FIRST LIGHT

12 November 2020

RESEARCH

Indraprastha Gas | Target: Rs 565 | +26% | BUY

Margin surge leads earnings beat – upgrade to BUY

Century Plyboards | Target: Rs 200 | +8% | ADD

Healthy quarter; upside limited – cut to ADD

Gujarat State Petronet | Target: Rs 270 | +45% | BUY

Upbeat volume outlook; tariff risks appear priced in

Cera Sanitaryware | Target: Rs 2,910 | +7% | ADD

Decent performance in a tough environment

Mayur Uniquoters | Target: Rs 300 | +13% | ADD

Good performance, outlook improving

Info Edge | Target: Rs 2,010 | –43% | SELL

Real estate and recruitment business remain sluggish

V-Mart Retail | Target: Rs 1,750 | –11% | SELL

Seasonal weakness exacerbated by pandemic

SpiceJet | Target: Rs 85 | +58% | BUY

Q2 better than expected; maintain BUY

SUMMARY

Indraprastha Gas

Indraprastha Gas' (IGL) Q2FY21 earnings were well above estimates at Rs 3.1bn (–19% YoY). Volumes at 5.5mmscmd (–16% YoY, +2x QoQ) recovered sharply from Q1 lows led by CNG (+2.4x QoQ). EBITDA margins at Rs 8.1/scm also outperformed due to the surge in CNG volumes and low LNG costs. Though volume recovery to pre-Covid levels could be pushed to FY22, the margin upswing provides much needed comfort on IGL's long-term earnings outlook. We raise our Sep'21 TP to Rs 565 (vs. Rs 440) and upgrade the stock to BUY (vs. REDUCE).

Click here for the full report.

TOP PICKS

LARGE-CAP IDEAS

Company	Rating	Target
Cipla	Buy	900
GAIL	Buy	155
Petronet LNG	Buy	310
TCS	Buy	3,180
Tech Mahindra	Buy	980

MID-CAP IDEAS

Company	Rating	Target
Alkem Labs	Buy	3,600
Greenply Industries	Buy	150
Laurus Labs	Buy	410
Transport Corp	Buy	300
Mahanagar Gas	Sell	750

Source: BOBCAPS Research

DAILY MACRO INDICATORS

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	0.96	4bps	19bps	(98bps)
India 10Y yield (%)	5.92	4bps	(2bps)	(65bps)
USD/INR	74.18	0	(1.4)	(3.8)
Brent Crude (US$/bbl)	43.61	2.9	1.8	(29.7)
Dow	29,421	0.9	2.9	6.2
Shanghai	3,360	(0.4)	2.7	15.3
Sensex	43,278	1.6	6.8	7.3
India FII (US$ mn)	**9 Nov**	**MTD**	**CYTD**	**FYTD**
FII-D	119.3	205.0	(14,024.7)	(4,265.2)
FII-E	598.7	2,331.0	8,877.4	15,480.4

Source: Bank of Baroda Economics Research

BOBCAPS Research
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Century Plyboards

Century Plyboards' (CPBI) standalone revenue decreased 12% YoY in Q2FY21, in line with estimates. Standalone operating margins expanded 78bps to 16.5%, while EBITDA/PBT fell 7%/6% YoY. October has been a record month for sales and management anticipates better growth ahead. We increase FY21-FY23 PAT estimates by 16-19% due to significant improvement in working capital and roll forward to a Dec'21 TP of Rs 200 (earlier Rs 160). Valuations at 18.6x FY23E EPS offer limited upside – downgrade from BUY to ADD.

Click here for the full report.

Gujarat State Petronet

Gujarat State Petronet's (GUJS) Q2FY21 EBITDA outperformed at Rs 3.8bn (–13% YoY) on better margins. Volumes were in line at 39.8mmscmd (+19.5% QoQ, +1.5% YoY), retracing to pre-Covid levels. Low LNG prices drove speedy recovery in gas consumption, especially from the power segment, as lockdown restrictions were eased. We cut FY21/FY22/FY23 EPS by 8%/14%/16% to build the risk of tariff decline into our forecast based on H1FY21 data. Our Sep'21 DCF-based TP changes to Rs 270 (from Rs 310). Maintain BUY.

Click here for the full report.

Cera Sanitaryware

Cera Sanitaryware (CRS) reported a 1.6% decline in consolidated revenue for Q2FY21, with the sanitaryware segment being flat YoY. Operating margins contracted 40bps YoY to 12.7%, fuelling EBITDA/PBT declines of 5%/7% YoY. Management expects a better H2 with a possible increase in margins. We raise FY21-FY23 EBITDA estimates by 6-18% to bake in the swift demand recovery and reset our target P/E from 26x to 28x, in line with the 5Y average. On rollover, we arrive at a revised Dec'21 TP of Rs 2,910 (vs. Rs 2,440).

Click here for the full report.

Mayur Uniquoters

Mayur Uniquoters' (MUNI) Q2FY21 standalone revenue declined 11% YoY and volumes dropped 5% amid a continued slowdown in user industries (footwear, auto), albeit less pronounced than expected. Operating margins rose 285bps YoY to 19.7% backed by higher gross margins, aiding EBITDA growth of 4%. Management is seeing signs of recovery in the auto segment and expects a better H2. We raise FY21-FY23 PAT by 5-59% due to faster-than-expected revival in user segments. On rollover, we have a new Dec'21 TP of Rs 300 (vs. Rs 270).

Click here for the full report.

Info Edge

Info Edge (INFOE) reported a 19% YoY sales decline. 99acres remained weak with 36% YoY contraction, recruitment solutions fell 19% and other verticals also slumped 19%. Deferred sales dropped 23% YoY, indicating weakness ahead. We believe that the steady sequential recovery in traffic is not translating into revenues and expect a delayed recovery in core businesses. We keep our FY21-FY23 EPS unchanged. Reiterate SELL with a revised Sep'21 TP of Rs 2,010 (vs. Rs 1,970 earlier) due to stronger Zomato valuations and rollover.

Click here for the full report.

V-Mart Retail

V-Mart Retail (VMART) reported a Q2FY21 revenue decline of 44% YoY to Rs 1.8bn in a seasonally dull quarter compounded by the lockdown. The company incurred an operating loss of Rs 119mn (adj. for Ind-AS 116) as gross margins shrank 245bps YoY and employee cost/sales increased. Management stated that demand was improving with unlocking and it is hopeful of better winter-wear and festive season sales. We cut FY21 EPS by 8% (FY22/FY23 unchanged) and roll forward to a new Dec'21 TP of Rs 1,750 (vs. Rs 1,665). Retain SELL.

Click here for the full report.

SpiceJet

SpiceJet's (SJET) Q2FY21 revenue came in at Rs 10.6bn. Despite lower capacity utilisation (at ~70%), SJET reported positive EBITDA of Rs 2bn. Easing of Covid lockdowns, benign crude and a stable INR should aid profitability ahead. We cut fleet addition estimates based on guidance, which lowers revenue but improves margins (as fixed costs ease). Maintain BUY with an unchanged Sep'21 TP of Rs 85. Despite valuing the stock at a steep discount to the leader (5.2x vs. 9x Sep'22E EV/EBITDAR for IndiGo), risk-reward is appealing.

Click here for the full report.

BUY
TP: Rs 565 | 26%

INDRAPRASTHA GAS | Oil & Gas | 11 November 2020

Margin surge leads earnings beat – upgrade to BUY

Indraprastha Gas' (IGL) Q2FY21 earnings were well above estimates at Rs 3.1bn (–19% YoY). Volumes at 5.5mmscmd (–16% YoY, +2x QoQ) recovered sharply from Q1 lows led by CNG (+2.4x QoQ). EBITDA margins at Rs 8.1/scm also outperformed due to the surge in CNG volumes and low LNG costs. Though volume recovery to pre-Covid levels could be pushed to FY22, the margin upswing provides much needed comfort on IGL's long-term earnings outlook. We raise our Sep'21 TP to Rs 565 (vs. Rs 440) and upgrade the stock to BUY (vs. REDUCE).

Rohit Ahuja | Harleen Manglani
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CNG volumes revive but some time away from pre-Covid levels: CNG segment volumes surged QoQ to 255mn kg (still down 20% YoY), helped by opening up of the NCR after a stringent lockdown in Q1. A return to pre-Covid levels may be pushed to FY22 as reopening of schools remains delayed. Management intends to continue with its CNG expansion plans and is looking to add ~70 stations in FY21 and more than 100 in FY22. We thus expect IGL to retain its CNG growth trajectory of >10% CAGR from FY22.

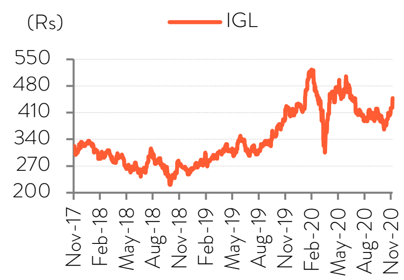
Margin upswing alters our long-term outlook: Q2 EBITDA margins were well above estimates at Rs 8.1/scm (+24% YoY), driven by the QoQ surge in CNG volumes and low spot LNG prices. The recent 25% cut in APM gas prices could help IGL sustain higher profitability in the CNG and domestic PNG segments. We raise our long-term margin estimates to Rs 7.5/scm (from Rs 7) given that management is on track to recoup the earnings eroded by lower volumes.

Upgrade to BUY on stronger margin outlook: At 18x FY22E EPS, valuations look a bit demanding but do not factor in the margin expansion potential unleashed by IGL's growing scale of operations. In our view, the stronger margin outlook makes up for the near-term uncertainty surrounding CNG volume ramp-up.

Ticker/Price	IGL IN/Rs 448
Market cap	US$ 4.2bn
Shares o/s	700mn
3M ADV	US$ 18.6mn
52wk high/low	Rs 534/Rs 284
Promoter/FPI/DII	45%/21%/34%

Source: NSE

STOCK PERFORMANCE



Source: NSE

KEY FINANCIALS

Y/E 31 Mar	FY19A	FY20A	FY21E	FY22E	FY23E
Total revenue (Rs mn)	57,648	64,853	46,897	73,114	83,091
EBITDA (Rs mn)	12,570	15,196	13,618	20,853	22,464
Adj. net profit (Rs mn)	8,421	12,490	11,690	17,562	19,894
Adj. EPS (Rs)	12.0	17.8	16.7	25.1	28.4
Adj. EPS growth (%)	16.7	48.3	(6.4)	50.2	13.3
Adj. ROAE (%)	21.0	25.4	19.5	24.0	21.9
Adj. P/E (x)	37.3	25.1	26.8	17.9	15.8
EV/EBITDA (x)	24.5	20.3	22.0	13.9	12.6

Source: Company, BOBCAPS Research

ADD
TP: Rs 200 | ⮝ 8%

CENTURY PLYBOARDS | Construction Materials | 12 November 2020

Healthy quarter; upside limited – cut to ADD

Century Plyboards' (CPBI) standalone revenue decreased 12% YoY in Q2FY21, in line with estimates. Standalone operating margins expanded 78bps to 16.5%, while EBITDA/PBT fell 7%/6% YoY. October has been a record month for sales and management anticipates better growth ahead. We increase FY21-FY23 PAT estimates by 16-19% due to significant improvement in working capital and roll forward to a Dec'21 TP of Rs 200 (earlier Rs 160). Valuations at 18.6x FY23E EPS offer limited upside – downgrade from BUY to ADD.

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MDF steps up; plywood and laminates underperform: CPBI's standalone revenue dropped 12% YoY to Rs 5.2bn, with laminates/plywood down 25%/15% and MDF growing 20% (off a low base). As per management, demand has improved significantly and October has been the best month in the company's history. With plywood also witnessing growth, CPBI expects a better H2. The company will decide on MDF expansion by Dec'20.

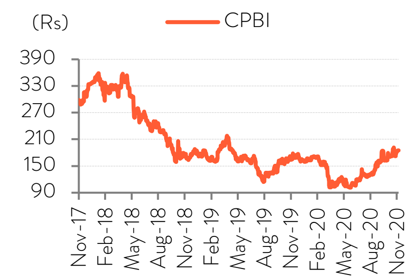
EBITDA margins expand: CPBI's operating margins increased 78bps YoY due to lower employee cost (–30bps YoY) and other expenditure (–49bps YoY). However, EBITDA/PBT dipped 7%/6% YoY due to decline in sales. MDF margins surged 500bps YoY to 28.1% due to higher capacity utilisation and a better product mix. Management has guided for better margins ahead.

Downgrade to ADD: During Q2, the company reduced debt by ~Rs 1.6bn to Rs 850mn and plans to be debt-free by end-FY21. Working capital has also normalised during the quarter. We raise FY21-FY23 EBITDA by 4-9% and PAT by 16-19% due to the significant improvement in working capital. We like CPBI for its product portfolio, strong brand and wide distribution but cut to ADD due to limited upside potential at current valuations of 18.6x FY23E EPS.

Ticker/Price	CPBI IN/Rs 185
Market cap	US$ 553.9mn
Shares o/s	223mn
3M ADV	US$ 1.1mn
52wk high/low	Rs 197/Rs 95
Promoter/FPI/DII	73%/6%/21%

Source: NSE

STOCK PERFORMANCE



Source: NSE

KEY FINANCIALS

Y/E 31 Mar	FY19A	FY20A	FY21E	FY22E	FY23E
Total revenue (Rs mn)	22,804	23,170	19,555	23,605	26,091
EBITDA (Rs mn)	3,124	3,308	2,437	3,671	4,141
Adj. net profit (Rs mn)	1,542	1,579	1,124	1,999	2,206
Adj. EPS (Rs)	6.9	7.1	5.1	9.0	9.9
Adj. EPS growth (%)	(3.5)	2.4	(28.8)	77.9	10.3
Adj. ROAE (%)	16.9	15.3	9.9	15.7	15.2
Adj. P/E (x)	26.6	26.0	36.6	20.6	18.6
EV/EBITDA (x)	14.9	14.0	18.4	11.7	10.3

Source: Company, BOBCAPS Research

BUY
TP: Rs 270 | ⮝ 45%

GUJARAT STATE PETRONET | Oil & Gas | 11 November 2020

Upbeat volume outlook; tariff risks appear priced in

Gujarat State Petronet's (GUJS) Q2FY21 EBITDA outperformed at Rs 3.8bn (–13% YoY) on better margins. Volumes were in line at 39.8mmscmd (+19.5% QoQ, +1.5% YoY), retracing to pre-Covid levels. Low LNG prices drove speedy recovery in gas consumption, especially from the power segment, as lockdown restrictions were eased. We cut FY21/FY22/FY23 EPS by 8%/14%/ 16% to build the risk of tariff decline into our forecast based on H1FY21 data. Our Sep'21 DCF-based TP changes to Rs 270 (from Rs 310). Maintain BUY.

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Volume revival on par with speedy macro recovery trends: Q2 volumes at 39.8mmscmd recouped to year-ago levels as demand rose substantially from the power sector (9.1mmscmd, +56% YoY) and other miscellaneous segments (6.8mmscmd, +23% YoY). Surprisingly, fertiliser and refinery consumption has been the most affected on a YoY basis despite these segments being operational during the lockdown, as opposed to the CGD segment which has reverted to pre-Covid levels sooner than expected.

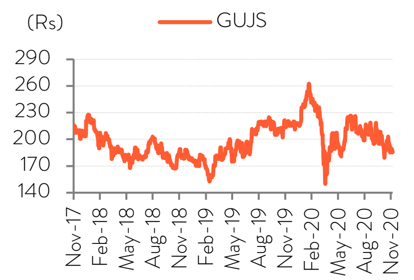
CGD, power segment volumes to offset lower RIL offtake: RIL continues to absorb ~9mmscmd (stable QoQ), mostly for its petchem units. While GUJS could see volume loss of 4-6mmscmd once RIL's petcoke gasification plant ramps up to ~100% utilisation, this could be made up by incremental demand from the power (as depicted in H1FY21) and CGD (from FY22) segments.

Maintain BUY: GUJS has healthy volumes levers in place – planned connectivity to all the five LNG regasification terminals in Gujarat and an improving demand outlook from CGD and power. Commissioning of the Mundra LNG terminal has started to add volumes from Q1FY21. At 10.3x FY22E EPS, valuations look attractive considering stronger volume visibility amid a conducive macro climate.

Ticker/Price	GUJS IN/Rs 186
Market cap	US$ 1.4bn
Shares o/s	564mn
3M ADV	US$ 2.1mn
52wk high/low	Rs 264/Rs 146
Promoter/FPI/DII	38%/16%/47%

Source: NSE

STOCK PERFORMANCE



Source: NSE

KEY FINANCIALS

Y/E 31 Mar	FY19A	FY20A	FY21E	FY22E	FY23E
Total revenue (Rs mn)	18,773	23,693	22,203	25,245	27,324
EBITDA (Rs mn)	15,426	15,749	15,004	16,855	17,748
Adj. net profit (Rs mn)	7,947	11,087	8,948	10,164	10,813
Adj. EPS (Rs)	14.1	19.7	15.9	18.0	19.2
Adj. EPS growth (%)	18.9	39.5	(19.3)	13.6	6.4
Adj. ROAE (%)	14.9	17.8	12.7	13.0	12.6
Adj. P/E (x)	13.2	9.5	11.7	10.3	9.7
EV/EBITDA (x)	7.7	8.3	8.4	7.3	6.8

Source: Company, BOBCAPS Research

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

ADD
TP: Rs 2,910 | ⮝ 7%

CERA SANITARYWARE | Construction Materials | 11 November 2020

Decent performance in a tough environment

Cera Sanitaryware (CRS) reported a 1.6% decline in consolidated revenue for Q2FY21, with the sanitaryware segment being flat YoY. Operating margins contracted 40bps YoY to 12.7%, fuelling EBITDA/PBT declines of 5%/7% YoY. Management expects a better H2 with a possible increase in margins. We raise FY21-FY23 EBITDA estimates by 6-18% to bake in the swift demand recovery and reset our target P/E from 26x to 28x, in line with the 5Y average. On rollover, we arrive at a revised Dec'21 TP of Rs 2,910 (vs. Rs 2,440).

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Flattish revenue YoY: CRS reported a 1.6% YoY decline in consolidated revenue to Rs 3.2bn in Q2. The sanitaryware segment was flat YoY, faucets grew ~3% and tiles declined ~11%. As per management, revenue growth was driven by tier-2-and-below markets during the quarter. CRS is hopeful of improvement in H2 over H1 due to the opening up of markets. The company has reduced its working capital cycle by 16 days to 68 days and plans to keep it under tight control.

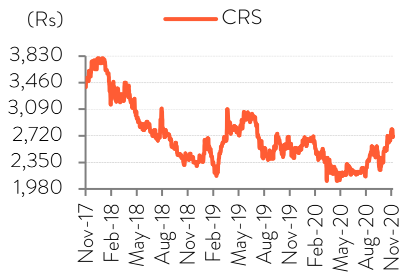
Margins declined: CRS's consolidated operating margins decreased 40bps YoY to 12.7% as gross margin shrinkage of 550bps neutralised lower employee/ other expenses (–125bps/–385bps YoY) – this caused EBITDA/PBT to decrease 5%/7% YoY. Gross margins contracted due to an adverse product mix whereas other expenses declined on the back of cost rationalisation measures. Management indicated that margins could improve if revenue growth increases, as the absence of raw material cost pressure would aid operating leverage.

Maintain ADD: We raise FY21-FY23 EBITDA estimates by 6-18% and PAT estimates by 7-26% due to the swifter demand recovery than expected. Maintain ADD as we roll to a revised Dec'21 target price of Rs 2,910, set at 28x (earlier 26x), in-line with the stock's 5Y average forward P/E.

Ticker/Price	CRS IN/Rs 2,710
Market cap	US$ 474.2mn
Shares o/s	13mn
3M ADV	US$ 0.3mn
52wk high/low	Rs 2,843/Rs 1,986
Promoter/FPI/DII	54%/15%/30%

Source: NSE

STOCK PERFORMANCE



Source: NSE

KEY FINANCIALS

Y/E 31 Mar	FY19A	FY20A	FY21E	FY22E	FY23E
Total revenue (Rs mn)	13,491	12,220	11,628	13,278	14,711
EBITDA (Rs mn)	1,964	1,654	1,335	1,886	2,102
Adj. net profit (Rs mn)	1,010	1,013	789	1,240	1,386
Adj. EPS (Rs)	77.7	77.9	60.6	95.4	106.6
Adj. EPS growth (%)	4.1	0.3	(22.2)	57.2	11.8
Adj. ROAE (%)	15.5	13.8	9.8	14.1	14.2
Adj. P/E (x)	34.9	34.8	44.7	28.4	25.4
EV/EBITDA (x)	17.7	20.9	25.8	18.3	16.5

Source: Company, BOBCAPS Research

ADD
TP: Rs 300 | ⮝ 13%

MAYUR UNIQUOTERS | Textiles | 12 November 2020

Good performance, outlook improving

Mayur Uniquoters' (MUNI) Q2FY21 standalone revenue declined 11% YoY and volumes dropped 5% amid a continued slowdown in user industries (footwear, auto), albeit less pronounced than expected. Operating margins rose 285bps YoY to 19.7% backed by higher gross margins, aiding EBITDA growth of 4%. Management is seeing signs of recovery in the auto segment and expects a better H2. We raise FY21-FY23 PAT by 5-59% due to faster-than-expected revival in user segments. On rollover, we have a new Dec'21 TP of Rs 300 (vs. Rs 270).

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Continued weakness in user industries dents revenue: MUNI reported an 11% YoY decline in standalone revenue to Rs 1.1bn for Q2FY21, with volumes down 5% YoY. Management is seeing a demand pickup from the automotive segment and exports in Q3 whereas the footwear segment remains tepid. The company expects to begin supply to Mercedes from end-Q4 and also to Volkswagen India. Its PU plant has started to ramp up and will take another year to achieve scale as customer approvals come through.

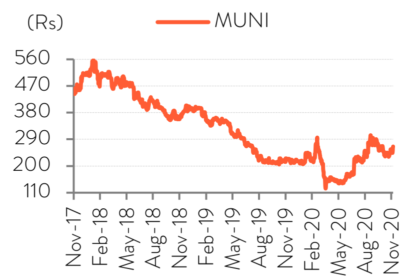
Operating margins increase: MUNI reported 285bps expansion in standalone operating margins to 19.7% due to higher gross margins (+240bps YoY) and lower other expense (–190bps YoY), which was partly offset by increased employee cost (+145bps). Q2 EBITDA grew 4% YoY. Gross margins expanded due to a better product mix while other expenses declined as a result of cost rationalisation measures. Per management, recent price hikes should offset higher raw material prices and thus help sustain margins.

Maintain ADD: We increase our FY21-FY23 EBITDA estimates by 6-47% and PAT estimates by 5-59% due to the faster recovery in end-user verticals than expected. Maintain ADD as we roll forward to a Dec'21 TP of Rs 300 (vs. Rs 270), set at an unchanged 15x one-year forward P/E.

Ticker/Price	MUNI IN/Rs 266
Market cap	US$ 161.9mn
Shares o/s	45mn
3M ADV	US$ 0.5mn
52wk high/low	Rs 309/Rs 119
Promoter/FPI/DII	61%/5%/33%

Source: NSE

STOCK PERFORMANCE



Source: NSE

KEY FINANCIALS

Y/E 31 Mar	FY19A	FY20A	FY21E	FY22E	FY23E
Total revenue (Rs mn)	5,913	5,280	4,227	5,811	6,686
EBITDA (Rs mn)	1,292	1,039	813	1,171	1,372
Adj. net profit (Rs mn)	731	655	520	784	918
Adj. EPS (Rs)	16.1	14.4	11.7	17.6	20.6
Adj. EPS growth (%)	(19.2)	(10.5)	(19.3)	50.8	17.2
Adj. ROAE (%)	15.1	12.0	8.9	12.8	13.7
Adj. P/E (x)	16.5	18.4	22.8	15.1	12.9
EV/EBITDA (x)	8.1	9.8	12.5	8.6	7.2

Source: Company, BOBCAPS Research

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

SELL
TP: Rs 2,010 | ⮟ 43%

INFO EDGE | IT Services | 11 November 2020

Real estate and recruitment business remain sluggish

Info Edge (INFOE) reported a 19% YoY sales decline. 99acres remained weak with 36% YoY contraction, recruitment solutions fell 19% and other verticals also slumped 19%. Deferred sales dropped 23% YoY, indicating weakness ahead. We believe that the steady sequential recovery in traffic is not translating into revenues and expect a delayed recovery in core businesses. We keep our FY21-FY23 EPS unchanged. Reiterate SELL with a revised Sep'21 TP of Rs 2,010 (vs. Rs 1,970 earlier) due to stronger Zomato valuations and rollover.

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Real estate weakness persists: INFOE's Q2 revenue fell 19% YoY and billings declined 17%, in line with expectations following the 44%/71% billings decline in Naukri/99acres in Q1. Revenue from recruitment solutions/99acres/other verticals fell 19%/36%/19% YoY. Weakness in recruitment was due to a drop in hiring activity. Billings at Naukri and 99acres contracted by 20% and 23% respectively. PBT for 99acres (two-year low of –Rs 106mn) and other verticals stayed negative. Deferred sales decreased 23%, indicating weaker FY21 sales.

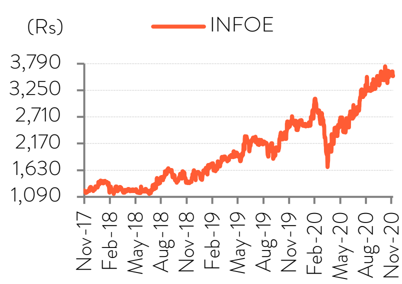
Costs pick up: As expected, EBIT margin nosedived from Q1FY21 levels (33%) to 15.8% in Q2 due to lower billings and rising costs post-Covid. Advertisement and promotion expenses increased 96% QoQ, driven by activity in Jeevansathi (85% of Q2FY21 advertisement expense was dedicated to it). EBIT margin at 15.8% was the lowest in the last 21 quarters. Employee expenses and network, direct charges grew 1% and 3% YoY, respectively.

Traffic recovery slow: Number of unique customers visiting Naukri.com reduced 16% YoY and was up only 2% QoQ, signaling a sluggish recovery. 99acres' traffic recovery in metros has been slackening. Though lower tier cities have shown resilience, their smaller market size isn't aiding growth significantly. Traffic continued to recover QoQ, but monetisation has been poor.

Ticker/Price	INFOE IN/Rs 3,544
Market cap	US$ 6.2bn
Shares o/s	129mn
3M ADV	US$ 24.9mn
52wk high/low	Rs 3,786/Rs 1,581
Promoter/FPI/DII	40%/36%/23%

Source: NSE

STOCK PERFORMANCE



Source: NSE

KEY FINANCIALS (STANDALONE)

Y/E 31 Mar	FY19A	FY20A	FY21E	FY22E	FY23E
Total revenue (Rs mn)	10,982	12,727	11,905	12,913	14,831
EBITDA (Rs mn)	3,414	4,027	3,856	4,072	4,965
Adj. net profit (Rs mn)	3,152	3,290	3,571	4,118	4,819
Adj. EPS (Rs)	24.4	25.5	27.7	31.9	37.4
Adj. EPS growth (%)	15.2	4.4	8.6	15.3	17.0
Adj. ROAE (%)	14.2	13.7	10.1	8.6	9.4
Adj. P/E (x)	145.0	139.0	128.0	111.0	94.9
EV/EBITDA (x)	133.7	113.3	118.1	109.0	86.9

Source: Company, BOBCAPS Research

SELL
TP: Rs 1,750 | ∀ 11%

V-MART RETAIL | Retail | 11 November 2020

Seasonal weakness exacerbated by pandemic

V-Mart Retail (VMART) reported a Q2FY21 revenue decline of 44% YoY to Rs 1.8bn in a seasonally dull quarter compounded by the lockdown. The company incurred an operating loss of Rs 119mn (adj. for Ind-AS 116) as gross margins shrank 245bps YoY and employee cost/sales increased. Management stated that demand was improving with unlocking and it is hopeful of better winter-wear and festive season sales. We cut FY21 EPS by 8% (FY22/FY23 unchanged) and roll forward to a new Dec'21 TP of Rs 1,750 (vs. Rs 1,665). Retain SELL.

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Revenues decline: VMART's revenue dropped 44% YoY to Rs 1.8bn as same-store sales growth (SSSg) slumped 50% (volume SSSg down 48%) due to a shift in the festive season from Q2 to Q3 and muted 79% store capacity utilisation amid pandemic restrictions. Management stated that the demand climate was improving as unlocking progresses, which could aid a better Q3 led by winter sales, festival and wedding season demand. The company is seeing better demand in its core tier-2/3 geographies as compared to tier-1 cities.

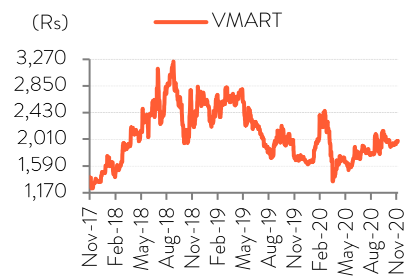
Operating and net losses: VMART reported an operating loss of Rs 119mn (adj. for Ind-AS 116) and a PBT loss of Rs 217mn due to a gross margin decline of 245bps YoY and higher employee expense (+470bps YoY). Gross margin contracted in Q2 owing to extended end-of-season sales to clear summer inventory and higher stock shrinkage. Management expects costs to normalise in Q3 as employee salary cuts were rolled back from September and as most other costs needed to aid sales will also return to pre-Covid levels.

Maintain SELL: Given the below-expected Q2, we scale back PAT estimates for FY21 by 8% (FY22/FY23 largely unchanged). We like VMART for its strong growth potential but see near-term risks to same-store sales growth due to a tepid demand environment – retain SELL with a revised TP of Rs 1,750.

Ticker/Price	VMART IN/Rs 1,968
Market cap	US$ 480.6mn
Shares o/s	18mn
3M ADV	US$ 0.8mn
52wk high/low	Rs 2,545/Rs 1,200
Promoter/FPI/DII	51%/23%/26%

Source: NSE

STOCK PERFORMANCE



Source: NSE

KEY FINANCIALS

Y/E 31 Mar	FY19A	FY20A	FY21E	FY22E	FY23E
Total revenue (Rs mn)	14,337	16,620	13,336	21,158	25,772
EBITDA (Rs mn)	1,336	2,149	1,742	2,996	3,749
Adj. net profit (Rs mn)	724	485	139	895	1,114
Adj. EPS (Rs)	39.9	26.7	7.7	49.3	61.4
Adj. EPS growth (%)	(5.8)	(32.9)	(71.3)	542.4	24.5
Adj. ROAE (%)	19.1	11.2	3.0	17.4	18.2
Adj. P/E (x)	49.4	73.6	256.4	39.9	32.1
EV/EBITDA (x)	26.4	16.4	20.3	11.8	9.3

Source: Company, BOBCAPS Research

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

BUY
TP: Rs 85 | ⮝ 58%

SPICEJET | Airlines | 11 November 2020

Q2 better than expected; maintain BUY

SpiceJet's (SJET) Q2FY21 revenue came in at Rs 10.6bn. Despite lower capacity utilisation (at ~70%), SJET reported positive EBITDA of Rs 2bn. Easing of Covid lockdowns, benign crude and a stable INR should aid profitability ahead. We cut fleet addition estimates based on guidance, which lowers revenue but improves margins (as fixed costs ease). Maintain BUY with an unchanged Sep'21 TP of Rs 85. Despite valuing the stock at a steep discount to the leader (5.2x vs. 9x Sep'22E EV/EBITDAR for IndiGo), risk-reward is appealing.

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Q2 results better than expected: Revenue plunged 63% YoY to Rs 10.6bn. The company reported EBITDA of Rs 2bn aided by the sharp decline in fuel costs and a reduction in staff expenses. Steady other income and higher interest and depreciation costs induced an adj. net loss of Rs 1.1bn, translating to negative EPS of Rs 1.9 for the quarter.

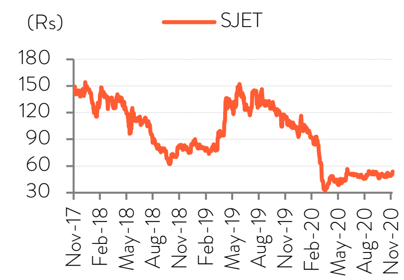
Favourable macroeconomic conditions to boost position: Key factors that favour SJET's growth outlook over the next three years are expected improvement in capacity utilisation in the coming months (easing lockdowns, market share gains), steady cash flow generation and benign crude prices, along with a cost-benefit advantage over the railways. These drivers together with reinstatement of grounded Boeing aircraft are likely to boost profitability.

Maintain BUY: Management has indicated for fleet cut from 112 aircrafts (as on Mar'20) to 85 by Mar'21. We accordingly cut our fleet expansion estimates and now expect ASK addition at a 10% CAGR (13% earlier) during FY20-FY23. Revenue/EBITDA over this period are projected to log a 9%/69% CAGR, resulting in EPS of Rs 16 by FY23. Retain BUY with a Sep'21 TP of Rs 85.

Ticker/Price	SJET IN/Rs 54
Market cap	US$ 435.2mn
Shares o/s	600mn
3M ADV	US$ 2.9mn
52wk high/low	Rs 119/Rs 31
Promoter/FPI/DII	60%/1%/10%

Source: NSE

STOCK PERFORMANCE



Source: NSE

KEY FINANCIALS

Y/E 31 Mar	FY19A	FY20A	FY21E	FY22E	FY23E
Total revenue (Rs mn)	91,215	123,586	68,564	123,435	160,227
EBITDA (Rs mn)	(572)	4,964	(899)	18,939	23,793
Adj. net profit (Rs mn)	(3,024)	(9,348)	(11,149)	2,394	9,277
Adj. EPS (Rs)	(5.0)	(15.6)	(18.6)	4.0	15.5
Adj. EPS growth (%)	NA	NA	NA	NA	287.4
Adj. ROAE (%)	86.4	59.2	41.4	(9.8)	(60.8)
Adj. P/E (x)	(10.7)	(3.5)	(2.9)	13.5	3.5
EV/EBITDA (x)	(56.7)	6.8	(43.8)	2.3	2.0

Source: Company, BOBCAPS Research

Disclaimer

Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

ADD – Expected return from >+5% to +15%

REDUCE – Expected return from -5% to +5%

SELL – Expected return <-5%

Note: Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

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