

New Year Picks

Jan 2021



2021: A year of resuscitation of growth

As the year 2020 draws to a close and most people would be happy to see the back of 2020, but surely 2020 will be written in the history books for multiple reasons. An interesting article by a leading publication indicated that COVID 19 was the biggest story in the history of mankind. Other events which have had similar impact in terms of media mentions were the two world wars. COVID 19 will shape up businesses over the coming decade but it has also taught people a very valuable lesson that life is not be hoarded but to be lived. This means, risk taking will be coming back meaningfully and a stronger than expected economic revival is likely. The key themes for 2021 are as follows:

Digital, Healthcare and Telecom will continue to have a good run in 2021: All these themes were promising even before COVID 19 but the pandemic has resulted in business transformation decisions which were unthinkable a year back. IT companies in India are winning big transformational deals which will have huge implications over the next few years. Similarly, healthcare and telecom sectors have seen massive changes. Business models are set to evolve further and stocks in these sectors will continue to outperform in 2021.

Year of small and mid caps: After a prolonged period of weakness, the small and midcap stocks have outperformed the large cap indices by a significant margin. The year 2021 will be a year of economic revival with GDP growth rate closer to double digits. Notwithstanding the low base, the economic revival will usher stronger earnings growth. In a year of strong earnings growth, mid and small caps tend to see market beating earnings growth and rerating. Small and mid cap stocks are likely to deliver very strong returns and when combined with other dominant themes then returns will be even stronger.

BFSI and Atmanirbhar to see strong traction: The immense liquidity within banking system has meant that the sector is now focused on growth. NPAs are likely to be contained well and the banks have raised enough capital to tide over the stress challenges. As growth becomes the focus for banks, stock returns will track credit growth and pre provision profits which are likely to be significant. Apart from BFSI, the Union Budget for 2021 will be very critical with major schemes for manufacturing companies expected. This could mean a wide range of Atmanirbhar (self-sufficiency) schemes are in the fray. This could help the manufacturing sector immensely.

Sector rotation and impetus on infrastructure will be critical: Equities have seen significant flow of FII liquidity and solid sector rotation theme playing out. Even PSUs have started performing in the last couple of months as they were immensely undervalued. Sector rotation theme is likely to play out in the early part of 2021 as underperforming sectors like FMCG could gain traction. Also, budget could put more thrust on the infrastructure sector as that is the key for creating jobs. Thus, sector rotation and selective plays related to infra could deliver good returns in 2021.

Our top picks for 2021 are:

Infosys, Bharti Airtel, Colgate, Relaxo Footwear, Amber Enterprises, Ujjivan Small Finance, Star Cement, Solara Active Pharma and Nocil.

New Year Picks 2021

INVEST IN ONE CLICK

Colgate

CMP: 1578
Target: 1745
Upside: 11%

Infosys

CMP: 1246
Target: 1404
Upside: 13%

Bharti Airtel

CMP: 516
Target: 676
Upside: 31%

Relaxo Footwears

CMP: 800
Target: 925
Upside: 16%

Amber Enter

CMP: 2378
Target: 2800
Upside: 18%

Ujjivan Small Finance

CMP: 40
Target: 47
Upside: 18%

Star Cement

CMP: 102
Target: 115
Upside: 13%

Solara Active Pharma

CMP: 1186
Target: 1350
Upside: 14%

NOCIL

CMP: 144
Target: 176
Upside: 22%

Source: Company, Axis Securities

COLGATE PALMOLIVE LTD

Colgate Palmolive (India) Ltd (CLGT) is a leader in the India toothpaste market with 50%+ market share. The company operates in two segments namely Oral Care (97% revenues) under COLGATE brand and Personal Products (3% revenue) under 'PALMOLIVE' brand. In the toothpaste category, COLPAL has the widest reach with 6.1 million outlets.

Key Rationale

- **Focus on volume led profitable growth:** Gross Margin at 67% are expected to sustain as GMs are a function of volume, product mix, innovation, promotional intensity and channel mix. Management indicated it will not compromise on volume growth and still maintain competitive positioning in the market by a judicious balance between pricing and volumes. CLGT's focus remains on maintaining value proposition for the consumer and thus would not take unnecessary price increases.
- **Strategic approach towards innovation:** Unrelenting focus on consumer needs (existing/ unknown with functional/emotional benefits) has led the innovation drive for CLGT. The company upped the ante in innovation to drive premiumization and growth with focus on key pillars - 1) Building platforms – Naturals under Vedshakti toothpaste by launching contemporary packaging, extension of Vedshakti equity into product gaps like Mouth Spray and Oil Pulling (one of its kind launch in India), 2) launching products with technological edge Colgate Visible White Instant, Gentle toothbrushes Anti-bacterial brush etc, Colgate Diabetics a functional product launch (targeting diabetics), first such launch globally thus showcasing CLGT's relentless focus on consumer's needs.
- **Strong share gains in MT and e-commerce channels:** CLGT cashed in on the Natural's tailwind momentum and increased reach of its Naturals portfolio by 2x outlets. Naturals portfolio's household penetration increased by 70bps YTD. Focus has been increasing on its E-com presence across various platforms as it grew by 11x over FY16 till date with a 12% rise in its market share YTD. In Modern Trade CLGT reported +170bps YoY share gains owing to increased shelf space and visibility amid the pandemic. CLGT's share in MT/e-commerce is now higher than all India market share. Resurgence of General Trade channel has been a positive and CLGT has held onto its 50%+ market share amid ebbing of competitive pressures from Patanjali which has struggled in the market place in recent times in our view.

CMP
1,578

Target Price
1,745

Upside
11%

BUY NOW

Key Financials (Standalone)

Y/E March	Revenue (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	FDEPS (Rs)	P/E (x)	EV/EBITDA (x)	RoE (%)	D/E (x)
2020	4,488	1,164	816	30.0	52.9	36.8	51.2	-
2021E	4,682	1,380	955	35.1	45.3	28.2	58.6	-
2022E	5,129	1,503	1,054	38.7	41.0	28.2	61.9	-
2023E	5,674	1,668	1,183	43.5	36.5	25.4	64.5	-

Source: Company, Axis Securities

Income Statement

(Rs Cr)

Y/E March	FY20	FY21E	FY22E	FY23E
Net sales	4,488	4,682	5,129	5,674
Growth, %	1.2	4.3	9.5	10.6
Other income	0	0	0	0
Total income	4,488	4,682	5,129	5,674
Raw material expenses	(1,573)	(1,549)	(1,712)	(1,888)
Employee expenses	(332)	(345)	(381)	(422)
Other Operating expenses	(1,418)	(1,408)	(1,533)	(1,696)
EBITDA	1,164	1,380	1,503	1,668
Growth, %	-5.8	18.5	8.9	10.9
Margin, %	25.9	29.5	29.3	29.4
Depreciation	(198)	(184)	(181)	(180)
EBIT	966	1,196	1,322	1,488
Growth, %	-10.3	23.8	10.5	12.6
Margin, %	21.5	25.5	25.8	26.2
Interest paid	(10)	(10)	(10)	(10)
Other Non-Operating Income	87	90	97	104
Pre-tax profit	1,043	1,277	1,409	1,582
Tax provided	(227)	(322)	(355)	(399)
Net Profit	816	955	1,054	1,183
Growth, %	9.6	17.0	10.3	12.3

Source: Company, Axis Research

Balance Sheet

(Rs Cr)

Y/E March	FY20	FY21E	FY22E	FY23E
Cash & bank	421	474	780	924
Debtors	133	240	239	269
Inventory	297	272	319	312
Loans & advances	422	440	482	533
Total current assets	1,278	1,431	1,826	2,044
Investments	19	19	19	19
Net fixed assets	1,313	1,199	1,098	1,019
Total assets	2,604	2,644	2,937	3,076
Current liabilities	1,005	1,007	1,231	1,235
Total current liabilities	1,005	1,007	1,231	1,235
Total liabilities	1,010	1,013	1,236	1,240
Paid-up capital	27	27	27	27
Reserves & surplus	1,567	1,604	1,674	1,808
Shareholders' equity	1,594	1,631	1,701	1,835
Total equity & liabilities	2,604	2,644	2,937	3,076

Source: Company, Axis Research

Cash Flow (Rs Cr)

Y/E March	FY20	FY21E	FY22E	FY23E
Pre-tax profit	1,043	1,277	1,409	1,582
Depreciation	198	184	181	180
Chg in working capital	-111	-98	135	-69
Total tax paid	-253	-322	-355	-399
Cash flow from operating activities	877	1,040	1,370	1,293
Capital expenditure	-121	-70	-80	-100
Chg in investments	13	0	0	0
Cash flow from investing activities	-109	-70	-80	-100
Free cash flow	769	970	1,290	1,193
Equity raised/(repaid)	-4	0	0	0
Dividend (incl. tax)	-656	-918	-984	-1,049
Cash flow from financing activities	-738	-918	-984	-1,049
Net chg in cash	31	52	307	144
Opening cash balance	399	421	474	780
Closing cash balance	421	474	780	924

Source: Company, Axis Research

Ratio Analysis (%)

Y/E March	FY20	FY21E	FY22E	FY23E
Per Share data				
EPS (INR)	30.0	35.1	38.7	43.5
Growth, %	9.6	17.0	10.3	12.3
Book NAV/share (INR)	58.6	60.0	62.6	67.5
FDEPS (INR)	30.0	35.1	38.7	43.5
CEPS (INR)	37.3	41.9	45.4	50.1
CFPS (INR)	29.1	34.9	46.8	43.7
DPS (INR)	20.0	28.0	30.0	32.0
Return ratios				
Return on assets (%)	31.4	36.6	38.0	39.6
Return on equity (%)	51.2	58.6	61.9	64.5
Return on capital employed (%)	52.1	59.4	63.4	67.0
Turnover ratios				
Asset turnover (x)	3.9	4.0	5.0	6.2
Sales/Total assets (x)	1.7	1.8	1.8	1.9
Sales/Net FA (x)	3.3	3.7	4.5	5.4
Receivable days	10.8	18.7	17.0	17.3
Inventory days	24.2	21.2	22.7	20.1
Payable days	67.3	63.7	76.1	65.0
Liquidity ratios				
Current ratio (x)	1.3	1.4	1.5	1.7
Quick ratio (x)	1.0	1.2	1.2	1.4
Interest cover (x)	100.5	122.0	132.1	145.8
Dividend cover (x)	1.5	1.3	1.3	1.4
Total debt/Equity (%)	-	-	-	-

Source: Company, Axis Research

INFOSYS LTD

Infosys (Infy) is India's second largest IT service company headquartered in Bangaluru and have presence across geographies. Infy has specialized services which helped its clients to optimize business efficiency. It has special services like machine learning, IoT, Saas, Cloud computing etc.

Key Rationale

- **Industry defining US \$ 3.2 bn partnership:** Infosys wins \$3.2 bn contract from Daimler. Daimler will transform its IT operating model and infrastructure landscape across workplace services, service desk, data centre, networks and SAP Basis together with Infosys. As a part of this partnership, automotive IT infrastructure experts based out of Germany, wider Europe, the US and the Apac region will transition from Daimler to Infosys. Infosys has seen many people takeover deals in the recent past and has integrated more than 16,000 employees through other partnership in recent years.
- **Resilient business, Healthy outlook:** Infy management revised its guidance upwards to 2%-3% (0%-2% previous) revenue growth in CC terms for FY21 and operating margin will be in the range of 23%-24% (21%-23% previous). The management commentary is positive in the verticals like BFSI, Hi tech Media, Life Sciences and Communications. While Retail vertical will recover slowly across geographies in near term. However digital business continues to show robust performance with \$1,568 mn (44% to the top line) showed a strong growth of 27% YoY and 3.5% QoQ in cc terms. Deal wins for the quarter remained strong at \$3.17bn from \$1.47bn previous quarter.
- **Growth drivers led by digital, large deals:** Infosys is witnessing business traction led by accelerated enterprise investments in digital. Management believes that the pandemic has accelerated the already strong trend for digital transformation. Infosys' large deal momentum has been robust and pipeline continues to be strong led by digital transformation and vendor consolidation.

CMP
1246

Target Price
1404

Upside
13%

BUY NOW

Key Financials (Consolidated)

Y/E March	Revenue (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	FDEPS (Rs)	P/E (x)	EV/EBIDTA (x)	RoE (%)	D/E (x)
2020	90,791	22,540	16,594	38.9	29.0	12.8	25.4	0.5
2021E	98,750	25,306	19,561	44.2	25.7	16.8	28.2	0.5
2022E	1,08,625	28,504	21,850	50.8	22.0	15.6	28.3	0.4
2023E	1,21,660	32,618	24,799	58.5	20.6	15.2	28.3	0.3

Source: Company, Axis Securities

Income Statement (Rs Cr)				
Y/E March	FY20	FY21E	FY22E	FY23E
Net sales	90,791	98,750	1,08,625	1,21,660
Growth, %	10%	9%	10%	12%
Other income	2,803	3,300	3,300	3,420
Total income	93,594	1,02,050	1,11,925	1,25,080
Employee expenses	58,013	63,711	72,489	79,079
Other Operating expenses	-19,031	10,486	12,827	13,383
EBITDA (Core)	22,540	25,306	28,504	32,618
Growth, %	8%	12%	13%	14%
Margin, %	25%	26%	26%	27%
Depreciation	2,869	3,094	3,355	3,620
EBIT	19,671	25,512	28,449	32,418
Growth, %	4%	30%	12%	14%
Margin, %	22%	26%	26%	27%
Interest paid	0	0.8	0.8	1.1
Pre-tax profit	22,007	25,511	28,448	32,417
Tax provided	5,368	5,950	7,570	7,618
Profit after tax	16,594	19,561	20,878	24,799
Net Profit	16,594	19,561	21,850	24,799
Growth, %	5%	18%	12%	13%
Net Profit (adjusted)	16,594	19,561	21,850	24,799

Source: Company, Axis Research

Balance Sheet (Rs Cr)				
Y/E March	FY20	FY21E	FY22E	FY23E
Cash & bank	27,626	32,439	37,782	39,671
Debtors	16,333	18,203	20,412	21,433
Other current assets	13,066	14,171	15,477	16,251
Total current assets	29,399	32,374	35,889	37,683
Goodwill and Intangible Assets	430	439	449	472
Net fixed assets	14,614	15,015	15,696	16,481
CWIP	1,388	1,388	1,388	1,457
Other Non current assets	9,021	9,052	9,088	9,542
Total Non Current Assets	29,464	29,982	30,802	32,342
Total assets	58,863	62,356	66,691	70,026
Creditors	1,823	2,032	2,278	2,392
Provisions	18,549	20,493	22,790	23,930
Total current liabilities	20,372	22,525	25,068	26,321
Other liabilities	422	422	422	443
Paid-up capital	2,121	2,121	2,121	2,227
Reserves & surplus	60,374	66,537	73,672	77,356
Shareholders' equity	62,495	68,658	75,793	79,583
Total equity & liabilities	58,863	62,356	66,691	70,026

Source: Company, Axis Research

Cash Flow				(Rs Cr)
Y/E March	FY20	FY21E	FY22E	FY23E
Pre-tax profit	22,210	25,345	28,039	32,417
Depreciation	2,869	3,094	3,355	3,620
Chg in working capital	-1,357	-1,377	-1,088	-1,115
Total tax paid	-5,717	-6,843	-7,570	-7,759
Cash flow from operating activities	16,162	17,978	20,671	21,188
Capital expenditure	-2,443	-3,495	-4,036	-4,137
Cash flow from investing activities	-433	-1,085	-1,804	-1,849
Free cash flow	13,286	13,398	14,831	15,202
Dividend (incl. tax)	-18,848	-12,313	-13,298	-13,630
Cash flow from financing activities	-19,014	-12,481	-13,466	-13,803
Net chg in cash	-3,285	4,412	5,401	5,536

Source: Company, Axis Research

Ratio Analysis				(%)
Y/E March	FY20	FY21E	FY22E	FY23E
Per Share data				
EPS (INR)	38.91	44.2	50.8	58.5
Growth, %	5%	14%	15%	15%
Book NAV/share (INR)	149.6	157.7	174.1	196.733
FDEPS (INR)	39	42	46	46
CEPS (INR)	43.7	49.9	54.6	61.698
CFPS (INR)	36.5	43.8	42.8	48.364
DPS (INR)	23	25	27	30.51
Return ratios				
Return on assets (%)	40.3	41.3	43	48.59
Return on equity (%)	25.4	28.2	28.3	28.3
Return on capital employed (%)	24.8	26.7	26.9	26.9
Turnover ratios				
Asset turnover (x)	2.6	2.6	2.8	3.1
Sales/Total assets (x)	1.2	1.2	1.3	1.45
Receivables Days	73	73	73	54
Cash conversion cycle	36	35	35	36
Liquidity ratios				
Current ratio (x)	2.4	2.6	2.8	2.8
Interest cover (x)	0	112	132	132
Net debt/Equity (%)	-0.2	-0.2	-0.2	-0.2

Source: Company, Axis Research

BHARTI AIRTEL LTD

Bharti Airtel Ltd. (Airtel) is India's largest telecom player having strong presence not only in India but also in Africa. Airtel also has strong presence and highest penetration in India in DTH services, broad band services etc.

Key Rationale

- **Demand for enterprise services to remain robust:** Airtel has launched various products for enterprise as it is trying to leverage growth from 'Work from Home'. Its key launches include Airtel Blue Jeans, Airtel Secure, Airtel Cloud and Airtel IQ for B2B customers. Focus on becoming a solution provider continues with its offering in Cloud, security, data centres and CPaaS solutions. Adopting partnership model to improve Cloud service offerings, it entered into a partnership with AWS Professional Services.
- **Positioning as a digital company continues:** Airtel started providing details of its digital initiatives from Q1, which continued in Q2. Management's strategic bets in digital continues to gain traction: (i) there are over 1.1 mn retailers transacting and making payments every day on Mitra App; (ii) 160 mn (vs. 155 mn in Q1) monthly active users across Airtel Thanks, Wynk, Xstream and payments platforms; (iii) Wynk has MAUs (59.3 mn in Q2'21) with an addition of ~9 mn during Q2; Thanks platform has 81.6 mn MAUs in Q2 with an addition of ~8 mn and Airtel Xstream is at 33.7 Mn MAUs, addition of ~8 mn users in Q2. ; (iv) Online recharges continue to contribute ~50% to overall revenue. Airtel has also forayed into Cloud communications market with the launch of Airtel IQ, an omni-channel Cloud-based communications platform.
- **Strong customer additions:** Bharti Airtel – active subscribers up 3.0 mn in October 2020 vs 3.8 mn added in September 2020. Active SMS was up 23 bps MoM at 33.3%, overtaking RJio's share of 33.2%. On reported basis also, it gained 3.7 mn subscribers in October 2020 (market share at 28.7%) vs. 3.8 mn gain in September 2020.

CMP
516

Target Price
676

Upside
31%

BUY NOW

Key Financials (Standalone)

Y/E Mar (Rs Cr)	Revenue (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	P/E (x)	EV/EBITDA (x)	P/BV (x)	RoE (x)	D/E (x)
2020	87,539	36,581	(38,187)	(74.4)	-	8.6	2.9	(47.8)	104.9
2021E	1,03,293	49,009	47,858	93.2	4.8	6.7	1.8	37.5	77.0
2022E	1,18,820	61,540	54,644	106.4	4.2	5.2	1.3	30.0	48.7
2023E	1,32,428	70,654	65,763	128.1	3.5	4.4	0.9	26.5	32.0

Source: Company, Axis Securities

Income Statement

(Rs Cr)

Y/E March	FY20	FY21E	FY22E	FY23E
Net sales	87,539	1,03,293	1,18,820	1,32,428
Growth, %	8	18	15	11
Total income	87,539	1,03,293	1,18,820	1,32,428
Raw material expenses	-10,740	-9,281	-7,560	-8,196
Employee expenses	-3,807	-4,562	-4,870	-5,266
Other Operating expenses	-49,503	-52,899	-56,036	-60,428
EBITDA (Core)	36,581	49,009	61,540	70,654
Growth, %	41.7	34.0	25.6	14.8
Margin, %	41.8	47.4	51.8	53.4
Depreciation	-27,690	-29,335	-27,910	-26,110
EBIT	8,892	19,674	33,631	44,544
Growth, %	98.9	121.3	70.9	32.4
Margin, %	10.2	19.0	28.3	33.6
Interest paid	-13,205	-13,965	-12,160	-9,863
Other Non-Operating Income	288	1,176	1,046	1,038
Non-recurring Items	-40,362	-42	0	0
Pre-tax profit	-43,734	7,029	22,595	35,775
Tax provided	7,238	-6,516	-7,908	-12,521
Profit after tax	-36,496	514	14,687	23,254
Others (Minorities, Associates)	-1,691	47,302	39,957	42,510
Net Profit	-38,187	47,816	54,644	65,763
Growth, %	1,539.0	(225.3)	14.2	20.3
Net Profit (adjusted)	(38,187)	47,858	54,644	65,763
Unadj. shares (bn)	513.4	513.4	513.4	513.4
Wtd avg shares (bn)	513.4	513.4	513.4	513.4

Source: Company, Axis Research

Balance Sheet

(Rs Cr)

Y/E March	FY20	FY21E	FY22E	FY23E
Cash & bank	31,688	26,256	28,347	30,905
Marketable securities at cost	0	0	0	0
Debtors	0	0	0	0
Inventory	0	0	0	0
Loans & advances	0	0	0	0
Other current assets	46,983	39,561	39,781	40,009
Total current assets	78,671	65,817	68,128	70,914
Investments	0	0	0	0
Gross fixed assets	2,43,219	2,37,899	2,36,109	2,34,457
Less: Depreciation	0	0	0	0
Add: Capital WIP	0	0	0	0
Net fixed assets	2,43,219	2,37,899	2,36,109	2,34,457
Non-current assets	38,889	36,820	37,373	37,933
Total assets	3,63,497	3,84,159	3,92,190	4,09,982
Current liabilities	1,31,488	1,09,865	1,08,222	1,06,979
Provisions	0	0	0	0
Total current liabilities	1,31,488	1,09,865	1,08,222	1,06,979
Non-current liabilities	1,27,162	1,42,389	1,37,375	1,33,156
Total liabilities	2,58,650	2,52,253	2,45,597	2,40,135
Paid-up capital	2,567	2,567	2,567	2,567
Reserves & surplus	77,296	1,25,112	1,79,757	2,45,520
Shareholders' equity	1,04,848	1,31,906	1,46,593	1,69,846
Total equity & liabilities	3,63,497	3,84,159	3,92,190	4,09,982

Source: Company, Axis Research

Cash Flow (Rs Cr)

Y/E March	FY20	FY21E	FY22E	FY23E
Pre-tax profit	-43,734	7,029	22,595	35,775
Depreciation	27,690	29,335	27,910	26,110
Chg in working capital	-41,068	14,727	1,141	1,405
Total tax paid	7,796	-6,345	-7,508	-12,034
Other operating activities	0	0	0	0
Cash flow from operating activities	-51,997	45,488	44,115	51,232
Capital expenditure	-30,201	-24,016	-26,120	-24,457
Chg in investments	0	0	0	0
Chg in marketable securities	-26,806	7,422	-220	-228
Other investing activities	28,523	-2,603	-6,560	-12,647
Cash flow from investing activities	-1,026	-26,432	-32,602	-37,048
Free cash flow	-53,023	19,056	11,514	14,184
Equity raised/(repaid)	46,628	0	0	0
Debt raised/(repaid)	28,202	9,078	-7,305	-6,877
Dividend (incl. tax)	0	0	0	0
Other financing activities	0	0	0	0
Cash flow from financing activities	84,597	35,622	-7,305	-6,877
Net chg in cash	31,574	54,678	4,209	7,308
Opening cash balance	14,923	31,688	26,256	28,347
Closing cash balance	31,688	26,256	28,347	30,905

Source: Company, Axis Research

Ratio Analysis (%)

Y/E March	FY20	FY21E	FY22E	FY23E
Per Share data				
EPS (INR)	-74.4	93.2	106.4	128.1
Growth, %	1,176.20	-225.3	14.2	20.3
Book NAV/share (INR)	155.6	248.7	355.1	483.2
FDEPS (INR)	-74.4	93.2	106.4	128.1
CEPS (INR)	-20.4	150.4	160.8	179
CFPS (INR)		39.8	81.6	96.3
DPS (INR)	-	-	-	-
Return ratios				
Return on assets (%)	-9	2.5	6.4	8.4
Return on equity (%)	-47.8	37.5	30	26.5
Return on capital employed (%)	-13.8	3.5	7.8	9.8
Turnover ratios				
Asset turnover (x)	0.6	0.7	0.8	0.9
Sales/Total assets (x)	0.3	0.3	0.3	0.4
Sales/Net FA (x)	0.4	0.4	0.5	0.6
Working capital/Sales (x)	-1	-0.7	-0.6	-0.5
Fixed capital/Sales (x)	2.7	2.2	1.9	1.7
Working capital days	-352.3	-248.4	-210.2	-184.6
Liquidity ratios				
Current ratio (x)	0.6	0.6	0.6	0.7
Quick ratio (x)	0.6	0.6	0.6	0.7
Interest cover (x)	0.7	1.4	2.8	4.5
Total debt/Equity (%)	144.6	97.5	64.3	44.5
Net debt/Equity (%)	104.9	77	48.7	32

Source: Company, Axis Research

RELAXO FOOTWEAR LTD

Relaxo, a footwear manufacturing company is headquartered in New Delhi. The company's products include rubber/EVA slippers, canvas shoes, sport shoes, sandals, school shoes and leather footwear (negligible presence). It has a market share of ~5% in the footwear market. Relaxo has prominent presence in mass and value category products with higher presence in Tier II, III & IV cities and limited presence in Metro and Tier I cities.

Key Rationale

- **Mass and value proposition the core:** ~70% of Relaxo's revenues are from mass and value footwear category with large presence in Tier II, III & IV cities. Owing to lockdown demand for casual and open footwear remained higher thus largely cushioning the impact on revenues in H1FY21. But with South and West regions being hardest hit in terms of COVID cases and strict lockdowns in these geographies, demand for its closed footwear got impacted (relatively higher contribution to regional sales). However, with easing of lockdown restriction, demand for open footwear would aid a recovery in volumes for the company led by 1) better traction in demand for closed footwear especially from South and West and 2) strong winter season in North and East regions, leading to improvement in margins going ahead.
- **Healthy return ratios and balance sheet:** Relaxo has maintained healthy operating cash flows, asset turns (~3x) and EBITDA Margins over the years making it a capital efficient business. In H1FY21, earnings of the company were negatively impacted on account of COVID-19 led slowdown that led to revenue and profitability decline. However, we believe, strong balance sheet and efficient working capital would help Relaxo sail through the current situation comfortably. We expect the company to be a key beneficiary of market share gains in current times as the unorganized players mainly dominant in mass and value category find it challenging to conduct business amid rising RM prices and in turn their inability to pass on RM price rise and liquidity constraints.
- **Further Capex to drive growth:** Despite slowdown company is moving forward with its capex plan of adding additional capacity of one lakh pairs per day at its Bhiwadi plant with estimated capex of Rs. 90 cr owing to the strong demand seen for Flite PU and Sparx brands.

CMP
800

Target Price
925

Upside
16%

BUY NOW

Key Financials (Consolidated)

Y/E Mar (Rs Cr)	Revenue (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	P/E (x)	EV/EBITDA (x)	RoE (%)	RoCE (%)
2020	2,410	409	227	9.1	68.6	38.1	18	22
2021E	2,327	410	202	8.2	98.7	48.6	14	18
2022E	3,038	544	303	12.2	65.9	36.4	18	23
2023E	3,694	680	402	16.2	49.7	28.8	20	25

Source: Company, Axis Securities

Income Statement (Rs Cr)

Y/E March	FY20	FY21E	FY22E	FY23E
Net sales	2,410	2,327	3,038	3,694
Total income	2,410	2,327	3,038	3,694
Cost of goods sold	1,039	1,012	1,306	1,577
Contribution (%)	43.1%	43.5%	43.0%	42.7%
Advt/Sales/Distrn O/H	962	905	1188	1437
Operating Profit	409	410	544	680
Other income	9	8	10	12
PBIDT	418	418	554	692
Depreciation	109	129	132	138
Interest & Fin Chg.	17	18	17	17
E/o income / (Expense)	0	0	0	0
Pre-tax profit	292	270	405	537
Tax provision	65	68	102	135
(-) Minority Interests	0	0	0	0
Associates	0	0	0	0
Adjusted PAT	227	202	303	402
Reported PAT	227	202	303	402

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E March	FY20	FY21E	FY22E	FY23E
Share Capital	25	25	25	25
Reserves & Surplus	1,248	1,420	1,659	1,997
Net Worth	1,273	1,445	1,684	2,022
Deferred Tax Liability	25	25	25	25
Other Long Term Liability	131	140	150	155
Capital Employed	1,428	1,610	1,859	2,202
Net Block	751	737	720	703
Other Non Current Assets	300	299	319	321
Sundry Debtors	172	236	266	324
Cash & Bank Balance	4	104	244	421
Inventory	448	517	563	684
Other Current Assets	166	150	250	350
Total Current Assets	790	1,007	1,323	1,779
CurrLiab& Prov	413	434	503	601
Net Current Assets	377	574	820	1,178
Total Assets	1,428	1,610	1,859	2,202

Source: Company, Axis Research

Cash Flow

(Rs Cr)

Y/E March	FY20	FY21E	FY22E	FY23E
PBT	292	270	405	537
Depreciation & Amortization	109	129	132	138
Net Finance Interest and other expenses	17	10	7	5
Chg in Working cap	-20	-92	-121	-183
Direct tax paid	-84	-68	-102	-135
Cash flow from operations	315	249	321	361
Chg in Gross Block	-116	-98	-100	-104
Cash flow from investing	-116	-98	-100	-104
Proceeds / (Repayment) of ST& LT Borrowings (Net)	-120	-	-	-
Finance Cost paid	-17			-17
Dividends paid		-18	-17	
Cash flow from financing	-64	-30	-64	-64
Chg in cash	-201	-48	-81	-81
Cash at end	-2	103	140	176

Source: Company, Axis Research

Ratio Analysis

(%)

Y/E March	FY20	FY21E	FY22E	FY23E
Net Sales	5.2	-3.5	30.5	21.6
EBITDA	26.2	0.1	32.8	25
APAT	29.3	-10.8	49.9	32.5
Per Share Data (Rs.)				
Adj. EPS	9.1	8.2	12.2	16.2
BVPS	51	58	68	82
Profitability (%)				
EBITDA Margin	17	17.6	17.9	18.4
Adj. PAT Margin	9.4	8.7	10	10.9
ROCE	21.6	17.9	22.7	25.1
ROE	17.8	14	18	19.9
Valuations (X)				
PER	69	99	66	50
P/BV	12	14	12	10
EV / EBITDA	38	49	36	29
EV / Net Sales	6.5	8.6	6.5	5.3
Turnover Days				
Asset Turnover	3.1	3.1	4.2	5.2
Inventory days	68	81	68	68
Debtors days	26	37	32	32
Creditors days	34	36	36	34
Working Capital Days	60	82	64	66

Source: Company, Axis Research

AMBER ENTERPRISES

Amber Enterprises Ltd.(AEL) is a leading solution provider for Air conditioner OEM/ODM Industry in India. It caters to 9 out of top 10 AC brands AC brands in India which together have 75%+ market share in India. Amber also manufactures AC/NON AC components in its endeavour to be a total solutions provider for the RAC industry in India.

Key Rationale

- **Most backward integrated player in India and strategic plant locations:** AEL caters to 49% of client requirement for outdoor units, 78% for Indoor units and 60% for Window AC's (WAC's). Its plants are strategically located in proximity to customer's facilities ensuring prompt response to clients and saving on logistics costs, a significant advantage for Amber over its competitors and also an entry barrier.
- **Strong traction in RAC demand:** Post easing of lockdown conditions, there has been a recovery in demand for RAC's. Further, the government measures to ban ACs with refrigerants have led to increased traction for Amber and the company is in talks with 3-4 prospective clients to cater to this need for gas filling solutions by its clients. Amber being a one stop solutions provider is prepared to cater to growing requirements from its existing and new customers for gas filling and supply of components in our view. Moreover, in the immediate term the strong traction is seen as brands prepare for the upcoming season.
- **Increased localisation to aid business:** Amber being a one stop solutions provider is likely to benefit as more companies set up domestic manufacturing/ sourcing locally, as it is equipped to meet the components supplies as well as fully built units.
- **Commercial AC segment foray:** Amber has developed Commercial AC models and the production of the same is expected to start by Q4FY21/ Q1FY22. The foray is in tandem with it's strategy to expand its product range in HVAC segment and further diversify its operations.
- **Planned capex to augur well with PLI on the cards:** In October, Amber announced its plans to set up greenfield plants in Pune & South India, for AC's and components. The government is likely to expand the PLI scheme for AC and components on the lines of the mobile PLI scheme and an announcement to that effect is expected in a couple of months as indicated by the management. With the existing structure and planned capex, Amber is well positioned to quickly scale up its operations and capture the opportunity under any PLI scheme announced by the government, as currently a large proportion of AC components and ACs are being imported.

CMP
2378

Target Price
2800

Upside
18%

BUY NOW

Key Financials (Consolidated)

Y/E Dec (Rs Cr)	Revenue (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	P/E (x)	EV/EBITDA (x)	RoE (%)	RoCE (%)
FY20	3,963	317	164	52.2	45.9	23.6	15.4	17.3
FY21E	2,999	216	64	18.9	125.7	37.4	5.5	8.1
FY22E	4,659	387	181	53.7	44.4	21.0	14.1	17.3
FY23E	6,020	533	286	84.9	28.1	14.9	19.0	22.6

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E Mar	FY20	FY21E	FY22E	FY23E
Net sales	3,963	2,999	4,659	6,020
Other operating inc.	8.2	24.5	15.7	17.9
Total income	3,971	3,024	4,674	6,038
Cost of goods sold	3,654	2,808	4,287	5,505
Contribution (%)	7.8%	6.4%	8.0%	8.6%
Advt/Sales/Distrn O/H	0.0	0.0	0.0	0.0
Operating Profit	317	216	387	533
Other income	0	0	0	0
PBIDT	317	216	387	533
Depreciation	85	95	108	114
Interest & Fin Chg.	42	40	38	37
E/o income / (Expense)	0	0	0	0
Pre-tax profit	27	17	61	96
Tax provision	164	64	181	286
(-) Minority Interests	0	0	0	0
Associates	0	0	0	0
Other Compr. Inc	(0.9)	0.1	0.0	0.0
Adjusted PAT	163	64	181	286
Reported PAT	163	64	181	286

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E Mar	FY20	FY21E	FY22E	FY23E
Total assets	1,637.7	1,708.2	1,893.3	2,202.3
Net Block	1,105.8	1,220.2	1,334.9	1,333.0
CWIP	5.5	20.0	22.5	10.0
Investments	45.2	45.2	45.2	45.2
Wkg. cap. (excl cash)	360.9	323.8	453.1	573.5
Cash / Bank balance	120.3	99.0	37.6	240.5
Misc. Assets	0.0	0.0	0.0	0.0
Capital employed	1,637.7	1,708.2	1,893.3	2,202.3
Equity capital	31.4	33.7	33.7	33.7
Reserves	1,097.0	1,155.2	1,329.8	1,608.4
Pref. Share Capital	0.0	0.0	0.0	0.0
Minority Interests	34.8	34.8	34.8	34.8
Long Term Debt	404.8	404.8	404.8	429.8
Def tax Liabilities	69.7	79.7	90.3	95.6

Source: Company, Axis Research

Cash Flow		(Rs Cr)			
Y/E Mar	FY20	FY21E	FY22E	FY23E	
Sources	318.9	165.7	292.9	398.4	
Cash profit	290.8	199.1	326.5	437.3	
(-) Dividends	12.1	5.5	6.3	7.3	
Retained earnings	278.7	193.6	320.2	430.0	
Issue of equity	0.0	2.2	0.0	0.0	
Change in Oth. Reserves	15.8	0.0	0.0	0.0	
Borrowings	(4.5)	0.0	0.0	0.0	
Others	28.9	(30.2)	(27.3)	(31.6)	
Applications	318.9	165.7	292.9	398.4	
Capital expenditure	369.2	224.1	225.0	100.0	
Investments	(15.2)	0.0	0.0	0.0	
Net current assets	(121.4)	(37.2)	129.3	95.4	
Change in cash	86.3	(21.3)	(61.4)	202.9	

Source: Company, Axis Research

Ratio Analysis		(%)			
Key Ratios	FY20	FY21E	FY22E	FY23E	
Sales growth	44.0	(24.3)	55.3	29.2	
OPM	8.0	7.1	8.3	8.8	
Oper. profit growth	42.5	(32.0)	79.5	37.7	
COGS / Net sales	92.2	93.6	92.0	91.4	
Overheads/Net sales	0.0	0.0	0.0	0.0	
Depreciation / G. block	5.8	5.7	5.7	5.7	
Effective interest rate	15.1	12.5	11.8	11.1	
Net wkg.cap / Net sales	0.09	0.11	0.08	0.08	
Net sales / Gr block (x)	2.7	1.8	2.5	3.0	
RoCE	17.3	8.1	17.3	22.6	
Debt / equity (x)	0.28	0.27	0.24	0.21	
Effective tax rate	13.9	20.7	25.1	25.1	
RoE	15.4	5.5	14.1	19.0	
Payout ratio (Div/NP)	7.4	8.6	3.5	2.5	
EPS (Rs.)	52.2	18.9	53.7	84.9	
EPS Growth	73.2	(63.8)	183.8	58.1	
CEPS (Rs.)	78.9	47.2	85.7	118.8	
DPS (Rs.)	3.2	1.5	1.9	1.9	

Source: Company, Axis Research

UJJIVAN SMALL FINANCE BANK LTD

Ujjivan SFB (UJSFB) is a diversified SFB which transitioned from a NBFC in Feb'17. The bank primarily caters to the low and middle-income individuals and businesses in the metro and urban areas that have limited or no access to formal banking and finance channels.

Key Rationale

- **Diversified portfolio:** UJSFB's efforts to de-risk the portfolio and move away from MFI towards the SME and Affordable housing space and other newly introduced products such as vehicle and gold finance offers the bank ample headroom to grow. We expect the book to grow at 23% CAGR over FY20-23E driven by a strong growth of 44% CAGR in non-microfinance segments, albeit on a smaller base.
- **Multiple levers to stabilize NIMs:** The strong traction in deposits and recent encouraging trends in both CASA and retail deposits will help in lowering CoF. The less competitive Tier 2 and 3 cities, where the bank aims to build a sustainable deposit base would help in bringing CoF down. Thus the drop in CoF would partially offset the yield compression, aiding NIMs. With macros normalizing and credit growth picking up, excess liquidity held by the bank would be done away with, thus easing pressures on NIMs.
- **Improving asset quality post COVID-19:** UJSFB's razor sharp focus on maintaining asset quality has been visible even as a NBFC. We believe, the bank will be able to successfully sail through the asset quality stress in the near term with the help of multiple and flexible repayment options offered by the bank to improve the collection efficiency. Though, a spike in the GNPA's in the near term on the back of COVID-19 related headwinds would be visible, GNPA's would normalize over the medium term.
- **ROA expansion visible:** With a large part of opex incurred to transition to a bank now behind, a downtrend in the opex/assets will be visible. Though ROA will remain subdued in FY21E on the back of higher COVID-19 related provision, visible improvement is expected FY22E onwards as opex and credit costs moderate.
- **Outlook:** We believe that the fast-paced diversification from a micro financier to a small finance bank and the recent ramp up in the liability franchise after a slow start augur well for the bank. We arrive at a target price of Rs. 47, valuing UJSFB at 1.9x FY23E P/ABV basis on the back of visibility of ROE expansion over the long term, efficient risk management framework, visibility of long runway for growth and a competent management team.
- **Key Risks:** Compliance with RBI guidelines on minimum promoter shareholding remains a major overhang. Higher exposure to the informal sector could trigger higher NPAs in case of any disruptive event.

CMP
40

Target Price
47

Upside
18%

BUY NOW

Key Financials (Standalone)

Y/E March	NII (Rs. Cr)	PPOP (Rs. Cr)	PAT (Rs. Cr)	EPS (Rs.)	ABV (Rs.)	P/ABV (x)	ROAA (%)	NNPA (%)
2020	1,634	637	350	2.0	17.0	2.2	2.2%	0.2%
2021E	1,963	874	334	1.9	18.7	2.0	1.7%	0.4%
2022E	2,248	936	430	2.5	21.1	1.8	1.8%	0.4%
2023E	2,720	1,144	598	3.5	24.6	1.6	2.0%	0.3%

Source: Company, Axis Securities

Profit & Loss (Rs Cr)				
Y/E Mar	FY20	FY21E	FY22E	FY23E
Interest Income	2,704	3,159	3,644	4,481
Interest Expense	1,070	1,196	1,396	1,761
Net Interest Income	1,634	1,963	2,248	2,720
<i>Change</i>	<i>48%</i>	<i>20%</i>	<i>15%</i>	<i>21%</i>
Other Income	322	267	361	466
Total Income	1,956	2,229	2,609	3,186
<i>Change</i>	<i>49%</i>	<i>14%</i>	<i>17%</i>	<i>22%</i>
Employee Expenses	718	815	983	1184
Other Operating Expenses	600	540	690	859
Total Operating Expenses	1,319	1,355	1,673	2,042
<i>Change</i>	<i>31%</i>	<i>3%</i>	<i>23%</i>	<i>22%</i>
Pre Provisioning Profit	637	874	936	1,144
Provisions	171	428	361	345
<i>Change</i>	<i>321%</i>	<i>150%</i>	<i>-16%</i>	<i>-5%</i>
Profit before Tax	466	446	574	799
Tax	116	112	145	201
Profit After Tax	350	334	430	598

Source: Company, Axis Research

Balance Sheet (Rs Cr)				
Y/E Mar	FY20	FY21E	FY22E	FY23E
SOURCES OF FUNDS				
Share Capital	1,728	1,728	1,728	1,728
Reserves	1,238	1,572	2,001	2,599
Shareholder's Funds	2,966	3,300	3,730	4,328
ESOP	21	21	21	21
Preference Share Capital	200	200	200	200
Deposits	10,780	12,852	17,766	23,935
Borrowings	3,953	4,453	3,853	3,603
Other Liabilities & Provisions	490	540	690	805
Total Liabilities	18,411	21,367	26,260	32,952
APPLICATION OF FUNDS				
Cash & Bank Balance	1,343	1,332	1,259	1,595
Investments	2,396	3,602	4,269	5,272
Advances	14,044	15,724	19,974	25,287
Fixed and Other Assets	628	708	758	798
Total Assets	18,411	21,367	26,260	32,952

Source: Company, Axis Research

Ratio Analysis				(%)
Y/E Mar	FY20	FY21E	FY22E	FY23E
EPS	2.0	1.9	2.5	3.5
Earnings Growth	46%	-5%	29%	39%
Adj. BVPS	17.0	18.7	21.1	24.6
ROAA (%)	2.2%	1.7%	1.8%	2.0%
ROAE (%)	15.3%	10.7%	12.2%	14.8%
PROFITABILITY (%)				
Yield on Loans	20.0	18.8	18.1	17.8
Yield on Tot Assets	18.0	17.0	16.3	16.1
Cost of Borrowings	8.2	7.5	7.2	7.2
Spread	9.8	9.5	9.1	8.8
Net Interest Margin	10.6	10.2	9.7	9.4
OPERATING EFFICIENCY (%)				
Cost-Assets Ratio	8.2	6.8	7.0	6.9
Cost-Income Ratio	67.4	60.8	64.1	64.1
CAPITAL ADEQUACY (%)				
CRAR	28.8	28.0	25.5	23.4
Tier I	28.0	27.2	24.7	22.6

Source: Company, Axis Research

Ratio Analysis				(%)
Key Ratios	FY20	FY21E	FY22E	FY23E
BALANCE SHEET RATIOS (%)				
Loan Growth	33.1	12.0	27.0	26.6
Deposit Growth	46.1	19.2	38.2	34.7
C/D Ratio	77	82	89	95
CASA Ratio	13.5	17.3	18.1	19.0
ASSET QUALITY				
Gross NPA (Rs. Cr)	137	336	301	304
Net NPA (Rs. Cr)	27	65	77	78
GNPA (%)	1.0%	2.1%	1.5%	1.2%
NNPA (%)	0.2%	0.4%	0.4%	0.3%
PCR (%)	80%	81%	74%	74%
Provision/Avg. Loan (%)	1.4%	2.9%	2.0%	1.5%
ROE TREE (%)				
Net Interest Income	10.2	9.9	9.4	9.2
Non-Interest Income	2.0	1.3	1.5	1.6
Opex	8.2	6.8	7.0	6.9
Provisions	1.1	2.2	1.5	1.2
Tax	0.7	0.6	0.6	0.7
ROA	2.2	1.7	1.8	2.0
Leverage (x)	7.0x	6.3x	6.8x	7.3x
ROE	15.3	10.7	12.2	14.8

Source: Company, Axis Research

STAR CEMENT LTD

SCL was Incorporated in 2001, is the largest cement manufacturer in North-East India on the back of strategically located plants, easy availability of raw materials and superior brand recall. The Company's distribution network is spread across 10 states in Eastern India. The Company invested in a strong retail network comprising more than 2,100 dealers and 9,000 retailers.

Key Rationale

- **Capacity expansion to drive volume and revenue growth for the company:** SCL is in the process of expanding its present grinding capacity from 4.3 mntpa to 6.3 mntpa. The unit will get operational in Q4FY21. The 2 million tonne per annum (mntpa) grinding capacity is coming at Siliguri, West Bengal in the East India which will help the company to spread its wings in the growing market of East India which currently forms 25% of its total revenue. With the expansion in the capacity, we expect the company to report healthy volume growth at a CAGR of 15% over FY20A to FY23E.
- **Strong market presence in its key market of North East & growing in East India:** SCL is the largest cement producer in North- East India with estimated market share of 23% in FY20. The North-East region contributes 75% of total revenue with strong brand visibility which enables the company to enjoy premium pricing in the region. Since Eastern India has the lowest per capita consumption of cement in India, the sustainable increase in demand on the back of housing and infra activities augurs well for the company. We expect the company to improve its EBITDA margins from 20.6% in FY20A to 23.9% in FY23E.
- **Healthy financials to support future growth:** The company exhibits a healthy financial position with very low debt, high interest coverage ratio and strong return ratios. The capex for the ongoing capacity expansion has been met out of the internal accruals of the company. Further the company has sufficient liquidity to meet any incremental capex going forward. We believe that capital structure of the company will remain healthy from medium to long term perspective.

CMP
102

Target Price
115

Upside
13%

BUY NOW

Key Financials (Consolidated)

Y/E Mar (Rs Cr)	Revenue (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	FDEPS (Rs)	P/E (x)	EV/EBITDA (x)	RoE (%)	D/E (x)
2020	1,844	395	286	7	10	6.4	15	0.01
2021E	1645	339	236	6	12	9.6	12	0.00
2022E	2447	561	411	10	7	5.5	18	0.00
2023E	2869	672	443	11	6	4.2	17	0.00

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E Mar	FY20	FY21E	FY22E	FY23E
Net sales	1844	1645	2447	2869
Other operating income	0	0	0	0
Total income	1844	1645	2447	2869
Raw Material	402	390	574	672
Power & Fuel	362	303	449	521
Freight & Forwarding	353	313	463	547
Employee benefit expenses	127	123	148	162
Other Expenses	205	177	253	283
EBITDA	395	339	561	685
Other income	29	28	42	58
PBIDT	424	367	603	743
Depreciation	93	93	133	142
Interest & Fin Chg.	9	7	6	5
E/o income / (Expense)	0	0	0	0
Pre-tax profit	322	267	464	596
Tax provision	34	28	49	149
RPAT	287	239	414	447
Minority Interests	-1.8	-3.5	-3.5	-3.5
Associates	0	0	0	0
APAT after EO item	286	236	411	443

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E Mar	FY20	FY21E	FY22E	FY23E
Total assets	2358	2557	2972	3400
Net Block	934	907	993	1081
CWIP	238	38	18	18
Investments	0	0	0	0
Wkg. cap. (excl cash)	283	254	377	441
Cash / Bank balance	282	533	692	941
Misc. Assets	62	83	89	92
Capital employed	2358	2557	2972	3400
Equity capital	41	41	41	41
Reserves	1816	2014	2387	2792
Minority Interests	70	70	70	70
Borrowings	11	2	2	2
Def tax Liabilities	0	0	0	0
Other Liabilities and Provision	42	43	47	49

Source: Company, Axis Research

Ratio Analysis	(%)			
Y/E Mar	FY20	FY21E	FY22E	FY23E
Profit before tax	322	267	464	596
Depreciation	92	93	133	142
Interest Expenses	9	7	6	5
Non-operating/ EO item	-27	-27	-35	-47
Change in W/C	138	35	-127	-69
Income Tax	-51	-28	-49	-149
Operating Cash Flow	483	347	392	478
Capital Expenditure	-227	-266	-240	-230
Investments	0	0	0	0
Others	92	-182	-170	-187
Investing Cash Flow	-136	-448	-411	-416
Borrowings	-40	-9	0	0
Interest Expenses	-10	-7	-6	-5
Dividend paid	-50	-41	-41	-41
Others	-102	0	0	0
Financing Cash Flow	-201	-57	-48	-46
Change in Cash	146	-158	-66	15
Opening Cash	95	241	83	17
Closing Cash	241	83	17	32

Source: Company, Axis Research

Ratio Analysis	(%)			
Key Ratios	FY20	FY21E	FY22E	FY23E
Operational Ratios				
Sales growth	1%	-11%	49%	17%
OPM	21.4%	20.6%	22.9%	23.9%
Op. profit growth	-12%	-14%	66%	22%
COGS / Net sales	61%	61%	61%	61%
Overheads/Net sales	18%	18%	16%	16%
Depreciation / G. block	8%	7%	8%	8%
Efficiency Ratios				
Total Asset turnover (x)	0.78	0.64	0.82	0.84
Sales/Gross block (x)	1.59	1.15	1.47	1.51
Sales/Net block(x)	1.98	1.82	2.47	2.66
Working capital/Sales (x)	0.26	0.27	0.23	0.22
Valuation Ratios				
P/BV (x)	1.46	1.31	1.12	0.96
EV/Ebitda (x)	6.43	9.63	5.53	4.16
EV/Sales (x)	1.38	1.98	1.27	0.99
EV/Tonne \$ (x)	80	70	67	61
Return Ratios				
ROE	15	12	18	16
ROCE	17	13	19	21
ROIC	18	17	27	32
Leverage Ratios				
Debt / equity (x)	0.01	0.00	0.00	0.00
Net debt/ Equity (x)	-0.14	-0.25	-0.27	-0.32
Interest Coverage ratio (x)	35	40	78	120

Source: Company, Axis Research

SOLARA ACTIVE PHARMA SCIENCES LTD

Solara being a global pure-play API player having highest 80+ commercial APIs could be benefitted due to dual source qualification by global Pharma players and import substitution from China after Covid-19 outbreak. Solara has the highest gross margins ~57% in the industry that reflects the company has pricing power and value added products in the portfolio. Solara has filed 150+ DMs across the globe and adopted strategy of geographical expansion and new products launch every year to drive topline growth.

Key Rationale

- **India' APIs Industry, dual source qualification and import substitution a structural tailwind:** The Indian API market is estimated to be ~INR 798 bn, growing at 8.8% annually. Out of this market, INR 525 bn is domestic consumption and API exports are INR 273 bn. Further, India' API imports INR 249 bn from China has increased up to 68% of overall API import in last 8 years. We believe dual source qualification by global Pharma players and import substitution from China could generate a structural demand from Indian APIs manufacturers after a Covid-19 outbreak. Solara, being a pure-API player with 80+ molecules in the product basket is well placed to grab this opportunity. Further, GoI has launched the production-linked INR 100 bn incentive scheme for 53 products that could strengthen the domestic APIs manufacturing and less import from China.
- **Strong Product Portfolio:** Solara has strong product portfolio (80+ commercial APIs and 25+ APIs under development) that comprises high volume APIs like Ibuprofen, Gabapentin, and Ranitidine, low volume (niche) products like Oseltamivir, Sevelamer, Venlafaxine and Nizatidine. Solara has the highest gross margins ~57% in the industry that reflects the company has pricing power and value added products in the portfolio. The company's top 10 products accounted for 77% of revenue and new products accounted for 7% of overall revenue. We believe, Solara' API portfolio could deliver revenue CAGR of 19.0% over the period FY20-FY23E.
- Solara offers contract development and manufacturing services that accounts for 10% of total revenue pie.

CMP
1186

Target Price
1350

Upside
14%

BUY NOW

Key Financials (Consolidated)

Y/E Mar (Rs Cr)	Revenue (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	P/E (x)	EV/EBIDTA (x)	RoE (%)	D/E (x)
2020	1,322	259	115	42.6	27.7	14.3	2.9	0.5
2021E	1,636	362	158	44.0	26.8	12.4	3.0	0.3
2022E	1,894	411	196	54.6	21.6	10.8	2.6	0.2
2023E	2,331	499	270	75.0	15.7	8.5	14.6	0.1

Source: Company, Axis Securities

Profit & Loss

(Rs Cr)

Y/E Mar	FY20	FY21E	FY22E	FY23E
Net sales	1,322	1,636	1,894	2,331
Total income	0	0	0	0
	1,322	1,636	1,894	2,331
Cost of goods sold				
Contribution (%)	599	704	824	1,026
Advt/Sales/Distrn O/H	45.3%	43.0%	43.5%	44.0%
	463	571	659	807
Operating Profit				
Other income	259	362	411	499
	28	20	22	24
PBIDT				
Depreciation	287	382	433	523
Interest & Fin Chg.	94	106	129	138
E/o income / (Expense)	78	63	40	22
Pre-tax profit	0	0	0	0
Tax provision	115	213	264	362
(-) Minority Interests	0	54	67	92
Associates	0	0	0	0
Adjusted PAT	0	0	0	0
Reported PAT	115	158	196	270

Source: Company, Axis Research

Balance Sheet

(Rs Cr)

Y/E Mar	FY20	FY21E	FY22E	FY23E
Total assets	2,154	2,474	2,585	2,819
Net Block	849	863	984	946
CWIP	40	40	40	40
Investments	0	0	0	0
Wkg. cap. (excl cash)	-114	7	148	341
Cash / Bank balance	57	243	133	208
Misc. Assets	0	0	0	0
Capital employed	2,153	2,474	2,584	2,819
Equity capital	27	36	36	36
Reserves	1,063	1,396	1,573	1,816
Pref. Share Capital	0	0	0	0
Minority Interests	0	0	0	0
Borrowings	586	486	336	186
Def tax Liabilities	12	12	12	12

Source: Company, Axis Research

Ratio Analysis				(%)
Y/E Mar	FY20	FY21E	FY22E	FY23E
PBT	115	213	264	362
Add: depreciation	94	106	129	138
Add: Interest	78	63	40	22
Cash flow from operations	287	382	433	523
Change in working capital	96	51	26	67
Taxes	0	54	67	92
Miscellaneous expenses	0	0	0	0
Net cash from operations	190	276	340	364
Capital expenditure	-274	-110	-240	-90
Change in Investments	0	0	0	0
Net cash from investing	-274	-110	-240	-90
Increase/Decrease in debt	147	-100	-150	-150
Dividends	-16	-16	-20	-27
Proceedings from equity	1	199	-190	0
Interest	-78	-63	-40	-22
Others	9	0	190	0
Net cash from financing	63	20	-210	-199
Net Inc./(Dec.) in Cash	-20	186	-110	75
Opening cash balance	76	57	243	133
Closing cash balance	57	243	133	208

Source: Company, Axis Research

Ratio Analysis				(%)
Key Ratios	FY20	FY21E	FY22E	FY23E
Sales growth	(4.7)	23.8	15.8	23.1
OPM	19.6	22.1	21.7	21.4
Oper. profit growth	17.5	39.4	13.7	21.4
COGS / Net sales	45.3	43.0	43.5	44.0
Overheads/Net sales	35.1	34.9	34.8	34.6
Depreciation / G. block	9.3	9.3	9.3	9.3
Effective interest rate	0.3	25.5	25.5	25.5
Net wkg.cap / Net sales (%)	14.7	15.0	14.3	14.5
Net sales / Gr block (x)	1.3	1.4	1.4	1.6
RoCE	9.9	13.3	14.5	17.7
Debt / equity (x)	0.5	0.3	0.2	0.1
Effective tax rate	0.3	25.5	25.5	25.5
RoE	10.5	11.1	12.2	14.6
Payout ratio (Div/NP)	48.0	44.0	54.6	75.0
EPS (Rs.)	42.6	44.0	54.6	75.0
EPS Growth	92.8	38.3	24.0	37.4
CEPS (Rs.)	77.7	73.4	90.4	113.4
DPS (Rs.)	4.8	4.4	5.5	7.5

Source: Company, Axis Research

NOCIL LTD

NOCIL Ltd, part of Arvind Mafatlal Group of Industries, is the largest Rubber Chemicals (RC) manufacturer in India. It is a leader in domestic rubber chemicals market with ~40% share and ~5% global market share. It manufactures accelerators, antioxidants, pre-vulcanizing inhibitors and post vulcanising stabilizers. While accelerators and antioxidants each account for ~45% of revenues, other specialized products collectively account for ~10% of revenue.

Key Rationale

- **Well positioned in China+1 strategy of Tyre majors:** With rising preference and growing enquiries by tyre manufacturers to look for non-Chinese dependable suppliers, NOCIL is sweetly positioned as it could unlock significant growth opportunities for the company over the medium to long term. A testimony to this is an upgrade in NOCIL's status of being a global manufacturer from a regional one. Further NOCIL has the most diversified product basket offering 22 products under one roof thus edging over peers as a one-stop-shop for tyre majors.
- **Anti-Dumping Duty (ADD) levy to aid margin:** DGTR approved levy of ADD on imports on one of the anti-oxidants manufactured by NOCIL. Anti-oxidants contribute to ~45% of Revenue. Owing to the levy, we expect NOCILs EBITDA Margin to improve by at least 100-150bps thus leading to a healthy earnings growth.
- **Outlook:** We note there has been a significant improvement in the overall business from H2FY21 (aided by unlock driven improving demand in replacement tyres and OEMs), volumes and pricing are seeing an improving trend which is expected to improve significantly in FY22 on the back of new capacity commercialization, rising new product contribution and low base. Further, a positive outcome on ADD levy and a structural opportunity to play as a dependable non-Chinese player augurs well for NOCILs long term prospects. In valuation terms, stock is trading at ~10x FY23E EPS which is attractive in our view as we expect NOCIL to report 22%/23% CAGR in Revenue/PAT CAGR over FY20-23E

CMP
144

Target Price
176

Upside
22%

BUY NOW

Key Financials (Consolidated)

Y/E Mar (Rs Cr)	Revenue (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	FDEPS (Rs)	P/E (x)	EV/EBITDA (x)	RoE (%)	D/E (x)
FY20	846	178	131	7.9	18.2	13.3	8.8%	-
FY21E	873	167	102	6.1	23.4	14.3	8.0%	-
FY22E	1,116	256	166	10.0	14.3	9.2	11.9%	-
FY23E	1,523	358	244	14.7	9.7	6.5	15.3%	-

Source: Company, Axis Securities

Profit & Loss

(Rs Cr)

Y/E Mar	FY20	FY21E	FY22E	FY23E
Total Net Sales	846	873	1,116	1,523
% Change	-18.9%	3.2%	27.9%	36.4%
Total Raw material Consumption	388	419	514	697
Staff costs	77	74	84	114
Other Expenditure	203	213	263	353
Total Expenditure	668	706	861	1,165
EBITDA	178	167	256	358
% Change	-39.1%	-6.4%	53.3%	40.0%
EBITDA Margin %	21.1%	19.1%	22.9%	23.5%
Depreciation	33.7	40.6	46.1	49.6
EBIT	144	126	210	308
% Change	-46.2%	-12.7%	66.1%	47.1%
EBIT Margin %	17.1%	14.5%	18.8%	20.2%
Interest	1	1	1	1
Other Income	9	10	13	18
PBT	152	136	222	326
Tax	22	34	56	82
<i>Tax Rate %</i>	<i>14.2%</i>	<i>25.2%</i>	<i>25.2%</i>	<i>25.2%</i>
APAT	131	102	166	244
% Change	-29.3%	-22.2%	63.5%	46.6%

Source: Company, Axis Research

Balance Sheet

(Rs Cr)

Y/E Mar	FY20	FY21E	FY22E	FY23E
Share Capital	166	166	166	166
Reserves & Surplus	1,020	1,102	1,236	1,431
Net Worth	1,185	1,268	1,401	1,597
Total Loan funds	7	7	7	7
Deferred Tax Liability	93	93	93	93
Long Term Provisions	17	13	17	22
Capital Employed	1,302	1,381	1,517	1,719
Net Block	796	895	969	1,019
Investments	39	40	51	69
Sundry Debtors	203	225	281	375
Cash & Bank Bal	9	-5	43	49
Loans & Advances	0	0	0	0
Inventory	136	166	201	273
Other Current Assets	41	44	56	76
Total Current Assets	426	466	617	810
Curr Liab & Prov	141	152	187	249
Net Current Assets	285	315	431	561
Total Assets	1,302	1,382	1,517	1,719

Source: Company, Axis Research

Ratio Analysis				(%)
Y/E Mar	FY20	FY21E	FY22E	FY23E
PBT	152	136	222	326
Depreciation & Amortization	35	41	46	50
Chg in Working cap	52	-46	-77	-136
Direct tax paid	-51	-34	-56	-82
Cash flow from operations	181	97	136	158
Chg in Gross Block	-418	-90	-54	-103
Proceeds on redemption of Fin. Assets	0	0	0	0
Cash flow from investing	307	0	0	0
	-106	-90	-54	-103
Proceeds / (Repayment) of Short Term Borrowings (Net)				
Proceeds from issue of Equity Instruments of the company	0	0	0	0
Finance Cost paid	0	-1	-1	-1
Dividends paid	-98	-20	-33	-49
Cash flow from financing	-101	-21	-34	-49
Chg in cash	-27	-14	48	6
Cash at start	37	9	-5	43
Cash at end	11	-5	43	49

Source: Company, Axis Research

Ratio Analysis				(%)
Key Ratios	FY20	FY21E	FY22E	FY23E
Growth (%)				
Net Sales	-18.9%	3.2%	27.9%	36.4%
EBITDA	-39.1%	-6.4%	53.3%	40.0%
APAT	-29.3%	-22.2%	63.5%	46.6%
Per Share Data (Rs.)				
Adj. EPS	7.9	6.1	10.0	14.7
BVPS	71.6	76.6	84.6	96.4
DPS	2.5	1.2	2.0	2.9
Profitability (%)				
EBITDA Margin	21.1%	19.1%	22.9%	23.5%
Adj. PAT Margin	12.3%	11.7%	14.9%	16.0%
ROCE	11.1%	9.1%	13.8%	17.9%
ROE	8.8%	8.0%	11.9%	15.3%
Valuations (X)				
PER	18.2	23.4	14.3	9.7
P/BV	2.0	1.9	1.7	1.5
EV / EBITDA	13.3	14.3	9.2	6.5
Turnover Days				
Inventory days	0.9	0.8	0.9	1.1
Debtors days	144.5	131.9	130.7	124.1
Creditors days	93.9	89.5	82.8	78.7
Working Capital Days	88.4	83.0	79.9	76.4
Gearing Ratio				
Total Debt to Equity (x)	0.0	0.0	0.0	0.0

Source: Company, Axis Research

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