ASIAMONEY Brokers Poll 2020 (India)

Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	49,581	1.7	3.8
Nifty-50	14,923	1.7	6.7
Nifty-M 100	24,813	1.8	19.0
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	4,163	-0.3	10.8
Nasdaq	13,379	-0.4	3.8
FTSE 100	7,033	-0.2	8.9
DAX	15,397	-0.1	12.2
Hang Seng	10,504	1.0	-2.2
Nikkei 225	27,825	-0.9	1.4
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	70	1.2	36.0
Gold ($/OZ)	1,867	1.3	-1.7
Cu (US$/MT)	10,345	1.3	33.5
Almn (US$/MT)	2,470	1.3	25.2
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	73.2	-0.1	0.2
USD/EUR	1.2	0.1	-0.5
USD/JPY	109.2	-0.1	5.8
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	6.0	-0.01	0.1
10 Yrs AAA Corp	6.8	0.04	0.2
Flows (USD b)	**17-May**	**MTD**	**CY21**
FIIs	-0.31	-1.80	5.06
DIIs	0.27	1.75	-1.57
Volumes (INRb)	**17-May**	**MTD***	**YTD***
Cash	818	837	787
F&O	33,064	41,964	42,415

Note: *Average

Today's top research idea

Colgate: Continued weak sales growth, unsustainable margins

Downgrade to Neutral

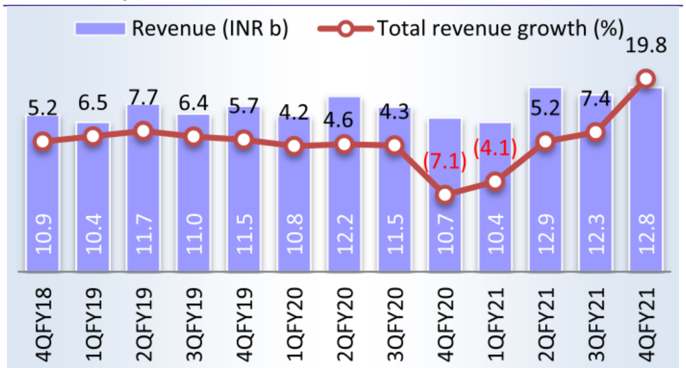
- Colgate-Palmolive's (CLGT) weak sales growth trend has persisted in recent quarters – the two-year average sales growth is in the 5–6% range.
- It has now been six years since the company reported over 7% sales growth for any year.
- The cornerstones of our earlier optimism on improved topline growth were (a) new launches in Oral Care, (b) a potentially higher play in Naturals (38–39% of the category where CLGT was significantly under-indexed), (c) new launches in Non-Oral Care (~only 2% of sales currently v/s around half the sales for the parent) – leveraging on CLGT's extensive distribution reach and the implementation of the 'Brush Twice a Day' campaign.
- However, the company has either disappointed on these aspects or significantly postponed the same, contrary to our earlier assumptions.
- While there is no material change in our FY22E EPS, we reduce our FY23E EPS forecasts by ~6%, weighed by weak sales trends and lower margins. With weak topline and earnings growth likely to sustain going forward, the valuation at 37.6x FY23E EPS appears fair. We assign a value of 40x FY23E to arrive at our TP of INR1,700/share. **Downgrade to Neutral.**

Research covered

Cos/Sector	Key Highlights
Colgate	Continued weak sales growth, unsustainable margins
Bharti Airtel	Consolidated EBITDA up 2% QoQ (in line) on Mobile India
Gland Pharma	Building multiple levers to sustain the growth momentum
Federal Bank	Asset quality stable; core operating performance steady
MRPL	In-line results, debt increases; reiterate Neutral
Trident	Growth momentum continues; order book visibility improves
Metals	China's steel production continues to surprise
EcoScope	WPI inflation at 11-year high of 10.5% YoY in Apr'21

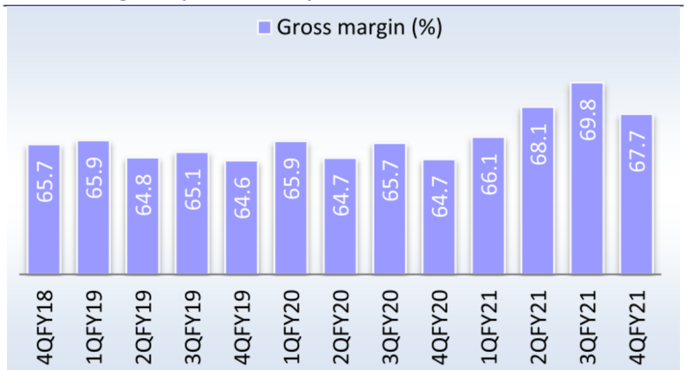
Chart of the Day: Colgate (Continued weak sales growth, unsustainable margins)

Revenue up 19.8% YoY to INR12.8b in 4QFY21



Source: Company, MOFSL

Gross margin expands 300bp YoY



Source: Company, MOFSL

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In the news today

Kindly click on textbox for the detailed news link

1

India Inc's foreign investment jumps over two-fold to $2.51 bn in April, 2021

India Inc's foreign investment in the first month of this current fiscal jumped by more than two times year-on-year to USD 2.51 billion, data from the Reserve Bank showed on Monday. Indian investors had committed USD 1.21 billion worth of outward foreign direct investment …

2

WPI inflation hits double digits in April at 10.49 pc; prices of food items, crude harden

The wholesale price-based inflation shot up to an all-time high of 10.49 per cent in April, on rising prices of food items, crude oil and manufactured goods, and experts believe that the uptrend is likely to continue. This is the fourth straight month of uptick seen in the wholesale price index (WPI)-based inflation. In March, 2021, it was 7.39 per cent.

3

Jio building largest international submarine cable system centred on India

Reliance Jio said on Monday it is constructing the largest international submarine cable system centred on India. In conjunction with several key global partners and world-class submarine cable supplier SubCom, Jio is currently deploying two next-generation cables to support the extraordinary growth in data....

4

Coronavirus second wave hit aggregate demand more than supply, says RBI bulletin

The Reserve Bank of India said on Monday that the second wave of the COVID-19 pandemic in India has had a bigger impact on aggregate demand than on aggregate supply, and it believes the economic slowdown was not as severe as a year ago. India reported a further decline in new coronavirus cases on Monday …

5

Home sales up 21 per cent in Q1 2021 but new launches down by 40%: Report

Housing sales reported an increase of 21% across top 7 cities in India in the first quarter of 2021 to 1,05,183 units versus 87,236 units in Q1 2020, according to a report by real estate data analytic firm PropEquity. However, the new supply or launches of housing units decreased by 40% in the same period to 59,737 units from Q1 2020 at 1,00,343 units...

6

Panacea Biotec files suit against Sanofi for patent infringement

Panacea Biotec on Monday said it has filed a suit before the Delhi High Court seeking to restrain Sanofi Healthcare India from marketing a fully liquid hexavalent vaccine. The company instituted a suit before the Delhi HC seeking to restrain Sanofi Healthcare India Pvt. Ltd. from marketing a fully...

7

Sanofi-GSK reports success in Covid-19 vaccine, after setback

Sanofi and GlaxoSmithKline's potential COVID-19 vaccine triggered strong immune responses in all adult age groups in preliminary trials after an earlier setback, boosting optimism the shot may join the fight against the pandemic this year. After two doses of the vaccine candidate, participants...

Colgate

Estimate changes	↓
TP change	↓
Rating change	↓

Bloomberg	CLGT IN
Equity Shares (m)	272
M.Cap.(INRb)/(USDb)	434.1 / 5.9
52-Week Range (INR)	1676 / 1257
1, 6, 12 Rel. Per (%)	0/-9/-41
12M Avg Val (INR M)	1163

Financials & Valuations (INR b)

Y/E March	2021	2022E	2023E
Sales	48.4	52.3	56.1
Sales Gr. (%)	7.0	8.1	7.3
EBITDA	15.1	16.0	17.0
EBITDA Mrg. (%)	31.2	30.6	30.2
Adj. PAT	10.4	11.0	11.6
Adj. EPS (INR)	38.1	40.3	42.5
EPS Gr. (%)	26.8	5.8	5.5
BV/Sh.(INR)	42.9	42.9	42.9
Ratios			
RoE (%)	75.0	94.0	99.1
RoCE (%)	75.4	94.9	100.1
Payout (%)	93.5	100.0	100.0
Valuation			
P/E (x)	41.9	39.6	37.6
P/BV (x)	37.2	37.2	37.2
EV/EBITDA (x)	28.2	26.6	25.1
Div. Yield (%)	2.2	2.5	2.7

Shareholding pattern (%)

As On	Mar-21	Dec-20	Mar-20
Promoter	51.0	51.0	51.0
DII	10.3	10.4	10.2
FII	16.9	16.6	16.2
Others	21.8	22.0	22.7

FII Includes depository receipts

CMP: INR1,596 TP: INR1,700 (+7%) Downgrade to Neutral

Continued weak sales growth, unsustainable margins

Downgrade to Neutral

- Colgate-Palmolive (CLGT)’s weak sales growth trend has persisted in recent quarters, including 4QFY21 – the two-year average sales growth stands at 5–6%. It has now been six years since the company reported over 7% sales growth for any year. With (a) the launch of its Non-Oral Care portfolio and (b) investments under the ‘Brush Twice a Day’ campaign seemingly on the backburner, it is unlikely to return to the double-digit sales growth seen over FY08–15 anytime soon.
- Notably, certain factors that led to the positive margin surprise in 4QFY21 and the full-year FY21 – resulting in all-time high EBITDA margins – are not sustainable. These include (a) higher priced (and higher margin) SKUs gaining prominence in FY21 on account of customers showing a preference for larger packs, (b) slower sales in the low-margin toothbrush category – as the product is more discretionary than toothpaste, (c) lower-than-expected advertising spends in 4QFY21 and the full-year FY21, and (d) intensifying cost pressure due to crude-led RM inflation.
- While there is no material change in our FY22E EPS, we reduce our FY23E EPS forecasts by ~6% due to weak sales trends and lower margins. With a weak topline and earnings growth likely to sustain going forward, the valuation at 37.6x FY23E EPS appears fair. **Downgrade to Neutral**.

Sales in-line; margin beat on lower ad spends

- CLGT is likely to have posted domestic volume growth of 16% YoY in 4QFY21 (est. 17%).
- **Net sales grew 19.8% YoY to INR12.8b** (in line with estimates) in 4QFY21. EBITDA was up 60.4% YoY to INR4.2b (est. INR3.9b). PBT grew 62.7% YoY to INR3.8b (est. INR3.4b). Adj. PAT grew 54.1% YoY to INR3.1b (est. INR2.6b). The two-year sales / EBITDA / adj. PAT CAGR came in at 5.5%/16.6%/25.4%.
- Gross margins expanded 300bp YoY to 67.7% (in line with estimates).
- As a percentage of sales, lower staff costs (down 130bp YoY), ad spends (down 290bp YoY), and other expenses (down 110bp YoY) led to EBITDA margin expansion of 830bp YoY to 32.9% (est. 30.6%) – **this is the all-time high quarterly EBITDA margin.**
- Absolute ad spends were down 4.3% YoY and 24.9% sequentially during the quarter.
- FY21 sales/EBITDA/adj. PAT grew 7%/25.6%/26.8% to INR48.4b/INR15.1b/INR10.4b.

Highlights from management commentary

- Market share was higher in modern trade and e-commerce; the management did not comment on overall market share, except that it remains at robust levels.

- As a proportion of Oral Care category sales, Naturals and Family remain at 38–39% and 32–33%, respectively, while the share of the Freshness (gel) segment increased over the past year.
- The 'Bright Smiles, Bright Futures' school campaign went digital in FY21 (and, hence, cheaper) as schools were closed. Going forward, the campaign would have both digital and physical aspects.
- Good traction is seen in Vedshakti's mouth spray and oil pulling lines, with the former seeing ~30% repeat purchases despite being a new category.

Valuation and view

- The cornerstones of our earlier optimism on improved topline growth in CLGT were (a) new launches in Oral Care, (b) a potentially higher play in Naturals (38–39% of the category where CLGT was significantly under-indexed), (c) new launches in Non-Oral Care (~only 2% of sales currently v/s around half the sales for the parent) – leveraging on CLGT's extensive distribution reach and implementation of the Brush Twice a Day campaign.
- These initiatives could have not only led to the recouping of lost market share of ~600bp over the last 6–7 years but also boosted overall sales growth. CLGT also had significant underutilized capacity, as a result of which healthy topline growth would have resulted in even stronger earnings growth. However, the company has either disappointed on these aspects or significantly postponed the same, contrary to our earlier assumptions.
- While there is no material change in our FY22E EPS, we reduce our FY23E EPS forecasts by ~6%, weighed by weak sales trends and lower margins. With weak topline and earnings growth likely to sustain going forward, the valuation at 37.6x FY23E EPS appears fair. We assign a value of 40x FY23E to arrive at our TP of INR1,700/share. **Downgrade to Neutral**.

Quarterly Performance (INR m)

Y/E March	FY20				FY21				FY20	FY21	FY21	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4Q	(%)
Toothpaste Volume Gr %	**4.0**	**4.0**	**2.3**	**-8.0**	**0.0**	**4.0**	**6.0**	**16.0**	**0.6**	**6.5**	**17.0**	
Net Sales (incldg. OOI)	**10,849**	**12,218**	**11,472**	**10,713**	**10,406**	**12,855**	**12,319**	**12,832**	**45,251**	**48,412**	**12,684**	1.2%
YoY change (%)	4.2	4.6	4.3	-7.1	-4.1	5.2	7.4	19.8	1.4	7.0	18.4	
Gross Profit	**7,145**	**7,910**	**7,541**	**6,926**	**6,883**	**8,759**	**8,594**	**8,683**	**29,522**	**32,919**	**8,529**	1.8%
Gross margin (%)	65.9	64.7	65.7	64.7	66.1	68.1	69.8	67.7	65.2	68.0	67.2	
EBITDA	**2,998**	**3,230**	**3,161**	**2,629**	**3,080**	**4,093**	**3,706**	**4,218**	**12,017**	**15,096**	**3,877**	8.8%
Margins (%)	27.6	26.4	27.6	24.5	29.6	31.8	30.1	32.9	26.6	31.2	30.6	
YoY growth (%)	6.5	-2.0	0.5	-15.3	2.7	26.7	17.3	60.4	-2.8	25.6	47.5	
Depreciation	499	504	515	462	454	461	456	455	1,979	1,825	489	
Interest	23	24	29	20	20	18	19	16	96	73	23	
Financial other Income	152	86	58	196	63	76	99	66	492	304	85	
PBT	**2,628**	**2,788**	**2,674**	**2,344**	**2,669**	**3,689**	**3,330**	**3,814**	**10,434**	**13,502**	**3,449**	10.6%
Tax	937	347	683	302	687	947	847	667	2,269	3,148	828	
Rate (%)	35.7	12.4	25.6	12.9	25.7	25.7	25.4	17.5	21.7	23.3	24.0	
Adj PAT	**1,691**	**2,441**	**1,991**	**2,042**	**1,982**	**2,742**	**2,484**	**3,147**	**8,165**	**10,354**	**2,621**	20.1%
YoY change (%)	1.3	24.3	3.6	2.1	17.2	12.3	24.7	54.1	8.1	26.8	28.4	

E: MOFSL Estimates

Bharti Airtel

BSE SENSEX	S&P CNX
49,581	14,923

Financial Valuations (INR b)

Y/E March	FY21	FY22E	FY23E
Net Sales	1,006.2	1,118.1	1,240.6
EBITDA	453.7	545.4	652.5
Adj. PAT	-7.2	30.0	56.1
EBITDA Margin (%)	45.1	48.8	52.6
Adj. EPS (INR)	-1.3	5.5	10.2
EPS Gr. (%)	-82.5	-517.4	86.7
BV/Sh. (INR)	107.3	112.8	123.0
Ratios			
Net D:E	2.5	1.7	0.9
RoE (%)	-1.1	5.0	8.7
RoCE (%)	12.8	6.7	9.2
Div. Payout (%)	0.0	0.0	0.0
Valuations			
EV/EBITDA (x)	10.0	7.6	6.0
P/E (x)	NM	100.2	53.7
P/BV (x)	5.1	4.9	4.5
Div. Yield (%)	0.0	0.0	0.0

CMP: INR550 — Buy

Consolidated EBITDA up 2% QoQ (in line) on Mobile India

- Consolidated revenue fell 3% QoQ to INR257.4b (in line) on the back of a 5% fall in Mobile India revenue.
- Consolidated EBITDA grew 2.3% QoQ at INR123.3b (in line) on a 4% growth in Mobile India EBITDA.
- Consolidated EBITDA margin improved 240bp QoQ (80bp below our estimate) to 47.9%.
- 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).

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

- 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%. This is optically high due to the elimination of IUC revenue/costs. Incremental EBITDA margin stood at 40%, lower than the expected 60-70%, due to 8% jump in network cost on account of continued heavy capex (8.2k site additions) and increase in fuel cost.
- ARPU declined by INR21 (14% QoQ) to INR145 due to IUC adjustments. Adjusted for the IUC impact, ARPU was down 1% QoQ to INR145, due to lesser number of days in 4QFY21.
- 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).
- 4G subscriber additions continued (13.7m) for the third consecutive quarter, touching 179m subscribers, or 59% of total subscribers.
- Data traffic grew 9% QoQ to 9.2b GB, with usage at 16.8 GB/user. Data traffic and data subscribers are nearly half of RJio, with a lower capacity gap, highlighting better network experience and room for improvement.
- MoU remained stable (up 3%) at 1,053 minutes, with an 8% increase in voice traffic to 996.7b minutes.

Africa numbers were muted

- Africa revenue/EBITDA growth was muted at -1%/1% QoQ in CC terms. In reported currency, it grew by nil/2% to USD1,038m/USD840m.
- Subscriber/ARPUs grew -1%/2%, with healthy data revenue offset by muted voice and Airtel Money revenue.

Other segments offering strong tailwinds

- Home revenue/EBITDA saw 6% QoQ growth after the decline to INR6b/INR3.3b in 3QFY21. This is on the back of strong (10%) subscriber growth driving demand elasticity on a 3%/15% ARPU decline in 4QFY21/last four quarters. Number of cities covered has seen a continuous rise to 291 v/s 219/111 in 3QFY21/Mar'20.
- Enterprise revenue/EBITDA grew 2%/6% QoQ to INR37b/INR14.9b.
- Digital revenue/EBITDA declined 3% QoQ to INR7.7b/INR5.1b.

FCF improved; net debt increased due to spectrum auction

- Capex remained high at INR68.5b (INR241b in FY21). FCF, post interest, improved to INR18.8b v/s INR12.9m in 3QFY21.
- 4G base stations/towers continues to see strong (38k/8k) additions to 607k/216k, apart from the healthy 19k km ramp up in fiber addition.
- Despite the healthy FCF, net debt (excluding lease liability) increased by INR5b to INR1,155b due to INR63b upfront spectrum payment in the recent auction and INR9b cash paid to Warburg Pincus towards the DTH stake buyback. Including lease liability of INR330b, net debt stood at INR1,485b, with net debt-to-EBITDA of 2.95x/3.2x on a 4Q/FY21 annualized basis.

Key positives

- **EBITDA steady despite no price hikes:** Consolidated EBITDA grew 2% QoQ (in line) with the 4% QoQ steady growth in India mobile EBITDA, without a price hike. Despite any tariff hike in the last four quarters, EBITDA is up 32%, which indicates that the healthy subscriber/ARPU equation is showing gains. All this without any tariff hike.
- **Adding quality 4G subscribers:** India mobile added 14m 4G subscribers, the third straight quarter of high 4G additions and cumulatively adding 41m in the last nine months. In 4QFY21, ARPU was flat due to lesser number of days in the quarter. Overall mobile subscriber additions too were healthy at 13.4m.
- **Other segments to offer tailwinds:** After the growth in Africa in 3QFY21, Home and Enterprise saw 6% QoQ EBITDA growth in 4Q. The Home business has seen 10% subscriber additions on price elasticity and increased coverage, which should rise further in coming quarters.
- **Superior network capacity:** Despite robust data traffic volumes of 9.2b GB, with usage at 16.8 GB/user, data traffic/subscriber is ~50% of RJio, thus highlighting healthy network capacity and room for improvement. It has healthy (607k) base stations (closer to RJio), with unique broadband towers at a robust 216k.

Negatives

- **Higher capex and spectrum spends limiting deleveraging:** Capex remained high at INR68.5b (INR241b in FY21), yet improved to INR18.8b v/s INR12.9m in the preceding quarter. Debt increased by INR5b to INR1,155b due to investment on spectrum and DTH stake buyback. In the last one year, despite earnings growth, FCF generation and deleveraging has been poor. This should improve in FY22E.

Consolidated quarterly earnings model (INR b)

Y/E March	FY20				FY21				FY20	FY21	4Q	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			FY21E	(%)
Revenue	**207**	**211**	**213**	**237**	**239**	**251**	**265**	**257**	**869**	**1,006**	**263**	-2.2
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	-2.1
EBITDA	**83**	**89**	**87**	**102**	**104**	**111**	**121**	**123**	**360**	**454**	**126**	-2.4
YoY Change (%)	23.1	41.9	40.2	53.3	25.7	24.9	38.3	21.3	39.8	26.0	45.0	-2365
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	31.2
Other Income	1	4	1	10	6	-2	-2	6	16	6	4	71.7
PBT before EO expense	**-15**	**-6**	**-13**	**0**	**4**	**-2**	**4**	**16**	**-34**	**14**	**16**	-1.8
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**	25.6
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 and 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**	-60.9
Adj. PAT	**-14**	**-11**	**-11**	**-5**	**-4**	**-7**	**-3**	**3**	**-41**	**-12**	**19**	-83.4
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

India - Wireless KPIs	4QFY20	3QFY21	4QFY21	YoY (%)	QoQ (%)	4QFY21E	Var. (%)
Wireless traffic (b minutes)	822	925	997	21.3	7.8	968	3.0
Total subscribers (m)	284	308	321	13.3	4.4	314.1	2.3
Data subscribers (m)	149	175	189	27.0	8.0	188.7	0.0
4G subscribers	136.3	165.6	179.3	31.5	8.3		
ARPU (INR)	154	166	145	-5.9	-12.7	155	-6.2
MoU (min)	965	1027	1053	9.1	2.5	1037	1.5
Data Traffic (b MB)	6,453	8,454	9,207	42.7	8.9	9,475	-2.8
Data usage/subscriber (MB)	14,972	16,766	16,840	12.5	0.4	17,379	-3.1
Monthly churn (%)	2.6	1.9	2.2	-37bp	28bp	1.9	28bp

Recasted figures for previous quarters (adjusted for IUC impact)	4QFY20	3QFY21	4QFY21	YoY (%)	QoQ (%)	4QFY21E	Var. (%)
Mobile India ARPU (INR)	135.0	146.0	145.0	7.4	-0.7	154.6	-6.2
Mobile India Revenue (INR m)	118,214	135,096	140,797	19.1	4.2	142,170	-1.0
Consolidated Revenue (INR m)	230,187	265,178	257,473	11.9	-2.9	263,381	-2.2

Bharti Airtel – Consolidated segment-wise summary (INR m)

	4QY20	3QFY21	4QFY21	YoY (%)	QoQ (%)	4QFY21E	Var. (%)
Revenue							
Mobile India	129,528	147,788	140,798	8.7	-4.7	142,170	-1.0
Telemedia	5,725	5,674	6,009	5.0	5.9	5,746	4.6
Enterprise	33,762	36,215	37,020	9.6	2.2	36,939	0.2
Passive Infrastructure*	16,826	3,833	0	-100.0	-100.0	0	#DIV/0!
Digital TV	6,035	7,892	7,673	27.1	-2.8	8,108	-5.4
South Asia	1,203	1,060	982	-18.4	-7.4	1,081	-9.2
Others	15	13	84	460.0	546.2	13	533.5
Africa	64,888	76,441	76,018	17.2	-0.6	78,817	-3.6
Eliminations	-20,755	-9,905	-11,111	-46.5	12.2	-9,493	NM
Consolidated Revenue*	**237,227**	**269,011**	**257,473**	**8.5**	**-4.3**	**263,381**	**-6.3**
EBITDA							
Mobile India	50,796	64,599	66,897	31.7	3.6	68,718	-2.6
Telemedia	3,012	3,151	3,345	11.1	6.2	3,191	4.8
Enterprise	13,466	14,018	14,867	10.4	6.1	14,298	4.0
Passive Infrastructure*	9,032	0	0	NM	NM	0	NM
Digital TV	3,648	5,291	5,105	39.9	-3.5	5,436	-6.1
South Asia	147	38	-122	-183.0	-419.2	40	-406.5
Others	0	0	0	NM	NM	0	NM
Africa	28,491	35,864	36,356	27.6	1.4	106,717	-65.9
Eliminations	-6,940	-2,431	-3,129	-54.9	28.7	-2,549	22.8
Consolidated EBITDA*	**101,652**	**120,530**	**123,319**	**21.3**	**2.3**	**126,354**	**-10.4**
Consolidated EBITDA (Adj. for Ind AS 116)	**86,264**	**105,142**	**107,931**	**25.1**	**2.7**	**110,966**	**-2.7**
EBITDA margin (%)							
Mobile India	39.2	43.7	47.5	830bps	380bps	48.3	-82bps
Telemedia	52.6	55.5	55.7	306bps	13bps	55.5	13bps
Enterprise	39.9	38.7	40.2	27bps	145bps	38.7	145bps
Passive Infrastructure	53.7	0.0	NM	NM	NM	NM	NM
Digital TV	60.5	67.0	66.5	608bps	-52bps	67.0	-52bps
Mobile South Asia	12.2	3.6	-12.4	-2463bps	-1602bps	3.7	-1610bps
Africa	43.9	46.9	47.8	392bps	91bps	135.4	-8757bps
Consolidated EBITDA margin*	**42.9**	**45.5**	**47.9**	**505bps**	**244bps**	**48.0**	-217bps
Depreciation and amortization	70,550	75,031	75,019	6.3	0.0	84,383	-11.1
Operating income	31,102	45,499	48,300	55.3	6.2	41,971	15.1
Other income and share of JV/Associate	10,135	-1,714	6,113	-39.7	-456.7	3,560	71.7
Net finance cost	41,302	39,719	38,606	-6.5	-2.8	29,434	31.2
Pro forma Profit Before Taxes	**-65**	**4,066**	**15,807**	**-24418.5**	**288.8**	**16,097**	**-1.8**
Exceptional Items	70,040	45,599	-4,404	-106.3	-109.7	0	NM
Pro forma Tax	-20,335	43,067	5,101	-125.1	-88.2	6,439	**-20.8**
Effective Tax Rate (%)	31284.6	1059.2	32.3	NM	-102692.8	40.0	**-19.3**
Profit from discontinued operations	0	98,101	0				
Pro forma Profit After Tax	**-49,770**	**13,501**	**15,110**	**-130.4**	**11.9**	**9,658**	**NM**
Pro forma Minority Interest	2,600	4,965	7,518	189.2	51.4	-9,737	**-177.2**
Pro forma Net Profit	**-52,370**	**8,536**	**7,592**	**-114.5**	**-11.1**	**19,395**	**NM**
Pro forma Adj. Net Profit	**-4,708**	**-2,982**	**3,222**	**NM**	**NM**	**19,395**	**NM**

***LTL comparison**

Bharti Africa – in constant currency **(USD m)**

	4QY20	3QFY21	4QFY21	YoY (%)	QoQ (%)	4QFY21E	Var. (%)
Revenue	870	1,038	1,058	21.6	1.9	1,070	-1.1
Total Expenditure	519	554	555	6.9	0.2	565	-1.7
EBITDA	382	487	506	32.5	3.9	505	0.1
EBITDA margin (%)	44%	47%	47.8%	391.8	90.9	47%	60
Depreciation	155	176	179	15.5	1.7		
ARPU (USD)	2.7	2.9	3.0	11.1	3.4	3.0	1.0
Subscriber base ('000s)	110,604	118,903	118,192	6.9	-0.6	121,281	-2.5

Gland Pharma

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	GLAND IN
Equity Shares (m)	163
M.Cap.(INRb)/(USDb)	456.9 / 6.2
52-Week Range (INR)	2982 / 1701
1, 6, 12 Rel. Per (%)	-/-/-/
12M Avg Val (INR M)	1197

Financials & Valuations (INR b)

Y/E MARCH	2021	2022E	2023E
Sales	34.6	42.4	51.7
EBITDA	13.0	15.8	19.6
Adj. PAT	10.0	12.5	15.8
EBITDA Margin (%)	34.8	34.6	35.5
Cons. Adj. EPS (INR)	60.9	76.4	96.4
EPS Gr. (%)	29.0	25.4	26.1
BV/Sh. (INR)	360.9	437.3	533.7
Ratios			
Net D:E	-0.5	-0.5	-0.5
RoE (%)	20.9	19.2	19.9
RoCE (%)	20.9	19.2	19.9
Payout (%)	0.0	0.0	0.0
Valuations			
P/E (x)	45.9	36.6	29.0
EV/EBITDA (x)	32.9	26.8	21.0
Div. Yield (%)	0.0	0.0	0.0
FCF Yield (%)	0.8	0.6	1.8
EV/Sales (x)	12.4	10.0	8.0

Shareholding pattern (%)

As On	Mar-21	Dec-20	Mar-20
Promoter	58.3	58.4	0.0
DII	11.3	10.8	0.0
FII	11.9	12.7	0.0
Others	18.6	18.1	0.0

FII Includes depository receipts

CMP: INR2,800 TP: INR3,280 (+17%) BUY

Building multiple levers to sustain the growth momentum

Margin surprise in 4QFY21 led by product mix and lower opex

- GLAND delivered better than expected 4QFY21, led by a superior product mix and better operating leverage. It is scaling up its COVID-19 vaccine manufacturing as well as expanding its sterile injectable/API/Oncology facilities to cater to upcoming launches.
- We raise our FY22E/FY23E EPS estimate by 5%/4% to factor in: a) strong traction in RoW markets, b) increased offtake of Remdesivir, c) higher business scope from Enoxaparin, and d) continued manufacturing efficiency.
- We also raise our P/E multiple to 31x (from 29x earlier) to factor in a) improving growth prospects in the Biosimilars/Vaccine space, b) building of a complex product pipeline like peptides, and c) enhanced business opportunity in the RoW market via entry into newer markets, increased penetration, and superior product lifecycle management. We arrive at our TP of INR3,280 and reiterate a Buy on the stock. The vaccine opportunity is the near term trigger to be factored in the earnings estimate.

Core markets/RoW/operating efficiency led earnings growth in 4QFY21

- Revenue grew 39.8% YoY to INR8.9b (est. INR8.6b) in 4QFY21, led by ~3x expansion in RoW sales to INR1.4b (16% of sales), 29.4% growth in core market sales to INR6.2b (70% of sales), and 15.3% growth in India revenue (14% of sales).
- Gross margin (GM) contracted ~390bp YoY to 55.9% due to changes in the product and geographic mix. EBITDA margin contracted at a lower rate (90bp YoY) to 36.9% due to lower employee cost/other expense (down 180bp/130bp as a percentage of sales).
- EBITDA was up 36.6% YoY to INR3.3b (est. INR2.7b).
- Adjusted PAT grew at a higher rate (~60% YoY) to INR2.6b (est. INR2.1b), aided by a lower tax rate in 4QFY21 v/s that in 4QFY20. Sales/EBITDA/adjusted PAT grew 31.5%/36.3%/29% YoY in FY21 to INR34.6b/INR13b/INR10b.

Highlights from the management interaction

- GLAND has purchased the assets of Vitane Biologics for INR900m. Further scale-up of this facility, integrating it with its drug production facility, and technology transfer would enable manufacture of 252m doses of Sputnik V vaccine over a one-year period.
- Through the near term vaccine opportunity, GLAND intends to build its capability as well as capacity in Biosimilars and enter the CDMO space.
- The share of RoW market has increased to 17% in 4QFY21 from 13% in 3Q, while the share of core markets remained stable QoQ. GM expanded 320bp QoQ, implying better realization in RoW markets.
- GLAND guided at a capex of INR3b/INR2b in FY22/FY23, with investment in the Pashamylaram, API, and Penems plants. This is in addition to the INR2.7b to be spent on building a Biosimilars facility.

Valuation and view

- We raise our FY22E/FY23E EPS estimate by 5%/4% to factor in: a) addition of newer markets/increased reach in the RoW segment, b) COVID-led Remdesivir business opportunity, and c) new launches in core markets.
- We expect 26% earnings CAGR over FY21-23E, led by 16%/21%/48% sales CAGR in core markets/India/RoW, aided by a 40bp margin expansion over FY21-23E.
- We value GLAND at P/E multiple of 31x to arrive at our TP of INR3,280. We remain positive on the stock on the back of: a) niche pipeline, b) enhanced offerings/adding newer geographies in the RoW segment, c) operating cost efficiency, d) consistent compliance, and e) enough war chest to tap inorganic opportunities. Reiterate BUY.

Consolidated quarterly performance

Y/E March	FY20				FY21				FY20	FY21		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QFY21E	Var. (%)
Net Sales	6,745	6,776	6,459	6,352	8842.1	8315	8594	8877	26,332	34,629	8563	3.7
YoY Change (%)					31.1	22.7	33.1	39.8	28.8	31.5	34.8	
Total Expenditure	4,113	4,369	4,342	3,954	4,716	5,338	5,952	5,601	16,778	21,607	5,887	
EBITDA	2,632	2,407	2,118	2,398	4,126	2,977	2,642	3,277	9,554	13,022	2,676	22.4
YoY Change (%)					56.8	23.7	24.8	36.6	35.2	36.3	26.4	
Margin (%)	39.0	35.5	32.8	37.8	46.7	35.8	30.7	36.9	36.3	37.6	31.3	
Depreciation	224	239	242	241	242	247	250	249	946	988	253	
Interest	3	7	57	5	5	8	12	10	72	34	41	
Other Income	338	339	253	462	321	204	351	472	1,392	1,348	325	
PBT before EO expense	2,743	2,499	2,072	2,615	4,200	2,926	2,732	3,489	9,928	13,348	2,708	28.9
Extra-Ord. expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	2,743	2,499	2,072	2,615	4,200	2,926	2,732	3,489	9,928	13,348	2,708	28.9
Tax	588	97	531	985	1,064	738	691	885	2,200	3,378	648	
Rate (%)	21.4	3.9	25.6	37.7	25.3	25.2	25.3	25.4	22.2	25.3	23.9	
Reported PAT	2,156	2,402	1,541	1,629	3,136	2,189	2,041	2,604	7,728	9,970	2,059	26.5
Adj. PAT	2156	2402	1541	1629	3136	2189	2041	2604	7728	9970	2059	26.5
YoY Change (%)					45.5	-8.9	32.5	59.8	66.1	29.0	26.4	
Margin (%)	32.0	35.4	23.9	25.6	35.5	26.3	23.7	29.3	29.3	28.8	24.0	

Federal Bank

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	FB IN
Equity Shares (m)	1,996
M.Cap.(INRb)/(USDb)	162.9 / 2.2
52-Week Range (INR)	92 / 37
1, 6, 12 Rel. Per (%)	5/28/27
12M Avg Val (INR M)	2235

Financials & Valuations (INR b)

Y/E Mar	FY21	FY22E	FY23E
NII	55.3	63.6	73.7
OP	37.9	44.4	52.3
NP	15.9	21.2	27.4
NIM (%)	3.2	3.3	3.4
EPS (INR)	8.0	10.6	13.7
EPS Gr. (%)	2.8	33.5	28.8
BV/Sh. (INR)	80.8	90.2	102.1
ABV/Sh. (INR)	72.9	80.7	91.5
Ratios			
ROE (%)	10.4	12.5	14.3
ROA (%)	0.8	1.0	1.1
Valuations			
P/E(X)	10.2	7.7	6.0
P/BV (X)	1.0	0.9	0.8
P/ABV (X)	1.1	1.0	0.9

Shareholding pattern (%)

As On	Mar-21	Dec-20	Mar-20
Promoter	0.0	0.0	0.0
DII	42.7	44.0	36.5
FII	25.6	22.8	34.4
Others	31.7	33.2	29.1

FII Includes depository receipts

CMP: INR82 TP: INR110 (+35%) Buy

Asset quality stable; core operating performance steady

Restructured book was controlled ~1% of loans

- FB's core performance remains steady, while muted treasury gains affected PPOP (8% YoY decline). However, lower provisions enabled healthy growth in net earnings (7% above our estimate). The bank fully utilized its COVID-related provision buffer.
- On the business front, advances growth sequentially improved 5% QoQ, led by both Retail and Wholesale. Deposit growth was led by CASA.
- On the asset quality front, total slippages stood at INR5.98b in 4QFY21 (annualized: 1.8% of loans). Total slippages stood at 1.4% of loans In FY21, broadly similar to pre-pandemic levels. GNPA ratio was broadly stable QoQ ~3.4%, with PCR ~65%. Total restructuring stood ~1% of loans (v/s the management's guided range of 1.1-1.2% of loans). Collection efficiency stood at 95% in 4QFY21 (stable QoQ). The same was impacted in Apr'21/May'21, with the resurgence in COVID-19 cases. We largely maintain our FY22E/FY23E earnings estimate. **Reiterate Buy.**

Business growth picks up sequentially; PCR stands ~65%

- FB reported a net profit of ~INR4.8b (7% beat), led by lower provisions (42% QoQ decline; significantly below our estimate) as it fully utilized its COVID-19 provisions buffer build over the last few quarters. NII/PPOP/PAT grew 19%/18%/3% YoY in FY21.
- NII grew 17% YoY (~INR14.2b) with margin stable QoQ at 3.23%, affected by interest on interest refund of INR210m. Core fee income trends improved and grew at 22% YoY, aided by pickup in retail fees, while treasury fell sharply (44% QoQ) to INR590m, resulting in ~35% YoY decline in other income. Total revenue thus declined ~2% YoY.
- Opex growth stood ~3% YoY. C/I ratio stood at 53.1% (v/s 49.8% in 3QFY21). PPOP declined ~8% YoY. However, core PPOP growth was healthy at INR8.3b (up ~40% YoY).
- Loan book grew ~5% QoQ to ~INR1.3t, with the Retail portfolio growing 6% QoQ. The Wholesale portfolio grew at 6% QoQ. Within Retail, Housing/LAP grew at 5% QoQ each, while Gold loans grew at 70% YoY.
- Deposit base grew ~13% YoY, led by ~26% growth in CASA. CASA ratio stood at 33.8%, while Retail deposits stood at 90%.
- On the asset quality front, slippages in 4QFY21 stood at INR5.98b (annualized: 1.8% of loans), with ~50% led by Retail. The GNPA/NNPA ratio stood at 3.41%/1.19% (v/s pro forma GNPA/NNPA ratio at 3.38%/1.14% in 3QFY21). PCR stood stable QoQ at 65.9% (v/s 66.1% on a pro forma basis). Total slippages stood at INR18.7b (v/s INR18.3b) in FY21, suggesting stable performance in comparison to pre-COVID levels.
- Restructuring under the RBI resolution framework for COVID-19 currently stands at INR14.1b (~1% of loans). This is lower than its guided range of 1.1-1.2% of loans. Collection efficiency stood stable QoQ at 95% in 4QFY21. The same dropped in Apr'21/Mar'21 to the 89-90% range.

Highlights from the management commentary

- Total SMA 0/1/2 currently stands at 4.6%. It will continue to maintain PCR in the 65% range.
- Only 6% of the restructured portfolio is unsecured. It expects 30-40% of restructured loans to potentially slip into NPAs over FY22. However, LGDs will remain significantly lower as a large part of restructured loans is from Mortgages (highly collateralized).
- Some of the new focus segments such as MFI, CV portfolio, and Credit Cards will gradually aid in margin improvement.
- The bank will look to raise capital over CY21.

Valuation and view

- FB has delivered a robust 4QFY21, with strong core operating performance and healthy business trends across both advances and deposits. Retail loan growth is showing a healthy revival, led by robust trends in Retail loans (Gold loans, LAP, and Housing). The bank's liability franchise remains strong, with Retail deposit mix ~90% and healthy CASA growth, which will continue to aid margin. Asset quality trends were broadly stable QoQ, while slippages in FY21 were broadly similar to pre-COVID levels v/s a much higher deterioration seen in some other midsize Banks. The drop in collection efficiency in Apr-May'21 was broadly similar to other Banks. We largely maintain our FY22E/FY23E earnings estimate and expect FY23E RoA/RoE at 1.1%/14.3%. We reiterate our BUY rating with an unchanged TP of INR110 per share (1.1x FY23E ABV).

Quarterly performance (INR m)

	FY20				FY21				FY20	FY21	4Q	v/s our
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			FY21E	est.
Net Interest Income	**11,542**	**11,238**	**11,549**	**12,160**	**12,964**	**13,799**	**14,370**	**14,204**	**46,489**	**55,337**	**14,698**	**-3.4**
% Change (YoY)	17.8	9.9	7.2	10.9	12.3	22.8	24.4	16.8	11.3	19.0	20.9	
Other Income	3,915	4,209	4,079	7,111	4,884	5,093	4,818	4,654	19,314	19,449	5,388	-13.6
Total Income	**15,457**	**15,447**	**15,628**	**19,271**	**17,848**	**18,892**	**19,189**	**18,858**	**65,803**	**74,786**	**20,086**	**-6.1**
Operating Expenses	7,629	8,259	8,190	9,678	8,524	8,827	9,560	10,007	33,756	36,917	10,089	-0.8
Operating Profit	**7,828**	**7,188**	**7,438**	**9,593**	**9,324**	**10,065**	**9,629**	**8,851**	**32,047**	**37,869**	**9,997**	**-11.5**
% Change (YoY)	29.8	3.0	5.1	27.1	19.1	40.0	29.5	-7.7	16.0	18.2	4.2	
Provisions	1,920	2,518	1,609	5,675	3,946	5,921	4,206	2,423	11,722	16,496	4,274	-43.3
Profit before Tax	**5,907**	**4,670**	**5,830**	**3,918**	**5,378**	**4,145**	**5,423**	**6,428**	**20,325**	**21,373**	**5,723**	**12.3**
Tax	2,065	503	1,423	906	1,370	1,069	1,382	1,650	4,898	5,470	1,244	32.6
Net Profit	**3,842**	**4,167**	**4,406**	**3,012**	**4,008**	**3,076**	**4,041**	**4,778**	**15,428**	**15,903**	**4,480**	**6.7**
% Change (YoY)	46.2	56.6	32.1	-21.0	4.3	-26.2	-8.3	58.6	24.0	3.1	48.7	
Operating Parameters												
Deposit (INR b)	1,325	1,395	1,446	1,523	1,549	1,567	1,617	1,726	1,523	1,726	1,727	0.0
Loan (INR b)	1,120	1,159	1,192	1,223	1,213	1,229	1,255	1,319	1,223	1,319	1,318	0.0
Deposit Growth (%)	19.1	18.1	17.1	12.8	16.9	12.3	11.8	13.4	12.8	13.4	13.4	0.0
Loan Growth (%)	18.8	14.8	13.0	10.9	8.3	6.1	5.3	7.9	10.9	7.9	7.8	0.0
Asset quality*												
Gross NPA (%)	3.0	3.1	3.0	2.8	3.0	2.8	3.4	3.4	2.8	3.4	3.6	-0.2
Net NPA (%)	1.5	1.6	1.6	1.3	1.2	1.0	1.1	1.2	1.3	1.2	1.2	0.0
PCR (%)	50.7	49.0	46.4	54.5	59.6	65.7	66.3	65.9	54.5	65.9	67.3	-1.4

*On a pro forma basis for 3QFY21 E: MOFSL estimates

MRPL

Estimate change	↔
TP change	↑
Rating change	↔

Bloomberg	MRPL IN
Equity Shares (m)	1,753
M.Cap.(INRb)/(USDb)	85.3 / 1.2
52-Week Range (INR)	53 / 25
1, 6, 12 Rel. Per (%)	28/60/12
12M Avg Val (INR M)	107

Financials & Valuations (INR b)

Y/E March	2021	2022E	2023E
Sales	321.8	494.4	511.2
EBITDA	6.3	26.2	35.0
Adj. PAT	(2.4)	7.2	12.7
Adj. EPS (INR)	(1.4)	4.1	7.2
EPS Gr. (%)	(91.2)	(399.2)	76.3
BV/Sh.(INR)	43.0	46.2	52.0
Ratios			
Net D:E	2.0	1.4	1.1
RoE (%)	(3.1)	9.2	14.7
RoCE (%)	(0.3)	5.6	8.5
Payout (%)	-	20.0	20.0
Valuation			
P/E (x)	(35.3)	11.8	6.7
P/BV (x)	1.1	1.0	0.9
EV/EBITDA (x)	37.6	7.5	5.4
Div. Yield (%)	-	1.7	3.0
FCF Yield (%)	(34.5)	55.4	23.4

Shareholding pattern (%)

As On	Mar-21	Dec-20	Mar-20
Promoter	88.6	88.6	88.6
DII	2.7	2.7	4.3
FII	0.7	0.6	0.7
Others	8.0	8.1	6.4

FII Includes depository receipts

CMP: INR49 TP: INR43 (-10%) Neutral

In-line results, debt increases; reiterate Neutral

- MRPL reported EBITDA in line with our estimates (at INR8.5b), but lower-than-estimated PAT of INR3.3b – due to high interest cost. Refining throughput increased (to a ~107% utilization rate) on the back of increasing demand for petroleum products. However, current utilization has declined to ~80% due to the ongoing lockdowns.
- A key concern noted as per the results was the increase in consol. debt by ~35% YoY to INR227.5b in FY21 (standalone debt up 49% YoY to INR153.6b) – amid the acquisition of a 100% stake in OMPL and loss during 9MFY21.
- SG GRM has further improved to an average of USD2.6/bbl in 1QFY22'TD. We believe that with (a) demand for petroleum products returning to normal worldwide – as COVID lockdowns are phased out completely and (b) the closure of refinery complexes (estimated ~3mnbopd over the next 2–3 years), refining margins would recover to the long-term average (of USD5–6/bbl).
- On the back of better GRMs and the commissioning of a seawater desalination plant by 2HCY21 (which would obviate shutdowns in the absence of sufficient water supply), we revise up our EV/EBITDA multiple to 6x (from 5x earlier). However, post the recent run-up of ~36% in one month and on current concerns over increased debt, we maintain Neutral on the stock.

EBITDA in line with our estimates

- EBITDA was in-line at INR8.5b in 4QFY21 (v/s loss of INR14.1b in 4QFY20).
- The company reported forex loss of INR73m v/s our estimate of gains of INR436m.
- The tax rate stood at 37% during the quarter – as the company continues to report on the older tax regime. Deferred tax assets stand at INR1b at end-FY21. However, the company highlighted the decision to move to the new tax regime would be taken during the year. PAT stood at INR3.3b.
- FY21 EBITDA stood at INR6.3b v/s loss of INR18.5b in FY20. PAT loss reduced to INR2.4b (v/s INR27.4b in FY20).

Core GRM at USD2/bbl (against SG GRM of USD1.8/bbl) in 4QFY21

- Refining throughput was in-line at 4.03mmt (+5% YoY) – as product demand reached pre-COVID levels during the quarter.
- Reported GRM was higher at USD6.5/bbl (v/s our est. of USD5.5/bbl). Higher opex at USD2.4/bbl (v/s our estimate of USD1.8/bbl) led to in-line EBITDA.
- The company reported inventory gains of USD4.5/bbl, resulting in core GRM of USD2.0/bbl (v/s our est. of USD1.5/bbl).
- For FY21, refining throughput was down 19% YoY to 11.5mmtpa amid COVID-led lockdowns in 1HFY21. Reported GRM averaged at USD3.7/bbl v/s GRM loss of USD0.2/bbl in FY20; core GRM stood at USD0.7/bbl in FY21 v/s USD2.2/bbl in FY20. Core GRM outperformed SG GRM (USD0.5/bbl) in FY21.

Valuation and view

- The refinery is likely to consume ~1mmscmd of gas from the Kochi–Mangalore pipeline as the gas turbine modification is complete. Gas usage would also aid profitability in the current subdued refining margin environment. Our FY22/FY23 GRM forecast is conservative at USD4.5–5.5/bbl – this presents the likelihood of an upgrade, if benchmark GRMs were to improve sooner.
- The stock trades at 6.7x FY23 EPS of INR7.2 and 5.4x FY23 EV/EBITDA. We value the stock at EV of 6x FY23E EBITDA to arrive at fair value of INR56/share for the standalone refinery and deduct INR13/share for OMPL. Our Target Price stands at INR43. Maintain Neutral.

Standalone - Quarterly Earning Model **(INR b)**

Y/E March	FY20				FY21				FY20	FY21	FY21	Var. vs
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	Est (%)
Net Sales	**92.8**	**132.0**	**143.9**	**141.3**	**44.7**	**61.8**	**79.5**	**135.8**	**510.0**	**321.8**	**138.7**	**-2**
YoY Change (%)	-31.5	-2.6	-7.1	-20.9	-51.8	-53.2	-44.7	-3.9	-17.8	-36.9	-1.8	
EBITDA	**-4.7**	**-2.4**	**2.8**	**-14.1**	**-4.8**	**1.6**	**0.9**	**8.5**	**-18.5**	**6.3**	**8.2**	**4**
Margins (%)	-5.1	-1.8	1.9	-10.0	-10.7	2.6	1.2	6.3	-3.6	2.0	5.9	
Depreciation	1.9	2.0	2.0	2.0	2.0	2.1	2.3	2.2	7.8	8.5	2.3	-5
Forex loss	-0.3	2.2	-0.2	5.1	0.1	-0.7	-0.5	0.1	6.9	-1.1	-0.4	0
Interest	1.4	2.3	1.8	1.9	1.3	0.0	0.7	1.4	7.4	3.5	1.1	25
Other Income	0.2	0.2	0.3	0.3	0.3	0.3	0.4	0.3	1.1	1.2	0.5	-46
PBT before EO expense	**-7.6**	**-8.7**	**-0.4**	**-22.7**	**-8.0**	**0.6**	**-1.1**	**5.2**	**-39.6**	**-3.5**	**5.8**	**-10**
PBT	**-7.6**	**-8.7**	**-0.4**	**-22.7**	**-8.0**	**0.6**	**-1.1**	**5.2**	**-39.6**	**-3.5**	**5.8**	**-10**
Tax	-2.6	-3.0	-0.1	-6.8	-2.8	0.2	-0.4	1.9	-12.2	-1.0	1.9	-2
Rate (%)	34.5	34.2	18.5	29.8	34.8	38.4	32.1	36.7	30.8	30.3	33.3	
Reported PAT	**-5.0**	**-5.7**	**-0.4**	**-16.0**	**-5.2**	**0.4**	**-0.8**	**3.3**	**-27.4**	**-2.4**	**3.8**	**-15**
Adj PAT	**-5.0**	**-5.7**	**-0.4**	**-16.0**	**-5.2**	**0.4**	**-0.8**	**3.3**	**-27.4**	**-2.4**	**3.8**	**-91**
YoY Change (%)	-232.0	-251.6	-64.5	513.9	3.9	-106.2	106.3	-120.6	-905.0	-91.2	-124.1	
Margins (%)	-5.4	-4.4	-0.3	-11.3	-11.6	0.6	-1.0	2.4	-5.4	-0.7	2.8	
Key Assumptions												
Refining throughput (mmt)	2.6	3.7	4.1	3.8	1.9	2.5	3.1	4.0	14.2	11.5	4.1	0
Reported GRM (USD/bbl)	-0.4	0.7	3.2	-4.5	-1.5	3.9	3.3	6.5	-0.3	3.0	5.5	18
Core GRM (USD/bbl)	-0.1	0.4	2.7	6.0	0.2	0.0	0.4	2.0	2.2	0.7	1.5	34

E: MOFSL Estimates

Trident

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	TRID IN
Equity Shares (m)	4,978
M.Cap.(INRb)/(USDb)	82 / 1.1
52-Week Range (INR)	19 / 4
1, 6, 12 Rel. Per (%)	13/102/170
12M Avg Val (INR M)	243

Financials & Valuations (INR b)

Y/E Mar	2021	2022	2023
Sales	45.3	57.2	64.8
EBITDA	8.2	11.1	12.6
PAT	3.3	5.3	6.6
EBITDA (%)	10.6	13.1	13.6
EPS (INR)	0.7	1.1	1.3
EPS Gr. (%)	3.2	60.9	23.3
BV/Sh. (INR)	6.7	7.6	8.8
Ratios			
Net D/E	0.4	0.4	0.2
RoE (%)	10.4	14.9	16.0
RoCE (%)	7.7	11.5	12.7
Payout (%)	5.9	10.0	10.0
Valuations			
P/E (x)	24.2	15.1	12.2
EV/EBITDA (x)	11.5	8.6	7.2
Div Yield (%)	0.2	0.7	0.8
FCF Yield (%)	1.0	0.3	12.1

Shareholding pattern (%)

As On	Mar-21	Dec-20	Mar-20
Promoter	73.0	73.0	71.1
DII	0.9	0.9	1.0
FII	3.6	3.6	2.1
Others	22.4	22.5	25.9

CMP: INR16.1 TP: INR18.4 (+15%) Buy

Growth momentum continues; order book visibility improves

Revenue in-line; EBITDA/PAT below estimates

- Trident (TRID) reported a strong performance on the back of demand revival in the Home Textiles and Paper segments. The demand trend in Home Textiles is expected to continue in the upcoming quarters as well, led by order book visibility for the next six months. However, demand revival in the Paper segment has been impacted by the second COVID wave. Recovery is expected in the coming quarters as offices and educational institutions start to open up.
- Although the performance was below our estimates, we maintain our earnings estimates for FY22/FY23 on an improving demand outlook. Maintain **Buy**.

Bath and Bed Linen revenue up 52% and 109% YoY, respectively

- TRID reported standalone revenue of INR13.5b (est. INR13.8b), up 36% YoY. EBITDA margins expanded 330bp to 16.8% on operating leverage. EBITDA margins expanded despite gross margin contraction of 155bp to 54.1%. 4Q EBITDA, adjusted for forex gains, was up 69% YoY to INR2.3b (est. INR2.6b). Consequently, adj. PAT grew 3.4x YoY to INR976m. On a QoQ basis, revenue/PAT grew 5%/3%, whereas EBITDA declined 4%.
- FY21 consolidated revenue/EBITDA de-grew 4%/2%, whereas adj PAT grew 3% YoY. The company generated CFO of INR5b in FY21 v/s INR12.1b last year; higher inventory and trade receivables led to lower CFO.
- Textiles revenue was up 46% YoY (+2% QoQ) to INR11.3b, with EBIT margins expanding 700bp YoY (-300bp QoQ) to 9.8% (after forex adj). Capacity utilization in 4QFY21 in Bath and Bed Linen stood at 61% (v/s 62% in 3QFY21) and 92% (v/s 101% in 3QFY21), respectively. On a QoQ basis, overall segmental revenue grew 2%, while EBIT declined 21%.
- Paper and Chemicals revenue grew 2% YoY (+20% QoQ) to INR2.2b, with the EBIT margin expanding 80bp YoY (+650bp QoQ) to 27.8%. Capacity utilization in the Paper segment stood at 92% (v/s 87% in 3QFY21). On a QoQ basis, overall segmental revenue/EBIT was up 20%/56%.

Highlights from press release

- Net debt stood at INR14.2b as of Mar’21 v/s INR16.1b as of Mar’20.
- The Home Textiles segment has sustained the demand momentum in the current quarter, with Bath and Bed Linen segments posting revenue growth of 52% and 109% YoY, respectively. Exports had a robust 64% contribution to the total revenue for the quarter.
- The yarn project has been proposed at a total cost of INR11.4b, with the implementation happening under three phases. However, the company has decided to go ahead with the implementation of a single phase only, which is near completion; it would review the capex in due course, in line with the strategic plan to achieve ‘Vision 2025’.

Valuation and view

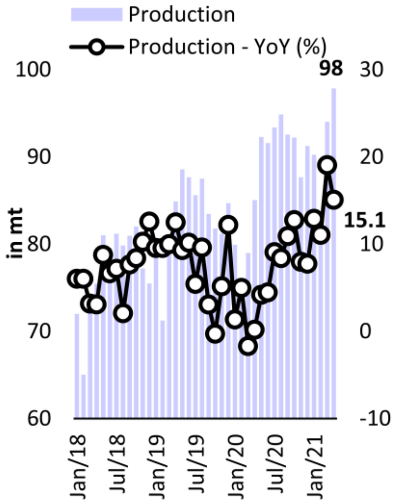
- Work-from-home in most of the big cities across the world has contributed to the demand revival of home textile products – with people spending more on home improvement products, as homes have been converted into primary workplaces. Demand revival has been further supported by government stimulus, with the consumer focus largely on health and hygiene.
- TRID saw strong demand for Home Textiles in 4QFY21, and the trend is expected to continue in FY22, driven by strong demand from global retailers; the company has order book visibility for the next six months.
- Although the performance was below our estimates, we maintain our earnings estimates for FY22/FY23 on an improving demand outlook.
- We value the company at 14x FY23E EPS and arrive at TP of INR18.4. Maintain **Buy**.

Standalone - Quarterly Earnings Model (INR m)

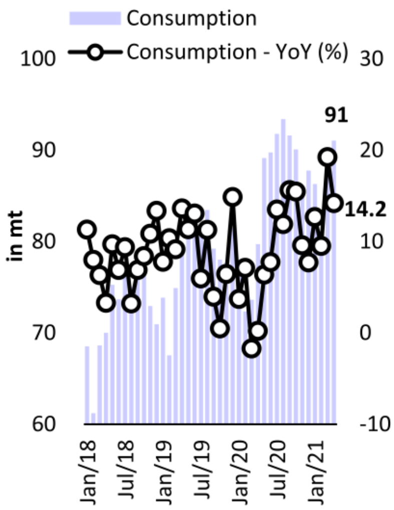
Y/E March	FY20				FY21				FY20	FY21	FY21	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Net Sales	**13,053**	**13,219**	**10,817**	**9,905**	**7,079**	**11,714**	**12,899**	**13,500**	**46,995**	**45,193**	**13,789**	**-2**
YoY Change (%)	15.4	-5.0	-16.2	-29.5	-45.8	-11.4	19.3	36.3	-10.0	-3.8	39.2	
Total Expenditure	10,143	10,692	9,416	8,562	5,898	9,467	10,545	11,229	38,813	37,139	11,169	
EBITDA	**2,911**	**2,527**	**1,401**	**1,343**	**1,181**	**2,247**	**2,355**	**2,271**	**8,182**	**8,054**	**2,620**	**-13**
Margins (%)	22.3	19.1	12.9	13.6	16.7	19.2	18.3	16.8	17.4	17.8	19.0	
Depreciation	846	849	822	815	824	831	830	880	3,333	3,365	830	
Interest	325	271	234	278	231	123	132	234	1,108	720	170	
Other Income	78	37	97	68	54	32	50	26	280	162	64	
PBT before EO expense	**1,817**	**1,445**	**441**	**317**	**181**	**1,325**	**1,443**	**1,184**	**4,020**	**4,132**	**1,684**	
Extra-Ord expense	0	0	0	0	0	0	-570	304	0	-266	0	
Forex (gain)/loss	-18	-26	-39	-109	49	9	-27	-85	-192	-54	0	
PBT	**1,835**	**1,470**	**480**	**427**	**132**	**1,316**	**2,040**	**964**	**4,212**	**4,451**	**1,684**	
Tax	603	99	61	31	31	313	443	208	794	994	424	
Rate (%)	32.8	6.8	12.8	7.3	23.5	23.8	21.7	21.5	18.9	22.3	25.2	
MI & P/L of Asso. Cos.	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	**1,232**	**1,371**	**419**	**396**	**101**	**1,002**	**1,598**	**756**	**3,418**	**3,457**	**1,260**	
Adj PAT	**1,215**	**1,345**	**380**	**286**	**150**	**1,012**	**1,000**	**976**	**3,226**	**3,138**	**1,260**	**-23**
YoY Change (%)	107.6	24.1	-65.9	-69.1	-87.7	-24.8	163.5	240.8	-13.0	-2.7	218.6	
Margins (%)	9.3	10.2	3.5	2.9	2.1	8.6	7.8	7.2	6.9	6.9	9.1	

Metals

China steel production up 15% YoY to 97.8mt in Mar'21



China steel consumption rises 14.2% YoY to 91mt in Apr'21



China's steel production continues to surprise

Chinese government warning could cap steel prices in the near term

China's steel production continues to surprise on the upside, with Apr'21 production at 97.8mt (highest ever), despite production curbs in the key hub of Tangshan. Given higher steel prices, producers in other regions have ramped up output to meet the current strong demand (apparent steel consumption in China was 91mt in Apr'21, implying a two-year CAGR of 7%). Continuing high steel production and inventory levels (~20% higher than two years back) could pose a risk to Chinese and regional steel prices, if exports decline, as the rebates have now been removed by the Chinese government. Moreover, Chinese authorities have recently expressed concerns over higher commodity prices and have warned of strict action against any manipulation in steel prices. This has led to a decline of ~7% in Chinese domestic HRC price in the last two trading days. Indian HRC price, however, is trading at a discount of ~20% to import parity, which should cushion against any potential weakness in regional prices.

China's Apr'21 steel production at 97.8mt – its highest ever production

- Despite production curbs imposed in the Tangshan region, China's Apr'21 crude steel production rose 15% YoY (two-year CAGR of 7.4%) to 97.8mt, its highest ever monthly production. During Jan-Apr'21, China's crude steel production stood at 365mt, up 14.6% YoY (two-year CAGR of 7.6%, Exhibit 1).
- China's apparent steel consumption (production + imports - exports) rose 14.2% YoY (two-year CAGR of 7%) to 91.1mt in Apr'21. During Jan-Apr'21, steel consumption rose 13.9% YoY (two-year CAGR of 7.9%) to 344mt. (Exhibit 2)
- China monthly steel exports rose 26% YoY (6% MoM) to 7.98mt in Apr'21, the highest since Dec'16 (Exhibit 3). Over Jan-Apr'21, China steel exports were up 26% YoY to 25.6mt. China's steel exports, as a percentage of steel production, stood ~8.1% and 7% during Apr'21 and Jan-Apr'21, respectively.
- China's Passenger Car sales grew ~10.9% YoY to 1.7m units (up 8% v/s Apr'19, Exhibit 4).

China steel prices correct from highs fearing government action

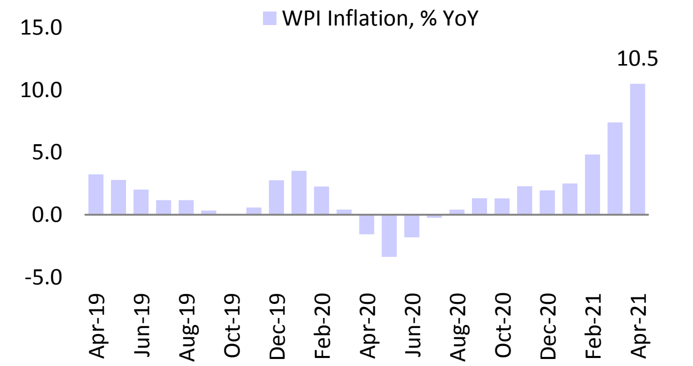
- China's domestic steel prices have corrected by ~7% in the last two days as Chinese authorities summoned manufactures to discuss rising prices and vowed strict action against price manipulation.
- The summons came after China's domestic HRC-rebar prices surged 17-22% WoW last week to USD1,041-980/t post the Labor day holidays.
- Post the correction, HRC-rebar spot prices stand at USD968-911/t, down 7% from the peak (Exhibit 5).
- Increase in iron ore prices (USD218/t, up 18% MTD) has offset the higher steel price benefit, leading to only a marginal increase in spot spreads. As a result, spot spreads for HRC-rebar stands at USD296-246/t (Exhibit 6, 7).
- Steel inventory (with traders in major cities) declined 19% MoM to 4.9mt (up 16% YoY, Exhibit 8).
- Regional steel exports are currently trading at USD1,050/USD1,060 per tonne FoB in Korea/China.
- Domestic steel prices are currently trading at INR66,750/t, a discount of ~19% to import prices (Exhibit 9).
- While we expect the discount to narrow once domestic demand improves, such a high discount would cushion against any correction in regional steel prices, owing to any possible action by Chinese authorities.

WPI inflation at 11-year high of 10.5% YoY in Apr'21…

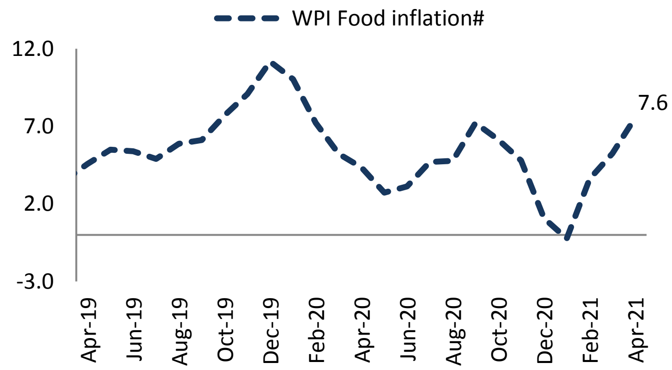
…weighed by broad-based rise in inflation and low base effect

- **WPI inflation stood at an 11-year high of 10.5% YoY in Apr'21, against 7.4% YoY in Mar'21 and deflation of 1.6% YoY in Apr'20 *(Exhibit 1)*. The number is higher than both our forecast of 8.7% YoY and the Bloomberg consensus of 9.4% YoY.**
- **While the sharp rise in WPI inflation was broad-based, this was also due to the low base of Apr'20 – when the government had imposed nationwide lockdown, leading to a relatively low response rate in the computation of the WPI index.**
- **WPI food (both primary articles and manufactured food items), accounting for ~25% weight in the WPI basket, rose to a 15-month high of 7.6% YoY in Apr'21 v/s 5.3% in Mar'21 and 4.4% YoY in Apr'20 *(Exhibit 2)*.**
- **Primary articles (WPI weight: 22.6%) registered 16-month high inflation of 10.1% YoY in Apr'21, against 6.4% in Mar'21, driven by food and non-food articles, minerals, crude oil, and natural gas. Crude oil and natural gas inflation surged to 80% YoY in Apr'21 vis-à-vis 32% YoY in Mar'21.**
- **WPI inflation in fuel and power was at a more-than-four-year-high of 21% YoY (WPI weight: 13.2%) in Apr'21, against 10.2% YoY in Mar'21. This was largely attributable to mineral oils, as inflation in the other two components – electricity and coal – remained muted.**
- **Manufactured products (WPI weight: 64.2%) posted an inflation rate of 9% YoY in Apr'21, the highest ever since the second half of FY1996 – it was 7.3% YoY in Mar'21 and just 0.2% in Apr'20. Almost all the heavyweights – such as edible oils, basic metals, chemicals, fabricated metal products, machinery and equipment, electrical equipment, and motor vehicles, among others – posted a sharp rise in WPI inflation in Apr'21 *(Exhibit 3)*.**
- **Core (non-food manufactured products) WPI inflation also came in at a record high of 8.4% YoY in Apr'21 v/s 7% in Mar'21 *(Exhibit 4)*. This is in contrast to the trend seen in core CPI inflation last month, indicating rising commodity prices only at the wholesale level in Apr'21.**
- **We expect CPI inflation to inch higher to ~5% by Jun'21, before easing to 3.5% by Nov'21. If so, it could average at 4.5% YoY in FY22, following a 6.2% average in FY21. Overall, the second COVID wave is likely to keep demand muted, and localized lockdowns may cause supply chain disruptions in the coming months. Therefore, we believe the RBI would retain its accommodative stance this year.**

WPI food inflation at 11-year high of 10.5% YoY in Mar'21…

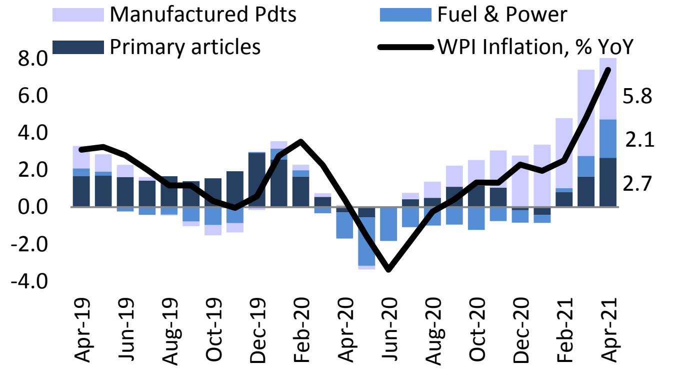


…with WPI food inflation at 15-month high during the month

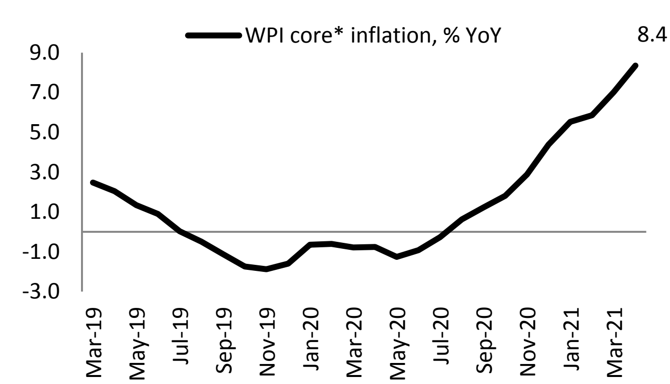


#Primary and manufactured food items
Source: Office of Economic Adviser, MOFSL

Sharp rise in WPI inflation broad-based



Core inflation at record high in Apr'21



*Non-food manufactured products

Source: Office of Economic Adviser, MOFSL

Dr. Reddy's: Sputnik V not a profitable product, likely to import 36 mn doses by August; Erez Israeli, CEO

- 1.5 lakh doses of Sputnik V received from Russia were mainly as a pilot
- Have to make sure the cold chain activities, admin is working well
- Sputnik V is not a very profitable product for the company; goal is to bring Sputnik V to the market
- Will look to import commercial quantities of Sputnik vaccine soon
- Cannot indicate if the price of Sputnik vaccine will come down
- At this stage, only the imported route of Sputnik is approved
- Hope to get 15-20% out of the 250 m imported doses
- Will try to register Sputnik light in India once trials are over
- No engagement yet on other COVID vaccines
- Saw a good quarter in terms of sales; company grew well despite COVID-19
- Expecting to grow in India and other markets
- Launching additional COVID-related drugs in the market
- Have got approval for Vascepa drug
- Seeing disruption in supply of the raw materials
- Working on reply to US FDA's complete response letter on Copaxone; replied to complete response letter on Nuvaring
- Careful in assessing date of Copaxone and Nuvaring launch
- There is normally a 10-month window for US FDA to assess a product and give feedback
- Plan to watch Baricitinib and Molnupiravir when approved
- Participating in R&D of the drug launched in collaboration with DRDO; will be marketing and manufacturing the drug launched in collaboration with DRDO

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Apollo Hospitals: COVID-19 vaccine situation likely to improve by June; Sangita Reddy, Joint MD

- Hoping to get 1 m doses of Sputnik V from Dr. Reddy's
- Have started vaccinating employees of Dr. Reddy's with Sputnik V
- All beds in all hospitals are under pressure
- Infection rate was 1.61% in April and has dropped to 0.99% for the first time
- Tamil Nadu still has an infection rate of 1.2% but its healthcare system is fairly strong
- Oxygen situation is tight but well controlled
- Have around 4500 pharmacies, not facing a paracetamol shortage
- Have 4 hospitals in Bengaluru, not seeing pressure easing there
- Lag between cases reported and pressure on hospitals is around 1 week
- Situation will be much better on vaccine front by June

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Federal Bank: SME sector would be challenging; Shyam Srinivasan, MD & CEO

- Slippages for Q4 was at Rs. 598 crore
- April and May has been muted in terms of loan growth

- There are few states where political parties are not allowing collections
- SME sector would be challenging
- Businesses have slowed down, there is more impact on regular income
- Expect things to improve by early July
- Rs. 21 crore is the interest on interest reversal in Q4FY21
- FY21 slippages are at the same level of FY20
- Expect 30-40% slippage from restructured book in FY22
- Net interest margin expected to remain between 3.2-3.25%

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Escorts: Price increase imminent in coming quarter; Bharat Madan, Group CFO

- Seeing bigger impact in rural markets
- Rural market is in a good shape w.r.t cash flow
- Expect pent-up demand to come through once things normalise
- Overall factors were positive for April except for the pandemic itself
- Expect demand to resume once lockdown is lifted in June
- Sowing is yet to start which may turn out to be in our favour
- Don't know which channels will be allowed to be opened first

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Zensar Tech: Acquisition strengthens AI analytics and engineering capabilities; Ajay S Bhutoria, MD & CEO

- Have identified 5 strategic growth opportunities for the company
- Acquisition helps strengthen capabilities in data engineering, advanced engineering and AI analytics
- Aiming at sustainable profit growth
- Constantly looking at tuck-in acquisitions
- Consideration if being paid off with internal resources

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Macrotech Developers (Lodha): Aims to bring debt below Rs. 10000 crore by FY22; Abhishek Lodha, MD & CEO

- Seeing a high level of interest in housing
- Currently at the start of multi-year housing recovery
- Supply is continuing to go down and prices are firming up
- Housing market recovery will lead us out of COVID impact
- Q4 was very strong quarter, had collections of over Rs. 2000 crore
- April had good sales due to people already visiting sites in March
- Last week of April and first 10 days of May were slow
- Seeing a some pick-up in Mumbai this last weekend
- Aiming to have debt figures below Rs. 1000 crore by the end of FY22
- Targeted pre-sales of Rs. 9000 crore for full FY22 at the start of the year
- Will see some moderate impact due to lockdown in FY22
- Need to watch office demand for next 12 months very carefully

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Aarti Drugs: Targeting 19% EBITDA margin, 15% volume growth in FY22; Adhish Patil, CFO

- Targeting EBITDA margin of 18-19%; sales growth of about 15%
- Eyeing PLI and other Government schemes
- Company could see revenue of Rs. 5000 crore expansion
- Got 1 lakh sq meter of land which will speed up expansion plans

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HIL: Roofing business gains momentum; Dhirup Roy Choudhary, MD & CEO

- All the plants, factories, warehouses are working currently
- Sales in April were good for company
- Have gained market share by 1%, currently stands at 21% in roofing business
- Cost control measures will continue
- Building material is going through some cramp due to unavailability of labour

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Ramkrishna Forgings: 80% of export volume comes from North America; Naresh Jalan, MD

- Domestic demand is sluggish at the moment as dealerships are closed; underlying demand remains strong
- Things should stabilise in the month of June; pent-up demand should be there
- Export demand remains very strong; 80% of export volume comes from North America
- Have a 100% pass on raw materials with a lag of three months
- Expect margins to improve; to be in the range of 22-24%
- Have won new order worth $25m on light vehicle which will come into business in FY23-24
- Entire capex will be completed by August 21; will have a capacity of ~187000 tonne
- Expect debt reduction of Rs. 150-200 crore in FY22

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