# FIRST LIGHT

13 November 2020

## RESEARCH

### BOB Economics Research | Government Stimulus
Stimulus to boost growth

### BOB Economics Research | Inflation and IIP
Growth improves; inflation firms up

### Eicher Motors | Target: Rs 1,900 | –19% | SELL
Q2 in line; maintain SELL

### Aurobindo Pharma | Target: Rs 1,050 | +30% | BUY
Q2 beat; growing balance sheet comfort merits higher multiple

### Petronet LNG | Target: Rs 330 | +37% | BUY
Margins buoyant, volumes normalise

### TVS Srichakra | Target: Rs 1,780 | +24% | BUY
Q2 along expected lines; maintain BUY

## SUMMARY

### India Economics: Government Stimulus

Fiscal stimulus under Atmanirbhar Bharat 3.0 package is pegged at Rs 2.65tn. Focus is on manufacturing, rural, exports and infrastructure. Credit guarantee scheme has been extended till 31 Mar 2021 and 26 stressed sectors (Kamath Committee) too have been included. While government spending has been muted in the year, private sector revival is visible in high frequency indicators as India's Covid-19 infection rate has seen a substantial reduction. We believe there is an upside risk to our growth estimate of (-) 8.4% in FY21.

**Click here for the full report.**

## TOP PICKS

### LARGE-CAP IDEAS

| Company | Rating | Target |
|---|---|---|
| Cipla | Buy | 900 |
| GAIL | Buy | 155 |
| Petronet LNG | Buy | 330 |
| 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 (%) | 0.98 | 2bps | 20bps | (91bps) |
| India 10Y yield (%) | 5.91 | (1bps) | (3bps) | (62bps) |
| USD/INR | 74.37 | (0.3) | (1.7) | (3.2) |
| Brent Crude (US$/bbl) | 43.80 | 0.4 | 2.2 | (29.8) |
| Dow | 29,398 | (0.1) | 2.8 | 5.8 |
| Shanghai | 3,342 | (0.5) | 2.1 | 15.0 |
| Sensex | 43,594 | 0.7 | 7.6 | 8.7 |
| **India FII (US$ mn)** | **10 Nov** | **MTD** | **CYTD** | **FYTD** |
| FII-D | (24.8) | 180.2 | (14,049.5) | (4,290.0) |
| FII-E | 191.8 | 2,522.8 | 9,069.2 | 15,672.2 |

Source: Bank of Baroda Economics Research

**BOBCAPS Research**
research@bobcaps.in

## India Economics: Inflation and IIP

Industrial production rebounded sharply to 0.2% in Sep'20 from a decline of 7.4% in Aug'20 with improvement across sectors. CPI inflation rose to 7.6%, a 77-month high, led by food especially vegetables and pulses. Protein inflation may not fall soon. Core inflation remained sticky at 5.9% with jump in housing and recreation and amusement. While inflation is expected to fall to 5.5% in H2FY21 and 4.4% in FY22, the continuous overshoot of inflation over RBI's trajectory shows no room for rate reduction in the coming months.

**Click here for the full report.**

## Eicher Motors

Eicher Motors (EIM) reported in-line Q2FY21 revenue and a slight beat on EBITDA margins (22.8% vs. 21.4% est.), led by better operating efficiencies. With the recent rollout of the 'Meteor' 350cc and an aggressive launch pipeline, we expect Royal Enfield to clock a 3% volume CAGR over FY20-FY23 despite the economic slowdown. EIM is forecast to post a 6%/5%/7% CAGR in revenue/ EBITDA/PAT. We maintain our Sep'21 SOTP-based TP at Rs 1,900 (adj. for share split), valuing RE at 21x one-year fwd EPS and VECV at Rs 150/sh.

**Click here for the full report.**

## Aurobindo Pharma

Aurobindo Pharma's (ARBP) Q2 EBITDA was 13% above estimates, led by an all-round sales beat of 7% and multiyear-high gross margins of 61.2%. Rebound in US injectables, Europe and ARV sales surprised positively. Management expects to sustain Q2 sales momentum but sees gross margin settling at ~60%. It is confident of sustaining 6-8% sales growth in the long run. Injectable unit commissioning and biosimilar/depo-injection filings are key near-term events in FY21. We raise FY22/ FY23 EPS by 4% each. Retain BUY; Sep'21 TP revised to Rs 1,050 (vs. Rs 1,000).

**Click here for the full report.**

## Petronet LNG

Petronet LNG's (PLNG) Q2FY21 EBITDA outperformed our estimates at Rs 13.6bn (+17.5% YoY). Q2 highlights: (a) volumes beat expectations (+1.6% YoY), and (b) EBITDA/mmbtu surged to Rs 53.7 (+15.6% YoY). Utilisation at Dahej improved to 107%, recovering to pre-Covid levels. We raise FY21/FY22/FY23 earnings by 7%/2%/2% to factor in higher margins, despite trimming tariffs at Kochi. Our Sep'21 TP stands revised to Rs 330 (from Rs 310). Valuations look undemanding at 10.5x FY22E EPS.

Click here **for the full report.**

## TVS Srichakra

TVS Srichakra's (TVSS) Q2FY21 revenue was marginally below expectations at Rs 5.4bn, but a sharp 25% YoY drop in other expenses led to superior operating margins at 15.9% (13.9% est.). Adj. PAT was in line, rising 95% YoY to Rs 394mn. Having aggressively penetrated the OEM segment, TVSS now intends to focus on improving its footprint in the aftermarket through an elaborate brand building exercise. We expect these efforts to aid a 36% earnings CAGR over FY21-FY23. Retain BUY with an unchanged Sep'21 TP of Rs 1,780.

Click here **for the full report.**

GOVERNMENT STIMULUS

12 November 2020

# Stimulus to boost growth

**Fiscal stimulus under Atmanirbhar Bharat 3.0 package is pegged at Rs 2.65tn. Focus is on manufacturing, rural, exports and infrastructure. Credit guarantee scheme has been extended till 31 Mar 2021 and 26 stressed sectors (Kamath Committee) too have been included. While government spending has been muted in the year, private sector revival is visible in high frequency indicators as India's Covid-19 infection rate has seen a substantial reduction. We believe there is an upside risk to our growth estimate of (-) 8.4% in FY21.**

Sameer Narang
Jahnavi | Dipanwita Mazumdar
chief.economist@bankofbaroda.com

**Stimulus of Rs 2.65tn under Atmanirbhar 3.0**: Today's announcements focused on 1) job creation through "Atmanirbhar Bharat Rozgar Yojana" with an allocation of Rs 60bn, 2) extension of emergency line of credit for MSMEs and credit guarantee to 26 stressed sectors (proposed by Kamath Committee) till Mar'21, 3) boosting domestic manufacturing through the PLI scheme over a span of 5-years, with an allocation of Rs 1.46tn, (4) stimulating housing demand through IT relief for developers and homebuyers along with additional outlay of Rs 180bn under PMAY-U, and 5) promoting infra debt financing through equity infusion of Rs 60bn into NIIF.

**Stimulating rural demand:** Rural economy has got a boost in the form of Rs 650bn outlay on account of fertilizer subsidy to farmers and outlay of Rs 100bn under PM Garib Kalyan Yojana. Exports too have got an outlay of Rs 30bn and Rs 9bn has been proposed as grant for development of Covid-19 vaccine. Government will also provide an additional outlay of Rs 102bn with the objective to promote industries and create industrial infra under Aatmanirbhar Bharat.

**Total stimulus at 15% of GDP:** Total monetary and fiscal stimulus amounts to Rs 29.9tn with monetary stimulus of Rs 12.7tn (6.4% of GDP). General government spending has been relatively muted in Sep'20. On the other hand, recovery in economy is visible in a number of high frequency indicators such as GST collections, railway freight and electricity demand. RBI's recent Economic Activity Index also highlighted positive growth in Q3FY21 (after technical recession in H1). We believe there is an upside risk to our current growth forecast of (-) 8.4% in FY21 led by manufacturing.

## KEY HIGHLIGHTS

- Stimulus of Rs 2.65tn under Atmanirbhar 3.0.
- Focus on job creation, manufacturing, extending credit guarantee to stressed sectors and infrastructure.
- Total stimulus at Rs 29.88tn (15% of GDP) this year.

## INFLATION AND IIP

12 November 2020

# Growth improves; inflation firms up

**Industrial production rebounded sharply to 0.2% in Sep'20 from a decline of 7.4% in Aug'20 with improvement across sectors. CPI inflation rose to 7.6%, a 77-month high, led by food especially vegetables and pulses. Protein inflation may not fall soon. Core inflation remained sticky at 5.9% with jump in housing and recreation and amusement. While inflation is expected to fall to 5.5% in H2FY21 and 4.4% in FY22, the continuous overshoot of inflation over RBI's trajectory shows no room for rate reduction in the coming months.**

Sameer Narang
Jahnavi | Aditi Gupta
chief.economist@bankofbaroda.com

**Broad based increase in IIP:** Industrial output rose sharply to a 7-month high of 0.2% in Sep'20 from a decline of 7.4% in Aug'20 led by mining and electricity at 1.4% and 4.9% respectively. Manufacturing declined by only 0.6% in Sep'20 compared with a decline of 7.9% in Aug'20. Within manufacturing, across the board improvement was visible with consumer durables, FMCG and infra sectors registering positive growth. Capital goods too contracted only by 3.3% compared with 14.8% in Aug'20. Primary goods also contracted only by 1.5% (10.8% decline in Aug'20). The recovery has continued in Oct'20 and Nov'20 as visible in a number of high frequency indicators.

**CPI at 77-month high:** CPI print rose to 7.6% in Oct'20 from 7.3% in Sep'20. This was on account of higher food inflation (11.1% from 10.7% in Sep'20). Vegetable inflation rose by 22.5% compared with 20.8% in Sep'20. Out of ten items, six items of food inflation continued to post double digit inflation consecutively for three months. Significant jump in inflation was noticed for pulses (18.3% from 14.7% in Sep'20) and eggs (21.8% from 15.6% in Sep'20). While vegetable (seasonal) and cereal (abundant food stocks) inflation may decrease, protein based inflation may only come down with a lag.

**Core inflation at 5.9%:** CPI excluding food and fuel inched up by 10bps to 5.9% in Oct'20 from 5.8% in Sep'20. This was led by significant jump in housing inflation (3.3% from 2.8%), recreation and amusement (4.7% from 3.7% in Sep'20) and health (5.2% from 4.9% in Sep'20). Transport and communication (11.2% from 11.5% in Sep'20) and personal care items (12.1% from 12.4% in Sep'20) showed some moderation. We believe the continuous overshoot of inflation over and above RBI's trajectory implies no room for further rate cuts when underlying growth is recovering as India's Covid-19 infection rate continues to fall.

### KEY HIGHLIGHTS

- CPI inflation rises to 7.6% in Oct'20 from 7.3% in Sep'20 led by food inflation.
- Core inflation inched up by 10bps to 5.9%.
- IIP rose sharply to 0.2% versus a dip of 7.4% in Aug'20.

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

**SELL**
TP: Rs 1,900 | ∨ 19%

**EICHER MOTORS** | Auto Components | 12 November 2020

## Q2 in line; maintain SELL

**Eicher Motors (EIM) reported in-line Q2FY21 revenue and a slight beat on EBITDA margins (22.8% vs. 21.4% est.), led by better operating efficiencies. With the recent rollout of the 'Meteor' 350cc and an aggressive launch pipeline, we expect Royal Enfield to clock a 3% volume CAGR over FY20-FY23 despite the economic slowdown. EIM is forecast to post a 6%/5%/7% CAGR in revenue/ EBITDA/PAT. We maintain our Sep'21 SOTP-based TP at Rs 1,900 (adj. for share split), valuing RE at 21x one-year fwd EPS and VECV at Rs 150/sh.**

Mayur Milak | Nishant Chowhan, CFA
research@bobcaps.in

**Q2 in line:** EIM's standalone topline declined 3% YoY on the back of a 10% drop in quarterly volumes while ASP grew 8% YoY led by a better product mix and pricing actions. EBITDA at Rs 4.8bn was down 11% YoY but margins came in ahead of expectations at 22.8% (21.4% est.) primarily owing to better operating efficiencies. Adj. PAT declined 37% YoY to Rs 3.6bn.

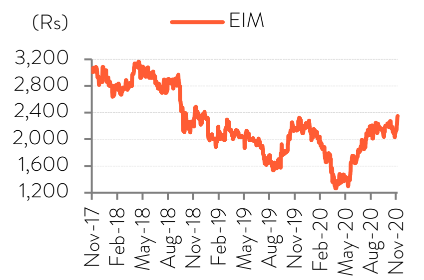
**New launches expected to rev up volumes:** RE recently launched a new 350cc variant 'Meteor' which has initial bookings of ~8k units. We believe this along with other new launches should support a 3% volume CAGR for RE over FY20-FY23 despite downtrading fears due to the dent in personal incomes of most salaried as well as self-employed consumers during the pandemic. We estimate that the company could witness a ~17% YoY volume decline in FY21.

**Maintain SELL on lofty valuations:** We expect EIM to clock a revenue/ EBITDA/PAT CAGR of 6%/5%/7% during FY20-FY23. Our SOTP-based TP of Rs 1,900 remains unchanged and is based on Rs 1,750 for RE (21x Sep'22E P/E) and Rs 150 for VECV. We maintain our SELL rating given expensive valuations at 30x/27x FY22E/FY23E EPS.

| | |
|---|---|
| Ticker/Price | EIM IN/Rs 2,351 |
| Market cap | US$ 8.6bn |
| Shares o/s | 273mn |
| 3M ADV | US$ 43.9mn |
| 52wk high/low | Rs 2,387/Rs 1,245 |
| Promoter/FPI/DII | 49%/32%/7% |

Source: NSE

### STOCK PERFORMANCE




Source: NSE

### KEY FINANCIALS

| Y/E 31 Mar | FY19A | FY20A | FY21E | FY22E | FY23E |
|---|---|---|---|---|---|
| Total revenue (Rs mn) | 97,945 | 90,775 | 79,279 | 99,094 | 108,390 |
| EBITDA (Rs mn) | 29,269 | 22,038 | 17,549 | 23,586 | 25,831 |
| Adj. net profit (Rs mn) | 20,544 | 19,356 | 14,172 | 21,782 | 24,066 |
| Adj. EPS (Rs) | 75.8 | 69.8 | 50.7 | 78.4 | 86.7 |
| Adj. EPS growth (%) | 20.7 | (8.0) | (27.4) | 54.8 | 10.5 |
| Adj. ROAE (%) | 28.8 | 23.4 | 15.0 | 19.4 | 18.2 |
| Adj. P/E (x) | 31.0 | 33.7 | 46.4 | 30.0 | 27.1 |
| EV/EBITDA (x) | 21.5 | 27.5 | 34.4 | 26.1 | 23.8 |

Source: Company, BOBCAPS Research

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

**BUY**
TP: Rs 1,050 | ⮝ 30%

**AUROBINDO PHARMA** | Pharmaceuticals | 12 November 2020

# Q2 beat; growing balance sheet comfort merits higher multiple

**Aurobindo Pharma's (ARBP) Q2 EBITDA was 13% above estimates, led by an all-round sales beat of 7% and multiyear-high gross margins of 61.2%. Rebound in US injectables, Europe and ARV sales surprised positively. Management expects to sustain Q2 sales momentum but sees gross margin settling at ~60%. It is confident of sustaining 6-8% sales growth in the long run. Injectable unit commissioning and biosimilar/depo-injection filings are key near-term events in FY21. We raise FY22/ FY23 EPS by 4% each. Retain BUY; Sep'21 TP revised to Rs 1,050 (vs. Rs 1,000).**

**Vivek Kumar**
research@bobcaps.in

**Positive surprises in US injectables, Europe and ARVs:** US sales rebounded to US$ 434mn (+5% QoQ) on sharp recovery in injectables ($65mn, +28%) while oral sales were stable ($274mn, –1%). EU grew 15% QoQ, ARV 18% (higher TLD migration) and EM 54%. Commentary across businesses was positive and ARBP expects US injectable sales to double to US$ 700mn in three years. Led by 27 launches for the rest of FY21 (23 in H1) and injectable unit commissioning in Q4, we expect >6% US sales growth for FY20-FY22. A favourable injectable mix led to peak gross margins of 61.2% in Q2 (+180bps QoQ; 59% est.).

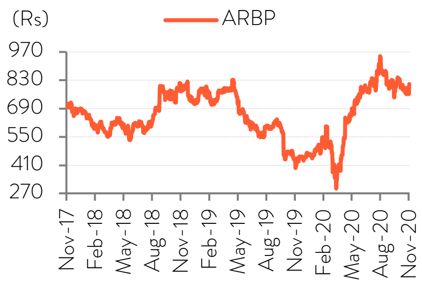
**Earnings takeaways:** (1) Natrol divestment proceeds to be used towards building injectable capacity for EU/US. (2) Covid vaccine unit to be ready by Mar-Apr'21 (450mn doses). (3) R&D spends at 6.3% of sales in Q2 (4.3% in Q1); ARBP expects this at 5.5% in FY21. (4) ARV: 20% market share in TLD; management believes market can expand further to 14mn packs from 8mn. (5) Biosimilars: Filings for three assets in EU and one in US by FY21-end.

**Solid US execution, balance sheet comfort to support higher valuation:** ARBP trades at 8x FY23E EBITDA (8Y band: 5-15x), 25% above global peers. Strong US pipeline execution, a nimble supply chain and balance sheet comfort can drive upsides to our EPS and FCF, supporting a higher multiple in the next 12 months.

| | |
|---|---|
| Ticker/Price | ARBP IN/Rs 811 |
| Market cap | US$ 6.4bn |
| Shares o/s | 586mn |
| 3M ADV | US$ 42.5mn |
| 52wk high/low | Rs 968/Rs 289 |
| Promoter/FPI/DII | 52%/19%/15% |

Source: NSE

## STOCK PERFORMANCE




Source: NSE

## KEY FINANCIALS

| Y/E 31 Mar | FY19A | FY20A | FY21E | FY22E | FY23E |
|---|---|---|---|---|---|
| Total revenue (Rs mn) | 195,634 | 230,986 | 249,002 | 254,638 | 269,765 |
| EBITDA (Rs mn) | 39,519 | 48,640 | 52,910 | 54,250 | 57,539 |
| Adj. net profit (Rs mn) | 24,126 | 28,911 | 31,980 | 33,867 | 36,309 |
| Adj. EPS (Rs) | 41.2 | 49.3 | 54.6 | 57.8 | 62.0 |
| Adj. EPS growth (%) | (0.4) | 19.8 | 10.6 | 5.9 | 7.2 |
| Adj. ROAE (%) | 18.8 | 18.7 | 16.2 | 14.1 | 13.3 |
| Adj. P/E (x) | 19.7 | 16.4 | 14.9 | 14.0 | 13.1 |
| EV/EBITDA (x) | 12.8 | 10.6 | 9.7 | 8.9 | 7.8 |

Source: Company, BOBCAPS Research

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

**BUY**
TP: Rs 330 | ⮝ 37%

**PETRONET LNG** | Oil & Gas | 12 November 2020

## Margins buoyant, volumes normalise

**Petronet LNG's (PLNG) Q2FY21 EBITDA outperformed our estimates at Rs 13.6bn (+17.5% YoY). Q2 highlights: (a) volumes beat expectations (+1.6% YoY), and (b) EBITDA/mmbtu surged to Rs 53.7 (+15.6% YoY). Utilisation at Dahej improved to 107%, recovering to pre-Covid levels. We raise FY21/FY22/FY23 earnings by 7%/2%/2% to factor in higher margins, despite trimming tariffs at Kochi. Our Sep'21 TP stands revised to Rs 330 (from Rs 310). Valuations look undemanding at 10.5x FY22E EPS.**

Rohit Ahuja | Harleen Manglani
research@bobcaps.in

**Volumes claw back to normal, outlook improving:** Volumes across categories increased 34% QoQ to 254tbtu aided by a decline in LNG prices. While spot LNG prices have currently doubled to US$ 7/mmbtu (from ~US$ 3.5 in Q2), long-term prices remain benign at ~US$ 5.6. Utilisation levels at Dahej/Kochi improved to 107%/17% in Q2. Kochi volumes could improve further from Q3 as GAIL commissions its Kochi-Mangaluru pipeline.

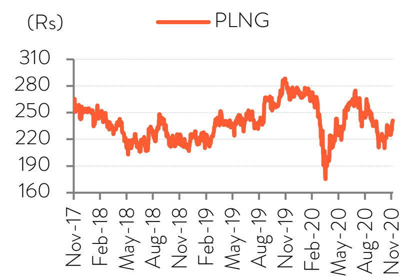
**EBITDA margins buoyant:** EBITDA/mmbtu outperformed at Rs 53.7 (+15.6% YoY), driven by scale advantage from higher utilisation levels. These margins could decline slightly in case of any downward revision in Kochi regasification tariffs. With negotiations on Kochi tariffs still underway, we factor in the uncertainty by cutting our base tariff estimate for the terminal to Rs 72/mmbtu (from Rs 83 earlier) from FY21.

**High earnings visibility:** PLNG's earnings visibility remains robust backed by long-term contracts and expected volume ramp-up at Kochi. Low LNG prices offer a robust outlook on LNG demand, especially from the power sector. Further, the company will continue to expand capacity (by ~2mmtpa) through the addition of storage tanks and a jetty at Dahej terminal by FY23.

| | |
|---|---|
| Ticker/Price | PLNG IN/Rs 241 |
| Market cap | US$ 4.9bn |
| Shares o/s | 1,500mn |
| 3M ADV | US$ 13.1mn |
| 52wk high/low | Rs 285/Rs 170 |
| Promoter/FPI/DII | 50%/28%/22% |

Source: NSE

### STOCK PERFORMANCE




Source: NSE

### KEY FINANCIALS

| Y/E 31 Mar | FY19A | FY20A | FY21E | FY22E | FY23E |
|---|---|---|---|---|---|
| Total revenue (Rs mn) | 383,954 | 354,520 | 221,117 | 267,439 | 273,524 |
| EBITDA (Rs mn) | 32,935 | 39,895 | 45,020 | 52,445 | 56,892 |
| Adj. net profit (Rs mn) | 21,554 | 27,697 | 28,766 | 34,554 | 38,242 |
| Adj. EPS (Rs) | 14.4 | 18.5 | 19.2 | 23.0 | 25.5 |
| Adj. EPS growth (%) | 3.7 | 28.5 | 3.9 | 20.1 | 10.7 |
| Adj. ROAE (%) | 21.8 | 26.4 | 25.7 | 29.3 | 29.7 |
| Adj. P/E (x) | 16.8 | 13.0 | 12.6 | 10.5 | 9.5 |
| EV/EBITDA (x) | 11.4 | 8.9 | 7.5 | 6.1 | 5.5 |

Source: Company, BOBCAPS Research

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

**BUY**
TP: Rs 1,780 | ⮝ 24%

**TVS SRICHAKRA** | Auto Components | 12 November 2020

# Q2 along expected lines; maintain BUY

Mayur Milak | Nishant Chowhan, CFA
research@bobcaps.in

**TVS Srichakra's (TVSS) Q2FY21 revenue was marginally below expectations at Rs 5.4bn, but a sharp 25% YoY drop in other expenses led to superior operating margins at 15.9% (13.9% est.). Adj. PAT was in line, rising 95% YoY to Rs 394mn. Having aggressively penetrated the OEM segment, TVSS now intends to focus on improving its footprint in the aftermarket through an elaborate brand building exercise. We expect these efforts to aid a 36% earnings CAGR over FY21-FY23. Retain BUY with an unchanged Sep'21 TP of Rs 1,780.**

**Above-expected margins:** Though TVSS's Q2 revenue was ~5% below our estimate at Rs 5.4bn (–2% YoY), operating performance bettered our forecast. Below-expected other expenses (as a percentage of sales) supported a beat on EBITDA margin (15.9% vs. 13.9% est.), leading to EBITDA growth of 40% YoY at Rs 849mn. Adj. PAT was in line, increasing 95% YoY to Rs 394mn due to a normalised tax rate (25% vs. 35% in Q2FY20).

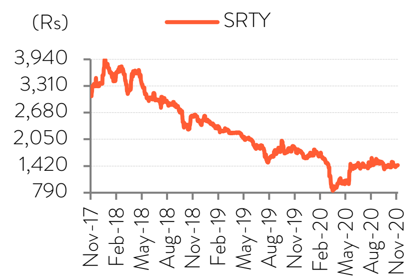
**Focus on brand building to reap aftermarket benefits:** TVSS is the largest supplier of two-wheeler tyres to most leading domestic 2W OEMs, with ~31% market share in the segment. Management's strategy of targeting aftermarket sales will not only improve overall margins but also ensure steady growth going forward. We expect EBITDA margins to expand 150bps over our three-year forecast period to ~12% in FY23.

**Maintain BUY:** We estimate a revenue CAGR of 15% over FY21-FY23, with stronger margins aiding a higher EBITDA/PAT CAGR of 20%/36%. Net D/E stands at 0.4x and we expect the company to deliver ROE/ROCE of 11.1%/ 9.4% by FY23-end. Our TP remains at Rs 1,780, based on an unchanged 14x Sep'22E P/E multiple, at par with peers. BUY.

| | |
|---|---|
| Ticker/Price | SRTY IN/Rs 1,439 |
| Market cap | US$ 147.1mn |
| Shares o/s | 8mn |
| 3M ADV | US$ 0.2mn |
| 52wk high/low | Rs 1,887/Rs 758 |
| Promoter/FPI/DII | 45%/1%/6% |

Source: NSE

## STOCK PERFORMANCE




Source: NSE

## KEY FINANCIALS

| Y/E 31 Mar | FY19A | FY20A | FY21E | FY22E | FY23E |
|---|---|---|---|---|---|
| Total revenue (Rs mn) | 23,818 | 20,522 | 18,704 | 22,417 | 24,694 |
| EBITDA (Rs mn) | 2,592 | 1,094 | 2,070 | 2,660 | 2,965 |
| Adj. net profit (Rs mn) | 1,032 | (200) | 559 | 917 | 1,031 |
| Adj. EPS (Rs) | 134.7 | (26.1) | 72.9 | 119.7 | 134.6 |
| Adj. EPS growth (%) | (12.3) | | | 64.1 | 12.4 |
| Adj. ROAE (%) | 13.9 | (2.6) | 6.9 | 10.3 | 10.6 |
| Adj. P/E (x) | 10.7 | (55.0) | 19.7 | 12.0 | 10.7 |
| EV/EBITDA (x) | 5.4 | 13.2 | 7.0 | 5.2 | 4.7 |

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)

**Rating distribution**

As of 31 October 2020, out of 88 rated stocks in the BOB Capital Markets Limited (BOBCAPS) coverage universe, 42 have BUY ratings, 14 have ADD ratings, 10 are rated REDUCE and 22 are rated SELL. None of these companies have been investment banking clients in the last 12 months.

**Analyst certification**

Each of the analysts mentioned in this research report certify, with respect to the sections of the report for which they are responsible, that (1) all of the views expressed in this report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOBCAPS.

**Important disclosures**

This product is a compilation of previously published research notes. To view the complete report along with the associated Analyst certifications and Company-specific disclosures, please click on the hyperlink accompanying each excerpt.

**General disclaimers**

BOBCAPS is engaged in the business of Institutional Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS has obtained registration as a Research Entity under SEBI (Research Analysts) Regulations, 2014, having registration No.: INH000000040 valid till 03 February 2025. BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities —that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may act as market makers or assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

In the US, this material is only for Qualified Institutional Buyers as defined under rule 144(a) of the Securities Act, 1933. No part of this document may be distributed in Canada or used by private customers in the United Kingdom.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS's prior written consent.

**Other disclosures**

BOBCAPS does not have any financial interest in the subject company. BOBCAPS does not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS is not engaged in any market making activities for the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS's associates may have financial interest in the subject company. BOBCAPS's associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.