ASIAMONEY Brokers Poll 2020 (India)

Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	50,193	1.2	5.1
Nifty-50	15,108	1.2	8.1
Nifty-M 100	25,267	1.8	21.2
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	4,128	-0.9	9.9
Nasdaq	13,304	-0.6	3.2
FTSE 100	7,034	0.0	8.9
DAX	15,387	-0.1	12.2
Hang Seng	10,654	1.4	-0.8
Nikkei 225	28,407	2.1	3.5
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	68	-1.8	33.5
Gold ($/OZ)	1,869	0.1	-1.5
Cu (US$/MT)	10,376	0.3	33.9
Almn (US$/MT)	2,448	-0.9	24.0
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	73.0	-0.2	0.0
USD/EUR	1.2	0.6	0.0
USD/JPY	108.9	-0.3	5.5
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	6.0	0.00	0.1
10 Yrs AAA Corp	6.8	0.01	0.2
Flows (USD b)	**18-May**	**MTD**	**CY21**
FIIs	0.08	-1.40	4.87
DIIs	0.06	1.55	-1.30
Volumes (INRb)	**18-May**	**MTD***	**YTD***
Cash	854	838	788
F&O	36,492	41,467	42,350

Note: *Average

Today's top research idea

Tata Motors: Mixed bag; JLR in line despite a sharp beat on volumes

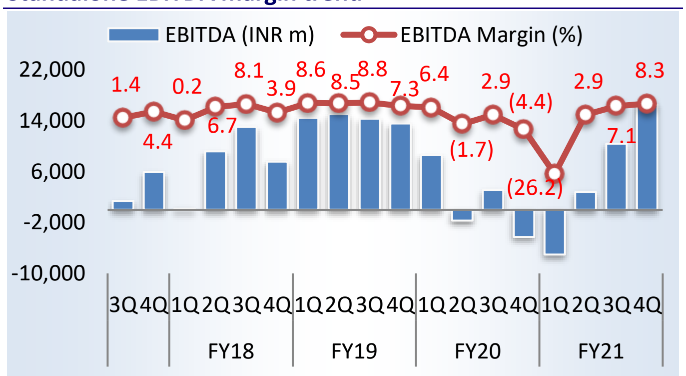
- TTMT's performance in 4QFY21 was a mixed bag as the overall operating performance was in line. JLR's performance was restricted by an adverse mix, despite a sharp beat in volumes.
- In a seasonally strong quarter, consolidated net debt fell ~INR73b YoY (down INR138b QoQ) to INR409b. 1QFY22 would be challenging for both businesses, though the outlook beyond that is positive.
- EBITDA margin for JLR fell 50bp QoQ (+10.5pp YoY) to 15.3% (est. 15.4%). The sequential decline in margin was impacted by weaker mix (China contribution was lower and Jaguar contribution was higher by ~510bp) and non-recurrence of certain benefits (~150bp).
- EBITDA margin expanded 12.6pp YoY in India (+120bp QoQ) to 8.3% (est. 8.9%), with CV business margin at 9.1% (+950bp YoY, +110bp QoQ) and PV business margin at 4.9% (v/s -17.9% in 4QFY20 and +3.8% in 3QFY21).
- Volume growth for JLR is expected to be over 20% in FY22. EBIT margin target of 4% is on the conservative side owing to volume uncertainty, led by the semiconductor shortage, with the possibility of negative EBIT in 1QFY22.

Research covered

Cos/Sector	Key Highlights
Tata Motors	Mixed bag; JLR in line despite a sharp beat on volumes
Bharti Airtel	Strong subscriber growth across Mobile and Home business drives earnings
Torrent Pharma	Steady outperformance in the Branded Generics segment
PI Industries	In-line revenue; EBITDA and PAT below est. due to lower GM
GSK Pharma	Dermatology outshines, while Anti-Infectives drags down 4Q
IIFL Wealth	Transactional revenue compensates for recurring revenue; PAT beat of 8%
Jyothy Laboratories	Weak 4QFY21 result, rising material costs could affect margin

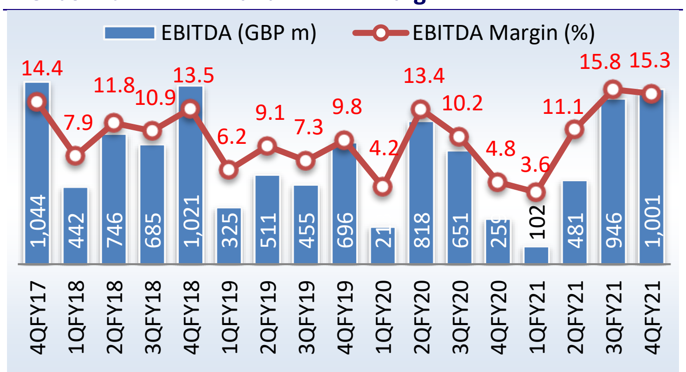
Chart of the Day: Tata Motors (Mixed bag; JLR in line despite a sharp beat on volumes)

Standalone EBITDA margin trend



Source: Company, MOFSL

Trends in JLR EBITDA and EBITDA margin



Source: Company, MOFSL

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In the news today

Kindly click on textbox for the detailed news link

1

Government to sell SUUTI stake in Axis Bank worth ₹4,000 crore

The central government may garner close to ₹4000 crore by selling upto 58 million equity shares held in Axis Bank through the Specified Undertaking of the Unit Trust of India (SUUTI) at an floor price of ₹680, the Bank said in a regulatory filing at the stock exchange on Tuesday. …

2

Voda Idea rolls out offers for low-income users to counter rivals

Vodafone Idea has rolled out recharge and talk time offers for its 60 million low income subscribers in a bid to prevent rivals Reliance Jio Infocomm (Jio) and Bharti Airtel from poaching its customer base with their special offers. "As a special relief offer, Vi will provide Rs. 49 pack Free to over 60 million low income customers due to the current situation. The pack offers talktime of Rs. 38 and 100 MB data with a validity of 28 days," said the telco which has 269.8 million subscribers as of December end quarter.

3

March credit growth to small businesses lowest in 10 months; MSE gross bank credit share dips further

The year-on-year growth in the deployment of gross bank credit to micro and small enterprises (MSEs) in March plunged to its lowest level, amid the second Covid wave, since May in the financial year 2020-21. The credit outstanding as of March 26, 2021, for the MSE sector, …

4

India grapples with LNG oversupply as coronavirus dashes demand

India's liquefied natural gas importers are asking suppliers to defer deliveries as measures to curb the spread of the deadly Covid-19 virus have cut demand for the fuel. At least three companies -- Indian Oil Corp., Gujarat State Petroleum Corp. and Petronet LNG Ltd. -- have asked to delay shipments …

5

2nd tranche of commercial coal mines auction gets tremendous response: Govt

The Centre on Tuesday said the second tranche of commercial coal mines' auction has received tremendous response which is reflected in around 50 mine specific tender documents being purchased by bidders till date. Moreover, many other prospective bidders are in the process of registration and purchase of tender documents from the auction portal, the …

6

CESL to procure 300 electric vehicles from Tata Motors

State-owned CESL on Tuesday said it will procure 300 electric vehicles from Tata Motors. The procurement is a part of the Scaling up Demand-Side Energy Efficiency Sector Project financed by the Asian Development Bank's line of credit to CESL, according to a statement. …

7

57.25 lakh domestic air passengers in April, 26.8% lower than March: DGCA

Around 57.25 lakh domestic passengers travelled by air in April, which is 26.8 per cent lower than 78.22 lakh who travelled in March, Indian aviation regulator DGCA said on Tuesday. According to the Directorate General of Civil Aviation (DGCA), 78.27 lakh …

TATA Motors

Estimate change	↑
TP change	↔
Rating change	↔

Bloomberg	TTMT IN
Equity Shares (m)	3,598
M.Cap.(INRb)/(USDb)	1182 / 16.2
52-Week Range (INR)	357 / 80
1, 6, 12 Rel. Per (%)	4/78/245
12M Avg Val (INR M)	16140

Financials & Valuations (INR b)

Y/E March	2021	2022E	2023E
Net Sales	2,498	3,161	3,614
EBITDA	357.8	435.8	522.5
Adj. PAT	2.2	88.0	126.7
Adj. EPS (INR)	0.6	23.0	33.1
EPS Gr. (%)	-102.2	3,976.6	44.0
BV/Sh. (INR)	144.3	167.2	199.3
Ratios			
Net D/E (x)	2.1	1.8	1.5
RoE (%)	0.4	14.8	18.0
RoCE (%)	11.3	10.6	11.4
Payout (%)	0.0	0.0	3.0
Valuations			
P/E (x)	589.7	14.5	10.0
P/BV (x)	2.3	2.0	1.7
EV/EBITDA (x)	4.8	4.4	3.3
Div. Yield (%)	0.0	0.0	0.3
FCF Yield (%)	7.7	-20.2	12.6

Shareholding pattern (%)

As On	Mar-21	Dec-20	Mar-20
Promoter	46.4	42.4	42.4
DII	12.1	12.7	13.6
FII	13.8	15.6	16.8
Others	27.8	29.3	27.2

FII Includes depository receipts

CMP: INR332 TP: INR400 (+20%) Buy

Mixed bag; JLR in line despite a sharp beat on volumes

Near term challenges notwithstanding deleveraging to continue

- TTMT's performance in 4QFY21 was a mixed bag as the overall operating performance was in line. JLR's performance was restricted by an adverse mix, despite a sharp beat in volumes. In a seasonally strong quarter, consolidated net debt fell ~INR73b YoY (down INR138b QoQ) to INR409b. 1QFY22 would be challenging for both businesses, though the outlook beyond that is positive.
- We maintain our FY22E/FY23E EPS estimate. Maintain Buy with TP of INR400/share (Mar'23E SoTP).

JLR mix offsets operating leverage; India in line, PV recovery sustains

- Consolidated revenue/EBITDA grew ~42%/437% YoY in 4QFY21 to INR886.3b/INR127.4b (est. INR860b/INR107b). Adjusted PAT stood at INR57.4b (v/s a loss of INR70b in 4QFY20 and our estimate of INR36.4b).
- Consolidated revenue declined 4% YoY, while EBITDA grew 55% in FY21. Adjusted profit stood at INR2.2b (v/s a loss of INR91b in FY20). FCF generation remained strong in both businesses – JLR (GBP729m) and standalone (INR29b) – in 4QFY21 (seasonally strong quarter), resulting in a reduction in net debt.
- **Better than estimated volumes, but in line EBITDA margin for JLR:** Wholesale volumes (including Chery JLR) grew ~9% YoY to 136.5k (est. ~124.8k). Net realization declined by ~9% QoQ (+16.5% YoY) to GBP53.3k (est. GBP58.7k), impacted by adverse mix (lower China and higher Jaguar sales). Net sales grew 21% YoY to GBP6.5b (est. GBP6.5b).
- EBITDA margin for JLR fell 50bp QoQ (+10.5pp YoY) to 15.3% (est. 15.4%). The sequential decline in margin was impacted by weaker mix (China contribution was lower and Jaguar contribution was higher by ~510bp) and non-recurrence of certain benefits (~150bp). Forex gains of GBP116m boosted adjusted PAT to GBP566m (est. PAT of GBP371m). It took a GBP1.5b write-off in 4QFY21 (in addition to GBP3.3b in the last two years), including GBP952m of non-cash write downs on investments and GBP534m of restructuring charges expected to be paid in FY22.
- **Standalone operating performance in line; PV business EBITDA margin at 4.9%:** PV/CV volume recovery and cost-cutting resulted in an EBITDA of INR16.5b (in line). EBITDA margin expanded 12.6pp YoY (+120bp QoQ) to 8.3% (est. 8.9%), with CV business margin at 9.1% (+950bp YoY, +110bp QoQ) and PV business margin at 4.9% (v/s -17.9% in 4QFY20 and +3.8% in 3QFY21). Higher product development expenses led to an adjusted profit of ~INR98m (est. INR492m PAT v/s 3QFY21 loss of INR6.3b).

Highlights from the management commentary

- **JLR FY22 outlook**: Volume growth is expected to be over 20%. EBIT target of 4% is on the conservative side owing to volume uncertainty, led by the semiconductor shortage. It expects to break even at the FCF level post investment of GBP2.5b and restructuring costs of GBP0.5b. EBIT may be negative in 1QFY22 due to the impact of weaker volumes on account of the semiconductor shortage.
- JLR has an order book of ~0.1m units (~60% of orders are from Europe and the UK). Defender's order book stands at over 22,000 units. PHEVs have a very high waiting period of up to 12 months.
- Volumes in India in 1QFY22 TD have been severely impacted by the lockdown as almost 80% of dealerships are shut. Sales in Apr'21 fell ~50% and is worse in May'21. It is targeting an EBIT margin of over 2.5%, with positive free cash flow in FY22.
- Fund raising was more of an enabling resolution across instruments, keeping in mind the second COVID wave. Raising funds via the equity route remains the last option for the company. The board has deferred the fund raising decision to the next meeting (AGM).

Valuation and view

- Near term headwinds notwithstanding, TTMT would see the triple benefit of: a) macro recovery, b) company-specific volume/margin drivers, and c) sharp improvement in FCF and leverage in both JLR as well as the India business.
- The stock trades at 4.4x/3.3x FY22E/FY23E EV/EBITDA. Maintain Buy with a TP of ~INR400/share (Mar'23E-based SoTP).

Quarterly performance (consolidated, INR b)

INR b	FY20				FY21				FY20	FY21	4QFY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
Net Op Income	**614.7**	**654.3**	**716.8**	**624.9**	**319.8**	**535.3**	**756.5**	**886.3**	**2610.7**	**2497.9**	**859.7**
Growth (%)	-7.8	-9.1	-6.8	-27.7	-48.0	-18.2	5.5	41.8	-13.5	-4.3	37.6
EBITDA	**30.0**	**71.6**	**72.0**	**23.7**	**6.4**	**56.7**	**115.1**	**127.4**	**197.3**	**305.6**	**107.0**
EBITDA Margins (%)	4.9	10.9	10.0	3.8	2.0	10.6	15.2	14.4	7.6	12.2	12.4
JLR EBITDA Margins (%)	4.2	13.4	10.2	4.8	3.6	11.1	15.8	15.3	8.7	12.8	15.4
S/A EBITDA (%)	6.4	-1.7	2.9	-4.4	-26.2	2.9	7.1	8.3	1.3	4.8	8.9
Depreciation	51.1	53.0	52.0	58.1	56.0	56.0	61.3	62.2	214.3	235.5	66.0
Other Income	8.4	6.7	9.0	5.6	6.1	6.3	7.1	6.9	29.7	26.4	7.3
Interest Expenses	17.1	18.4	17.4	19.5	18.8	19.5	21.3	21.4	72.4	81.0	20.5
PBT before EO	**-31.3**	**5.8**	**13.5**	**-65.1**	**-61.9**	**-8.2**	**45.9**	**57.0**	**-77.1**	**32.9**	**43.6**
EO Exp/(Inc)	1.09	-0.39	0.01	28.01	-0.03	-0.05	4.23	133.5	28.71	137.61	148.54
PBT after EO Exp	**-32.4**	**6.2**	**13.5**	**-93.1**	**-61.8**	**-8.1**	**41.7**	**-76.4**	**-105.8**	**-104.7**	**-105.0**
Tax rate (%)	-6.1	71.7	-44.8	-3.8	-35.6	57.9	22.7	1.7	-3.7	-24.3	-4.3
PAT	**-34.3**	**1.8**	**19.5**	**-96.7**	**-83.8**	**-3.4**	**32.2**	**-75.1**	**-109.8**	**-130.2**	**-109.5**
Minority Interest	-0.2	-0.3	-0.2	-0.3	0.1	-0.1	-0.4	-0.2	-1.0	-0.6	-0.4
Share in profit of Associate	-2.5	-3.6	-2.0	-1.9	-0.6	0.4	-2.8	-0.7	-10.0	-3.8	-2.2
Reported PAT	**-37.0**	**-2.2**	**17.4**	**-98.9**	**-84.4**	**-3.1**	**29.1**	**-76.1**	**-120.7**	**-134.5**	**-112.1**
Adj PAT	**-35.9**	**-2.6**	**17.4**	**-69.9**	**-84.4**	**-3.2**	**32.3**	**57.4**	**-90.9**	**2.2**	**36.4**
Growth (%)	88.5	-54.1	-250.6	-426.8	135.5	23.1	85.9	-182.1	515.0	-102.4	-152.1

E: MOFSL estimates

Bharti Airtel

Estimate change
TP change
Rating change

Bloomberg	BHARTI IN
Equity Shares (m)	5,456
M.Cap.(INRb)/(USDb)	2945.6 / 40.3
52-Week Range (INR)	623 / 394
1, 6, 12 Rel. Per (%)	-4/-2/-67
12M Avg Val (INR M)	11908

Financials & Valuations (INR b)

Y/E March	FY21	FY22E	FY23E
Sales	1,006	1,119	1,249
EBITDA	454	546	620
Adj. PAT	-7	32	51
EBITDA Margin (%)	45.1	48.8	49.6
Adj. EPS (INR)	-1.3	5.8	9.3
EPS Gr. (%)	-82	-544	60
BV/Sh. (INR)	107	113	122
Ratios			
Net D:E	2.5	2.3	1.4
RoE (%)	-1.1	5.3	7.9
RoCE (%)	12.8	7.4	9.2
Payout (%)	0.0	0.0	0.0
Valuations			
EV/EBITDA (x)	9.9	8.1	6.7
P/E (x)	NM	92	58
P/BV (x)	5.0	4.7	4.4
Div Yield (%)	0.0	0.0	0.0

Shareholding pattern (%)

As On	Mar-21	Dec-20	Mar-20
Promoter	55.9	56.2	59.0
DII	20.4	21.8	15.8
FII	18.6	17.8	20.3
Others	5.2	4.2	4.9

FII Includes depository receipts

CMP: INR536 TP: INR720 (+34%) Buy

Strong subscriber growth across Mobile and Home business drives earnings

- Consolidated EBITDA grew 2% QoQ (in line) in 4QFY21 on the back of India mobile EBITDA growth of 4% (in line), even without a tariff hike, led by steady subscriber gains. The miss in estimate was on lower than estimated flattish ARPU and higher opex curbing incremental EBITDA margin at 40% v/s our expectation of 60-65%.
- Bharti's consistent and commendable rise in 4G subscribers/ARPU/India mobile EBITDA of 32%/7%/32% over the last four quarters, translating to better FCF, should continue. We expect 17%/21% consolidated/India mobile EBITDA CAGR over FY21-23E, without factoring a tariff hike. **Maintain Buy.**

Mobile India EBITDA up 4% QoQ (in line) despite no tariff hike

- Consolidated revenue fell 3% QoQ to INR257.4b (in line) on the back of a 5% fall in India mobile revenue. Adjusted for the ARPU IUC recast, consolidated revenue/India mobile revenue grew 2%/4% QoQ.
- Consolidated EBITDA grew 2.3% QoQ to INR123.3b (in line) on 4% India mobile EBITDA growth. Consolidated EBITDA margin improved 240bp QoQ (80bp below our estimate) to 47.9% due to IUC recast. Adjusted for the same, it improved 60bp.
- Reported net profit stood at INR15.1b. Excluding exceptional benefit of INR4.2b, net profit after minority interest stood at INR3.2b (est. INR19.4b).
- **India mobile** revenue declined 4.7% QoQ to INR140.8b. Adjusted for the IUC impact, it grew 4.2% QoQ (in line). The increase is attributed to a 4.6% growth in subscribers, with flattish ARPU. EBITDA rose 4% QoQ to INR66.9b (in line), with a 380bp margin improvement to 47.5%. Adjusted for the optically high margin due to IUC recast, margin declined 30bp to 47.5%.
- Incremental EBITDA margin stood at 40% (est. 60-70%) due to a 8% jump in network cost on heavy capex (8.2k site additions) and increase in fuel cost.
- The strong trend in subscriber additions seen in the last couple of quarters continued, with 13.4m additions, or up 5% QoQ, to 321m. RJio added 15.4m subscribers, with over two-third estimated to be on low ARPU Jio Phone). Strong 4G subscriber additions continued (13.7m) for the third consecutive quarter, touching 179m subscribers, or 59% of total subscribers.
- ARPU declined by INR21 (14% QoQ) to INR145 due to IUC recast. Adjusted for the IUC impact, ARPU was down 1% QoQ to INR145, due to lesser number of days in 4QFY21 and increased competitive intensity in the market. The lower ARPU is disappointing in the backdrop of strong 4G subscriber additions.
- Capex remained high at INR68.5b (INR241b in FY21), yet FCF improved to INR18.8b v/s INR12.9b in 3Q. Debt rose INR5b to INR1,155b due to DTH stake buyback and investment in spectrum. Despite earnings growth, FCF generation and deleveraging has been poor in the last one year. This should improve in FY22E, with an improvement in earnings and capex peaking out.
- Consolidated FY21 revenue/EBITDA grew 16%/26% YoY to INR1t/INR454b, with margins expanding by 370bp to 45.1%, while cash from operations improved by 166% YoY to INR482b.

Highlights from the management commentary

- The Mobility business should gain from subscriber additions; ARPU improvement from upgrade of 142m non-4G Airtel customers, monetization of digital apps, which have 200m monthly active users, and 54m Airtel Payment bank customers.
- Incremental EBITDA margin of 60-65% will be achieved in coming quarters v/s 40% in 4QFY21.
- Capex has passed its peak and will be at similar levels going forward, but the composition will change to Transport and non-Wireless (broadband), while 4G radio capex will reduce. With better earnings, FCF should improve.
- Focus on the non-Wireless business (Home and Enterprise) is expected to drive strong growth, with aggressive additions in Home passes and higher market share (widening client base and increasing wallet share) in the Enterprise business.

Valuation and view

- Bharti's superior execution quality is reflected in its strong performance in the last four quarters, market share gains, 13% subscriber growth, and 32% 4G subscriber growth (~4m monthly). ARPU improved 7% in the last four quarters without a tariff hike.
- During the spectrum auction in Mar'21, Bharti has acquired a healthy portfolio of 355MHz of spectrum for INR187b and now holds sub-GHz spectrum across circles. This is expected to improve network coverage and help tap additional 90m subscribers in remote areas.
- We expect 17% consolidated EBITDA CAGR over FY21-23E on the back of 21% India mobile EBITDA CAGR. While the street has been concerned about the timeline of a potential tariff hike, we believe strong earnings growth can be achieved even without a tariff hike.
- Bharti's Africa business is trading at a mere ~3x on FY23E, thus the implied valuation for the India business looks expensive at 11x EV/EBITDA. We see potential for a re-rating upside in both India and the Africa business on the back of steady earnings growth.
- We value Bharti on FY23E, assigning 11x/6x EV/EBITDA to the India /Africa business, arriving at a SoTP-based TP of INR720**.** Our higher target multiple for the India mobile business reflects expected ARPU hikes and rise in market share gain, both of which may not be fully captured in our model. **Maintain Buy.**

Consolidated - Quarterly Earning Model (INR b)

Y/E March	FY20				FY21				FY20	FY21	4Q	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			FY21E	Var (%)
Revenue	**207**	**211**	**213**	**237**	**239**	**251**	**265**	**257**	**869**	**1,006**	**263**	0.7
YoY Change (%)	3.3	3.5	5.5	15.1	15.4	18.6	24.2	8.5	7.6	15.7	27.0	
Total Expenditure	125	123	126	136	135	140	145	134	509	552	137	5.6
EBITDA	**83**	**89**	**87**	**102**	**104**	**111**	**121**	**123**	**360**	**454**	**126**	-4.6
YoY Change (%)	23.1	41.9	40.2	53.3	25.7	24.9	38.3	21.3	39.8	26.0	45.0	-668
Depreciation	68	69	68	71	72	73	75	75	276	294	84	-11.1
Net Finance cost	32	29	33	41	35	38	40	39	135	151	29	34.9
Other Income	1	4	1	10	6	-2	-2	6	16	6	4	-148.1
PBT before EO expense	**-15**	**-6**	**-13**	**0**	**4**	**-2**	**4**	**16**	**-34**	**14**	**16**	-74.7
Extra-Ord expense	15	307	11	70	117	0	46	-4	402	159	0	
PBT	**-30**	**-313**	**-23**	**-70**	**-114**	**-2**	**-42**	**20**	**-437**	**-145**	**16**	-358.0
Tax	-6	-85	-12	-20	38	4	43	5	-123	89	6	
Rate (%)	20.2	27.1	49.8	29.0	-33.6	-167.6	-103.7	25.2	28.2	-61.7	40.0	
MI & P/L of Asso. Cos.	5	2	6	3	7	7	5	8	15	27	-10	
Reported PAT	**-29**	**-230**	**-10**	**-52**	**-159**	**-8**	**9**	**8**	**-322**	**-157**	**19**	-56.0
Adj PAT	**-14**	**-11**	**-11**	**-5**	**-4**	**-7**	**-3**	**3**	**-41**	**-12**	**19**	-115.4
YoY Change (%)	366.1	16.4	3.8	-60.4	-68.8	-33.7	-72.4	-168.4	16.6	-71.6	-238.5	

E: MOFSL Estimates

Torrent Pharma

Estimate change	
TP change	
Rating change	

Bloomberg	TRP IN
Equity Shares (m)	169
M.Cap.(INRb)/(USDb)	460.9 / 6.3
52-Week Range (INR)	3040 / 2232
1, 6, 12 Rel. Per (%)	1/-12/-58
12M Avg Val (INR M)	1618

Financials & Valuations (INR b)

Y/E MARCH	2021	2022E	2023E
Sales	80.1	90.1	99.4
EBITDA	25.0	27.9	30.3
Adj. PAT	12.7	14.6	16.4
EBIT Margin (%)	23.0	23.4	23.2
Cons. Adj. EPS (INR)	74.9	86.1	96.8
EPS Gr. (%)	33.5	14.9	12.5
BV/Sh. (INR)	345.0	387.3	449.2
Ratios			
Net D:E	0.6	0.4	0.3
RoE (%)	23.8	23.5	23.1
RoCE (%)	16.4	17.7	18.8
Payout (%)	37.1	36.1	36.1
Valuations			
P/E (x)	36.3	31.6	28.1
EV/EBITDA (x)	19.6	17.2	15.4
Div. Yield (%)	0.8	0.9	1.1
FCF Yield (%)	3.6	4.4	4.9
EV/Sales (x)	6.1	5.3	4.7

Shareholding pattern (%)

As On	Mar-21	Dec-20	Mar-20
Promoter	71.3	71.3	71.3
DII	8.4	8.1	10.9
FII	11.4	12.0	9.8
Others	9.0	8.7	8.1

FII Includes depository receipts

CMP: INR2,723 TP: INR2,530 (-7%) Neutral

Steady outperformance in the Branded Generics segment

US business at a trough; expect a gradual recovery from here on

- TRP's 4QFY21 result was marginally below our estimates at an operational level, led by a sharp YoY decline in US and CRAMS sales. It continues to build its product portfolio and enhance marketing efforts to outperform in Brazil, Germany, and the Branded Generics segment in Domestic Formulation (DF). It is also working on alternate site filings to reduce the regulatory risk in the US Generics business.
- We have maintained our FY22E/FY23E EPS estimate and continue to value TRP at 25x 12-month forward earnings to arrive at a TP of INR2,530. Gradual revival in demand for Branded Generics, with the lowering of COVID-19 caseloads; increasing vaccination pace in focus geographies of India, Brazil, and Germany; and subsequent promotional efforts would enable the company to deliver better growth in these markets going forward. The ANDA pipeline remains healthy for the US market. However, product approval largely hinges on the resolution of USFDA issues. We maintain our Neutral rating as current valuation adequately factors in improving outlook in DF/Germany/Brazil .

Product mix/controlled cost drive earnings in 4QFY21

- Revenue remained flat YoY at INR19.4b (est. INR20.4b) in 4QFY21. The 24%/10% YoY growth in Germany/DF (14%/48% of sales) was offset by a 30%/10% decline in US/Brazil (14%/10% of sales) in 4QFY21. Even RoW/Contract Manufacturing sales fell 4%/10% YoY (10%/5% of sales).
- Gross margin expanded 150bp YoY to 74.4% due to change in the product mix. EBITDA margin expanded at a higher rate (190bp YoY) to 30% (est. 29.9%). EBITDA margin expansion was driven by lower other expense (-70bp YoY as a percentage of sales), partially offset by higher employee cost.
- EBITDA grew 6% YoY to INR5.8b (est. INR6.1b).
- PAT grew at a higher rate (38% YoY) to INR3.2b (est: INR2.9b), due to better EBITDA margin and higher other income, partially offset by a higher tax rate in 4QFY21.
- Sales remained almost flat YoY at INR80b in FY21, while EBITDA/PAT grew 15%/34% to INR25b/INR12.7b.

Highlights from the management commentary

- While the US business declined 30% YoY in 4QFY21 due to lack of approvals and base business price erosion, TRP has taken measures like: a) transferring products to alternate sites, b) re-start of commercialization from Levittown facility from Jun'21, and c) re-launch of Sartans to mitigate the decline in US sales over the near to medium term.
- TRP awaits outcome of the district court on Para IV litigation for Dapsone.
- It launched three products in the DF market during 4QFY21. About 6-7% of growth is expected to be driven by better pricing.
- MR strength/monthly productivity stands at 3,600/INR0.85m.
- R&D for FY22 to be 6-6.5% of sales.

Valuation and view

- We continue to value TRP at 25x 12-month forward earnings and arrive at price target of INR2,530.
- We expect 14% earnings CAGR, led by 11%/17%/8%/11% CAGR in DF/US/Brazil/Germany sales, partially impacted by 70bp margin contraction, with normalization in opex related to its sales force in the DF segment.
- The current valuation captures upside in earnings over next two years adequately. Hence, we maintain our Neutral rating on the stock.

Quarterly performance (consolidated) (INR m)

Y/E March	FY20				FY21E				FY20	FY21		Var.
INR m	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QFY21E	
Net Revenue	20,220	20,050	19,660	19,460	20,560	20,170	19,950	19,370	79,390	80,050	20,357	-4.8
YoY Change (%)	8.0	5.9	-1.1	4.8	1.7	0.6	1.5	-0.5	4.3	0.8	4.6	
EBITDA	5,410	5,410	5,400	5,480	6,770	6,350	6,070	5,820	21,700	25,010	6,092	-4.5
YoY Change (%)	13.4	14.4	2.7	15.9	25.1	17.4	12.4	6.2	11.3	15.3	11.2	
Margin (%)	26.8	27.0	27.5	28.2	32.9	31.5	30.4	30.0	27.3	31.2	29.9	
Depreciation	1,600	1,630	1,630	1,680	1,610	1,650	1,670	1,650	6,540	6,580	1,707	
EBIT	3,810	3,780	3,770	3,800	5,160	4,700	4,400	4,170	15,160	18,430	4,384	-4.9
YoY Change (%)	16.5	17.8	1.9	21.4	35.4	24.3	16.7	9.7	13.9	21.6	15.4	
Margin (%)	18.8	18.9	19.2	19.5	25.1	23.3	22.1	21.5	19.1	23.0	21.5	
Interest	1,220	1,160	1,110	1,020	1,020	920	910	730	4,510	3,580	808	
Other Income	200	340	530	150	40	60	80	390	1,220	570	80	
PBT before EO Expense	2,790	2,960	3,190	2,930	4,180	3,840	3,570	3,830	11,870	15,420	3,656	4.7
Extra-Ord. Expense	0	0	0	0	160	0	0	0	0	160	0	
PBT after EO Expense	2,790	2,960	3,190	2,930	4,020	3,840	3,570	3,830	11,870	15,260	3,656	
Tax	630	520	680	-210	810	740	600	590	1,620	2,740	747	
Rate (%)	22.6	17.6	21.3	-7.2	19.4	19.3	16.8	15.4	13.6	17.8	20.4	
Reported PAT	2,160	2,440	2,510	3,140	3,210	3,100	2,970	3,240	10,250	12,520	2,910	
Adjusted PAT	2,160	2,440	2,552	2,344	3,370	3,100	2,970	3,240	9,496	12,680	2,910	11.4
YoY Change (%)	32.5	36.3	18.6	41.5	56.0	27.0	16.4	38.2	31.4	33.5	24.1	
Margin (%)	10.7	12.2	13.0	12.0	16.4	15.4	14.9	16.7	12.0	15.8	14.3	

PI Industries

BSE SENSEX	S&P CNX
50,193	15,108

Conference Call Details

Date: 19th May 2021

Time: 3:00 pm IST

Dial-in details:

+91 22 6280 1141

CMP: INR2,741

In-line revenue; EBITDA and PAT below est. due to lower GM

- Reported revenue was up 40% YoY to INR12b (est. INR11.9b) in 4QFY21.
- EBITDA was up 22% YoY to INR2.3b (est. INR2.8b).
- EBITDA margins contracted 280bp YoY to 19% (est. 23.9%) on gross margin contraction; gross margins came in at 42.1% (-470bp YoY), employees at 9.2% (-190bp), and other expenses at 14% (flat YoY).
- Adj PAT grew 62% YoY to INR1,798m (est. INR2,172m), aided by higher other income (+550% YoY to INR442m) and a lower tax rate (19.1% v/s 22.2% last year).
- FY21 revenue/EBITDA/PAT grew 36%/41%/62%.

Quarterly Earnings Model (INR m)

Y/E March	FY20				FY21				FY20	FY21	FY21	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Net Sales	7,541	9,074	8,498	8,552	10,601	11,577	11,621	11,971	33,665	45,770	11,869	1
YoY Change (%)	24.5	25.5	20.1	6.3	40.6	27.6	36.7	40.0	18.5	36.0	38.8	
Total Expenditure	6,016	7,149	6,633	6,689	8,309	8,776	8,866	9,697	26,487	35,648	9,031	
EBITDA	1,525	1,925	1,865	1,863	2,292	2,801	2,755	2,274	7,178	10,122	2,839	-20
Margins (%)	20.2	21.2	21.9	21.8	21.6	24.2	23.7	19.0	21.3	22.1	23.9	
Depreciation	295	317	319	436	427	433	440	448	1,367	1,748	450	
Interest	23	25	38	84	96	76	66	44	170	282	65	
Other Income	121	109	191	68	82	336	389	442	489	1,249	450	
PBT before EO expense	1,328	1,692	1,699	1,411	1,851	2,628	2,638	2,224	6,130	9,341	2,774	-20
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	1,328	1,692	1,699	1,411	1,851	2,628	2,638	2,224	6,130	9,341	2,774	
Tax	312	461	487	312	444	451	682	425	1,572	2,002	610	
Rate (%)	23.5	27.2	28.7	22.1	24.0	17.2	25.9	19.1	25.6	21.4	22.0	
Minority Interest & P/L of Asso. Cos.	0	-1	1	-8	-48	1	2	1	-8	-44	-8	
Reported PAT	1,016	1,232	1,211	1,107	1,455	2,176	1,954	1,798	4,566	7,383	2,172	
Adj PAT	1,016	1,232	1,211	1,107	1,455	2,176	1,954	1,798	4,566	7,383	2,172	-17
YoY Change (%)	24.4	30.2	12.4	-11.9	43.2	76.6	61.4	62.4	11.3	61.7	96.2	
Margins (%)	13.5	13.6	14.3	12.9	13.7	18.8	16.8	15.0	13.6	16.1	18.3	

MOTILAL OSWAL | MORNING INDIA

19 May 2021

4QFY21 Results Update | Sector: Healthcare

GSK Pharma

Estimate change	
TP change	
Rating change	

Bloomberg	GLXO IN
Equity Shares (m)	169
M.Cap.(INRb)/(USDb)	256.8 / 3.5
52-Week Range (INR)	1805 / 1242
1, 6, 12 Rel. Per (%)	0/-8/-56
12M Avg Val (INR M)	107

Financials & valuations (INR b)

Y/E MARCH	2021	2022E	2023E
Sales	32.0	36.1	40.1
EBITDA	7.0	8.3	9.5
Adj. PAT	5.0	6.3	7.3
EBIT Margin (%)	19.3	21.7	22.5
Cons. Adj. EPS (INR)	29.4	37.4	43.0
EPS Gr. (%)	4.4	27.2	14.8
BV/Sh. (INR)	88.5	102.9	122.9
Ratios			
Net D:E	-0.8	-0.6	-0.7
RoE (%)	33.3	36.4	35.0
RoCE (%)	30.2	39.4	38.3
Payout (%)	122.7	64.3	56.0
Valuations			
P/E (x)	51.6	40.6	35.4
EV/EBITDA (x)	35.3	29.6	25.4
Div. Yield (%)	2.0	1.3	1.3
FCF Yield (%)	3.5	1.4	3.2
EV/Sales (x)	7.7	6.8	6.0

Shareholding pattern (%)

As On	Mar-21	Dec-20	Mar-20
Promoter	75.0	75.0	75.0
DII	10.9	10.8	11.4
FII	1.6	1.5	0.3
Others	12.6	12.7	13.3

FII Includes depository receipts

CMP: INR1,516 TP: INR1,580 (+4%) Neutral

Dermatology outshines, while Anti-Infectives drags down 4Q

Enhanced marketing efforts, COVID impact lead to market share gains

- GSK Pharma (GLXO)'s 4QFY21 performance was marginally below estimates, largely led by moderate YoY sales growth for the quarter. Based on AIOCD data, strong growth in the Dermatology segment was offset by a weak performance from the Anti-Infectives and Pain Analgesics segments.
- We raise our EPS estimates by 6%/7% for FY22E/FY23E, factoring in a) a robust outperformance from Dermatology, b) strong revival in Anti-Infectives, Pain Analgesics, and Vitamins/Minerals/Nutrients, partly supported by the opportunity arising from COVID. We continue to value GLXO at 38x 12M forward earnings (25% discount to its three-year average) to arrive at TP of INR1,580. We maintain Neutral on a limited upside from current levels.

Sales growth loses momentum in 4QFY21

- GLXO's 4QFY21 revenues grew 5% YoY to INR8.1b (est. INR8.4b), led by double-digit growth in select brands.
- The gross margin (GM) contracted 540bp YoY to 58.6% due to a change in the product mix. However, the EBITDA margin contracted by a lower rate of 140bp YoY to 21% on lower employee cost (-370bp YoY as % of sales).
- Accordingly, EBITDA was down 1.5% YoY to INR1.7b (est. INR1.8b).
- GLXO recognized an exceptional charge of INR1.2b from a) impairment – to reflect the estimated realizable value of Vemgal assets of INR1.3b and b) the reversal of provisions – on account of the Zinetac recall of INR80m
- Adjusted for the same, PAT grew 5% YoY to INR1.3b (est. INR1.4b) for the quarter.
- FY21 revenue was largely flat YoY at INR32b, but EBITDA/PAT grew 6%/4.5% YoY to INR6.9b/INR5b.

Key highlights

- As per AIOCD data, GLXO's top therapy, Derma (~28% of overall sales), saw healthy growth of ~26% YoY in 4QFY21, contributing to overall growth.
- Vaccines (~17% of sales) posted 14.3% YoY decline and the Anti-Infective therapy (~22% of sales) saw 12% YoY decline in 4QFY21, per AIOCD – impacting overall growth.
- Betnovate/T Bact among the Derma products saw 41%/31% YoY growth in 4QFY21. The Infanrix vaccine saw growth of 10% YoY in 4QFY21. Augmentin (top Anti-Infective brand) declined 17% YoY for the quarter.
- On a 12M basis, GLAXO took a price hike of 6.7%, offset (to some extent) by flat new launches and volume decline of 12.7% on a YoY basis.
- GLXO's parent has an R&D pipeline of 35+ potential new therapeutic drugs and 15 new vaccines under various stages of development.
- GLXO is tracking well in recently launched products (Fluarix Tetra and Menveo); it has maintained its leadership in Dermatology and posted market share gains in the Anti-Infectives and Pain therapies.

Valuation and view

- We increase our EPS estimates by 6%/7% for FY22E/FY23E, factoring in higher sales of brands such as Augmentin in Anti-Infectives, Calpol in Pain Analgesics, and Betnovate combination brands in Dermatology, led by superior marketing efforts and market share gains. Accordingly, we expect a 21% earnings CAGR over FY21–23.
- We value GLXO at 38x 12M forward earnings to arrive at TP of INR1,580. We maintain **Neutral** as current valuations adequately factor in the upside.

Quarterly Performance (Consolidated) **(INR m)**

Y/E March	FY20				FY21				FY20	FY21		Chg.
(Standalone)	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Net Sales	**7,880**	**8,820**	**7,786**	**7,758**	**6,486**	**8,793**	**8,572**	**8,138**	**32,244**	**31,989**	**8,393**	**-3.0**
YoY Change (%)	7.1	8.0	-5.7	3.3	-17.7	-0.3	10.1	4.9	3.1	-0.8	8.2	
Total Expenditure	6,227	6,880	6,542	6,022	5,345	6,745	6,517	6,429	25,671	25,035	6,577	
EBITDA	**1,653**	**1,940**	**1,244**	**1,736**	**1,141**	**2,049**	**2,055**	**1,709**	**6,573**	**6,953**	**1,816**	**-5.9**
YoY Change (%)	21.9	17.5	-9.3	6.5	-31.0	5.6	65.2	-1.5	9.4	5.8	**5**	
Margins (%)	21.0	22.0	16.0	22.4	17.6	23.3	24.0	21.0	20.4	21.7	21.6	
Depreciation	191	227	183	226	218	220	177	179	827	793	187	
EBIT	**1,462**	**1,713**	**1,061**	**1,510**	**923**	**1,829**	**1,878**	**1,530**	**5,746**	**6,161**	**1,628**	
YoY Change (%)	17.7	11.5	-15.2	1.2	-36.9	6.8	77.1	1.4	4.1	7.2	**8**	
Margins (%)	18.6	19.4	13.6	19.5	14.2	20.8	21.9	18.8	17.8	19.3	19.4	
Interest	9	9	30	15	11	9	9	6	63	35	11	
Other Income	308	159	165	158	152	90	140	296	790	679	190	
PBT before EO Expense	**1,761**	**1,863**	**1,196**	**1,653**	**1,065**	**1,911**	**2,009**	**1,820**	**6,472**	**6,804**	**1,808**	
Tax	588	457	268	385	278	505	549	487	1,698	1,818	411	
Rate (%)	33.4	24.5	22.4	23.3	26.1	26.4	27.3	26.7	18.9	27.9	22.7	**17.6**
Adjusted PAT	**1,173**	**1,406**	**927**	**1,269**	**787**	**1,406**	**1,460**	**1,333**	**4,775**	**4,986**	**1,397**	**-4.5**
YoY Change (%)	27.0	24.9	9.3	0.1	-32.9	0.0	57.4	5.1	14.6	4.4	10.1	
Margins (%)	14.9	15.9	11.9	16.4	12.1	16.0	17.0	16.4	14.8	15.6	16.6	
One-off Expense/(Income)	38	-3,622	7,539	-113	-320	641	-105	1,190	3,843	1,406	0	
Reported PAT	**1,135**	**5,028**	**-6,612**	**1,382**	**1,107**	**765**	**1,565**	**143**	**932**	**3,580**	**1,397**	**-89.7**

IIFL Wealth

Conference Call Details

Date: 20 May 2021
Time: 2:00pm IST
Dial-in details:
link: Link for the Call

Bloomberg	IIFLWAM IN
Equity Shares (m)	87
M.Cap.(INRb)/(USDb)	95.1 / 1.3
52-Week Range (INR)	1358 / 782
1, 6, 12 Rel. Per (%)	-12/-5/-36
12M Avg Val (INR M)	46

Financials & Valuations (INR b)

Y/E March	2021	2022E	2023E
Net Revenues	9.2	11.5	13.8
Opex	5.6	6.4	7.4
Core PBT	3.5	5.1	6.4
PAT	3.8	4.5	5.7
Ratios			
PBT margin (bp)	22	25	27
PAT margin (bp)	23	23	24
RoE (%)	13.0	17.6	23.3
Div. Payout (%)	241	207	70.0
Valuations			
P/E (x)	25.2	20.9	16.8
P/BV (x)	3.4	4.1	3.8
Div. Yield (%)	9.6	9.9	4.2

Shareholding pattern (%)

As On	Mar-21	Dec-20	Mar-20
Promoter	22.9	23.0	22.9
DII	2.0	1.9	1.3
FII	24.2	21.9	20.1
Others	50.8	53.3	55.7

FII Includes depository receipts

CMP: INR1,082 **Buy**

Transactional revenue compensates for recurring revenue; PAT beat of 8%

- IIFL Wealth Management (IIFLWAM)'s 4QFY21 PAT grew 7% QoQ to INR1.03b (v/s loss of INR30m YoY). The 8% beat was driven by a healthy operating performance.
- FY21 core revenues (excluding other income) were largely flat at INR9.2b and PAT was up ~87% YoY to INR3.7b. Excluding the impact of other income, core operating profit was also flat YoY at INR3.5b.

Net flows back at 2Q levels; AUM reach INR2.1t

- Following the sharp decline in 3Q, net new flows rebounded to INR58b (~INR60b in 2Q). This was aided by large portfolio management mandates of INR40b.
- **Annual Recurring Revenue (ARR) assets have continued to drive AUM growth** – AUM was up by 3.3% QoQ / 32% YoY to INR2.07t, of which ARR assets grew 13% QoQ /63% YoY to INR1.02t. Transactional/Brokerage Revenue (TBR) assets declined 4% QoQ, but grew 11% YoY to INR1.05t.
- IIFL ONE continued to gain traction, with AUM up 8% QoQ / 58% YoY to ~INR270b. **The share of the Discretionary portfolio (the highest yielding portfolio) in IIFL ONE was stable at 37% sequentially.**

Strong transactional revenues; opex flat

- While ARR revenues missed estimates by 7% (up 4% QoQ / 13% YoY), strong transactional revenues (36% beat) aided the overall operational revenue beat. The surprise on TBR revenues came from IB/syndication-related fees of INR600m v/s INR442m a quarter ago.
- ARR yields declined 6bp to 67bp. **In the AMC segment, yields declined for the first time in several quarters (down to 67bp, from 77bp in 3Q and 71bp in 2Q).** TBR yields inched up 8bp to ~39bp.
- Total opex remained flat QoQ and was down 6% YoY to INR1.5b (in-line).

Other highlights

- The company has guided for AAUM growth of 22%/18% YoY and PAT of INR4.5b/INR5.3b for FY22/FY23 (v/s INR3.7b in FY21).
- The NBFC loan book remains largely range-bound at ~INR30b.

Valuation and view

Over the past decade, IIFLWAM has evolved into one of the best wealth management franchises in India. It has also become one of the largest alternate asset managers, with unique product offerings. With IIFL ONE, the company is looking to change the way wealth management is offered in India. Traction in IIFL ONE remains healthy. However, yields are still sub-par. In 4QFY21, net flows have been encouraging. We look to revise our estimates and TP post the concall on 20th May'21.

Quarterly Performance INR m

Y/E March	FY20				FY21				FY20	FY21	4QFY21E	Act. Vs Est. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Net Revenues	**2,108**	**2,316**	**2,211**	**2,565**	**1,988**	**2,120**	**2,392**	**2,656**	**9,204**	**9,155**	**2,493**	**7**
Change (%)	-27.5	-13.7	1.0	4.8	-5.7	-8.5	8.2	3.6	-10.0	-0.5	-3.0	
ARR Assets Income	1,286	1,249	1,392	1,419	1,277	1,401	1,543	1,608	5,345	5,830	1,721	-7
TBR Assets Income	823	1,067	819	1,146	711	719	849	1,047	3,860	3,326	772	36
Operating Expenses	**1,269**	**1,304**	**1,444**	**1,628**	**1,299**	**1,339**	**1,519**	**1,523**	**5,650**	**5,626**	**1,479**	**3**
Change (%)	-11.0	-7.2	11.9	38.5	2.4	2.7	5.2	-6.5	6.7	-0.4	-9.3	
Cost to Income Ratio (%)	60.2	56.3	65.3	63.5	65.4	63.2	63.5	57.3	61.4	61.5	59.3	
Operating Profits	**839**	**1,012**	**767**	**936**	**689**	**781**	**873**	**1,133**	**3,554**	**3,529**	**1,014**	**12**
Change (%)	-43.4	-20.9	-14.6	-26.4	-18.0	-22.8	13.8	21.0	-28.0	-0.7	7.9	
Other Income	62	-191	233	-795	405	347	406	215	-690	1,400	240	
Profit Before Tax	**901**	**821**	**1,000**	**142**	**1,093**	**1,128**	**1,279**	**1,348**	**2,865**	**4,929**	**1,254**	**8**
Change (%)	-40.3	-47.0	-3.1	-88.9	21.3	37.5	27.9	851.5	-46.7	72.1	736.0	
Tax	287	136	258	171	271	257	314	315	853	1,157	299	5
Tax Rate (%)	31.8	16.6	25.8	120.9	24.8	22.8	24.6	23.4	29.8	23.5	23.8	
PAT	**615**	**685**	**742**	**-30**	**823**	**871**	**965**	**1,033**	**2,012**	**3,772**	**955**	**8**
Change (%)	-43.8	-31.8	-7.3	-103.5	33.8	27.3	30.1	NM	-46.1	87.4	NM	
PAT Margins (%)	29.2	29.6	33.6	-1.2	41.4	41.1	40.3	38.9	21.9	41.2	38.3	
Key Operating Parameters (%)												
AUM (INR B)	**1,423**	**1,439**	**1,508**	**1,388**	**1,583**	**1,671**	**1,775**	**1,801**	**1,388**	**1,583**	**1,832**	**-2**
Change (%)	24.3	19.7	15.9	1.6	11.2	16.2	17.7	29.7	1.6	14.0	32.0	
ARR Assets	635	640	704	626	732	791	905	1,020	626	732	980	4
TBR Assets	979	993	1,017	943	1,036	1,080	1,100	1,051	943	1,036	1,105	-5
Less: Double Counting	191	194	214	181	185	200	230	270	181	185	254	6
Yield on AUM - Calculated (%)*	**0.60**	**0.65**	**0.60**	**0.71**	**0.54**	**0.52**	**0.56**					
ARR Assets	0.84	0.78	0.83	0.85	0.75	0.74	0.73					
TBR Assets	0.34	0.43	0.33	0.47	0.29	0.27	0.31					

Jyothy Laboratories

Estimate changes
TP change
Rating change

Bloomberg	JYL IN
Equity Shares (m)	367
M.Cap.(INRb)/(USDb)	55.3 / 0.8
52-Week Range (INR)	166 / 100
1, 6, 12 Rel. Per (%)	6/-2/-18
12M Avg Val (INR M)	95

Financials & Valuations (INR b)

Y/E March	2021	2022E	2023E
Net Sales	19.1	20.2	21.9
Sales Gr. (%)	11.6	6.0	8.0
EBITDA	3.1	3.1	3.5
EBITDA Margins (%)	16.5	15.6	16.0
Adj PAT	2.1	2.1	2.3
Adj.EPS (INR)	5.8	5.7	6.4
EPS Gr. (%)	28.7	-3.1	13.1
BV/Sh (INR)	38.9	39.4	40.6
Ratios			
RoE (%)	16.1	14.4	16.0
RoCE (%)	14.7	14.4	16.2
Payout (%)	92.6	95.5	84.5
Valuation			
P/E (x)	25.8	26.7	23.6
P/BV (x)	3.9	3.8	3.7
EV/EBITDA	17.4	17.2	15.2
Div. Yield (%)	3.6	3.6	3.6

Shareholding pattern (%)

As On	Mar-21	Dec-20	Mar-20
Promoter	62.9	62.9	62.9
DII	16.9	17.2	15.8
FII	12.5	12.1	14.7
Others	7.8	7.9	6.6

FII Includes depository receipts

CMP: INR150 TP: INR160 (+7%) Neutral

Weak 4QFY21 result, rising material costs could affect margin

- JYL delivered a miss on all fronts in its 4QFY21 result. Even if one adjusts for the sales impact of ~8% YoY on account of CRS implementation (shared during the conference call), average growth in the last two-years remains weak (in mid-single digits).
- While there has been improvement in net WC days and the company is now net debt free, topline growth is key for a company with sales of only INR19b. The likelihood of 15% sales growth continues to appear difficult. Sales growth CAGR has been 3.7% in the preceding five years.
- With margin likely to under pressure due to material cost increase, earnings growth prospects remain weak. Maintain **Neutral**

Double-digit volume growth, overall performance below our expectation

- Standalone net sales grew 27.5% YoY to ~INR4.9b (est. INR5.3b) in 4QFY21. Volumes rose ~27% YoY.
- Standalone gross margin expanded ~40bp YoY to 45.1% in 4QFY21. As a percentage of sales, lower ad spends/staff cost/other expenses (down 120bp/120bp/100bp YoY) led to a 380bp rise in EBITDA margin to 14.3% (in line).
- EBITDA grew ~73.9% YoY to INR698m (est. INR750m). PBT grew 171% YoY to INR533m (est. INR589m). Adjusted PAT grew 94% YoY to INR505m (est. INR480m).
- Standalone sales/EBITDA/PAT grew 13.2%/26.8%/35.5% YoY in FY21 to INR18.9b/INR3.2b/INR2.1b.
- **Consolidated segmental performance**: Fabric Care/Household Insecticides/Dishwashing/Personal Care grew ~16%/36%/33%/38% YoY, to INR1.8b/INR872m/INR1.7b/INR418m in 4QFY21
- **Margin for Fabric Care/Dishwashing/Household Insecticides/Personal Care** expanded 35bp/450bp/1090bp/150bp YoY to 18.3%/17%/0.2%/17%.

Highlights from the management commentary

- Due to the second COVID wave, JYL is experiencing supply chain disruptions and sales force mobility is getting affected. Many Kirana stores have adopted digital ordering in the past one year.
- Stocks with distributors have now reduced to 8-10 days from 20-25 days earlier as a result of CRS, which partly impacted sales by ~8%/3-4% YoY in 4Q/FY21.
- Compared to commodity basket inflation (5-6% range), the company has taken a 2-3% price increase in Detergents and Soaps and reduced trade schemes. The management did not offer a margin guidance, unlike its usual practice, given the current volatile scenario.

Valuation and view

- For a company with a far lower sales base of INR19.1b in FY21 (v/s peers), its performance over the past five years has been consistently lackluster (at 3.7%/7.2% sales/operating profit CAGR).
- While we have reduced our FY22E/FY23E operating profit estimate by 5.1%/2.8% due to tepid sales growth outlook and rising material costs, there has been a minor increase in our FY23E EPS on lower than earlier interest cost projections (JYL is now net debt ahead of our estimate) and lesser depreciation.
- RoCE at 15% in FY21 remains far inferior v/s its peers. No marked uptick is visible from a medium- to long-term horizon to justify a target valuation of 16x FY23E EV/EBITDA (~50% discount to its peers), which results in a TP of INR160 per share. Maintain **Neutral**.

Standalone quarterly performance (INR m)

Y/E March	FY20				FY21				FY20	FY21	4QFY21E	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				(%)
Net Sales	4,116	4,642	4,073	3,823	4,287	4,996	4,694	4,873	16,654	18,850	5,352	-9.0
YoY change (%)	2.3	8.5	-6.2	-24.2	4.1	7.6	15.3	27.5	-5.9	13.2	40.0	
Gross Profit	1,965	2,119	1,941	1,709	1,968	2,373	2,269	2,197	7,734	8,807	2,463	
Margin (%)	47.7	45.6	47.7	44.7	45.9	47.5	48.3	45.1	46.4	46.7	46.0	
EBITDA	655	791	651	402	782	889	798	698	2,499	3,167	750	-6.9
EBITDA growth (%)	12.4	8.1	-9.3	-51.4	19.4	12.4	22.6	73.9	-12.6	26.8	86.6	
Margin (%)	15.9	17.0	16.0	10.5	18.3	17.8	17.0	14.3	15.0	16.8	14.0	
Depreciation	185	188	193	191	187	193	198	200	757	779	191	
Interest	61	59	69	58	51	29	20	18	248	117	29	
Other Income	48	55	53	45	42	39	63	53	201	198	60	
PBT	458	598	441	196	587	706	643	533	1,694	2,469	589	-9.5
Tax	61	66	16	-64	83	100	121	28	79	332	109	
Rate (%)	13.4	11.0	3.6	-32.5	14.1	14.1	18.8	5.3	4.7	13.4	18.5	
Adjusted PAT	359	532	425	260	504	607	522	505	1,577	2,138	480	5.1
YoY change (%)	10.9	17.4	-12.1	-61.2	40.4	14.0	22.8	93.9	-18.4	35.5	84.5	

E: MOFSL estimates

Cipla: Remdesivir production ramped up; Umang Vohra, MD & Global CEO

- Will see business growth in FY22
- Upcoming launches and India business momentum is strong. Expect input price rise to abate based on demand supply easing
- Remdesivir production has been ramped up 5x
- Shortage of remdesivir has eased; seeing a global shortage of Tocilizumab
- Government importing Tocilizumab drug helped alleviate demand pressure
- Will sell the antibody cocktail from Roche
- Objective is to have an efficacious oral drug with Molnupiravir
- Willing to partner with global majors to import vaccines. No partner as of now on vaccines
- 3% of sales from COVID drugs in Q4 vs 5% earlier
- Can repurpose facilities for fill and finish of vaccines if required; don't have facilities for vaccine drug substance
- Scaling up production of Lipsomal Amphotericin B; it is not out of stock but market is short
- Baricitinib slated for launch in June; relying on global data for the drug

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PNB: Expect 2nd wave to create 1-1.5% impact on slippages; SS Mallikarjuna Rao, MD & CEO

- Stress in the MSME sector continues. NPA level of MSMEs is 18-19% including restructuring
- Not many large corporates are opting for restructuring. See temporary impact on retail, more on MSMEs
- Some PSBs have successfully raised funds via QIP in tranches
- Expect 2nd wave to create 1-1.5% impact on slippages

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JBM Auto: Margins to sustain around 11.5%, expects Rs. 1000 crore revenue from OEMs; Nishant Arya, ED

- There has been impact on demand in last week of April
- There is lack of clarity as to how June will pan out
- There is still pressure in the southern region
- Things improving in the northern region but not in southern region
- OEM segment will see doubling of revenues in FY22
- Will able to do Rs. 1000 crore of revenues in OEMs

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Greenpanel Industries: Expect FY22 margins at 23-24.5%; V Venkatramani, CFO

- Q1 performance will be impacted by second wave of COVID
- Will start seeing recovery in June
- Had taken a price increase in MDF towards the end of April
- Expect good growth both on topline and bottomline

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