ASIAMONEY Brokers Poll 2020 (India)

Market snapshot

Equities - India	Close	Chg .%	CY20.%
Sensex	51,349	1.2	24.3
Nifty-50	15,116	1.3	24.1
Nifty-M 100	22,765	1.5	32.8
Equities-Global	**Close**	**Chg .%**	**CY20.%**
S&P 500	3,916	0.7	20.2
Nasdaq	13,988	0.9	53.8
FTSE 100	6,524	0.5	-14.2
DAX	14,060	0.0	5.0
Hang Seng	11,560	0.0	2.1
Nikkei 225	29,389	2.1	24.2
Commodities	**Close**	**Chg .%**	**CY20.%**
Brent (US$/Bbl)	60	1.7	-9.0
Gold ($/OZ)	1,831	0.9	20.7
Cu (US$/MT)	8,051	1.6	30.6
Almn (US$/MT)	2,022	0.5	13.9
Currency	**Close**	**Chg .%**	**CY20.%**
USD/INR	73.0	0.1	2.4
USD/EUR	1.2	0.0	7.5
USD/JPY	105.2	-0.2	-3.2
YIELD (%)	**Close**	**1MChg**	**CY20 chg**
10 Yrs G-Sec	6.0	-0.03	-0.5
10 Yrs AAA Corp	6.8	-0.01	-0.9
Flows (USD b)	**8-Feb**	**MTD**	**CY21**
FIIs	0.26	2.53	4.25
DIIs	-0.07	-0.78	-2.35
Volumes (INRb)	**8-Feb**	**MTD***	**YTD***
Cash	826	965	820
F&O	24,967	42,825	37,542

Note: *Average

Today's top research idea

Tata Consumer: Gross margin pressure likely to ease in coming quarters

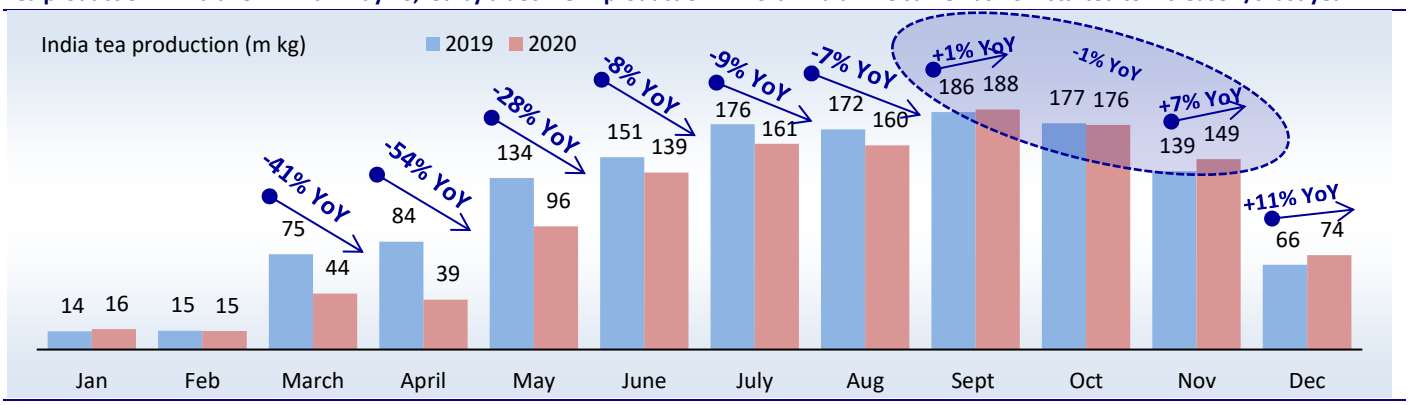
- Performance during 3QFY21 was impacted due to higher tea prices, which led to 840bp contraction in standalone gross margin. Tea prices in North India increased (45% YoY) to INR229/kg over Apr-Dec'20.
- However, prices have cooled off by 40% from the peak of INR284/kg in Aug'20 to INR171/kg in Jan'21. Our channel checks suggest that packaged tea prices of Tata Consumer (for select brands) as compared to pre-COVID levels were above 25% in Oct-Nov'20, but declined 4% in Jan'21 from Oct-Nov'20 levels.
- With price hikes taken by the company and sales from a portion of its low-cost inventory, which it procured in 3QFY21 (tea prices declined from its peak in Aug'20), gross margin pressure in 4Q is likely to ease, provided there is no significant price cut due to competitive intensity.
- The inventory, which will be sold in 1QFY22, would be the one that was procured in 3QFY21. Even after assuming a slightly moderate price increase, it won't materially dent gross margin. We expect gross margin pressure to ease out from 4QFY21 onwards. However, the same will still be lower in 4QFY21 v/s 4QFY20, but will improve QoQ. Gross margin in 1QFY22 is expected to be normalized.

Research covered

Cos/Sector	Key Highlights
Tata Consumer	Gross margin pressure likely to ease in coming quarters
India Strategy	Nifty closes above 15k mark after 25-year journey
Britannia Inds.	Topline outlook challenging; elevated margin unlikely to sustain
Godrej Consumer	All round sales growth proving elusive
Torrent Pharma.	DF, Germany, controlled cost drive earnings
Other Notes	NMDC | Sun TV Network | Aditya Bir. Fas. | Ashoka Buildcon | BPCL | Insurance Monthly | EcoScope

Chart of the Day: Tata Consumer (Gross margin pressure likely to ease in coming quarters)

Tea production in India fell in Mar-May'20, led by a decline in production in North India. The same has now started to increase v/s last year



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In the news today

Kindly click on textbox for the detailed news link

1

Advantage Future Group as HC lifts stay on RIL deal

The Delhi high court on Monday quashed an order that halted Future Group's ₹24,713 crore deal to sell its assets to Reliance Industries Ltd, dealing a blow to Amazon.com Inc.'s efforts to block the sale....

2

RBI to buy bonds worth Rs 20,000 crore via open market operations on Feb 10

The central bank on Friday devolved nearly the entire bond auction on primary dealers, as the markets were demanding higher yields for five-year and 10-year bonds being sold. On Monday, the central bank said it would buy bonds worth Rs 20,000 crore from the secondary markets on Wednesday.

3

Lenders seek sovereign guarantee for ARC plan

Banks plan to approach the finance ministry to seek sovereign guarantee for the bad bank proposed to clean up their balance sheets...

4

5G Trials likely in 2-3 Months

rials for 5G technology in the country are likely to start in two-three months' time, the department of telecommunications (DoT) has informed the parliamentary committee on IT. DoT has already received 16 applications for 5G field trials using imported as well as indigenous technology. ...

5

ArcelorMittal Case: HC dismisses 2 Ruia Cos' plea against ruling to deposit ₹82 cr

The Bombay High Court dismissed a plea filed by two Ruias-owned companies that challenged the single bench ruling asking them to deposit ₹82 crore in the court as security in two separate arbitration suits filed by ArcelorMittal Nippon Steel India (formerly Essar Steel). ...

6

Netherlands extends Covid-19 curfew until 3 March

The curfew in the Netherlands over the novel coronavirus disease (COVID-19) outbreak has been extended until March 3, the country's government said in a statement....

7

Airlines told to rejig UDAN flights to cut viability gap funding by 40%

The Ministry of Civil Aviation has asked all airlines to either reduce the frequency of flights or the number of seats per flight such that their overall Viability Gap Funding (VGF) requirement on routes over 500 km, awarded under the UDAN scheme, is lowered by 40 per cen...

Tata Consumer Products

BSE SENSEX	S&P CNX
51,349	15,116

TATA CONSUMER PRODUCTS

Bloomberg	TATACONS IN
Equity Shares (m)	922
M.Cap.(INRb)/(USDb)	550.2 / 7.5
52-Week Range (INR)	635 / 214
1, 6, 12 Rel. Per (%)	-7/-20/26
12M Avg Val (INR M)	2236
Free float (%)	65.3

Financials Snapshot (INR b)

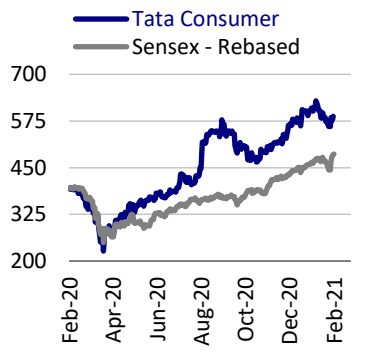
Y/E MARCH	FY21E	2022E	2023E
Sales	114.3	121.9	134.7
EBITDA	15.8	19.5	22.2
Adj. PAT	9.7	12.3	14.3
EBITDA Margin (%)	13.9	16.0	16.4
Cons. Adj. EPS (INR)	10.5	13.3	15.5
EPS Gr. (%)	32.1	26.3	16.5
BV/Sh. (INR)	157	167	176
Ratios			
Net D:E	(0.1)	(0.2)	(0.2)
RoE (%)	6.9	8.2	9.1
RoCE (%)	8.4	10.4	11.5
Payout (%)	27.2	24.8	34.9
Valuations			
P/E (x)	56.3	44.6	38.3
EV/EBITDA (x)	33.5	27.2	24.0
Div. Yield (%)	1.4	1.6	2.6
FCF Yield (%)	3.0	5.7	5.7

Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	34.7	34.7	34.5
DII	13.6	17.7	14.9
FII	25.8	21.7	26.0
Others	26.0	25.9	24.6

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR593 TP: INR680 (+15%) Buy

Gross margin pressure likely to ease in coming quarters

Tea prices in North India increased (45% YoY) to INR229/kg over Apr-Dec'20 (v/s INR158/kg during the same period last year). However, prices have cooled off by 40% from the peak of INR284/kg in Aug'20 to INR171/kg in Jan'21. In this note, we have analyzed the impact of the fall in tea prices on Tata Consumer Products (TCP) in the near term. Here are the key insights:

Tea production has started to normalize…

- Production of North India tea (Assam and West Bengal), which accounts for 84% of the country's tea production, was impacted due to the COVID-led lockdown and floods.
- Indian Assam tea is usually harvested in three flushes:
  - *The first flush is from mid-March to late-June (forms 32% of the whole tea cycle volumes and is of the best quality),*
  - *The second flush is from July to September (forms 38% of volumes and is the second best in terms of quality), and*
  - *The third flush is from October to December (forms 28% of volumes and is of inferior quality v/s the first and second flush) (as per 2019 production data).*
- All India tea production (from Mar-Aug'20) is lower by 154m kg v/s last year due to: a) first flush of the crop being lost as plucking activity came to a standstill due to COVID-induced lockdown, and b) unfavorable weather conditions. In CY20, tea production in India declined 10% (to 1,256m kg), which created a supply crunch, leading to an increase in prices.
- However, production has started to normalize from Sept'20. In Sept'20, tea production grew 1% YoY, but declined by 1% in Oct'20. In Nov/Dec'20, tea production increased by 7%/11% YoY. All of which led to a decline in tea prices from its peak in Aug'20.

… and so have prices

- Shortage in supply led to an increase in North India tea prices by 61% YoY over Apr-Sep'20 to INR261/kg. According to the Tea Board of India, all India tea prices have increased by 50% YoY over Apr-Sep'20 to INR224/kg.
- With an increase in production, North India tea prices have declined 40% from the peak of INR284/kg in Aug'20 (Sept'20 price of INR268/kg) to INR171/kg in Jan'21. Tea prices over Apr-Dec'20 in North India has risen 45% YoY to INR229/kg.
- Our channel checks suggest that packaged tea prices of Tata Consumer (for select brands) as compared to pre-COVID levels were above 25% in Oct-Nov'20, but declined 4% in Jan'21 from Oct-Nov'20 levels.

Gross margin pressure to decline in coming quarters

- Standalone gross margin fell 840bp to 30% in 3QFY21, leading to a 410bp contraction in EBITDA margin to 10% due to high tea prices.

- With price hikes taken by the company and sales from a portion of its low-cost inventory, which it procured in 3QFY21 (tea prices declined from its peak in Aug'20), gross margin pressure in 4Q is likely to ease, provided there is no significant price cut due to competitive intensity.
- The inventory, which will be sold in 1QFY22, would be the one that was procured in 3QFY21. Even after assuming a slightly moderate price increase, it won't materially dent gross margin.
- We expect gross margin pressure to ease out from 4QFY21 onwards. However, the same will still be lower in 4QFY21 v/s 4QFY20, but will improve QoQ. Gross margin in 1QFY22 is expected to be normalized.

Valuation and view

- Performance during 3QFY21 was impacted due to higher tea prices, which led to 570bp contraction in consolidated gross margin. The management expects tea prices to stabilize by 1QFY22. This would ease the pressure on gross margin going forward.
- We expect gross margin to improve sequentially in 4QFY21 and normalize in 1QFY22.
- TCP has two strong legs in the India business - Tata Tea and Tata Salt - by which it is targeting lower double-digit growth, driven by cross-selling between Tata Chemicals and TCP's distribution channels, and expansion into new geographies.
- It is building its third leg - Tata Sampann, which should grow in high double-digits and deals in pulses and spices. The market size of pulses/spices in India currently stands at INR1,500b/INR600b, with unorganized players constituting 99%/70% of the market. Growth is expected by grabbing market share from unorganized players by increasing the distribution reach. Apart from the above, TCP has launched nutrimixes (*chilla), poha*, and *chutney* in the ready-to cook space, which should aid growth.
- Over FY20-23E, we expect sales/EBITDA/PAT of 12%/20%/25% CAGR.
- We arrive at an FY23E SoTP-based TP of INR680/share. Maintain **Buy**.

Exhibit 1: SoTP valuation

EV/EBITDA	FY23E EBITDA	Multiple (x)	EV (INR)
India tea (TCP standalone)	7,134	33	2,36,865
Coffee - India (excluding Starbucks) at 57%	439	10	4,590
Coffee - overseas	3,223	12	38,670
Consumer (Salt and others)	7,640	33	2,53,650
Overseas tea (Tetley UK)	2,519	10	26,324
DCF			
Starbucks JV			29,508
Price/Sales			
NourishCo (JV with Pepsi) and others	2,000	4	8,000
Enterprise value			**5,97,606**
Less: Net debt			**-29,096**
Market value (INR m)			**6,26,702**
No. of shares (m)			**922**
Target price (INR)			**680**

Source: MOFSL

BSE Sensex: 51,349 **S&P CNX: 15,116**

Nifty MILESTONE JOURNEY

- **1996** — **Nifty @ 1107** Index launched in Apr'96 with base set at 1000 (Nov'95)
- **2004** — **Nifty @ 2,000** Journey to 2k was most excruciating, taking a total of 2167 trading days
- **2006** — **Nifty @4,000** Nifty closed above 4K as 2003-08 earnings cycle boosted markets
- **2007** — **Nifty @ 6,000** Nifty closed above 5K in Sep'07. Peaked in Dec'07 at 6K before GFC
- **2014** — **Nifty @ 8,000** Nifty crossed 7K and 8K in 2014 as the NDA formed a government at center
- **2017** — **Nifty @ 10,000** Nifty closed above 9K on Mar'17. In Jul'17 Nifty closed above 10K
- **2018** — **Nifty @ 11,000** Nifty closed above 11K in Jan'18 taking only 124 days
- **2019** — **Nifty @ 12,000** Nifty closed above 11K as NDA returns to power with bigger majority!
- **2020** — **Nifty @14,000** Nifty rebounds sharply from Mar'20 COVID-19 lows
- **2021** — **Nifty @ 15,000** Corporate earnings plus market-friendly budget takes Nifty past 15K in 25 days

Nifty closes above 15k mark after 25-year journey

In flashback – 1996 to 2021

- For the first time in history, the Nifty has closed above the psychological mark of 15k on 8th Feb 2021. Nifty has come a long way after it was launched in Apr'96, when it traded at 1,107, with the base year of Nov'95 set as 1,000. Like the Sensex, which recently crossed the 50k market, Nifty took nearly ~18 years to reach 7K while the next 8K has come in the last ~6.8 years. Nifty 50 Index constituents make up roughly 58% of the total India market cap. On this spectacular journey, the Nifty has mirrored the country's economic growth from the time that it was launched. It saw the initial phase of political instability over 1996–98; since then, it has seen and overcome various challenges – such as the Asian Financial Crisis, the dot com bubble, the Global Financial Crisis, the Taper Tantrum, and the COVID pandemic – all of which have shaped it into the economic powerhouse it is today.
- It has seen a recent sprint to 15k in Feb'21, from pandemic lows of 7.6k in Mar'20 – the index has doubled in just 220 days. The sharp recovery in the index has been driven by a benign global liquidity backdrop, better containment of COVID-19 cases, sharp recovery in corporate earnings, and a market-friendly budget.
- In this note, through select interesting exhibits, we traverse the Nifty's journey from 1,107 in 1996 to 15k today.

Nifty up 14x in ~25 years – a non-linear journey

- While traversing its journey from 1107 to 15k, the Nifty (up ~14x) has delivered 11.1% CAGR returns in the last 25 years. While the returns have been impressive, this has been a non-linear journey (as shown in Exhibit 4).
- CY'2009, the post-GFC year – in which the markets rebounded from the lows of the GFC and the UPA formed a stable government at the center – was the best year of annual returns, with the Nifty delivering 76% gains. On the other hand, CY2008, the year of the Global Financial Crisis (GFC), was the worst – the Nifty ended this year with a 52% decline.
- In the last 25 years, the Nifty has given calendar annual returns of >20% in 10 years and has declined in 7 years.
- The Nifty's journey from 1107 to 2k was the most excruciating – as it took a total of 2,167 trading days (almost 8.7 years). The move from 6k to 7k was also prolonged (1,589 trading days or 6.5 years) as the markets took time to recover from the long phase of correction in the aftermath of the GFC in 2008. On the other hand, the move from 14k to 15k has been the quickest – covered over just 25 days. Of course, as the levels move higher, every 1k point journey implies lower percentage returns.

Sunrise and Sunset: Some sectors have gained prominence, others have faded

- Over the years, the sectoral representation of the Nifty has undergone a world of change. In fact, the representation of sectors remains in consonance with the changes in the underlying economy. The Nifty in Apr'96 had zero representation from Technology and was dominated by Consumer, PSU Banks,

and other sectors such as Oil & Gas, NBFC, Autos, Metals, and Textiles. Private Banks had only one representative in the form of HDFC Bank with 0.4% weight. With a) a change in the economy from Manufacturing to Services over the past three decades and b) the rise of the private sector, the sectoral representation in 2021 is vastly different from that of 1996.

- The Top 2 sectors in 2021 – Private Banks (25.5%) and Technology (16.1%) – had 0.4%/0% representation in the Nifty in 1996.
- PSU Banks and Metals have also seen massive decline in weights to 2.3%/2.1% now in 2021, from 12.2%/10.7% in 1996. Textiles (4.9%), Hotels (2.2%), and Shipping (0.9%) have zero representation in the Nifty as of 2021.
- Consumer / Auto / Capital Goods / Cement weight has dropped to 9.4%/6.0%/2.9%/2.4% in 2021 from 17.6%/10.9%/4.4%/3.9% in 1996. On the other hand, Oil & Gas has remained largely flat (from 11.7% to 11.5%), primarily on account of Reliance. Healthcare has seen a minor increase in weight. Life Insurance and Retail are other smaller sectors with a representation in the Nifty in 2021 (which were not present in 1996).

13 companies have traversed the entire journey!

- Of the 50 stocks in the Nifty, thirteen companies – HDFC Bank, RIL, HDFC, ITC, HUL, L&T, SBI, Tata Motors, Dr Reddy's Labs, Tata Steel, Grasim, Hero, and Hindalco – have been a part of the index's journey since inception.
- The combined market-cap of these 13 companies has grown at a CAGR of 18% between Apr'1996 and Feb'2021.
- The common stock weightage in the Nifty-50 has reduced to 44% currently from 50.8% in Apr'1996.

Nifty Earnings compounded by 8% over FY1997–FY2020

- Nifty EPS compounded by 8% over FY1997–FY2020. Nifty EPS, which was at 75 in FY1997, ended FY2020 at 467.
- Nifty Earnings growth can be broken down into three periods. Over FY1997–FY2003, Nifty EPS grew at a 3.5% CAGR. Post this, over FY2003–08, during the economic boom, Nifty EPS compounded by a 25% CAGR. Again, between FY2008–20, the Nifty EPS CAGR slowed to a 6% CAGR. Post the recent pandemic, we estimate Nifty EPS to grow at a 23.5% CAGR over FY2020–22E to 713.

Valuation multiples changed in line with underlying change in constituents

- In line with the change in the underlying composition of the Nifty, the valuation multiples of the Nifty have also moved up.
- The average P/E multiple of the Nifty between Apr'1996 and Feb'2021 stands at 15.7x; however, the average for the last 10 years is 18.8x.

Britannia Industries

Estimate change	⟷
TP change	↓
Rating change	⟷

Bloomberg	BRIT IN
Equity Shares (m)	240
M.Cap.(INRb)/(USDb)	836.5 / 11.7
52-Week Range (INR)	4015 / 2101
1, 6, 12 Rel. Per (%)	-8/-47/-18
12M Avg Val (INR M)	2864

Financials & Valuations (INR b)

Y/E March	2020	2021E	2022E	2023E
Sales	116.0	131.6	142.1	157.6
Sales Gr. (%)	4.9	13.5	8.0	10.9
EBITDA	18.4	26.0	25.6	28.3
Margins (%)	15.9	19.8	18.0	18.0
Adj. PAT	14.1	19.7	19.1	20.9
Adj. EPS (INR)	58.6	82.1	79.4	87.1
EPS Gr. (%)	21.8	40.0	-3.3	9.7
BV/Sh.(INR)	183.1	185.4	201.3	218.7
Ratios				
RoE (%)	32.6	44.6	41.1	41.5
RoCE (%)	24.1	29.9	27.6	28.6
Payout (%)	59.7	80.0	80.0	80.0
Valuations				
P/E (x)	59.2	42.3	43.7	39.9
P/BV (x)	19.0	18.7	17.3	15.9
EV/EBITDA (x)	44.5	31.5	31.9	28.7
Div. Yield (%)	1.0	1.9	1.8	2.0

Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	50.6	50.6	50.6
DII	10.7	11.5	13.6
FII	17.7	16.0	15.8
Others	21.1	21.9	20.0

FII Includes depository receipts

CMP: INR3,473 TP: INR3,830 (+10%) Neutral

Topline outlook challenging; elevated margin unlikely to sustain

- Britannia Industries (BRIT) was aided by a confluence of positive factors in 9MFY21, such as high in-home consumption (biscuits constitute 75–80% of sales), reduction in ad spends, decline in material cost, and low promotional spends (owing to strong demand). These are likely to drive the strongest topline growth since FY12 (13.5% in FY21E) and the highest PAT growth since FY16 (40% in FY21E).
- However, the sales momentum is tapering after an extraordinary spurt of 26.1% in 1QFY21, with 12.1%/6.1% growth in 2Q/3Q. While the above-mentioned factors leading to the extraordinary margin growth are still at play until 4QFY21, it presents a significant hurdle from an FY22/FY23 perspective. This is because none of these sales/EBITDA growth factors present a structural positive. To put things in perspective, BRIT reported a cumulative EBITDA margin expansion of 140bp between FY16 and FY20, and is likely to witness nearly 400bp expansion in FY21E due to factors that are unlikely to sustain going forward.
- We like the structural story, we maintain our **Neutral** rating on account of: a) fair valuations (43.7x/39.9x FY22E/FY23E EPS), b) sustained concerns related to elevated group inter-corporate deposits (ICDs) – currently ~INR7b (v/s INR6b at the end of FY20 when they crossed their own erstwhile stated threshold of INR5b), and c) an uncertain earnings outlook beyond FY21.

Sales disappoints, profitability in line

- **Consolidated sales increased 6.1% YoY to INR31.7b** (v/s our estimate of INR32.8b) in 3QFY21. Standalone sales grew 5.7% YoY to INR29.8b. Volume growth in the base business is likely to be 3% (v/s our estimate of 7%).
- Consolidated EBITDA grew 21.8% YoY to INR6.1b (in line). Consolidated PBT grew 23.5% YoY to INR6.1b (in line), while consolidated adjusted PAT grew 22.5% YoY to INR4.5b (in line).
- **Consolidated gross margin expanded 220bp YoY to 43.1%.** The company witnessed moderate inflation in most commodities, barring palm oil, which has seen a steep price rise.
- Flattish staff cost (+10bp YoY) and lower other expenses (-30bp YoY), as a percentage of sales, meant that EBITDA margin expanded 250bp YoY to 19.3% (v/s our estimate of 18.5%).
- **Consolidated** sales/EBITDA/PAT grew 14.6%/44.3%/43.7% in **9MFY21**.

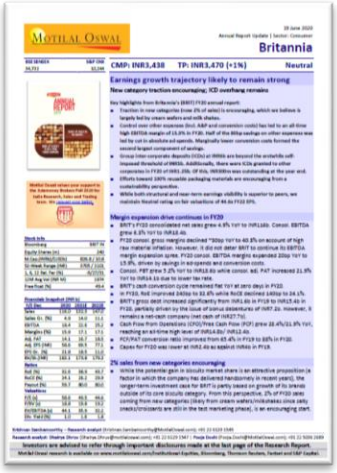
Highlights from the management commentary

- Diversification of the purchase basket of consumers has affected in-home consumption.
- The Hindi belt, which constitutes 35-40% of BRIT's entire market, is doing very well for the company. BRIT's growth in this market has seen a 30-60% increase over FY17 levels. The company has gone from ~10% market share in this market four years ago to 15% at present. Hence, there is still a long way to go.

- Commodity cost saw an overall inflation of ~1% YoY in 3QFY21. Flour and milk saw a deflation of 7% and 15%, respectively. On the other hand, sugar and refined palm oil saw an inflation of 1% and 25%, respectively.
- The management will accelerate the pace of innovation after having taken a step back in 9MFY21.

Valuation and view

- There are no material changes to our EPS forecast.
- As consumers revert to a normalized lifestyle, in-home consumption is likely to normalize after the spike seen in recent quarters. This led to sequential tapering of sales growth. We trim our FY22E/FY23E sales growth outlook as they would also be coming on a high base of FY21.
- At the same time, the extraordinary factors leading to the margin expansion in FY21 are unlikely to continue. This would weigh on margin going forward.
- We like the structural story as new category traction has been impressive in FY20 (**as highlighted in our AR analysis note**). The opportunity in the Packaged Foods industry in India remains massive. However, we maintain our **Neutral** rating on account of: a) fair valuations (43.7x/39.9x FY22E/FY23E EPS), b) sustained concerns related to elevated group ICDs – currently ~INR7b (v/s INR6b at the end of FY20 when they crossed their own erstwhile stated threshold of INR5b), and c) an uncertain earnings outlook beyond FY21. Our TP of INR3,830 per share is set at 45x Dec'22E EPS.


MOTILAL OSWAL
Britannia
CMP: INR3,438 TP: INR3,470 (+1%) Neutral
Earnings growth trajectory likely to remain strong

Consolidated quarterly performance (INR b)

Y/E March	FY20				FY21				FY20	FY21E		Variance
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QFY21E	(%)
Volume growth (%) in the base business	**3.0**	**3.0**	**3.0**	**0.0**	**21.0**	**9.0**	**3.0**	**7.0**	**2.3**	**10.0**	**7.0**	
Net Sales	**27.0**	**30.5**	**29.8**	**28.7**	**34.2**	**34.2**	**31.7**	**31.6**	**116.0**	**131.6**	**32.8**	(3.5)
YoY change (%)	6.2	6.2	4.9	2.5	26.7	12.1	6.1	10.1	4.9	13.5	10.0	
Gross Profit	**10.9**	**12.2**	**12.2**	**11.4**	**14.2**	**14.5**	**13.6**	**13.4**	**46.7**	**55.8**	**13.8**	
Margin (%)	40.4	40.2	40.9	39.7	41.7	42.5	43.1	42.5	40.3	42.4	42.0	
EBITDA	**3.9**	**4.9**	**5.0**	**4.5**	**7.2**	**6.8**	**6.1**	**6.0**	**18.4**	**26.0**	**6.1**	0.6
Margin (%)	14.6	16.1	16.8	15.8	21.0	19.8	19.3	19.0	15.9	19.8	18.5	
YoY growth (%)	1.4	8.3	11.1	4.1	81.7	37.2	21.8	32.2	6.3	41.3	21.1	
Depreciation	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5	1.8	1.9	0.5	
Interest	0.1	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.8	1.2	0.3	
Other Income	0.7	0.7	0.7	0.8	0.9	0.7	0.8	1.0	2.8	3.5	0.8	
PBT	**4.1**	**5.0**	**5.0**	**4.6**	**7.4**	**6.7**	**6.1**	**6.2**	**18.6**	**26.4**	**6.1**	0.8
Tax	1.4	1.0	1.3	0.8	1.9	1.7	1.6	1.3	4.5	6.6	1.5	
Rate (%)	35.1	19.1	25.6	18.6	26.4	26.1	26.2	21.7	24.2	25.2	25.2	
Adjusted PAT	**2.6**	**4.0**	**3.7**	**3.7**	**5.4**	**5.0**	**4.5**	**4.8**	**14.1**	**19.7**	**4.6**	(0.6)
YoY change (%)	2.4	33.2	22.9	26.5	105.4	22.7	22.5	29.9	21.9	40.0	23.3	

E: MOFSL estimates

Godrej Consumer

Estimate changes	⟷
TP change	⟷
Rating change	⟷

Bloomberg	GCPL IN
Equity Shares (m)	1,022
M.Cap.(INRb)/(USDb)	752.9 / 10.5
52-Week Range (INR)	808 / 425
1, 6, 12 Rel. Per (%)	-7/-28/-11
12M Avg Val (INR M)	1190

Financials & Valuations (INR b)

Y/E March	2020	2021E	2022E	2023E
Sales	99.1	109.2	118.4	132.4
Sales Gr. (%)	-3.9	10.2	8.4	11.8
EBITDA	21.4	24.8	26.2	29.6
EBITDA mrg. (%)	21.6	22.7	22.2	22.4
Adj. PAT	14.5	17.2	18.2	21.1
Adj. EPS (INR)	14.2	16.8	17.8	20.6
EPS Gr. (%)	-2.9	18.7	5.7	15.9
BV/Sh.(INR)	77.3	82.2	85.6	89.4
Ratios				
RoE (%)	19.1	21.1	21.2	23.6
RoCE (%)	15.4	16.1	16.3	18.5
Payout (%)	56.5	59.5	67.5	67.9
Valuations				
P/E (x)	52.0	43.8	41.4	35.7
P/BV (x)	9.5	9.0	8.6	8.2
EV/EBITDA (x)	36.4	31.1	29.2	25.7
Div. Yield (%)	1.1	1.4	1.6	1.9

Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	63.2	63.2	63.2
DII	3.1	3.1	2.2
FII	26.8	26.8	27.7
Others	6.9	6.9	6.8

FII Includes depository receipts

CMP: INR736 TP: INR800 (+9%) Neutral

All round sales growth proving elusive

- Overall sales growth was in line with our expectation. While sales in Soaps and the Africa business was healthy, the same in Household Insecticides (HI) disappointed for the second consecutive quarter. Macroeconomic worries are affecting performance in Indonesia. While FY21 initially promised to be stellar due to favorable outlook for Soaps, Hygiene products and HI, it now seems barely likely to cross double-digit growth despite a weak base in FY20. In its analyst meet in Dec'20, the company indicated that more work needs to be undertaken for all-round growth.
- With gross margin pressure due to steep palm oil cost increase not fully passed on and likely higher ad spends going forward (after a 140bp reduction YoY in 9MFY21), operating margin is unlikely to sustain close to record highs of recent quarters.
- The single-digit EPS trajectory over the past five years is not expected to change materially over the next few years. RoCE at less than 20% is also much lower than its peers and is unlikely to improve materially going forward. Thus, our valuation of 41.4x/35.7x FY22E/FY23E seems fair. Maintain **Neutral**.

Sales in line; India business volumes grew 7%

- **Consolidated net sales grew 10% YoY to INR30.6b (in line)**. EBITDA grew 12.6% YoY to INR7.1b (v/s our estimate of INR6.7b). PBT grew 14% YoY to INR6.4b (v/s our expectation of INR6.1b), while adjusted PAT grew 10.2% to INR5b (v/s our estimate of INR4.7b).
- Consolidated comparable constant currency (CC) sales grew 11% YoY.
- **Gross margin contracted 160bp YoY to 55.1%.** As a percentage of sales, higher ad spends (up 10bp YoY to 7.5%), lesser other expenses (down 200bp to 14.9%), and lower staff costs (down 30bp to 9.4%) led to an EBITDA margin expansion of 60bp to 23.3% (v/s our estimate of 22.2%).
- **India branded business volumes grew 7% YoY**. Sale of Soaps/HI/Hair Color were up 15%/7%/14% YoY.
- **International business:** On a CC basis, Indonesia declined 2% YoY, while Africa, the US and Middle East (GAUM) together grew 17%. Others (LatAm, Europe and SAARC) grew 35% YoY.
- In 9MFY21, sales/EBITDA/PAT grew 7%/12.1%/8.3% YoY.
- Key Balance Sheet data:
  - NWC days increased by one day YoY to 17 days.
  - Total debt decreased 43.4% YoY to INR20b. Cash and cash equivalents fell 36.7% YoY to INR9.7b. Net debt-to-equity stood at 0.14x at the end of 3QFY21.

Highlights from the management commentary

- The management said it will continue to prioritize growth over margin.
- It is disappointed by the 5% growth in HI in India. The burning format did not work as well as it had expected and is banking on innovations to revive category sales.

- Indonesia was affected by weak macro and high competitive intensity due to new players adopting a price-volume strategy in the Wet Wipes segment.

Valuation and view

- The topline growth outlook appears hazy for both domestic and international businesses. There is no indication of any material improvement in the pace of earnings growth at 13.3% CAGR over FY20-23E (despite the weak base of 9.8% EPS CAGR for the preceding five years). This, despite the favorable factors creating a tailwind in FY21 for Soaps and HI: the company's two largest domestic businesses.
- For the first half of the decade, it reported 21.7% EPS CAGR, which halved in the second half. GCPL delivered a meager (9.8%) earnings CAGR, with an even more modest (3.7%) sales CAGR during FY15-20. Neither the 3QFY21 result, nor the management commentary, indicates a sharp revival in earnings momentum.
- In addition to the sustained weak earnings growth, GCPL's RoCE of less than 20% is far lower than its peers.
- We maintain our **Neutral** rating with a TP of INR800/share (40x Dec'22E EPS).

Consol. quarterly performance (INR b)

Y/E March	FY20				FY21				FY20	FY21E	3Q FY21E	Variance (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Net Sales (including OOI)	**23.5**	**26.3**	**27.8**	**21.5**	**23.3**	**29.2**	**30.6**	**26.3**	**99.1**	**109.2**	**30.3**	0.9%
YoY change (%)	-5.2	-1.1	2.0	-12.2	-0.9	10.8	10.0	21.9	-3.9	10.2	9.0	
Gross Profit	**13.4**	**14.9**	**15.8**	**12.4**	**12.6**	**16.3**	**16.8**	**14.7**	**56.5**	**60.5**	**17.1**	
Margin (%)	57.1	56.6	56.7	57.7	54.3	56.0	55.1	56.1	57.0	55.4	56.6	
EBITDA	**4.6**	**5.8**	**6.3**	**4.8**	**4.7**	**6.8**	**7.1**	**6.1**	**21.4**	**24.8**	**6.7**	5.7%
Margin (%)	19.5	21.9	22.7	22.1	20.3	23.5	23.3	23.2	21.6	22.7	22.2	
YoY growth (%)	2.2	7.1	2.4	-17.8	3.0	18.7	12.6	27.6	-1.2	15.6	6.6	
Depreciation	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	2.0	2.0	0.5	
Interest	0.6	0.5	0.5	0.6	0.5	0.3	0.2	0.3	2.2	1.3	0.3	
Other Income	0.2	0.3	0.2	0.5	0.2	0.1	0.2	0.2	1.1	0.7	0.2	
PBT	**3.7**	**5.0**	**5.6**	**4.1**	**4.0**	**6.0**	**6.4**	**5.7**	**18.4**	**22.1**	**6.1**	4.9%
Tax	0.8	0.8	1.1	1.3	1.0	1.5	1.4	1.1	3.9	4.9	1.3	
Adjusted PAT	**2.9**	**4.2**	**4.5**	**2.8**	**3.0**	**4.6**	**5.0**	**4.6**	**14.5**	**17.2**	**4.7**	4.5%
YoY change (%)	-8.6	16.2	7.7	-28.0	3.3	9.8	10.2	62.9	-2.8	18.7	5.5	

E: MOFSL estimate

Torrent Pharma

Estimate change	↓
TP change	↑
Rating change	↔

Bloomberg	TRP IN
Equity Shares (m)	169
M.Cap.(INRb)/(USDb)	466.8 / 6.4
52-Week Range (INR)	3040 / 1619
1, 6, 12 Rel. Per (%)	-9/-41/12
12M Avg Val (INR M)	1737

Financials & Valuations (INR b)

Y/E MARCH	2021E	2022E	2023E
Sales	81.3	91.0	100.0
EBITDA	25.5	28.0	30.3
Adj. PAT	12.5	15.0	17.0
EBIT Margin (%)	23.1	23.4	23.2
Cons. Adj. EPS (INR)	73.8	88.5	100.4
EPS Gr. (%)	31.6	19.9	13.4
BV/Sh. (INR)	332.0	388.2	452.3
Ratios			
Net D:E	0.6	0.4	0.3
RoE (%)	23.9	24.6	23.9
RoCE (%)	16.9	18.8	19.9
Payout (%)	36.6	36.1	36.1
Valuations			
P/E (x)	37.2	31.1	27.4
EV/EBITDA (x)	19.6	17.3	15.5
Div. Yield (%)	0.8	1.0	1.1
FCF Yield (%)	2.7	4.4	4.8
EV/Sales (x)	6.1	5.3	4.7

Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	71.3	71.3	71.3
DII	8.1	8.4	12.3
FII	12.0	12.2	8.5
Others	8.7	8.1	8.0

FII Includes depository receipts

CMP: INR2,750 TP: INR2,520 (-9%) Neutral

DF, Germany, controlled cost drive earnings

US remains a drag

- Torrent Pharma (TRP)'s 3QFY21 performance was below estimates. Recovery in the Domestic Formulation (DF) / Germany business was offset by decline in the US and currency headwinds in Brazil. Reduced opex kept profitability at elevated levels.
- We reduce our EPS estimates for FY21/FY22/FY23 by 4%/8%/6%, factoring in a) an increase in operational expenses with the resumption of promotional activity by MRs in the DF segment and b) the lack of new approvals due to USFDA-imposed regulatory issues at Dahej/Indrad. We continue to value TRP at 25x 12M forward earnings and roll our TP to INR2,520. While the outlook for its key geographies is expected to improve over the medium term, the current valuation largely captures the upside. Hence, we maintain a Neutral stance on the stock.

YoY growth in sales/EBITDA/PAT on downtrend for three quarters now

- TRP's 3QFY21 sales grew marginally by 1.5% YoY to INR20b (our estimate: INR21.3b). Growth in DF/Germany was offset by the US / Brazil.
- DF sales grew 7% YoY to INR9.3b (47% of sales), Germany sales were up 21% YoY to INR2.7b (13% of sales), and Contract Manufacturing sales grew 32% YoY to INR1.5b (7% of sales).
- ROW sales were down 2% YoY to INR1.9b (9% of sales) and Brazil sales were down 8% YoY to INR1.7b (up 16% YoY in CC terms; 9% of sales). US sales were down 23% YoY to INR2.9b (USD39m; 15% of sales).
- The gross margin (GM) contracted 60bp YoY to 71.8% on a change in the product mix. However, the EBITDA margin expanded 290bp YoY to 30.4% (our estimate: 31.3%), driven by lower other expenses (-380bp YoY as a percentage of sales).
- EBITDA grew 12% YoY to INR6.1b (est.: INR6.7b).
- PAT grew at a higher rate of 16% YoY to INR3b (our estimate: PAT of INR3.3b), led by better EBITDA margins, lower interest outgo, and a lower tax rate of 16.8% (v/s 21.3% in 3QFY20).
- For 9MFY21, sales/EBITDA/PAT grew 1%/18%/32% to INR60.7b/INR19.2b/INR9.4b.

Highlights from management commentary

- US sales declined YoY on (a) the temporary discontinuation of Sartans, (b) the lack of new launches, and c) ongoing price erosion in the base business.
- The commercialization of approved ANDAs from the Levittown facility is expected from 1QFY22. It intends to achieve annual sales of USD10–15m from this facility over the next 1–2 years.
- TRP expects high-single-digit YoY growth in Germany going forward.
- TRP expects debt repayment of INR10b in FY21 (INR8.3b in 9MFY21).
- ETR is expected to be 21–22% in FY22.

Valuation and view

- We reduce our EPS estimates for FY21/FY22/FY23 by 4%/8%/6%, factoring in: a) an increase in opex for the DF segment with the easing of the COVID-led lockdown, b) the adverse effect of price erosion in the base business, and c) a delay in new approvals at the Indrad/Dahej facilities. We continue to value TRP at 25x 12M forward earnings and roll our TP to INR2,520.
- We expect a 21% earnings CAGR, led by a 10% CAGR in DF sales, 300bp margin expansion, and reduced interest cost on account of debt reduction. However, we maintain Neutral as the current valuation adequately factors in the improving outlook in DF/Germany/Brazil.

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

Y/E March	FY20				FY21E				FY20	FY21E	Est.	Var.
INR m	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	vs Est
Net Revenues	**20,220**	**20,050**	**19,660**	**19,460**	**20,560**	**20,170**	**19,950**	**20,668**	**79,390**	**81,348**	**21,257**	**-6.2**
YoY Change (%)	8.0	5.9	-1.1	4.8	1.7	0.6	1.5	6.2	4.3	2.5	8.1	
EBITDA	**5,410**	**5,410**	**5,400**	**5,480**	**6,770**	**6,350**	**6,070**	**6,269**	**21,700**	**25,459**	**6,654**	**-8.8**
YoY Change (%)	13.4	14.4	2.7	15.9	25.1	17.4	12.4	14.4	11.3	17.3	**23**	
Margins (%)	26.8	27.0	27.5	28.2	32.9	31.5	30.4	30.3	27.3	31.3	31.3	
Depreciation	1,600	1,630	1,630	1,680	1,610	1,650	1,670	1,707	6,540	6,637	1,680	
EBIT	**3,810**	**3,780**	**3,770**	**3,800**	**5,160**	**4,700**	**4,400**	**4,562**	**15,160**	**18,822**	**4,974**	**-11.5**
YoY Change (%)	16.5	17.8	1.9	21.4	35.4	24.3	16.7	20.0	13.9	24.2	**32**	
Margins (%)	18.8	18.9	19.2	19.5	25.1	23.3	22.1	22.1	19.1	23.1	23.4	
Interest	1,220	1,160	1,110	1,020	1,020	920	910	808	4,510	3,658	880	
Other Income	200	340	530	150	40	60	80	80	1,220	260	75	
PBT before EO Expense	**2,790**	**2,960**	**3,190**	**2,930**	**4,180**	**3,840**	**3,570**	**3,834**	**11,870**	**15,424**	**4,169**	**-14.4**
PBT after EO Expense	**2,790**	**2,960**	**3,190**	**2,930**	**4,020**	**3,840**	**3,570**	**3,834**	**11,870**	**15,264**	**4,169**	
Tax	630	520	680	-210	810	740	600	781	1,620	2,931	896	
Rate (%)	22.6	17.6	21.3	-7.2	19.4	19.3	16.8	20.4	13.6	19.0	21.5	
Reported PAT	**2,160**	**2,440**	**2,510**	**3,140**	**3,210**	**3,100**	**2,970**	**3,053**	**10,250**	**12,333**	**3,272**	
Adj PAT	**2,160**	**2,440**	**2,552**	**2,344**	**3,370**	**3,100**	**2,970**	**3,053**	**9,496**	**12,493**	**3,272**	**-9.2**
YoY Change (%)	32.5	36.3	18.6	41.5	56.0	27.0	16.4	30.3	31.4	31.6	28.2	
Margins (%)	10.7	12.2	13.0	12.0	16.4	15.4	14.9	14.8	12.0	15.4	15.4	

NMDC

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	NMDC IN
Equity Shares (m)	3,062
M.Cap.(INRb)/(USDb)	360.5 / 4.9
52-Week Range (INR)	131 / 62
1, 6, 12 Rel. Per (%)	-11/-3/-21
12M Avg Val (INR M)	868
Free float (%)	31.7

Financials & Valuations (INR b)

Y/E MARCH	2021E	2022E	2023E
Sales	144.3	162.4	157.7
EBITDA	82.0	85.7	72.8
Adj. PAT	61.4	63.9	54.7
EBITDA Margin (%)	56.8	52.8	46.1
Cons. Adj. EPS (INR)	20.9	21.8	18.7
EPS Gr. (%)	36.8	4.2	-14.5
BV/Sh. (INR)	100.2	112.0	120.7
Ratios			
Net D:E	-0.1	-0.1	-0.1
RoE (%)	22.0	20.6	16.0
RoCE (%)	20.6	19.7	15.4
Payout (%)	47.7	45.8	53.6
Valuations			
P/E (x)	5.6	5.4	6.3
P/BV (x)	1.2	1.1	1.0
EV/EBITDA(x)	4.0	3.8	4.4
Div. Yield (%)	8.5	8.5	8.5

Note: Above nos. are consol.

Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	69.7	69.7	72.3
DII	20.5	20.5	17.7
FII	4.5	4.5	6.0
Others	5.4	5.4	4.0

FII Includes depository receipts

CMP: INR118 TP: INR140 (+19%) Buy

Margin outlook strong despite recent price cut

Retain Buy despite risk of higher levies

- NMDC is a play on strong iron ore prices and volumes, which is well reflected in its 3QFY21 result. EBITDA at INR27.7b (+70% YoY) and EBITDA/t at INR2,982 (+54%) were the highest ever.
- Margin should rise further in 4QFY21 as the spot price (even after the correction in Feb'21) is still ~17% higher than its 3QFY21 average. Moreover, volume should get a boost in FY22 from the restart of Donimalai mines. Reiterate **Buy**.

EBITDA up 70% YoY on better volume and pricing

- Reported revenue/EBITDA/adjusted PAT rose 45%/70%/49% YoY to INR43.6b/INR27.7b/INR21/1b and was 7%/4%/2% below our estimate.
- Volume rose 10% YoY to 9.3mt (v/s our expectation of 9.4mt), led by a strong improvement in domestic demand and 14% growth in exports (at 0.74mt). EBITDA/t rose 54% YoY to INR2,982 (3% below our estimate) due to higher iron prices.
- Blended realization increased 31% YoY to INR4,691/t (+39% QoQ) due to higher prices, but was 5% below our expectation. Derived domestic realization was up INR1,271/t QoQ to INR4,469/t (v/s our estimate of INR4,782/t). However, realization net-of royalties and cess was 2% below our expectation.
- Revenue/EBITDA/adjusted PAT stood at INR85.2b/INR45.5b/INR34.2b in 9MFY21, flat/-3%/flat YoY. Volumes stood 3% lower YoY at 22.2mt.

Valuation and view

- NMDC is a play on strong iron ore prices and volumes. We expect margin to rise in 4QFY21 as the spot price is ~17% higher than its 3QFY21 average. We expect margin to peak out in 4QFY21, but still stay robust.
- We expect volume growth to be strong at 10% CAGR over FY21-23E, aided by the restart of Donimalai mines, which should start contributing soon. We have factored in 4mt (13% of total) volume from Donimalai mines in FY22E.
- The government's proposal to levy an additional premium on NMDC's renewed mining leases has emerged as a key overhang on the stock. If a premium of 22.5% of revenue is levied on all mines of NMDC, it poses a downside risk of ~30% to our FY22E EBITDA.
- We value the stock at INR140 on a SoTP basis, valuing the iron ore business at 4x FY22E EV/EBITDA, amid uncertainty over the levy an additional premium on Chhattisgarh (renewed in FY20) and Kumaraswamy mines (renewal due in Oct'22), and the steel plant (~25% of book value). At the CMP, the stock is trading at 3.4x its core iron ore mining business and provides an attractive dividend yield of ~8.5%. Reiterate **Buy**.

Standalone quarterly performance – INR m

Y/E March	FY20				FY21				FY20	FY21		v/s our
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QFY21E	estimate (%)
Net Sales	**32,637**	**22,418**	**30,064**	**31,873**	**19,375**	**22,299**	**43,551**	**59,084**	**1,16,992**	**1,44,309**	**46,718**	-7
EBITDA	**19,265**	**11,126**	**16,334**	**15,478**	**7,549**	**10,302**	**27,686**	**36,465**	**62,203**	**82,001**	**28,874**	-4
Change (YoY %)	30	-20	-28	-23	-61	-7	70	136	-13	32	76.8	
Interest	117	97	98	-213	93	17	16	23	99	150	98	
Depreciation	648	976	646	675	573	534	605	657	2,869	2,369	646	
Other Income	1,228	1,275	1,302	1,333	717	884	1,048	999	5,138	3,648	1,041	
PBT (before EO Item)	**19,728**	**11,329**	**16,892**	**16,350**	**7,600**	**10,634**	**28,113**	**36,784**	**64,373**	**83,131**	**29,172**	-4
Extra-ordinary item	-596	-524	-419	-9,238	0	0	0	0	-10,778	0	0	
PBT (after EO Item)	**19,132**	**10,805**	**16,473**	**7,112**	**7,600**	**10,634**	**28,113**	**36,784**	**53,596**	**83,131**	**29,172**	-4
Total Tax	7,337	3,771	2,707	3,598	2,267	2,892	7,020	9,564	17,413	21,743	7,585	-7
Tax (%)	38.4	34.9	16.4	50.6	29.8	27.2	25.0	26.0	32.5	26.2	26.0	
Reported PAT	**11,794**	**7,034**	**13,766**	**3,514**	**5,333**	**7,742**	**21,093**	**27,220**	**36,183**	**61,388**	**21,587**	-2
Adjusted PAT	**12,390**	**7,558**	**14,185**	**12,752**	**5,333**	**7,742**	**21,093**	**27,220**	**46,886**	**61,388**	**21,587**	-2

Sun TV Network

Estimate changes	↔
TP change	↑
Rating change	↔

Bloomberg	SUNTV IN
Equity Shares (m)	394
M.Cap.(INRb)/(USDb)	217.5 / 3
52-Week Range (INR)	571 / 260
1, 6, 12 Rel. Per (%)	-1/5/-11
12M Avg Val (INR M)	1298

Financials & Valuations (INR b)

Y/E March	FY21E	FY22E	FY23E
Sales	31.7	36.9	39.7
EBITDA	21.1	24.8	25.2
Adj. PAT	15.2	15.7	15.8
EBITDA Margin (%)	66.4	67.3	63.3
Adj. EPS (INR)	38.6	39.8	40.0
EPS Gr. (%)	10.9	3.1	0.6
BV/Sh. (INR)	161.1	172.0	183.2
Ratios			
Net D:E	-0.7	-0.8	-0.8
RoE (%)	25.4	23.9	22.5
RoCE (%)	25.5	24.0	22.6
Payout (%)	52.4	72.6	72.1
Valuations			
P/E (x)	14.3	13.8	13.8
P/B (x)	3.4	3.2	3.0
EV/EBITDA (x)	8.4	8.2	6.6
Div. Yield (%)	3.2	4.5	4.5

Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	75.0	75.0	75.0
DII	5.0	5.3	8.2
FII	9.4	10.9	8.7
Others	10.5	8.9	8.2

FII Includes depository receipts

CMP: INR552 TP: INR640 (+16%) Buy

IPL lifts EBITDA; focus on new channels, OTT investments

- Sun TV (SUNTV)'s 3QFY21 revenue recovered with 19% YoY growth (in-line), led by INR2b IPL revenue. Ad and subscription revenue, on the other hand, remained sluggish.
- EBITDA/PAT estimates for FY22E were largely maintained – we factor in 11%/14% growth over FY20. Viewership recovery is yet to see a steady uptick, although newfound vigor in fresh content and investments in new channels and OTT should be the key to growth and valuations. A steady dividend payout and low valuation offer support. Maintain Buy.

Ad and subscription revenue trends remain weak

- SUNTV's 3QFY21 revenues increased 19% YoY to INR9.7b (in-line), with subscription revenues increasing 3% YoY to INR4.2b. Advertisement revenues declined 10% YoY, while subscription revenues were up by 3% YoY.
- Production costs were down 11% YoY, while SG&A expenses were up 2.4x YoY to INR1.8b (including INR413.9m toward IPL franchisee fees) – leading to an overall opex increase of 58% YoY.
- EBITDA, thus, was up 4% YoY to INR6b (in-line), supported by better-than-expected IPL revenues; EBITDA margins stood at 61.8% (down 940bps YoY).
- Other income stood at INR621m (down 2% YoY), while depreciation and amortization costs came in 52% YoY lower at INR687m – as only six movies were premiered in 3Q.
- Net profits thus increased 18% YoY to INR4.4b (10% beat) on account of lower-than-expected D&A charges.

Highlights from management commentary

- Expect FY22 ad revenues to be in line with FY20 levels with the launch of some big-ticket shows from 1QFY22.
- Content costs are expected to rise 20–25% in FY22E (over FY20 costs).
- Investment in Sun NXT would commence with INR2.5b annual investment guidance from 1HFY22. It would continue to focus on the SVOD and telco tie based revenue models.
- Sizeable investments would go toward Bengali and Marathi, which have a potentially larger market than Malayalam. It plans to spend INR3–3.5b on five large-ticket movies in FY22 and additionally on small-ticket movies.

Valuation and view

- Subscription growth has slowed –it had remained steady in the last few quarters on the back of OTT subscriptions and digitization in Tamil Nadu. We expect subscription revenue to grow in the double digits in FY22E. Furthermore, viewership trends are yet to see a steady uptick.
- It plans to launch new TV shows/movies and a Marathi channel in FY22, which offers a silver lining to ad and subscription growth.
- SUNTV's healthy liquidity, with INR36b net cash (1HFY21), offers room to intensify investments in the linear as well as OTT space. This, along with high dividend payout potential and low valuations, offers support.

- We expect FY20–23E revenue/EBITDA/PAT of 5%/4%/5% on the back of an improving macro environment, coupled with the revamping of content aiding.
- SUNTV trades at FY22E/FY23E P/E of 14x/14x. We roll forward our valuation to FY23E, valuing it at FY23E P/E of 16x, to arrive at Target Price of INR640. Maintain Buy.

Standalone - Quarterly Earnings Model (INR m)

Y/E March	FY20				FY21				FY20	FY21E	FY21E	Est Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3Q	(%)
Revenue	**10,804**	**7,739**	**8,150**	**7,352**	**6,061**	**7,562**	**9,723**	**8,122**	**34,044**	**31,468**	**9,888**	**-2**
YoY Change (%)	-3.6	3.3	-9.9	-17.3	-43.9	-2.3	19.3	10.5	-7.1	-7.6	21.3	
Total Expenditure	3,975	3,052	2,346	2,317	1,896	2,541	3,717	2,514	11,684	10,668	3,620	**3**
EBITDA	**6,829**	**4,687**	**5,804**	**5,035**	**4,165**	**5,020**	**6,007**	**5,609**	**22,361**	**20,801**	**6,267**	**-4**
YoY Change (%)	-7.1	-15.4	-13.0	-17.2	-39.0	7.1	3.5	11.4	-12.8	-7.0	8.0	-448
Depreciation	1,585	1,444	1,436	2,328	1,455	913	687	475	6,793	3,529	1,207	-43
Interest	21	20	19	19	18	16	15	30	78	78	19	-25
Other Income	567	721	636	570	1,086	516	621	577	2,489	2,800	317	96
PBT	**5,791**	**3,945**	**4,985**	**3,259**	**3,779**	**4,607**	**5,926**	**5,681**	**17,979**	**19,994**	**5,358**	**11**
Tax	1,972	280	1,250	759	951	1,148	1,508	1,429	4,261	5,036	1,348	
Rate (%)	34.1	7.1	25.1	23.3	25.2	24.9	25.4	25.2	23.7	25.2	25.2	
Reported PAT	**3,819**	**3,665**	**3,735**	**2,500**	**2,828**	**3,459**	**4,418**	**4,252**	**13,718**	**14,957**	**4,010**	**10**
YoY Change (%)	-6.7	4.3	6.3	-11.7	-25.9	-5.6	18.3	70.1	-1.7	9.0	7.4	

E: MOFSL Estimates

Aditya Birla Fashion and

Estimate changes	↑
TP change	↑
Rating change	↔

Bloomberg	ABFRL IN
Equity Shares (m)	772
M.Cap.(INRb)/(USDb)	150.9 / 2.1
52-Week Range (INR)	281 / 96
1, 6, 12 Rel. Per (%)	-6/1/-61
12M Avg Val (INR M)	378

Financials & Valuations (INR b)

Y/E March	FY21E	FY22E	FY23E
Sales	52.6	87.1	99.6
EBITDA	2.4	12.9	15.1
Adj. PAT	-6.7	-0.5	1.0
EBITDA Margin (%)	4.5	14.8	15.2
Adj. EPS (INR)	-2.2	-0.1	0.3
EPS Gr. (%)	NM	-93.3	-314.1
BV/Sh. (INR)	8.8	8.8	9.1
Ratios			
Net D:E	0.9	0.6	0.0
RoE (%)	NM	NM	3.6
RoCE (%)	NM	3.7	5.6
Payout (%)	0.0	0.0	0.0
Valuations			
P/E (x)	NM	NM	518.0
EV/EBITDA (x)	219.7	43.2	36.5
EV/Sales (x)	10.0	6.4	5.6
Dic Yield (%)	0.0	0.0	0.0

Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	59.8	59.8	59.1
DII	22.3	22.3	21.1
FII	6.8	6.6	9.7
Others	11.1	11.3	10.1

FII Includes depository receipts

CMP: INR165 TP: INR220 (+34%) Buy

Stellar performance on strong gross margins and cost measures

- Aditya Birla Fashion and Retail (ABFRL)'s 3QFY21 EBITDA (down 10% YoY) posted a massive 21% beat on better-than-expected revenue trends. This was coupled with lower inventory markdown and strong cost measures, reflected in healthy gross margin recovery.
- We revise our FY22E EBITDA by 17% on stronger recovery (estimated to recover to FY20 levels), coupled with better gross margins. ABFRL's strong deleveraging (FY21 net debt estimated at ~one-fourth of previous expectation) and high FCF should aid in renewing its aggressive growth as well as reduce the steep 2.5x valuation gap v/s peers. **Maintain Buy.**

Recovery on track, although still below pre-COVID levels

- ABFRL's 3QFY21 revenue fell 20% YoY to INR20.6b (5% beat). The Madura/Pantaloons segment saw revenue decline of 19%/25% YoY to INR12.5b/INR8.1b.
- Gross margins increased 30bp YoY to 52.3%, returning to normalcy (280bp beat) after the previous two quarters of severe contraction. Gross profit saw an 11% beat to INR10.8b (19% down YoY). This healthy improvement was driven by tighter control on inventory markdown as well as discounting.
- Better-than-expected revenue, strong gross margins, and noteworthy cost control led to a massive EBITDA beat of 21% to INR3.7b (down 10% YoY) – much lower than 20% revenue decline. Subsequently, PAT stood at INR664m v/s estimated loss of INR404m.
- Revenue/EBITDA for lifestyle brands was down 21%/14% YoY to INR10.3b/INR1.9b; the silver lining is that the retail channel has posted a 92% recovery – this indicates potential improvement in primary sales in the retail/wholesale channel. The EBITDA margin improved 140bps YoY on expansion in gross margins and strong cost measures.
- Pantaloons' revenue/EBITDA was down 25%/4% YoY to INR8.1b/INR1.9b due to same-store sales growth (SSSG) declining 27%. The margin expanded 520bps YoY to 23.4% on an improved product mix, lower inventory markdown, and stringent cost control measures.
- The key highlight of the quarter was strong deleveraging, supported by operating cash flow and an INR4b release from working capital in 3QFY21. Net debt reduced to INR25.9b in 3QFY21 (from INR31.8b in 2QFY21) and is further down to INR5.8b as of date – after INR17.5b was received from a fundraise (INR15b from Flipkart and INR2.5b from a rights issue).

Highlights from management commentary

- **Revenue recovery and cost efficiency:** Revenue recovery is stronger in smaller markets and high-street stores. Expect some portion of cost efficiencies to continue.

- **Store expansions:** ABFRL looks to add 100 more stores in FY21 and plans to open more stores in tier 2/3/4 towns. It plans to open 20–25 stores in FY21, of which 16 are already operational.
- **Pantaloons' margin improvement:** EBITDA (pre-IND AS 116) is higher YoY, driven by strong gross margins on account of lower inventory markdown and cost measures. An improving mix of private labels and operating leverage should expand margins.

Valuation and view

- ABFRL has consistently improved its earnings graph, with a revenue/EBITDA CAGR of 37%/75% over FY14–19 and 32%/55% over FY14–20.
- The company's retail channel sales from lifestyle brands reached 92% of LY levels in 3QFY21 – this is a silver lining in terms of growth recovery, much ahead of peers (at 20% below last year's sales). This gives us confidence on potential recovery in FY22. Furthermore, Pantaloons/Innerwear presents a huge runway for growth.
- The margin profile is intact and protected with EBITDA margin expansion of 140bps/520bps in lifestyle brands / Pantaloons.
- ABFRL's high leverage and poor balance sheet strength have been key investor concerns. However, we are pleasantly surprised by the management guidance of INR2.5b net debt in FY21 – which is nearly one-fourth of the previous expectation – from the peak of INR32b in 2QFY21. This was supported by the unwinding of working capital, operating cash flows, and a sizeable fundraise (total INR10b rights issue and INR15b stake sale to Flipkart).
- We roll over our valuation multiple to FY23E and value ABFRL on an SOTP basis. We assign an EV/EBITDA of 15x to the lifestyle brands and the Pantaloons segment and EV/sales of 1x to other businesses. Subsequently, we arrive at TP of INR220 (34% upside). Steady earnings recovery and strong deleveraging offer strong rerating potential as we expect the valuation gap v/s peers to reduce. **Maintain Buy**.

Standalone - Quarterly Perf. (INR m)

Y/E March	FY20				FY21				FY20	FY21E	FY21	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			3QE	Var (%)
Revenue	**20,655**	**22,972**	**25,625**	**18,174**	**3,200**	**10,186**	**20,590**	**18,630**	**87,425**	**52,605**	**19,649**	**4.8**
YoY Change (%)	7.9	14.4	12.3	-5.1	-84.5	-55.7	-19.6	2.5	7.7	-39.8	-4.9	
Total Expenditure	17,514	19,510	21,534	16,614	6,713	10,203	16,906	16,399	75,172	50,221	16,602	**1.8**
EBITDA	**3,141**	**3,462**	**4,091**	**1,561**	**-3,513**	**-17**	**3,685**	**2,231**	**12,254**	**2,385**	**3,048**	**20.9**
Change, YoY (%)	175.9	142.4	136.6	25.3	-211.9	-100.5	-9.9	42.9	121.2	-80.5	-25.5	*1557bps*
Depreciation	2,022	2,213	2,208	2,325	2,334	2,375	2,271	2,421	8,768	9,402	2,405	
Interest	942	1,052	1,047	1,186	1,253	1,440	1,095	1,455	4,227	5,243	1,380	
Other Income	175	162	145	169	1,765	1,408	570	570	651	4,313	198	
PBT	**351**	**358**	**981**	**-1,782**	**-5,335**	**-2,424**	**888**	**-1,076**	**-91**	**-7,947**	**-539**	**-264.9**
Tax	136	289	1,315	-379	-1,336	-611	224	-269	1,361	-1,992	-135	
Rate (%)	38.6	80.7	134.0	21.3	25.0	25.2	25.2	25.0	-1497.2	25.1	25.0	
Reported PAT	**216**	**69**	**-334**	**-1,403**	**-3,999**	**-1,813**	**664**	**-807**	**-1,452**	**-5,955**	**-404**	**-264.4**
Adj PAT	**216**	**315**	**730**	**-1,403**	**-3,999**	**-1,813**	**664**	**-807**	**-142**	**-5,955**	**-404**	**-264.4**
YoY Change (%)	285.0	-26.2	3.8	-1,716.8	-1,954.9	-674.6	-9.0	-42.5	-111.2	4093.8	-287.4	

E: MOFSL Estimates

Ashoka Buildcon

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	ASBL IN
Equity Shares (m)	281
M.Cap.(INRb)/(USDb)	29.3 / 0.4
52-Week Range (INR)	117 / 37
1, 6, 12 Rel. Per (%)	5/45/-33
12M Avg Val (INR M)	120

Financials & Valuations (INR b)

Y/E Mar	2020	2021E	2022E
Sales	39.4	37.8	43.4
EBITDA	5.9	4.9	5.2
PAT	3.9	3.7	3.1
EBITDA (%)	14.9	13.1	12.0
EPS (INR)	13.8	13.2	11.2
EPS Gr. (%)	20.2	(4.6)	(15.0)
BV/Sh. (INR)	92.6	104.4	114.5
Ratios			
Net D/E	0.1	0.2	0.2
RoE (%)	16.1	13.4	10.2
RoCE (%)	14.0	12.4	9.9
Payout (%)	0.0	10.0	10.0
Valuations			
P/E (x)	7.6	7.9	9.3
P/BV (x)	1.1	1.0	0.9
EV/EBITDA (x)	5.6	7.3	6.6
Div Yield (%)	-	1.3	1.1
FCF Yield (%)	23.3	5.6	6.7

Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	54.5	54.5	54.3
DII	27.6	27.4	32.8
FII	3.2	3.2	3.7
Others	14.6	15.0	9.2

FII Includes depository receipts

CMP: INR104 TP: INR145 (+38%) Buy

Execution in line; healthy order book visibility augurs well

Labor availability and execution back to pre-COVID levels

- ASBL's 3QFY21 revenue came in flat YoY, in line with our estimate. Revenue would have been higher as execution of three projects was delayed and shifted to 4QFY21. EBITDA stood 15% below our estimate as an adverse revenue mix led to 180bp YoY decline in EBITDA margin (120bp below our expectation). As a result of lower depreciation and interest cost, coupled with higher other income, adjusted PAT stood flat YoY at INR856m and was 19% above our estimate.
- ASBL received a large EPC order worth INR5b in the solar segment. Execution will be completed in 3-4 years, with EBITDA margin expected to be in 10-11% range. Order book stood strong at INR91.5b, up 13% YoY, with an OB-to-revenue ratio at 2.6x.
- Strong execution over the past two years is commendable. However, the pending PE exit in the asset portfolio is an overhang on the stock. We have increased our FY21E EPS by 7% on higher other income. Strong order book and continuous improvement in the Balance Sheet augurs well for ASBL. Maintain **Buy** with a revised TP of INR145/share (v/s INR125/share earlier).

Adverse revenue mix affects operating profit

- 3QFY21 revenue was flat YoY at INR9.8b, in line with our estimate. EBITDA came in at INR1.1b, down 15% YoY (12% below our expectation). EBITDA margin stood at 10.8% (-180bp YoY) due to an adverse mix of projects executed. PBT was flat YoY at INR1.1b, owing to lower depreciation and interest cost and higher other income. Adjusted PAT stood at INR856m, flat YoY (19% above our estimate).

Highlights from the management commentary

- EBITDA margin is expected to be ~11-11.5% based on the current order book and the relevant inflation rate factored in.
- On asset monetization, the management said substantial diligence is over and ASBL has received binding offers from potential investors. It expects negotiations to close in a couple of weeks and closure of documents by Mar'21 end. A large part of the monetization proceeds will be utilized to grow the EPC business.
- ASBL is targeting INR50-60b worth of order inflows in FY22.

Valuation and view

- ASBL's strong execution over the past two years has been a surprise. However, the pending exit of the private equity investor in asset portfolio is an overhang on the stock. We have increased our FY21E EPS by 7% on account of higher other income.
- Strong order book and continuous improvement in the Balance Sheet augurs well for ASBL. Our TP of INR145/share (v/s INR125/share earlier) is based on the SoTP methodology. We value the: a) EPC business at 6x Mar'23E EPS, and b) BOT business on a NPV basis. At the CMP, adjusted for the valuation of the BOT business, the stock is trading at FY22E/FY23E P/E of 4.4x/3.6x. Maintain **Buy**.

Quarterly performance (INR m)

Y/E March	FY20				FY21				FY20	FY21E	3QFY21E	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				%
Net Sales	**8,768**	**8,223**	**9,836**	**12,548**	**5,724**	**8,775**	**9,807**	**13,483**	**39,374**	**37,789**	**10,000**	**-1.9**
YoY Change (%)	30.4	7.6	-7.7	-4.0	-34.7	6.7	-0.3	7.5	3.4	-4.0	1.7	
EBITDA	**1,095**	**1,229**	**1,243**	**2,289**	**819**	**1,309**	**1,055**	**1,753**	**5,856**	**4,936**	**1,200**	**-12.1**
Margin (%)	12.5	14.9	12.6	18.2	14.3	14.9	10.8	13.0	14.9	13.1	12.0	
Depreciation	266	271	283	290	223	218	216	252	1,111	908	220	
Interest	214	231	200	209	166	197	183	248	855	794	220	
Other Income	342	392	369	346	483	498	473	246	1,449	1,701	200	
PBT	**957**	**1,118**	**1,129**	**2,136**	**913**	**1,393**	**1,129**	**1,499**	**5,340**	**4,934**	**960**	**17.6**
Tax	310	391	274	493	222	346	272	401	1,468	1,242	242	
Rate (%)	32.4	35.0	24.2	23.1	24.4	24.8	24.1	26.8	27.5	25.2	25.2	
Reported PAT	**647**	**727**	**855**	**1,642**	**691**	**1,047**	**856**	**1,098**	**3,871**	**3,692**	**718**	**19.3**
Adj. PAT	**647**	**727**	**855**	**1,642**	**691**	**1,047**	**856**	**1,098**	**3,871**	**3,692**	**718**	**19.3**
YoY Change (%)	22.8	17.1	-16.1	56.0	6.8	44.0	0.1	-33.1	20.2	-4.6	-16.1	
Margin (%)	7.4	8.8	8.7	13.1	12.1	11.9	8.7	8.1	9.8	9.8	7.2	

BPCL

BSE SENSEX	S&P CNX
51,349	10,386

Conference Call Details

Date: 09th Feb 2021

Time: 11:00am IST

Dial-in details:

+91 22 6280 1259

+91 22 7115 8160

CMP: INR420 — Under Review

Beat on earnings driven by better marketing margin

- Reported EBITDA increased 54% YoY to INR43.1b (22% above ourestimate). Adjusted EBITDA (for inventory gains) stood at INR35.3b v/s INR22.6b in 3QFY20.
- There was a forex gain of INR0.8b. VRS expense during 3Q/9MFY21 was INR0.7b/INR7.1b.
- The company recorded balance ESOP expense of INR4.2b during 3QFY21 (of the total of INR5.4b in 9MFY21) as an exceptional item.
- Reported PAT stood at INR27.8b, while adjusted PAT (adjusted for ESOP expense) came in at INR30.6b (v/s INR12.6b in 3QFY20).
- For 9MFY21, EBITDA increased 57% YoY to INR121.3b, led by better marketing margin. Adjusted PAT stood at INR74.7b (+85% YoY).

- BPCL reported inventory gains of INR7.7b (v/s our estimate of INR18b), with marketing/refining gains at INR5b/INR2.7b, which translates to USD1.3/bbl. Core GRM came in at USD1.2/bbl (v/s our expectation of USD2/bbl) for 3QFY21.

- Refining throughput/marketing sales were in line with our estimate at 7.2/11.1mmt (-14%/+1% YoY).
- Reported GRM came in below our expectation of USD4.5/bbl at USD2.5/bbl. Marketing margins were better than our estimate of INR5.3/liter at INR6.1/liter.
- For 9MFY21, refining throughput/marketing sales fell 23%/15% YoY to 18mmt/27.6mmt.
  - Reported GRM averaged USD2.9/bbl v/s USD3.1/bbl in 9MFY20
  - Marketing margin averaged INR7.2/liter v/s INR4.7/liter in 9MFY20.

- Debt, excluding Ind AS 116 liabilities, declined to INR246.7b in 3QFY21 (v/s INR278.5b/INR418.7b at the end of 2QFY21/FY20).
- BPCL announced an interim dividend of INR16/share (resulting in a dividend yield of 4% on its CMP).

Standalone quarterly earnings model **(INR b)**

Y/E March	FY20				FY21						
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	3Q	Var (%)	YoY	QoQ
Net Sales	**763.2**	**643.4**	**747.3**	**689.9**	**387.9**	**501.5**	**603.6**	**667.3**	**11%**	**-11%**	**33%**
YoY Change (%)	6.4	-11.0	-5.6	-6.8	-49.2	-22.1	-19.2	-10.7			
EBITDA	**21.8**	**27.6**	**28.0**	**5.9**	**39.7**	**38.5**	**35.2**	**43.1**	**22%**	**54%**	**12%**
Margin (%)	2.9	4.3	3.7	0.9	10.2	7.7	5.8	6.5			
EBITDA adjusted for inventory and one-offs	**26.3**	**27.9**	**22.6**	**54.9**	**34.1**	**14.0**	**17.1**	**35.3**	**107%**	**56%**	**NM**
Forex loss	-0.3	3.9	1.0	12.1	0.6	-1.5	-0.1	-0.8			
Depreciation	9.1	9.5	9.7	9.5	10.0	9.9	10.8	9.9	-8%	2%	0%
Interest	4.5	6.4	5.1	5.8	5.9	0.1	5.1	2.5	-51%	-51%	NM
Other Income	5.1	8.7	5.1	11.6	5.9	4.2	6.7	14.4	114%	NM	NM
PBT before EO expense	**13.5**	**16.6**	**17.3**	**-9.9**	**29.3**	**34.2**	**26.1**	**45.8**	**76%**	**NM**	**34%**
Extra-Ordinary expense	0.0	0.0	0.0	10.8	0.0	1.2	0.0	4.2			
PBT	**13.5**	**16.6**	**17.3**	**-20.7**	**29.3**	**33.0**	**26.1**	**41.6**	**59%**	**NM**	**26%**
Tax	2.8	-0.5	4.7	-7.1	8.5	10.5	8.7	13.8	59%	NM	31%
Rate (%)	20.5	-3.2	27.3	34.2	29.0	31.8	33.3	33.2			
Reported PAT	**10.8**	**17.1**	**12.6**	**-13.6**	**20.8**	**22.5**	**17.4**	**27.8**	**60%**	**NM**	**24%**
Adjusted PAT	**10.8**	**17.1**	**12.6**	**-6.5**	**20.8**	**23.3**	**17.4**	**30.6**	**76%**	**NM**	**31%**
Margin (%)	1.4	2.7	1.7	-2.0	5.4	4.5	2.9	4.2			
Key Assumptions											
Refining throughput (mmt)	7.5	7.7	8.4	8.4	5.1	5.6	7.1	7.2	2%	-14%	29%
Reported GRM (USD/bbl)	2.8	3.4	3.2	0.8	0.4	5.8	4.5	2.5	-45%	-24%	-57%
Core GRM (USD/bbl)	3.7	3.8	2.2	7.4	1.9	1.6	2.0	1.2	-41%	-46%	-24%
Marketing sales volume excluding exports (mmt)	11.1	10.3	11.0	10.7	7.5	8.9	10.8	11.1	3%	1%	24%
Marketing GM including inv. (INR/liter)	4.4	5.0	4.8	4.4	8.9	6.6	5.3	6.1	16%	27%	-8%

E: MOFSL estimates

India Life Insurance

Insurance Tracker

Private players' Individual WRP grows ~7% YoY in Jan'21

LIC reports a decline of ~45% YoY, market share at 41% over FY21 YTD

- **The Individual weighted received premium (WRP) for private players grew 7% YoY in Jan'21 (v/s 3% in Dec'20), while the industry posted a 21.8% decline (v/s a growth of 3.4% in Dec'20). The same was due to a strong base month (Jan'20) in which the industry posted a sharp growth of 45.8% YoY (led by LIC). Private players continue to maintain their positive trajectory, led by the focus on the Protection and Non-Par segments. For FY21 YTD, Individual WRP for private players declined 4.2% YoY. For the industry, it fell 10% YoY.**
- **Among listed players, HDFCLIFE/MAXF reported a strong growth of 24%/15% YoY, while SBILIFE reported muted growth (1%). IPRU continues to witness pressure and reported a decline of 7% YoY (much lower than earlier trends).**
- **Mid-sized players reported strong growth with Bajaj Allianz/Birla Sun Life/Tata AIA reporting a growth of 32%/12%/4% YoY, while Kotak Life grew 6% YoY.**
- **LIC reported a 45.4% YoY decline (v/s a growth of 4.1% YoY in Dec'20) in Individual WRP as the base month registered a strong growth of 98.5% YoY. During FY21 YTD, its Individual WRP declined 17.2% YoY.**

Private players' Individual WRP market share contracts to ~62% for Jan'21 (59% as on FY21 YTD)

Individual WRP market share for private players contracted ~300bp MoM to ~62% in Jan'21 v/s 65% in Dec'20. The same for LIC stood at 41% in FY21 YTD. SBILIFE (14.1%) remained the largest private insurer in terms of Individual WRP in FY21 YTD, followed by HDFCLIFE (9.6%) and IPRU (7.0%). On an unweighted basis, SBILIFE was the largest private insurer with a market share of 7.7%, followed by HDFCLIFE (7.2%) and IPRU (4.3%).

Performance of key private players

The combined market share of listed players – SBILIFE, IPRU, HDFCLIFE, and MAXF – on an Individual WRP basis stood at 65.2% as of Jan'21 (v/s 62.9% in FY20). Tata AIA, Bajaj Allianz, and Birla Sun Life are firmly positioning themselves from rank five to seven of the largest private insurers on Individual WRP. Among the key listed players on the basis of Individual WRP –

- **HDFCLIFE** reported 24.4% YoY growth (+10.2% YoY in FY21 YTD); total unweighted premium grew ~17% YoY (+11.6% YoY in FY21 YTD).
- **SBILIFE** reported a growth of 0.8% YoY (-8.2% YoY in FY21 YTD); total unweighted premium increased 17.5% YoY (+13.4% YoY in FY21 YTD).
- **IPRU** saw a 7.3% YoY decline (-30.4% YoY in FY21 YTD); total unweighted premium rose 18% YoY (-0.9% YoY in FY21 YTD).
- **MAXF** posted a 14.7% YoY growth (+11.2% YoY in FY21 YTD); total unweighted premium grew 15% YoY (+14.9% YoY in FY21 YTD).

Individual WRP and YoY growth (%)

Individual WRP, INR m	Jan'21	YoY growth
Grand Total	**73,748**	**-21.8%**
Total Public	**28,316**	**-45.4%**
Total Private	**45,432**	**7.0%**
SBI Life	11,971	0.8%
HDFC Life	7,084	24.4%
ICICI Prudential	5,769	-7.3%
Max Life	4,797	14.7%
Tata AIA	2,798	4.3%
Bajaj Allianz	2,415	31.7%
Birla Sun Life	1,742	12.1%
Kotak Life	1,704	6.1%
PNB Met Life	1,338	5.9%
Canara HSBC OBC	1,085	16.0%

Source: IRDAI, LIC Council, MOFSL

Growth in the Protection business moderates

After reporting robust growth in the Protection business over 1HFY21, the pace of growth has moderated over the past few months. The trend still remains healthy. **For private insurers, while the Individual unweighted non-single premium grew 6.2% YoY in Jan'21, the Individual sum assured declined 11.9%. Even for total unweighted single premium, growth in sum assured at 15.6% YoY was lower than the 48.2% growth in premium.** For the industry as a whole, sum assured grew -30.1%/2.7% YoY in Jan'21 v/s a growth of -22.6%/2.9% in total unweighted Individual non-single premium/single premium. LIC reported similar trends. Even the ratio of Individual non-single sum assured to Individual non-single premium has declined over the past few months indicating moderation in Protection growth.

Among listed players –

- **HDFCLIFE** reported a 15% decline in sum assured v/s 25% growth in total unweighted Individual non-single premium.
- **IPRU** reported a 27% dip in sum assured with a much lesser fall of 11% in total unweighted Individual non-single premium.
- **SBILIFE** reported a 6% decline in sum assured as against flattish growth in total unweighted Individual non-single premium.
- **MAXF** reported 7% growth in sum assured v/s 15% growth in total unweighted Individual non-single premium.

Operating metrics to stay resilient even as premium growth remains tepid

We expect premium growth to normalize from 4QFY21, while a low base of Mar'20 (due to the COVID-led lockdown) will provide a likely boost. We expect HDFCLIFE to see a gradual recovery in new business premium (NBP) and APE growth of 14% YoY in FY21, while MAXF/SBILIFE will report a 10%/5% growth. IPRULIFE would continue to reflect tepid trends and is likely to report ~15% decline in its APE in FY21E.

Unweighted new business premium and growth

INR m	Jan'21	YoY growth	FY21 YTD	YoY growth	FY20	YoY growth
Grand Total	**213,897**	**3.7%**	**2,124,360**	**-1.2%**	**2,588,966**	**20.6%**
Total Public	**131,436**	**-2.4%**	**1,431,480**	**-4.9%**	**1,779,771**	**25.2%**
Total Private	**82,461**	**15.3%**	**692,880**	**7.5%**	**809,196**	**11.5%**
SBI life	18,752	17.5%	163,136	13.4%	165,918	20.3%
HDFC Life	17,235	16.6%	153,552	11.6%	173,963	16.2%
ICICI Prudential	12,391	18.2%	91,381	-0.9%	123,482	20.4%
Max Life	6,383	15.0%	48,819	14.9%	55,836	8.2%
Bajaj Allianz	5,084	7.6%	43,284	4.7%	51,787	5.2%
Kotak Life	4,979	28.4%	33,416	-14.1%	51,058	28.4%
Tata AIA	3,544	8.4%	29,988	20.0%	32,411	30.9%
Birla Sun Life	2,634	7.9%	34,908	26.3%	36,571	-6.6%
PNB Met Life	2,041	20.1%	13,745	-2.8%	17,787	5.8%

Source: IRDAI, LIC Council, MOFSL

How big is growth push from the Budget 2021?

Not much. The devil is in the details

- **Union Budget 2021-22 is hailed as growth expansionary. With fiscal deficit of the central government (CG) pegged at all-time high of 9.5% of GDP in FY21 and budgeted at 6.8% of GDP for FY22 – both much higher than expectations, it is believed that the Budget will help push growth higher, especially with all-time high growth of 28.4% YoY in total spending in FY21RE. Further, the average growth of 28% YoY in capital expenditure (capex) in FY21RE and FY22BE is also expected to create better growth multiplier.**
- **In our recently published note, we explained that the adjusted capex growth is estimated at 6.6% in FY21RE and budgeted at 12.3% YoY in FY22BE, implying an average growth of just 9.5% in FY21 and FY22, much lower than the growth suggested in the Union Budget and similar to the growth seen in the pre-COVID years. If so, the expected growth multiplier is expected to be much lower than perceived.**
- **Further, while capex has a higher growth multiplier than current/revenue spending, and, thus, is more important from the long-term growth perspective, total spending is more important for economic impact in the short run. There are two important points to note:**
  - **A large part of fiscal stimulus is already over. Record-high spending growth in FY21RE is on account of higher food/fertilizer subsidies, which is a one-off expenditure on account of COVID-19. More importantly, majority of this spending is already incurred. In hindsight, it helps explain better-than-anticipated economic recovery in the past few months and also better performance of the rural vis-à-vis urban economy during COVID-19, and**
  - **Total spending growth is budgeted at record-low of just 1% YoY next year, with first-ever budgeted decline in revenue expenditure in the past half a century. A large part of this slower budgeted growth is on account of disappearance of one-off COVID-related expenditure such as subsidies and MGNREGA. In short, there was a fiscal stimulus in FY21, but definitely not in FY22.**
- **Lastly, the Government's proposal to bring down fiscal deficit to below 4.5% of GDP by FY26 is also seen as growth expansionary. This is also highly misleading. Assuming average nominal GDP growth of 10% and tax buoyancy of 1.2x (same as in pre-COVID period) between FY23 and FY26, a fiscal consolidation of 0.6 percentage point (pp) of GDP per annum till FY26 means average growth of just 6.2% (5.2%) in total (primary) spending, slower than 8.6% (8.3%) seen in the pre-COVID period.**
- **Overall, while the Budget has not done anything to disturb the economic growth momentum (which is the best part), it is definitely not a largely perceived "growth expansionary" Budget also.**

Union Budget 2021-22 is hailed as growth expansionary. With CG's fiscal deficit pegged at all-time high of 9.5% of GDP in FY21 and budgeted at 6.8% of GDP for FY22 – both much higher than expectations (~7% and ~5.5% respectively), it is broadly believed that the Budget will help push growth higher, especially with all-time high growth of 28.4% YoY in total spending in FY21RE *(Exhibits 1-2)*.

Adjusted capex is estimated to grow at an average of just 9.5% in FY21 and FY22, much lower than 28% suggested in the Union Budget

Further, the average growth of 28% YoY in capital expenditure (capex) in FY21RE and FY22BE is also expected to create better growth multiplier. However, as we have explained in our recently published **note**, the adjusted capex growth is estimated at 6.6% in FY21RE and budgeted at 12.3% YoY in FY22BE, implying an average growth of just 9.5% in FY21 and FY22, similar to the growth seen in the pre-COVID years. If so, the expected growth multiplier is expected to be much lower than perceived.

TVS Motor: Working on EV portfolio; company close to net debt-free; Sudarshan Venu, Jt. MD

- Monthly growth of the industry will be in double digits
- Consumption has come back in a big way
- Lots of processes in place to offset higher raw material costs
- We are close to the net debt free levels
- We will use cash to retire debt and invest in the business
- We will invest in capex now, looking at Rs. 500 capex next year
- We will keep upgrading portfolio at regular intervals
- PLI scheme will need to support exports
- Still facing some issues with containers
- Have gained some market share in last 2 years
- Will do better than Q3 volume growth of 20% YoY
- Company is working on an electric vehicles portfolio
- Launched the electric scooter in Delhi last week after Bengaluru

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Gujarat Gas: Q3 volumes at record levels across all segments; Sanjeev Kumar, MD

- Volumes for Q3 was at record high of 11.44 mmscmd
- Volume is up 20% QoQ in CNG, sharp recovery seen here
- Q3 volumes at record levels, seen volume increased across all segments
- Added record 91 CNG stations in 9MFY21; will add 160 new CNG stations in the coming year
- Industrial business saw record volume of 7 mmscmd
- Planning to expand to newer geographies in next few quarters
- Industrial segment saw growth coming in from ceramic and tiles sectors
- Ceramic industry is expecting growth of around 25-30% in next few quarters
- Expect volumes to remain robust, at CAGR of 10% for the next 4-5 years
- Spot LNG prices have more than doubled
- Spot LNG prices moved higher due to shortage of LNG cargos and winter
- Raised prices for industrial customers due to higher spot LNG prices
- Have done advance sourcing of gas via GSPC
- Margin will moderate in Q4
- EBITDA/ scm should be around 4.5-5.5 on an annual basis

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Affle (India): Trends for Q4 to be in-line with FY21 performance; Anuj Khanna Sohum, CMD & CEO

- Committed to reinvesting in future growth
- Company is expanding its geographical presence
- Growth is coming from existing customers and markets
- Will see a lot more consumption on digital going ahead
- Seeing strong tailwinds for industry
- Trends for Q4 should be in-line with FY21 performance so far

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Fortis Healthcare: Expansion plan of adding 1300 beds remains intact; Ashutosh Raghuvanshi, MD & CEO

- Occupancy levels have not yet come back to normal levels
- Occupancy at 85% of pre-COVID levels
- Non-COVID occupancy at 46%
- Seeing momentum MoM; international patients is the only lagging segment
- International patients inflow is related to travel restrictions
- Been substituting international patients with domestic patients
- Had an expansion plan of adding 1300 beds, it remains intact
- Diagnostic non-COVID business has recovered to around 95% of pre-COVID levels

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Birlasoft: Aim to be a billion dollar company in next 4 years; Dharmender Kapoor, CEO

- 70% of discounts offered due to COVID have been restored
- Expect the residual 30-40% of discounts to be restored this quarter
- Will be happy if our deal wins are above $100 m
- If we close a large deal in Q4, we will see a sharp jump in overall TCV
- Will see growth in Q4 and FY22 YoY
- Business in Europe is a bit unpredictable
- Aim to be a billion dollar company in next 4 years

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Ashoka Buildcon: See large orders coming from NHAI and few states; Paresh Mehta, CFO

- Budget 2021 throws up a lot of positives for the company
- See large pipeline of orders coming in from NHAI and a few states
- Order book buildup should definitely be good, at least Rs, 5000-6000 crore per year buildup every year should be possible
- Impact of pandemic will get covered by the year end
- Do not see any pent-up in Government's ability to spend money for the projects where progress is on

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PNB: Expecting around Rs. 6000 crore to become NPA by FY21; SS Mallikarjuna Rao, MD & CEO

- Restructuring invocation is completed; no more increase seen in restructured book
- MSME restructuring is Rs. 698 crore in FY21 so far
- Can restructure another Rs. 800-900 crore on MSME book of FY21
- Expecting another Rs. 6000 crore to become NPA by FY21
- By FY21, gross NPA would be <14% and net NPA to be at 4-4.2%
- Retail collections have been very strong; agriculture is an area of concern
- Expect credit growth of 4% for FY21

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AN APT RESPONSE TO THE CENTRE'S BIG FISCAL SHIFT

- Our last big fiscal bet did not end well. Arguably, it was an over-response to the global financial crisis of 2008-09, a stimulus that stretched on needlessly and spun out of control—to the then Congress-led administration's grief. This time, under a Bharatiya Janata Party government, the need for heavy state spending is far clearer, as our economy was in a slump even before covid pushed it down a crevice. Plus, its net outcomes are likely to prove superior now, given the accent on capital outlays. At first glance, India has sufficient production slack today for stimulus to work and general prices to stay anchored in the near term (asset values apart). Whether our idle capacity is geared for shifts in patterns of consumption, however, is uncertain. With such stability risks inestimable, a prudent Reserve Bank of India (RBI) will need its hawkish eyes in. On Friday, it held steady the rates at which it lends banks money (and lets them park funds with it), scheduled a few reversals of its corona credit-easing, and signalled others, even as it extended support to non-bank lenders still starved of resources. Notably, it also adopted a proposal to widen our market for safe government bonds by opening it up directly to retail investors. This move, designed to aid the Centre's outsized debt plan, could lure inflows and help cap yields on sovereign paper, so that capital costs stay attractively low for business investors.
- Now that economic growth is seen to be on a sharp incline after the crash of 2020-21's first half, RBI policy normalization had been on the cards. Thankfully, its pace can be gradual because retail prices pose no imminent threat. In December, inflation was at 4.6%, dipping below its upper tolerance limit of 6% for the first time in months. While RBI governor Shaktikanta Das did warn of some price pressures ahead, such as a fuel uptrend, its forecast of average inflation at 5.2% this quarter and a benign run for two more quarters thereafter would suggest that it need not tighten its liquidity spigots in a hurry. RBI's broad thrust is to keep our economy supplied with as much money as it can absorb without prices flaring up. This latter bit is crucial. As Das said, India's policy framework for price-stability "needs to be reinforced in the coming years."
- Yet, a major question that hovers over our economy is whether it will end up inflated anyway. As part of its expansionary fiscal stance, New Delhi will probably end this financial year with borrowings of ₹12.8 trillion, up from its budgeted plan of ₹7.8 trillion. For 2021-22, this figure is pegged at ₹12 trillion. RBI will have to buy bonds voraciously to keep their prices up and yields low, a task that will be less daunting should households start putting big lumps of savings into government securities, thus upping their demand in the face of oversupply. The success of this idea will depend on stirring wide interest among savers. An ad campaign could be deployed for that purpose, perhaps with a public appeal to help the Centre spend on a recovery. Still, how well our revised policy settings work out over the years will hinge on prices and the economy's overall stability. As a safeguard, we should retain RBI's anti- inflation mandate. Let its tools get stress-tested by sustained fiscal dominance. Don't forget, as our debt burden gets heavier, the temptation to inflate it away will grow. And this, we must resist—to keep déjà vu at bay.

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