Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	38,365	-0.1	-7.0
Nifty-50	11,317	-0.3	-7.0
Nifty-M 100	16,540	-1.4	-3.3
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	3,332	-2.8	3.1
Nasdaq	10,848	-4.1	20.9
FTSE 100	5,930	-0.1	-21.4
DAX	12,968	-1.0	-2.1
Hang Seng	9,830	0.7	-12.0
Nikkei 225	23,274	0.8	-1.6
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	39	-4.8	-41.1
Gold ($/OZ)	1,932	-0.1	27.3
Cu (US$/MT)	6,695	-1.7	8.9
Almn (US$/MT)	1,754	-0.3	-1.6
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	73.6	0.3	3.1
USD/EUR	1.2	-0.3	5.0
USD/JPY	106.0	-0.2	-2.4
YIELD (%)	**Close**	**1MChg**	**CYTDchg**
10 Yrs G-Sec	6.1	0.06	-0.5
10 Yrs AAA Corp	6.9	0.07	-0.7
Flows (USD b)	**8-Sep**	**MTD**	**CYTD**
FIIs	-0.14	-0.06	4.89
DIIs	0.08	-0.02	8.93
Volumes (INRb)	**8-Sep**	**MTD***	**CYTD***
Cash	523	553	544
F&O	15,297	19,590	15,922

Note: *Average

Today's top research idea

Gujarat Gas: Gas and LPG prices on a see-saw; Margins to remain stable

- Gujarat Gas (GUJGA) has taken a price cut of INR2.5/scm on PNG Industrial at Morbi, as per our interaction with the company. Therefore, gas price realization now stands at INR24.5/scm, bringing the economies of gas at par with the current low LPG prices. Historically, LPG prices are usually cheap during the monsoon season while prices spike during winters, driven by higher heating demand.
- As per our calculation, despite price cuts, gross margin for GUJGA is likely to remain healthy at ~INR7.7/scm (v/s INR7.4/scm in 4QFY20).
- GUJGA has seen the fastest recovery in volumes post lifting of the lockdowns - total volumes averaged ~9.5mmscmd QTD 2QFY21, of which industrial volumes stood at ~7.6mmscmd (Morbi ~6mmscmd). Also, the company should see a major volume boost of ~10% CAGR over the medium term on the highest volume base amongst peers. We reiterate Buy.

Research covered

Cos/Sector	Key Highlights
Gujarat Gas	Gas and LPG prices on a see-saw; Margins to remain stable
NBFC	Improving trends; upbeat commentary
Info Edge India	Early signs of recovery; revenue to see lag effect
CESC	S/A impacted by lower volumes
India Life Insurance	Private players' individual WRP declines ~6% YoY for Aug'20

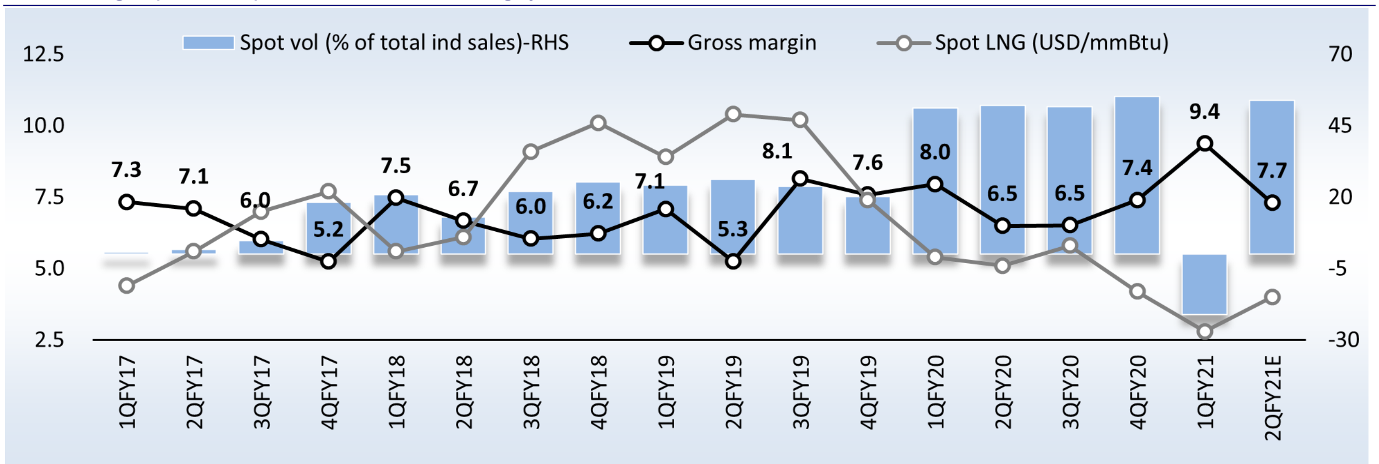
Piping hot news

India aims for half of state-run fuel stations to be solar-powered in five years

India aims for 50% of fuel stations owned by public sector oil companies to be operated by solar power within five years under the government's green energy drive, its oil minister said on Tuesday.

Chart of the Day: Gujarat Gas (Gas and LPG prices on a see-saw; Margins to remain stable)

Gross margin (INR/scm) to normalize in coming quarters



2QFY21E is an estimate Source: Company, MOFSL

Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

Brent crude tumbles below $40 in wake of faltering demand outlook

Crude in London tumbled below $40 a barrel for the first time since late June in the wake of faltering demand and weaker equities dampening market sentiment. Brent futures declined more than 6% on Tuesday to the lowest level in nearly three months…

2

States' borrowings soar 51 pc to Rs 2.97 lakh crore so far this fiscal

The coronavirus pandemic-stricken states have borrowed a whopping Rs 2.97 lakh crore so far this financial year, which is as much as 51 per cent more than the corresponding period a year ago. But, the massive spike is led by just three states -- Karnataka, which borrowed Rs 23,000 crore, a 475 per cent more than last year's Rs 4,000 crore; Maharashtra borrowed 200 per cent more at Rs 37,500 crore as against Rs 12,500 crore last year; and and Tamil Nadu borrowed Rs 46,000 crore or 117 per cent over Rs 21,190 crore of last year…

3

India's sugar exports surge 50% to a record level of 5.7 million tonne this month

India's sugar exports will rise 50% to a record of over 5.7 million tonnes in the season ending this month, helped by the depreciated rupee, subsidy and lower output from rival suppliers. The government expects the robust performance to continue in the next season also…

4

Govt to sell 15-20% stake in IRCTC via OFS

The government plans to sell about 15-20 per cent stake in IRCTC via offer for sale (OFS) and would like to complete the transaction in minimum number of tranches. Last month, the Department of Investment and Public Asset Management (DIPAM) had invited bids from merchant bankers by September 10 for managing the sale…

5

Cube Highways raises ₹3,500 cr from SBI to acquire NHAI toll roads

Cube Highways and Infrastructure on Tuesday announced an agreement with State Bank of India (SBI) for a Rs3,500 crore term loan facility to purchase the third bundle of road assets auctioned under the government's toll-operate-transfer (TOT) model. This is one of the largest financings in India's road sector, said Cube Highways, which was set up by global infrastructure investment firm I Squared Capital and counts Abu Dhabi Investment Authority among its shareholders…

6

Credit card EMIs at all-time high: HDFC Bank

Number of customers preferring to buy high-value products through instalments stood at an "all-time high" during the coronavirus pandemic, the country's largest private sector lender HDFC Bank said on Tuesday. Even as concerns get raised about asset quality given the high job losses…

7

With $500 mn funding led by Silver Lake, Byju's valuation crosses $10.8 bn

Byju's, an edtech company, has raised $500 million in a new round of funding from Silver Lake, the leading global technology investment firm, according to sources. Though the company confirmed the development, it declined to reveal the amount…

Gujarat Gas

BSE SENSEX	S&P CNX
38,365	11,317

GUJARAT GAS

Stock Info

Bloomberg	GUJGA IN
Equity Shares (m)	688
M.Cap.(INRb)/(USDb)	198.9 / 2.8
52-Week Range (INR)	335 / 162
1, 6, 12 Rel. Per (%)	-5/0/63
12M Avg Val (INR M)	270
Free float (%)	39.1

Financials Snapshot (INR b)

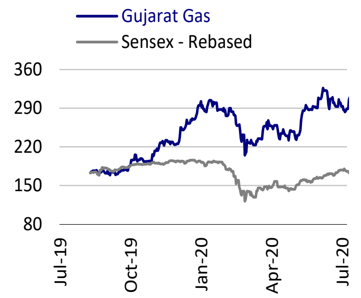
Y/E March	2020	2021E	2022E
Sales	103.0	94.6	132.3
EBITDA	16.3	14.8	19.3
PAT	11.9	7.8	11.3
EPS (INR)	17.3	11.4	16.4
EPS Gr. (%)	177.8	-34.5	44.0
BV/Sh.(INR)	47.8	56.8	69.6
Ratios			
Net D:E	0.6	0.4	0.3
RoE (%)	43.6	21.7	25.9
RoCE (%)	29.8	23.3	29.4
Payout (%)	8.7	21.2	21.2
Valuations			
P/E (x)	16.7	25.4	17.7
P/BV (x)	6.0	5.1	4.2
EV/EBITDA (x)	12.9	13.9	10.1
Div. Yield (%)	0.4	0.7	1.0
FCF Yield (%)	6.4	3.3	6.9

Shareholding pattern (%)

As On	Jun-20	Mar-20	Jun-19
Promoter	60.9	60.9	60.9
DII	7.4	7.0	5.4
FII	9.2	9.8	11.9
Others	22.5	22.2	21.7

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR289 TP: INR360 (+25%) Buy

Gas and LPG prices on a see-saw; Margins to remain stable

- **Gujarat Gas (GUJGA) has taken a price cut of INR2.5/scm on PNG Industrial at Morbi, as per our interaction with the company. Therefore, gas price realization now stands at INR24.5/scm, bringing the economies of gas at par with the current low LPG prices.**
- **According to our observation of the recent movement in prices, LPG prices fell to a record low and subsequently revived off the trough (similar to Brent prices), however, it is still down 35% YoY. Historically, LPG prices are usually cheap during the monsoon season while prices spike during winters, driven by higher heating demand.**
- **Industrials account for >75% of the sales volume for GUJGA – Morbi constitutes ~75% of the total industrial volume. Thus, it is an uphill task for GUJGA to maintain healthy economics of gas with LPG for its industrial consumers.**
- **Reflecting on the company's EBITDA margin, we do not see GUJGA breaching INR5/scm on a sustainable level for the time being. However, we would also like to highlight two scenarios in which EBITDA/scm may rise on a sustainable basis:**
  - **If the NGT comes up with similar orders banning dirty alternate fuels at other industrial clusters in GUJGA's operating areas (refer our earlier report), and**
  - **CNG takes a larger pie in the total sales mix since it is the most profitable segment.**
- **During our recently concluded conference (AGIC), GUJGA stated that total volumes averaged ~9.5mmscmd QTD 2QFY21, of which industrial volumes stood at ~7.6mmscmd (Morbi ~6mmscmd v/s peak of 6.3mmscmd achieved in 4QFY20, which reflects incremental room for growth). However, CNG remains a laggard and recovery is likely to range between 80-85% of pre-COVID levels in the near term.**
- **GUJGA has seen the fastest recovery in volumes post lifting of the lockdowns. Also, the company should see a major volume boost of ~10% CAGR over the medium term on the highest volume base amongst peers.**
- **We reiterate GUJGA as our top Buy (at INR360/share, valuing it at 22x FY22E EPS), with the best RoE profile of 22–26% and expected FCF generation of ~INR20b over FY21-FY22E.**

Understanding Gas to LPG economics

- Prior to the National Green Tribunal's (NGT) mandate to ban coal gasifiers at Morbi, GUJGA's margins and volumes were highly volatile. This was primarily driven by competition from coal gasifiers.
- However, post the NGT's ban, the company's volumes and margins (excluding one off in 1QFY21) stabilized. The low LPG prices have enabled few consumers to install LPG equipment at their premises. The total installed capacity currently stands at ~0.6mmscmd for LPG.
- **Normally, LPG prices are cheaper than gas during the monsoons.** Thus, LPG usage during the monsoons increases to ~0.6mmscmd, while it stands at ~0.3mmscmd for the rest of the year (forming merely ~3-4% of total volumes).
- **In Jun'20, ceramic manufacturers increased prices of tiles by 5-10%, reflecting confidence in sustainable demand from Morbi.** Even shifting of the supplier base from China to India is in favor of Morbi's ceramic manufacturers.
- **The discretion to adjust prices to compete with LPG remains with GUJGA, and hence, the company might take a price hike whenever deemed necessary.**

Increase in share of spot prices to favor margins

- Since the implementation of the blanket ban on coal gasifiers at Morbi, total industrial sales have increased. Combined with that, BG volumes have also come down slightly from 2.5mmscmd to 2.2mmscmd (the company currently has 3.2mmscmd of long-term contracts).
- The above has resulted in spot commanding much higher 55-60% of total industrial sales volumes vis-à-vis 15-20% seen earlier.
- This broadly means that as long as spot prices remain weak, we would see higher gross margins for the company. Although spot LNG prices have come up to USD4.5/mmBtu (v/s an average of USD2.8/mmBtu in 1QFY21), it is still lower by USD1/mmBtu on YoY basis.
- **As per our calculation (in exhibit 1), despite price cuts, gross margin for GUJGA is likely to remain healthy at ~INR7.7/scm (v/s INR7.4/scm in 4QFY20).**
- We also expect spot prices to again decline as soon as the US LNG terminals come online (back from the recent cyclone) and the Gorgon LNG terminal in Australia recommences operations.

Valuation and view - Volume CAGR of 10% beyond FY22E as well

- Strong export orders at Morbi have started seeing an **emergence of a new ceramic cluster at Aniyari,** a potential 0.5mmscmd market in the making.
- Recently, the regulatory board (PNGRB) ruled that GAIL should stop supply to consumers designated for **CGD at Tarapur and Thane. This could add ~0.3mmscmd of volumes in the short term. Similar rulings are expected at Dahej as well.** To put this into perspective, the incremental volumes could offset the aforementioned volume loss due to the switch from gas to LPG (if any).
- **In the long term, we believe industrial volumes (further supported by the NGT's reforms in India) would be the clear winner for growth.** Any directive by the NGT to ban usage of Fuel Oil could lead to short-term incremental volume boost of 2-3mmscmd for GUJGA.
- With ~400 CNG outlets, GUJGA sells only 1.5mmscmd of CNG v/s 4.5mmscmd that IGL sells in NCR alone. **GUJGA is expected to establish ~100 CNG stations over the next 2-3 years, increasing its penetration in the CNG segment.**
- **The newly awarded 16-17 cities could see volumes of 2.5–3mmscmd over the next 4-5 years.** The Vasai-Virar region is the next big focus market for GUJGA after Thane – GUJGA is planning to supply gas through a virtual network there.
- Once gas is included under GST, consumers will be able to take input tax credits, thus, lowering their gas feedstock cost. GUJGA will be able to take tax credit on opex and capex**. Capex plans for FY21 stands at INR6-7b v/s INR5.8b in FY20 (GUJGA plans to fund capex through internal accruals only).**
- GUJGA is trading at 17.7x FY22E EPS of INR16.4 and 10.1x FY22E EV/EBITDA. We value GUJGA at 22x FY22E. With target price of INR360/share, we reiterate **Buy** on the stock.

8 September 2020

Update | Sector: Financials - NBFC

AGIC Takeaways – NBFC

BSE SENSEX	S&P CNX
38,365	11,317

Collection efficiency across segments

Segment	Collection Efficiency*
Housing	85-90
Vehicle	80-90
MFI	70-75

*Broad range taken from several companies in the business segment

RoE trend – MOFSL estimates

RoE %	FY20	FY21E	FY22E
ABCL	**8.3**	**7.0**	**7.9**
HDFC	13.1	13.0	12.9
INDOSTAR	-11.4	4.4	5.9
LTFH	15.6	6.7	12.0
MASFIN	19.8	16.0	16.9
MMFS	8.3	6.8	7.0
PIEL	-2.0	5.8	7.0
SHTF	14.9	9.2	12.9

Improving trends; upbeat commentary

Collection efficiency at 70–80% levels; disbursements picking up

We concluded our 16th Annual General Investor Conference, which saw participation from 15 NBFCs across various product segments.

- **With improving macros across most business segments, there was increased optimism on collection efficiency (CE) as well as on growth across product segments. In retail lending, at least a 15–20% improvement was seen in collections over the last two months. Overall collection efficiency was at 70–75% for micro loans, at 80–90% for vehicle finance, and at 85–90% for affordable housing across financiers in Aug 2020. In terms of restructuring, most financiers await: a) trends in collections in September given the end of the moratorium and b) the Kamath committee recommendation.**
- **Vehicle finance – Tractors, 2Ws (two-wheelers), and SCVs (small commercial vehicles) have seen the fastest improvement. Tractors have benefited from a healthy crop harvest, and 2Ws have gained advantage owing to a growing preference for personal mobility due to the pandemic. SCVs have done well largely owing to last-mile connectivity. However, M&HCVs (medium and heavy commercial vehicles), especially linked to large fleet operators and the Commercial Passenger Vehicle segment, continue to face challenges.**
- **Housing finance – Given that no large-scale lay-offs or pay-cuts have been implemented by companies, the situation is manageable. In terms of real estate exposure restructuring, companies await final recommendations from the Kamath committee. Construction activity is back at normal levels in south India and 80%+ of pre-COVID levels in north India. Recovery in construction activity in Mumbai, India's largest market, has been at just 50–60% levels as the fear of the pandemic is high in migrant labor.**
- **Diversified financiers – Infra finance has been largely stable given the operational nature of the assets. The SME and MSME segments have also seen a healthy improvement in disbursements and collections as businesses are operating at 65–70% of earlier levels. Gold loan companies continue to be on a strong footing and have witnessed much stronger disbursements in 2Q v/s 1Q. In microfinance, while the overall collection efficiency is improving, geographic performances are mixed, with states such as Maharashtra (MH), Tamil Nadu (TN), West Bengal (WB), and Odisha (OD) seeing challenges. However, disbursements are yet to resume properly for most entities.**
- **All companies have ramped-up their collection infrastructure aggressively, and there are talks of the near-normalization of collection efficiency in most products by Diwali. While certain retail lending segments may require restructuring, this would be limited to less than 10% of the portfolio. In wholesale lending, certain real estate exposures, hospitality exposures, and toll road projects may require restructuring.**

- **Improving liquidity and a higher risk appetite on account of better collection performance have given companies the confidence to lift disbursements. Improvement in the Rural segment is a consensus view of most participants. Mass and affordable housing have been the key growth drivers for most housing financiers. While disbursements for vehicle financiers are likely to decline 40–50% YoY in FY21, AUM is likely to grow in the low single digits. Housing finance players are likely to witness normalization in disbursements by Nov–Dec'20, resulting in just 10–20% YoY decline in disbursements for the year.**
- **All the companies mentioned that the equity capital raise was only to reduce the overall leverage on the balance sheet. Otherwise, capital levels are comfortable for expected growth and any potential asset quality issues.**

Vehicle finance – Significant improvement in collection efficiency

Since most vehicle financiers operate in rural and semi-urban locations, buoyancy has led to faster-than-expected recovery. This is attributable to the focus on partial collections, even from customers under moratorium, especially 'SMA' customers. 2Ws and tractors are the key products to have shown strong traction, with CE reaching almost pre-COVID levels. SCVs (last-mile connectivity) have also shown improvement. As most operate in essential commodities, the impact on customer cash flow has been minimal. Importantly, the Small Road Transport Operators (SRTO) and Driver-cum-Operator segments have been less impacted. This is attributed to large fleet operators with driver shortage problems outsourcing their contracts to these segments. Passenger commercial vehicles such as cab aggregators, tourist vehicles, and school bus operators are facing higher issues and may need restructuring. The M&HCV segment is under some amount of pressure, weighed by limited freight availability and higher diesel cost. However, the migration to BS6 (prices are 12–18% higher v/s BS4) has helped maintain used vehicle prices at firm levels. Companies expect disbursements to decline 40–50% YoY in FY21. However, AUM would be largely flattish or grow in the low single digits due to interest capitalization and a lower repayment rate on account of moratorium.

Housing finance – Construction activity picking up; clarity on restructuring post finalization of Kamath committee recommendations

In south India, construction activity is almost back at pre-COVID levels, while in north India, it is at 80% of earlier levels. Mumbai is a laggard, with activities still at just 60–70% of earlier levels. Likewise, sales have picked up to 50% of pre-COVID levels v/s ~30% earlier. This is driven by Affordable and Mass Housing, while the Luxury segment remains a concern. The recent cut in stamp duty in Maharashtra would aid marginally. Other states could also follow suit. While disbursements are at 60–70% of YoY levels, they are expected to reach 85–100% of prior-year levels in 2HFY21. 15–25% of retail customers have availed moratorium; however, most of them have done so largely to conserve cash. The availment of moratorium on account of job loss or pay cuts is not meaningful. One company mentioned that the maximum stress from the retail moratorium book would be 10–15%. With regard to the restructuring of corporate loans, companies await final guidelines from the Kamath committee.

Microfinance – 70%+ CE; higher stress in MH, TN, and east India

Based on MFIN's directives, there were no collections from customers in the first phase of moratorium. However, by the end of the second phase, collection efficiency had reached 70–75%. Disbursements are still muted as companies are considering parameters such as a minimum of two EMI payments, zero dpd before moratorium, etc., before resuming disbursements. Geographic performances are mixed – TN, WB, OD, and MH have witnessed lower collections due to either prolonged lockdowns or political interference. On the other hand, Bihar, Uttar Pradesh (UP), and Karnataka (KTK) have posted strong collection performances.

Diversified financiers – Comfortable liquidity; growth to improve gradually; rural remains key growth driver

Most SMEs opted for moratorium to conserve cash. With the economy getting back on track, SMEs have witnessed two-thirds of the business returning. Additionally, they are benefiting from the recent GOI schemes. Infrastructure finance has been the least affected. With the Renewable Power sector being a key focus area, it had a 'must-run' status during the lockdown. Hence, exposures in this segment remain comfortable. Toll road projects are seeing healthy vehicle movement, with traffic back at 90% of pre-COVID levels v/s 30% in April. Annuity project payments by NHAI have been timely. Gold finance continues to see good traction with higher gold prices and increased volume demand. The recent regulations granting a 90% LTV cap for banks is unlikely to impact NBFCs meaningfully given that: a) banks cater to a different customer segment and b) NBFCs still have various other advantages, such as TAT, repayment convenience, etc.

Most companies well-placed on capital; cost-cutting under focus

The sector has witnessed a meaningful number of equity capital raises in the past two months. Most companies have raised money largely in order to reduce leverage rather than as 'repair capital'. It is unlikely that companies would need further capital in the near-to-medium term as: a) asset quality performance has been better than initially expected and b) balance sheet growth is not likely to revert to pre-COVID levels before 2HFY22. On the opex front, views were divergent. Most companies expect opex to revert to normal as the business picks up. However, some companies such as MMFS, MGFL, etc., have taken this opportunity to permanently reduce certain expense lines.

Valuation and view

Overall, management commentary was upbeat given the gradual unlocking of the economy, MoM improvement in collection efficiency, and buoyant rural demand. Furthermore, adequate liquidity and improving collections have led to higher confidence on growth. The festive season remains crucial for the growth momentum to continue. With a sharp fall in incremental cost of funds, players are likely to deliver stable to improving margins over the next four quarters. While CE is positive across the board, the tail risk-coupled restructuring associated with the same would be the key monitorable in the ensuing quarters. However, we do not foresee any meaningful rise in NPA immediately as most companies are focused on collections from SMA 1 and 2 accounts. We believe players with a strong parentage, a healthy balance sheet, and low asset quality risk are likely to outperform. HDFC is our top pick in the space.

Info Edge

Estimate change	↓
TP change	↑
Rating change	↔

Bloomberg	INFOE IN
Equity Shares (m)	104
M.Cap.(INRb)/(USDb)	426.1 / 5.8
52-Week Range (INR)	3575 / 1580
1, 6, 12 Rel. Per (%)	-1/23/57
12M Avg Val (INR M)	1109

Financials & Valuations (INR b)

Y/E Mar	2020	2021E	2022E
Sales	12.7	11.6	13.9
EBITDA (%)	4.0	3.8	4.5
PAT	2.1	3.4	4.1
EPS (INR)	16.7	26.5	31.8
EPS Gr. (%)	-27.1	58.3	20.2
BV/Sh. (INR)	199.5	297.5	314.9
Ratios			
RoE (%)	13.8	10.8	10.4
RoCE (%)	13.9	10.7	10.4
Payout (%)	42.4	41.1	45.1
Valuations			
P/E (x)	197.8	125.0	104.0
P/BV (x)	16.6	11.1	10.5

Shareholding pattern (%)

As On	Jun-20	Mar-20	Jun-19
Promoter	40.4	40.5	40.6
DII	12.6	13.4	14.3
FII	37.2	35.7	34.5
Others	9.9	10.5	10.6

FII Includes depository receipts

CMP: INR3,314 TP: INR3,620 (+9%) Neutral

Early signs of recovery; revenue to see lag effect

- The complete impact of the COVID-19-led lockdown was seen in the 1QFY21 financial performance, with billings decline of 44% YoY.
- The drag in revenues (-10.4% YoY) was curtailed due to the subscription-based model of the business. INFOE has shown a high resilience in the margins (+420bp YoY) on account of superior cost optimization.
- For the first time, the company was able to show gains from investee companies, primarily led by positive contribution margins from Zomato.
- Traffic on INFOE's operating portals has inched up to pre-COVID levels. Billings and revenue should follow a similar trend (in that order).
- Given the company's market positioning, multi-dimensional growth may be expected across its core businesses in the medium-to-long term. We expect long-term growth trends to play out at its operating entities, whose margins continue to inch up on high operating leverage. Furthermore, led by an inclination for profitability in investee companies, we expect consolidated losses to be curtailed over time.
- We value its operating entities using DCF, with WACC of 11% and the terminal growth rate at 5%. Our SOTP valuation indicates target price of INR3,620. Maintain **Neutral.**

Billings decline to cause near-term pain

- Standalone revenue was INR2.8b (decline of 13% QoQ and 10.4% YoY), a 22% beat to our estimate of INR2.3b.
- Recruitment revenue declined 9% YoY (est.: 30% decline). Revenue for 99acres declined 25% YoY (est.: 35% decline). Revenue beat was led by a higher lag in billings revenue on account of longer-than-expected contract durations.
- Deferred revenue stood at INR3.7b (decline of 25% YoY).
- The EBIT margin was at 33.4% (+6.8pp QoQ and +4.2pp YoY), +15pp above our estimate of 18%.
- The steep increase in margins was led by 55% sequential decline in other expenses, 47% in advertisement cost, and 7% in employee expenses.
- During the quarter, investee companies declared gains of INR33m v/s loss of INR1.3b in the previous quarter. This was largely led by positive contribution margins from Zomato.
- PAT was INR832m (+5.6% QoQ and +11% YoY) v/s our estimate of INR421m. This was largely attributable to higher operating income.
- INFOE successfully completed its QIP through raising INR18.7b; the total cash balance post-QIP stands at ~INR31b.

Management commentary highlights

- **Recruitment:** Billings for Naukri declined 44% YoY during the quarter. However, billings have improved with each month post May'20. Traffic is now back at pre-COVID levels. Naukri has been working toward technological improvements in its platform. Apart from this, the company has been working on various initiatives, such as: 1) the enterprise version of Resdex, 2) a re-hiring service portal, 3) a separate platform for premium engineering jobs – Hirist, 4) an ultra-premium job market with personalized services – Bigshyft.
- **99acres:** Paid listings declined 62% sequentially, thereby resulting in billings decline of 71%. 99acres continues to lead the market in this space. After dropping 80% in April, buyer traffic is now back at 85% of pre-COVID levels. However, supplier-side traffic is yet to return. Initial traction among dealers and developers has been seen in the past couple of months.
- **Jeevansathi:** INFOE would deploy the majority of its marketing dollars toward aggressively advertising for Jeevansathi. The company has also launched new features, such as video/voice calling and 'Milan Samaroh', on the portal.
- **QIP:** INFOE successfully completed QIP of INR18.75b. It raised the money at a price of INR3090 (2.7% discount to floor price). Funds would largely be utilized for investments in standalone entities and big-ticket M&As to strengthen its market position. The company believes the liquidity crunch in the market due to COVID and the screening of Chinese investments would present opportunities for M&As at reasonable valuations. Funds would not be invested in AIF, for which the company would bring an additional investor on-board.
- **Zomato:** Zomato's delivery revenue is back at 60–70% of pre-COVID levels. This is largely attributable to higher delivery fees charged by the platform. Order volumes are yet to recover to similar levels. Zomato's burn has reduced significantly during the quarter. However, it is expected to return to some extent as Zomato would eventually begin spending on brand-building and reinstate the salaries of its employees.

Valuation and view

- For FY21, we expect 9% revenue decline, largely driven by a 44% drop in billings for 1QFY21. While 1QFY21 resulted in unprecedented billings decline, we expect this to improve as traffic inches up MoM. With the expectation of more jobs coming in (on pent-up demand) and pressure on real estate developers to sell off inventory, we expect 20% revenue growth for FY22E. Our expectation of a 100bp margin expansion over FY20–22E is attributable to lower advertisement expenses and the optimization of other expenses.
- With the company investing prudently (clocked an XIRR >35%), some of its current investments would scale up in the medium-to-long term, further contributing to the group's valuations.
- We believe INFOE provides a good entry point for the start-up ecosystem, with higher risk being moderated by its relatively stable standalone operating business.
- We have individually valued INFOE's group entities using DCF-based valuation (WACC: 11%; terminal growth rate: 5%). Our SOTP target price stands at INR3,620/share. **Maintain Neutral.**

Quarterly Performance (Standalone) (INR m)

Y/E March	FY20				FY21E				FY20	FY21E	Est.	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QFY21	(% / bp)
Revenues	**3,128**	**3,166**	**3,205**	**3,228**	**2,801**	**2,807**	**2,901**	**3,053**	**12,727**	**11,562**	**2,304**	**21.6**
YoY (%)	20.5	19.5	14.0	10.3	-10.4	-11.3	-9.5	-5.4	15.9	-9.2	-26.3	1590bp
Salary costs	1,298	1,349	1,357	1,392	1,297	1,369	1,399	1,430	5,396	5,496	1,273	1.9
Ad and Promotion costs	549	514	498	484	256	337	406	427	2,044	1,426	184	38.8
Other Expenses	272	310	291	387	203	209	211	217	1,260	840	322	-37.0
EBITDA	**1,010**	**993**	**1,059**	**965**	**1,046**	**893**	**884**	**978**	**4,027**	**3,800**	**525**	**99.3**
EBITDA Margin (%)	32.3	31.4	33.0	29.9	37.3	31.8	30.5	32.0	31.6	32.9	22.8	1450bp
Depreciation	99	101	104	110	111	113	115	117	414	457	112	-0.6
EBIT Margin (%)	29.1	28.2	29.8	26.5	33.4	27.8	26.5	28.2	28.4	28.9	17.9	1540bp
Other Income	245	232	204	195	203	336	341	348	876	1,228	164	23.3
PBT bef. Extra-ordinary	**1,139**	**1,107**	**1,143**	**1,034**	**1,122**	**1,100**	**1,095**	**1,193**	**4,423**	**4,571**	**561**	**99.8**
Provision for Tax	390	266	232	246	290	275	274	298	1,133	1,137	140	106.3
ETR (%)	34.2	24.0	20.3	23.8	25.8	25.0	25.0	25.0	25.6	24.9	25.0	80bp
PAT bef. Minority	**667**	**93**	**880**	**416**	**832**	**825**	**821**	**895**	**2,057**	**3,435**	**421**	**97.7**
EOI	-82	-749	-30	-372	0	0	0	0	-1,233	0	0	
Adjusted PAT	**749**	**842**	**911**	**788**	**832**	**825**	**821**	**895**	**3,290**	**3,435**	**421**	**97.7**
QoQ (%)	-10.6	12.4	8.2	-13.4	5.6	-0.8	-0.5	9.0			-46.6	
YoY (%)	-5.1	7.8	22.5	-5.9	11.1	-2.0	-9.8	13.5	4.4	4.4	-43.8	
EPS (INR)	**5.4**	**0.8**	**7.2**	**3.4**	**6.8**	**6.4**	**6.4**	**6.9**	**16.7**	**26.5**	**3.3**	**107.3**

E: MOFSL Estimates

Key Perfor. Indicators

Y/E March	FY20				FY21E					
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	FY20	FY21E
Operating metrics										
Headcount	4,407	4,507	4,590	4,698	4,562	4462	4562	4662	4,698	4662
Naukri - Revenue per unique customer	37844	38376	38853	38752	41584	41999	42839	43696	91429	99382
99acres - Listing (k)	1,273	1,280	1,396	1,318	642	642	668	694	5,267	2,646
Revenue (YoY %)										
Recruitment	19%	19%	13%	11%	-9%	-10%	-8%	-4%	15%	-8%
99acres	35%	26%	15%	4%	-34%	-32%	-30%	-23%	19%	-30%
Jeevansathi	9%	13%	21%	25%	13%	13%	15%	15%	17%	14%

CESC

Estimate change	↓
TP change	↔
Rating change	↔

Bloomberg	CESC IN
Equity Shares (m)	133
M.Cap.(INRb)/(USDb)	81.6 / 1.1
52-Week Range (INR)	855 / 366
1, 6, 12 Rel. Per (%)	5/1/-25
12M Avg Val (INR M)	316

Financials & Valuations (INR b)

Y/E MARCH	2020	2021E	2022E
Sales	110.1	98.5	110.5
EBITDA	35.4	30.2	33.3
Adj. PAT	13.0	9.6	12.9
EBITDA Margin (%)	32.1	30.6	30.2
Cons. Adj. EPS (INR)	97.7	71.8	97.0
EPS Gr. (%)	10.0	-26.5	35.0
BV/Sh. (INR)	722.7	771.5	842.5
Ratios			
Net D:E	1.3	1.1	0.9
RoE (%)	14.0	9.6	12.0
RoCE (%)	9.4	7.8	8.7
Payout (%)	20.5	32.0	26.8
Valuations			
P/E (x)	4.2	8.6	6.3
P/BV (x)	0.6	0.8	0.7
EV/EBITDA(x)	5.0	6.5	5.6
Div. Yield (%)	4.9	3.7	4.2
FCF Yield (%)	27.6	28.1	28.5

Shareholding pattern (%)

As On	Jun-20	Mar-20	Jun-19
Promoter	49.9	49.9	49.9
DII	23.8	22.8	24.0
FII	17.9	18.5	16.0
Others	8.4	8.8	10.1

FII Includes depository receipts

CMP: INR615 TP: INR760 (+24%) Buy

S/A impacted by lower volumes

S/A impacted by lower demand; performance at Dhariwal improves

- CESC's 1Q results highlight the impact of lower volumes on the S/A business. S/A PAT declined sharply by 38% YoY, resulting in a miss on our estimates (29% miss). Consol. PAT, on the other hand, declined 15% YoY, partly supported by a better performance at Dhariwal.
- While a muted power demand environment has impacted profitability in the near term, the longer term story remains intact. Performances at Dhariwal and distribution franchises (DFs) continue to improve. Despite factoring the tightening of norms at Haldia and S/A, the stock trades attractively at 7x FY21 P/E. Maintain Buy, with TP of INR760/sh.

S/A profitability impacted by decline in volumes

- S/A PAT declined ~38% YoY to INR1.3b (29% below our estimate of INR1.9b). This was largely on account of decline in sales volumes (-31% YoY) to 2.1BU. This, given the lack of a revised tariff order, impacted efficiency gains, in our view.
- Consolidated PAT decreased ~15% YoY to INR2.0b in the quarter, partly supported by an improved performance at Dhariwal.

Dhariwal improves on new PPA, coal cess pass-through

- Dhariwal reported profit of INR240m (v/s loss of ~INR240m in 1QFY20) on account of a new PPA signed and the pass-through of higher coal cess in tariff. Dhariwal had signed a 185MW PPA with Maharashtra in 3QFY20, and the same has been extended up to 31st Oct'20.
- Losses at DFs in Rajasthan declined to INR330m in 1QFY21, from INR530m in 1QFY20, despite lower demand. The co.'s recently acquired Malegaon DF reported loss of INR310m in 1QFY21 due to collection issues.
- Profits at Haldia improved to INR850m in 1QFY21, v/s INR760m in 1QFY20, owing to O&M savings. Profits at Crescent and Surya increased to INR120m in 1QFY21 v/s INR30m in 1QFY20.

Strong FCF generation; maintain Buy

- Subdued power demand would impact the profitability of CESC's businesses in the near term. However, the medium-term story remains intact. Dhariwal's 170MW PPA with Maharashtra from Nov'19 has been extended for another six months. The performances of its DFs should improve as the co. gains a better understanding of the circles and leverages from its experience in Kolkata.
- CESC's existing Distribution business has high RoE and delivers steady growth. Generation assets generate healthy FCF. The stock trades at an attractive ~6x FY22E P/E, even as earnings visibility at Dhariwal improves, and factoring the tightening of norms at Haldia and S/A.
- Untied generation capacity and the scale-up of DFs have the potential to boost earnings. We value the stock at 9x 1yr forward P/E. Maintain Buy, with TP of INR760/sh.

Quarterly performance (standalone) – INR m

Y/E March	FY20				FY21				FY20	FY21E	FY21	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Sales	**23,590**	**22,460**	**16,480**	**15,830**	**15,850**	**19,787**	**15,719**	**21,876**	**78,359**	**73,232**	**20,566**	**-23**
EBITDA	**4,420**	**4,630**	**2,770**	**2,510**	**2,280**	**4,752**	**4,101**	**7,670**	**14,328**	**18,803**	**4,484**	**-49**
Change (%)	-10.9	-9.4	37.1	67.3	-48.4	2.6	48.1	205.6	5.5	31.2	1.5	
As of % Sales	18.7	20.6	16.8	15.9	14.4	24.0	26.1	35.1	18.3	25.7	21.8	
Depreciation	1,090	1,080	1,100	1,210	1,170	1,130	1,151	1,233	4,477	4,683	1,140	3
Interest	1,300	1,270	1,170	1,700	1,360	1,248	1,150	1,590	5,442	5,348	1,277	6
Other Income	230	450	290	490	340	451	290	380	1,459	1,461	230	48
Regulatory (inc)/exp	-500	-480	-1,350	-2,970	-1,450	0	0	0	-5,319	0	0	
PBT	**2,760**	**3,210**	**2,140**	**3,060**	**1,540**	**2,825**	**2,091**	**5,227**	**11,186**	**10,233**	**2,297**	**-33**
Tax	590	460	380	560	200	508	376	680	2,009	1,842	413	
Effective Tax Rate (%)	21.4	14.3	17.8	18.3	13.0	18.0	18.0	13.0	18.0	18.0	18.0	
Reported PAT	**2,170**	**2,750**	**1,760**	**2,500**	**1,340**	**2,316**	**1,715**	**4,547**	**9,178**	**8,391**	**1,883**	**-29**
Adjusted PAT	**2,170**	**2,750**	**1,760**	**2,500**	**1,340**	**2,316**	**1,715**	**4,547**	**9,178**	**8,391**	**1,883**	**-29**
Change (%)	17.9	1.5	1.7	-19.1	-38.2	-15.8	-2.6	81.9	-2.0	-8.6	-13.2	

Source: Company, MOFSL

Standalone – operating metrics

		1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21
Units sold	MU	2,840	2,873	2,113	2,291	3,057	2,923	2,119	2,107	2,118
change yoy	%	-0.5	4.1	-9.9	-4.3	7.6	1.7	0.3	-8.0	-30.7
Realization	INR/kWh	7.6	7.7	8.1	7.3	7.7	7.7	7.8	7.5	7.5
T&D loss	%	9.7	9.7	9.8	7.7	9.0	9.0	9.0	8.8	8.5
Gross generation	MU	1,709	1,732	1,364	1,494	1,718	1,713	1,224	1,483	1,329
change yoy	%	-1.6	-0.3	0.5	-0.8	0.5	-1.1	-10.3	-0.7	-22.6
Generation fuel cost	INR/kWh	2.3	2.5	2.5	2.6	2.7	2.7	2.4	2.3	2.5
Power purchase	MU	1,608	1,603	1,327	1,043	1,774	1,657	1,267	933	1,091
Power purchase cost	INR/kWh	5.2	5.1	5.6	5.7	5.0	5.1	5.3	6.0	5.7

Source: Company, MOFSL

Consolidated PAT breakup – INR m

INR m	1QFY20	1QFY21
Standalone	2,170	1,340
Haldia	760	850
Dhariwal	-240	240
Crescent & Surya	30	120
Rajasthan DFs	-530	-330
Malegaon		-310
Noida	130	90
Others	-10	0
Minority	10	-20
Consolidated PAT	**2,320**	**1,980**

Source: Company, MOFSL

India Life Insurance

Insurance Tracker

Private players' individual WRP declines ~6% YoY for Aug'20

LIC reports growth of ~2% YoY; market share increases 242bp over FY21YTD

- **Private players' individual weighted received premium (WRP) declined 5.8% in Aug'20 (v/s -7.1% YoY in Jul'20). The industry also posted decline of 2.3% YoY (v/s -0.3% YoY in Jul'20). Overall decline has moderated from levels seen over Mar–May'20, but was higher than Jul'20 levels, largely attributed to slower growth in LIC. FY21YTD, private players' individual WRP has declined 15.2% YoY; for the industry, it has dropped 10.1% YoY.**
- **Among the listed players, HDFC Life and Max Life reported positive trends with growth of 14% YoY and 11% YoY, respectively. On the other hand, SBI Life posted decline of 14% YoY. IPRU Life also continues to witness pressure and reported decline of 29% YoY.**
- **Mid-sized players reported mixed trends. Tata AIA / Bajaj Allianz reported growth of 34%/13% YoY, while Birla Sun Life reported decline of 6% YoY. Kotak Life reported a flattish trend.**
- **LIC continued to report a positive trend, albeit at a slower pace, led by 2.1% YoY growth in individual WRP (v/s 9.6% YoY in Jul'20). FY21YTD, LIC's individual WRP has declined 3.1% YoY.**

Private players' individual WRP market share contracts to ~54% for Aug'20 (55% FY21YTD)

Private players' individual WRP market share contracted ~83bp to ~54% in Aug'20 v/s 55% in Jul'20. This was attributable to private players reporting decline of ~6% v/s LIC's reported growth of ~2%. FY21YTD, SBI Life (11.1%) remained the largest private insurer in terms of individual WRP, followed by HDFC Life (9.8%) and IPRU Life (6.5%). On an unweighted basis, SBI Life was the largest private insurer with market share of 6.8%, followed by HDFC Life (6.6%) and IPRU Life (3.3%).

Performances of key private players

The combined market share of listed players – SBI Life, ICICI Prudential Life, HDFC Life, and Max Life – on an individual WRP basis stood at ~63.2% as of Aug'20 (v/s 62.9% in FY20). Tata AIA, Bajaj Allianz, and Birla Sun Life are getting firmly positioned among the 5th–7th largest private insurers on individual WRP. Among the key listed players, on the basis of individual WRP:

- **HDFC Life** reported growth of 13.9% YoY (-5.2% YoY FY21YTD); total unweighted premium rose ~45% YoY (-2.5% YoY FY21YTD).
- **SBI Life** reported decline of 14.1% YoY (-24.7% YoY FY21YTD); total unweighted premium grew 26% YoY (+14.2% YoY FY21YTD).
- **IPRU Life** reported decline of 29.2% YoY (-41.6% YoY FY21YTD); total unweighted premium fell 14.5% YoY (-23.1% YoY FY21YTD).
- **Max Life** reported growth of 11.2% YoY (+0.6% YoY FY21YTD); total unweighted premium grew 19.3% YoY (+5.6% YoY FY21YTD).

Individual WRP and YoY growth (%)

Individual WRP, INRm	Aug-20	YoY growth
Grand Total	**59,435**	**-2.3%**
Total Public	**27,129**	**2.1%**
Total Private	**32,306**	**-5.8%**
SBI Life	7,202	-14.1%
HDFC Life	5,422	13.9%
ICICI Prudential	4,059	-29.2%
Max Life	3,738	11.2%
Tata AIA	2,424	33.9%
Bajaj Allianz	1,718	12.6%
Birla Sun Life	1,300	-6.3%
Kotak Life	1,086	0.3%
PNB Met Life	974	-19.3%
Reliance Life	656	0.6%

Source: Company, MOFSL

Divergent trends in sum assured – reflect improving business mix

According to our observation, while premium growth continues to decline / remains modest for most insurers, growth in sum assured is witnessing divergent trends. **For private insurers, while total unweighted non-single premium declined 7.1% YoY in Aug'20, the individual sum assured grew 11.4% YoY. Even for total unweighted single premium, growth in sum assured at 96.4% YoY was much higher than 59.5% YoY growth in premium.** For the total industry, sum assured rose 45.8%/6.1% YoY in Aug'20 v/s 9.7%/1.3% decline in total unweighted individual single/non-single premium. LIC, on the other hand, reported decline of 7.7% YoY in sum assured v/s growth of 8.4% YoY in total unweighted non-single premium. This reiterates that private insurers have been focusing on the Protection business, which has a higher sum assured in proportion to premium. Conversely, ULIPs have been facing pressure due to volatile capital markets, with a generally higher average ticket size.

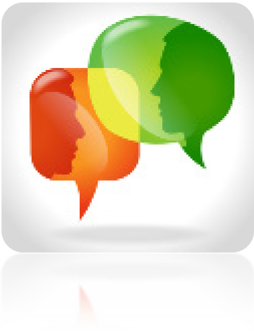
Among the listed players…

- **HDFC Life** reported growth of 0.4% in sum assured v/s growth of 11.7% in total unweighted individual non-single premium.
- **IPRU Life** reported growth of 14.3% in sum assured v/s decline of 31.0% in total unweighted individual non-single premium.
- **SBI Life** reported growth of 3.7% in sum assured v/s decline of 15.1% in total unweighted individual non-single premium.
- **Max Life** reported much higher growth of 42.9% in sum assured v/s growth of 10.4% in total unweighted individual non-single premium.
- Mid-sized players such as **Bajaj Allianz and Kotak Life** reported much higher growth in sum assured v/s total unweighted individual non-single premium.

Unweighted new business premium and growth – sorted on Aug'20 basis

INR m	Aug'20	YoY growth	FY21YTD	YoY growth	FY20	YoY Growth
Grand Total	**270,398**	**14.8%**	**993,613**	**-6.0%**	**2,588,966**	**20.6%**
Total Public	**197,142**	**15.2%**	**714,152**	**-7.5%**	**1,779,771**	**25.2%**
Total Private	**73,256**	**13.7%**	**279,462**	**-1.9%**	**809,196**	**11.5%**
HDFC life	19,040	44.7%	65,329	-2.5%	173,963	16.2%
SBI Life	18,058	26.1%	67,731	14.2%	165,918	20.3%
ICICI Prudential	8,923	-14.5%	32,406	-23.1%	123,482	20.4%
Max Life	5,243	19.3%	18,935	5.6%	55,836	8.2%
Bajaj Allianz	3,559	-5.1%	17,003	-1.6%	51,787	5.2%
Birla Sun Life	3,204	11.3%	16,121	51.4%	36,571	-6.6%
Kotak Life	2,978	-24.6%	11,739	-30.4%	51,058	28.4%
TATA AIA	2,891	29.1%	12,690	21.7%	32,411	30.9%
Canara HSBC OBC	1,963	106.5%	7,886	28.6%	15,275	4.6%

Source: Company, MOFSL



KV Kamath: On the Restructuring framework

- Banks will opt out of ICA depending on what constitutes the majority
- Banks will have to recast in a way that repayments happen
- Large percentage of case are in eligible for recast category, except extreme cases. Some severe cases may need complex restructuring
- Banks should be able to deal with the retail stress without any leeway from RBI/Govt
- Jobs in the unorganized sector is reviving. Overall, showed optimism that Jobs will come back

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SBI: Ratios suggested in the Restructuring plan are reasonable for Cos. to meet; CS Setty, MD

- Deadline given for meeting the ratios will give enough time to companies to recoup and perform
- Process simplification will determine the classification of each case into Mild, Moderate & Severe
- One of the issues is, how the rating agencies and the Independent Credit Evaluation (ICE) will plays out a role and therefore more clarity will be needed
- A lot of haircuts were involved in restructuring cases earlier

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CreditAccess Grameen: Expect growth to be reasonable next quarter onwards; Udaya Kumar Hebbar, MD & CEO

- 15% of our clients have not been able to pay as they are under moratorium
- 11% of portfolio in Maharashtra is under moratorium
- Collection efficiency at 82% in August Vs 76% in July
- Company plans raising funds in Q3 or Q4
- Expect normalcy in business to return by December

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Dixon Technologies: FY22 will be a game changer, FY21 will see small growth; Atul Lall, MD

- Expect clearance for PLI applications to come in 7-10 days
- Govt. is offering a 4-5% incentive for manufacturing in India under PLI
- Will start manufacturing mobiles by Q4FY21
- Can generate Rs. 8,000 cr revenue through mobile manufacturing in FY22
- Small margin expansion likely due to mobile manufacturing
- In Q2 we will witness a YoY growth, revenue growth in Q2 is 3x that in Q1

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CURBING CHINESE AGGRESSION IS THE NEED OF THE HOUR

- This is the first time that India had taken such action on the China border. Earlier through Balakot and surgical strikes, the Modi government had sent a message not only to Pakistan but to everyone across the border. We have been trying to resolve Pakistan-sponsored terrorism and Chinese incursions at the diplomatic level till now. Now the army will respond to the action and the diplomat will reach the point through dialogue. Xi Jinping and his junta failed to understand this.
- No wonder defence minister Rajnath Singh has visited Moscow twice in the last two months. Last week he went there for the 'Shanghai Cooperation Organization' meeting. China's defence minister Wei Fenghe was also there. The talks between them was not on the agenda but Wei took the initiative, with Russia pushing for it as well. This is the first high-level dialogue amid unprecedented tension at the border. What happened? What arguments were given by both sides? Will there be a solution? The answers are not known yet. We have to be vigilant. China never keeps its promises. The martyrdom of Indian soldiers from Rezang La to Galwan alerts us to this fact.
- Singh's visit was also important because we still depend a lot on Russia for essential military supplies and historically it has been our friend. Russia always supported us during the wars with Pakistan. Things have changed in the last few years, so there is a need to renew this bond. It is said that the outcome of the biggest wars are decided finally on the negotiating table and that if this negotiation is already done, there is no need for war. And now, foreign minister S. Jaishankar is going to meet his Chinese counterpart Wang Yi in Moscow on 10 September. Is Moscow going to add a new chapter in India's strategic history after Tashkent?
- Even if China had not encroached on our land, India still had to acquire the power to deal with it. The Pentagon has revealed in a report this week that China is looking to double its nuclear stockpile in 10 years. Not only this, China also wants to besiege India from all sides. It has ambitions to build military bases in the UAE, Kenya, Tanzania, Seychelles and Angola along with Pakistan, Sri Lanka, Myanmar, Thailand, Singapore and Indonesia. China claims that it has the largest navy in the world. It is a different matter that due to the diplomatic efforts of New Delhi, Sri Lanka and the Maldives have thrown out Beijing's offer. Is Nepal next?
- It is said of World War II that if Hitler had been prevented from advancing from Munich, there would not have been a second world war. Isn't it an easy way to deal with fears of a Third World War—that the whole world makes a meaningful effort to stop Xi Jinping's expansionist attitude? Perhaps this is why the US has increased its deployment of warships and warplanes in Diego Garcia and South China Sea. It is needed in the current situation.
- The manner in which the foreign ministry of China is talking these days tells us a lot about it. Earlier this week, when the Czech Republic criticized it, China rebuked that the Czech Republic would have to repent for it. Australia has also been threatened in the same manner. Chinese spokesperson has even threatened that China will make things worse for India than in 1962. Everyone knows that a lot has changed in India between 1962 and 2020. The peaks of southern Pangong Tso bear witness to this. Beijing is not so deaf as not to hear the echoes from here.

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NOTES

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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