20 April 2021

MORNING INDIA

ASIAMONEY Brokers Poll 2020 (India)

Today's top research idea

ACC: Expansion provides growth visibility

- ACC's 1QCY21 result surprised positively on strong cost control. EBITDA grew 47% YoY on 3% YoY decline in total cost/t driving EBITDA/t to INR1,078.
- ACC's Central India expansion is expected to get commissioned in 2HCY22, which we estimate would drive an 11% CAGR in volumes over CY20–23E. We expect costs to remain in check, supported by a master supply agreement (MSA) with Ambuja as well as supply chain efficiencies.
- We value ACC at 10x Mar'23 EV/EBITDA (~20% discount to the past five-year average of 12.5x) to arrive at Target Price of INR2,205

Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	47,949	-1.8	0.4
Nifty-50	14,359	-1.8	2.7
Nifty-M 100	23,256	-2.1	11.6
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	4,163	-0.5	10.8
Nasdaq	13,915	-1.0	8.0
FTSE 100	7,000	-0.3	8.4
DAX	15,368	-0.6	12.0
Hang Seng	11,093	0.6	3.3
Nikkei 225	29,685	0.0	8.2
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	67	0.6	30.8
Gold ($/OZ)	1,771	-0.3	-6.7
Cu (US$/MT)	9,384	1.7	21.1
Almn (US$/MT)	2,322	0.9	17.6
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	74.9	0.7	2.5
USD/EUR	1.2	0.5	-1.5
USD/JPY	108.2	-0.6	4.8
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	6.1	-0.01	0.2
10 Yrs AAA Corp	6.8	-0.04	0.2
Flows (USD b)	**19-Apr**	**MTD**	**CY21**
FIIs	-0.22	-0.61	7.33
DIIs	0.31	0.51	-3.17
Volumes (INRb)	**19-Apr**	**MTD***	**YTD***
Cash	722	741	784
F&O	30,833	46,594	41,999

Note: *Average

Research covered

Cos/Sector	Key Highlights
ACC	Expansion provides growth visibility
ICICI Prudential Life Insurance	Business growth perks up on strengthened distribution and product segments
Financials	Digital Payments Tracker
	India Life Insurance
Healthcare	Increased coverage, better pricing outlook bode well for vaccine manufacturers
Oil & Gas	Revival in GRMs expected soon…

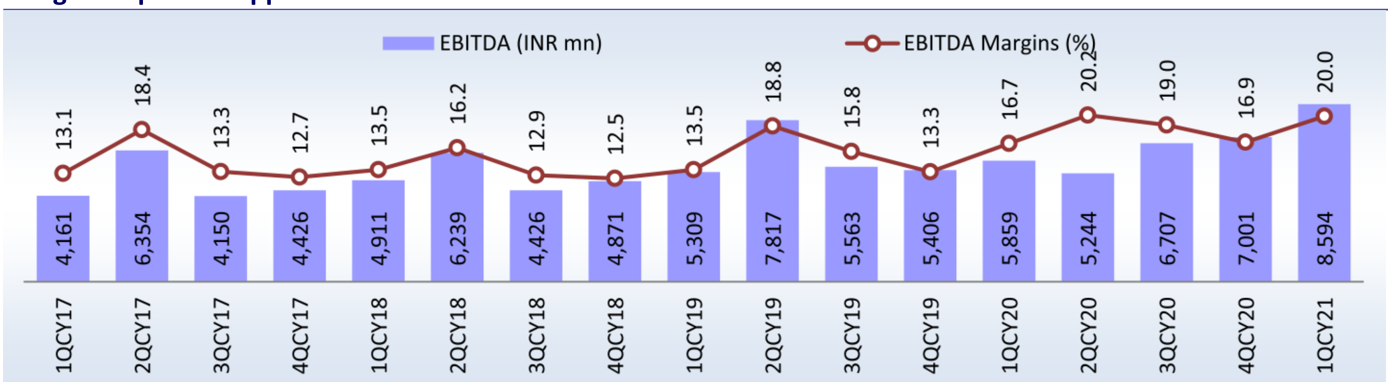
Piping hot news

Vaccines for all adults, open sales from 1 May

The government on Monday threw open its vaccination drive to everyone over the age of 18 from 1 May under a market-based system that it claimed would encourage vaccine makers to boost production.

Chart of the Day: ACC (Expansion provides growth visibility)

Margins improve 3.3pp YoY



Source: Company, MOFSL

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In the news today

Kindly click on textbox for the detailed news link

1

Vaccines for all adults, open sales from 1 May

The government on Monday threw open its vaccination drive to everyone over the age of 18 from 1 May under a market-based system that it claimed would encourage vaccine makers to boost production…

2

India to Wave Duty on COVID-19 Vaccine

India will waive its 10% customs duty on imported COVID-19 vaccines, a senior government official told Reuters on Monday, as it tries to boost supplies to counter a dramatic surge in coronavirus cases…

3

Delhi to go in for six-day lockdown

Faced with a surge in new Covid-19 cases, the national Capital Delhi on a six-day lockdown from yesterday 10PM to 5 am on Monday next (April 26)…

4

CADILA looks to double COVID-19 Capacity

Indian drugmaker Cadila Healthcare Ltd., which expects regulatory approval for its vaccine against Covid-19 by June, will potentially ramp up capacity to 240 million annual doses as the South Asian nation races to contain the world's fastest-growing coronavirus outbreak…

5

Serum, Bharat Biotech to get suppliers' credit for 300 mn Covid-19 doses

Vaccine manufacturers Serum Institute of India (SII) and Bharat Biotech will together get Rs 4,500 crore from the Centre as suppliers' credit, sources in the know said. This will be an upfront payment for the vaccine doses that these two companies will supply to the government. At Rs 150 per dose, excluding taxes, this roughly works out to be 300 million doses.

6

Amazon vs Future: SC stay on proceedings at Delhi HC; hearing on May 4

A day after lenders to Future Retail approved a debt recast plan extending repayment of its loans by up to two years, the Supreme Court (SC) on Monday stayed all proceedings pending before the Delhi High Court (HC) in the Amazon versus Future case…

7

Britain adds India to Covid-19 travel red-list

Britain is adding India to its travel "red-list" after detecting 103 cases of a coronavirus variant first identified in the country…

ACC

Estimate change	↑
TP change	↔
Rating change	↔

Bloomberg	ACC IN
Equity Shares (m)	188
M.Cap.(INRb)/(USDb)	353.4 / 4.8
52-Week Range (INR)	2023 / 1108
1, 6, 12 Rel. Per (%)	10/-2/4
12M Avg Val (INR M)	2107

Financials & Valuations (INR b)

Y/E Dec	2021E	2022E	2023E
Sales	164.2	172.2	197.5
EBITDA	30.0	31.3	36.7
Adj. PAT	19.0	20.0	23.7
EBITDA Margin (%)	18.3	18.2	18.6
Adj. EPS (INR)	101.1	106.4	126.1
EPS Gr. (%)	28.9	5.2	18.5
BV/Sh. (INR)	758.7	847.1	953.1
Ratios			
Net D:E	-0.5	-0.5	-0.5
RoE (%)	14.1	13.3	14.0
RoCE (%)	14.0	13.2	14.0
Payout (%)	15.8	16.9	15.9
Valuations			
P/E (x)	18.6	17.6	14.9
P/BV (x)	2.5	2.2	2.0
EV/EBITDA(x)	9.0	8.0	6.9
EV/ton (USD)	105.9	98.4	84.1
Div. Yield (%)	0.9	1.0	1.1
FCF Yield (%)	3.0	3.0	7.9

Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	54.5	54.5	54.5
DII	20.7	25.7	21.3
FII	11.7	6.7	8.6
Others	13.1	13.1	15.5

FII Includes depository receipts

CMP: INR1,882 TP: INR2,205 (+17%) Buy

Expansion provides growth visibility

Costs to remain under control

- ACC's 1QCY21 result surprised positively on strong cost control. EBITDA grew 47% YoY on 3% YoY decline in total cost/t driving EBITDA/t to INR1,078.
- ACC's Central India expansion is expected to get commissioned in 2HCY22, which we estimate would drive an 11% CAGR in volumes over CY20–23E. We expect costs to remain in check, supported by a master supply agreement (MSA) with Ambuja as well as supply chain efficiencies. We raise CY21/CY22 EPS by 10%/5% to factor in strong cost control. Reiterate **Buy,** with TP of INR2,205.

Lower costs lead to 19% beat on EBITDA

- Rev / EBITDA / Adj PAT rose 23%/47%/59% YoY to INR42.9b/INR8.6b/INR5.6b, beating our estimate by 3%/19%/27% (led by lower power and fuel cost).
- While volumes were up 22% YoY to 7.97mt (est 7.73mt) on account of a lower base, blended EBITDA/t was up 19% QoQ (+21% YoY) to INR1,078 (15% above est), led by lower-than-expected costs.
- Cement realization declined 1% QoQ (+4% YoY) to INR4,835/t (in-line), while blended realization (including RMC) was flat QoQ (+1% YoY) at INR5,385/t.
- Blended cost per ton declined 3% YoY to INR4,307/t (-4% QoQ) and was below our est. of INR4,460/t, led by better fixed cost absorption and 10% YoY decline in power and fuel cost (to INR1,009/t).

Highlights from management commentary

- ACC operated at 90% utilization in 1QCY21 (72% utilization in CY20).
- RMC sales volumes stood at 0.83m cu.m (-11% YoY).
- Raw material cost was up due to higher cost of slag and fly ash, partially mitigated by cost savings from Project Parvat.
- To mitigate the impact of rising diesel costs, ACC continued to focus on direct dispatches, network optimization, and procurement savings.
- **Capacity expansion:** Commercial production at the 1.4mt grinding capacity in Sindri had commenced in Jan'21, and the greenfield project in Ametha (with associated grinding units) is guided to get commissioned by 2QCY22 – however, we expect this to happen by 4QCY22.

Valuation and view

- ACC trades at a 35–60% valuation discount to peers Shree, UltraTech, and Ramco. We believe such a large discount is excessive as (a) ACC has arrested its market share losses since CY17, (b) cost is expected to stay in check, aided by savings in logistic costs, and (c) with planned expansions, the proportion of inefficient assets would decline, improving profitability.
- We value ACC at 10x Mar'23 EV/EBITDA (~20% discount to the past five-year average of 12.5x) to arrive at Target Price of INR2,205; this implies target EV/t of ~USD105 and target P/E of 20x on CY22E. Maintain **Buy.**

Quarterly Performance (Standalone) **(INR m)**

Y/E December	CY20				CY21				CY20	CY21E	MOSL	Var
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Cement Sales (m ton)	6.56	4.76	6.49	7.71	7.97	7.27	6.70	7.96	25.53	29.90	7.73	3
YoY Change (%)	-12.5	-33.9	0.8	-0.6	21.5	52.8	3.2	3.3	-11.6	17.1	17.8	
Net Sales	**35,017**	**26,008**	**35,373**	**41,447**	**42,919**	**40,785**	**37,224**	**43,319**	**137,845**	**164,247**	**41,690**	3
YoY Change (%)	-10.6	-37.3	0.3	2.1	22.6	56.8	5.2	4.5	-12.0	19.2	19.1	
Total Expenditure	29,159	20,764	28,666	34,446	34,325	32,761	31,143	35,980	113,035	134,210	34,452	
EBITDA	**5,859**	**5,244**	**6,707**	**7,001**	**8,594**	**8,024**	**6,081**	**7,339**	**24,811**	**30,037**	**7,238**	19
Margins (%)	16.7	20.2	19.0	16.9	20.0	19.7	16.3	16.9	18.0	18.3	17.4	
Depreciation	1,571	1,618	1,600	1,565	1,424	1,500	1,550	1,576	6,353	6,050	1,650	
Interest	106	131	160	174	112	120	130	138	570	500	170	
Other Income	547	502	449	542	432	550	600	624	2,040	2,205	500	
PBT before EO Item	**4,728**	**3,998**	**5,397**	**5,804**	**7,489**	**6,954**	**5,001**	**6,249**	**19,927**	**25,692**	**5,918**	27
EO Income/(Expense)	0	0	0	-3,049	0	0	0	0	-3,049	0	0	
PBT after EO Item	**4,728**	**3,998**	**5,397**	**2,755**	**7,489**	**6,954**	**5,001**	**6,249**	**16,878**	**25,692**	**5,918**	27
Tax	1,529	1,318	1,766	-1,885	1,915	1,808	1,300	1,657	2,728	6,680	1,539	
Rate (%)	32.3	33.0	32.7	-68.4	25.6	26.0	26.0	26.5	16.2	26.0	26.0	
Reported PAT	**3,199**	**2,680**	**3,631**	**4,639**	**5,574**	**5,146**	**3,700**	**4,592**	**14,149**	**19,012**	**4,380**	27
Adjusted PAT	**3,499**	**2,959**	**3,994**	**4,295**	**5,574**	**5,146**	**3,700**	**4,592**	**14,746**	**19,012**	**4,380**	27
Margins (%)	10.0	11.4	11.3	10.4	13.0	12.6	9.9	10.6	10.7	11.6	10.5	
YoY Change (%)	3.4	-34.4	33.1	59.5	59.3	73.9	-7.3	6.9	8.5	28.9	25.2	

Income Statement (INR/ton) – incl RMC

	CY20				CY21				CY20	CY21E	MOSL	Var
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Blended Realization	**5,338**	**5,464**	**5,450**	**5,376**	**5,385**	**5,609**	**5,558**	**5,441**	**5,399**	**5,493**	**5,397**	0
YoY Change (%)	2.2	-5.2	-0.5	2.7	0.9	2.6	2.0	1.2	-0.4	1.7	1.1	
Increase/ Decrease in stock	-251	264	103	149	-78	0	0	0	56	0	0	
Raw Material	976	786	945	963	1,014	970	1,010	1,013	928	994	970	5
Staff Cost	318	370	316	323	258	289	314	268	329	281	278	-7
Power & fuel	1,119	960	970	975	1,009	1,080	1,090	1,091	1,008	1,058	1,100	-8
Freight	1,442	1,268	1,331	1,322	1,366	1,386	1,386	1,382	1,344	1,378	1,352	1
Other expenditure	842	715	752	735	737	780	850	765	763	778	760	-3
Total Expenditure	**4,445**	**4,362**	**4,417**	**4,468**	**4,307**	**4,505**	**4,650**	**4,519**	**4,428**	**4,488**	**4,460**	-3
EBITDA	**893**	**1,102**	**1,033**	**908**	**1,078**	**1,103**	**908**	**922**	**972**	**1,005**	**937**	15
YoY Change (%)	26.2	1.5	19.6	30.4	20.7	0.2	-12.2	1.5	16.5	3.4	4.9	

ICICI Prudential Life Insurance

Estimate change	↓
TP change	↑
Rating change	↔

Bloomberg	IPRU IN
Equity Shares (m)	1,435
M.Cap.(INRb)/(USDb)	649.4 / 8.7
52-Week Range (INR)	538 / 330
1, 6, 12 Rel. Per (%)	9/-12/-29
12M Avg Val (INR M)	1206

Financials & Valuations (INR b)

Y/E MARCH	FY21	FY22E	FY23E
Net Premiums	349.7	414.9	488.4
Surplus / Deficit	21.1	23.1	27.4
Sh. holder's PAT	9.6	12.5	13.5
NBP growth unwtd (%)	5.9	30.0	23.0
APE growth - (%)	-12.5	29.1	23.0
Tot. Premium gr. (%)	6.9	17.6	17.7
VNB margin (%)	25.1	24.7	25.3
RoE (%)	11.8	13.0	12.7
RoEV (%)	26.5	14.7	14.6
Total AUMs (INRt)	2.1	2.4	2.8
VNB (INRb)	16.2	20.6	26.0
EV per share	202.8	232.6	266.7
Valuations			
P/EV (x)	2.2	1.9	1.7
P/EVOP (x)	18.5	14.8	12.5

Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	73.5	73.5	75.0
DII	4.7	4.6	5.5
FII	16.3	15.8	13.3
Others	5.5	6.1	6.2

FII Includes depository receipts

CMP: INR452 TP: INR600 (+33%) Buy

Business growth perks up on strengthened distribution and product segments

Non-Linked Savings mix increases sharply; reiterates guidance to double VNB over FY19-23

- ICICI Prudential Life (IPRU) posted 23% YoY growth in new business premium, led by a steady traction in both regular and single premium business. APE in 4Q grew 27% YoY (22% beat, 27% YoY decline in 9MFY21), led by a 106% growth in Non-Linked Savings APE. Annuity APE grew 215% YoY (120% for FY21), while linked APE growth recovered to 11% YoY. Persistency improved across most cohorts, with 13th month persistency at 84.8% (higher than pre-COVID levels).
- VNB margin moderated to 23.6% (25.1% in FY21), led by moderation in Protection mix. We estimate IPRU to deliver ~25% CAGR in VNB over FY21-23E, led by robust premium growth, buoyed by new partnerships and product segments, enabling operating RoEV of ~15% over FY21-23E. **Maintain BUY.**

Total premium grows 14% YoY; persistency improves sharply

- Gross premium income grew ~14% YoY led by 23% YoY growth each in regular and single premium business. Renewal premium grew at a modest ~7% YoY. Shareholders' PAT declined sharply to INR0.64b in 4QFY21. During FY21, IPRU reported 7% growth in premium income, while shareholder PAT declined 10% YoY.
- Total APE grew 27% YoY in 4Q, led by a 106% growth in Non-Linked Savings business (215% growth in Annuity), while growth in the Linked Savings business turned positive (at 11% YoY) after being in the red for most of FY21. The share of ULIP declined to ~48% (v/s 65%/82% in FY20/FY18), while the share of Protection stood at 16.2% (15.1% in FY20). The management expects continued momentum in business growth led by the Non-Linked Savings business.
- VNB margin moderated to 23.6% (25.1% in FY21) on lower Protection mix. The same was supported by stronger trends in the Non-Linked segment. Absolute VNB for 4QFY21 grew 26% YoY (7% beat), driving 1% YoY growth in VNB over FY21. The management suggested retaining VNB margin in the -1-+1% range even as the mix of Non-Linked Savings business is likely to improve further.
- Opex grew 20% YoY, while commissions grew 26%. Cost-to-total weighted received premium (TWRP) moderated to 14.8% (15.9% in FY20). In the Savings business, cost/TWRP moderated to 9.6% (v/s 10.4% in FY20).
- Persistency has improved across cohorts and product segments. On a sequential basis, it has improved in the 13th/61st month by 210bp/30bp to 84.8%/58.3% and the management expects it to improve further. Thirteen month persistency in the Non-Linked Savings business, including single premium, improved to 94% (among the highest in the industry).

- On the distribution side, the share of banca channel in total APE stood at 42% (51% in FY20). However, the mix of non-ICICIBC banca contribution has increased to 11%. The share of ICICIBC in total APE has declined to 31% v/s 47% in FY18.

Highlights from the management commentary

- Business mix has diversified, with the contribution of ULIP declining to 48% v/s 82% in FY18. Mix of Non-Linked Saving Products/Protection increased to 31%/16% v/s 11%/6% in FY18.
- Change in operating assumptions in EV at INR3.1b was negatively impacted by the adverse mortality experience of ~INR2.6b due to COVID-19.
- No further Re-insurance hikes are expected at present. However, the company would continue to pass on any future hike to customers.

Valuation and view

Annuity/Non-Linked Savings segments are likely to see healthy growth and should help drive premium growth. We expect the ULIP business to revive gradually owing to a benign base and addition of new banca partners. Persistency trends have improved across cohorts/products. We expect a further recovery in coming quarters as the mix of Protection/Non-Linked Savings continues to improve, both of which have a higher persistency rate. We estimate IPRU to deliver ~25%/26.5% CAGR in new business APE/VNB growth over FY21-23E, led by stable margin and controlled opex, enabling 15% growth in operating RoEV. **Maintain Buy with a TP of INR600/share (2.3x FY23E EV and 16.6x FY23E EVOP).**

Quarterly performance (INR m)

Policyholder's A/c	FY20				FY21							
(INR m)	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY20	FY21	4Q FY21E	Variance
Net premium inc.	62,081	80,647	81,310	104,751	55,511	85,722	89,708	118,793	328,790	349,734	119,837	-1%
Growth (%)	*14.2%*	*6.1%*	*8.7%*	*4.2%*	*-10.6%*	*6.3%*	*10.3%*	*13.4%*	*7.5%*	*6.4%*	*14.4%*	
Renewal premium	40,427	52,398	52,255	64,352	41,398	57,742	56,801	69,126	209,432	225,068	70,529	-2%
Growth (%)	*7.9%*	*2.7%*	*4.4%*	*-4.1%*	*2.4%*	*10.2%*	*8.7%*	*7.4%*	*1.8%*	*7.5%*	*9.6%*	
PAT	**2,849**	**3,019**	**3,025**	**1,795**	**2,876**	**3,032**	**3,056**	**638**	**10,687**	**9,605**	**3,007**	**-79%**
Growth (%)	1.2%	0.3%	1.9%	-31.3%	0.9%	0.5%	1.0%	-64.5%	-6.3%	-10.1%	67.5%	
Key metrics (INR b)												
New Business APE	14.7	19.0	20.4	19.7	8.2	14.7	16.7	25.1	71.1	64.6	20.6	22%
Growth (%)	5.3	-4.3	3.8	-19.7	-44.0	-22.9	-18.3	27.1	-2.9	-9.1	21.0	
VNB	3.1	4.0	4.3	4.7	2.0	4.0	4.3	5.9	16.0	16.2	5.5	7%
Growth (%)	26.6	15.6	33.1	12.2	-35.0	0.2	0.5	25.7	20.8	1.3	17.1	
AUM	1,640	1,655	1,720	1,530	1,700	1,815	2,049	2,142	1,530	2,142	2,120	1%
Growth (%)	15.0	13.3	14.6	-4.6	3.6	9.7	19.1	40.0	-4.6	40.0	39	
Key Ratios (%)												
VNB Margins (%)	21.0	21.1	20.9	23.8	24.4	27.4	25.7	23.6	21.7	25.1	26.8	
Solvency ratio (%)	217	211	207	194	205	206	226	217	194	217	220	

E: MOFSL estimates

Digital Payments Tracker

Outstanding Credit Cards grew 8% YoY; spends decline 4% YoY

ICICIBC and SBICARD comprise ~63% of incremental market share in 11MFY21

- **The Banking system reported net additions of 549k new Credit Cards in Feb'21 (a 47% YoY decline) v/s 701k new additions in Jan'21. This has taken the total Credit Card base to ~61.6m (7.9% YoY growth) v/s a growth of 8.9% YoY in Jan'21.**
- **During Feb'21, ICICIBC, SBICARD, and AXSB were the largest Credit Card acquirers, with an incremental market share of 36.1%, 18.1%, and 18%, respectively. In 11MFY21, ICICBC gained the highest incremental market share of ~32.4%, followed by SBICARD at 30.6%.**
- **Credit Card spends declined 4% YoY to INR604b in Feb'21. In 11MFY21, total spends declined 18.4% YoY to INR5.6t. Among large players, ICICIBC reported a 10% YoY growth in monthly card spends, while HDFCB and SBICARD reported a marginal decline.**
- **SBICARD and ICICIBC continued their strong performance, resulting in an 80-110bp increase in market share in outstanding cards to 19%/16.8% in Feb'21 from 18.3%/15.8% in FY20. RBK and IIB have largely maintained their market share, while other major players (HDFCB, AXSB, CITI, KMB, AMEX, and SCB) have lost market share.**
- **While the surge in COVID-19 cases and ensuing lockdown in various states could slow down the recovery momentum, SBICARD would continue to gain market share, led by its diverse acquisition channels. We maintain a Buy on SBICARD with a TP of INR1,200 per share.**

Addition in net cards MoM and growth (%)

Card additions (Numbers in '000)	Feb'21	YoY growth
Industry	**549.3**	**-47.1**
ICICIBC	198.5	11.6
SBICARD	99.6	-54.9
AXSB	98.8	50.4
RBK	41.4	-49.3
KMB	21.8	-44.3
SCB	10.4	-87.0
AMEX	-4.2	NM
CITI	-8.5	NM
IIB	-33.5	NM
HDFCB	-57.0	NM

Source: MOFSL, RBI

Outstanding Credit Cards grew 8% YoY; ICICIBC and SBICARD are key gainers

Total number of outstanding Credit Cards for the system grew 7.9% YoY in Feb'21 (v/s 8.9% YoY in Jan'21) to ~61.6m. Among the major players, ICICIBC reported strong (15.7% YoY) growth, followed by IIB (13.1%) and SBICARD (12.3%). RBK too reported a healthy (10.4% YoY) growth in its outstanding card base. Foreign players like CITI/AMEX saw a decline of 5%/8%. SBICARD/ICICIBC continued their strong performance, resulting in an 80-110bp increase in their market share to 19%/16.8% in Feb'21 from 18.3%/15.8% in FY20, while HDFCB continues to be the largest player with a market share of 24.7% (-46bp in 11MFY21).

Number of cards and YoY growth (%)

No of cards (Numbers in m)	Feb'21	YoY growth
Industry	**61.6**	**7.9**
HDFCB	15.2	5.6
SBICARD	11.7	12.3
ICICIBC	10.4	15.7
AXSB	7.0	1.7
RBK	2.9	10.4
CITI	2.6	-5.4
KMB	2.4	2.7
AMEX	1.6	-8.0
IIB	1.5	13.1
SCB	1.5	5.3

Source: MOFSL, RBI

549k cards added in Feb'21, ICICIBC and SBICARD account for ~54% share

In Feb'21, ~549k cards were added to the system, of which ~198k was added by ICICIBC (36% market share), while SBICARD and AXSB added 99-100k, with an incremental market share of ~18% each. RBK added ~41k cards, with an incremental market share of 7.5%. On the hand, HDFCB lost ~57k cards, while IIB lost ~33k cards. In 11MFY21, ICICBC gained the highest (~32.4%) incremental market share, followed by SBICARD at 30.6%. HDFCB's incremental (~18%) market share was affected by a decline in its card base over the past three months. IDFCFB, which recently launched its Credit Cards business, has also gained an incremental market share of ~11% in Feb'21.

Spends decline 4% YoY (-18% in 11MFY21); foreign players lose heavily

Credit Card spends decline 4% YoY to INR604b in Feb'21. In 11MFY21, total spends declined 18.4% YoY to INR5.6t. IIB reported the strongest growth (23.7% YoY) in Feb'21, followed by ICICBC at 10.2%. RBK witnessed modest growth (2%), while HDFCB and SBICARD saw a modest decline (1-2%). AXSB, CITI, and KMB saw a decline in the 15-20% range, while AMEX reported a much sharper fall at 44% YoY. In 11MFY21, ICICIBC and RBK reported a 3-4% decline, while HDFCB and SBICARD reported a 10-12% fall. Other players like CITI/AXSB/AMEX reported a much sharper decline (34%/36%/59%).

Spends growth YoY and YTD (%)

Spends in Feb'21	YoY growth	YTD growth
Industry	**-4.0**	**-18.4**
IIB	23.7	-19.1
ICICIBC	10.2	-3.6
RBK	2.4	-2.8
SBICARD	-1.2	-10.1
HDFCB	-1.6	-11.5
SCB	-8.6	-14.9
KMB	-15.0	-21.8
AXSB	-17.8	-35.5
CITI	-19.8	-33.6
AMEX	-43.8	-59.4

Source: MOFSL, RBI

Spends per card fall due to lower transactions per card; ticket size stable

Monthly spends per card for the industry declined to ~INR9.8k from INR10.5k-11k over the past four months. This was primarily due to a decline in the number of transactions per card to 2.6 from an average of 2.9 over a similar period. The ticket size however remained stable ~INR3,700. Most players, barring AXSB, saw a decline in their spends per card, with HDFCB, SBICARD, and CITI witnessed a decline of INR1,200-1,500, while others saw a modest decline. Ticket size though remained broadly stable, with IIB (INR8,300) and AMEX (INR5,100) having the highest ticket size, while all other players were in the INR3,300-3,900 range, barring CITI and SCB, which were lower ~INR2,800.

UPI payments grew 93% YoY in FY21; ticket size increasing gradually

UPI continues to witness robust growth, with total payments growing ~93% YoY in FY21 to INR41t. UPI payments witnessed strong traction and grew ~145% YoY in Mar'21. Ticket size in UPI has been seeing an increasing trend, which increased to INR1,800-1,900 in FY21 v/s INR1,200 in FY18. This indicates an increasing acceptance of UPI payments for higher value items. The market share of UPI has been constantly increasing and stood ~73% over 11MFY21 v/s a mere 9% in FY18, while the share of Debit/Credit Cards stood at 11-12%. Credit Card spends could see some moderation as rising COVID-19 cases and ensuing lockdowns would result in lower discretionary spending in the Travel, Tourism and Entertainment segments. Rising share of e-commerce transactions and a gradual recovery in other segments would enable spends to grow at a modest pace in the medium term.

India Life Insurance

Insurance Tracker

Private players' individual WRP up ~90% YoY in Mar'21, albeit on low base

LIC up ~196% YoY on low base; private player's market share reaches 60% in FY21

- **Private players' individual weighted received premium (WRP) increased 89.5% YoY in Mar'21 (v/s 23.0% YoY in Feb'21), while the industry posted growth of 121.3% YoY. This was primarily on account of a low base – individual WRP for private players / the industry declined ~40%/44% in Mar'20, weighed by the COVID outbreak and subsequent lockdown. However, insurers witnessed a healthy uptick in Mar'21 (seasonally strong quarter), led by a focus on Non-PAR, with ULIP showing signs of recovery. Private players' individual WRP grew 7.5% YoY in FY21, while that of the industry was up 3.0% YoY.**
- **Among the listed players, SBILIFE posted growth of ~119% YoY in Mar'21 (-42% in Mar'20). IPRULIFE reported growth of ~98% (-49% in Mar'20), and HDFCLIFE grew ~75% YoY (-28% in Mar'20). On the other hand, MAXLIFE continued to deliver a resilient performance with ~56% YoY growth (-36% YoY in Mar'20).**
- **Mid-sized players reported strong growth, with TATA AIA / Bajaj Allianz reporting growth of 116%/104% YoY. Kotak Life / Birla Sun Life reported growth of ~63%/61% YoY. These players had reported declines of 36–39% in Mar'20.**
- **LIC posted growth of ~196% YoY in individual WRP (v/s decline of 65% YoY in Mar'20). In FY21, LIC's individual WRP declined 3.2% YoY.**
- **The industry managed to post growth despite FY21 being a challenging year, with private players reporting growth of ~8%. We expect strong traction in premium growth over FY22, with the focus on the Non-PAR and Protection segments continuing – even as ULIP trends may remain tepid. MAXLIFE and SBILIFE are our preferred picks.**

Private players' individual WRP market share at ~60% in FY21

Private players' individual WRP market share declined ~430bp MoM to ~60% in Mar'21 v/s ~64% in Feb'21, while LIC's market share stood at 40% for FY21. In FY21, SBI Life (13.5%) remained the largest private insurer in terms of individual WRP, followed by HDFC Life (9.2%) and IPRU life (7.2%). On an un-weighted basis, SBI Life was the largest private insurer (with market share of 7.4%), followed by HDFC Life (7.3%) and IPRU Life (4.7%).

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 ~55% in Mar'21 (v/s ~61% in FY21). Tata AIA, Bajaj Allianz, and Birla Sun Life are firmly positioned among the 5th–7th largest private insurers in terms of individual WRP. Among the key listed players, on the basis of individual WRP:

- **HDFC Life** reported growth of 75.4% YoY (+17.3% YoY in FY21); the total un-weighted premium grew ~45% YoY (+16.4% YoY in FY21).
- **SBI Life** reported growth of 119.2% YoY (+4.6% YoY in FY21); the total un-weighted premium grew 127.2% YoY (+24.3% YoY in FY21).
- **IPRU Life** reported growth of 98.1% YoY (-17.9% YoY in FY21); the total un-weighted premium grew 119% YoY (+5.5% YoY in FY21).
- **Max Life** reported growth of 56.2% YoY (+19.4% YoY in FY21); the total un-weighted premium grew 56.5% YoY (+22.3% YoY in FY21).

Individual WRP and YoY growth (%)

Individual WRP, INRm	Mar-21	YoY growth
Grand Total	**132,307**	**121.3**
Total Public	**52,957**	**195.7**
Total Private	**79,350**	**89.5**
SBI Life	15,027	119.2
HDFC life	10,590	75.4
ICICI Prudential	9,471	98.1
Max Life	8,608	56.2
Tata AIA	7,115	115.8
Bajaj Allianz	4,795	103.8
Kotak Life	4,348	62.6
Birla Sun life	3,429	61.4
PNB Met Life	3,022	133.5

Source: IRDAI, LIC Council, MOFSL

Un-weighted new business premium and growth

INR m	Mar'21	YoY Growth	FY21	YoY Growth	FY20	YoY growth
Grand Total	**434,167**	**70.9%**	**2,782,779**	**7.5%**	**2,588,966**	**20.6%**
Total Public	**281,059**	**64.7%**	**1,841,745**	**3.5%**	**1,779,771**	**25.2%**
Total Private	**153,108**	**83.5%**	**941,034**	**16.3%**	**809,196**	**11.5%**
HDFC life	29,913	45.2%	202,424	16.4%	173,963	16.2%
SBI Life	25,612	127.2%	206,255	24.3%	165,918	20.3%
ICICI Prudential	21,570	119.4%	130,322	5.5%	123,482	20.4%
Bajaj Allianz	12,917	120.7%	63,129	21.9%	51,787	5.2%
Kotak Life	12,746	71.2%	52,565	3.0%	51,058	28.4%
Max Life	12,132	56.5%	68,269	22.3%	55,836	8.2%
Tata AIA	7,911	105.9%	41,440	27.9%	32,411	30.9%
Birla Sun life	7,131	48.3%	45,642	24.8%	36,571	-6.6%
PNB Met Life	3,984	110.1%	19,962	12.2%	17,787	5.8%

Source: IRDAI, LIC Council, MOFSL

Individual WRP, growth, and market share

INR m	Mar'21	YoY growth	Mkt share	FY21	YoY growth	Mkt share	FY20	YoY growth	Mkt share
Grand Total	**132,307**	**121.3%**	**100.0%**	**756,581**	**3.0%**	**100.0%**	**7,34,885**	**6.2%**	**100.0%**
Total Private	**79,350**	**89.5%**	**60.0%**	**451,918**	**7.5%**	**59.7%**	**4,20,314**	**4.8%**	**57.2%**
Total Public	**52,957**	**195.7%**	**40.0%**	**304,663**	**-3.2%**	**40.3%**	**3,14,572**	**8.3%**	**42.8%**
SBI Life	15,027	119.2%	11.4%	102,244	4.6%	13.5%	97,711	9.1%	13.3%
HDFC life	10,590	75.4%	8.0%	69,979	17.3%	9.2%	59,646	19.0%	8.1%
ICICI Prudential	9,471	98.1%	7.2%	54,536	-17.9%	7.2%	66,427	-6.4%	9.0%
Max Life	8,608	56.2%	6.5%	48,702	19.4%	6.4%	40,785	5.2%	5.5%
Tata AIA	7,115	115.8%	5.4%	34,164	26.9%	4.5%	26,918	20.6%	3.7%
Bajaj Allianz	4,795	103.8%	3.6%	24,673	28.0%	3.3%	19,268	10.6%	2.6%
Kotak Life	4,348	62.6%	3.3%	18,185	10.5%	2.4%	16,454	-1.3%	2.2%
Birla Sun life	3,429	61.4%	2.6%	19,388	13.9%	2.6%	17,018	0.5%	2.3%
PNB Met Life	3,022	133.5%	2.3%	14,514	11.9%	1.9%	12,964	-5.5%	1.8%

Source: IRDAI, LIC Council, MOFSL

Market share among private players on un-weighted and individual WRP

INR m	Un weighted Premiums			Individual WRP		
(%)	Mar'21	FY21	FY20	Mar'21	FY21	FY20
Grand Total	**434,167**	**2,782,779**	**2,588,966**	**132,307**	**756,581**	**734,885**
Total Private	**153,108**	**941,034**	**809,196**	**79,350**	**451,918**	**420,314**
SBI Life	16.7%	21.9%	20.5%	18.9%	22.6%	23.2%
HDFC Life	19.5%	21.5%	21.5%	13.3%	15.5%	14.2%
ICICI Prudential	14.1%	13.8%	15.3%	11.9%	12.1%	15.8%
Max Life	7.9%	7.3%	6.9%	10.8%	10.8%	9.7%
Tata AIA	5.2%	4.4%	4.0%	9.0%	7.6%	6.4%
Bajaj Allianz	8.4%	6.7%	6.4%	6.0%	5.5%	4.6%
Birla Sun life	4.7%	4.9%	4.5%	4.3%	4.3%	4.0%
Kotak Life	8.3%	5.6%	6.3%	5.5%	4.0%	3.9%
PNB Met Life	2.6%	2.1%	2.2%	3.8%	3.2%	3.1%
Canara HSBC OBC	2.4%	2.4%	1.9%	2.9%	2.3%	2.3%

Source: IRDAI, LIC Council, MOFSL

Healthcare

Increased coverage, better pricing outlook bode well for vaccine manufacturers

- **The Government of India today announced the eligibility criteria for vaccinations to be extended to 18+ years of age from 1st May'21. This would create additional demand for nearly 1.2b vaccine doses in India.**
- **Furthermore, vaccine manufacturers would be given the flexibility to supply 50% of their doses to the state governments and private market – pricing for the doses would be declared in advance.**
- **While the current supply run-rate (~90m doses/month) is much lower v/s demand, a) faster approvals, b) better pricing, and c) new capacity additions would help reduce the demand-supply gap, to some extent.**

Announcement details

- GOI today announced adults aged 18+ years would also be eligible for vaccination from 1st May'21 in Phase 3 of the national vaccination program.
- Vaccine manufacturers would need to supply 50% of their production to the center and would be free to supply the remaining 50% to the state governments / open markets (non-GOI channel). Manufacturers would need to declare in advance the pricing for the 50% doses that they would supply to the state governments / open market. Private hospitals would have to procure their supplies from this 50% quota.
- The government also plans to allow imported vaccines such as Pfizer and Moderna to be entirely usable by non-GOI channels.
- GOI would continue to provide vaccinations to all eligible healthcare workers, frontline workers, and people aged 45+ years free of charge. The cost of vaccinations for those between the ages of 18 and 45 years would have to be borne by the consumer.

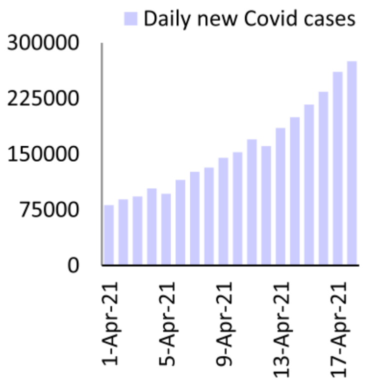
Demand remains far higher than supply

- ~125m people in India have received at least one dose of a vaccine to date. 43–44% (~600m) of the Indian population falls in the 18–45 years age group. This implies the need for an additional 1.2b doses (assuming two doses per person) to vaccinate the entire population in this age group.
- Bharat Biotech (10m per month), Serum Institute of India (60–70m doses per month), and Dr Reddy's Lab (DRRD; ~12m doses per month) would provide only 90m vaccine doses per month – far lower than demand.
- However, a) faster approvals for newer potential vaccines, b) the import of fully ready-to-use vaccines, and c) better pricing would help enhance capacity to meet the demand for ~1.2b vaccine doses. Moreover, financial assistance from GOI to three state-run vaccine makers would aid the capacity increase to ~100m doses by Sep'21.

Advantage DRRD

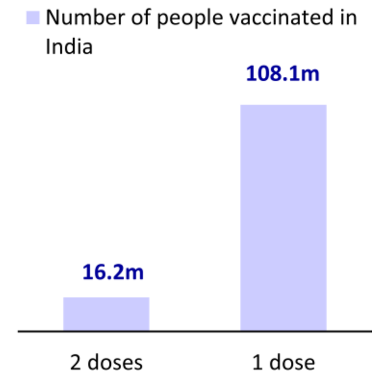
- DRRD has a license to market the first 250m doses of Sputnik V in India. We had assumed <USD2/dose for the 250m doses, with potential revenue of USD300m. With the govt. now opening up the distribution of vaccines to private players, we est. an additional INR100/dose for 50% of the vaccines. This would result in an incremental revenue opportunity of INR12.5b for DRRD. We await further clarity on vaccine pricing in the private market.

Daily COVID cases reach new high of 270k+



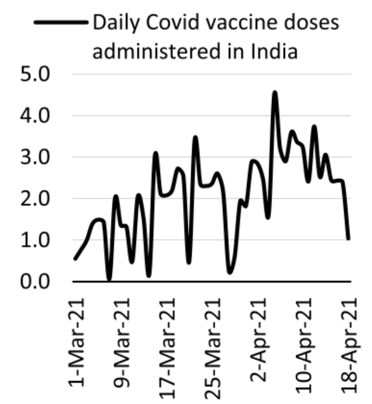
Source: MOFSL, Covid19India.org

At least one dose of vaccine administered to ~9% of Indian population to date (m)



Source: MOFSL, Cowin/GoI

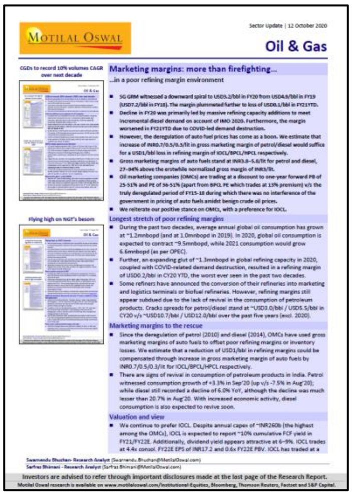
Supply constraints hampering quick ramp-up in vaccinations (m)

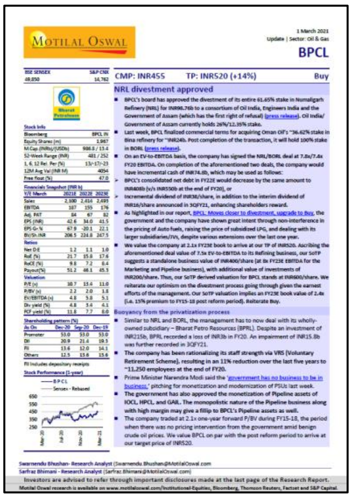


Source: MOFSL, Cowin/GoI

Oil & Gas

Our earlier reports





Revival in GRMs expected soon…

…to aid OMCs

- **OECD's Composite Leading Indicator, for the past few months, has been showing signs of improvement for certain large economies such as the US, China, and Japan. As a result, after fourteen consecutive months of YoY decline, global petroleum consumption grew 5% YoY in March 2021.**
- **SG GRM has improved to USD2.4/bbl in Apr'21 (to date) after posting lows of USD0.7/bbl in FY21. Improvement is seen largely in petrol crack spreads – with the commencement of the driving season in the US, the largest consumer.**
- **Brent, likely to sustain at USD50–60/bbl, would provide ample leeway for oil marketing companies (OMCs) to maintain healthy marketing margins. The current gross marketing margins of petrol/diesel stand at INR0.7/lit / INR4.1/lit. We build in INR3.3/lit for FY22/FY23. We reiterate our Buy recommendation for BPCL and IOCL and a Neutral rating for HPCL.**

Signs of recovery in refining margins

- Petrol crack spreads have moved up to USD8.5/bbl in Apr'21 (from USD3.4/bbl in FY21) with the commencement of the driving season in the US.
- **OPEC raised its forecast for global oil demand by 190kbopd for 2021 in Apr'21, compared with that in Mar'21.** Diesel crack spreads are also likely to revive with the revival in the global economy.
- SG GRM has inched up to USD2.4/bbl in Apr'21 vis-à-vis USD4.9/bbl / USD3.2/bbl / USD0.7/bbl in FY19/FY20/FY21. We expect SG GRM to revive to USD5–6/bbl, in line with long-term trends. Our earlier reports (link) discuss how the specter of GRMs has resulted in closures globally, which is thereby expected to drive up GRMs.

Gross marketing margins to recover

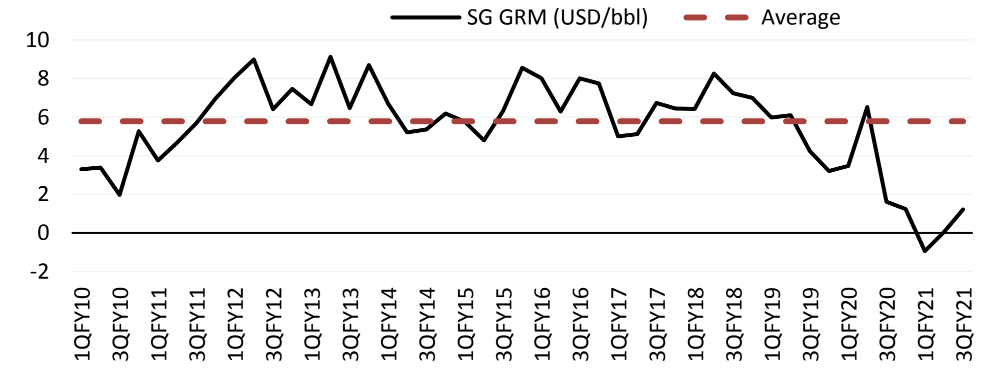
- With the sudden spike in Brent towards end-Mar'21, gross marketing margins of auto fuels declined to INR0.1/lit / INR2.7/lit for petrol/diesel over the second fortnight of Mar'21. In Apr'21, they stand at INR0.7/lit / INR4.1/lit.
- With increased oil supply, we expect Brent to soften to USD50–60/bbl, which would provide further leeway to OMCs to maintain healthy margins for auto fuels.
- We build in gross margins of INR3.3/lit for petrol and diesel for FY22/FY23. This is much lower than INR6.9–7.1/lit in 9MFY21. **Our estimates suggest that INR1/lit change in the gross margins of auto fuels would change the EBITDA of IOCL/BPCL/HPCL by 7%/6%/9% for FY22.**

Valuation and recommendation

- IOCL/BPCL/HPCL has underperformed the Nifty by 54%/44%/53% over the past year. Concerns have largely been related to poor refining margins and a drop in refining throughput and sales (due to COVID-related demand destruction).
- However, Mar'21 saw a 5% YoY increase in demand for petroleum products – after fourteen consecutive months of decline. With demand revival, we expect SG GRM to revert to its long-term average of USD5–6/bbl.

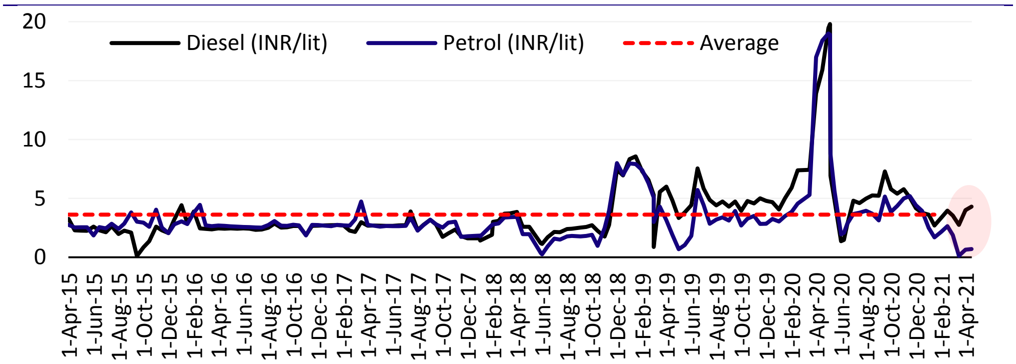
- IOCL/BPCL looks attractive trading at 0.8x/1.8x FY22 PBV and 7.4x/5.3x FY22 EV/EBITDA. IOCL is expected to generate FCFF of 14/share / 17/share during FY22/FY23, with dividend yield of 10–12%. Valuing it at 1.2x FY23 PBV, we arrive at Target Price of INR142/share and recommend a Buy rating on the stock.
- With the government and the company undertaking meaningful steps to remove the bottlenecks related to the disinvestment, we believe it would likely conclude soon (link). We value BPCL at 2.1x FY23PBV to arrive at Target Price of INR520/share and recommend a Buy rating.
- HPCL is likely to see its net debt rise to INR634b by FY23, from INR392b in FY20, with projects such as the Vizag expansion and Rajasthan refinery. We also foresee challenges in the commissioning of the Vizag refinery. As a result, we recommend a Neutral rating on the stock, valuing it at 1.2x FY23 PBV, with Target Price of INR277/share.

SG GRM up to USD2.4/bbl in Apr'21 (to date) from USD1.8/bbl in 4QFY21 on improvement in gasoline cracks



Source: MOFSL

Marketing margins contract to INR0.7/lit / INR4.1/lit for petrol/diesel as retail auto fuel prices continue to trend at all-time highs



Source: MOFSL

Fall in no of smaller refiners in last 20 yrs despite increase in total refining capacity – as stricter emission norms do not justify upgrade cost

US refining capacity as of	Jan-00	Jan-10	Jan-20
Number of refineries	151	132	128
Total capacity (mnbopd)	16.8	17.4	18.5
Avg refining capacity (bopd)	1,11,172	1,31,441	1,44,914
Number of refineries with capacity below 100kbopd	92	68	62

Source: EIA, MOFSL

Mindtree: Q4 net profit up 54%; order book 12% higher than last year; Debashis Chatterjee, MD & CEO

- Two successive quarters of 5%+ growth gives us confidence
- Order book of $1.4 bn in FY21 is 12% higher than last year; pipeline has never been stronger
- Focus on key, strategic accounts, cross-selling and upselling
- Will deliver double-digit growth and EBITDA margin above 20% in FY22
- There has been a delay in closures in BFSI, expect these to happen in Q1
- Added 1600 employees in Q4; hiring will increase further in Q1
- Did not lose travel and hospitality clients during the pandemic but revenue came down
- See robust hiring in next few quarters owing to high demand and strong pipeline
- War for talent has aggravated in the last few quarters
- Focussed on cross-skilling employees
- Have been able to contain attrition over 4-5 quarters
- Have offered promotions last year and wage hikes in January
- Full recovery in couple of quarters away but there are greenshoots

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Maruti Suzuki: Government has not procured ventilators ordered from industry; RC Bhargava, Chairman

- A lockdown is not the solution
- Companies must ensure protocols are followed
- Consumer and business confidence likely to suffer
- Daily wage earners would be hit the hardest
- Need an analytical approach on curbs
- Pandemic needs micro solutions
- COVID appropriate behaviour a must
- Government has not procured ventilators ordered from industry
- Must maximise production of vaccines

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Shriram Transport Finance: Expect delayed payments but not defaults; Umesh Revankar, MD

- Bulk and essentials are still moving; non-essentials are seeing less demand
- Few states are posing some challenges w.r.t truck movement
- There could be delay in payments, do not expect any defaults
- Small truck operators may delay their payments
- Lockdown has not affected movement of trucks this time
- SMEs and auto component manufacturers may be impacted by the lockdown

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Apollo Tyres: North America is the next growth market; Neeraj Kanwar, Vice Chairma & MD

- Q4 has been a record quarter in both India & Europe
- North America is the next growth market
- Launched truck bus radials in markets which are doing well
- Seeing increase in market share in Europe
- Not looking at increasing capacity further. Will be spending Rs. 1600-1700 crore this year in terms of capex
- Have enough capacity in Andhra Pradesh, Chennai and Hungary
- Will see market gains again in Q4; have gained 400 bps market share in trucks in Q3
- Took price hikes in Feb, Dec & April; some softening of raw materials prices due to COVID
- Semiconductor shortage is heavily impacting the OEM market
- Not seeing any impact on demand due to semiconductor shortage
- Margins are under pressure; second COVID wave has made things uncertain

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