



**Celebrating the
culture, diversity
& unity of India.**

Happy 
72nd
Republic Day

Market snapshot



Today's top research idea

Equities - India	Close	Chg .%	CY20.%
Sensex	48,348	-1.1	17.0
Nifty-50	14,239	-0.9	16.9
Nifty-M 100	21,455	-0.9	25.2
Equities-Global	Close	Chg .%	CY20.%
S&P 500	3,855	0.4	18.3
Nasdaq	13,636	0.7	50.0
FTSE 100	6,639	-0.8	-12.7
DAX	13,644	-1.7	1.9
Hang Seng	11,960	2.4	5.7
Nikkei 225	28,822	0.7	21.8
Commodities	Close	Chg .%	CY20.%
Brent (US\$/Bbl)	55	1.3	-16.4
Gold (\$/OZ)	1,856	0.0	22.3
Cu (US\$/MT)	7,966	-0.4	29.2
Almn (US\$/MT)	2,020	1.2	13.8
Currency	Close	Chg .%	CY20.%
USD/INR	72.9	0.0	2.4
USD/EUR	1.2	-0.3	8.3
USD/JPY	103.8	0.0	-4.6
YIELD (%)	Close	1MChg	CY20 chg
10 Yrs G-Sec	5.9	0.01	-0.6
10 Yrs AAA Corp	6.7	0.02	-1.0
Flows (USD b)	25-Jan	MTD	CY21
FII's	-0.10	3.04	3.14
DII's	-0.05	-2.21	-2.15
Volumes (INRb)	25-Jan	MTD*	YTD*
Cash	789	773	773
F&O	34,547	33,985	33,985

Note: *Average

MAX Financial Services: Bridging the gaps!

- ❖ MAXLIFE has demonstrated resilient performance amid a difficult macro environment, delivering 10% YTD growth in new business APE v/s a 3% decline for private peers, led by a shift in product mix towards Protection and Non-PAR segments. Both these segments would continue to deliver better than industry trends.
- ❖ MAXLIFE has one of the most productive agency channels, with agent productivity improved to INR250k in FY20 (vs INR150k in FY17). The proprietary channel accounted for 32% to total APE.
- ❖ The deal with Axis Bank (AXSB) would create a strategic partnership and increase visibility for long-term business growth via higher cross-sell opportunities. The proposal has received RBI's and CCI approval and is now awaiting IRDAI's clearance.
- ❖ We overall expect VNB margin remains steady ~23.5%. This would enable 18% VNB CAGR over FY20-23E, while operating RoEV sustains ~20%. We initiate coverage on the stock with a BUY rating and TP of INR830 (2.8x FY23E EV).



Research covered

Cos/Sector	Key Highlights
MAX Fin. Services	Bridging the gaps!
Kotak Mahindra Bank	Revenue/PPOP growth steady; pro-forma GNPA increases
ICICI Securities	Stable business traction; C/I ratio surprises positively
Oberoi Realty	Residential continues to shine; outlook positive
Crompton Gr. Con	Strong growth momentum in ECD continues
V-Mart Retail	Steering ahead in a weak market



Chart of the Day: MAX Financial Services (Bridging the gaps!)

Value MAXLIFE at INR830 per share

Appraisal value method (INR b)	FY23E
Embedded value	161
New business profit	14.9
Appraisal value	447
MFS stake Post deal arrangement	80%
MFS Valuation per share, INR	1,040
Appraisal value/embedded value (x)	2.8
Holdco discount	20%
Target Price, INR	830
Implied multiples -	
- VNB multiple (x)	19.3
-EVOP multiple (x)	17.0
Upside	19%

Source: Company, MOFSL

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

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Kindly click on textbox for the detailed news link

1

JSW Steel gets letter of intent for Bhushan Power & Steel acquisition

Bhushan Power & Steel, one of the 12 cases mandated by the Reserve Bank of India to be resolved under the Insolvency and Bankruptcy Code (IBC) has got a leg-up with the letter of intent (LOI) of being issued in JSW Steel's favour. Sources close to the development said...

2

Essar Steel in a tight spot over 1,000 acres of unused land at Paradip

Still in the throes of an insolvency resolution, Essar Steel is in a tight spot for failing to develop over 1,000 acres of land at Paradip (Odisha) where it initially proposed a six million tonne greenfield steel mill. To facilitate the setting up of the steel plant, the Odisha government through its agency for land acquisition- Odisha Industrial Infrastructure Development Corporation (Idco) had acquired 1,262 acres of land, of which 1,123 acres were private and around 100 acres were government-owned...

3

FDI into India rose 13% in 2020 while global inflows sunk to lows seen in '90s

Boosted by investments in the digital sector, foreign direct investment (FDI) in India grew 13% to \$57 billion in 2020, the United Nations Conference on Trade and Development (UNCTAD) said in its 'investment trends monitor' report even as the global inflows plummeted 42% compared to 2019. "India, another major emerging economy..."

4

Oil holds gain near \$53 as tightening supply offsets virus woes

Oil held gains near \$53 a barrel as more signs of tightening supply offset concerns that a resurgent Covid-19 outbreak in some regions and a slow roll-out of vaccinations will blunt near-term demand. Futures in New York were steady after rising 1% on Monday. Russian seaborne exports of its flagship...

5

Automakers welcome centre's proposed Green Tax but transporters against it

MUMBAI: The automobile industry welcomed the 'Green Tax' proposed on old vehicles by road transport and highways minister Nitin Gadkari on Monday, but transporters raised objections against the proposed tax as it may lead to increased costs for them. According to the proposal, transport vehicles older than eight years could be charged a green tax at the rate of 10-25% of road tax at the time of renewal of fitness certificate...

6

Budget Byte: Imports grow after 9 months, signal consumption recovery

After a severe dent due to the lockdown, consumption seems to be on a gradual rise. Imports, a marker of consumption, grew 7.5% in December. Rising oil prices may have controlled the fall in oil imports but non-oil imports...

7

Grasim's entry into paints may have limited impact on existing players

The domestic paints industry has a new kid on the block. Grasim Industries announced its plans to enter the high-margin business with an investment of Rs 5,000 crore over the next three years mainly towards adding new capacity at multiple locations in the country...



MAX Financial Services

BSE SENSEX 48,348 **S&P CNX** 14,239

CMP: INR696 TP: INR830 (+19%) BUY



Bloomberg	MAXF IN
Equity Shares (m)	345
M.Cap.(INRb)/(USDb)	240.1 / 3.3
52-Week Range (INR)	752 / 280
1, 6, 12 Rel. Per (%)	-1/-3/16
12M Avg Val (INR M)	1187
Free float (%)	82.7

Financial snapshot (INR b)

Y/E MARCH	FY20	FY21E	FY22E
Net Premiums	161.8	180.0	201.9
Surplus / Deficit	12.9	6.1	6.8
Sh.PAT	5.4	5.3	6.2
NBP gr - unwt'd (%)	8.2	12.0	15.0
NBP gr - APE (%)	5.9	10.4	14.7
Premium gr (%)	11.0	11.3	12.2
VNB margin (%)	21.6	23.2	23.3
Op. RoEV (%)	20.3	19.9	19.6
Total AUMs (INRb)	684.7	809.7	916.9
VNB(INRb)	9.0	10.8	12.5
EV per Share	209.7	270.6	317.1

Valuations

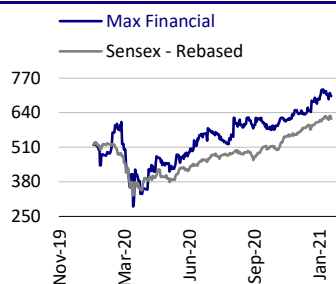
P/EV (x)	4.1	3.2	2.7
P/EVOP (x)	20.7	18.9	16.4

Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	17.3	22.3	28.3
DII	50.9	30.4	31.5
FII	19.7	32.4	27.7
Others	12.2	14.9	12.5

FII Includes depository receipts

Stock Performance (1-year)



Bridging the gaps!

Robust distribution; AXSB deal to further cement sector positioning

- **MAX Life Insurance (MAXLIFE) has demonstrated resilient performance amid a difficult macro environment, delivering 10% YTD growth in new business APE v/s a 3% decline for private peers, led by a shift in product mix towards Protection and Non-PAR segments.**
- **The management has increased its focus on the Protection and Non-PAR segments, with their share increasing to ~31% in FY20 from ~16% in FY17. Both these segments would continue to deliver better than industry trends.**
- **It has made significant investments towards growing its own distribution network – branch/employee count has increased by ~190/~5,600 over FY17-20. Market share in Individual APE has risen to 6.2% in FY21 YTD from 3.7% in FY14.**
- **MAXLIFE has one of the most productive agency channels, with agent productivity improved to INR250k in FY20 (vs INR150k in FY17). The proprietary channel accounted for 32% to total APE. The deal with Axis Bank (AXSB) would create a strategic partnership and increase visibility for long-term business growth via higher cross-sell opportunities. The proposal has received RBI's approval and is now awaiting IRDAI's clearance.**
- **The stock has delivered a 35% return over the past one-year. Given its strong business performance and likely partnership with AXSB, we expect the re-rating to continue in the stock. We overall expect growth in new business premium (NBP) to sustain at 15% CAGR over FY20-23E, while VNB margin remains steady ~23.5%. This would enable 18% VNB CAGR over FY20-23E, while operating RoEV sustains ~20%. The stock currently trades at 2.3x FY23EV and ~14x FY23 EVOP. We initiate coverage on the stock with a BUY rating and TP of INR830 (2.8x FY23E EV).**

Growth momentum strong; market share increases 140bp over FY16-21 YTD

MAXLIFE has delivered a resilient performance amid a difficult macro environment, reporting industry leading 10% FY21YTD growth in Individual APE v/s an 8% decline for the industry. This was mainly led by a shift in the product mix towards Protection and Non-PAR segments, which are witnessing healthy demand in the current environment. Strong push via the bancassurance channel has supported premium recovery as the channel's share in total new business APE increased to 67% during 1HFY21. The company reported 18% CAGR in new business APE over FY16-20 and its market share in Individual APE among private insurers has improved to ~6.2% in FY21 YTD v/s 4.8% in FY16.

Strategic focus on growing proprietary channels

The management has been making significant investments in growing its proprietary channels – branch/employee count has increased by ~190/~5,600 over FY17-20 – which enabled it to steadily gain market share. It has one of the most productive agency channels, with agent productivity improved to INR250k in FY20 (vs INR150k in FY17). The proprietary channel accounted for 32% to total APE. Improving agency channel productivity remains a key focus area for the management.

AXSB-MFS deal to provide visibility on long-term growth

AXSB and MAX Financial Services (MFS) have decided to enter into a long-term strategic partnership. AXSB, as per feedback from RBI, has proposed to acquire 9% stake directly and an additional 3% stake through its subsidiaries (with the option to invest another 7% stake in the future). This is a crucial partnership for MFS and increases long-term growth visibility/cross-sell opportunity for MAXLIFE. After this transaction, the company will be 80:20 joint venture between MFS and AXSB. The proposal is awaiting IRDAI approval and remains a key overhang on the deal.

VNB margin remains steady while operating RoEV sustains ~20%

In the past, the VNB margin for MAXLIFE grew at a slower rate due to high cost overruns as the focus was on improving the distribution channel, adding employees, etc. The distribution mix has started reflecting productivity gains, while the management's increased focus towards high margin Non-PAR Savings/Protection products has enabled healthy expansion in VNB margin. During FY20, both these segments contributed ~70% of VNB. We expect VNB margin to remain steady ~23.5%. This would enable 18% VNB CAGR over FY20-23E, while operating RoEV sustains ~20%.

Initiate coverage with a Buy rating and TP of INR830/share

MAXLIFE reported strong VNB growth (22% CAGR over FY17-20), with a 16% growth in APE. VNB margin improved to 21.6% (v/s~19% in FY17). With increasing focus towards high margin products and productivity improvements from the distribution mix, we estimate VNB to grow at 18% CAGR over FY20-23E. We estimate an operating RoEV of ~20% for FY23E, with embedded value (EV) reflecting 17% CAGR over FY20-23E. The stock currently trades at 2.3x FY23EV and ~14x FY23 EVOP. We expect the stock to continue to re-rate if the AXSB-MAXLIFE deal goes through and both entities forge a long term strategic partnership. We initiate coverage on the stock with a BUY rating and TP of INR830 (2.8x FY23E EV).

Valuation summary of Life Insurance companies

Val summary	Rating	Mkt. Cap	CMP	TP	Upside	EVOP (INRb)		EV per share (INR)		VNB Margin (%)		Op. RoEV (%)		P/EVOP (x)		P/EV (x)	
						FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Life Insurance																	
HDFCLIFE	Neutral	1,374	680	650	-4	45.9	54.3	146	171	26.2	26.4	18.4	18.5	29.9	25.3	4.7	4.0
IPRULIFE	Buy	721	502	575	15	41.1	47.6	220	252	27.5	28.1	14.9	15.1	17.5	15.1	2.3	2.0
SBILIFE	Buy	863	863	1,050	22	56.5	69.6	363	431	21.1	21.8	18.4	19.2	15.3	12.4	2.4	2.0
MAXF	Buy	240	696	830	19	22.8	26.7	317	373	23.3	23.5	19.6	19.5	16.4	14.1	2.7	2.3

Note: MFS valuation ratios adjusted for MFS stake (80%) and holdco discount (20%)

Source: MOFSL, Company



Kotak Mahindra Bank

Estimate change	↓
TP change	↔
Rating change	↔

CMP: INR1,795 **TP: INR1,800** **Neutral**

Bloomberg	KMB IN
Equity Shares (m)	1,907
M.Cap.(INRb)/(USDb)	3555.3 / 49.7
52-Week Range (INR)	2027 / 1000
1, 6, 12 Rel. Per (%)	-11/6/-7
12M Avg Val (INR M)	8767

Financials & Valuations (INR b)

Y/E MARCH	FY20	FY21E	FY22E	FY23E
NII	135.0	158.5	181.2	208.0
OP	100.2	123.2	138.6	159.7
NP	59.5	72.5	87.1	104.6
Cons. NP	85.9	98.5	117.8	141.0
NIM (%)	4.3	4.5	4.7	4.7
EPS (INR)	31.1	37.2	44.0	52.9
EPS Gr. (%)	22.0	19.7	18.2	20.1
ABV. (INR)	234.2	289.6	328.8	377.3
Cons. BV. (INR)	348.3	385.8	444.5	514.7

Ratios

Cons. RoE (%)	12.8	12.9	13.4	13.8
RoE (%)	13.1	13.0	13.0	13.7
RoA (%)	1.8	1.9	2.1	2.2

Valuations

P/BV (X) (Cons.)	5.2	4.7	4.0	3.5
P/ABV (X) (Adj.)	5.5	4.5	3.9	3.4
P/E(X) (Adj.)	41.5	34.7	29.3	24.4

*Adjusted for Investment subs

Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	26.0	26.1	30.0
DII	12.9	15.3	12.4
FII	45.1	42.2	39.8
Others	16.0	16.5	17.9

FII Includes depository receipts

Revenue/PPOP growth steady; pro-forma GNPA increases

Loan growth showing signs of a recovery

- KMB reported an in line 3QFY21, with PAT of INR18.5b (+16% YoY), led by pickup in loan growth, which supported NII, even as margin stood flat QoQ (~4.5%). On the asset quality front, slippages stood lower (aided by SC order) driving sequential improvement in asset quality ratios, while PCR rose to ~78%. However, pro-forma GNPA/NNPA ratio increased to 3.27%/1.24% (v/s 2.7%/0.74% in 2QFY21). The bank carries COVID-related provisions of INR12.8b (0.6% of advances), while it carried out fresh restructuring worth 0.28% of advances.
- Loan book grew 4.5% QoQ led by steady traction across business segments: Agri, Tractors, Mortgage, and Corporate banking. Disbursals under the ECLG scheme crossed INR97b in Jan'21 (INR94b as of Dec'20). CASA growth remains steady, driving further improvement in the CASA mix to 58.9%.
- We cut our FY21E/FY22E earnings estimates by 3%/1%, factoring in higher credit cost and lower other income. **Maintain Neutral.**

CASA franchise remains robust; PCR increases to 78%

- KMB reported a 3QFY21 standalone PAT of INR18.5b (+16% YoY; in line), supported by healthy NII growth and lower opex even as provisions increased 63% QoQ. Consolidated PAT grew 11% YoY to INR26b. **For 9MFY21**, NII/PPOP grew 17%/23%, while PAT grew 13% YoY to INR52.8b.
- NII grew ~17% YoY to INR40b (in line), led by a sequential recovery in loan growth and stable margin at 4.51% (4.52% in 2QFY21). Other income was flat YoY, while fee income grew 11% QoQ (3% YoY). Opex declined 5% YoY (+9% QoQ), resulting in PPOP growth of 29% YoY.
- Loan book declined 1% YoY, but grew 4.5% QoQ, led by steady traction across business segments (Agri, Tractor, Mortgage, and Corporate banking) to INR2.14t. Deposits grew 11% YoY to INR2.65t. CASA deposits increased ~22% YoY, with CASA mix improving to 58.9% (v/s 57.1% in 2QFY21). CASA + TDs (below INR50m) mix increased to ~92% of total deposits.
- On the asset quality front, absolute GNPL/NNPL declined 8%/18% QoQ. The GNPA/NNPA ratio fell 29bp/14bp QoQ to 2.26%/0.5%. PCR improved ~280bp QoQ to 78.4%. Pro-forma GNPA/NNPA ratio increased to 3.27%/1.24% (v/s 2.7%/0.74% in 2QFY21) and SMA-2 advances stood at ~INR6.5b (0.3% of loans). KMB carries total COVID provisions of INR12.8b (0.6% of loans), while it carried out fresh restructuring of 0.28% of loans.
- **Subsidiaries** reported mixed performance with PAT declining 20% YoY for Kotak Prime (+12% QoQ), flattish for Kotak Life, and 44% YoY (-8% QoQ) increase for Kotak Securities.

Highlights from the management commentary

- Loan growth is recovering gradually with a focus on secured lending and improving traction in lending towards better-rated corporates. On the other hand, the management remains cautious on unsecured lending.
- Unsecured loans comprise ~6% of total loans. Around 40% of the incremental rise in pro-forma GNPA between 2Q and 3QFY21 was due to such loans.
- Collection efficiency has reached pre-COVID levels in the secured portfolio, while it is slightly below in the unsecured portfolio.
- Credit cost, including interest reversal provisions on pro-forma slippages, was 120bp. Excluding interest reversal, the same was ~86bp.

Valuation and view

KMB reported a steady quarter, led by a pickup in loan growth, which supported NII, and a sequential rise in fee income. The bank continues to report steady progress in building a strong liability franchise, with the CASA ratio improving to ~59%. Loan growth is showing signs of a recovery on steady traction across many business segments. Margin is likely to remain steady going forward. We remain watchful on asset quality as pro-forma GNPA/NNPA witnessed a sharp increase to 3.27%/1.24% v/s 2.7%/0.74% in 2QFY21. We expect credit cost to increase slightly even as KMB carries COVID-19 provisions of INR12.8b (0.6% of advances). The restructuring book stands at 0.28% of advances. We cut our FY21E/FY22E earnings estimates by 3%/1%, factoring in higher credit cost and lower other income. We **maintain Neutral** with a TP of INR1,800/share (3.6x Sep'22E ABV+INR504 for subsidiaries).

Quarterly performance

Y/E March	FY20				FY21E				FY20	FY21E	3QFY21E	v/s our estimate
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Net interest income	31,730	33,496	34,295	35,597	37,239	39,132	40,068	42,031	134,997	158,470	39,716	1%
% change (YoY)	22.8	24.6	16.7	16.8	17.4	16.8	16.8	18.1	20.5	17.4	15.8	
Other income	13,047	12,244	13,414	14,894	7,735	14,520	13,344	15,436	53,721	51,035	14,891	-10%
Total income	44,778	45,740	47,710	50,490	44,974	53,652	53,412	57,466	188,718	209,505	54,608	-2%
Operating expenses	20,789	20,654	23,829	23,238	18,737	20,678	22,579	24,276	88,509	86,269	22,722	-1%
Operating profit	23,989	25,086	23,881	27,253	26,237	32,975	30,833	33,190	100,208	123,236	31,886	-3%
% change (YoY)	18.0	19.7	23.2	19.4	9.4	31.4	29.1	21.8	20.0	23.0	33.5	
Other provisions	3,168	4,079	4,440	10,475	9,620	3,686	5,990	7,078	22,162	26,374	6,085	-2%
Profit before tax	20,822	21,006	19,441	16,778	16,617	29,289	24,843	26,112	78,047	96,861	25,800	-4%
Tax provisions	7,220	3,762	3,482	4,112	4,173	7,444	6,308	6,485	18,575	24,409	6,594	-4%
Net profit	13,602	17,245	15,959	12,666	12,445	21,845	18,535	19,628	59,472	72,452	19,207	-3%
% change (YoY)	32.7	51.1	23.6	-10.0	-8.5	26.7	16.1	55.0	22.2	21.8	20.4	
Deposits (INR b)	2,329	2,331	2,394	2,628	2,615	2,616	2,653	2,773	2,628	2,773	2,707	-2%
Loans (INR b)	2,080	2,133	2,168	2,197	2,040	2,048	2,141	2,241	2,197	2,241	2,096	2%
Deposit growth (%)	22.8	13.2	12.0	16.4	12.3	12.2	10.8	5.5	16.4	5.5	13.1	-226
Loan growth (%)	17.6	15.3	10.4	6.8	-1.9	-4.0	-1.2	2.0	6.8	2.0	-3.3	206
Asset quality												
Gross NPA (%)	2.2	2.3	2.5	2.3	2.7	2.6	2.3	3.0	2.3	3.0	2.7	-46
Net NPA (%)	0.7	0.9	0.9	0.7	0.9	0.6	0.5	1.1	0.7	1.1	0.8	-33
PCR (%)	67.0	64.0	64.4	69.0	68.4	75.6	78.4	64.8	69.0	64.8	70.0	841

E: MOFSL estimates



ICICI Securities

Estimate change	↑
TP change	↑
Rating change	↔

CMP: INR446 TP: INR650 (+46%) Buy

Bloomberg	ISEC IN
Equity Shares (m)	322
M.Cap.(INRb)/(USDb)	143.7 / 1.9
52-Week Range (INR)	569 / 204
1, 6, 12 Rel. Per (%)	-4/-44/-22
12M Avg Val (INR M)	274

Financials & Valuations (INR b)

Y/E March	2020	2021E	2022E
Revenues	17.2	24.4	25.1
Opex	9.7	11.5	12.1
PBT	7.5	12.9	13.1
PAT	5.4	9.6	9.8

Ratios

C/I ratio (%)	56.4	47.0	48.0
PAT margin (%)	31.4	39.5	38.8
RoE (%)	48.0	71.3	59.3
Div. Payout (%)	70.6	70.0	70.0
EPS	16.8	30.0	30.3

Valuations

P/E (x)	26.5	14.9	14.7
P/BV (x)	11.9	9.6	8.0
Div. Yield (%)	2.5	4.7	4.8

Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	75.0	77.2	79.2
DII	9.9	10.1	11.9
FII	4.6	4.0	2.7
Others	10.5	8.7	6.2

FII Includes depository receipts

Stable business traction; C/I ratio surprises positively

- ICICI Securities (ISEC) delivered 95% YoY growth in PAT to INR2.7b (9MFY21 PAT up 91% YoY to INR7.4b), driven by a stable performance in retail broking and strong cost control.
- Total revenue tapered ~10% from highs of 2QFY21, but remained 47% above YoY levels at INR6.2b. At the same time, the C/I ratio improved 300bp QoQ (1,400bp YoY) to 42%, the lowest ever, driven by 28% QoQ reduction in employee expenses – on account of lower variable pay provisions.

Retail broking – customer acquisitions strong, but market share drops

- The company acquired 139k new customers in 3Q v/s 113k QoQ. **Around one-third of new customers are sourced from the open architecture platform, i.e., non-ICICIB customers.** The number of NSE-active clients increased 90k QoQ, taking the total base to 1.3m.
- **However, ISEC's market share in cash/F&O trading fell 60bp/250bp sequentially to 10.5%/6.3%, largely on account of new margin funding norms on intraday trading (effective 1st Dec).** Interestingly, equity revenues in Dec were up 9% MoM as the increase in cash delivery volumes offset decline in intraday volumes. Management believes its market share in F&O has bottomed out and should be stable / improve hereafter.
- ISEC launched 'ICICIdirect NEO' – a discount plan offering nil brokerage on Futures trades and INR20 per order on Intraday and Options trades.

Distribution income growth modest; funding book stable

- Distribution income was up 9% QoQ and 5% YoY to INR1.08b, driven by similar growth in both mutual fund and non-mutual fund distribution.
- The lending book and corresponding interest income were sequentially unchanged at INR18.7b and INR440m, respectively.

Key concall highlights

- 65% decline in revenue QoQ was attributable to fewer trading days and 35% was due to a higher share of PRIME and prepaid customers.
- A 50k increase was seen in the number of NSE-active clients in Dec '20 – the highest ever.

Valuation and view

Changes in ISEC's product and sourcing strategies have yielded results over the past 1.5–2 years. Given intense competition in the sector, this is likely to continue in the foreseeable future. ISEC recently launched its 'NEO' plan to counter competition from discount brokers as well as some traditional brokers with discount plans. Also, its open architecture sourcing has seen fair success. On the other hand, the Distribution business remains on a moderate growth trajectory. ISEC's path to profitability improvement is attributable to its cost-cutting initiatives, which it has been executing very well. We upgrade our EPS estimates for FY22/FY23E by 8–9%. Maintain Buy, with TP of INR650 (20x FY23E EPS).

Quarterly Performance

Y/E March	FY20				FY21				FY20	FY21E	3QFY21E	Act v/s Est. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Revenue from Operations	3,865	4,170	4,222	4,804	5,460	6,807	6,201	5,957	17,062	24,425	5,866	6
Other Income	156	12	4	15	4	-2	-1	0	187	0	5	-128
Total Income	4,021	4,182	4,227	4,819	5,464	6,805	6,200	5,957	17,249	24,425	5,871	6
Change YoY (%)	-7.7	-8.7	4.4	12.5	35.9	62.7	46.7	23.6	-0.1	41.6	38.9	
Operating Expenses	2,261	2,341	2,376	2,742	2,870	3,082	2,622	2,916	9,720	11,490	3,029	-13
Change YoY (%)	-3.1	-6.5	-3.7	14.5	26.9	31.6	10.4	6.3	0.2	18.2	27.5	
PBT	1,760	1,841	1,851	2,077	2,594	3,723	3,578	3,041	7,529	12,936	2,842	26
Change YoY (%)	-13.1	-11.4	17.1	10.0	47.4	102.2	93.3	46.4	-0.6	71.8	53.6	
Tax Provisions	622	490	479	519	663	942	908	773	2,109	3,286	731	24
Net Profit	1,138	1,351	1,372	1,559	1,931	2,782	2,670	2,267	5,420	9,650	2,111	26
Change YoY (%)	-15.0	0.7	35.6	28.3	69.7	105.9	94.6	45.5	10.4	78.0	53.8	
Key Operating Parameters (%)												
Cost to Income Ratio	56.2	56.0	56.2	56.9	52.5	45.3	42.3	49.0	56.4	47.0	51.6	
PBT Margin	43.8	44.0	43.8	43.1	47.5	54.7	57.7	51.0	43.6	53.0	48.4	
Tax Rate	35.4	26.6	25.9	25.0	25.6	25.3	25.4	25.4	28.0	25.4	25.7	
PAT Margins	28.3	32.3	32.5	32.3	35.3	40.9	43.1	38.1	31.4	39.5	36.0	
Revenue from Operations (INR m)												
Retail Brokerage Income	1,893	1,833	1,961	2,501	3,210	3,534	3,243	2,950	8,188	12,937		
Institutional Brokerage Income	306	326	285	372	348	386	380	381	1,289	1,495		
Investment Banking	167	323	176	99	223	623	234	270	765	1,350	176	
Distribution Income	984	1,062	1,029	1,155	798	990	1,079	1,218	4,230	4,085		
Other servicing Income	10	67	84	62	103	285	275	236	223	900		
Interest Income	501	535	602	712	624	898	893	922	2,350	3,337		
Other Operating Income	4	24	86	-96	154	90	97	-21	17.7	321		
Revenue from Operations Mix (%)												
Retail Brokerage Income	49.0	44.0	46.4	52.1	58.8	51.9	52.3		48.0	53.0		
Institutional Brokerage Income	7.9	7.8	6.7	7.7	6.4	5.7	6.1		7.6	6.1		
Investment Banking	4.3	7.7	4.2	2.1	4.1	9.2	3.8		4.5	5.5		
Distribution Income	25.5	25.5	24.4	24.0	14.6	14.5	17.4		24.8	16.7		
Other servicing Income	0.3	1.6	2.0	1.3	1.9	4.2	4.4		1.3	3.7		
Interest Income	13.0	12.8	14.2	14.8	11.4	13.2	14.4		13.8	13.7		
Other Operating Income	0.1	0.6	2.0	-2.0	2.8	1.3	1.6		0.1	1.3		
Opex Mix (%)												
Employee Expenses	56.3	57.2	55.9	50.9	60.2	58.3	49.5		54.9	55.7		
Depreciation	6.9	6.3	6.2	5.9	4.7	4.2	5.2		6.3	4.7		
Interest Expenses	7.9	7.6	9.2	10.5	8.0	9.2	9.7		8.9	9.0		
Others	28.9	28.9	28.6	32.6	27.1	28.2	35.6		29.9	30.5		
Other Parameters (%)												
Blended MS	7.4	7.3	8.7	8.0	9.0	8.9	6.5					
Equity MS	8.1	8.7	8.9	9.1	10.7	11.1	10.5					
Derivatives MS	7.4	7.3	8.7	8.0	8.9	8.8	6.3					
NSE Active Customer MS	9.8	10.1	10.0	10.0	9.2	8.4	0.0					
No. Of Branches	198	187	178	172	171	156	151					
Network Partners	7500+	8000+	8600+	9400+	12100+	13600+	15200+					

Source: MOFSL, Company



Oberoi Realty

Estimate changes	↑
TP change	↑
Rating change	↔

CMP: INR552 TP: INR648(+17%) Buy

Bloomberg	OBER IN
Equity Shares (m)	364
M.Cap.(INRb)/(USDb)	200.7 / 2.8
52-Week Range (INR)	635 / 290
1, 6, 12 Rel. Per (%)	0/15/-19
12M Avg Val (INR M)	235

Financials & Valuations (INR b)

Y/E Mar	2021E	2022E	2023E
Net Sales	20.5	28.8	38.7
EBITDA	9.9	14.5	18.5
EBITDAM %	48.3	50.4	47.9
NP (INR b)	7.3	11.7	14.6
EPS (INR)	20.0	32.2	40.0
EPS Gr. (%)	5.3	61.2	24.4
BV/Sh. (INR)	255	285	322

Ratios

Net D:E	0.1	0.1	0.1
RoE (%)	8.1	11.9	13.2
RoCE (%)	7.4	9.5	11.0

Valuations

P/E (x)	15.6	9.7	7.8
P/BV (x)	1.2	1.1	1.0
EV/EBITDA (x)	12.4	8.5	6.7
EV/Sales (x)	6.0	4.3	3.2

Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	67.7	67.7	67.7
DII	4.4	4.7	4.8
FII	25.6	25.4	25.3
Others	2.3	2.2	2.2

FII Includes depository receipts

Residential continues to shine; outlook positive

- Oberoi Realty (OBER)'s reported impressive 3QFY21 results. The Residential segment posted one of the best performances in the last five years in terms of presales volumes/value. The Office space continued to report a stable performance among the operational assets; Retail is also picking up gradually as we trace the path back to normalization. However, the outlook for Hospitality remains bleak until work-related travel resumes.
- We revise our estimates for the Residential segment on the upside by 86%/43% for FY21/FY22. Maintain **Buy**, with revised TP of INR648.

Residential continues to shine; Commercial Office stands stable

- **3QFY21 performance:** Revenue was up 57% YoY to INR8,284m (v/s our estimate of INR4,180m). EBITDA rose 66% YoY to INR3,825m (v/s our estimate of INR2,111m). The EBITDA margin expanded 260bp to 46.2% (v/s our estimate of 50.5%). Adjusted PAT was up 93% YoY to INR2,867m (v/s our estimate of INR1,494m). For 9MY21, revenue/EBITDA fell 22%/8% YoY, while adjusted PAT increased 3%.
- **Traction intact for Residential:** OBER's presales volume/value was up 229%/220% YoY to 0.51m sq. ft. /INR9.7b, largely driven by a favorable product mix (skewed toward RTM / properties nearing completion) – characterized by strong demand, low interest rates, and government stimulus. Strong demand dynamics, coupled with a robust launch pipeline, are likely to keep the momentum going for the Residential segment.
- **Leasing on stable footing; Hospitality remains subdued:** Revenue/EBITDA rose 13%/15% YoY to INR1,041m/INR1,017m. Occupancy at Commerz I improved 800bp sequentially to 42%, while occupancy at Oberoi Mall / Commerz II remained stable at 93.4%/97.4% sequentially. The Hospitality segment remained under pressure due to travel restrictions. Revenue declined 71% YoY (up 72% QoQ) to INR113m, with operating loss of INR0.8m.

Key highlights from management commentary

- (a) Exciting launch pipeline of ~5msf in 4QFY21 – Exquisite III, Goregaon (2.4msf), Sky City Phase II, Borivali (1.8msf), and Thane (1msf); (b) strong outlook on operating performance of Three Sixty West, driven by a robust demand environment.

Valuation and view

- We are enthused by the continued strength in the Residential segment's performance over the last couple of quarters and its positive outlook – on the back of strong demand dynamics and government-led stimulus, coupled with a robust launch pipeline. Thus, we revise our estimates for the segment by 86%/43% for FY21/FY22.
- We expect Residential to do the heavy lifting and support growth, while Leasing would pick up gradually with the normalization of operations at Oberoi Mall. However, Hospitality remains a dent in the near term. Maintain **Buy**, with TP of INR648.

Consolidated – Quarterly Earnings Model

(INR m)

Y/E March	FY20				FY21E				FY20	FY21E	FY21E	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Net Sales	6,033	4,915	5,274	6,155	1,180	3,161	8,284	7,849	22,376	20,474	4,180	98%
YoY Change (%)	-32.1	-17.0	-0.2	7.3	-80.4	-35.7	57.1	27.5	-13.4	-8.5	-20.7	
Total Expenditure	3,680	2,786	2,975	2,450	601	1,296	4,459	4,235	11,891	10,591	2,069	
EBITDA	2,352	2,129	2,299	3,705	579	1,865	3,825	3,614	10,485	9,883	2,111	81%
Margins (%)	39.0	43.3	43.6	60.2	49.1	59.0	46.2	46.0	46.9	48.3	50.5	-433bp
Depreciation	111	113	113	112	106	103	103	110	449	422	130	
Interest	239	246	199	201	179	182	202	237	885	800	195	
Other Income	149	136	91	102	88	92	92	117	478	389	110	
PBT before EO expense	2,151	1,906	2,078	3,494	383	1,672	3,611	3,383	9,630	9,049	1,896	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	2,151	1,906	2,078	3,494	383	1,672	3,611	3,383	9,630	9,049	1,896	
Tax	643	540	615	998	117	311	743	910	2,796	2,081	512	
Rate (%)	29.9	28.3	29.6	28.6	30.6	18.6	20.6	26.9	29.0	23.0	27.0	
Minority Interest & Profit/Loss of Asso. Cos.	-12	-15	-19	-14	-15	-16	2	-263	-59	-292	-110	
Reported PAT	1,521	1,381	1,482	2,510	281	1,377	2,867	2,735	6,893	7,260	1,494	
Adj PAT	1,521	1,381	1,482	2,510	281	1,377	2,867	2,735	6,893	7,261	1,494	92%
YoY Change (%)	-50.9	-35.4	7.5	61.1	-81.5	-0.2	93.4	9.0	-15.6	5.3	0.8	
Margins (%)	25.2	28.1	28.1	40.8	23.8	43.6	34.6	34.9	30.8	35.5	35.7	

E: MOFSL Estimates



Crompton Gr. Con

Estimate change	↑
TP change	↑
Rating change	↔

CMP: INR412 **TP: INR485 (+18%)** **Buy**

Strong growth momentum in ECD continues

Lighting segment sustaining double-digit margin

- CROMPTON's topline came in 12% higher than our estimates. The beat was driven by higher revenue growth in the ECD segment, with growth across Fans, Pumps, and Appliances. Margin in the Lighting segment continued to revive and stood at double-digits for the second consecutive quarter, thus indicating sustainability. It gained market share in Fans and Appliances, and continued its volume growth in the B2C Lighting category (+13% YoY).
- The management continues to deliver on our investment thesis ([read here](#)). In spite of commodity headwinds, CROMPTON has been able to maintain gross margin. It has raised prices by 5-8% across categories in Jan'21, which should help mitigate margin risks further.
- Its Balance Sheet has improved further, with a net cash position of INR8.1b (v/s INR7.5b in 1HFY21). Efficient working capital management has led to strong cash conversion, with FCF at INR2.3b in 3QFY21 (v/s INR1.1b in 3QFY20). Incorporating strong 3QFY21 performance, we have increased our FY21E/FY22E/FY23E EPS by 8%/10%/8%. Maintain **Buy** with a higher TP of INR485 per share (40x FY23E EPS).

Beat across all parameters

- Revenue grew 24% YoY to INR13.2b, 10% ahead of our expectation. EBITDA grew 43% YoY to INR2b, 11% ahead of our expectation. EBITDA margin expanded 200bp YoY to 14.8%. Employee cost jumped 20% YoY to INR929m and constituted 7% (3QFY20: 7.2%) of sales. Adjusted PAT grew 42% to INR1.5b, 12% ahead of our expectation.
- **Segmental snapshot: a) ECD** revenue grew strongly (32% YoY) to INR13.2b, 18% ahead of our expectation. PBIT margin came in at 19.8% (flat YoY). **b) Lighting** revenue was flat YoY at INR2.8b. PBIT margin expanded to 11.6%, the second consecutive quarter of double-digit margin. B2C LED lighting business continues to register improved volume growth, with corresponding value growth. Lighting B2B activity remained challenging due to slow order pick up from institutional clients.

Key highlights from the management commentary

- **Fans:** The segment grew 36% YoY, with premium Fans growing 51% YoY. Super premium Fans continued to gain traction. CROMPTON gained 1% market share on a YTD basis. It has increased its reach in Fans by 3% on a YTD basis. **Pumps** grew 19% YoY (largely volume-led growth), with Residential Pumps growing 22%/25% YoY in volume/value terms.
- **Appliances** grew by 45% YoY. Water heater grew 50% YoY in value terms and is rapidly moving towards a leadership position.
- A 5-8% price increase was undertaken across categories effective 1st Jan'21. Other brands too raised prices from mid Dec'20 till mid Jan'21.
- LED Lighting witnessed volume/value growth of ~13% each. The LED B2C business has helped maintain double-digit margin.

Bloomberg	CROMPTON IN
Equity Shares (m)	627
M.Cap.(INRb)/(USD\$b)	258.3 / 3.7
52-Week Range (INR)	456 / 178
1, 6, 12 Rel. Per (%)	12/37/41
12M Avg Val (INR M)	395

Financials & Valuations (INR b)

Y/E Mar	2020	2021E	2022E
Sales	45.1	46.7	58.7
EBITDA	6.0	7.0	8.6
PAT	4.4	5.2	6.7
EBITDA (%)	13.2	14.9	14.7
EPS (INR)	7.0	8.4	10.6
EPS Gr. (%)	16.9	19.9	27.1
BV/Sh. (INR)	23.4	28.4	34.8

Ratios

Net D/E	(0.2)	(0.3)	(0.4)
RoE (%)	29.8	29.4	30.5
RoCE (%)	28.9	28.3	31.2
Payout (%)	34.4	40.0	40.0

Valuations

P/E (x)	59.0	49.2	38.7
P/BV (x)	17.6	14.5	11.8
EV/EBITDA (x)	42.8	36.2	28.8
Div Yield (%)	0.5	0.8	1.0
FCF Yield (%)	1.4	1.8	2.5

Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	17.4	26.2	26.2
DII	37.6	26.1	26.9
FII	34.3	30.3	30.9
Others	10.7	17.4	16.1

FII Includes depository receipts

- CROMPTON continues to invest in business as suggested by normalized advertising spends in 3QFY21 (1.9% of sales v/s 2% last year). Employee cost rose 20% YoY as it offered increments to all employees effective 1 Oct'20.

Valuation and view

CROMPTON has further consolidated its position in Fans and Pumps, and has become the number two player in the Water Heaters segment. Though there is some element of pre-buying in 3QFY21, we expect retail sales to gradually pick up. With price hikes in place, we expect double-digit revenue growth to sustain. Note that two-year revenue CAGR stood at 13.3% in 3QFY21 v/s 12% for HAVL. While unorganized and weaker brands would see some restoration of supply-side issues, it will be tough for them to bridge the gap with leading brands. We have increased our FY21E/FY22E/FY23E estimates by 8%/10%/8% and TP to INR485/share (Prior: INR430), based on unchanged target PER of 40x FY23E EPS.

Quarterly estimates

Y/E March	FY20				FY21				FY20	FY21E	v/s 3QFY21E estimate	Variance (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Sales	13,468	10,758	10,713	10,181	7,132	11,984	13,231	14,353	45,120	46,700	12,000	10.3%
Change (%)	11.9	3.7	4.0	-15.6	-47.0	11.4	23.5	41.0	0.7	3.5	12.0	
EBITDA	1,919	1,295	1,369	1,384	988	1,859	1,952	2,179	5,969	6,978	1,760	10.9%
Change (%)	14.7	4.5	8.6	-17.9	-48.5	43.5	42.6	57.4	1.9	16.9	28.6	
As a percentage of sales	14.2	12.0	12.8	13.6	13.9	15.5	14.8	15.2	13.2	14.9	14.7	
Depreciation	58	64	64	82	80	77	69	74	268	299	80	
Interest	150	87	87	83	108	111	106	95	407	420	100	
Other income	173	122	174	119	188	167	199	197	589	750	175	
PBT	1,885	1,267	1,391	1,339	988	1,837	1,976	2,208	5,883	7,009	1,755	12.6%
Tax	660	154	355	341	251	467	502	545	1,510	1,764	442	
Effective tax rate (%)	35.0	12.1	25.5	25.5	25.4	25.4	25.4	24.7	25.7	25.2	25.2	
Adjusted PAT	1,224	1,113	1,036	998	737	1,371	1,475	1,663	4,373	5,245	1,313	12.3%
Change (%)	17.4	44.7	30.1	(11.8)	(39.8)	23.2	42.3	66.6	16.9	19.9	26.7	
Extra-ordinary income (net)	0	-	574	-	0	-	0	-	574	-	0	
Reported PAT	1,224	1,113	1,610	998	737	1,371	1,475	1,663	4,947	5,245	1,313	12.3%
Change (%)	17.4	44.7	102.1	(29.5)	(39.8)	23.2	(8.4)	66.6	22.9	6.0	(18.4)	

Segmental sales (INR m)

Y/E March	FY20				FY21			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE
Lighting	2,739	2,877	2,843	2,770	1,166	2,667	2,872	3,494
Electrical Consumer Durables	10,729	7,881	7,870	7,411	5,965	9,317	10,359	10,859
Total sales	13,468	10,758	10,713	10,181	7,132	11,984	13,231	14,353
YoY growth (%)								
Lighting	(1.8)	(11.5)	(10.8)	(19.1)	(57.4)	(7.3)	1.0	26.2
Electrical Consumer Durables	16.0	10.6	10.6	(14.3)	(44.4)	18.2	31.6	46.5
EBIT								
Lighting	141	151	196	193	55	276	334	386
Electrical Consumer Durables	2,173	1,514	1,561	1,482	1,223	1,960	2,046	2,181
EBIT margin (%)								
Lighting	5.1	5.2	6.9	7.0	4.7	10.4	11.6	11.0
Electrical Consumer Durables	20.3	19.2	19.8	20.0	20.5	21.0	19.8	20.1



V-Mart Retail

Estimate change	↔
TP change	↑
Rating change	↔

Bloomberg	VMART IN
Equity Shares (m)	18
M.Cap.(INRb)/(USDb)	45.4 / 0.6
52-Week Range (INR)	2602 / 1294
1, 6, 12 Rel. Per (%)	-3/12/11
12M Avg Val (INR M)	65

Financials & Valuations (INR b)

Y/E March	FY21E	FY22E	FY23E
Sales	10.8	18.2	22.7
EBITDA	1.2	2.4	3.0
Adj. PAT	-0.2	0.5	0.8
EBITDA Margin (%)	10.9	12.9	13.0
Adj. EPS (INR)	-10.6	25.0	43.4
EPS Gr. (%)	NM	NM	73.8
BV/Sh. (INR)	243.0	267.9	311.3

Ratios

Net D:E	1.0	0.8	0.6
RoE (%)	NM	9.8	15.0
RoCE (%)	2.5	8.7	11.4
Payout (%)	0.0	0.0	0.0

Valuations

P/E (x)	NM	99.9	57.5
EV/EBITDA (x)	42.1	20.9	16.4
EV/Sales (X)	4.1	2.4	1.9
Div. Yield (%)	0.0	0.0	0.0

Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	50.6	50.8	52.0
DII	18.5	17.6	10.3
FII	22.6	23.2	26.1
Others	8.3	8.5	11.7

FII Includes depository receipts

CMP: INR2,494 TP: INR2,870 (+15%) Buy

Steering ahead in a weak market

- Weakness in revenue continued – down 16% YoY (6% below est) thus far – while EBITDA/PAT decline was cushioned (down 11%/18% YoY, ahead of est.) on the back of better GM and good cost management in a weak quarter.
- Maintain EBITDA estimates for FY22E at 10% growth over FY20 on the back of a) -11% same-store sales growth (SSSG), b) 30% footprint adds over FY20–22E, and c) recovery in the EBITDA margin to FY20 levels. Maintain Buy.

EBITDA beat of 17%, driven by sharp cost measures

- V-Mart Retail (VMART)'s 3QFY21 revenues declined 16% YoY to INR4.7b (6% miss) as weakness in customer footfall continued. However, revenue performance was better v/s 2QFY21 (down 44% YoY) and v/s urban-centric peers (which reported 29% revenue declines YoY). This suggests the rebound in tier 2/3 cities has been better than in the urban market.
- Gross margins recovered to 36.7% (+40bps YoY) v/s a 400bp fall in 2QFY21, attributed to limited discounting and a lean inventory position with no provisioning.
- Overall cost-cutting was fairly healthy, with employee/other expenses down 21% YoY – despite the complete resumption of operations and aggressive marketing by the management to drive sales. 2QFY21 saw 41% YoY decline in costs on account of stores being non-operational.
- EBITDA declined 11% YoY (17% beat) to INR1b on account of better-than-expected cost measures. Subsequently, PAT came was down 18% YoY to INR479m (32% beat).
- Same-stores sales dropped 19% YoY on account of restricted activity. Nevertheless, the company added 11 new stores in 3Q, taking the total store count to 274.

Highlights from management commentary

- Gradual MoM improvement is seen in sales despite the COVID impact and weak wedding shopping – as consumer spending remains constrained. However, expect gradual market recovery in the coming quarters.
- The company achieved INR210m rental savings in 9MFY21 (INR20m in 3QFY21); no major savings are expected in 4Q.
- Maintain the long-term target of 25–30% new store adds/year.
- V-Mart plans to refurbish stores in the 'Value' dial-up and 'Fashion' dial-up formats; the company would renew stores in the new format design. Capex would remain at similar levels for the refurbishing of the new format stores.

Valuation and view

- Apparel retailers are trailing to other discretionary companies, which have achieved strong growth over pre-COVID levels, due to consumers being very selective with their discretionary spending.
- While demand remains below pre-COVID levels, the festive season has led healthy MoM recovery, and relatively better performances were reported by value fashion retailers.
- VMART is strongly positioned to compete with regional and national players in the Value Retail segment given its better performance v/s national peers, strong liquidity (INR1b cash in 3QFY21), and the prudent inventory management seen during the pandemic.
- We factor in FY22E revenue at 10% above FY20 levels, on the back of 30% footprint adds and -11% SSSG adds. The EBITDA margin is expected to recover to FY20 levels of 12.9% despite the expectation of lower SSSG – as cost efficiencies should support margins.
- We roll forward our estimates to FY23E and assign a 19x FY23E EV/EBITDA multiple to arrive at TP of INR2,870/share. Given the huge growth opportunity in the Value Fashion segment and V-Mart's strong execution capabilities, it has the potential to achieve 25–30% EBITDA/PAT growth sustainably for a prolonged period – backed by 20%+ revenue growth (SSSG + new store adds). Thus, it is valued at 1x/~0.8x on a growth-adjusted EV/EBITDA valuation. This makes for a positive case given the long-term growth opportunity. Maintain Buy.

Standalone – Quarterly Perf.

(INR m)

Y/E March	FY20				FY21				FY20	FY21E	FY21E	Est.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Revenue	4,530	3,142	5,622	3,327	781	1,755	4,700	3,576	16,620	10,812	5,011	-6
YoY Change (%)	25.4	19.8	20.7	-3.4	-82.8	-44.1	-16.4	7.5	15.9	-34.9	59.5	
Total Expenditure	3,953	3,028	4,454	3,048	839	1,758	3,662	3,374	14,483	9,634	4,124	-11
EBITDA	578	113	1,168	278	-58	-3	1,038	202	2,137	1,179	887	17
EBITDA Margin (%)	12.8	3.6	20.8	8.4	-7.5	-0.2	22.1	5.6	12.9	10.9	17.7	
Depreciation	220	223	245	252	263	257	254	255	939	1,030	265	-4
Interest	120	131	158	139	146	147	150	159	548	603	151	0
Other Income	21	12	4	8	14	150	3	20	45	187	20	-86
PBT	259	-229	770	-105	-454	-257	637	-193	695	-267	491	30
Tax	83	-48	188	-20	-117	-68	158	-48	202	-74	129	
Rate (%)	32.0	21.1	24.4	19.2	25.8	26.3	24.9	24.9	29.0	27.9	26.3	
Reported PAT	176	-180	582	-84	-336	-190	479	-145	493	-192	362	32
Adj PAT	176	-180	582	-84	-336	-190	479	-145	493	-192	362	32
YoY Change (%)	-29.2	1,047.7	39.6	-230.6	-291.1	5.1	-17.8	71.7	-31.0	-139.0	-300.7	

E: MOFSL Estimates

Key Performance Indicators

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
SSSG (%)	5.2	1.0	2.0	-18.6	-84.7	-50.0	-81.0	76.6	-2.3	-45.0
Total stores	227	239	257	266	266	264	273	280	266	286
Store adds	13	12	18	9	0	-2	9	7	52	20
Gross Margins (%)	30.6	31.2	36.3	28.5	30.8	28.8	36.7	28.3	32.2	32.2
EBITDA Margins (%)	12.8	3.6	20.8	8.4	-7.5	-0.2	22.1	5.6	12.9	10.9
PAT Margins (%)	3.9	-5.7	10.4	-2.5	-43.1	-10.8	10.2	-4.1	3.0	-1.8

E: MOFSL Estimates



JSW Steel: Don't see big correction in domestic steel prices; Seshagiri Rao, JT MD & Group CFO

- Raw material costs have spiked up which resulted in higher steel prices
- Coking coal was soft in Q3 & some benefits did flow through
- Better product mix & cost reduction focus helped report solid EBITDA
- Indian steel prices have gone up less than Chinese steel prices
- Wrong perception in the market that Indian steel price is very high
- Global steel prices & cost pressure pushed up domestic prices also
- Recent coking coal spike will also hurt in the coming quarter
- Domestic steel prices still at a discount to landed steel imports
- Chinese steel prices corrected by \$20/ tonne to \$30/ tonne
- Prices have corrected only in China and not other markets
- Cost of borrowing at 5.8% vs 6.42% at the start of FY21

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HDFC Life: Had a fairly satisfying Q3, market share went up by 200 bps; Vibha Padalkar, MD & CEO

- Had a fairly satisfying quarter
- Market share went up by 200 bps in Q3
- Credit life segment has been improving QoQ; hope to end credit life segment on a positive note by Q4 end
- Renewal growth at 22% continue to be strong
- First year premium up 19% vs private industry average of 3%
- All distribution channels have been working strong; added 18500 agents in the first 9 months

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SBI Card: Environment remains uncertain but the worst is behind us; Ashwini Kumar Tewari, MD & CEO

- Including SC dispensation, asset quality remained stable
- Moratorium book is behaving well
- Environment remains uncertain but the worst is behind us
- Have to recover substantial part of the restructured book
- Expect numbers & profitability to improve from hereon
- Travel spends are not back to pre-COVID levels

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Ramkrishna Forgings: Domestic growth to remain stable; wary of scrappage policy; Naresh Jalan, MD

- MHCV segment has not grown as much
- Looking at stable business growth
- Have done extremely well in terms of domestic tonnage
- Domestic growth will remain stable unless there is scrappage policy in the budget
- North American and European markets are growing well

[→ Read More](#)**Gland Pharma: Looking to manufacture vaccines; in talks with 2 manufacturers; Srinivas Sadu, MD**

- Product mix varies for the company
- Q1 margin was higher due to COVID related sales
- Company is looking to manufacture vaccines; in talks with 2 vaccine manufacturers
- Can hear on tie-up with vaccine manufacturers over the next week
- Momentum of new launches is expected to continue

[→ Read More](#)**Apollo Hospitals: QIP money will go towards digital, diagnostics play; Suneeta Reddy, MD**

- QIP was over-subscribed 15x; raised Rs. 1500 crore
- Rs. 400 crore will be used to buyout Apollo Gleneagles
- Rs. 150 crore will go into digital, Rs. 100 crore will go to diagnostics
- Lot of interest in investing in 24x7 digital app in combination with pharmacy
- Q2 occupancy was 55% with 20% from COVID-19
- Total occupancy is over 60% currently
- 75% of normal work has come back
- Expect normal work to increase as transport restriction ease
- Margin will be stronger than ever before
- Average Revenue Per Occupied Bed to increase as case mix improves
- Instituted structural cost savings in the company

[→ Read More](#)**Yes Bank: Asset quality to improve hereon; no immediate need for capital; Prashant Kumar, MD and CEO**

- Reasonably assured that this is the asset quality peak for the bank
- Provisions on COVID is more than Rs. 2600 crore
- Corporate book has shrunk, which has impacted loan growth
- Overdue position between 31-60 days is at normal level
- 40-50% of 61-90 days overdue do slip into NPAs in normal times

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Index	1 Day (%)	1M (%)	12M (%)
Sensex	-1.1	2.9	16.2
Nifty-50	-0.9	3.6	16.3
Nifty Next 50	-0.8	3.2	13.5
Nifty 100	-0.9	3.5	15.8
Nifty 200	-0.9	3.7	16.0
Company	1 Day (%)	1M (%)	12M (%)
Automobiles	-0.8	16.2	26.1
Amara Raja Batt.	-0.7	3.8	20.5
Ashok Leyland	-4.0	23.3	35.7
Bajaj Auto	1.8	23.5	35.6
Bharat Forge	-3.3	15.5	16.6
Bosch	1.4	25.3	5.8
CEAT	0.0	41.5	49.3
Eicher Motors	-3.5	17.8	37.3
Endurance Tech.	-1.7	11.9	18.2
Escorts	-5.3	-2.8	69.2
Exide Inds.	-0.3	8.9	-2.2
Hero Motocorp	2.9	13.1	40.7
M & M	-0.5	11.7	39.9
Mahindra CIE	1.8	2.9	-4.5
Maruti Suzuki	-0.8	7.2	12.0
Motherson Sumi	-2.6	-1.1	5.1
Tata Motors	-3.6	58.6	49.7
TVS Motor Co.	3.9	13.2	15.8
Banks-Private	-0.1	1.6	-0.9
AU Small Fin. Bank	-1.2	1.8	-17.7
Axis Bank	2.2	7.9	-10.7
Bandhan Bank	-1.5	-22.3	-35.7
DCB Bank	-1.2	-0.9	-37.1
Equitas Holdings	-2.4	8.9	-34.9
Federal Bank	-2.9	9.2	-25.8
HDFC Bank	1.3	4.7	17.5
ICICI Bank	0.9	4.8	0.8
IndusInd Bank	-4.7	-0.1	-35.3
Kotak Mah. Bank	-2.0	-8.5	9.2
RBL Bank	-4.4	1.1	-32.4
Banks-PSU	-0.7	8.2	-24.6
BOB	0.7	21.3	-22.8
SBI	-1.0	5.3	-13.3
Company	1 Day (%)	1M (%)	12M (%)
NBFCs	0.0	2.5	5.0
Aditya Birla Cap	-2.8	-0.9	-20.3
Bajaj Fin.	-1.3	-5.4	16.9
Cholaman.Inv.&Fn	0.0	12.2	30.2
HDFC	-1.5	4.0	4.1
HDFC Life Insur.	-1.1	3.5	12.1
Indostar Capital	-1.0	-3.2	20.3
L&T Fin.Holdings	-2.8	6.7	-19.6
LIC Hsg Fin	0.5	14.8	-9.9
M&M Fin.	2.5	3.9	-20.8
Muthoot Fin	0.6	-1.2	56.0
Manappuram Fin.	-1.1	-2.3	-14.7
MAS Financial Serv.	-3.2	-8.1	-4.7
ICICI Pru Life	0.0	1.1	-3.4
ICICI Sec	1.9	-0.8	-5.6
IIFL Wealth Mgt	-2.4	5.0	-22.1
PNB Housing	-1.8	1.9	-25.1

Note: Sectoral performance are of NSE/BSE Indices

Index	1 Day (%)	1M (%)	12M (%)
Nifty 500	-0.9	3.7	16.5
Nifty Midcap 100	-0.9	4.8	16.9
Nifty Smallcap 100	-1.2	5.2	14.4
Nifty Midcap 150	-1.1	4.3	19.6
Nifty Smallcap 250	-1.0	4.6	17.4
Company	1 Day (%)	1M (%)	12M (%)
Reeco Home	-4.4	5.2	-24.5
SBI Life Insuran	0.1	-1.3	-13.7
Shriram City Union	-0.2	-2.5	-26.4
Shriram Trans.	4.3	20.5	13.8
Capital Goods	-0.7	8.6	12.6
ABB	-1.8	12.2	2.5
Bharat Elec.	-1.2	13.8	28.4
BHEL	-3.7	7.2	-19.4
Blue Star	-0.2	-4.2	-10.1
CG Cons. Elec.	-3.8	15.4	57.2
Cummins	-1.0	6.0	2.4
Engineers India	0.1	-4.1	-26.3
Havells	0.1	25.4	80.3
K E C Intl	0.0	-2.0	6.6
L&T	-0.1	7.9	0.1
Siemens	0.5	7.9	2.9
Thermax	-0.6	3.4	-12.1
Voltas	0.8	16.3	30.1
Cement	0.0	5.3	20.9
Ambuja Cem.	-0.4	4.1	18.9
ACC	-1.9	3.0	6.2
Birla Corp.	0.1	2.7	-5.6
Dalmia Bhar.	-0.4	12.1	33.0
Grasim Inds.	6.4	19.2	30.0
India Cem	0.3	16.7	94.5
J K Cements	0.8	10.7	53.5
JK Lakshmi Ce	-0.1	-3.5	-11.3
Ramco Cem	-2.6	1.3	-9.2
Shree Cem	-2.0	-2.4	0.4
Ultratech	-3.0	6.4	15.6
Consumer	-0.7	0.2	8.6
Asian Paints	-3.2	-5.1	40.8
Britannia	0.0	-0.3	13.1
Colgate	0.4	-2.7	0.8
Dabur	0.0	3.6	6.5
Emami	1.3	13.8	44.1
Godrej Cons.	-1.3	8.2	4.1
HUL	-0.4	0.0	15.7
ITC	-1.3	-0.3	-12.7
Jyothy Lab	-2.1	6.3	-2.8
Marico	-1.9	2.3	20.5
Nestle	-0.8	-6.1	10.8
Page Inds	-0.3	6.6	11.9
Pidilite Ind.	1.9	2.2	21.4
P&G Hygiene	-0.2	1.8	-0.3
Tata Consumer	-1.9	-4.6	49.1
United Brew	0.3	10.8	-2.1
United Spirits	1.5	11.7	9.8
Varun Beverages	-1.4	-2.8	5.0
Healthcare	1.7	-1.2	53.8
Alembic Phar	2.1	-10.5	62.7



Company	1 Day (%)	1M (%)	12M (%)
Alkem Lab	2.5	6.5	32.3
Ajanta Pharma	1.6	4.7	48.2
Aurobindo	8.0	9.8	99.2
Biocon	-2.8	-20.6	30.0
Cadila	1.4	-4.7	71.7
Cipla	3.6	0.4	82.7
Divis Lab	0.7	-4.8	86.7
Dr Reddy's	1.0	-2.3	67.8
Glenmark	-0.8	-1.0	40.1
GSK Pharma	-1.9	-2.9	-9.1
Granules	3.5	-6.6	125.6
IPCA Labs	-3.2	-8.4	61.9
Jubilant Life	-4.6	2.6	43.0
Laurus Labs	2.3	8.9	360.4
Lupin	0.2	10.8	46.2
Strides Pharma	-1.2	-1.9	102.0
Sun Pharma	2.0	-0.6	31.0
Torrent Pharma	-2.1	-5.3	29.4
Infrastructure	-1.6	5.0	12.3
Ashoka Buildcon	-2.2	-2.8	-23.8
IRB Infra. Devl.	-1.1	4.9	-1.9
KNR Construct.	-1.4	11.4	24.8
Media	-0.6	2.6	-11.1
PVR	-3.8	14.4	-23.9
Sun TV	-3.2	1.6	-1.1
Zee Ent.	2.1	2.9	-20.4
Metals	0.2	2.9	15.7
Hindalco	0.5	1.3	17.0
Hind. Zinc	-2.8	10.9	29.0
JSPL	-0.7	7.9	48.0
JSW Steel	1.8	4.4	40.6
Nalco	-1.0	13.1	-0.6
NMDC	-1.7	-2.9	-14.5
SAIL	0.1	-3.4	14.1
Tata Steel	0.8	4.8	34.9
Vedanta	0.0	1.8	6.2
Oil & Gas	-2.2	1.7	-2.7
Aegis Logistics	-0.7	15.0	34.7
BPCL	-2.3	2.6	-17.0
Castrol India	0.0	2.6	-1.2
GAIL	-0.8	10.7	2.7
Gujarat Gas	2.4	-4.7	21.4
Gujarat St. Pet.	-2.4	-7.0	-21.8
HPCL	-2.3	3.1	-10.0
IOC	-2.4	3.5	-21.9
IGL	0.5	9.6	8.2
Mahanagar Gas	0.9	0.0	-11.0
MRPL	-2.4	8.3	-21.0
Oil India	-1.2	1.5	-22.4
ONGC	-1.6	-2.0	-22.9
PLNG	0.2	-1.7	-12.6
Reliance Ind.	-5.4	-2.7	28.7
Aditya Bir. Fas.	-4.6	-0.3	-29.3
Retail			
Avenue Super.	-1.1	6.2	45.6
Jubilant Food	-1.2	0.3	50.0
Shoppers St.	0.2	-0.3	-49.3

Company	1 Day (%)	1M (%)	12M (%)
Titan Co.	0.6	0.2	22.2
Trent	1.4	-1.9	14.9
V-Mart Retail	0.0	-0.2	26.8
Westlife Develop	-4.0	4.7	2.2
Technology	-1.8	8.4	58.0
Cyient	-4.9	12.7	16.7
HCL Tech.	-3.8	3.1	56.0
Infosys	-1.3	7.0	68.9
L&T Infotech	-0.9	7.4	99.0
Mindtree	-2.9	8.9	94.9
Mphasis	-0.5	2.8	75.4
Coforge	-3.9	-9.9	23.9
Persistent Sys	-0.5	5.7	111.6
TCS	-0.4	13.1	50.6
Tech Mah	-0.8	2.7	23.5
Wipro	-1.8	14.4	76.6
Zensar Tech	-1.6	0.5	36.1
Telecom	-0.2	9.9	14.1
Bharti Airtel	0.8	12.4	10.9
Indus Towers	-1.2	-0.3	-2.3
Idea Cellular	-7.2	16.7	94.9
Tata Comm	-0.1	-3.6	127.5
Utilities	-1.4	0.6	4.3
Coal India	-1.1	-3.3	-32.1
CESC	-5.1	3.7	-16.6
Indian Energy Ex	-0.2	9.0	30.6
JSW Energy	-2.0	6.4	7.9
NHPC Ltd	-1.9	2.6	-13.5
NTPC	-1.0	-6.8	-18.8
Power Grid	-2.0	0.1	-3.4
Tata Power	-0.2	6.5	29.5
Torrent Power	-1.4	-1.3	-2.3
Others			
Brigade Enterpr.	1.4	0.4	8.2
BSE	-0.8	-3.3	9.1
Coromandel Intl	0.6	4.7	38.5
Concor	-1.7	7.3	-24.9
EPL Ltd	1.8	-1.8	39.0
Indiamart Inter.	-1.5	25.2	230.4
Godrej Agrovet	0.2	1.5	-2.9
Indian Hotels	1.3	2.3	-14.3
Interglobe	-3.3	-3.4	5.8
Info Edge	-6.8	7.9	84.2
Kaveri Seed	-0.2	6.4	12.9
Lemon Tree Hotel	1.2	3.2	-22.4
MCX	-0.7	-4.0	21.7
Oberoi Realty	-2.7	3.1	-2.3
Piramal Enterp.	-1.4	4.2	-12.5
Phoenix Mills	-1.0	-1.6	-14.3
PI Inds.	-1.1	-4.4	42.3
Quess Corp	-3.0	15.7	-13.1
Security & Intel	-1.8	-10.3	-24.5
SRF	-0.3	-1.5	47.1
S H Kelkar	-2.3	-1.6	5.2
Tata Chemicals	-2.3	6.5	52.3
Team Lease Serv.	0.8	8.3	1.8
Trident	-1.8	48.1	93.6
UPL	3.8	30.9	8.3



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