

FIRST LIGHT

RESEARCH

Maruti Suzuki | Target: Rs 8,000 | +22% | BUY

Strong growth outlook, attractive valuations – upgrade to BUY

Axis Bank | Target: Rs 815 | +17% | BUY

Good show on asset quality

TVS Motor | Target: Rs 480 | -15% | SELL

Upgrade estimates; maintain SELL on rich valuations

SUMMARY

Maruti Suzuki

Maruti (MSIL) posted in-line Q4FY21 revenue, but an adverse sales mix, higher input costs and lower other income pulled PAT down 10% YoY. Baking in Covid headwinds and planned relaunch of diesel variants, we expect MSIL to sell ~1.9mn vehicles in FY22 (+28% YoY). We pencil in a robust revenue/ PAT CAGR of 22%/40% over FY21-FY23. Given a stronger outlook on growth and return ratios, we raise our target FY23E P/E from 26x to 30x and upgrade to BUY (vs. SELL) with a new Mar'22 TP of Rs 8,000 (vs. Rs 6,900).

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Axis Bank

Axis Bank (AXSB) delivered strong Q4FY21 PAT of Rs 27bn (+2.4x QoQ) on 17% YoY growth in operating profit. GNPA ratio reduced sharply by 85bps QoQ to 3.7% on lower slippages and better recoveries. Loan growth picked up 7% QoQ and NIM was largely stable. AXSB maintains a healthy 72% PCR and contingent buffer at 0.8% of loans, implying credit costs could normalise by FY22-FY23. We raise FY22-FY23 EPS 9-18% to build in better loan growth and lower credit cost assumptions. Our Mar'22 TP stands revised to Rs 815 (vs. Rs 760). BUY.

[Click here for the full report.](#)

TOP PICKS

LARGE-CAP IDEAS

Company	Rating	Target
Cipla	Buy	1,000
TCS	Buy	3,780
Tech Mahindra	Buy	1,190

MID-CAP IDEAS

Company	Rating	Target
Alkem Labs	Buy	3,750
Greenply Industries	Buy	195
Laurus Labs	Buy	480
Transport Corp	Buy	320

Source: BOBCAPS Research

DAILY MACRO INDICATORS

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	1.57	1bps	(11bps)	91bps
India 10Y yield (%)	6.04	0bps	(9bps)	(11bps)
USD/INR	74.73	0.4	(3.1)	2.0
Brent Crude (US\$/bbl)	65.65	(0.7)	1.7	228.4
Dow	33,982	(0.2)	2.7	40.8
Shanghai	3,441	(0.9)	0.7	22.2
Sensex	48,387	1.1	(1.3)	52.4
India FII (US\$ mn)	23 Apr	MTD	CYTD	MTD
FII-D	(56.7)	(122.0)	(2,149.2)	(122.0)
FII-E	(157.0)	(1,091.1)	6,235.2	(1,091.1)

Source: Bank of Baroda Economics Research

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TVS Motor

TVS Motor (TVSL) posted a Q4FY21 beat on all counts. EBITDA margin surprised at 10.1% but is expected to remain under pressure in the near term due to higher input cost. With sales of ~3.4mn vehicles expected in FY22 (+10% YoY), a favourable sales mix and growing export revenue, we raise FY22/FY23 earnings by 34%/30%. We now expect a revenue/PAT CAGR of 13%/21% over FY21-FY23. Post estimate revision, we raise our Mar'22 TP to Rs 480 (vs. Rs 350), set at 24x FY23E EPS. Current valuations, however, look rich at 28x FY23E – SELL.

[Click here for the full report.](#)

BUY

TP: Rs 8,000 | ▲ 22%

MARUTI SUZUKI

Automobiles

27 April 2021

Strong growth outlook, attractive valuations – upgrade to BUY

Maruti (MSIL) posted in-line Q4FY21 revenue, but an adverse sales mix, higher input costs and lower other income pulled PAT down 10% YoY. Baking in Covid headwinds and planned relaunch of diesel variants, we expect MSIL to sell ~1.9mn vehicles in FY22 (+28% YoY). We pencil in a robust revenue/PAT CAGR of 22%/40% over FY21-FY23. Given a stronger outlook on growth and return ratios, we raise our target FY23E P/E from 26x to 30x and upgrade to BUY (vs. SELL) with a new Mar'22 TP of Rs 8,000 (vs. Rs 6,900).

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Adj. PAT falls short of estimates: MSIL's Q4 revenue was in line with expectations at Rs 240.2bn. However, below-expected gross margin led to a marginal EBITDA margin miss (8.3% vs. 9.1% est.). Lower other income at Rs 898mn was due to revaluation of investments, leading to sluggish adj. PAT at Rs 11.7bn (-10% YoY) despite a lower tax rate of 10%.

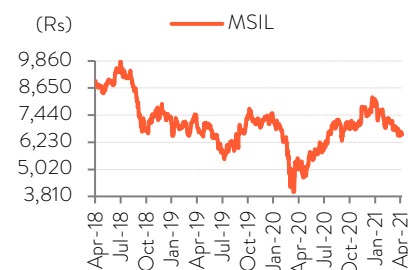
Higher volumes to drive growth: MSIL has been clocking an average monthly sales run-rate of over 160,000 vehicles since Sep'20 (barring Nov'20 when it sold ~153,000 units). We believe the company could clock stronger annual sales of ~1.9mn vehicles in FY22, factoring in the pandemic impact and the relaunch of its diesel variants during the year. Higher input costs will continue to impact profitability in the near term.

Upgrade to BUY: We expect MSIL to post a healthy revenue/PAT CAGR of 22%/40% over FY21-FY23, leading to ~500bps improvement in ROCE and ROE. The stock has corrected ~15% since our last SELL call and is trading at an attractive valuation of 24x FY23E EPS. Based on the improving growth prospects, we raise our target P/E multiple to 30x – in line with the 10Y average – and upgrade the stock to BUY with a revised Mar'22 TP of Rs 8,000.

Ticker/Price	MSIL IN/Rs 6,569
Market cap	US\$ 26.6bn
Shares o/s	302mn
3M ADV	US\$ 102.6mn
52wk high/low	Rs 8,329/Rs 4,638
Promoter/FPI/DII	56%/21%/17%

Source: NSE

STOCK PERFORMANCE



Source: NSE

KEY FINANCIALS

Y/E 31 Mar	FY19A	FY20A	FY21P	FY22E	FY23E
Total revenue (Rs mn)	860,203	756,106	703,325	937,711	1,043,110
EBITDA (Rs mn)	109,993	73,026	53,453	81,071	98,841
Adj. net profit (Rs mn)	91,700	56,506	42,297	66,184	81,184
Adj. EPS (Rs)	193.0	187.1	140.0	219.1	268.7
Adj. EPS growth (%)	(8.9)	(3.1)	(25.1)	56.5	22.7
Adj. ROAE (%)	13.3	11.9	8.4	12.1	13.6
Adj. P/E (x)	34.0	35.1	46.9	30.0	24.4
EV/EBITDA (x)	18.0	27.0	36.9	24.1	19.8

Source: Company, BOBCAPS Research



BUY

TP: Rs 815 | ▲ 17%

AXIS BANK

Banking

27 April 2021

Good show on asset quality

Axis Bank (AXSB) delivered strong Q4FY21 PAT of Rs 27bn (+2.4x QoQ) on 17% YoY growth in operating profit. GNPA ratio reduced sharply by 85bps QoQ to 3.7% on lower slippages and better recoveries. Loan growth picked up 7% QoQ and NIM was largely stable. AXSB maintains a healthy 72% PCR and contingent buffer at 0.8% of loans, implying credit costs could normalise by FY22-FY23. We raise FY22-FY23 EPS 9-18% to build in better loan growth and lower credit cost assumptions. Our Mar'22 TP stands revised to Rs 815 (vs. Rs 760). BUY.

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Strong asset quality, healthy buffers: AXSB's Q4 GNPA ratio declined 85bps QoQ to 3.7% (vs. 4.6% proforma in Q3FY21), as slippages were lower at Rs 53bn (vs. Rs 80bn in Q3). About 64% of slippages were fuelled by the retail segment where management believes a large part of the stress has been recognised in FY21. AXSB has unutilised Covid provisions worth Rs 50bn (0.8% of loans) which provide a strong buffer against the second wave of the pandemic. Demand resolution stood at >98% in Q4, higher than pre-pandemic levels, but cheque bounce rates too were marginally higher than normal.

Loan growth picks up across segments: Loan growth was strong at 7% QoQ in Q4 supported by healthy traction across retail (+5% QoQ), corporates (+9%) and SMEs (+9%). Retail disbursements rebounded in Q4 aided by higher contribution from secured loan segments such as home loans (+45% QoQ), LAP (+51%) and Small business banking (+42%).

Maintain BUY: Based on the robust Q4 performance, we raise FY22-FY23 EPS estimates by 9-18% to build in higher loan growth and lower credit cost assumptions. We retain BUY on AXSB with a revised Mar'22 SOTP-based TP of Rs 815, which comprises Rs 742/sh for the core business based on an unchanged 1.7x FY23E P/BV and Rs 73/sh for subsidiaries.

Ticker/Price	AXSB IN/Rs 700
Market cap	US\$ 24.5bn
Shares o/s	2,620mn
3M ADV	US\$ 181.1mn
52wk high/low	Rs 799/Rs 333
Promoter/FPI/DII	26%/50%/24%

Source: NSE

STOCK PERFORMANCE



Source: NSE

KEY FINANCIALS

Y/E 31 Mar	FY19A	FY20A	FY21P	FY22E	FY23E
Net interest income	217,082	252,062	292,291	366,185	449,827
NII growth (%)	16.6	16.1	16.0	25.3	22.8
Adj. net profit (Rs mn)	46,766	16,272	65,785	162,365	209,734
EPS (Rs)	18.2	6.0	22.4	53.0	68.5
P/E (x)	38.4	115.9	31.3	13.2	10.2
P/BV (x)	2.7	2.3	2.1	1.8	1.6
ROA (%)	0.6	0.2	0.7	1.5	1.7
ROE (%)	7.2	2.1	7.1	14.9	16.8

Source: Company, BOBCAPS Research | P – Provisional



SELL

TP: Rs 480 | ▼ 15%

TVS MOTOR

Automobiles

28 April 2021

Upgrade estimates; maintain SELL on rich valuations

TVS Motor (TVSL) posted a Q4FY21 beat on all counts. EBITDA margin surprised at 10.1% but is expected to remain under pressure in the near term due to higher input cost. With sales of ~3.4mn vehicles expected in FY22 (+10% YoY), a favourable sales mix and growing export revenue, we raise FY22/FY23 earnings by 34%/30%. We now expect a revenue/PAT CAGR of 13%/21% over FY21-FY23. Post estimate revision, we raise our Mar'22 TP to Rs 480 (vs. Rs 350), set at 24x FY23E EPS. Current valuations, however, look rich at 28x FY23E – SELL.

Mayur Milak | Nishant Chowhan, CFA
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Q4 beat: Q4 revenue grew 53% YoY to Rs 53.2bn as ASP increased 4% YoY (+5% QoQ) led by price hikes and a better product mix, while volumes grew 47% YoY. Despite the steep increase in raw material prices, TVSL posted gross margin expansion QoQ coupled with better operating efficiency, which supported an EBITDA margin beat (10.1% vs. 8.8% est.). EBITDA grew 119% YoY to Rs 5.4bn and adj. PAT was up 172% YoY to Rs 2.9bn (Rs 2.2bn est.)

Ticker/Price	TVSL IN/Rs 566
Market cap	US\$ 3.6bn
Shares o/s	475mn
3M ADV	US\$ 23.2mn
52wk high/low	Rs 660/Rs 291
Promoter/FPI/DII	57%/11%/22%

Source: NSE

Premium products, exports to drive growth: We believe the company could clock annual sales of ~3.4mn vehicles in FY22. Premium offerings (both in the motorcycle and scooter segments), rising export revenue (rupee depreciation benefit) and revival in 3W sales will aid earnings growth. However, we anticipate that rising input cost pressure will partially offset this growth.

STOCK PERFORMANCE



Source: NSE

Upgrade estimates; maintain SELL: We raise our FY22/FY23 earnings estimates by 34%/30% factoring in the above benefits and key concerns, and now expect a revenue/PAT CAGR of 13%/21% over FY21-FY23. Our SOTP-based TP rises to Rs 480 and is based on (1) 24x FY23E standalone EPS (in line with the 10Y avg multiple) and (2) Rs 30/sh for the stake in TVS Credit Services (as per consensus). Based on our estimates, TVSL is trading at valuations of 32x/28x FY22E/FY23E EPS (adj. for TVS Credit value) – SELL.

KEY FINANCIALS

Y/E 31 Mar	FY19A	FY20A	FY21P	FY22E	FY23E
Total revenue (Rs mn)	182,099	164,233	167,505	193,453	212,634
EBITDA (Rs mn)	14,332	13,459	14,286	16,749	18,611
Adj. net profit (Rs mn)	6,701	6,246	6,120	7,896	8,956
Adj. EPS (Rs)	14.1	12.5	12.9	16.6	18.9
Adj. EPS growth (%)	3.9	(11.8)	3.3	29.0	13.4
Adj. ROAE (%)	20.0	17.3	14.7	16.7	16.8
Adj. P/E (x)	40.1	45.4	44.0	34.1	30.0
EV/EBITDA (x)	18.8	20.0	18.6	15.4	13.9

Source: Company, BOBCAPS Research | P – Provisional



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Recommendation scale: 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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