	22.5	29.2	172.7	69.3	53.4	20.3	17.7	15.6	11.9	27.3	31.1
Trent	675	Neutral	-3.3	4.0	6.2	-202	170	108.8	9.9	9.3	8.5	-5.1	6.0	8.7
V-Mart Retail	2,518	Buy	-18.2	29.4	50.4	-138	86	50.0	10.7	9.5	8.0	NM	11.8	17.4
Westlife Development	449	Neutral	-7.7	0.2	5.7	-58.4	2,615.7	78.4	15.3	15.2	12.7	-23.1	0.6	17.6

The tables below provide a snapshot of actual and estimated numbers for companies under the MOFSL Coverage Universe. Highlighted columns indicate the quarter/financial year under review.

Avenue Supermarts — Neutral

CMP: INR2,791 | TP: INR2,550 (-9%) — **EPS CHANGE (%): FY21|22: -2|0**

- Sale of essential goods to support revenues
- EBITDA margin to normalize at 8.8%
- Expect to add three stores
- Expect DMart's revenue recovery to outperform that of peers

Consolidated - Quarterly Earnings (INR m)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Revenue	**58,146**	**59,908**	**68,089**	**62,559**	**38,832**	**53,062**	**78,282**	**83,181**	**248,702**	**253,357**
YoY Change (%)	27.1	22.4	24.4	23.6	-33.2	-11.4	15.0	33.0	24.3	1.9
Total Expenditure	52,178	54,733	62,122	58,386	37,714	49,767	71,370	75,980	227,419	234,831
EBITDA	**5,968**	**5,175**	**5,967**	**4,173**	**1,118**	**3,295**	**6,912**	**7,201**	**21,283**	**18,526**
Change YoY (%)	41.0	-87.6	32.7	12.1	-81.3	-36.3	15.8	72.6	30.3	-13.0
Depreciation	827	919	952	1,046	948	1,007	1,040	1,112	3,744	4,107
Interest	182	190	176	144	88	93	50	50	691	281
Other Income	110	81	61	349	506	522	529	558	600	2,114
PBT	**5,069**	**4,147**	**4,900**	**3,333**	**588**	**2,717**	**6,351**	**6,597**	**17,448**	**16,252**
Tax	1,838	921	1,060	620	187	732	1,715	1,771	4,438	4,404
Rate (%)	36.3	22.2	21.6	18.6	31.8	26.9	27.0	26.8	25.4	27.1
Reported PAT	**3,230**	**3,226**	**3,840**	**2,713**	**401**	**1,985**	**4,636**	**4,826**	**13,009**	**11,848**
Adj PAT	**3,230**	**3,226**	**3,840**	**2,713**	**401**	**1,985**	**4,636**	**4,826**	**13,009**	**11,848**
YoY Change (%)	32	185	55	42	-88	-38	21	78	44	-9

E: MOFSL Estimates

ABFRL — Buy

CMP: INR166 | TP: INR200 (+21%) — **EPS CHANGE (%): FY21|22: NM|NM**

- Revenue to be at ~67% of 3QFY20 revenues
- Expect employee expense / SG&A / rent to decline YoY
- 45 store additions expected in 3QFY21
- Innerwear to reach pre-COVID revenue levels

Standalone - Quarterly Earnings (INR m)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenue	**20,655**	**22,972**	**25,625**	**18,174**	**3,200**	**10,186**	**19,649**	**21,470**	**87,425**	**54,504**
YoY Change (%)	7.9	14.4	12.3	-5.1	-84.5	-55.7	-23.3	18.1	7.7	-37.7
Total Expenditure	17,514	19,510	21,534	16,614	6,713	10,203	16,602	17,721	75,172	51,239
EBITDA	**3,141**	**3,462**	**4,091**	**1,561**	**-3,513**	**-17**	**3,048**	**3,748**	**12,254**	**3,265**
Change, YoY (%)	175.9	142.4	136.6	25.3	-211.9	-100.5	-25.5	140.2	121.2	-73.4
Depreciation	2,022	2,213	2,208	2,325	2,334	2,375	2,405	2,467	8,768	9,581
Interest	942	1,052	1,047	1,186	1,253	1,440	1,380	1,171	4,227	5,243
Other Income	175	162	145	169	1,765	1,408	198	198	651	3,571
PBT	**351**	**358**	**981**	**-1,782**	**-5,335**	**-2,424**	**-539**	**309**	**-91**	**-7,988**
Tax	136	289	1,315	-379	-1,336	-611	-135	77	1,361	-2,004
Rate (%)	38.6	80.7	134.0	21.3	25.0	25.2	25.0	25.0	-1497.2	25.1
Reported PAT	**216**	**69**	**-334**	**-1,403**	**-3,999**	**-1,813**	**-404**	**232**	**-1,452**	**-5,984**
Adj PAT	**216**	**315**	**730**	**-1,403**	**-3,999**	**-1,813**	**-404**	**232**	**-142**	**-5,984**
YoY Change (%)	285.0	-26.2	3.8	-1,716.8	-1,954.9	-674.6	-155.3	-116.5	-111.2	4114.2

E: MOFSL Estimates

Shoppers Stop — Neutral

CMP: INR206 | TP: INR198 (-2%) — **EPS CHANGE (%): FY21|22: NM|NM**

- Expect YoY sales to drop by 67%
- Over 90% of stores operational thus far
- Expect one store addition
- Successful rental negotiations to offer key relief

Standalone - Quarterly Earnings (INR m)

Y/E March	FY20				FY21				FY20	FY21
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Total Revenue from Operations	**8,324**	**8,453**	**9,941**	**7,092**	**539**	**2,924**	**7,242**	**8,164**	**33,810**	**18,869**
YoY Change (%)	NA	2.3	-0.5	-29.0	NA	-64.9	-14.3	-17.9	-2.9	-44.2
Total Expenditure	6,942	7,081	7,966	6,326	1,563	3,271	6,109	6,568	28,315	17,512
EBITDA	**1,382**	**1,372**	**1,975**	**766**	**-1,024**	**-347**	**1,133**	**1,595**	**5,495**	**1,357**
EBITDA Margin (%)	16.6	16.2	19.9	10.8	-189.9	-11.9	15.6	19.5	16.3	7.2
Depreciation	884	878	934	1,696	997	941	948	952	4,392	3,838
Interest	484	474	478	508	552	607	609	607	1,944	2,375
Other Income	24	181	66	64	1,040	631	300	300	335	2,271
PBT before EO expense	**38**	**201**	**629**	**-1,375**	**-1,533**	**-1,265**	**-124**	**336**	**-506**	**-2,585**
PBT	**38**	**201**	**629**	**-1,575**	**-1,533**	**-1,365**	**-124**	**336**	**-706**	**-2,685**
Tax	14	255	681	-247	-382	-342	-24	66	703	-682
Rate (%)	35.8	126.7	108.3	15.7	24.9	25.1	19.6	19.6	-99.5	25.4
Reported PAT	**24**	**-54**	**-52**	**-1,328**	**-1,151**	**-1,023**	**-100**	**270**	**-1,409**	**-2,003**
Adj PAT	**81**	**-54**	**-52**	**-734**	**-1,112**	**-1,123**	**-100**	**270**	**-759**	**-2,063**
YoY Change (%)	-17.4	-140.7	-111.1	-343.3	-1,476.6	NM	90.7	-136.8	-175.9	171.8

E: MOFSL Estimates

Trent — Neutral

CMP: INR675 | TP: INR710 (5%) — **EPS CHANGE (%): FY21|22: NM|0**

- Westside to witness SSSG of -20%
- Expect standalone gross margin to reach ~50%
- Expect store additions to pick up from 3QFY21
- Reduction in employee expense / rent / SG&A cost to aid cost measures

Standalone - Quarterly Earnings (INR m)

Y/E March	FY20				FY21E				FY20	FY21
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenue	**7,672**	**8,180**	**8,697**	**7,228**	**963**	**4,521**	**7,662**	**8,887**	**31,777**	**22,034**
YoY Change (%)	29.9	32.8	32.5	8.1	-87.4	-44.7	-11.9	23.0	132.9	46.9
Total Expenditure	6,033	6,852	6,962	6,298	2,155	4,457	6,237	7,200	26,145	20,049
EBITDA	**1,639**	**1,328**	**1,735**	**929**	**-1,191**	**64**	**1,425**	**1,687**	**5,632**	**1,985**
EBITDA Margin (%)	21.4	16.2	20.0	12.9	-123.7	1.4	18.6	19.0	17.7	9.0
Depreciation	536	585	579	612	585	578	571	551	2,311	2,286
Interest	597	598	593	595	574	583	540	447	2,383	2,143
Other Income	359	433	382	344	529	364	389	265	1,518	1,547
PBT	**865**	**578**	**946**	**67**	**-1,822**	**-733**	**703**	**955**	**2,455**	**-897**
Tax	286	195	389	40	-428	-252	177	240	909	-262
Rate (%)	33.0	33.7	41.1	60.6	23.5	34.4	25.2	25.2	37.0	29.2
Reported PAT	**579**	**383**	**557**	**26**	**-1,395**	**-481**	**526**	**715**	**1,546**	**-634**
Adj PAT	**579**	**383**	**557**	**26**	**-1,395**	**-481**	**526**	**715**	**1,546**	**-634**
YoY Change (%)	51.1	16.3	38.0	-83.9	-340.7	-225.6	-5.6	2,613.7	160.3	-175.7

E: MOFSL Estimates

V-Mart Retail

Buy

CMP: INR2,518 | TP: INR3,000 (+19%)

EPS CHANGE (%): FY21|22: 0|0

- Five store additions expected in 3QFY21
- Expect EBITDA profit in 3QFY21
- Expect ~11% YoY drop in revenues
- Expect rental waiver and other cost-saving measures to reduce impact on operating losses

Standalone - Quarterly Earnings (INR m)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Revenue	**4,530**	**3,142**	**5,622**	**3,327**	**781**	**1,755**	**5,011**	**3,779**	**16,620**	**11,326**
YoY Change (%)	25.4	19.8	20.7	-3.4	-82.8	-44.1	-10.9	13.6	15.9	-31.9
Total Expenditure	3,953	3,028	4,454	3,048	839	1,758	4,124	3,590	14,483	10,312
EBITDA	**578**	**113**	**1,168**	**278**	**-58**	**-3**	**887**	**188**	**2,137**	**1,014**
EBITDA Margin (%)	12.8	3.6	20.8	8.4	-7.5	-0.2	17.7	5.0	12.9	8.9
Depreciation	220	223	245	252	263	257	265	275	939	1,060
Interest	120	131	158	139	146	147	151	159	548	603
Other Income	21	12	4	8	14	150	20	20	45	204
PBT	**259**	**-229**	**770**	**-105**	**-454**	**-257**	**491**	**-225**	**695**	**-445**
Tax	83	-48	188	-20	-117	-68	129	-59	202	-115
Rate (%)	32.0	21.1	24.4	19.2	25.8	26.3	26.3	26.3	29.0	25.8
Reported PAT	**176**	**-180**	**582**	**-84**	**-336**	**-190**	**362**	**-166**	**493**	**-330**
Adj PAT	**176**	**-180**	**582**	**-84**	**-336**	**-190**	**362**	**-166**	**493**	**-330**
YoY Change (%)	-29.2	1,047.7	39.6	-230.6	-291.1	5.1	-37.8	96.7	-31.0	-166.9

E: MOFSL Estimates

Retail (Consumer Discretionary)

Company name
Jubilant FoodWorks
Titan Company
Westlife Development

Return to positive growth trajectory

Recovery trends better than expected

We expect 11.8% YoY revenue growth for Titan Company (TTAN), Jubilant FoodWorks (JUBI), and Westlife Development (WLDL) together in 3QFY21E. This is the first time in four quarters that the combined sales growth is in positive territory. Recovery has been sharp. After 62.9% sales decline in the COVID-led lockdown affected 1QFY21, the same fell only 7.9% in 2QFY21 and is now in growth territory. Combined EBITDA/PAT growth is likely to be flattish at 0.8%/2.5%. Operational recovery has been improving MoM as stores have reopened and business has revived.

TTAN's sales are expected to grow by 15.8% YoY led by Jewelry sales, which are expected to grow at 15% YoY (excluding the loose gold sales of ~INR3.3b). This would lead to EBITDA/PAT growth of 3.9%/10% YoY. While we expect a much lower margin impact from ineffective hedges in 3QFY21 compared to the preceding two quarters, overall operating margin could be 120bp lower YoY. The management had indicated Jewelry sales growth of 15% during the festive season compared to the same period last year. In addition, demand for wedding jewelry is reportedly good. Jewelry demand is also boosted on account of the dearth of other discretionary opportunities, especially travel and tourism related. A massive decline in international and domestic holidays is boosting demand for gold and particularly high-ticket diamond jewelry. The recovery in other businesses (11% of sales for 3QFY21E) is expected to be slower. We expect 12% YoY sales decline in Watches and 8% sales decline in the Eyewear business in 3QFY21E.

We expect JUBI's sales to grow by 2% YoY in 3QFY21E, with flat same-store sales (SSS). There has been a MoM improvement in reopening of stores as well as in sales. Recovery is led by delivery and takeaway channels (70% of FY20 sales). Dine-in (30% of FY20 sales) is expected to have declined. Operating margin is expected to be 250bp YoY higher led by: a) benign material costs, b) cost savings, c) introduction of delivery charges, and d) faster growth YoY in higher ticket size delivery/takeaway channel. While targeted closure of 90 stores would affect sales growth, it would have a positive rub-off on margin as these would be the least profitable stores. EBITDA/PAT is expected to grow in double digits (12.7%/11.7% YoY).

WLDL, with half of its sales coming in from the dine-in channel, is expected to post a more gradual recovery, with a 20%/24% SSSG/sales decline in 3QFY21E. Reopening of dine-in in Maharashtra (~50% of restaurants) would significantly aid recovery. SSSG trend is improving over the 54%/40.7% decline in 1Q/2QFY21. EBITDA margin is expected to be back in positive territory (5.2% YoY), but it is likely to post a net loss again in 3QE before moving to profitability in 4QFY21E.

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Large brands gain from shifting consumption patterns

While we were earlier cautious on a retail recovery due to social distancing concerns and muted consumer incomes, large retail players have been unaffected by them. Recovery seen in TTAN, JUBI, and WLDL is better than what we had previously expected due to several underlying shifts: a) higher trust in brands, leading to consumers shifting from unorganized and smaller players, b) limited opportunities for indulgence in other categories (outdoor movies, travel, etc.), resulting in a shift toward food and jewelry, and c) closure of smaller players with weaker balance sheets, leading to market share gains for large incumbents.

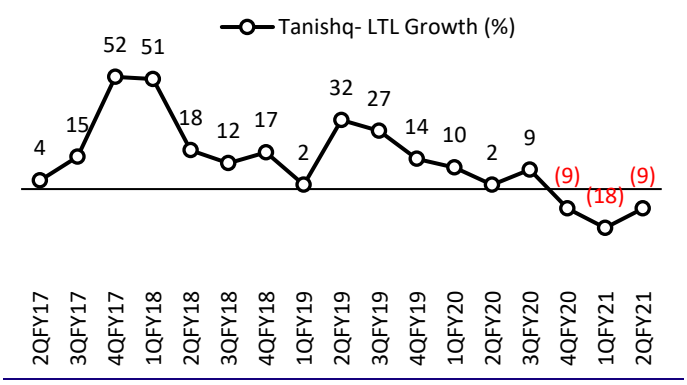
We believe in JUBI, WLDL, and TTAN's long-term potential and the structural opportunity they present. We are bullish on **TTAN** due to expected gains from the unorganized sector and faster-than-guided recovery expected in 3QFY21 amid the festive season. We have a Neutral rating on JUBI/WLDL due to elevated near term valuations.

Exhibit 1: Summary of expected quarterly performance

Sector	CMP		SALES (INR M)			EBDITA (INR M)			NET PROFIT (INR M)		
	(INR)	RECO	Dec-20	Var % YoY	Var % QoQ	Dec-20	Var % YoY	Var % QoQ	Dec-20	Var % YoY	Var % QoQ
Jubilant Foodworks	2792	Neutral	10,808	2.0	34.2	2,859	12.7	33.2	1,158	11.7	50.6
Titan Company	1559	Buy	75,572	15.8	66.0	8,142	3.9	160.1	5,426	10.0	211.8
Westlife Development	449	Neutral	3,290	-24.0	57.1	172	-75.7	LP	-318	PL	Loss

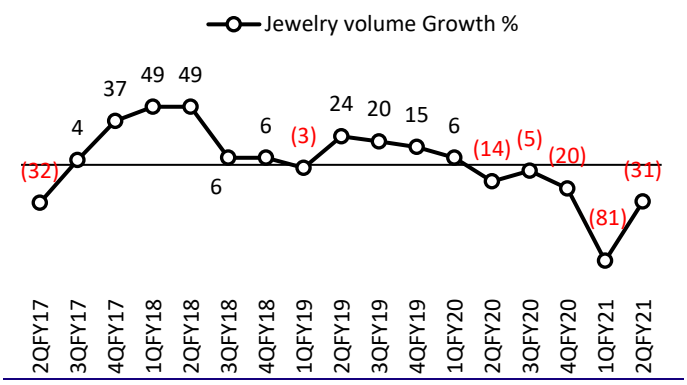
Source: Company, MOFSL

Exhibit 2: Tanishq's LTL sales growth in 2QFY21 declined…



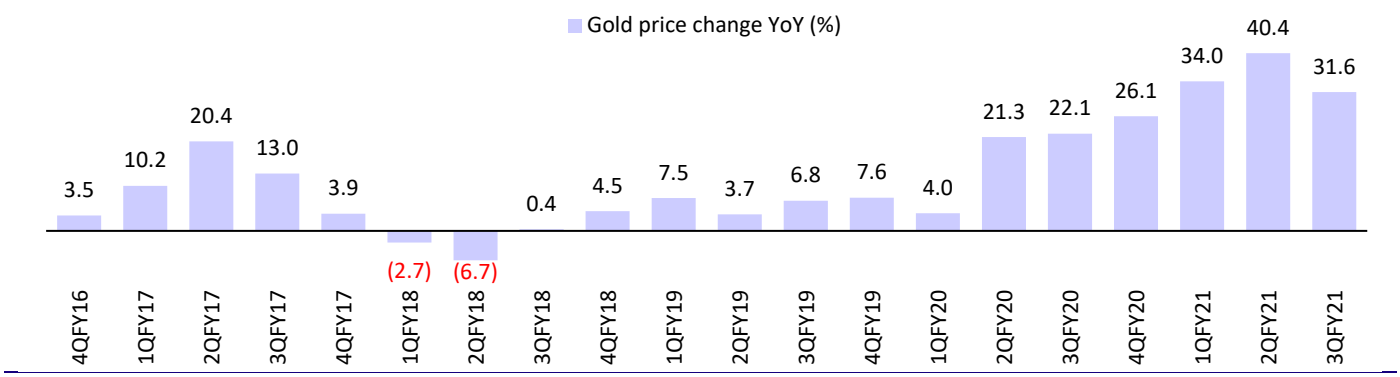
Source: Company, MOFSL

Exhibit 3: …with a fall in volumes due to the lockdown



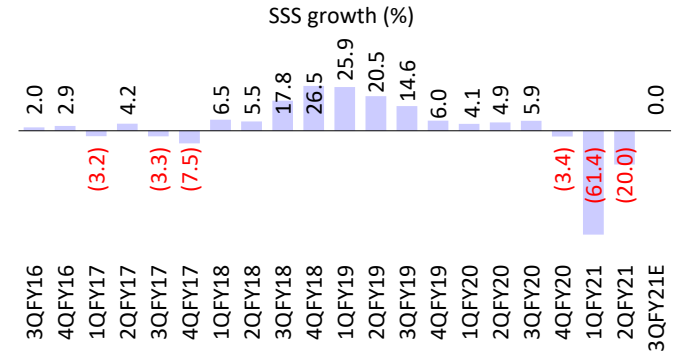
Source: Company, MOFSL

Exhibit 4: Average gold prices rose 31.6% YoY but fell 2% QoQ in 3QFY21



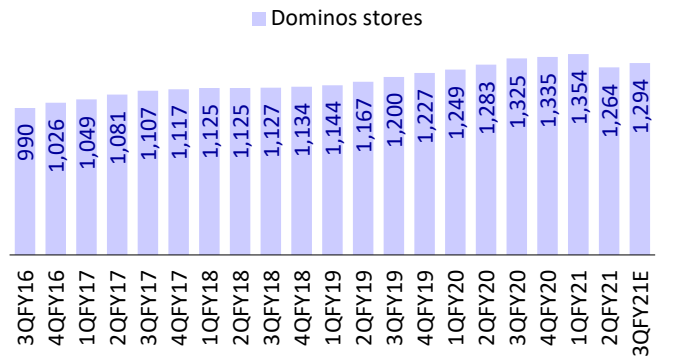
Source: Company, MOFSL

Exhibit 5: Expect JUBI's SSSG to be nil in 3QFY21E



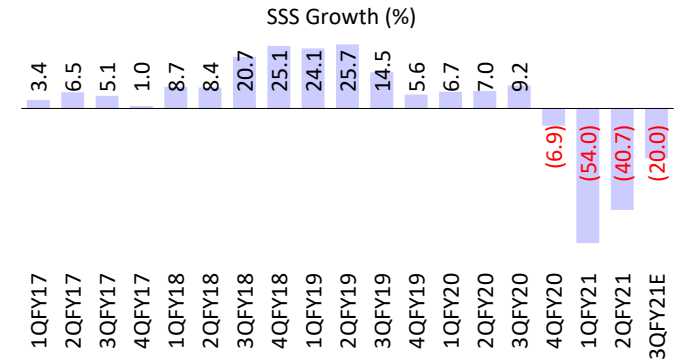
Source: Company, MOFSL

Exhibit 6: Expect ~30 net store additions for Domino's



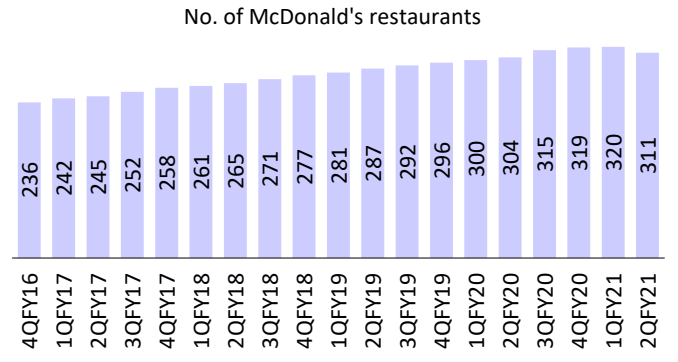
Source: Company, MOFSL

Exhibit 7: Expect WLDL's SSSG to be -20% in 3QFY21E



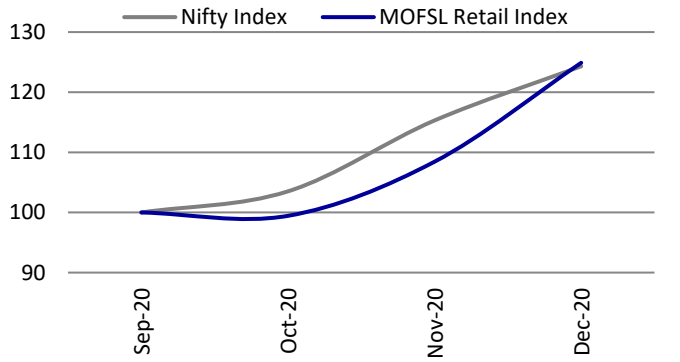
Source: Company, MOFSL

Exhibit 8: WLDL had a net closure of 9 stores in 2QFY21



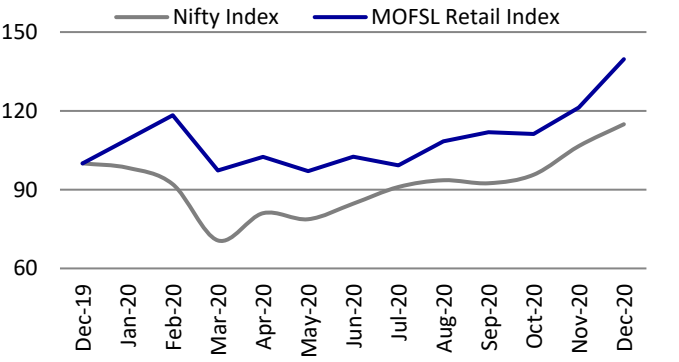
Source: Company, MOFSL

Exhibit 9: Relative performance – three-months (%)



Source: Bloomberg, MOFSL

Exhibit 10: Relative performance – one-year (%)



Source: Bloomberg, MOFSL

Exhibit 11: Comparative valuation

Company Name	CMP (INR)	Reco	EPS (INR)			PE (x)			PB (x)			ROE (%)		
			FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Retail						**409.7**	**91.3**	**66.3**	**16.3**	**14.3**	**12.4**	**4.0**	**15.7**	**18.8**
Jubilant Foodworks	2,792	Neutral	15.5	38.1	52.3	180.2	73.2	53.4	29.8	24.0	19.0	16.5	32.8	35.5
Titan Company	1,559	Buy	9.0	22.5	29.2	172.7	69.3	53.4	20.3	17.7	15.6	11.9	27.3	31.1
Westlife Development	449	Neutral	-7.7	0.2	5.7	-58.4	2,615.7	78.4	15.3	15.2	12.7	-23.1	0.6	17.6

Source: Company, MOFSL

The tables below provide a snapshot of actual and estimated numbers for companies under the MOFSL coverage universe. Highlighted columns indicate the quarter/financial year under review.

Jubilant FoodWorks — Neutral

CMP INR2,792 | TP: INR2,700 (-3%) — **EPS CHANGE (%): FY21|22: 0|0**

- Expect SSSG to be nil in 3QFY21E.
- Watch out for commentary on the launch of new categories.
- Expect net addition of 30 Domino's stores in 3QFY21E.
- Performance of delivery and takeaways are a key monitorable.

Quarterly standalone performance (INR m)

Y/E March	FY20				FY21				Consol.	Consol.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE	FY20	FY21E
No of stores (Domino's)	**1,249**	**1,283**	**1,325**	**1,335**	**1,354**	**1,264**	**1,294**	**1,330**	**1,335**	**1,330**
SSG (%)	**4.1**	**4.9**	**5.9**	**-3.4**	**-61.4**	**-20.0**	**0.0**	**10.0**	**3.2**	**-17.9**
Net Sales	**9,401**	**9,882**	**10,596**	**8,979**	**3,803**	**8,055**	**10,808**	**10,056**	**39,273**	**33,139**
YoY change (%)	9.9	12.1	14.1	3.8	-59.5	-18.5	2.0	12.0	10.2	-15.6
Gross Profit	**7,093**	**7,439**	**7,937**	**6,682**	**2,967**	**6,346**	**8,430**	**7,793**	**29,438**	**25,687**
Gross margin (%)	75.5	75.3	74.9	74.4	78.0	78.8	78.0	77.5	75.0	77.5
EBITDA	**2,191**	**2,350**	**2,536**	**1,695**	**241**	**2,147**	**2,859**	**2,613**	**8,756**	**7,759**
EBITDA growth %	54.2	59.3	48.6	14.8	-89.0	-8.7	12.7	54.2	44.1	-11.4
Margin (%)	23.3	23.8	23.9	18.9	6.3	26.7	26.5	26.0	22.3	23.4
Depreciation	808	838	880	916	908	1,030	1,050	1,100	3,523	4,246
Interest	395	404	426	410	419	412	410	400	1,652	1,655
Other Income	153	172	159	204	127	311	150	180	696	877
PBT	**1,141**	**1,281**	**1,389**	**573**	**-959**	**1,016**	**1,549**	**1,293**	**4,277**	**2,735**
Tax	393	396	352	121	-233	247	390	326	1,303	689
Rate (%)	34.4	30.9	25.4	21.1	24.3	24.3	25.2	25.2	30.5	25.2
Adjusted PAT	**748**	**884**	**1,037**	**452**	**-726**	**769**	**1,158**	**967**	**2,974**	**2,046**
YoY change (%)	0.1	13.9	7.4	-42.9	P/L	-13.0	11.7	114.0	-9.3	-31.2

E: MOFSL estimates; Interim numbers are standalone while annual numbers are on a consolidated basis

Titan Company — Buy

CMP INR1,559 | TP: INR1,750 (+12%) — **EPS CHANGE (%): FY21|22: -3.6|-0.1**

- Expect a recovery in 3QFY21 topline due to festive and wedding demand.
- Watch out for commentary on cost savings.
- Commentary on recovery in Watches and Eyewear are key monitorables.
- Demand outlook/guidance for FY21 are key observables.

Consolidated Quarterly Performance (INR m)

Y/E March	FY20				FY21				FY20	FY21E	FY21	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Net Sales	**51,511**	**46,616**	**65,274**	**47,115**	**19,790**	**45,530**	**75,572**	**51,981**	**210,515**	**192,874**	**45,184**	0.8
YoY change (%)	15.7	2.1	11.2	-3.6	-61.6	-2.3	15.8	10.3	6.4	-8.4	-3.1	
Gross Profit	**14,107**	**13,867**	**16,655**	**14,336**	**4,340**	**14,210**	**19,142**	**12,889**	**58,965**	**50,581**	**11,147**	
Margin (%)	27.4	29.7	25.5	30.4	21.9	31.2	25.3	24.8	28.0	26.2	24.7	
EBITDA	**5,734**	**5,223**	**7,837**	**6,125**	**-2,530**	**3,130**	**8,142**	**6,058**	**24,919**	**14,800**	**3,597**	-13.0
EBITDA growth %	18.8	11.4	32.6	36.6	-144.1	-40.1	3.9	-1.1	25.1	-40.6	-31.1	
Margin (%)	11.1	11.2	12.0	13.0	-12.8	6.9	10.8	11.7	11.8	7.7	8.0	
Depreciation	760	822	877	1,021	930	940	980	1,010	3,480	3,860	950	
Interest	339	449	447	427	520	490	565	615	1,662	2,190	545	
Other Income	571	318	227	417	410	480	450	455	1,532	1,795	440	
PBT	**5,207**	**4,270**	**6,739**	**5,093**	**-3,570**	**2,180**	**7,047**	**4,888**	**21,310**	**10,545**	**2,542**	-14.2
Tax	1,560	1,127	1,808	1,662	-640	440	1,621	1,110	6,158	2,531	508	
Rate (%)	30.0	26.4	26.8	32.6	17.9	20.2	23.0	22.7	28.9	24.0	20.0	
Adjusted PAT	**3,647**	**3,143**	**4,931**	**3,432**	**-2,930**	**1,740**	**5,426**	**3,778**	**15,152**	**8,014**	**2,033**	-14.4
YoY change (%)	11.0	3.8	19.9	-1.5	-180.3	-44.6	10.0	10.1	8.9	-47.1	-35.3	

E: MOFSL Estimates

Westlife Development — Neutral

CMP INR449 | TP: INR440 (-2%) — **EPS CHANGE (%): FY21|22: 0.0|0.0**

- Expect 20% decline in SSSG in 3QFY21E.
- Watch out for commentary on store network expansion.
- Watch out for commentary on demand trends and McCafé.
- Performance of dine-in and delivery channels are key monitorables.

Consolidated - Quarterly performance (INR m)

Y/E March	FY20				FY21				FY20	FY21
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
SSSG %	6.7	7.0	9.2	(6.9)	(54.0)	(40.7)	(20.0)	(5.7)	**4.0**	**(30.1)**
Net Sales	**3,820**	**3,965**	**4,329**	**3,364**	**939**	**2,095**	**3,290**	**3,091**	**15,478**	**9,415**
YoY Change (%)	11.8	13.3	16.8	-0.9	-75.4	-47.2	-24.0	-8.1	10.4	-39.2
Gross profit	**2,444**	**2,589**	**2,857**	**2,206**	**533**	**1,331**	**2,073**	**1,948**	**10,095**	**5,884**
Margin (%)	64.0	65.3	66.0	65.6	56.8	63.5	63.0	63.0	65.2	62.5
EBITDA	**489**	**580**	**709**	**363**	**-423**	**-13**	**172**	**407**	**2,140**	**144**
YoY Change (%)	48.1	108.1	112.9	42.1	-186.5	-102.2	-75.7	12.1	78.8	-93.3
Margin (%)	12.8	14.6	16.4	10.8	-45.0	-0.6	5.2	13.2	13.8	1.5
Depreciation	332	344	355	354	353	351	360	301	1,384	1,365
Interest	203	200	202	203	215	217	210	133	808	775
Other Income	29	38	46	17	182	146	80	81	130	490
PBT	**-17**	**74**	**198**	**-177**	**-809**	**-435**	**-318**	**54**	**79**	**-1,507**
Tax	-5	27	54	-91	-203	-109	0	0	-14	-313
Rate (%)	31.9	36.9	27.4	51.2	25.1	25.1	0.0	0.0	-18.1	20.7
Reported PAT	**-178**	**47**	**144**	**-86**	**-605**	**-325**	**-318**	**54**	**-73**	**-1,194**
Adjusted PAT	**-11**	**47**	**144**	**-86**	**-605**	**-325**	**-318**	**54**	**93**	**-1,194**
YoY Change (%)	-112.5	-40.6	107.7	-774.7	P/L	P/L	-321.0	-162.4	-63.0	-1,386.7
Margin (%)	-0.3	1.2	3.3	-2.6	-64.5	-15.5	-9.7	1.7	0.6	-12.7

E: MOFSL estimates

Staffing

SIS
Teamlease
Quess

In the midst of a recovery

Expect a strong rebound in general staffing

- We expect our coverage universe in staffing to deliver sales/EBITDA/PAT decline of 1%/4%/5% YoY in 3QFY21E.
- As the economy opens up gradually, we expect a pick-up in general staffing across companies. Fresh hiring has been seen across Telecom, e-commerce, BFSI and Infra. Pockets of Retail still exhibit pain points, thereby partially offsetting the traction in other sectors.
- Based on our learnings in the immediate aftermath of demonetization and the GFC, this uncertainty would likely lead to the conversion of some otherwise permanent roles into temporary ones, consequently benefitting staffing firms.
- Since a lot of rationalization measures have been taking place in specialized staffing, we expect moderate growth in the same.
- Facility Management and Security Business recovery would be slower as IT/ITES companies are not yet opening up fully. While some of the secular hiring is happening, full scale recovery would take some time.

TEAM to lead sequential revenue growth

- We expect TEAM/QUESS to drive growth (15%/10% QoQ). SIES would also deliver decent growth. However, it may be partially offset by slower additions of additional security guards.
- We expect TEAM/QUESS' total headcount to breach pre-COVID levels by the end of FY21. This should lead to strong sequential growth in headcount across the two companies, which is down 12/15% YoY within general staffing.

Expect margin improvement going forward

- With a recovery in revenue, we expect an increase in margin driven by operating leverage and rationalization in pricing.
- Sequential EBIT margins should improve by 20-30bp. For FY21, we are currently building-in only a marginal change in our EPS estimates for our coverage universe. Subject to companies' commentaries, there may be an upside risk to our estimates.

Valuation and view: Positive long-term outlook

- The sector has already passed the peak of uncertainty as the economy unlocks gradually and enterprises look to dodge supply disruptions. The encouraging rebound in the unemployment situation and hiring outlook is a positive.
- Given some level of uncertainty in the economy (due to the back and forth on lockdowns), some of the otherwise permanent roles are likely to be filled through flexi-staffing as employers attempt to keep their costs variable. This should lead to near to medium term benefits for staffing companies.
- We maintain our positive stand on the sector with a Buy rating for TEAM, QUESS, and SIES.

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Exhibit 1: Expect revenues to grow 8.4% QoQ

	Revenue (INR b)					EBITDA (INR b)				
Company	3QFY21E	2QFY21	QoQ (%)	3QFY20	YoY (%)	3QFY21E	2QFY21	QoQ (%)	3QFY20	YoY (%)
SIS	22.3	21.6	3.2	21.8	2.2	1.4	1.3	6.6	1.3	3.5
Teamlease	13.0	11.0	15.0	13.5	-3.9	0.3	0.2	24.2	0.3	3.9
Quess	28.7	26.2	9.7	29.5	-2.7	1.6	1.4	15.0	1.8	-10.4
Aggregate	**64.0**	**59.0**	**8.4**	**64.8**	**-1.3**	**3.3**	**2.9**	**12.0**	**3.4**	**-3.8**
	EBITDA margin (%)					Adjusted PAT (INR b)				
Company	3QFY21E	2QFY21	QoQ (bp)	3QFY20	YoY (bp)	3QFY21E	2QFY21	QoQ (%)	3QFY20	YoY (%)
SIS	6.2	6.0	20	6.1	10	0.9	1.1	-18.8	0.8	12.1
Teamlease	2.2	2.0	20	2.0	20	0.2	0.2	9.1	0.3	-7.4
Quess	5.6	5.3	30	6.1	-50	0.6	0.5	17.0	0.7	-22.0
Aggregate	**5.1**	**5.0**	**10**	**5.3**	**-20**	**1.7**	**1.8**	**-5.5**	**1.8**	**-5.0**

Source: Company, MOFSL

Exhibit 2: Change in estimates

Sector	Revised EPS (INR)		Earlier EPS (INR)		Change (%)	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
SIS	21.5	20.3	21.5	20.3	0.0	0.0
Teamlease	53.8	82.9	53.8	82.9	0.0	0.0
Quess	13.4	28.8	14.3	29.0	-6.2	-0.6

Source: Company, MOFSL

Exhibit 3: Expected quarterly performance summary

Sector	CMP		SALES (INR M)			EBDITA (INR M)			NET PROFIT (INR M)		
	(INR)	RECO	Dec-20	Var % YoY	Var % QoQ	Dec-20	Var % YoY	Var % QoQ	Dec-20	Var % YoY	Var % QoQ
Quess Corp	538	Buy	28,700	-2.7	9.7	1,607	-10.4	15.0	584	-22.0	38.2
Security & Intel	428	Buy	22,270	2.2	3.2	1,382	3.5	6.6	878	12.1	-18.8
Team Lease Serv.	2668	Buy	12,984	-3.9	15.0	286	3.9	24.2	236	-7.4	9.1
Staffing			**63,954**	**-1.3**	**8.4**	**3,275**	**-3.8**	**12.0**	**1,698**	**-5.0**	**-1.3**

Source: Company, MOFSL

Exhibit 4: Comparative valuation

	CMP		EPS (INR)			PE (x)			PB (x)			ROE (%)		
Company Name	(INR)	Reco	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Staffing						**30.8**	**21.8**	**14.3**	**3.9**	**3.3**	**2.7**	**12.5**	**15.0**	**18.6**
Quess Corp	538	Buy	13.4	28.8	49.5	40.1	18.7	10.9	2.5	2.1	1.7	8.1	15.3	21.8
Security & Intel	428	Buy	21.5	20.3	25.9	19.9	21.1	16.5	1.7	1.5	1.2	21.0	16.3	17.6
Team Lease Serv.	2,668	Buy	53.8	82.9	122.4	49.6	32.2	21.8	6.9	5.7	4.5	14.9	19.3	23.0

Source: Company, MOFSL

The tables below provide a snapshot of actual and estimated numbers for IT companies under the MOFSL coverage universe. Highlighted columns indicate the quarter/financial year under review.

SIS — Buy

CMP INR430| TP: INR600 (+40%) — **EPS CHANGE (%): FY21|22: 0.0|0.0**

- Expect strong recovery in overall India headcount.
- Outlook on short duration project business in Australia is a key observable.
- Margin recovery would be mainly aided by positive operating leverage in the FM business.
- Outlook on the FM business would be a key monitorable.

Consol. - Quarterly earnings model (INR m)

Y/E March	FY20				FY21				FY20	FY21
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Gross Sales	**20,084**	**20,889**	**21,782**	**22,097**	**21,667**	**21,579**	**22,270**	**22,996**	**84,852**	**88,513**
YoY Change (%)	24.6	23.6	18.6	13.0	7.9	3.3	2.2	4.1	19.6	4.3
Total Expenditure	18,837	19,652	20,447	20,713	20,459	20,282	20,888	21,660	79,648	83,288
EBITDA	**1,247**	**1,237**	**1,335**	**1,385**	**1,209**	**1,297**	**1,382**	**1,337**	**5,204**	**5,225**
Margin (%)	6.2	5.9	6.1	6.3	5.6	6.0	6.2	5.8	6.1	5.9
Depreciation	294	326	333	331	285	283	295	304	1,283	1,167
Interest	371	378	382	386	373	333	343	324	1,517	1,372
Other Income	2	-21	47	504	231	665	361	189	531	1,446
PBT	**584**	**512**	**667**	**1,172**	**782**	**1,346**	**1,106**	**898**	**2,935**	**4,131**
Tax	-188	-249	-112	1,186	200	268	221	180	636	869
Rate (%)	-32.3	-48.6	-16.9	101.2	25.6	19.9	20.0	20.0	21.7	21.0
MI & Profit/Loss of Asso. Cos.	-23	0	4	-25	-3	3	-7	-5	-44	-11
Reported PAT	**749**	**762**	**783**	**-39**	**579**	**1,081**	**878**	**713**	**2,255**	**3,251**
YoY Change (%)	89.7	74.0	32.5	-105.4	-22.7	42.0	12.1	-1,924.8	-6.8	44.2
Margin (%)	3.7	3.6	3.6	-0.2	2.7	5.0	3.9	3.1	2.7	3.7

Teamlease — Buy

CMP INR2663 | TP: INR3280 (23%) — **EPS CHANGE (%): FY21|22: 0.0|0.0**

- Expect headcount to improve sequentially.
- Recovery in impacted verticals to be a key monitorable.
- Progress on divestiture of other HR business units.
- Update on provisions for DHFL exposure.

Consolidated quarterly performance (INR m)

	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Revenue	**12,512**	**12,678**	**13,514**	**13,303**	**11,364**	**11,291**	**12,984**	**14,542**	**52,007**	**50,182**
YoY Change (%)	23%	16%	15.3%	14%	-9%	-11%	-3.9%	9%	17%	-4%
Total Expenditure	12,281	12,433	13,239	13,104	11,119	11,061	12,699	14,193	51,056	49,071
Reported EBITDA	**232**	**245**	**275**	**199**	**246**	**230**	**286**	**349**	**951**	**1,111**
Margin (%)	1.9%	1.9%	2.0%	1.5%	2.2%	2.0%	2.2%	2.4%	1.8%	2.2%
Depreciation	61	66	76	83	82	83	82	82	286	330
Reported EBIT	**171**	**179**	**199**	**116**	**164**	**146**	**204**	**267**	**665**	**781**
Margin (%)	1.4%	1.4%	1.5%	0.9%	1.4%	1.3%	1.6%	1.8%	1.3%	1.6%
Interest	28	29	29	37	26	19	25	25	123	94
Other Income	35	54	73	147	41	115	60	60	308	276
PBT before EO expense	**178**	**204**	**243**	**227**	**179**	**243**	**239**	**302**	**851**	**962**
Extra-Ordinary expense	0	0	0	0	0	30	0	0	0	30
Share of profit from associate	-5	-9	-4	-3	-3	-3	-3	-5	-21	-14
Reported PBT	**173**	**195**	**238**	**224**	**176**	**210**	**236**	**297**	**830**	**918**
Tax	-15	-6	-16	518	5	24	0	0	480	29
Rate (%)	-9%	-3%	-7%	232%	3%	11%	0%	0%	58%	3%
Reported PAT	**188**	**202**	**255**	**-294**	**171**	**186**	**236**	**297**	**350**	**890**
YoY Change (%)	-14%	-19%	1%	-213%	-9%	-8%	-7%	-201%	-64%	154%
Margin (%)	1.5%	1.6%	1.9%	-2.2%	1.5%	1.6%	1.8%	2.0%	0.7%	1.8%
Adjusted PAT	**188**	**202**	**255**	**192**	**171**	**216**	**236**	**297**	**836**	**920**
YoY Change (%)	-14%	-19%	1%	-26%	-9%	7%	-7%	55%	-15%	10%
Margin (%)	1.5%	1.6%	1.9%	1.4%	1.5%	1.9%	1.8%	2.0%	1.6%	1.8%

Quess **Buy**

CMP INR538| TP: INR745 (+40%) **EPS CHANGE (%): FY21|22: -6.2|-0.6**

- Headcount to recover to pre-COVID levels.
- Training and skill development business to remain weak.
- Margin in the FM business expected to expand.
- Recovery in high impacted verticals to be a key monitorable.

Consolidated - Quarterly **(INR m)**

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	**23,966**	**26,503**	**29,500**	**29,946**	**24,094**	**26,151**	**28,700**	**31,123**	**1,09,915**	**1,10,068**
YoY Change (%)	21.8	26.7	35.8	30.5	0.5	-1.3	-2.7	3.9	28.9	0.1
Total Expenditure	22,474	24,889	27,706	28,260	22,797	24,753	27,093	29,349	1,03,329	1,03,993
EBITDA	**1,492**	**1,614**	**1,794**	**1,686**	**1,297**	**1,397**	**1,607**	**1,774**	**6,586**	**6,076**
Margin (%)	6.2	6.1	6.1	5.6	5.4	5.3	5.6	5.7	6.0	5.5
Depreciation	579	652	658	596	594	578	603	650	2,486	2,425
EBIT	**913**	**962**	**1,136**	**1,089**	**703**	**820**	**1,005**	**1,124**	**4,100**	**3,651**
Margin (%)	3.8	3.6	3.9	3.6	2.9	3.1	3.5	3.6	3.7	3.3
Interest	396	461	423	387	379	323	260	300	1,668	1,262
Other Income	169	159	97	86	76	243	90	90	511	499
PBT before EO expense	**685**	**660**	**810**	**788**	**399**	**740**	**835**	**914**	**2,943**	**2,888**
Recurring Tax	106	-29	51	69	178	318	250	119	196	865
Rate (%)	15.4	-4.5	6.3	8.7	44.6	42.9	30.0	13.0	6.6	29.9
Adjusted PAT	**582**	**650**	**749**	**628**	**114**	**423**	**584**	**795**	**2,609**	**1,916**
Extraordinary items	0	0	0	6,928	-250	-77	0	0	6,928	-327
Reported PAT	**582**	**650**	**749**	**-6,299**	**365**	**499**	**584**	**795**	**-4,318**	**2,243**
YoY Change (%)	6.9	5.5	15.2	-934.3	-37.3	-23.2	-22.0	-112.6	-268.3	-151.9
Margin (%)	2.4	2.5	2.5	-21.0	1.5	1.9	2.0	2.6	-3.9	2.0

Technology

Coforge
Cyient
HCL Tech
Infosys
L&T Infotech
Mindtree
Mphasis
Persistent
TCS
Tech Mahindra
Wipro
Zensar

Robust growth expected despite adverse seasonality

Expect CY21 demand commentary to remain strong

- Recent commentary from both large- and mid-cap IT Services companies during their annual investor meets (Infosys, Wipro, LTI, etc.) point to continued optimism on their CY21 growth outlook, even after adjusting for a low base YoY. We expect this optimism to be echoed by other managements during the 3QFY21 earnings season.
- Healthy order pipeline, large deal signings, strong earnings from Accenture, and absence of headwinds like a repeat of the COVID-19 led lockdown in 1QFY21 or uncertainty with regard to the outcome of the US Presidential election should drive the outperformance in 3Q v/s management guidance in 2QFY21.
- Multiple mega deal wins in Cloud and Captive (TCS – Postbank and Pramerica, Infosys – Rolls Royce and Daimler, and Wipro – METRO AG) should add incremental growth to an already buoyant organic growth momentum.
- We expect our coverage universe to deliver adjusted sales (USD)/adjusted EBIT/PAT growth of 1%/12%/7% YoY in 3QFY21.

INFO to lead sequential revenue growth across Tier I, PSYS in Tier II

- In Tier I, we expect INFO/TCS/HCLT to drive organic growth (4%/3%/3% QoQ, including cross-currency tailwind) despite a high base and season weakness.
- Accenture's recent earnings showed a strong increase in its Outsourcing vertical, indicating demand normalization/recovery. Coupled with strong deal wins across the IT sector, we expect an increase in guidance/positive commentary.
- Among Tier II IT, we expect upbeat revenue traction, with the exception of ZENT. PSYS should lead the pack with mid-single digit sequential growth, led by a recovery in the Alliance business. Some of the positive movements in Tier II growth/guidance may not be surprising given the strong deal momentum.

Margin resilience to continue

- Despite the high base in 2Q and resumption of wage hikes, we expect limited impact on margins in 3QFY21 due to higher returns from utilization and positive operating leverage.
- Sequential EBIT margins of Tier I players should be stable in the (60)-40bp range, but the Tier II universe should see a 0-160bp contraction due to wage hikes.
- A higher negative impact is expected in the next quarter when more companies would see an impact from a wage hike.
- For FY21E, we currently build-in a (5)-7% change in our EPS estimates for our coverage universe. Subject to companies' commentaries, there may be an upside risk to our estimates.

Introducing FY23 estimates and rolling forward P/E based valuation

- We are introducing our FY23 estimates for companies under coverage. On an average, we expect USD revenue growth of ~11% YoY and INR PAT growth of ~12% in FY23E, as Digital-led demand continues to aid the IT Services industry.
- We also roll forward our P/E based valuation to FY23 EPS, as we enter 4QFY21. Our stock preferences remain unchanged after this shift.
- We have also tweaked our FY21E/FY22E EPS estimates as we build in recent deal wins and management commentaries.

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- We have raised our FY21E/FY22E EPS estimates for TECHM to INR47.3/56.5 from INR43.8/46.4 on account of a 1-2% increase in EBIT margin estimates, due to expectations of better cost control by the management. We have maintained our Neutral rating on the stock.

Long-term outlook remains attractive, prefer INFO/HCLT/PSYS

- While the sector trades at 40% premium to its 10-year average multiple, we remain positive as we expect the sector to sustain double-digit topline growth in the medium term, led by: 1) larger deals on a full-scale Digital transformation, 2) tail of projects steered by increased focus on workplace management, and 3) higher spend on Cloud migration by large corporates.
- A strong QoQ growth (3% on an average) in a seasonally weak quarter should help sustain the rally in IT stocks despite their premium valuations.
- We continue with our bottom-up stance for sectorial picks. Among Tier I players, we like INFO and HCLT on expectations of industry leading growth. From the Tier II pack, we prefer PSYS and MPHL given their attractive and industry relevant portfolio.

Exhibit 1: Expect Tier I revenue (USD) to grow by ~3% QoQ

	Revenue (USD m)					Revenue (INR b)				
Company	3QFY21E	2QFY21	QoQ (%)	3QFY20	YoY (%)	3QFY21E	2QFY21	QoQ (%)	3QFY20	YoY (%)
TCS	5,583	5,424	2.9	5,586	0.0	412	401	2.7	399	3.4
INFO	3,433	3,312	3.7	3,243	5.9	253	246	3.1	231	9.7
WPRO	2,057	1,992	3.3	2,095	-1.8	154	151	1.8	155	-0.6
HCLT	2,575	2,507	2.7	2,543	1.2	190	186	2.2	181	4.8
TECHM	1,294	1,265	2.3	1,353	-4.4	95	94	1.9	97	-1.1
Aggregate	**14,943**	**14,500**	**3.0**	**14,820**	**0.8**	**1,105**	**1,078**	**2.5**	**1,062**	**4.0**
	EBIT margin (%)					Adjusted PAT (INR b)				
Company	3QFY21E	2QFY21	QoQ (bp)	3QFY20	YoY (bp)	3QFY21E	2QFY21	QoQ (%)	3QFY20	YoY (%)
TCS	25.6	26.2	-60	25.0	60	86	85	1.8	81	5.7
INFO	25.7	25.3	40	21.9	380	52	49	6.6	45	15.9
WPRO	18.0	18.6	-60	17.6	40	24	25	-1.9	25	-1.1
HCLT	21.0	21.6	-60	20.2	70	32	32	0.5	30	4.1
TECHM	14.0	14.2	-20	12.2	180	11	11	2.4	11	-2.0
Aggregate	**23.3**	**23.1**	**20**	**21.3**	**200**	**205**	**200**	**2.3**	**192**	**6.5**

Source: Company, MOFSL

Exhibit 2: Expect Tier II revenue (USD) to grow by ~3% QoQ

	Revenue (USD m)					Revenue (INR b)				
Company	3QFY21E	2QFY21	QoQ (%)	3QFY20	YoY (%)	3QFY21E	2QFY21	QoQ (%)	3QFY20	YoY (%)
LTI	423	405	4.5	394	7.2	31	30	4.0	28	11.0
MTCL	270	261	3.6	275	-1.7	20	19	3.6	20	1.6
MPHL	333	327	1.9	318	4.8	25	24	1.5	23	8.4
COFORGE	161	155	4.1	151	6.3	12	12	2.9	11	10.6
PSYS	143	136	5.4	129	10.8	11	10	5.0	9	14.7
ZENT*	126	126	0.5	138	-8.3	9	9	-0.3	10	-5.0
CYL	139	135	3.0	155	-10.4	10	10	2.3	11	-7.2
Aggregate	**1,602**	**1,550**	**3.4**	**1,567**	**2.3**	**118**	**115**	**2.9**	**112**	**5.9**
	EBIT margin (%)					Adjusted PAT (INR b)				
Company	3QFY21E	2QFY21	QoQ (bp)	3QFY20	YoY (bp)	3QFY21E	2QFY21	QoQ (%)	3QFY20	YoY (%)
LTI	19.7	19.9	-20	16.2	350	4.8	4.6	6.0	3.8	28.6
MTCL	16.5	16.7	-20	12.0	450	2.5	2.5	-0.7	2.0	27.9
MPHL	16.2	16.2	0	16.3	-10	3.2	3.0	6.3	2.9	8.3
COFORGE	13.0	13.8	-80	13.9	-90	1.3	1.2	3.1	1.3	-1.9
PSYS	11.4	12.1	-70	8.7	270	1.1	1.0	3.3	0.9	19.8
ZENT*	14.7	15.0	-30	NA	NA	NA	NA	NA	NA	NA
CYL	9.4	11.0	-160	9.6	-20	0.9	0.8	6.3	1.1	-18.9
Aggregate	**15.7**	**16.0**	**-30**	**12.8**	**290**	**14.7**	**14.1**	**4.4**	**12.4**	**19.1**

Note: ZENT's estimates exclude MVS business divested in Q3 FY21. Source: Company, MOFSL

Exhibit 3: 3QFY21 currency highlights (INR)

	Rates (INR)				Change (QoQ)			
	USD	EUR	GBP	AUD	USD	EUR	GBP	AUD
Average	74.37	87.0	95.9	53.5	0.0%	0.1%	-0.1%	0.7%
Closing	73.33	90.2	99.0	56.5	-0.6%	4.3%	4.6%	7.6%

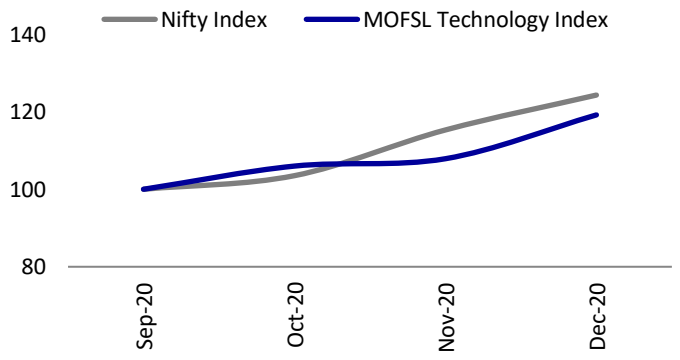
Source: Bloomberg, Exchangerates.org.UK, MOFSL

Exhibit 4: 3QFY21 currency highlights (USD)

	Rates (USD)			Change (QoQ)		
	EUR	GBP	AUD	EUR	GBP	AUD
Average	1.17	1.29	0.72	0.0%	0.0%	0.0%
Closing	1.23	1.35	0.77	5.1%	4.7%	6.9%

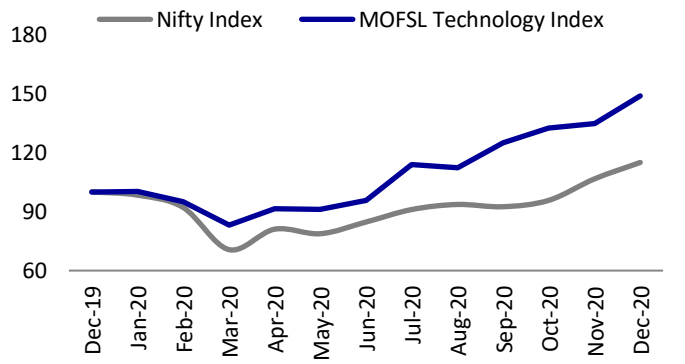
Source: Bloomberg, MOFSL

Exhibit 5: Relative performance – 3m (%)



Source: Bloomberg, MOFSL

Exhibit 6: Relative performance – one-year (%)



Source: Bloomberg, MOFSL

Exhibit 7: Change in estimates

	Revised EPS (INR)			Earlier EPS (INR)			Change (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
TCS	86	107	120	87	107	NA	-1	1	NA
Infosys	46	55	63	46	54	NA	0	2	NA
Wipro	17	19	21	18	19	NA	-5	-1	NA
HCLT	46	55	61	46	54	NA	0	2	NA
TechM	47	56	62	44	46	NA	7	22	NA
LTI	104	127	148	103	128	NA	1	-1	NA
Mindtree	59	68	76	60	70	NA	-2	-2	NA
Mphasis	64	79	92	66	78	NA	-3	1	NA
NIIT Tech	78	96	109	73	98	NA	7	-2	NA
Persistent	53	64	76	53	66	NA	0	-3	NA
Zensar	15	18	20	15	17	NA	3	8	NA
Cyient	32	38	44	33	39	NA	-2	-1	NA

Source: Company, MOFSL

Exhibit 8: Expected quarterly performance summary

Sector	CMP		Sales (INR b)			EBIT (INR b)			Adjusted net profit (INR b)		
	(INR)	Rating	Dec'20	Var % YoY	Var % QoQ	Dec'20	Var % YoY	Var % QoQ	Dec'20	Var % YoY	Var % QoQ
TCS	2,928	Neutral	412.0	3.4	2.7	105.5	5.7	0.3	86.1	5.7	1.8
INFO	1,260	Buy	253.4	9.7	3.1	65.2	28.7	4.6	51.8	15.9	6.6
WPRO	388	Neutral	153.8	-0.6	1.8	27.8	1.9	-1.4	24.4	-1.1	-1.9
HCLT	950	Buy	190.0	4.8	2.2	39.8	8.5	-0.8	31.7	4.1	0.5
TECHM	978	Neutral	95.5	-1.1	1.9	13.4	13.4	0.4	10.9	-2.0	2.4
LTI	3,699	Neutral	31.2	11.0	4.0	6.1	34.6	3.2	4.8	28.6	6.0
MTCL	1,660	Neutral	20.0	1.6	3.6	3.3	39.3	2.4	2.5	27.9	-0.7
MPHL	1,532	Buy	24.6	8.4	1.5	4.0	8.2	1.8	3.2	8.3	6.3
COFORGE	2,723	Neutral	11.9	10.6	2.9	1.5	3.5	-2.8	1.3	-1.9	3.1
PSYS	1,499	Buy	10.6	14.7	5.0	1.2	49.7	-0.9	1.1	19.8	3.3
ZENT*	243	Neutral	9.3	-5.0	-0.3	1.4	NA	-2.3	NA	NA	NA
CYL	513	Neutral	10.3	-7.2	2.3	1.0	-9.3	-12.7	0.9	-18.9	6.3
Sector Aggregate (INR b)			**1,223**	**4.2**	**2.5**	**270**	**12.4**	**1.0**	**220**	**7.3**	**2.5**

Note: ZENT's estimates exclude MVS business divested in Q3 FY21. Source: Company, MOFSL

Exhibit 9: Comparative valuation

Company	CMP (INR)	M-cap (INR b)	EPS (INR)			EPS CAGR (%)	Div. yield (%)	P/E (x)			RoE (%)		
			FY21E	FY22E	FY23E	FY20-23E	FY21E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
CYL	513	57	31.8	38.3	44.5	9.6	1.7	16.1	13.4	11.5	13.1	14.3	15.0
HCLT	950	2570	46.3	54.5	60.9	14.4	1.5	20.5	17.4	15.6	22.6	23.0	22.4
INFO	1,260	5330	45.8	55.2	63.0	17.8	1.7	27.5	22.8	20.0	27.8	29.3	29.1
LTI	3,699	639	104.1	127.0	147.5	19.4	1.0	35.6	29.1	25.1	30.5	30.5	29.2
MTCL	1,660	273	58.9	68.2	75.8	25.5	1.3	28.2	24.4	21.9	28.0	27.2	25.5
MPHL	1,532	288	64.3	79.1	91.9	13.3	2.1	23.8	19.4	16.7	19.7	21.8	22.7
COFORGE	2,723	164	77.7	96.1	108.5	12.8	0.8	35.1	28.3	25.1	18.4	19.8	19.5
PSYS	1,499	112	53.3	64.3	75.8	19.4	1.0	28.1	23.3	19.8	16.5	18.0	18.7
TCS	2,928	10770	85.7	107.5	120.3	11.7	1.2	34.2	27.2	24.3	34.7	39.3	42.9
TECHM	978	942	47.3	56.5	62.5	8.9	1.7	20.7	17.3	15.6	17.9	19.0	18.6
WPRO	388	2200	16.8	18.8	20.6	8.0	2.2	23.2	20.6	18.8	16.8	17.5	18.0
ZENT	243	54	15.2	18.3	20.0	19.7	1.3	16.0	13.3	12.1	15.4	16.5	16.0

Source: Company, MOFSL

The tables below provide a snapshot of actual and estimated numbers for IT companies under the MOFSL coverage universe. Highlighted columns indicate the quarter/financial year under review.

Coforge — Neutral

CMP INR2723| TP: INR2715 (0%) — **EPS CHANGE (%): FY21|22: 6.7|-2.3**

- Expected revenue growth to be in line with the guidance.
- Outlook on the Travel vertical; top client stability would be key.
- Expect sequential drop in margin led by higher opex.
- New deal wins a key monitorable.

Quarterly performance (Ind AS) (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
(Consolidated)	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Revenue (USD m)	**138**	**149**	**151**	**155**	**140**	**155**	**161**	**170**	**593**	**626**
QoQ (%)	4.4	7.7	1.7	2.3	-9.4	10.2	4.1	5.9	14.3	5.6
Revenue (INR m)	**9,597**	**10,385**	**10,734**	**11,093**	**10,570**	**11,537**	**11,870**	**12,775**	**41,809**	**46,752**
YoY (%)	19.9	14.4	10.5	19.0	10.1	11.1	10.6	15.2	15.8	11.8
GPM (%)	**33.9**	**34.6**	**34.1**	**34.3**	**31.5**	**32.6**	**32.5**	**32.7**	**34.2**	**32.4**
SGA (%)	16.8	16.3	**16.1**	16.4	14.4	13.8	**14.5**	14.5	16.4	14.3
EBITDA (INR m)	**1,641**	**1,898**	**1,940**	**1,971**	**1,686**	**2,048**	**2,018**	**2,198**	**7,450**	**7,950**
EBITDA margin (%)	17.1	18.3	18.1	17.8	16.0	17.8	17.0	17.2	17.8	17.0
EBIT (INR m)	**1,240**	**1,451**	**1,491**	**1,538**	**1,221**	**1,588**	**1,543**	**1,687**	**5,720**	**6,039**
EBIT margin (%)	12.9	14.0	13.9	13.9	11.6	13.8	13.0	13.2	13.7	12.9
Other income	75	76	130	180	48	-63	83	73	461	141
ETR (%)	20.5	18.1	20.7	20.3	20.5	19.9	22.5	22.5	19.9	21.4
Minority Interest	-24.0	-56.0	-52.0	-106.0	-30.0	-15.0	-49.6	-50.1	-238.0	-144.7
PAT	**1,022**	**1,195**	**1,233**	**1,264**	**979**	**1,207**	**1,211**	**1,314**	**4,714**	**4,711**
QoQ (%)	-8.0	16.9	3.2	2.5	-22.5	23.3	0.3	8.5		
YoY (%)	21.5	6.9	23.1	13.8	-4.2	1.0	-1.8	3.9	55.3	-0.1
EPS (INR)	**16.6**	**19.2**	**19.7**	**20.3**	**15.7**	**19.9**	**20.0**	**21.7**	**75.5**	**77.7**

Cyient — Neutral

CMP INR513 | TP: INR555 (8%) — **EPS CHANGE (%): FY21|22: -2.4|-0.6**

- DLM should rebound, while services would see some de-growth.
- Impact on margin led by 100bp of wage hike and furlough.
- Recovery in A&D expected to take longer.
- New deal wins under the new management would be a key monitorable.

Quarterly Performance (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Revenue (USD m)	**157**	**164**	**155**	**149**	**131**	**135**	**139**	**146**	**625**	**551**
QoQ (%)	-5.2	4.9	-5.5	-3.9	-12.5	3.4	3.0	5.0	-5.3	-11.9
Revenue (INR m)	**10,890**	**11,589**	**11,060**	**10,736**	**9,917**	**10,033**	**10,262**	**10,954**	**44,275**	**41,166**
YoY (%)	0.8	-2.4	-6.9	-7.7	-8.9	-13.4	-7.2	2.0	-4.1	-7.0
GPM (%)	**34.4**	**34.4**	**36.0**	**33.5**	**30.5**	**35.7**	**34.5**	**35.7**	**34.6**	**34.2**
SGA (%)	21.2	20.6	22.1	20.6	20.5	19.9	21.1	20.8	21.1	20.6
EBITDA	**1,445**	**1,599**	**1,533**	**1,382**	**995**	**1,589**	**1,375**	**1,632**	**5,959**	**5,591**
EBITDA margin (%)	**13.3**	**13.8**	**13.9**	**12.9**	**10.0**	**15.8**	**13.4**	**14.9**	**13.5**	**13.6**
EBIT	**1,003**	**1,111**	**1,063**	**904**	**511**	**1,105**	**965**	**1,205**	**4,081**	**3,786**
EBIT margin (%)	**9.2**	**9.6**	**9.6**	**8.4**	**5.2**	**11.0**	**9.4**	**11.0**	**9.2**	**9.2**
Other income	149	144	369	72	575	-14	195	55	734	811
ETR (%)	22.0	22.4	23.3	21.3	25.0	23.1	23.1	23.1	22.3	23.6
PAT	**904**	**986**	**1,083**	**753**	**814**	**839**	**892**	**969**	**3,726**	**3,514**
QoQ (%)	-52.0	9.1	9.8	-30.5	8.1	3.1	6.3	8.6		
YoY (%)	9.6	-22.5	17.6	-60.0	-9.9	-14.9	-17.6	28.7	12.7	-5.7
EPS (INR)	**8.2**	**8.9**	**9.8**	**6.8**	**7.4**	**7.6**	**8.1**	**8.8**	**33.8**	**31.8**

HCL Technologies — Buy

CMP INR950| TP: INR1140 (+20%) — **EPS CHANGE (%): FY21|22: 0.5|1.7**

- The deal pipeline continues to be robust.
- Revenue momentum well within its stated guidance.
- Margin to be marginally below the previous quarter.
- Large deal wins and renewals in Mode-3 key monitorable.

Quarterly Performance (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Revenue (USD m)	**2,364**	**2,486**	**2,543**	**2,543**	**2,356**	**2,507**	**2,575**	**2,675**	**9,936**	**10,112**
QoQ (%)	3.8	5.2	2.3	0.0	-7.4	6.4	2.7	3.9	15.1	1.8
Revenue (INR b)	**164**	**175**	**181**	**186**	**178**	**186**	**190**	**201**	**707**	**755**
YoY (%)	18.4	17.9	15.5	16.3	8.6	6.1	4.8	7.9	17.0	6.8
GPM (%)	**35.3**	**36.9**	**38.4**	**40.0**	**39.9**	**41.2**	**40.4**	**40.3**	**37.7**	**40.4**
SGA (%)	12.8	11.6	11.9	12.9	12.4	12.7	12.5	12.6	12.3	12.5
EBITDA	**34**	**41**	**45**	**47**	**46**	**50**	**49**	**52**	**167**	**197**
EBITDA Margin (%)	20.7	23.4	24.6	25.4	25.6	26.6	26.0	26.0	23.6	26.0
EBIT	**28**	**35**	**37**	**39**	**37**	**40**	**40**	**42**	**139**	**159**
EBIT Margin (%)	17.1	20.0	20.2	20.9	20.5	21.6	21.0	21.0	19.6	21.0
Other income	1	0	1	0	2	1	2	2	2	8
ETR (%)	24.0	23.9	18.5	18.3	24.0	24.1	24.0	24.0	20.9	24.0
Adjusted PAT	**22**	**27**	**30**	**32**	**29**	**31**	**32**	**34**	**111**	**126**
QoQ (%)	-13.6	19.4	14.6	3.8	-7.3	7.5	0.5	6.1		
YoY (%)	-7.7	4.4	16.4	22.8	31.7	18.5	4.0	6.3	9.3	13.7
EPS	**8.2**	**9.8**	**11.2**	**11.6**	**10.7**	**11.6**	**11.6**	**12.4**	**40.7**	**46.3**

Infosys — Buy

CMP INR1260| TP: INR1500 (+19%) — **EPS CHANGE (%): FY21|22: 0.3|2.1**

- Expect the company to report healthy deal wins during the quarter.
- Revenue growth to be in the top quartile among peer companies.
- Expect margin to be resilient, operating leverage would be partially offset of lower margins of large deal ramp up.
- We expect FY21 revenue growth guidance to be revised upwards, demand commentary to be closely watched.

Quarterly performance (IFRS) (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Revenue (USD m)	**3,131**	**3,210**	**3,243**	**3,197**	**3,121**	**3,312**	**3,433**	**3,561**	**12,781**	**13,427**
QoQ (%)	2.3	2.5	1.0	-1.4	-2.4	6.1	3.7	3.7	8.3	5.1
Revenue (INR m)	**218**	**226**	**231**	**233**	**237**	**246**	**253**	**267**	**908**	**1,003**
YoY (%)	14.0	9.8	7.9	8.0	8.5	8.6	9.7	14.8	9.8	10.5
GPM (%)	**32.2**	**33.4**	**33.4**	**33.4**	**33.6**	**35.8**	**36.4**	**35.0**	**33.1**	**35.2**
SGA (%)	**11.7**	**11.7**	**11.5**	**12.2**	**10.9**	**10.5**	**10.7**	**10.7**	11.8	10.7
EBITDA	**52**	**56**	**58**	**57**	**61**	**71**	**74**	**74**	**223**	**280**
EBITDA margin (%)	**23.6**	**24.9**	**25.1**	**24.4**	**25.9**	**28.8**	**29.0**	**27.6**	**24.5**	**27.9**
EBIT	**45**	**49**	**51**	**49**	**54**	**62**	**65**	**65**	**194**	**246**
EBIT margin (%)	**20.5**	**21.7**	**21.9**	**21.2**	**22.7**	**25.3**	**25.7**	**24.3**	**21.3**	**24.6**
Other income	7	6	8	6	4	5	5	6	26	20
ETR (%)	26.4	26.5	23.6	21.1	26.2	28.0	26.0	26.0	24.4	26.6
PAT	**38**	**40**	**45**	**43**	**42**	**48**	**52**	**52**	**166**	**195**
QoQ (%)	-6.8	5.8	10.9	-3.1	-1.7	14.0	6.7	1.3		
YoY (%)	-2.2	-2.2	9.8	6.1	11.9	20.6	16.0	21.2	2.9	17.5
EPS (INR)	**8.8**	**9.4**	**10.5**	**10.2**	**10.0**	**11.4**	**12.2**	**12.3**	**38.5**	**45.8**

LTI — Neutral

CMP INR3699| TP: INR3910 (+5%) — **EPS CHANGE (%): FY21|22: 1.2|-1.1**

- Expect higher growth momentum in a seasonally weak quarter, driven by robust growth in BFSI.
- Expect lower other income despite higher forex gains.
- Expect margin to remain largely stable.
- Commentary around deal pipeline and wins remain key monitorable.

Quarterly performance (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Revenue (USD m)	**357**	**364**	**394**	**410**	**390**	**405**	**423**	**441**	**1,525**	**1,658**
QoQ (%)	0.8	2.0	8.4	3.9	-4.8	3.6	4.5	4.2	13.1	8.8
Revenue (INR m)	**24,849**	**25,707**	**28,111**	**30,119**	**29,492**	**29,984**	**31,194**	**33,047**	**1,08,786**	**1,23,717**
YoY (%)	15.3	10.3	13.7	21.2	18.7	16.6	11.0	9.7	15.2	13.7
GPM (%)	**33.1**	**31.8**	**31.7**	**32.8**	**32.5**	**34.8**	**35.0**	**32.9**	**32.4**	**33.8**
SGA (%)	14.7	13.7	13.0	13.6	12.4	12.0	12.4	12.4	13.7	12.3
EBITDA	**4,579**	**4,658**	**5,274**	**5,781**	**5,920**	**6,856**	**7,050**	**6,763**	**20,292**	**26,589**
EBITDA margin (%)	**18.4**	**18.1**	**18.8**	**19.2**	**20.1**	**22.9**	**22.6**	**20.5**	**18.7**	**21.5**
EBIT	**3,968**	**3,994**	**4,565**	**5,034**	**5,139**	**5,957**	**6,145**	**5,805**	**17,561**	**23,046**
EBIT margin (%)	**16.0**	**15.5**	**16.2**	**16.7**	**17.4**	**19.9**	**19.7**	**17.6**	**16.1**	**18.6**
Other income	812	739	433	479	450	174	312	496	2,463	1,432
ETR (%)	25.6	23.9	24.6	22.5	25.5	25.5	25.0	25.0	24.1	25.2
Adjusted PAT	**3,557**	**3,603**	**3,767**	**4,274**	**4,164**	**4,568**	**4,843**	**4,725**	**15,201**	**18,300**
QoQ (%)	-6.1	1.3	4.6	13.5	-2.6	9.7	6.0	-2.4		
YoY (%)	-1.5	-10.0	0.3	12.9	17.1	26.8	28.6	10.6	0.3	20.4
EPS (INR)	**20.3**	**20.5**	**21.5**	**24.3**	**23.7**	**26.0**	**27.5**	**26.8**	**86.6**	**104.1**

Mindtree — Neutral

CMP INR1660 | TP: INR1610 (-3%) — **EPS CHANGE (%): FY21|22: -2.0|-2.1**

- Pick-up in demand traction. Expect faster pickup in deals signed in 2Q.
- Overall growth expected to be broad based.
- Expect top clients to continue to grow.
- Outlook on margin expansion a key monitorable, wage hike in the next quarter.

Quarterly performance (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Revenue (USD m)	**264**	**271**	**275**	**278**	**253**	**261**	**270**	**279**	**1,089**	**1,064**
QoQ (%)	0.8	2.6	1.5	1.2	-9.1	3.1	3.6	3.2	8.7	-2.3
Revenue (INR m)	**18,342**	**19,143**	**19,653**	**20,505**	**19,088**	**19,260**	**19,958**	**20,941**	**77,643**	**79,247**
YoY (%)	11.9	9.1	10.0	11.5	4.1	0.6	1.6	2.1	10.6	2.1
GPM (%)	**26.6**	**26.9**	**29.1**	**30.4**	**30.1**	**31.5**	**31.6**	**30.7**	**28.3**	**31.0**
SGA (%)	14.0	13.9	13.5	13.2	11.9	11.9	12.0	12.0	13.6	11.9
EBITDA (INR M)	**2,318**	**2,482**	**3,063**	**3,512**	**3,478**	**3,784**	**3,912**	**3,912**	**11,375**	**15,086**
EBITDA margin (%)	12.6	13.0	15.6	17.1	18.2	19.6	19.6	18.7	14.7	19.0
EBIT (INR M)	**1,649**	**1,775**	**2,364**	**2,833**	**2,881**	**3,215**	**3,293**	**3,263**	**8,621**	**12,652**
EBIT margin (%)	9.0	9.3	12.0	13.8	15.1	16.7	16.5	15.6	10.5	16.4
Other income	-387	59	215	-220	17	232	111	119	-333	479
ETR (%)	26.5	26.4	23.6	21.1	26.5	26.4	26.0	26.0	23.9	26.2
PAT	**927**	**1,350**	**1,970**	**2,062**	**2,130**	**2,537**	**2,519**	**2,503**	**6,309**	**9,689**
QoQ (%)	-53.3	45.6	45.9	4.7	3.3	19.1	-0.7	-0.6		
YoY (%)	-41.4	-34.6	3.0	3.9	129.8	87.9	27.9	21.4	-16.3	53.6
EPS (INR)	**5.6**	**8.2**	**12.0**	**12.5**	**12.9**	**15.4**	**15.3**	**15.2**	**38.3**	**58.9**

Mphasis — Buy

CMP INR1532 | TP: INR1955 (+28%) **EPS CHANGE (%): FY21|22: -2.9|1.4**

- Higher impact of furloughs due to client-specific exposures.
- Growth in direct business to be driven by BFSI. Expect weakness in ICT due to higher exposure to the DXC business.
- Expect decline to continue in DXC. However, the extent may be lower than the previous quarter.
- Margin to remain in a narrow band. Outlook on DXC is a key monitorable.

Quarterly performance (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Revenue (USD m)	**297**	**305**	**318**	**320**	**305**	**327**	**333**	**344**	**1,240**	**1,310**
QoQ (%)	1.8	2.6	4.4	0.6	-4.5	7.2	1.9	3.2	10.8	5.7
Revenue (INR m)	**20,607**	**21,462**	**22,694**	**23,476**	**23,037**	**24,238**	**24,610**	**25,807**	**88,239**	**97,692**
YoY (%)	13.1	10.2	13.3	14.7	11.8	12.9	8.4	9.9	12.8	10.7
GPM (%)	**30.2**	**30.4**	**30.4**	**31.3**	**28.9**	**30.3**	**30.9**	**30.0**	**30.6**	**30.1**
SGA (%)	12.0	11.6	**11.6**	12.4	10.7	11.7	**12.2**	12.2	11.9	11.7
EBITDA	**3,747**	**4,057**	**4,269**	**4,434**	**4,178**	**4,524**	**4,602**	**4,595**	**16,524**	**17,899**
EBITDA margin (%)	**18.2**	**18.8**	**18.8**	**18.9**	**18.3**	**18.6**	**18.7**	**17.8**	**18.7**	**18.3**
EBIT	**3,197**	**3,475**	**3,694**	**3,824**	**3,583**	**3,924**	**3,996**	**3,959**	**14,207**	**15,462**
EBIT margin (%)	**15.5**	**16.1**	**16.2**	**16.3**	**15.7**	**16.1**	**16.2**	**15.3**	**16.1**	**15.8**
Other income	342	134	172	319	182	114	246	258	967	800
ETR (%)	25.1	24.1	24.0	14.9	27.0	25.9	25.0	25.0	21.8	25.7
PAT	**2,651**	**2,738**	**2,937**	**3,525**	**2,750**	**2,992**	**3,181**	**3,163**	**11,868**	**12,086**
QoQ (%)	-0.4	3.3	7.3	20.0	-22.0	8.8	6.3	-0.6		
YoY (%)	2.6	1.1	5.6	32.4	3.7	9.3	8.3	-10.3	10.6	1.8
EPS (INR)	14.1	14.6	15.6	18.8	14.6	15.9	16.9	16.8	63.1	64.3

Persistent Systems — Buy

CMP INR1499 | TP: INR1695 (+13%) **EPS CHANGE (%): FY21|22: 0.2|-2.8**

- Expect strong sequential growth during the quarter.
- Expect 50-75bp margin impact led by two months of wage hike and hiring cost.
- Expect initial signs of growth in the Alliance business.
- Outlook for FY21 growth/margin should be the focus.

Quarterly performance (IFRS) (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
(Consolidated)	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Revenue (USD m)	**119.6**	**125.5**	**129.4**	**127.1**	**131.0**	**136.1**	**143.4**	**145.3**	**502**	**556**
QoQ (%)	1.1	4.9	3.1	-1.8	3.1	3.9	5.4	1.3	4.3	10.8
Revenue (INR m)	**8,321**	**8,846**	**9,227**	**9,264**	**9,914**	**10,077**	**10,585**	**10,898**	**35,658**	**41,474**
QoQ (%)	0.0	6.3	4.3	0.4	7.0	1.7	5.0	3.0		
YoY (%)	-0.3	5.9	6.8	11.4	19.1	13.9	14.7	17.6	5.9	16.3
GPM (%)	**34.7**	**34.7**	**33.3**	**33.8**	**33.0**	**34.7**	**33.2**	**34.0**	**34.1**	**33.7**
SGA (%)	**20.3**	**21.0**	**19.9**	**20.0**	**18.2**	**18.3**	**17.4**	**18.0**	20.3	18.0
Reported EBITDA	**1,202**	**1,216**	**1,234**	**1,277**	**1,464**	**1,658**	**1,669**	**1,744**	**4,930**	**6,534**
Reported EBITDA margin (%)	**14.4**	**13.8**	**13.4**	**13.8**	**14.8**	**16.4**	**15.8**	**16.0**	**13.8**	**15.8**
Adjusted EBITDA	**1,202**	**1,216**	**1,234**	**1,277**	**1,560**	**1,729**	**1,669**	**1,744**	**4,930**	**6,701**
Adjusted EBITDA margin (%)	**14.4**	**13.8**	**13.4**	**13.8**	**15.7**	**17.2**	**15.8**	**16.0**	**13.8**	**16.2**
Reported EBIT	**816**	**792**	**806**	**857**	**1,029**	**1,218**	**1,207**	**1,268**	**3,270**	**4,721**
Reported EBIT margin (%)	**9.8**	**8.9**	**8.7**	**9.2**	**10.4**	**12.1**	**11.4**	**11.6**	**9.2**	**11.4**
Adjusted EBIT	**816**	**792**	**806**	**857**	**1,124**	**1,290**	**1,207**	**1,268**	**3,270**	**4,888**
Adjusted EBIT margin (%)	**9.8**	**8.9**	**8.7**	**9.2**	**11.3**	**12.8**	**11.4**	**11.6**	**9.2**	**11.8**
Other income	282	364	334	274	192	157	207	210	1,254	766
ETR (%)	24.9	25.5	22.9	25.9	26.2	25.8	25.5	25.5	24.8	25.8
PAT	**825**	**861**	**879**	**838**	**900**	**1,020**	**1,053**	**1,101**	**3,403**	**4,074**
QoQ (%)	-2.4	4.4	2.2	-4.7	7.4	13.3	3.3	4.5		
YoY (%)	-5.6	-2.3	-4.1	-0.8	9.1	18.5	19.8	31.3	28.4	19.7
EPS (INR)	**10.7**	**11.3**	**11.5**	**11.0**	**11.8**	**13.3**	**13.8**	**14.4**	**44.5**	**53.3**

TCS — Neutral

CMP INR2928 | TP: INR3005 (3%) — **EPS CHANGE (%): FY21|22: -0.9|0.5**

- Expect strong growth led by ramp of large deal wins in the previous quarter.
- Expect reporting of robust TCV led by large deal wins of Deutsche and Prudential.
- Expect decline in sequential margins on account of wage hike during the quarter
- Sector demand outlook and margin impact from large captive deals would be in focus.

Quarterly performance (IFRS) (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
IT Services revenue (USD m)	**5,485**	**5,517**	**5,586**	**5,444**	**5,059**	**5,424**	**5,583**	**5,787**	**22,032**	**21,854**
QoQ (%)	1.6	0.6	1.3	-2.5	-7.1	7.2	2.9	3.7	5.4	-0.8
Overall revenue (INR b)	**382**	**390**	**399**	**399**	**383**	**401**	**412**	**434**	**1,569**	**1,631**
QoQ (%)	0.4	2.1	2.3	0.2	-4.1	4.7	2.7	5.4		
YoY (%)	11.4	5.8	6.7	5.1	0.4	3.0	3.4	8.7	7.2	3.9
GPM (%)	**40.5**	**40.8**	**41.4**	**42.0**	**39.4**	**40.9**	**40.4**	**40.8**	**41.2**	**40.4**
SGA (%)	16.3	16.8	16.3	16.9	15.8	14.7	14.8	15.0	16.6	15.1
EBITDA	**100**	**102**	**109**	**110**	**100**	**115**	**116**	**123**	**421**	**454**
EBITDA margin (%)	26.3	26.2	27.3	27.5	26.2	28.7	28.1	28.3	26.8	27.8
EBIT	**92**	**94**	**100**	**100**	**90**	**105**	**105**	**112**	**386**	**413**
EBIT margin (%)	24.2	24.0	25.0	25.1	23.6	26.2	25.6	25.8	24.6	25.3
Other income	14	12	6	5	5	7	7	8	37	27
PBT	**106**	**105**	**106**	**105**	**95**	**113**	**113**	**119**	**422**	**439**
ETR (%)	23.4	23.5	23.0	23.0	25.8	24.8	23.5	23.5	23.2	24.3
Adjusted PAT	**82**	**81**	**81**	**81**	**70**	**85**	**86**	**91**	**324**	**332**
Exceptional items	**0**	**0**	**0**	**0**	**0**	**-10**	**0**	**0**	**0**	**-10**
Reported PAT	**82**	**81**	**81**	**81**	**70**	**75**	**86**	**91**	**324**	**323**
QoQ (%)	0.0	-1.2	1.1	-0.6	-12.9	6.5	14.7	6.0		
YoY (%)	10.7	1.7	0.3	-0.7	-13.5	-6.9	5.7	12.8	2.8	-0.5
EPS (INR)	21.7	21.4	21.7	21.5	18.7	19.9	22.9	24.2	86.2	85.7

Tech Mahindra — Neutral

CMP INR978 | TP: INR1090 (+12%) — **EPS CHANGE (%): FY21|22: 7.4|22.0**

- Expect growth to moderate due to furloughs.
- Margin to remain in a narrow band. Expect a wage hike in the next quarter.
- Deal momentum remains encouraging at USD400-500m.
- Outlook on Telecom vertical recovery a key monitorable.

Quarterly performance (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Revenue (USD m)	**1,247**	**1,287**	**1,353**	**1,295**	**1,208**	**1,265**	**1,294**	**1,342**	**5,182**	**5,109**
QoQ (%)	-1.6	3.2	5.1	-4.3	-6.7	4.8	2.3	3.8	4.3	-1.4
Revenue (INR b)	**87**	**91**	**97**	**95**	**91**	**94**	**95**	**101**	**369**	**381**
YoY (%)	4.6	5.1	7.9	6.7	5.2	3.3	-1.1	6.1	6.1	3.3
GPM (%)	**28.8**	**29.6**	**30.3**	**29.5**	**28.5**	**31.4**	**31.4**	**29.4**	**29.5**	**30.2**
SGA (%)	**13.6**	**13.0**	**14.1**	**15.3**	**14.2**	**13.3**	**13.3**	**13.5**	14.0	13.6
EBITDA	**13**	**15**	**16**	**13**	**13**	**17**	**17**	**16**	**57**	**63**
EBITDA margin (%)	**15.2**	**16.5**	**16.2**	**14.2**	**14.3**	**18.2**	**18.1**	**15.9**	**15.5**	**16.6**
EBIT	**10**	**12**	**12**	**9**	**9**	**13**	**13**	**12**	**43**	**48**
EBIT margin (%)	**11.5**	**12.8**	**12.2**	**10.0**	**10.1**	**14.2**	**14.0**	**11.9**	**11.6**	**12.6**
Other income	3	2	3	2	4	1	1	2	10	7
ETR (%)	25.9	16.9	24.6	20.2	25.5	24.6	24.0	24.0	22.0	24.5
PAT	**10**	**11**	**11**	**10**	**10**	**11**	**11**	**10**	**43**	**42**
QoQ (%)	-15.3	17.2	2.0	-10.9	-4.8	9.5	2.4	-5.6		
YoY (%)	6.8	5.6	-4.7	-9.8	1.3	-5.3	-4.9	0.8	-1.1	-2.2
EPS (INR)	**10.9**	**12.8**	**13.0**	**11.6**	**11.1**	**12.1**	**12.4**	**11.7**	**48.3**	**47.3**

Wipro — Neutral

CMP INR388 | TP: INR360 (-7%) — **EPS CHANGE (%): FY21|22: -4.8|-1.5**

- Expect the company to comfortably achieve growth within its stated guidance.
- Expect one-month of wage hike impact. Margin to remain in a narrow band.
- Pipeline looks healthy. The new management's refreshed strategy would be key.
- Q4 guidance and management restructuring would be in focus after the CEO change.

Quarterly performance (IFRS) (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
IT Services revenue (USD m)	**2,039**	**2,048**	**2,095**	**2,074**	**1,922**	**1,992**	**2,057**	**2,119**	**8,255**	**8,090**
QoQ (%)	-1.8	0.5	2.3	-1.0	-7.3	3.7	3.3	3.0	1.7	-2.0
Overall revenue (INR b)	**147**	**151**	**155**	**157**	**149**	**151**	**154**	**161**	**610**	**615**
QoQ (%)	-1.9	2.8	2.3	1.6	-5.1	1.4	1.8	4.7		
YoY (%)	5.3	4.0	2.7	4.7	1.3	-0.1	-0.6	2.6	4.2	0.8
GPM (%)	**29.1**	**28.6**	**29.1**	**27.4**	**30.5**	**30.3**	**29.6**	**28.4**	**28.5**	**29.7**
SGA (%)	13.0	11.3	12.0	11.4	13.3	11.8	11.8	11.9	11.9	12.2
EBITDA	**29**	**32**	**33**	**32**	**33**	**35**	**34**	**34**	**125**	**136**
EBITDA margin (%)	**19.6**	**20.9**	**21.0**	**20.5**	**22.1**	**23.0**	**22.3**	**21.1**	**20.5**	**22.1**
IT Services EBIT (%)	**18.4**	**18.1**	**18.4**	**17.6**	**19.1**	**19.2**	**18.5**	**18.7**	**18.1**	**18.9**
EBIT margin (%)	**16.2**	**17.7**	**17.6**	**16.8**	**18.0**	**18.6**	**18.0**	**16.8**	**17.2**	**17.8**
Other income	6	5	4	3	4	4	4	4	17	16
ETR (%)	22.4	18.3	20.0	20.9	22.1	22.5	22.5	22.5	20.2	22.4
PAT	**23**	**26**	**25**	**23**	**24**	**25**	**24**	**24**	**97**	**97**
QoQ (%)	-7.0	10.5	-3.8	-5.3	2.8	3.2	-1.9	-1.0		
YoY (%)	8.9	35.1	-2.2	-6.3	3.5	-3.4	-1.5	3.0	8.0	-0.5
EPS (INR)	3.8	4.3	4.3	4.1	4.2	4.3	4.2	4.2	16.4	16.8

Zensar Technologies — Neutral

CMP INR243| TP: INR250 (+3%) — **EPS CHANGE (%): FY21|22: 3.4|7.5**

- Expect marginal decline in revenue led by continued weakness in its top client.
- Margin to remain in a narrow band.
- Expect lower furloughs than usual.
- Any change in management strategy under new CEO would be in focus.

Quarterly performance (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Revenue (USD m)	**153**	**152**	**143**	**141**	**131**	**132**	**132**	**137**	**590**	**532**
QoQ (%)	3.1	-0.7	-5.9	-1.9	-7.0	0.6	0.5	3.9	5.8	-9.8
Revenue (INR m)	**10,661**	**10,723**	**10,206**	**10,178**	**9,912**	**9,794**	**9,760**	**10,303**	**41,768**	**39,769**
YoY (%)	20.8	13.3	-0.1	-2.8	-7.0	-8.7	-4.4	1.2	7.1	-4.8
GPM (%)	**29.4**	**29.1**	**23.6**	**28.9**	**28.8**	**34.1**	**33.8**	**32.5**	**27.8**	**32.3**
SGA (%)	15.2	15.1	16.8	15.0	14.4	15.3	15.2	15.2	15.5	15.0
EBITDA	**1,515**	**1,500**	**696**	**1,416**	**1,430**	**1,842**	**1,815**	**1,784**	**5,127**	**6,872**
EBITDA margin (%)	**14.2**	**14.0**	**6.8**	**13.9**	**14.4**	**18.8**	**18.6**	**17.3**	**12.3**	**17.3**
EBIT	**1,136**	**1,115**	**284**	**1,001**	**986**	**1,410**	**1,386**	**1,331**	**3,536**	**5,113**
EBIT margin (%)	**10.7**	**10.4**	**2.8**	**9.8**	**9.9**	**14.4**	**14.2**	**12.9**	**8.5**	**12.9**
Other income	-20	42	270	-11	27	-171	-68	-72	281	-284
ETR (%)	28.3	28.4	25.5	27.3	26.2	26.5	27.0	27.0	27.7	26.7
Adjusted PAT	**788**	**800**	**397**	**695**	**732**	**893**	**947**	**904**	**2,680**	**3,476**
QoQ (%)	-9.4	1.5	-50.4	75.1	5.3	22.0	6.1	-4.6		
YoY (%)	-5.7	-15.9	-32.3	-20.1	-7.1	11.6	138.6	30.1	-17.4	29.7
EPS (INR)	**3.3**	**3.5**	**1.7**	**3.0**	**3.2**	**3.9**	**4.1**	**3.9**	**11.7**	**15.2**

Telecom

Company Name
Bharti Airtel
Bharti Infratel
Tata Communications
Vodafone Idea

4G subscriber growth should continue to drive earnings

Subscriber trends in favor of Bharti; RJio slows as VIL loses subs

The Telecom market is seeing a flux in subscribers owing to various factors. a.) We continue to see consolidation and a shift in subscribers from VIL to Bharti and RJio. b.) Some of the lost subscribers during the lockdown are also returning. c.) On the 4G subscriber front, Bharti continues its strong subscriber additions (as in 2QFY21), while the pace of additions has slowed for RJio. VIL, after the recent network integration initiative, should see some respite – the decline in overall subscribers would slow, and it would also sustain its 4G subscriber adds. However, we expect market share loss to continue. Subsequently, we expect Bharti/RJio's subscriber base to increase by 1%/2.2% to 297m/415m. After the loss of 19.3m subscribers in 1HFY21, we expect VIL's subscriber decline to decelerate to 4m, reaching 268m subscribers in 3QFY21.

Telcos to witness marginal ARPU improvement, governed by 4G additions, higher usage

With no price action, ARPUs would be governed by a) improving 4G adds offering subscriber mix benefit, b) the return of feature phone subscriber recharges, which have been impacted by the lockdown, and c) some lingering benefit of previous price hikes taken by telcos. We expect RJio to benefit from the price hike taken in Dec'19 (due to its longer term validity plans), which should improve its ARPU by 3% QoQ to INR149. Bharti's subscriber mix should continue to improve; thus, it is likely to see a 1.5% ARPU increase to INR164. Lastly, we expect VIL's ARPU to improve 2.5% to INR122, led by a) the churn of low-ARPU feature phone customers during the lockdown and b) the benefit of increase in customer traction and select postpaid price plans.

Bharti/RJio's earnings to improve; VIL to trail

On the back of healthy subscriber additions and ARPU improvement, Bharti's India Wireless business should see a 4.5%/6.6% revenue/EBITDA increase to INR145b/INR63b, with a ~60% incremental EBITDA margin. RJio should see a 5.1%/6.8% increase to INR184b/INR80b. We expect VIL's revenue to largely remain flat at INR108b due to a marginal increase in ARPU and a reduced subscriber base. However, VIL's EBITDA should decline 5% to INR39b due to the absence of an INR3b one-off benefit in the last quarter. Subsequently, Bharti's India Wireless / RJio's EBITDA margin should expand 80bps/70bps to 43.4%/43.6%, while VIL's margin should shrink 200bps to 36.5%.

On a consolidated basis, Bharti's revenue/EBITDA is likely to increase 3.4%/3.6% to INR267b/INR121b. This is due to healthy growth in the Home Broadband, DTH, and Africa businesses, in addition to growth in India Wireless. Consequently, the EBITDA margin should increase 10bps to 45.3%. In 3QFY21, Bharti's stake in Bharti Infratel fell to 41.66% post its merger completion with Indus Towers on 19th Nov'20. Subsequently, Bharti should record earnings consolidation until the merger

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completion date and thereafter account for only the reported earnings from the minority stake below the PBT level. Thus, Bharti would record proportionate revenue/EBITDA of INR11b/INR6b until the merger; this implies consolidated revenue/EBITDA of INR139b/INR117b and INR3b earnings as minority interest post the merger completion in 3QFY21. Similarly, Indus Towers (previously Bharti Infratel) would recognize proportionate revenue/EBITDA of INR21b/INR11b on the basis of 42% Indus consolidation up to merger completion and full consolidation post the merger completion (INR30b/INR15b) – implying consolidated revenue/EBITDA of INR50.4b/25.5b. From 4QFY21, Indus Towers' quarterly revenue run-rate should be INR65.7b. Telcos are expected to deploy capex at the 1HFY21 run-rate, with Bharti's capex at INR45b/INR55b in 3QFY21 at the India/consolidated level.

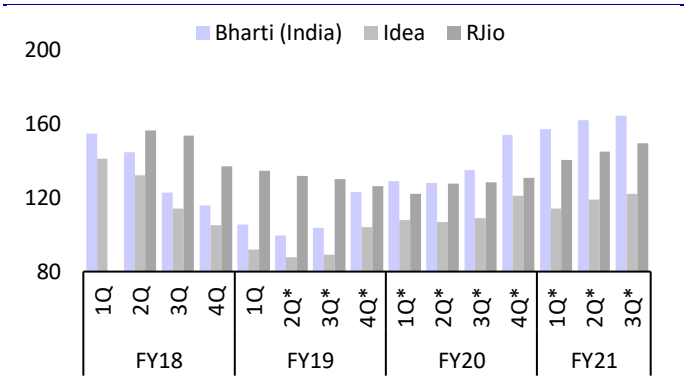
Bharti Infratel's deconsolidation to increase Bharti's debt by INR48b

Bharti's net debt would increase by ~INR48b due to the deconsolidation of Bharti Infratel. This is attributable to INR8b net cash in Bharti Infratel's standalone balance sheet. Furthermore, additional lease liability between Bharti Airtel and Bharti Infratel that was eliminated during consolidation would now get added – the deconsolidation has increased the lease liability by INR40b. Thus, net debt would increase by around INR48b, largely under lease liability.

Exhibit 1: Expected quarterly performance summary

Telecom	CMP (INR)	RECO	Sales (INR m)			EBITDA (INR m)			PAT (INR m)		
			Dec'20	Var % YoY	Var % QoQ	Dec'20	Var % YoY	Var % QoQ	Dec'20	Var % YoY	Var % QoQ
Bharti Airtel	515	Buy	2,66,619	21.5	3.4	1,20,648	30.2	3.6	5,347	LP	LP
Indus Towers	235	Neutral	38,173	3.9	3.3	19,396	3.3	6.8	8,115	1.6	10.8
Tata Comm	1095	Neutral	44,742	5.8	1.7	11,556	51.9	-0.2	3,681	528.7	-16.1
Vodafone Idea	11	UR	1,08,178	-2.4	0.2	39,457	15.4	-5.0	-58,099	Loss	Loss
Telecom			**4,57,712**	**11.8**	**2.5**	**1,91,057**	**24.7**	**1.8**	**-40,956**	**Loss**	**Loss**

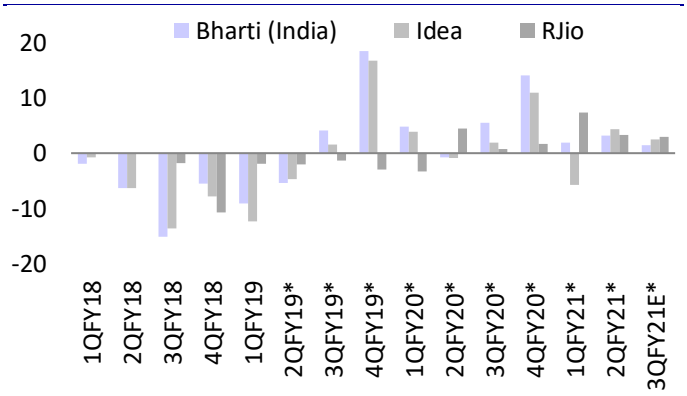
Exhibit 2: Player-wise QoQ ARPU trend (INR)



*Represents Vodafone Idea merged co-performance

Source: Company, MOFSL

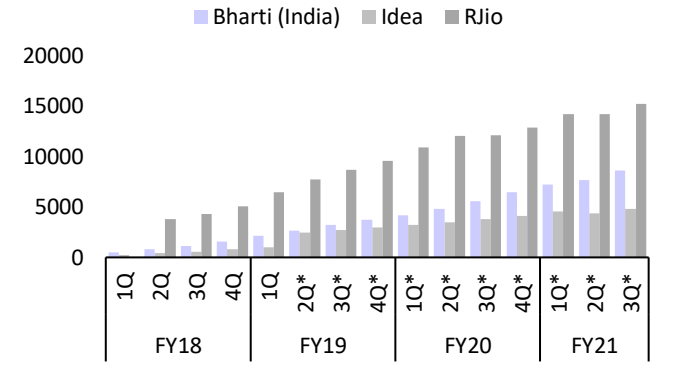
Exhibit 3: Player-wise QoQ ARPU growth trend (%)



*Represents Vodafone Idea merged co-performance

Source: Company, MOFSL

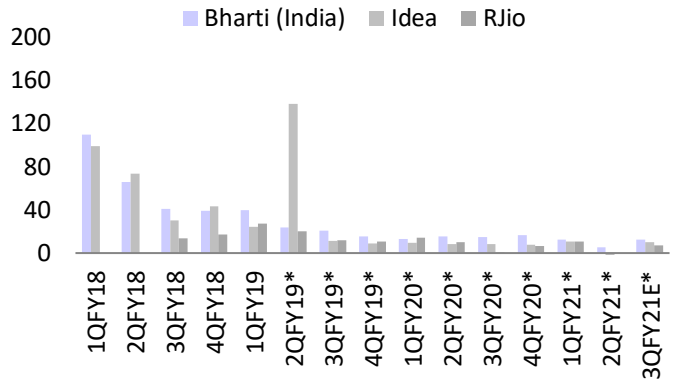
Exhibit 4: Player-wise QoQ data traffic trend (b Mb)



*Represents Vodafone Idea merged co-performance

Source: Company, MOFSL

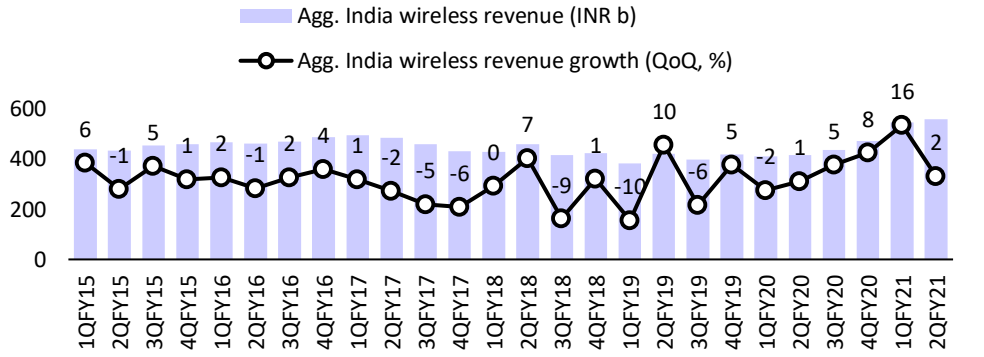
Exhibit 5: Player-wise QoQ data traffic growth trend (%)



*Represents Vodafone Idea merged co-performance

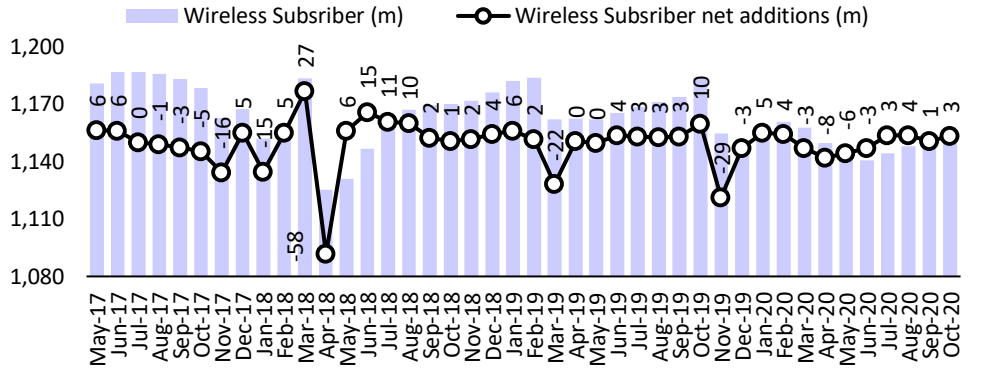
Source: Company, MOFSL

Exhibit 6: Aggregate India Wireless revenue and growth trend (QoQ, %)



Source: TRAI, MOFSL

Exhibit 7: Aggregate India Wireless subscriber and growth trend (MoM, %)



Source: TRAI, MOFSL

Exhibit 8: Bharti's earnings from Bharti Infratel post merger

Bharti (INR b)	3QFY21	4QFY21	FY22
Consolidated revenue from BHIN	11		
% of consol revenue	4%		
Implied consol revenue	138		
Consolidated EBITDA from BHIN	6		
% of consol EBITDA	5%		
Implied consol EBITDA	117		
PAT as minority interest	3	6	25
% of PAT	35%	57%	54%

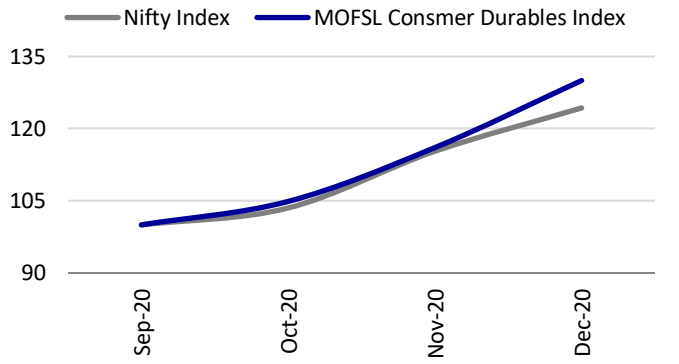
Source: Company, MOFSL

Exhibit 9: Bharti Infratel's earnings post merger (%)

Bharti Infratel (INR m)	3QFY21	4QFY21
Revenue before merger	20,746	
% of total revenue	41%	
Revenue post merger	29,722	65,652
% of total revenue	59%	100%
Total revenue	**50,468**	**65,652**
EBITDA before merger	10,541	
% of total EBITDA	41%	
EBITDA post merger	14,913	32,966
% of total EBITDA	59%	100%
Total EBITDA	**25,454**	**32,966**

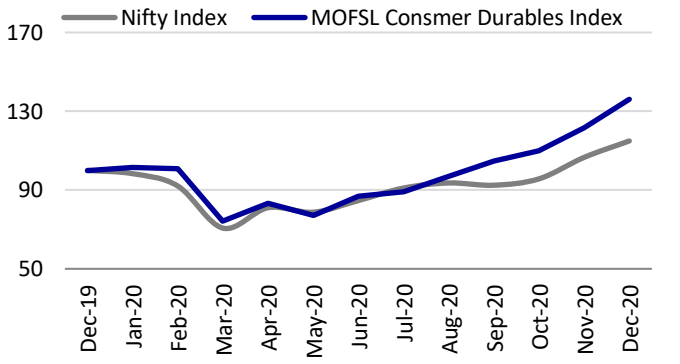
Source: Company, MOFSL

Exhibit 10: Relative performance – 3M (%)



Source: Bloomberg, MOFSL

Exhibit 11: Relative performance – 1Y (%)



Source: Bloomberg, MOFSL

Exhibit 12: Comparative valuation

Sector / Companies	CMP	RECO	EPS (INR)			PE (x)			EV/EBITDA (x)			ROE (%)		
Telecom	(INR)		FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E
Telecom						**-22**	**-28**	**-25.3**	**6.5**	**8.9**	**14.9**	**-30.0**	**-31.9**	**-58.9**
Bharti Airtel	515	Buy	1.7	4.4	6.9	297.1	117.9	74.2	4.5	4.3	4.1	1.4	3.7	5.7
Indus Towers	235	Neutral	16.5	18.2	18.9	14.3	12.9	12.5	3.0	2.8	2.6	21.8	22.5	21.4
Tata Comm	1,095	Neutral	51.2	66.0	77.3	21.4	16.6	14.2	267.2	15.6	7.4	-251.3	177.9	71
Vodafone Idea	11	UR	-8.1	-7.5	-8.6	-1.4	-1.5	-1.3	-1.9	-0.8	-0.5	410.0	76.6	48.4

Source: Company, MOFSL

Exhibit 13: Wireless KPI comparison

	FY19				FY20				FY21			YoY	QoQ
	1Q	2Q*	3Q*	4Q*	1Q*	2Q*	3Q*	4Q*	1Q*	2Q*	3QE*	(%)	(%)
EOP Wireless SUBS (m)													
Bharti (India)	345	333	284	283	277	279	283	284	280	294	297	4.8	1.0
Idea	188	422	387	334	320	311	304	291	280	272	268	-11.9	-1.5
RJio	215	252	280	307	331	355	370	388	398	406	415	12.1	2.2
Avg. Wireless Subs (m)													
Bharti (India)	324	339	308	283	280	278	281	283	282	287	295	5.0	2.9
Idea	191	305	405	361	327	316	308	298	285	276	270	-12.3	-2.2
RJio	201	234	266	293	319	343	363	379	393	402	410	13.1	2.0
ARPU (INR/month)													
Bharti (India)	105	100	104	123	129	128	135	154	157	162	164	21.8	1.5
Idea	92	88	89	104	108	107	109	121	114	119	122	11.9	2.5
RJio	135	132	130	126	122	128	128	131	140	145	149	16.3	3.0
MOU/Sub (min)													
Bharti (India)	701	694	726	858	888	848	898	965	994	1,005	1,015	13.0	1.0
Idea	609	568	580	662	690	669	674	688	678	673	680	0.9	1.0
RJio	744	761	794	823	821	789	760	771	756	773	773	1.8	0.0
Wireless traffic (B min)													
Bharti (India)	684	693	703	731	737	717	759	822	820	861	899	18.5	4.4
Idea	350	731	712	703	676	631	624	616	579	557	550	-11.9	-1.2
RJio	449	534	634	724	786	813	826	876	891	932	951	15.1	2.0
Data usage/Sub (Mb)													
Bharti (India)	7,864	9,221	10,528	11,048	11,930	13,116	13,928	14,972	16,655	16,409	17,017	22.2	3.7
Idea	7,309	5,740	6,324	6,716	7,417	8,209	8,951	9,687	10,956	10,591	11,120	24.2	5.0
RJio	10,649	10,992	10,819	10,861	11,390	11,673	11,105	11,300	12,047	11,776	12,365	11.3	5.0
Data traffic (B mb)													
Bharti (India)	2,151	2,660	3,217	3,705	4,192	4,829	5,547	6,453	7,240	7,640	8,590	54.9	12.4
Idea	1,018	2,426	2,705	2,947	3,222	3,492	3,790	4,090	4,523	4,340	4,771	25.9	9.9
RJio	6,420	7,710	8,640	9,560	10,900	12,020	12,080	12,840	14,200	14,200	15,212	25.9	7.1

*Represents Vodafone Idea merged co-performance Source: Company, MOFSL

Exhibit 1: Quarterly financials

	FY19				FY20				FY21			YoY	QoQ
	1Q	2Q*	3Q*	4Q*	1Q*	2Q*	3Q*	4Q*	1Q*	2Q*	3QE*	(%)	(%)
Revenue (INR b)													
Bharti (India wireless)	105	103	102	106	109	110	112	130	129	138	145	29.5	4.5
Bharti (consolidated)	201	204	202	206	207	211	219	237	239	258	267	21.5	3.4
Idea	59	77	118	118	113	108	111	118	107	108	108	-2.4	0.2
RJio	81	92	109	111	117	131	140	148	166	175	184	31.5	5.1
EBITDA (INR b)													
Bharti (India wireless)	28	21	19	26	39	40	40	51	52	59	63	56.5	6.6
Bharti (consolidated)	67	62	62	66	83	89	93	102	104	116	121	30.2	3.6
Idea	7	5	11	18	37	33	34	44	41	42	39	15.4	-5.0
RJio	31	36	41	43	47	51	56	62	70	75	80	43.6	6.8
EBITDA Margin (%)													
Bharti (India wireless)	26.3	20.9	19.1	24.1	35.7	36.3	35.9	39.2	40.6	42.6	43.4	*751bps*	*84bps*
Bharti (consolidated)	33.5	30.6	30.7	32.2	39.9	41.9	42.2	42.9	43.5	45.2	45.3	*303bps*	*10bps*
Idea	11.2	6.0	9.7	15.2	32.4	30.9	30.8	37.3	38.4	38.5	36.5	*563bps*	*-201bps*
RJio	38.8	38.7	37.2	39.0	40.0	39.1	40.0	41.6	42.3	42.9	43.6	*365bps*	*70bps*
PAT (INR b)													
Bharti (consolidated)	1	1	1	1	(28.7)	(230.4)	(10.4)	(52.4)	(159.3)	(7.6)	5.3	NM	NM
Idea	3	(49.7)	(50.0)	(48.8)	(48.7)	(509.2)	(64.4)	(116.4)	(254.6)	(72.2)	(58.1)	NM	NM
RJio	6	7	8	8	9	10	14	23	25	28	32	136.4	12.2
EPS (INR)													
Bharti	0.2	0.3	0.2	0.3	(5.6)	(44.9)	(2.0)	(9.7)	(29.2)	(1.4)	1.0	NM	NM
Idea	0.6	(5.7)	(5.7)	(5.6)	(5.6)	(58.3)	(2.2)	(4.1)	(8.9)	(2.5)	(2.0)	NM	NM
RJio	0.1	0.2	0.2	0.2	0.2	0.2	0.3	0.5	0.6	0.6	0.7	136.4	12.2

*Represents Vodafone Idea merged co performance Source: Company, MOFSL

The tables below provide a snapshot of the actual and estimated numbers of companies under the MOFSL Coverage Universe. Highlighted columns indicate the quarter/financial year under review.

Bharti Airtel — Buy

CMP: INR515 | TP: INR650 (+26%) — **EPS CHANGE (%): FY21|22: -1.3|-2**

- Estimate India Wireless ARPU to improve 1.5%
- Watch out for commentary on spectrum renewal
- Expect 2.5% subscriber growth in Home Broadband
- Expect 2% revenue growth in Enterprise business

Consolidated - Quarterly Earnings Model (INR b)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenue	**207**	**211**	**219**	**237**	**239**	**258**	**267**	**259**	**875**	**1,022**
YoY Change (%)	3.3	3.5	8.5	15.1	15.4	22.0	21.5	9.0	8.4	16.8
Total Expenditure	125	123	127	136	135	141	146	135	509	558
EBITDA	**83**	**89**	**93**	**102**	**104**	**116**	**121**	**123**	**366**	**464**
YoY Change (%)	23.1	41.9	49.0	53.3	25.7	31.4	30.2	21.3	42.1	26.9
Depreciation	68	69	69	71	72	74	78	81	277	305
Net Finance cost	32	29	30	41	35	38	36	32	124	140
Other Income	1	4	2	10	6	1	5	5	9	18
PBT before EO expense	**-15**	**-6**	**-5**	**0**	**4**	**6**	**12**	**16**	**-26**	**38**
Extra-Ord expense	15	307	11	70	117	0	0	0	402	118
PBT	**-30**	**-313**	**-15**	**-70**	**-114**	**5**	**12**	**16**	**-428**	**-80**
Tax	-6	-85	-10	-20	38	6	5	7	-122	55
Rate (%)	20.2	27.1	69.1	29.0	-33.6	106.5	40.0	40.0	28.4	-68.5
Minority Interest & P/L of Asso. Cos.	5	2	6	3	7	7	2	-6	15	10
Reported PAT	**-29**	**-230**	**-10**	**-52**	**-159**	**-8**	**5**	**16**	**-322**	**-146**
Adj PAT	**-14**	**-11**	**-11**	**-5**	**-4**	**-7**	**5**	**16**	**-41**	**9**
YoY Change (%)	366.1	16.4	3.8	-60.4	-68.8	-33.7	-149.5	-438.1	16.6	-123.2

E: MOFSL Estimates

Bharti Infratel — Neutral

CMP: INR235 | TP: INR210 (-11%) — **EPS CHANGE (%): FY21|22: 0.0|0.0**

- Expect tenancy/rental rates to remain flat QoQ
- Estimate average sharing factor to remain flat
- Estimate energy EBITDA margin at 2.5%
- Expect improvement in the consol. EBITDA margin

Quarterly Performance (INR m)

Y/E March	FY20				FY21				FY20	FY21E
(Consolidated)	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenue from operations	**37,119**	**36,376**	**36,733**	**36,244**	**35,047**	**36,952**	**38,173**	**38,579**	**1,46,473**	**1,48,751**
YoY Change (%)	1.0	-0.8	0.9	0.7	-5.6	1.6	3.9	6.4	0.4	894.1
Total Expenditure	18,164	17,593	17,961	19,254	17,375	18,784	18,778	19,022	72,972	73,959
EBITDA	**18,955**	**18,783**	**18,772**	**16,990**	**17,672**	**18,168**	**19,396**	**19,557**	**73,501**	**74,793**
YoY Change (%)	24.7	26.4	24.8	13.9	-6.8	-3.3	3.3	15.1	22.5	985.5
Depreciation	7,425	7,453	7,036	7,657	7,057	7,263	7,391	7,852	29,571	29,562
Interest	1,125	1,251	1,384	1,247	1,425	1,552	1,552	1,552	5,007	6,081
Other Income	651	349	336	576	239	472	430	580	1,912	1,721
PBT	**11,056**	**10,428**	**10,688**	**8,662**	**9,429**	**9,825**	**10,883**	**10,733**	**40,835**	**40,870**
Tax	2,186	793	2,701	2,167	2,393	2,499	2,768	2,730	7,847	10,390
Rate (%)	19.8	7.6	25.3	25.0	25.4	25.4	25.4	25.4	19.2	25.4
Reported PAT	**8,870**	**9,635**	**7,987**	**6,495**	**7,036**	**7,326**	**8,115**	**8,003**	**32,988**	**30,480**
Adj PAT	**8,870**	**9,635**	**7,987**	**6,495**	**7,036**	**7,326**	**8,115**	**8,003**	**32,988**	**30,480**
YoY Change (%)	39.0	55.0	23.2	6.9	-20.7	-24.0	1.6	23.2	31.1	293.9

E: MOFSL Estimates

Tata Communications — Neutral

CMP: INR1,095 | TP: INR940 (-14%) — **EPS CHANGE (%): FY21|22: 0.0|0.0**

- Expect Voice revenue to continue to decline
- Innovation Services to continue to run into loss
- Growth services EBITDA margin would remain flat QoQ
- EBITDA to remain flat QoQ

Cons. Quarterly Earnings Model (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenue	**41,686**	**42,728**	**42,287**	**43,979**	**44,029**	**44,011**	**44,742**	**45,473**	**1,70,680**	**1,78,254**
YoY Change (%)	5.7	5.0	-1.0	3.6	5.6	3.0	5.8	3.4	3.3	4.4
Total Expenditure	33,430	34,391	34,679	35,291	33,612	32,436	33,185	33,823	1,37,790	1,33,056
EBITDA	**8,256**	**8,337**	**7,608**	**8,688**	**10,418**	**11,575**	**11,556**	**11,649**	**32,890**	**45,198**
YoY Change (%)	40.7	32.3	-9.7	26.8	26.2	38.8	51.9	34.1	19.8	37.4
Depreciation	5,522	5,583	5,605	6,867	5,899	5,719	5,756	5,651	23,577	23,026
Interest	1,157	1,157	1,161	1,232	1,163	1,064	1,054	1,054	4,707	4,336
Other Income	88	95	140	373	147	761	225	214	697	1,347
PBT before EO expense	**1,666**	**1,692**	**981**	**963**	**3,503**	**5,553**	**4,970**	**5,158**	**5,302**	**19,184**
Exceptional (gain)/loss	65	59	0	3,781	105	540	0	0	3,905	644
PBT	**1,601**	**1,632**	**981**	**-2,818**	**3,398**	**5,013**	**4,970**	**5,158**	**1,397**	**18,540**
Tax	852	1,107	406	-98	812	1,153	1,292	1,341	2,267	4,599
Rate (%)	53.2	67.8	41.3	3.5	23.9	23.0	26.0	26.0	162.3	24.8
MI & P/L of Asso. Cos.	-18	-14	-9	30	8	15	-3	-31	-11	-11
Reported PAT	**766**	**539**	**585**	**-2,750**	**2,578**	**3,845**	**3,681**	**3,848**	**-860**	**13,950**
Adj PAT	**796**	**598**	**585**	**1,031**	**2,683**	**4,384**	**3,681**	**3,848**	**3,011**	**14,596**
YoY Change (%)	NM	NM	NM	-479.8	NM	NM	NM	273.3	-582.2	384.7

E: MOFSL Estimates

Vodafone Idea — Under review

CMP: INR11 — **EPS CHANGE (%): FY21|22: NM|NM**

- Watch out for commentary on spectrum renewal
- Watch out for commentary on price hike
- Expect VIL's pace of subscriber decline to reduce in 3QFY21
- Watch out for commentary on fundraising

Consolidated - Quarterly Earnings Model (INR b)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenue	**113**	**108**	**111**	**118**	**107**	**108**	**108**	**97**	**450**	**420**
YoY Change (%)	91.4	41.5	-5.7	-0.2	-5.4	-0.5	-2.4	-17.1	21.2	-6.5
Total Expenditure	76	75	77	74	66	66	69	55	300	256
EBITDA	**37**	**33**	**34**	**44**	**41**	**42**	**39**	**43**	**149**	**165**
YoY Change (%)	453.5	625.4	200.9	145.3	12.3	24.1	15.4	-2.7	268.8	10.4
Depreciation	61	63	59	60	60	60	61	62	244	243
Share in Profits from Associates	1	1	1	1	1	1	1	1	4	4
Net Finance Costs	34	34	34	40	37	47	37	37	144	159
PBT before EO expense	**-59**	**-62**	**-58**	**-56**	**-55**	**-65**	**-58**	**-56**	**-234**	**-234**
Extra-Ord expense	8	308	6	61	199	8	0	0	384	207
PBT	**-67**	**-370**	**-64**	**-117**	**-255**	**-72**	**-58**	**-56**	**-618**	**-440**
Tax	-18	140	0	-1	0	0	0	0	121	0
Rate (%)	27.0	-37.8	-0.3	0.8	0.0	0.0	0.0	0.0	-19.5	0.0
Reported PAT	**-49**	**-509**	**-64**	**-116**	**-255**	**-72**	**-58**	**-56**	**-739**	**-440**
Adj PAT	**-42**	**-62**	**-58**	**-55**	**-55**	**-65**	**-58**	**-56**	**-217**	**-234**
YoY Change (%)	195.4	38.9	-6.4	35.6	30.8	4.3	0.1	0.9	34.5	7.5

E: MOFSL Estimates

Utilities

Company name
CESC
Coal India
Indian Energy Exchange
JSW Energy
NHPC
NTPC
Power Grid Corp.
Tata Power

Power demand continues to recover

Receivables from DISCOMs to be keenly watched

Power demand in the first two months of the quarter rose 7.4% YoY; highlighting the broad recovery in economic activities, in our view (vs. 1HFY21 demand decline of ~8% YoY). Moreover, initial data from POSOCO indicates the trend is continuing with overall power demand likely to be up 5% YoY for December. Generation from Coal-based plants has also recovered, increasing 9.6% YoY (over Oct-Nov '20). While inventory at both coal mines and power plants remain high – it has fallen since June with demand recovery. At a system level, coal inventory stands at ~96mt (~1.4 months of consumption) vs. ~122mt (1.7 months of consumption) at the end of June'20.

Coal India's off take has improved on an annual basis with recovering demand and partly due to the low base of last year – which was impacted by heavy monsoon. Offtake is expected to increase ~9% YoY. However, e-auction realizations would lower – impacting overall realizations. Coal India's EBITDA (ex-OBR) to remain flat at INR61.7b. We expect lower OBR provisions; however, we remain conservative on other income. Expect PAT to be up ~4%YoY at INR40.8b.

Higher coal availability, in general, has led to better PAFs; but availability issues at Kahalgaon could result in continuation of some FC u/r for the quarter for NTPC, in our view. We expect **NTPC's** adj. PAT (excluding FC u/r) to improve ~10% YoY to ~INR32b on the back of capacity commercialization. At a sector level, Generators' receivables from DISCOMs continue to be elevated and NTPC's commentary for the same would be keenly watched. For **PWGR**, we expect PWGR to report a steady ~8% YoY growth led by growth in capitalization.

Expect CESC's standalone PAT to decline 3%YoY to INR1.7b on account of lack of tariff hike approval and lower efficiency gains. Tata Power's adj. PAT is expected to come in at INR2.2b (v/s 3QFY20's INR1.7b) on lower interest expense and improved performance of EPC businesses. Torrent Power's adj. PAT is expected to decline 28% YoY to INR2.3b on account of lower performance at its DFs. For Indian Energy Exchange (IEX), we expect 61% YoY growth in electricity volumes (DAM+TAM+RTM). S/A Revenues would rise 45% YoY amid lack of RECs with a 48% YoY growth in EBITDA. Expect PAT growth to come in at 31% YoY amid expectations of lower other income and a normalized of tax rate.

Top picks – NTPC and IEX

Given the impact on power demand at the start of FY21, WC/cash issues have materialized within the power sector's value chain. However, CERC provides compensation for such a stretch in receivables. Amid the recent decline in stock prices of NTPC and PWGR, 1-year forward valuations (NTPC P/BV: 0.7x and PWGR P/BV: 1.3x) are near their lows. NTPC remains our top pick within the regulated space given attractive valuations despite a robust capacity pipeline.
We also like IEX given its dominant position in power exchanges, a lean operating structure and negative WC model. With new product launches, a continued oversupplied market, and IEX's competitive positioning, we expect volumes/PAT for IEX to increase at a 16%/17% CAGR over FY21–23.

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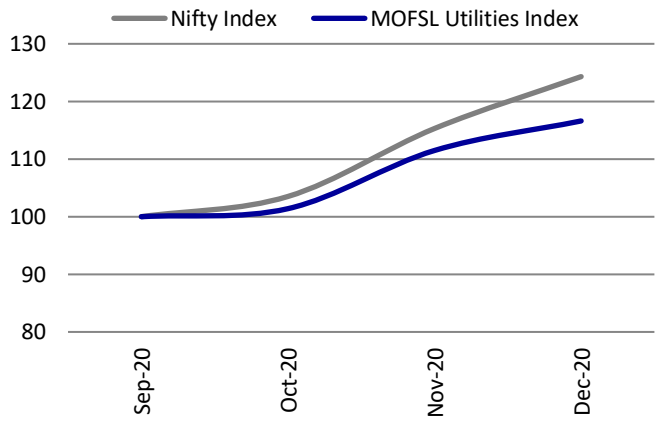
Exhibit 1: Expected quarterly performance summary

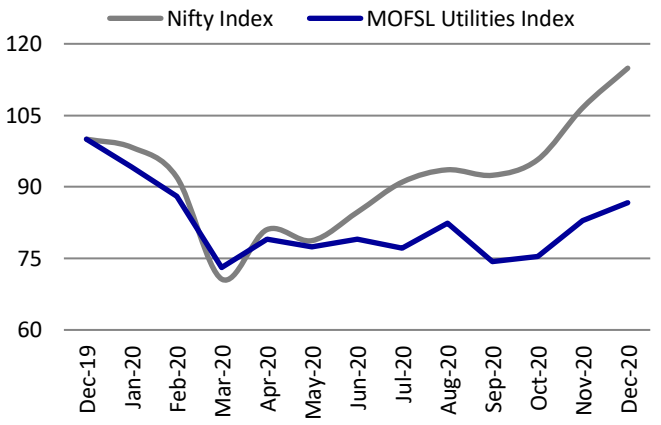
Sector	CMP		SALES (INR M)			EBDITA (INR M)			NET PROFIT (INR M)		
	(INR)	RECO	Dec-20	Var % YoY	Var % QoQ	Dec-20	Var % YoY	Var % QoQ	Dec-20	Var % YoY	Var % QoQ
CESC	620	Buy	15,916	-3.4	-20.0	4,101	48.1	21.3	1,715	-2.6	-24.8
Coal India	135	Buy	2,39,740	3.4	13.3	61,652	-0.3	81.3	40,753	3.9	38.1
Indian Energy Exchange	220	Buy	863	44.6	22.0	707	48.4	22.9	556	31.4	19.0
JSW Energy	67	UR	18,833	-3.3	-2.8	6,042	-5.3	-34.6	1,197	-6.8	-66.0
NHPC	23	Neutral	17,754	-1.1	-30.5	8,971	-3.3	-43.0	3,344	-17.2	-74.2
NTPC	99	Buy	2,56,780	2.3	2.6	85,411	-0.4	13.4	32,021	10.4	-23.0
Power Grid Corp.	189	Buy	98,635	5.4	9.0	87,949	6.8	10.4	28,730	8.3	-6.2
Tata Power	77	UR	80,873	14.4	-2.4	18,877	4.6	-5.7	2,209	34.1	-26.1
Torrent Power	321	Buy	30,634	-0.5	-2.1	8,024	-4.5	-3.6	2,276	-27.7	-29.3
Utilities			**7,60,028**	**3.8**	**3.8**	**2,81,735**	**2.3**	**14.4**	**1,12,800**	**5.4**	**-11.3**

Exhibit 2: Relative performance—3m (%)



Source: Bloomberg, MOFSL

Exhibit 3: Relative performance—1Yr (%)

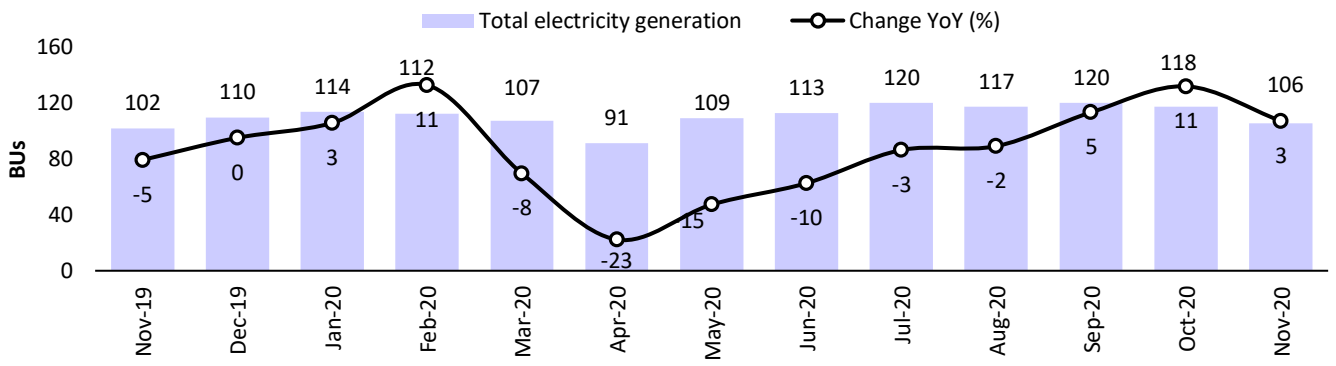


Source: Bloomberg, MOFSL

Exhibit 4: Comparative valuation

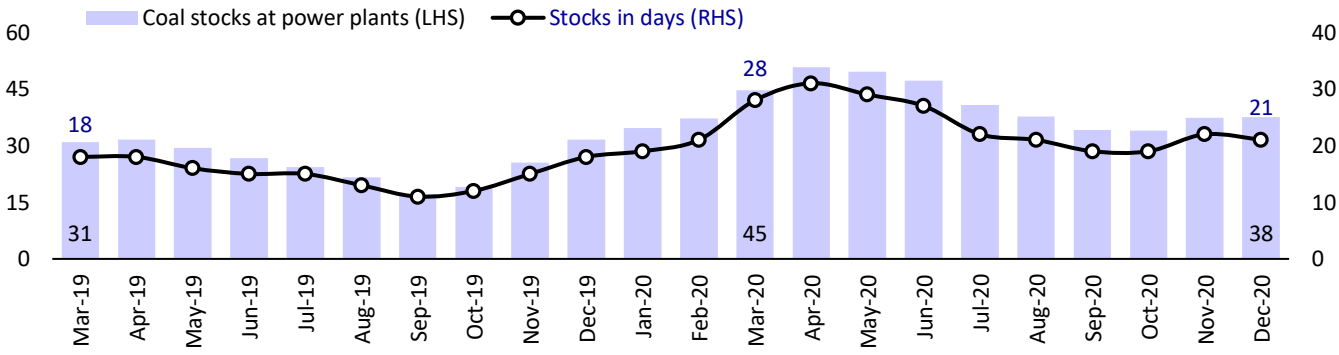
Company Name	CMP (INR)	Reco	EPS (INR)			PE (x)			PB (x)			ROE (%)		
			FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Utilities						**7.9**	**6.9**	**6.1**	**1.1**	**1.1**	**1.0**	**14.6**	**15.4**	**16.0**
CESC	620	Buy	90.3	98.6	103.8	6.9	6.3	6.0	0.8	0.7	0.7	11.9	11.9	11.5
Coal India	135	Buy	20.2	25.7	30.7	6.7	5.3	4.4	2.3	1.9	1.5	34.1	35.2	34.5
Indian Energy Exchange	220	Buy	6.4	7.7	8.7	34.5	28.5	25.2	14.7	12.7	11.0	45.3	47.7	46.8
JSW Energy	67	UR	4.6	5.6	7.0	14.7	11.9	9.6	0.9	0.9	0.8	6.3	7.6	8.9
NHPC	23	Neutral	2.9	2.9	3.4	8.0	8.0	6.7	0.7	0.7	0.6	9.0	8.5	9.6
NTPC	99	Buy	15.1	16.6	18.0	6.6	6.0	5.5	0.8	0.7	0.7	12.2	12.7	13.0
Power Grid Corp.	189	Buy	23.1	24.5	25.9	8.2	7.7	7.3	1.4	1.3	1.2	18.0	17.9	17.6
Tata Power	77	UR	3.4	5.1	5.1	22.7	15.2	15.0	1.1	1.1	1.0	5.1	7.3	7.0
Torrent Power	321	Buy	20.2	29.2	30.3	15.9	11.0	10.6	1.6	1.4	1.3	10.2	13.4	12.6

Exhibit 5: India's power demand has been recovering



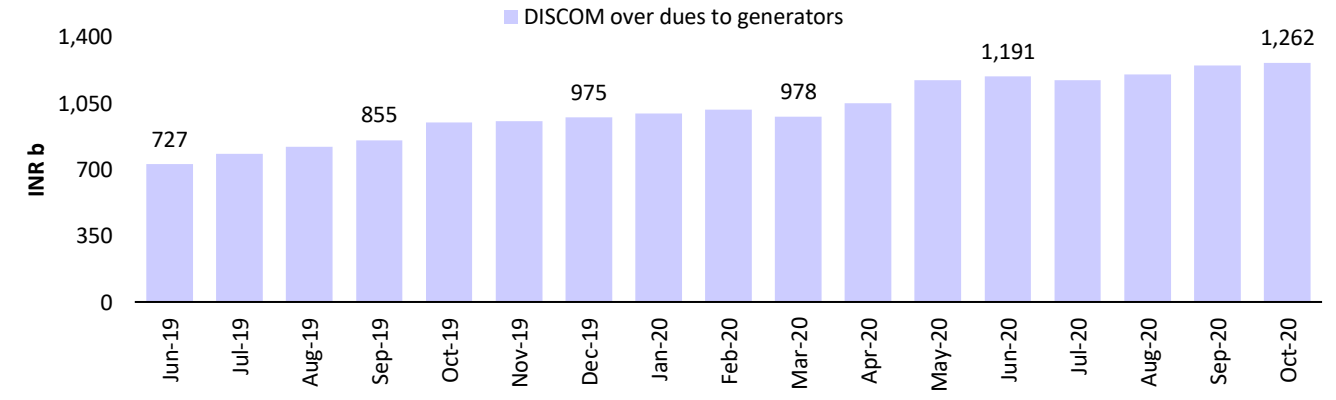
Source: MOFSL, CEA

Exhibit 6: Coal stocks at power plants remain high but have declined recently



Source: MOFSL, Ministry of Power

Exhibit 7: DISCOM's over-dues to generators have risen; Lower demand has impacted cash position of DISCOMs and further stretched receivables for generators



Source: MOFSL, Ministry of Power

The tables below provide a snapshot of actual and estimated numbers for companies under the MOFSL coverage universe. Highlighted columns indicate the quarter/financial year under review.

CESC — Buy

CMP INR 620 | TP: INR 850 (+37%) — **EPS CHANGE (%): FY21|22: No Change**

- Watch out for performance of Dhariwal
- Watch out for performance of DFs.
- Watch out for sales in distribution circles.
- Watch out for impact on efficiency due to lower demand.

Quarterly Performance – Standalone (INR million)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Sales	**23,590**	**22,460**	**16,480**	**15,830**	**15,850**	**19,890**	**15,916**	**22,489**	**78,359**	**74,145**
EBITDA	**4,420**	**4,630**	**2,770**	**2,510**	**2,280**	**3,380**	**4,101**	**9,091**	**14,328**	**18,852**
Change (%)	-10.9	-9.4	37.1	67.3	-48.4	-27.0	48.1	262.2	5.5	31.6
As of % Sales	18.7	20.6	16.8	15.9	14.4	17.0	25.8	40.4	18.3	25.4
Depreciation	1,090	1,080	1,100	1,210	1,170	1,130	1,151	1,233	4,477	4,683
Interest	1,300	1,270	1,170	1,700	1,360	1,210	1,150	1,628	5,442	5,348
Other Income	230	450	290	490	340	140	290	690	1,459	1,461
Regulatory (inc)/exp	-500	-480	-1,350	-2,970	-1,450	-810	0	0	-5,319	0
PBT	**2,760**	**3,210**	**2,140**	**3,060**	**1,540**	**1,990**	**2,091**	**6,921**	**11,186**	**10,282**
Tax	590	460	380	560	200	-290	376	839	2,009	1,851
Effective Tax Rate (%)	21.4	14.3	17.8	18.3	13.0	-14.6	18.0	12.1	18.0	18.0
Reported PAT	**2,170**	**2,750**	**1,760**	**2,500**	**1,340**	**2,280**	**1,715**	**6,082**	**9,178**	**8,431**
Adjusted PAT	**2,170**	**2,750**	**1,760**	**2,500**	**1,340**	**2,280**	**1,715**	**6,082**	**9,178**	**8,431**
Change (%)	17.9	1.5	1.7	-19.1	-38.2	-17.1	-2.6	143.3	-2.0	-8.1

Coal India — Buy

CMP INR 135 | TP: INR 192 (+42%) — **EPS CHANGE (%): FY21|22: +11%|+2%**

- Improvement in dispatches on a low base.
- Watch out for e-auction realizations.
- Watch out for movement in receivables.
- Demand from non-power customers.

Quarterly Performance (INR Billion)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Sales	**249.4**	**203.8**	**231.9**	**275.7**	**184.9**	**211.5**	**239.7**	**273.9**	**960.8**	**910.0**
Change (%)	3.6	-6.9	-7.4	-3.4	-25.9	3.8	3.4	-0.6	-3.5	-5.3
Adj. EBITDA	**75.1**	**42.5**	**61.8**	**95.2**	**28.0**	**34.0**	**61.7**	**72.5**	**274.6**	**196.2**
As of % Sales	30.1	20.8	26.7	34.5	15.1	16.1	25.7	26.5	28.6	21.6
Depreciation	7.3	7.9	8.9	10.3	8.5	8.5	9.3	9.6	34.5	35.9
OBR	9.0	6.4	12.1	27.9	-2.5	-5.8	5.1	27.6	55.4	24.5
Interest	0.2	1.7	1.5	1.7	1.8	1.5	1.5	0.2	5.0	5.1
Other Income	11.5	16.3	14.1	19.1	7.9	10.8	8.6	8.2	61.1	35.5
EO Inc/(Exp)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PBT	**70.1**	**42.8**	**53.3**	**74.5**	**28.0**	**40.6**	**54.3**	**43.2**	**240.7**	**166.2**
Tax	23.8	7.5	14.1	28.2	7.2	11.1	13.6	10.0	73.7	41.9
Tax Rate (%)	34.0	17.6	26.5	37.9	25.8	27.3	25.0	23.1	30.6	25.2
Reported PAT	**46.3**	**35.2**	**39.2**	**46.3**	**20.8**	**29.5**	**40.8**	**33.3**	**167.0**	**124.3**
Adjusted PAT	**46.3**	**35.2**	**39.2**	**46.3**	**20.8**	**29.5**	**40.8**	**33.3**	**167.0**	**124.3**
Change (%)	22.4	14.2	-14.1	-23.2	-55.1	-16.3	3.9	-28.1	-4.4	-25.6

Indian Energy Exchange — Buy

CMP INR 220 | TP: INR 255 (+16%) — **EPS CHANGE (%): FY21|22: +8%|+2%**

- Watch out for contribution of Real Time market volumes
- Watch out for update on gas exchange
- Watch out for update on launch of new products
- Watch out for commentary on RECs.

Quarterly performance - Standalone (INR million)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	**606**	**675**	**597**	**693**	**663**	**708**	**863**	**707**	**2,570**	**2,941**
YoY Change (%)	-9.6	0.9	-6.5	22.8	9.5	4.9	44.6	2.0	1.2	14.4
Total Expenditure	112	142	120	152	174	132	156	150	526	612
EBITDA	**494**	**533**	**477**	**542**	**489**	**575**	**707**	**557**	**2,045**	**2,329**
Margins (%)	81.6	79.0	79.9	78.1	73.8	81.3	81.9	78.8	79.6	79.2
Depreciation	33	33	41	45	44	41	41	41	152	167
Interest	5	5	0	5	5	5	0	0	16	11
Other Income	91	113	97	100	142	86	75	75	401	379
PBT before EO expense	**547**	**607**	**533**	**591**	**582**	**616**	**741**	**592**	**2,278**	**2,530**
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0
PBT	**547**	**607**	**533**	**591**	**582**	**616**	**741**	**592**	**2,278**	**2,530**
Tax	151	118	110	119	153	149	185	145	499	633
Rate (%)	27.6	19.5	20.6	20.2	26.3	24.1	25.0	24.6	21.9	25.0
Reported PAT	**396**	**488**	**423**	**472**	**429**	**467**	**556**	**446**	**1,779**	**1,898**
Adj PAT	**396**	**488**	**423**	**472**	**429**	**467**	**556**	**446**	**1,779**	**1,898**
YoY Change (%)	-5.5	14.4	-0.7	24.7	8.3	-4.4	31.4	-5.5	7.8	6.7

JSW Energy — Under-Review

CMP INR 67 — **EPS CHANGE (%): FY21|22: No Change**

- Expect merchant volumes to be muted.
- Watch out for possible recovery of back down charges.
- Expect higher hydro gen to be slightly lower YoY.
- Update on receivables and Dolvi PPA key monitorable.

Quarterly Performance (INR Million)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	**24,122**	**21,186**	**19,486**	**17,934**	**18,052**	**19,386**	**18,833**	**19,800**	**82,727**	**76,070**
YoY Change (%)	2.2	-12.8	-19.5	-6.8	-25.2	-8.5	-3.3	10.4		
Total Expenditure	16,029	11,838	13,106	12,186	10,596	10,148	12,791	14,894	53,159	48,429
EBITDA	**8,093**	**9,348**	**6,380**	**5,748**	**7,455**	**9,238**	**6,042**	**4,905**	**29,569**	**27,641**
Margins (%)	33.5	44.1	32.7	32.1	41.3	47.7	32.1	24.8	35.7	36.3
Depreciation	2,913	2,943	2,932	2,893	2,895	2,916	2,950	2,992	11,681	11,753
Interest	2,698	2,722	2,611	2,480	2,404	2,072	2,114	2,095	10,511	8,685
Other Income	518	1,133	676	542	816	610	624	598	2,870	2,648
PBT before EO expense	**3,000**	**4,816**	**1,513**	**917**	**2,973**	**4,860**	**1,602**	**417**	**10,247**	**9,851**
Extra-Ord expense	0	0	-2,656	0	0	0	0	0	-2,656	0
PBT	**3,000**	**4,816**	**4,170**	**917**	**2,973**	**4,860**	**1,602**	**417**	**12,904**	**9,851**
Tax	883	1,338	125	26	787	1,364	384	-171	2,372	2,364
Rate (%)	29.4	27.8	3.0	2.8	26.5	28.1	24.0	-41	18.4	24.0
MI and Associates	-327	-51	103	-193	53	-25	21	-49	-468	0
Reported PAT	**2,444**	**3,530**	**3,941**	**1,084**	**2,132**	**3,521**	**1,197**	**636**	**10,999**	**7,487**
Adj PAT	**2,444**	**3,530**	**1,285**	**1,084**	**2,132**	**3,521**	**1,197**	**636**	**8,343**	**7,487**
YoY Change (%)	6.6	12	-12	2,702	-13	0	-7	-41	20	-10

NHPC — Neutral

CMP INR 23 | TP: INR 22 (-3%) — **EPS CHANGE (%): FY21|22: No change**

- Expect generation to fall ~9% YoY.
- Watch out for capex plans.
- Update on Subansiri project.
- Watch out for progress on new projects.

Standalone performance (INR million)

Y/E March	FY20				FY21				FY20	FY21
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	**24,213**	**26,054**	**17,951**	**19,136**	**25,189**	**25,540**	**17,754**	**24,418**	**87,354**	**92,902**
YoY Change (%)	13.7	4.4	14.2	30.9	4.0	-2.0	-1.1	27.6	13.9	
EBITDA	**15,040**	**15,780**	**9,278**	**5,594**	**14,207**	**15,728**	**8,971**	**11,803**	**45,691**	**50,708**
Depreciation	3,866	3,857	3,873	3,858	3,303	3,332	3,990	5,295	15,453	15,919
Interest	2,366	2,521	1,556	1,512	1,467	1,462	1,818	4,543	7,954	9,289
Other Income	872	4,992	649	3,850	860	4,261	579	3,539	10,362	9,238
Rate regulated activity	1,989	1,024	17	407	352	361	361	283	3,436	1,356
PBT before EO expense	**11,668**	**15,418**	**4,515**	**4,481**	**10,649**	**15,556**	**4,103**	**5,786**	**36,082**	**36,094**
Extra-Ord expense	0	0	0	0	-1,850	0	0	0	0	-1,850
PBT	**11,668**	**15,418**	**4,515**	**4,481**	**8,799**	**15,556**	**4,103**	**5,786**	**36,082**	**34,244**
Tax	2,857	2,023	478	652	1,574	2,571	759	1,432	6,010	6,335
Rate (%)	24	13	11	15	18	17	19	25	17	19
Reported PAT	**8,811**	**13,395**	**4,037**	**3,829**	**7,225**	**12,985**	**3,344**	**4,355**	**30,072**	**27,909**
Adj PAT	**8,811**	**13,395**	**4,037**	**3,829**	**9,075**	**12,985**	**3,344**	**4,355**	**30,072**	**29,759**
YoY Change (%)	19.5	9.9	121.6	na	3.0	-3.1	-17.2	13.7	40.4	-1.0

NTPC — Buy

CMP INR 99 | TP: INR 140 (+41%) — **EPS CHANGE (%): FY21|22: No Change**

- Watch out for update on commercialization.
- Watch out for some trend in receivables.
- Movement in fixed cost under recoveries.
- Update on the co.'s renewable plans.

Quarterly Performance (Standalone) – INR billion

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Sales	**247.0**	**236.3**	**250.9**	**291.0**	**242.6**	**250.2**	**256.8**	**292.5**	**1,025**	**1,042**
Change (%)	8.0	4.4	5.4	29.6	-1.8	5.9	2.3	0.5	9.0	1.6
EBITDA	**69.6**	**72.1**	**85.7**	**91.7**	**85.5**	**75.3**	**85.4**	**81.1**	**319.2**	**327.3**
Depreciation	20.5	21.2	23.2	21.3	25.3	25.3	26.8	26.7	86.2	104.1
Interest	15.7	16.2	17.6	18.4	20.8	17.7	21.6	22.5	67.8	82.6
Other income	3.3	8.9	5.3	10.3	5.7	13.5	5.4	5.6	27.8	30.1
Exceptional	0.0	0.0	0.0	0.0	-8.0	-5.6	0.0	0.0	0.0	-13.6
PBT	**36.7**	**43.7**	**50.2**	**62.4**	**37.0**	**40.1**	**42.5**	**37.5**	**192.9**	**157.1**
Tax	10.7	11.0	20.3	49.8	12.3	5.1	10.1	5.5	91.8	33.0
PAT	**26.0**	**32.6**	**30.0**	**12.5**	**24.7**	**35.0**	**32.4**	**31.9**	**101.1**	**124.1**
Change (%)	0.6	34.5	25.6	-71.2	-5.1	7.4	8.2	155.1	-13.9	22.7
Adj. PAT (excl. FC u/r)	**27.1**	**34.7**	**29.0**	**33.0**	**33.2**	**41.6**	**32.0**	**31.1**	**123.7**	**137.8**
Change (%)	-8.6	24.5	13.6	3.9	22.7	19.7	10.4	-5.8	7.8	11.4

Power Grid Corporation — Buy

CMP INR 189 | TP: INR 222 (+17%) — **EPS CHANGE (%): FY21|22: No Change**

- Outlook on new awarding.
- Outlook on TBCB projects key monitorable.
- Progress on InvIT of assets.
- Watch out for progress on capitalization.

Standalone quarterly summary (INR million)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Sales	**87,978**	**90,369**	**93,541**	**106,802**	**93,828**	**90,497**	**98,635**	**108,084**	**378,689**	**391,043**
Change (%)	5.5	4.0	12.5	9.8	6.6	0.1	5.4	1.2	8.0	3.3
EBITDA	**78,901**	**79,088**	**82,383**	**90,479**	**82,712**	**79,628**	**87,949**	**94,939**	**330,851**	**345,229**
Change (%)	10.6	7.2	11.2	9.0	4.8	0.7	6.8	4.9	9.5	4.3
As of % Sales	89.7	87.5	88.1	84.7	88.2	88.0	89.2	87.8	87.4	88.3
Depreciation	26,591	27,482	28,024	28,636	27,970	28,967	30,312	32,524	110,732	119,773
Interest	23,591	23,761	24,740	26,044	22,786	20,950	24,310	28,383	98,136	96,429
Other Income	4,243	4,982	5,049	7,051	6,314	8,323	3,041	2,593	21,324	20,271
Extraordinary Inc / (Exp)	0	0	0	0	-10,750	-36	0	0	0	-10,786
PBT	**32,962**	**32,827**	**34,668**	**42,850**	**27,520**	**37,998**	**36,367**	**36,625**	**143,308**	**138,510**
Tax	8,684	7,555	7,933	11,024	7,731	6,824	7,637	6,903	35,196	29,095
Effective Tax Rate (%)	26.3	23.0	22.9	25.7	28.1	18.0	21.0	18.8	24.6	21.0
Reported PAT	**24,279**	**25,271**	**26,735**	**31,827**	**19,789**	**31,174**	**28,730**	**29,722**	**108,112**	**109,415**
Change (%)	8.4	9.4	14.7	4.2	-18.5	23.4	7.5	-6.6	8.8	1.2
Adjusted PAT	**23,106**	**25,097**	**26,537**	**29,749**	**28,059**	**30,640**	**28,730**	**30,838**	**104,489**	**118,267**
Change (%)	2.7	7.0	12.5	11.3	21.4	22.1	8.3	3.7	8.6	13.2

Tata Power — Under-Review

CMP INR 77 — **EPS CHANGE (%): FY21|22: +8%|+16%**

- Performance of EPC business segments.
- Update on asset monetization key monitorable.
- Watch out for performance of CESU
- Watch out for update on merger of subsidiaries.

Quarterly performance (INR million)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	**76,317**	**76,778**	**70,710**	**66,708**	**64,530**	**82,898**	**80,873**	**98,686**	**291,364**	**326,986**
YoY Change (%)	4.4	2.2	-8.2	-7.7	-15.4	8.0	14.4	47.9	-1.4	12.2
Total Expenditure	54,647	54,218	52,661	50,410	47,217	62,886	61,996	80,819	211,936	249,504
EBITDA	**21,671**	**22,560**	**18,050**	**16,298**	**17,313**	**20,012**	**18,877**	**17,867**	**79,428**	**77,482**
Margins (%)	28.4	29.4	25.5	24.4	26.8	24.1	23.3	18.1	27.3	23.7
Depreciation	6,200	6,544	6,719	6,583	6,445	6,989	6,964	6,901	26,336	27,299
Interest	11,439	11,300	11,292	10,907	10,894	10,650	10,507	10,399	44,937	42,450
Other Income	1,079	1,072	650	672	874	1,518	891	999	5,626	4,282
Rate regulated activity	-2,000	-3,490	1,002	2,601	2,185	1,228	0	0	-1,887	0
PBT before EO expense	**3,111**	**2,299**	**1,691**	**2,080**	**3,034**	**5,119**	**2,296**	**1,566**	**11,895**	**12,015**
Extra-Ord expense	-1,095	-747	279	5,690	0	0	0	5,545	4,099	5,545
PBT	**2,017**	**1,552**	**1,970**	**7,770**	**3,034**	**5,119**	**2,296**	**7,111**	**15,994**	**17,560**
Tax	1,924	520	1,176	1,491	1,894	3,176	752	-542	8,253	5,281
Rate (%)	95	33	60	19	62	62	33	-8	51.6	30.1
MI & P/L of Asso. Cos.	1,612	1,725	1,132	1,465	1,154	1,045	665	1,284	6,535	4,148
Reported PAT	**1,704**	**2,757**	**1,927**	**7,744**	**2,294**	**2,988**	**2,209**	**8,937**	**14,276**	**16,428**
Adj PAT	**2,799**	**3,504**	**1,647**	**2,054**	**2,294**	**2,988**	**2,209**	**3,391**	**10,177**	**10,883**

Torrent Power

Buy

CMP INR 321 | TP: INR 380 (+18%)

EPS CHANGE (%): FY21|22: No change

- EBITDA to be impacted by performance at DFs.
- Watch out for update on impact of lower power demand.
- Watch out for collection in DF circles.
- Progress of SMK.

Quarterly performance (INR million)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	**37,361**	**38,420**	**30,790**	**29,835**	**26,631**	**31,287**	**30,634**	**45,640**	**136,406**	**134,192**
YoY Change (%)	5.9	11.5	-5.4	2.0	-28.7	-18.6	-0.5	53.0		
Total Expenditure	29,025	27,870	22,386	21,565	19,647	22,966	22,610	36,631	100,846	101,854
EBITDA	**8,337**	**10,550**	**8,404**	**8,270**	**6,984**	**8,321**	**8,024**	**9,009**	**35,561**	**32,338**
Margins (%)	22.3	27.5	27.3	27.7	26.2	26.6	26.2	19.7		
Depreciation	3,206	3,219	3,268	3,350	3,159	3,165	3,311	3,579	13,043	13,214
Interest	2,477	2,495	2,349	2,224	2,203	2,020	2,063	2,096	9,546	8,383
Other Income	545	493	365	373	347	374	346	466	1,776	1,533
PBT before EO expense	**3,199**	**5,329**	**3,152**	**3,069**	**1,968**	**3,510**	**2,997**	**3,800**	**14,748**	**12,275**
Extra-Ord expense	0	0	0	10,000	-2,710	1,210	0	0	10,000	-1,500
PBT	**3,199**	**5,329**	**3,152**	**-6,931**	**4,678**	**2,300**	**2,997**	**3,800**	**4,748**	**13,775**
Tax	433	-2,227	-1,055	-4,191	940	278	719	1,231	-7,040	3,168
Rate (%)	13.5	-41.8	-33.5	60.5	20.1	12.1	24.0	32.4	-148.3	
MI and Associates	13	12	12	10	12	13	2	-19	47	8
Reported PAT	**2,753**	**7,544**	**4,194**	**-2,749**	**3,727**	**2,008**	**2,276**	**2,588**	**11,742**	**10,598**
PAT	**2,753**	**4,742**	**3,148**	**2,815**	**1,667**	**3,218**	**2,276**	**2,588**	**13,458**	**9,749**
YoY Change (%)	21.9	15.1	32.8	1,075.3	-39.4	-32.1	-27.7	-8.1	49.7	-27.6

Others | Various Sectors

The tables below provide a snapshot of actual and estimated numbers for companies under the MOFSL coverage universe. Highlighted columns indicate the quarter/financial year under review.

Brigade Enterprises — Buy

CMP INR246 | TP: INR267 (+9%) — **EPS CHANGE (%): FY21|22: NM|-20.0**

- Pre-sales at 1msf driven by pickup in AFH and MIG projects.
- Pick up in retail and hotels remain a key to watch out
- Revenue likely to grow 5% YoY driven by Residential segment.
- Launch pipeline likely to remain a monitorable in the Residential segment.

Consolidated - Quarterly Earning Model (INR M)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Gross Sales	**7,087**	**7,353**	**5,523**	**6,359**	**2,033**	**3,108**	**5,781**	**7,109**	**26,322**	**18,031**
YoY Change (%)	1.4	-11.0	-19.7	-16.3	-71.3	-57.7	4.7	11.8	-11.5	-31.5
Total Expenditure	5,264	5,451	3,967	5,008	1,559	2,234	4,245	5,215	19,689	13,253
EBITDA	**1,823**	**1,902**	**1,556**	**1,352**	**474**	**874**	**1,536**	**1,895**	**6,632**	**4,778**
Margins (%)	25.7	25.9	28.2	21.3	23.3	28.1	26.6	26.7	25.2	26.5
Depreciation	383	473	501	563	556	562	565	564	1,920	2,246
Interest	796	940	863	805	891	821	900	913	3,403	3,525
Other Income	83	163	164	84	105	113	160	166	494	543
PBT before EO expense	**727**	**653**	**356**	**67**	**-868**	**-397**	**231**	**584**	**1,803**	**-450**
Extra-Ord expense	0	0	0	205	0	0	0	0	205	0
PBT	**727**	**653**	**356**	**-138**	**-868**	**-397**	**231**	**584**	**1,597**	**-450**
Tax	269	281	-49	-28	-219	-86	54	137	474	-113
Rate (%)	37.0	43.1	-13.7	NM	25.2	21.6	23.5	23.5	29.7	25.2
MI & Profit/Loss of Asso. Cos.	46	-2	-89	-137	-122	-140	-55	-14	-182	-332
Reported PAT	**412**	**374**	**493**	**27**	**-527**	**-171**	**232**	**461**	**1,306**	**-5**
Adj PAT	**412**	**374**	**493**	**182**	**-527**	**-171**	**232**	**461**	**1,461**	**-5**
YoY Change (%)	-34.7	-45.3	0.9	-69.5	NM	-145.7	-53	153.4	-39.1	NM
Margins (%)	5.8	5.1	8.9	2.9	-25.9	-5.5	4.0	6.5	5.6	0.0

BSE — Buy

CMP INR633| TP: INR780 (+23%) — **EPS CHANGE (%): FY21|22: 1|1**

- Cash volume to decline by 12% to INR2.1t.
- Expect higher revenue from services to corporates.
- Increase in margin to be a function of operating leverage.
- Outlook for revenues from Star MF platform a key monitorable.

Consoli. Quarterly perf. (INR M)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Revenue from operations	**1,095**	**1,088**	**1,104**	**1,196**	**1,032**	**1,284**	**1,320**	**1,386**	**4,483**	**5,023**
YoY Change (%)	-7.6	-2.9	8.7	6.2	-5.7	18.0	19.6	15.9	0.8	12.0
Total Expenditure	1,066	1,146	1,154	1,150	1,049	1,031	1,054	1,095	4,516	4,229
EBITDA	**29**	**-58**	**-50**	**46**	**-17**	**253**	**267**	**292**	**-33**	**795**
Margin (%)	2.6	-5.3	-4.5	3.8	-1.6	19.7	20.2	21.0	-0.7	15.8
Depreciation	120	125	132	134	132	145	136	138	511	551
Interest	5	4	5	10	22	24	24	24	24	94
Investment income	565	507	383	362	589	350	424	440	1,817	1,803
PBT before EO expense	**470**	**320**	**196**	**264**	**418**	**434**	**531**	**570**	**1,249**	**1,953**
Extra-Ordinary expense	38	66	-211	267	121	267	0	0	160	388
PBT	**432**	**254**	**407**	**-3**	**297**	**167**	**531**	**570**	**1,089**	**1,565**
Tax	88	-40	8	82	73	-192	133	143	138	157
Rate (%)	20.4	-15.7	2.0	-2,562.5	24.7	-114.8	25.0	25.0	12.7	10.0
MI and P/L of Asso. Cos.	70	73	57	72	101	101	65	69	272	336
Reported PAT	**414**	**367**	**456**	**-13**	**325**	**460**	**463**	**497**	**1,223**	**1,745**
YoY Change (%)	-19.7	-20.0	1.6	-102.5	-21.5	25.4	1.6	-3,861.7	-33.5	40.1
Margin (%)	32.7	26.0	36.2	-161.4	24.1	19.0	31.4	32.1	32.6	40.8

E: MOFSL estimates

Container Corp. of India (CONCOR) — Buy

CMP INR 401 | TP: INR453 (+13%) — **EPS CHANGE (%): FY21|22: +5|+3**

- EXIM volumes to increase 6% YoY
- Expect domestic volumes to increase 9% YoY
- Estimate EBITDA at INR3.2b (-15% YoY, +2% QoQ)

Quarterly performance (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	**16,389**	**17,387**	**15,276**	**15,686**	**11,891**	**15,027**	**15,795**	**17,358**	**64,738**	**60,071**
YoY Change (%)	9.4	1.0	-2.9	-10.4	-27.4	-13.6	3.4	10.7	-1.1	-7.2
EBITDA	**4,033**	**4,255**	**3,717**	**4,744**	**1,590**	**3,129**	**3,177**	**3,358**	**16,749**	**11,256**
Margins (%)	24.6	24.5	24.3	30.2	13.4	20.8	20.1	19.3	25.9	18.7
YoY Change (%)	25.9	5.3	11.3	23.9	-60.6	-26.5	-14.5	-29.2	16.3	-32.8
Depreciation	1,253	1,278	1,263	1,336	1,260	1,272	1,309	1,396	5,130	5,237
Interest	112	81	60	108	85	85	75	55	361	300
Other Income	583	637	626	952	588	713	650	749	2,797	2,700
PBT before EO expense	**3,250**	**3,532**	**3,021**	**4,253**	**833**	**2,486**	**2,443**	**2,656**	**14,056**	**8,419**
Extra-Ord expense	0	8,611	0	206	0	0	0	0	8,816	0
PBT	**3,250**	**-5,079**	**3,021**	**4,047**	**833**	**2,486**	**2,443**	**2,656**	**5,240**	**8,419**
Tax	971	-1,858	1,266	1,102	217	610	635	727	1,482	2,189
Rate (%)	29.9	36.6	41.9	27.2	26.0	24.5	26.0	27.4	28.3	26.0
Reported PAT	**2,278**	**-3,220**	**1,755**	**2,945**	**616**	**1,876**	**1,808**	**1,929**	**3,758**	**6,230**
Adj PAT	**2,340**	**2,543**	**2,175**	**3,062**	**616**	**1,876**	**1,808**	**1,929**	**10,120**	**6,230**
YoY Change (%)	-7.3	-24.3	-20.8	-13.1	-73.7	-26.2	-16.9	-37.0	-16.7	-38.4
Margins (%)	14.3	14.6	14.2	19.5	5.2	12.5	11.4	11.1	15.6	10.4

E: MOFSL Estimates

Coromandel International — Buy

CMP INR814 | TP: INR1,090 (+34%) — **EPS CHANGE (%): FY21|22: +38|+9**

- Expect Fertilizer volumes to de-grow 3% YoY, whereas trading volumes would grow by 128% YoY in 3QFY21E.
- Expect Crop Protection revenue to grow 8% during the quarter.
- Expect 20bp EBITDA margin expansion.
- Demand for fertilizers and agrochemical in rabi a key monitorable.

Quarterly Performance (INR m)

Y/E March	FY20				FY21				FY20	FY21E
Consolidated	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	**21,307**	**48,580**	**32,787**	**28,693**	**32,132**	**46,113**	**37,727**	**30,896**	**1,31,367**	**1,46,868**
YoY Change (%)	-15.7	-3.0	7.5	8.8	50.8	-5.1	15.1	7.7	-0.7	11.8
Total Expenditure	19,354	41,450	28,467	24,786	28,007	37,682	32,687	26,536	1,14,057	1,24,913
EBITDA	**1,953**	**7,130**	**4,320**	**3,907**	**4,125**	**8,431**	**5,040**	**4,359**	**17,310**	**21,955**
Margins (%)	9.2	14.7	13.2	13.6	12.8	18.3	13.4	14.1	13.2	14.9
Depreciation	305	417	408	451	421	420	440	480	1,580	1,761
Interest	796	664	459	434	434	253	140	120	2,353	947
Other Income	100	95	91	115	107	82	110	130	400	429
PBT before EO expense	**952**	**6,145**	**3,544**	**3,137**	**3,376**	**7,841**	**4,570**	**3,889**	**13,778**	**19,677**
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0
PBT	**952**	**6,145**	**3,544**	**3,137**	**3,376**	**7,841**	**4,570**	**3,889**	**13,778**	**19,677**
Tax	326	1,110	899	800	896	1,967	1,150	979	3,135	4,992
Rate (%)	34.3	18.1	25.4	25.5	26.5	25.1	25.2	25.2	22.8	25.4
Minority Interest & P/L of Asso. Cos.	2	-4	-1	-4	-26	-15	-1	-5	-8	-46
Reported PAT	**624**	**5,039**	**2,645**	**2,342**	**2,506**	**5,889**	**3,421**	**2,915**	**10,651**	**14,731**
Adj PAT	**624**	**5,039**	**2,645**	**2,342**	**2,506**	**5,889**	**3,421**	**2,915**	**10,651**	**14,731**
YoY Change (%)	-30.8	30.8	71.0	105.3	301.4	16.9	29.3	24.5	43.1	38.3
Margins (%)	2.9	10.4	8.1	8.2	7.8	12.8	9.1	9.4	8.1	10.0

Essel Propack — Buy

CMP INR261 | TP: INR333 (+28%) — **EPS CHANGE (%): FY21|22: +36 |+24**

- Expect Europe/EAP region to record double-digit growth (15%/10% YoY).
- Personal Care revenue to grow at 7% due to lower off-take of volumes in the Americas (affected due to the COVID-19 lockdown).
- Estimate EBITDA at INR1.7b (+9% YoY).
- Expect growth in the Hand Sanitizer segment to be lower.

Consol. - Quarterly Earning Model (INR M)

Y/E March	FY20				FY21				FY20	FY21
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Gross Sales	**6,298**	**7,305**	**7,108**	**6,889**	**7,415**	**7,703**	**7,616**	**7,876**	**27,600**	**30,610**
YoY Change (%)	-0.9	6.9	2.4	-0.7	17.7	5.4	7.1	14.3	2.0	10.9
Total Expenditure	5,213	5,780	5,530	5,504	5,949	6,041	5,891	6,078	22,026	23,959
EBITDA	**1,086**	**1,525**	**1,579**	**1,385**	**1,466**	**1,662**	**1,725**	**1,798**	**5,574**	**6,651**
Margins (%)	17.2	20.9	22.2	20.1	19.8	21.6	22.7	22.8	20.2	21.7
Depreciation	568	576	580	574	579	578	583	585	2,298	2,325
Interest	137	156	134	130	162	97	90	85	557	434
Other Income	66	19	42	8	51	32	42	80	134	205
PBT before EO expense	**447**	**812**	**907**	**688**	**776**	**1,019**	**1,094**	**1,208**	**2,854**	**4,097**
Extra-Ord expense	-109	203	0	0	161	0	0	0	94	161
PBT	**556**	**609**	**907**	**688**	**615**	**1,019**	**1,094**	**1,208**	**2,760**	**3,936**
Tax	153	-1	289	197	159	334	273	364	638	1,131
Rate (%)	27.5	-0.2	31.8	28.6	25.9	32.8	25.0	30.1	23.1	28.7
MI & P/L of Asso. Cos.	-11	-17	-17	-5	-12	-15	-17	22	-50	-22
Reported PAT	**392**	**593**	**601**	**486**	**444**	**670**	**803**	**866**	**2,073**	**2,784**
Adj PAT	**283**	**796**	**601**	**486**	**605**	**670**	**803**	**866**	**2,167**	**2,945**
YoY Change (%)	-41.7	49.1	32.3	-1.7	113.6	-15.8	33.6	78.2	10.1	35.9
Margins (%)	4.5	10.9	8.5	7.1	8.2	8.7	10.5	11.0	7.8	9.6

Godrej Agrovet — Buy

CMP INR539 | TP: INR689 (+28%) — **EPS CHANGE (%): FY21|22: +33|+18**

- Expect volumes for the Animal Feed (AF) business to decline by 8% YoY.
- Broiler price trend and its impact on Godrej Tyson Foods a key monitorable.
- Benefit from the decline in the prices of maize a key raw material and outlook on the same.
- Outlook on the performance of Astec and Palm Oil segment of Godrej Agrovet.

Consol. - Quarterly Earning Model (INR M)

Y/E March	FY20				FY21				FY20	FY21
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Gross Sales	**17,026**	**18,511**	**17,827**	**14,930**	**15,542**	**17,239**	**17,475**	**16,075**	**68,294**	**66,331**
YoY Change (%)	14.7	16.5	22.6	7.3	-8.7	-6.9	-2.0	7.7	15.4	-2.9
Total Expenditure	15,607	17,314	16,821	14,448	13,882	15,508	16,021	14,879	64,189	60,290
EBITDA	**1,419**	**1,197**	**1,006**	**482**	**1,659**	**1,732**	**1,454**	**1,196**	**4,104**	**6,041**
Margins (%)	8.3	6.5	5.6	3.2	10.7	10.0	8.3	7.4	6.0	9.1
Depreciation	351	375	371	384	366	391	395	405	1,481	1,557
Interest	102	125	108	82	128	96	90	85	416	399
Other Income	102	113	93	159	83	83	79	128	468	373
PBT before EO expense	**1,068**	**811**	**621**	**175**	**1,248**	**1,328**	**1,048**	**834**	**2,675**	**4,458**
Extra-Ord expense	0	0	0	-681	0	0	0	0	-681	0
PBT	**1,068**	**811**	**621**	**856**	**1,248**	**1,328**	**1,048**	**834**	**3,357**	**4,458**
Tax	356	-213	168	169	338	345	264	210	480	1,157
Rate (%)	33.3	-26.2	27.1	19.7	27.1	26.0	25.2	25.2	14.3	25.9
MI & Profit/Loss of Asso. Cos.	-48	-16	-63	-58	25	-88	-12	0	-185	-74
Reported PAT	**760**	**1,040**	**516**	**746**	**885**	**1,070**	**796**	**624**	**3,062**	**3,376**
Adj PAT	**760**	**1,040**	**516**	**228**	**885**	**1,070**	**796**	**624**	**2,544**	**3,376**
YoY Change (%)	-5.3	10.4	26.1	-10.2	16.5	2.9	54.3	173.6	5.7	32.7
Margins (%)	4.5	5.6	2.9	1.5	5.7	6.2	4.6	3.9	3.7	5.1

IndiaMART — Buy

CMP INR7041 | TP: INR8370 (19%) — **EPS CHANGE (%): FY21|22: 2.7|8.0**

- Expect an over 5k increase in paid suppliers sequentially.
- Expect drop in margin led by higher employee expenses.
- Expect APRU to remain flat on higher monthly supplier additions.
- Recovery across impacted sectors will be a key monitorable.

Consol. quarterly earning model (INR M)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Gross Sales	**1,470**	**1,566**	**1,649**	**1,701**	**1,531**	**1,632**	**1,687**	**1,763**	**6,386**	**6,612**
YoY Change (%)	30.1	28.4	23.1	23.3	4.1	4.2	2.3	3.6	26.0	3.5
Total Expenditure	1,110	1,203	1,213	1,178	798	815	969	1,017	4,704	3,599
EBITDA	**360**	**363**	**436**	**523**	**733**	**817**	**717**	**746**	**1,682**	**3,013**
Margin (%)	24.5	23.2	26.4	30.7	47.9	50.1	42.5	42.3	26.3	45.6
Depreciation	40	50	58	59	44	44	45	48	207	181
Interest	0	7	5	17	18	18	0	0	29	36
Other Income	140	205	166	172	337	179	181	190	683	887
PBT before EO expense	**460**	**511**	**539**	**619**	**1,008**	**934**	**852**	**888**	**2,129**	**3,683**
PBT	**460**	**511**	**761**	**612**	**1,004**	**932**	**852**	**888**	**2,344**	**3,677**
Tax	140	422	141	169	263	234	214	223	872	933
Rate (%)	30.4	82.6	18.5	27.6	26.2	25.1	25.1	25.1	37.2	25.4
Reported PAT	**320**	**89**	**620**	**443**	**741**	**698**	**639**	**666**	**1,472**	**2,744**
Adjusted PAT	**320**	**89**	**398**	**450**	**745**	**700**	**639**	**666**	**1,257**	**2,750**
YoY Change (%)	-156.1	-55.5	37.2	55.2	132.8	686.5	60.5	47.9	498.6	118.7
Margin (%)	21.8	5.7	24.1	26.5	48.7	42.9	37.9	37.8	19.7	41.6

E: MOFSL estimates

Indian Hotels — Buy

CMP INR124 | TP: 144 (+16%) — **EPS CHANGE (%): FY21|22: NA|NA**

- Occupancy and ARR to improve on a QoQ basis. Cost savings initiatives may lead to a breakeven in EBITDA.
- Performance update on international hotels.
- An update on the cost savings initiates.

Consol. quarterly earning model (INR m)

Y/E March	FY20				FY21				FY20	FY21
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Gross Sales	**10,200**	**10,074**	**13,727**	**10,630**	**1,436**	**2,567**	**5,834**	**7,707**	**44,631**	**17,543**
YoY Change (%)	4.1	4.4	3.7	-14.6	-85.9	-74.5	-57.5	-27.5	-1.1	-60.7
Total Expenditure	8,466	8,470	9,470	8,551	4,096	4,070	5,784	6,563	34,956	20,513
EBITDA	**1,734**	**1,605**	**4,257**	**2,079**	**-2,660**	**-1,503**	**50**	**1,144**	**9,675**	**-2,969**
Margin (%)	17.0	15.9	31.0	19.6	-185.2	-58.6	0.9	14.8	21.7	-16.9
Depreciation	1,004	999	1,008	1,031	1,001	1,028	1,060	1,080	4,042	4,170
Interest	847	868	849	848	879	968	1,020	1,050	3,411	3,917
Other Income	371	211	362	380	317	669	300	300	1,324	1,586
PBT before EO expense	**255**	**-52**	**2,762**	**581**	**-4,223**	**-2,831**	**-1,730**	**-686**	**3,546**	**-9,470**
Extra-Ordinary expense	-23	3	12	-401	-861	-205	0	0	-410	-1,066
PBT	**277**	**-54**	**2,750**	**982**	**-3,362**	**-2,626**	**-1,730**	**-686**	**3,955**	**-8,404**
Tax	176	-855	813	314	-693	-429	-571	-226	448	-1,919
Rate (%)	63.5	NA	29.6	32.0	20.6	16.3	33.0	33.0	11.3	22.8
MI and P/L of Asso. Cos.	45	88	-94	-75	130	103	-50	-40	-37	143
Reported PAT	**57**	**713**	**2,031**	**743**	**-2,799**	**-2,300**	**-1,109**	**-419**	**3,544**	**-6,628**
Adjusted PAT	**39**	**715**	**2,040**	**442**	**-3,445**	**-2,454**	**-1,109**	**-419**	**3,237**	**-7,427**
YoY Change (%)	-78.3	148.8	55.7	-57.4	NA	NA	NA	-194.8	14.8	-329.4
Margin (%)	0.4	7.1	14.9	4.2	-239.9	-95.6	-19.0	-5.4	7.3	-42.3

Info Edge — Neutral

CMP INR4753| TP: INR5040 (+6%) — **EPS CHANGE (%): FY21|22: 0.4|4.3**

- Expect billings to touch pre-COVID levels.
- Expect strong sequential improvement in Naukri and 99acres.
- Positive impact on margin due to operating leverage would be partially offset by aggressive advertisement expenses.
- Trends across operating entities will be a key observable.

Quarterly perf. (standalone) (INR M)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Revenue	**3,128**	**3,166**	**3,205**	**3,228**	**2,801**	**2,561**	**2,795**	**2,959**	**12,727**	**11,116**
YoY (%)	20.5	19.5	14.0	10.3	-10.4	-19.1	-12.8	-8.4	15.9	-12.7
Salary costs	1,298	1,349	1,357	1,392	1,297	1,363	1,409	1,441	5,396	5,510
Ad. and Promotion costs	549	514	498	484	256	502	531	562	2,044	1,851
Other Expenses	272	310	291	387	203	181	209	216	1,260	809
EBITDA	**1,010**	**993**	**1,059**	**965**	**1,046**	**516**	**645**	**739**	**4,027**	**2,946**
EBITDA Margin (%)	32.3	31.4	33.0	29.9	37.3	20.1	23.1	25.0	31.6	26.5
Depreciation	99	101	104	110	111	110	112	114	414	447
EBIT Margin (%)	29.1	28.2	29.8	26.5	33.4	15.8	19.1	21.1	28.4	22.5
Other Income	245	232	204	195	203	263	263	267	876	996
PBT bef. Extra-ordinary	**1,139**	**1,107**	**1,143**	**1,034**	**1,122**	**654**	**782**	**878**	**4,423**	**3,436**
Provision for Tax	390	266	232	246	290	142	195	220	1,133	847
ETR (%)	34.2	24.0	20.3	23.8	25.8	21.8	25.0	25.0	25.6	24.7
PAT bef. Minority	**667**	**93**	**880**	**416**	**832**	**512**	**586**	**659**	**2,057**	**2,589**
EOI	-82	-749	-30	-372	0	0	0	0	-1,233	0
Adjusted PAT	**749**	**842**	**911**	**788**	**832**	**512**	**586**	**659**	**3,290**	**2,589**
QoQ (%)	-10.6	12.4	8.2	-13.4	5.6	-38.5	14.6	12.3		
YoY (%)	-5.1	7.8	22.5	-5.9	11.1	-39.2	-35.6	-16.4	4.4	-21.3
EPS (INR)	**5.4**	**0.8**	**7.2**	**3.4**	**6.8**	**4.0**	**4.5**	**5.1**	**16.7**	**20.4**

E: MOFSL estimates

InterGlobe Aviation — Neutral

CMP INR1,712 | TP: INR1,435 (-15%) — **EPS CHANGE (%): FY21|22: NM|0**

- Expect RPK growth of -50% YoY at 11.3b due to delay in the revival in air travel demand, although 3Q has seen better recovery in passenger demand owing to festive demand.
- Outlook on replacement of older aircraft with new aircraft deliveries from Airbus.
- We expect yield improvement of ~3% YoY and QoQ at INR4, supported by temporarily imposed fare bands.
- Domestic passenger demand recovery and opening up of international travel remains key in the near term.

Quarterly performance (INR m)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4Q		
Net Sales	**94,201**	**81,052**	**99,317**	**82,991**	**7,667**	**27,410**	**56,226**	**73,007**	**3,57,560**	**1,64,310**
YoY Change (%)	44.7	31.0	25.5	5.3	-91.9	-66.2	-43.4	-12.0	25.5	-54.0
EBITDAR	**26,522**	**911**	**18,042**	**-127**	**-15,443**	**2,806**	**8,808**	**12,782**	**45,348**	**8,953**
Margin (%)	*28.2*	*1.1*	*18.2*	*-0.2*	*-201.4*	*10.2*	*15.7*	*17.5*	*12.7*	*5.4*
EBITDA	**25,234**	**-199**	**16,699**	**-1,353**	**-16,200**	**2,063**	**7,516**	**11,059**	**40,382**	**4,437**
Margin (%)	*26.8*	*-0.2*	*16.8*	*-1.6*	*-211.3*	*7.5*	*13.4*	*15.1*	*11.3*	*2.7*
Depreciation	9,009	10,287	10,377	10,063	10,964	11,264	11,264	12,207	39,736	45,699
Interest	4,842	4,235	4,805	4,877	5,097	5,625	5,625	5,948	18,759	22,296
Other Income	3,670	4,347	3,986	3,359	3,768	2,878	3,986	3,598	15,362	14,230
PBT	**15,053**	**-10,373**	**5,504**	**-12,934**	**-28,494**	**-11,948**	**-5,387**	**-3,498**	**-2,751**	**-49,327**
Rate (%)	*20.3*	*-2.7*	*10.9*	*32.5*	*0.0*	*0.0*	*0.0*	*0.0*	*9.8*	*0.0*
Reported PAT	**12,005**	**-10,656**	**4,905**	**-8,735**	**-28,494**	**-11,948**	**-5,387**	**-3,498**	**-2,481**	**-49,327**
EPS	**31.2**	**-27.7**	**12.8**	**-22.7**	**-74.1**	**-31.1**	**-14.0**	**-9.1**	**-6.5**	**-128.3**
YoY Change (%)	*4,215.7*	*63.4*	*157.0*	*-248.2*	*-337.4*	*12.1*	*-209.8*	*-59.9*	*-259.1*	*1,887.8*

E: MOFSL estimates

Kaveri Seed — Buy

CMP INR523 | TP: INR631 (+21%) — **EPS CHANGE (%): FY21|22: +22|+1**

- Volume growth in cotton seeds a key monitorable.
- Demand for seeds in rabi a key monitorable.
- Volume growth in the Non-Cotton segment.

Quarterly - Standalone (INR M)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**6,555**	**774**	**984**	**519**	**7,485**	**834**	**1,127**	**567**	**8,833**	**10,012**
YoY Change (%)	12.6	3.0	46.5	16.1	14.2	7.7	14.5	9.2	14.9	13.4
Total Expenditure	4,222	661	917	637	4,692	703	980	658	6,437	7,033
EBITDA	**2,333**	**113**	**67**	**-118**	**2,793**	**130**	**146**	**-91**	**2,395**	**2,979**
Margins (%)	35.6	14.6	6.8	-22.6	37.3	15.7	13.0	-16.0	27.1	29.8
Depreciation	59	59	62	64	52	53	69	69	243	243
Interest	0	0	1	1	0	2	1	1	2	4
Other Income	43	30	77	315	241	111	100	50	466	502
PBT before EO expense	**2,317**	**84**	**82**	**132**	**2,982**	**187**	**177**	**-111**	**2,616**	**3,235**
PBT	**2,317**	**84**	**82**	**132**	**2,982**	**187**	**177**	**-111**	**2,616**	**3,235**
Tax	28	15	22	39	72	-26	46	-32	103	61
Rate (%)	1.2	17.5	26.2	29.3	2.4	-13.8	26.2	29.3	3.9	1.9
Reported PAT	**2,289**	**69**	**60**	**94**	**2,910**	**212**	**131**	**-78**	**2,513**	**3,174**
Adj PAT	**2,289**	**69**	**60**	**94**	**2,910**	**212**	**131**	**-78**	**2,513**	**3,174**
YoY Change (%)	8.7	-41.9	65.8	NA	27.1	206.4	115.8	-183.8	17.0	26.3
Margins (%)	34.9	9.0	6.1	18.0	38.9	25.5	11.6	-13.8	28.4	31.7

Lemon Tree Hotels — Buy

CMP INR42 | TP: INR46 (+10%) — **EPS CHANGE (%): FY21|22: NA|NA**

- Current trends of occupancy and ARRs, and outlook on the same a key monitorable.
- Current trends in the inquiries received for 4QFY21 a key monitorable.
- An update on the cost savings initiates.
- Improvement in ARR and occupancy on a QoQ basis.

Rep. Cons. Quarterly Perf. (INR M)

Y/E March	FY20				FY21				FY20	FY21
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Gross Sales	**1,409**	**1,528**	**1,996**	**1,761**	**407**	**476**	**638**	**1,198**	**6,694**	**2,719**
YoY Change (%)	11.0	18.7	39.2	17.0	-71.1	-68.8	-68.0	-32.0	21.8	-59.4
Total Expenditure	962	1,043	1,184	1,122	363	393	515	721	4,311	1,993
EBITDA	**448**	**484**	**812**	**639**	**44**	**83**	**122**	**477**	**2,383**	**726**
Margins (%)	31.8	31.7	40.7	36.3	10.7	17.5	19.2	39.8	35.6	26.7
Depreciation	172	196	227	277	271	270	275	280	872	1,096
Interest	309	325	452	487	469	463	450	470	1,573	1,852
Other Income	21	9	32	4	31	60	35	25	67	151
PBT before EO expense	**-12**	**-27**	**165**	**-121**	**-665**	**-590**	**-568**	**-248**	**5**	**-2,071**
PBT	**-12**	**-27**	**165**	**-121**	**-665**	**-590**	**-568**	**-248**	**5**	**-2,071**
Tax	7	1	46	56	-71	-62	-57	-25	109	-214
Rate (%)	-59.7	-2.2	27.6	-45.8	10.7	10.4	10.0	10.0	2219.9	10.3
MI & P/L of Asso. Cos.	-2	-6	-3	2	-175	-157	-142	-127	-9	-601
Reported PAT	**-17**	**-22**	**122**	**-179**	**-419**	**-371**	**-369**	**-97**	**-95**	**-1,255**
Adj PAT	**-17**	**-22**	**122**	**-179**	**-419**	**-371**	**-369**	**-97**	**-95**	**-1,255**
YoY Change (%)	NA	NA	-2.1	NA	NA	NA	NA	NA	NA	NA
Margins (%)	-1.2	-1.4	6.1	-10.2	-103.0	-78.0	-57.8	-8.1	-1.4	-46.2

MCX — Buy

CMP INR1747| TP: INR2140 (+22%) — **EPS CHANGE (%): FY21|22: -11|-9**

- Expect 15% sequential decline in ADT.
- Margin to mirror negative operating leverage.
- Gold/silver traded value up 76%/168%, while crude traded value is down 78% YoY.
- Outlook on new initiatives by MCX is a key observable.

Quarterly performance (INR m)

	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Sales	**795**	**1,002**	**893**	**1,053**	**730**	**1,197**	**981**	**1,088**	3,742	3,995
QoQ growth (%)	0.4	26.1	-10.9	17.9	-30.7	63.9	-18.1	10.9	24.7	6.8
Staff Costs	188	195	178	213	178	202	212	225	773	817
Other expenses	330	334	323	433	287	338	370	413	1,420	1,408
Depreciation	40	42	43	56	48	52	48	49	182	197
EBIT	**237**	**430**	**349**	**351**	**217**	**605**	**351**	**400**	**1,367**	**1,573**
Margin (%)	29.8	43.0	39.1	33.4	29.7	50.5	35.8	36.8	36.5	39.4
Interest Cost	0	0	0	2	1	1	1	1	2	2
Other Income	314	444	235	297	497	178	311	308	1,289	1,294
PBT before Exceptional items	**551**	**874**	**584**	**646**	**714**	**783**	**661**	**708**	**2,654**	**2,865**
Tax	114	154	31	-9	150	197	152	163	289	662
Rate (%)	20.7	17.6	5.2	-1.4	21.1	25.2	23.0	23.0	10.9	23.1
PAT	**437**	**720**	**553**	**655**	**563**	**586**	**509**	**545**	**2,366**	**2,203**
QoQ growth (%)	-28.1	64.9	-23.2	18.5	-14.1	4.0	-13.1	7.0	61.8	-6.9
EPS (INR)	**8.6**	**14.1**	**10.9**	**12.8**	**11.1**	**11.5**	**10.0**	**10.7**	**46.4**	**43.2**
Total volumes (INR t)	**17.7**	**23.2**	**20.6**	**25.4**	**14.5**	**25.5**	**21.8**	**24.4**	**86.9**	**86.2**
QoQ growth (%)	0.7	31.0	-11.2	23.2	-42.9	76.0	-14.7	12.0		
YoY growth (%)	9.4	40.2	18.5	44.3	-18.1	10.0	5.7	-3.9	28.3	-0.8

E: MOFSL estimates

Oberoi Realty — Buy

CMP INR565 | TP: INR618 (+9%) — **EPS CHANGE (%): FY20|21: 0|-1**

- Expect revenue to decline 21% YoY in 3Q.
- Watch out for launches in Thane and Goregaon.
- Pre-leasing activity at Commerze III is key to watch out for.
- Commentary around hospitality business remains a key monitorable.

Consolidated - Quarterly Earning Model (INR M)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	**6,033**	**4,915**	**5,274**	**6,155**	**1,180**	**3,161**	**4,180**	**5,224**	**22,376**	**13,746**
YoY Change (%)	-32.1	-17.0	-0.2	7.3	-80.4	-35.7	-20.7	-15.1	-13.4	-38.6
Total Expenditure	3,680	2,786	2,975	2,450	601	1,296	2,069	2,522	11,891	6,488
EBITDA	**2,352**	**2,129**	**2,299**	**3,705**	**579**	**1,865**	**2,111**	**2,702**	**10,485**	**7,257**
Margins (%)	39.0	43.3	43.6	60.2	49.1	59.0	50.5	51.7	46.9	52.8
Depreciation	111	113	113	112	106	103	130	149	449	487
Interest	239	246	199	201	179	182	195	203	885	759
Other Income	149	136	91	102	88	92	110	108	478	399
PBT before EO expense	**2,151**	**1,906**	**2,078**	**3,494**	**383**	**1,672**	**1,896**	**2,458**	**9,630**	**6,409**
PBT	**2,151**	**1,906**	**2,078**	**3,494**	**383**	**1,672**	**1,896**	**2,458**	**9,630**	**6,409**
Tax	643	540	615	998	117	311	512	707	2,796	1,647
Rate (%)	29.9	28.3	29.6	28.6	30.6	18.6	27.0	28.8	29.0	25.7
MI & Profit/Loss of Asso. Cos.	-12	-15	-19	-14	-15	-16	-110	-561	-59	-702
Reported PAT	1,521	1,381	1,482	2,510	281	1,377	1,494	2,312	6,893	5,464
Adj PAT	**1,521**	**1,381**	**1,482**	**2,510**	**281**	**1,377**	**1,494**	**2,312**	**6,893**	**5,465**
YoY Change (%)	-50.9	-35.4	7.5	61.1	-81.5	-0.2	0.8	-7.9	-15.6	-20.7
Margins (%)	25.2	28.1	28.1	40.8	23.8	43.6	35.7	44.3	30.8	39.8

PI Industries — Buy

CMP INR2,265 | TP: INR2,658 (+17%) — **EPS CHANGE (%): FY21|22: +73|+28**

- Expect CSM business to grow by 33% YoY.
- Capex plan using funds raised through QIP a key monitorable.
- Expect domestic business to grow by 30% during 3QFY21.

Quarterly Earning Model (INR M)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	**7,541**	**9,074**	**8,498**	**8,552**	**10,601**	**11,577**	**11,241**	**11,798**	**33,665**	**45,217**
YoY Change (%)	24.5	25.5	20.1	6.3	40.6	27.6	32.3	38.0	18.5	34.3
Total Expenditure	6,016	7,149	6,633	6,689	8,309	8,776	8,531	8,935	26,487	34,551
EBITDA	**1,525**	**1,925**	**1,865**	**1,863**	**2,292**	**2,801**	**2,709**	**2,863**	**7,178**	**10,666**
Margins (%)	20.2	21.2	21.9	21.8	21.6	24.2	24.1	24.3	21.3	23.6
Depreciation	295	317	319	436	427	433	440	450	1,367	1,750
Interest	23	25	38	84	96	76	80	80	170	332
Other Income	121	109	191	68	82	336	450	500	489	1,368
PBT before EO expense	**1,328**	**1,692**	**1,699**	**1,411**	**1,851**	**2,628**	**2,639**	**2,833**	**6,130**	**9,952**
PBT	**1,328**	**1,692**	**1,699**	**1,411**	**1,851**	**2,628**	**2,639**	**2,833**	**6,130**	**9,952**
Tax	312	461	487	312	444	451	581	623	1,572	2,099
Rate (%)	23.5	27.2	28.7	22.1	24.0	17.2	22.0	22.0	25.6	21.1
MI & P/L of Asso. Cos.	0	-1	1	-8	-48	1	1	-8	-8	-54
Reported PAT	**1,016**	**1,232**	**1,211**	**1,107**	**1,455**	**2,176**	**2,058**	**2,218**	**4,566**	**7,907**
Adj PAT	**1,016**	**1,232**	**1,211**	**1,107**	**1,455**	**2,176**	**2,058**	**2,218**	**4,566**	**7,907**
YoY Change (%)	24.4	30.2	12.4	-11.9	43.2	76.6	69.9	100.4	11.3	73.2
Margins (%)	13.5	13.6	14.3	12.9	13.7	18.8	18.3	18.8	13.6	17.5

Phoenix Mills — Buy

CMP INR765 | TP: INR828 (+8%) — **EPS CHANGE (%): FY21|22: 0|-15**

- Revenue is expected to decline 28% YoY in 3Q.
- Pick up in consumption trends is key to watch out for.
- EBITDA margin to contract 65bp to 50% in 3Q.
- Commentary around inorganic growth opportunities is a key monitorable.

Consolidated - Quarterly Earning Model (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Gross Sales	**6,150**	**4,151**	**5,118**	**3,992**	**1,347**	**2,149**	**3,695**	**4,083**	**19,411**	**11,273**
YoY Change (%)	48.9	2.6	16.2	-44.8	-78.1	-48.2	-27.8	2.3	-2.0	-41.9
Total Expenditure	3,223	2,043	2,525	1,949	644	1,232	1,846	2,026	9,740	5,749
EBITDA	**2,927**	**2,108**	**2,593**	**2,043**	**703**	**917**	**1,849**	**2,056**	**9,671**	**5,524**
Margins (%)	47.6	50.8	50.7	51.2	52.2	42.7	50.0	50.4	49.8	49.0
Depreciation	507	509	514	545	502	541	520	524	2,076	2,088
Interest	871	878	889	840	869	945	920	944	3,478	3,678
Other Income	154	195	133	104	131	144	155	175	585	606
PBT before EO expense	**1,703**	**915**	**1,323**	**761**	**-538**	**-425**	**564**	**763**	**4,702**	**365**
Extra-Ordinary expense	0	-78	0	0	0	0	0	0	-78	0
PBT	**1,703**	**993**	**1,323**	**761**	**-538**	**-425**	**564**	**763**	**4,780**	**365**
Tax	234	350	358	279	-33	-25	64	86	1,221	92
Rate (%)	13.8	35.3	27.0	36.6	6.1	5.9	11.3	11.3	25.4	25.4
MI and P/L of Asso. Cos.	165	-15	46	16	-81	-41	-20	-27	212	-169
Reported PAT	1,304	658	919	467	-424	-359	520	704	3,347	441
Adjusted PAT	**1,304**	**608**	**919**	**467**	**-424**	**-359**	**520**	**704**	**3,297**	**441**
YoY Change (%)	118.3	-2.1	29.8	-75.1	NM	NM	-43.4	50.8	-13.7	-86.6
Margins (%)	21.2	14.6	17.9	11.7	-31.5	-16.7	14.1	17.2	17.0	3.9

S H Kelkar — Buy

CMP INR120 | TP: INR146 (+22%) — **EPS CHANGE (%): FY21|22: 3|7.5**

- Sales/PAT to see 26%/131% growth YoY in 3Q.
- Outlook on raw material pricing and demand pick up remains a key monitorable.
- EBIDTA margin is likely to increase 180bp YoY to 16.7%.
- New customer acquisition is the key to watch out for.

Consol. Quarterly Earning Model (INR m)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**2,744**	**2,787**	**2,900**	**2,712**	**1,925**	**3,545**	**3,641**	**3,707**	**11,142**	**12,818**
YoY Change (%)	15.6	-2.0	13.1	0.5	-29.8	27.2	25.5	36.7	6.3	15.0
Total Expenditure	2,280	2,417	2,469	2,394	1,616	2,834	3,035	3,084	9,561	10,568
EBITDA	**464**	**369**	**431**	**318**	**310**	**711**	**606**	**623**	**1,582**	**2,250**
Margins (%)	16.9	13.3	14.9	11.7	16.1	20.1	16.7	16.8	14.2	17.6
Depreciation	121	131	137	125	116	149	145	149	515	559
Interest	70	71	71	35	45	44	63	69	247	221
Other Income	14	19	21	24	41	62	10	9	78	121
PBT before EO expense	**286**	**186**	**245**	**181**	**189**	**580**	**408**	**413**	**898**	**1,591**
Extra-Ordinary expense	0	0	365	0	0	-125	0	0	365	-125
PBT	**286**	**186**	**-119**	**181**	**189**	**705**	**408**	**413**	**534**	**1,716**
Tax	96	36	-7	61	41	167	112	113	186	433
Rate (%)	33.7	19.5	0.0	33.5	21.7	23.7	27.4	27.3	34.9	25.2
MI and Profit/Loss of Asso. Cos.	5	-5	-4	-7	-5	-1	-1	-3	-10	-10
Reported PAT	**185**	**154**	**-109**	**127**	**153**	**539**	**297**	**303**	**357**	**1,292**
Adjusted PAT	**185**	**154**	**128**	**127**	**153**	**444**	**297**	**303**	**595**	**1,199**
YoY Change (%)	2.3	-46.5	-40.1	-35.0	-17.2	187.5	131.7	138.7	-32.8	101.7
Margins (%)	6.7	5.5	4.4	4.7	7.9	12.5	8.2	8.2	5.3	9.4

SRF — Buy

CMP INR5,687 | TP: INR6,539 (+15%) — **EPS CHANGE (%): FY21|22: +30|+20**

- Chemicals/Packaging segment to grow 32%/31% YoY and Technical Textiles likely to grow 7% YoY.
- Ramp-up in the recently commenced BOPET film line in Thailand and Europe a key monitorable.
- Outlook on the Specialty Chemicals business.
- Deployment of QIP funds.

Consol.- Quarterly Earning Model (INR M)

Y/E March	FY20				FY21				FY20	FY21
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	**17,633**	**17,378**	**18,505**	**18,578**	**15,452**	**21,008**	**23,290**	**24,682**	**72,094**	**84,432**
YoY Change (%)	5.2	-1.0	2.3	-4.1	-12.4	20.9	25.9	32.9	0.5	17.1
Total Expenditure	14,186	14,026	14,603	14,695	11,728	15,188	17,531	18,819	57,510	63,265
EBITDA	**3,447**	**3,352**	**3,902**	**3,884**	**3,723**	**5,821**	**5,759**	**5,863**	**14,584**	**21,167**
Margins (%)	19.5	19.3	21.1	20.9	24.1	27.7	24.7	23.8	20.2	25.1
Depreciation	925	929	1,019	1,014	1,040	1,140	1,180	1,220	3,886	4,580
Interest	515	550	475	466	432	362	230	220	2,007	1,243
Other Income	152	220	56	63	101	98	80	90	491	369
PBT before EO expense	**2,159**	**2,093**	**2,463**	**2,467**	**2,353**	**4,417**	**4,429**	**4,513**	**9,182**	**15,712**
Extra-Ord expense & DO	-289	-960	-103	355	89	101	0	0	-997	189
PBT	**2,448**	**3,053**	**2,566**	**2,112**	**2,264**	**4,316**	**4,429**	**4,513**	**10,179**	**15,522**
Tax	556	41	-864	255	493	1,164	1,063	1,083	-12	3,803
Rate (%)	25.8	2.0	-35.1	10.3	21.0	26.4	24.0	24.0	-0.1	24.2
Reported PAT	**1,892**	**3,011**	**3,430**	**1,857**	**1,771**	**3,152**	**3,366**	**3,430**	**10,191**	**11,719**
Adj PAT	**1,603**	**2,051**	**3,327**	**2,212**	**1,860**	**3,253**	**3,366**	**3,430**	**9,194**	**11,908**
YoY Change (%)	11.2	40.5	132.5	22.3	16.0	58.6	1.2	55.1	49.7	29.5
Margins (%)	9.1	11.8	18.0	11.9	12.0	15.5	14.5	13.9	12.8	14.1

Tata Chemicals — Buy

CMP INR480 | TP: INR490 (+2%) — **EPS CHANGE (%): FY21|22: -58 |+131**

- Current demand scenario for Soda Ash in key markets of Tata Chemicals.
- Outlook on Soda Ash pricing.
- Update on its capex plan.
- Soda Ash volumes to decline 12% YoY, with EBITDA/mt falling 34% YoY to USD30.

Consol. - Quarterly Earning Model (INR M)

Y/E March	FY20				FY21				FY20	FY21
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	**25,840**	**27,713**	**26,234**	**23,781**	**23,482**	**26,094**	**25,162**	**24,449**	**1,03,535**	**99,185**
YoY Change (%)	-5.8	-6.4	2.1	-7.2	-9.1	-5.8	-4.1	2.8	-4.5	-4.2
Total Expenditure	20,691	22,106	21,499	19,779	19,884	22,231	21,207	20,345	84,076	83,667
EBITDA	**5,149**	**5,607**	**4,735**	**4,002**	**3,598**	**3,863**	**3,954**	**4,104**	**19,492**	**15,518**
Margins (%)	19.9	20.2	18.0	16.8	15.3	14.8	15.7	16.8	18.8	15.6
Depreciation	1,627	1,658	1,641	1,739	1,899	1,924	1,925	1,930	6,665	7,678
Interest	941	869	755	855	1,179	836	810	780	3,419	3,605
Other Income	869	901	586	756	587	686	586	756	3,111	2,614
PBT before EO expense	**3,450**	**3,981**	**2,925**	**2,163**	**1,107**	**1,787**	**1,806**	**2,149**	**12,519**	**6,849**
Extra-Ord expense	44	0	208	-62,367	0	0	0	0	-62,115	0
PBT	**3,406**	**3,981**	**2,717**	**64,531**	**1,107**	**1,787**	**1,806**	**2,149**	**74,634**	**6,849**
Tax	1,116	212	676	193	358	571	415	473	2,197	1,817
Rate (%)	32.8	5.3	24.9	0.3	32.3	31.9	23.0	22.0	2.9	26.5
MI & Profit/Loss of Asso. Cos.	756	916	580	123	616	512	381	104	2,375	1,613
Reported PAT	**1,535**	**2,853**	**1,462**	**64,215**	**133**	**705**	**1,009**	**1,572**	**70,063**	**3,419**
Adj PAT	**1,579**	**2,853**	**1,670**	**1,847**	**133**	**705**	**1,009**	**1,572**	**7,948**	**3,419**
YoY Change (%)	-26.2	-11.3	-19.6	-24.3	-91.6	-75.3	-39.6	-14.9	-7.7	-57.0
Margins (%)	6.1	10.3	6.4	7.8	0.6	2.7	4.0	6.4	7.7	3.4

Trident — Buy

CMP INR10 | TP: INR12.5 (+16%) — **EPS CHANGE (%): FY21|22: +13|+22**

- Revenue for Textiles to grow by 24% YoY and Paper segment to de-grow by 15% YoY.
- Current order book and outlook a key monitorable.
- Outlook on Paper prices.
- Update on capex plan.

Standalone - Quarterly Earning Model (INR M)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	**13,053**	**13,219**	**10,817**	**9,905**	**7,079**	**11,714**	**12,507**	**13,012**	**46,995**	**44,313**
YoY Change (%)	15.4	-5.0	-16.2	-29.5	-45.8	-11.4	15.6	31.4	-10.0	-5.7
Total Expenditure	10,143	10,692	9,416	8,562	5,898	9,467	10,193	10,566	38,813	36,124
EBITDA	**2,911**	**2,527**	**1,401**	**1,343**	**1,181**	**2,247**	**2,314**	**2,446**	**8,182**	**8,189**
Margins (%)	22.3	19.1	12.9	13.6	16.7	19.2	18.5	18.8	17.4	18.5
Depreciation	846	849	822	815	824	831	840	845	3,333	3,340
Interest	325	271	234	278	231	123	200	200	1,108	754
Other Income	78	37	97	68	54	32	92	64	280	242
PBT before EO expense	**1,817**	**1,445**	**441**	**317**	**181**	**1,325**	**1,366**	**1,466**	**4,020**	**4,337**
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0
Forex (gain)/loss	-18	-26	-39	-109	49	9	0	0	-192	58
PBT	**1,835**	**1,470**	**480**	**427**	**132**	**1,316**	**1,366**	**1,466**	**4,212**	**4,279**
Tax	603	99	61	31	31	313	344	369	794	1,057
Rate (%)	32.8	6.8	12.8	7.3	23.5	23.8	25.2	25.2	18.9	24.7
MI & P/L of Asso. Cos.	0	0	0	0	0	0	0	0	0	0
Reported PAT	**1,232**	**1,371**	**419**	**396**	**101**	**1,002**	**1,022**	**1,097**	**3,418**	**3,222**
Adj PAT	**1,232**	**1,371**	**419**	**396**	**101**	**1,002**	**1,022**	**1,097**	**3,418**	**3,222**
YoY Change (%)	110.6	26.5	-62.4	-57.3	-91.8	-26.9	144.0	177.2	-7.9	-5.7
Margins (%)	9.4	10.4	3.9	4.0	1.4	8.6	8.2	8.4	7.3	7.3

UPL — Neutral

CMP INR469 | TP: INR473 (+1%) — **EPS CHANGE (%): FY21|22: +22|+12**

- Expect revenue growth across geographies.
- Expect EBITDA margin to expand 40bp YoY.
- Look out for debt reduction and capex plan.
- Playing out of synergies post Arysta acquisition.

Cons.: Quarterly Perf. (Incl-Arysta) (INR M)

Y/E March	FY20				FY21				FY20	FY21
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	**79,060**	**78,170**	**88,920**	**1,11,410**	**78,330**	**89,390**	**99,497**	**1,18,527**	**3,57,560**	**3,85,744**
YoY Change (%)	91.2	83.6	80.7	30.7	-0.9	14.4	11.9	6.4	63.7	7.9
Total Expenditure	62,480	62,760	68,220	89,720	60,540	71,310	75,916	93,857	2,83,180	3,01,623
EBITDA	**16,580**	**15,410**	**20,700**	**21,690**	**17,790**	**18,080**	**23,581**	**24,669**	**74,380**	**84,120**
Margins (%)	21.0	19.7	23.3	19.5	22.7	20.2	23.7	20.8	20.8	21.8
Depreciation	4,460	4,760	4,950	5,950	5,220	5,330	5,500	6,200	20,120	22,250
Interest	3,980	3,810	5,150	1,870	5,510	3,430	5,000	4,279	14,810	18,219
Other Income	390	240	200	210	670	750	250	250	1,040	1,920
Exch. difference on trade rec./payable	60	920	-320	2,650	-1,280	1,410	0	0	3,310	130
PBT before EO expense	**8,470**	**6,160**	**11,120**	**11,430**	**9,010**	**8,660**	**13,331**	**14,440**	**37,180**	**45,441**
Extra-Ord expense	4,120	3,070	750	1,710	1,000	2,110	0	0	9,650	3,110
PBT	**4,350**	**3,090**	**10,370**	**9,720**	**8,010**	**6,550**	**13,331**	**14,440**	**27,530**	**42,331**
Tax	770	990	1,990	2,110	1,430	1,120	2,666	3,177	5,860	8,393
Rate (%)	17.7	32.0	19.2	21.7	17.9	17.1	20.0	22.0	21.3	19.8
MI & P/L of Asso. Cos.	730	440	1,370	1,440	1,070	800	1,572	1,668	3,980	5,109
Reported PAT	**2,850**	**1,660**	**7,010**	**6,170**	**5,510**	**4,630**	**9,093**	**9,596**	**17,690**	**28,829**
Adj PAT	**5,880**	**4,423**	**8,233**	**8,103**	**6,490**	**7,243**	**9,093**	**9,596**	**26,638**	**32,422**
YoY Change (%)	5.4	28.7	34.7	-15.0	10.4	63.8	10.5	18.4	8.0	21.7
Margins (%)	7.4	5.7	9.3	7.3	8.3	8.1	9.1	8.1	7.4	8.4

Varun Beverages — Buy

CMP INR909 | TP: INR1,100 (+21%) — **EPS CHANGE (%): CY20|21: -19 |+80**

- CSD volumes are expected to de-grow marginally by 2.5% YoY, whereas NCB volumes are likely to grow by 9% YoY.
- Outlook on penetration from the newly acquired territories of South and West.
- Outlook on the ramp-up of operations at the new Tropicana plant.
- Benefit from the decline in key RM prices of sugar and PET, and the outlook on the same.

Consol. - Quarterly Earning Model (INR M)

Y/E March	CY19				CY20				CY19	CY20
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Gross Sales	**13,591**	**28,105**	**17,397**	**12,202**	**16,764**	**16,402**	**18,026**	**12,556**	**71,296**	**63,749**
YoY Change (%)	24.1	36.5	49.2	55.3	23.3	-41.6	3.6	2.9	39.7	-10.6
Total Expenditure	11,408	20,226	14,141	11,046	14,053	12,624	14,218	11,000	56,821	51,896
EBITDA	**2,184**	**7,878**	**3,256**	**1,157**	**2,711**	**3,777**	**3,808**	**1,556**	**14,475**	**11,853**
Margins (%)	16.1	28.0	18.7	9.5	16.2	23.0	21.1	12.4	20.3	18.6
Depreciation	990	1,254	1,273	1,368	1,351	1,243	1,346	1,391	4,886	5,331
Interest	590	848	867	791	870	742	580	671	3,096	2,862
Other Income	14	33	18	360	253	27	35	137	425	451
PBT before EO expense	**617**	**5,810**	**1,133**	**-642**	**743**	**1,819**	**1,917**	**-369**	**6,917**	**4,110**
Extra-Ord expense	0	0	0	0	665	0	0	0	0	0
PBT	**617**	**5,810**	**1,133**	**-642**	**78**	**1,819**	**1,917**	**-369**	**6,917**	**4,110**
Tax	225	1,773	345	-102	-523	389	302	-74	2,241	95
Rate (%)	36.4	30.5	30.4	15.9	-672.1	21.4	15.8	20.0	32.4	2.3
MI & P/L of Asso. Cos.	-14	-32	-18	54	51	22	84	8	-11	166
Reported PAT	**406**	**4,069**	**807**	**-594**	**549**	**1,408**	**1,530**	**-303**	**4,688**	**4,181**
Adj PAT	**406**	**4,069**	**807**	**-594**	**1,214**	**1,408**	**1,530**	**-303**	**4,688**	**4,181**
YoY Change (%)	118.2	34.1	90.9	-17.0	199.1	-65.4	89.7	-49.0	60.1	-10.8
Margins (%)	3.0	14.5	4.6	-4.9	7.2	8.6	8.5	-2.4	6.6	6.6

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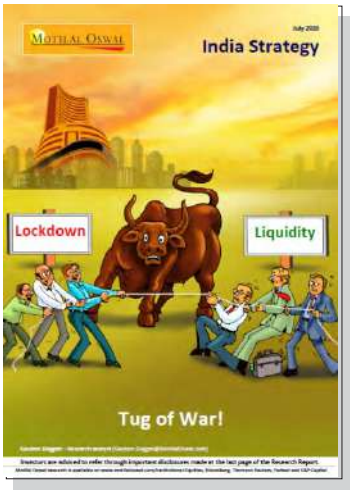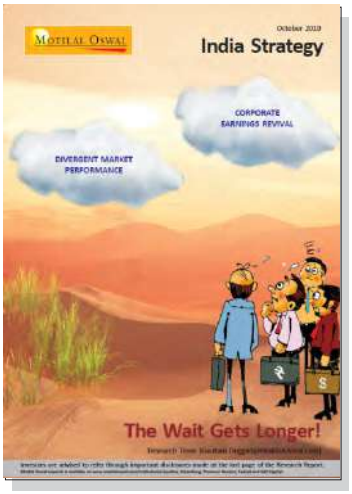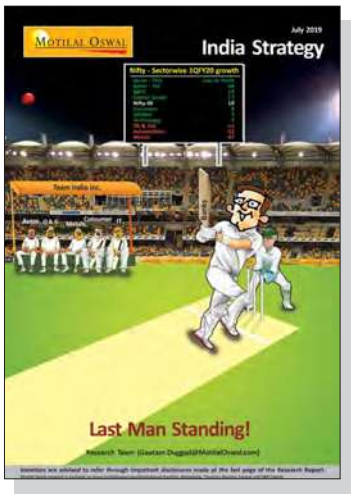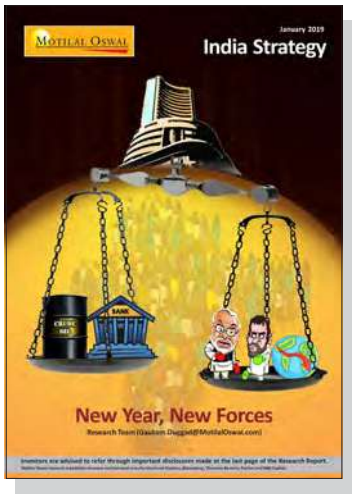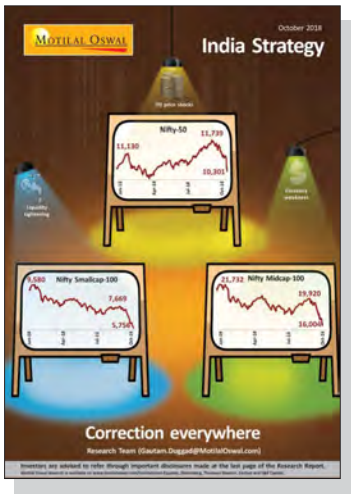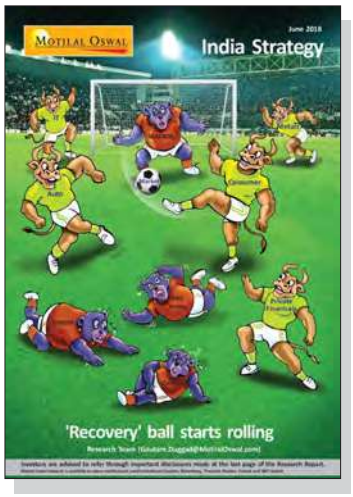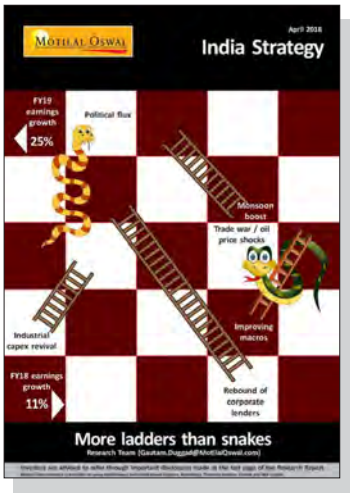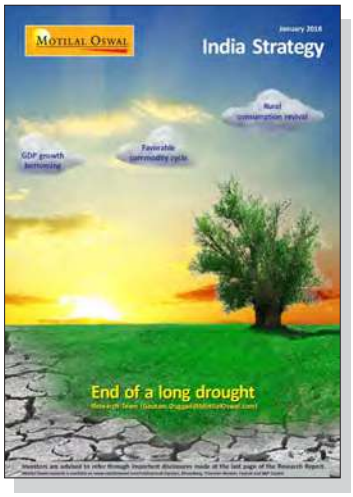
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