
TOP PICKS

April 2021



New Fiscal; New Hope!

Axis top picks have delivered a solid 63% return since introduction in May 2020, beating NIFTY 50 by a significant margin. The fiscal year ended on a strong note for the equity markets with all the sectors delivering positive returns. Metals and IT registered the strongest gains while FMCG grew the slowest. Autos and Realty also delivered solid returns during the fiscal. The pharmaceuticals sector registered solid returns during the peak of the pandemic but lost steam in the last few months. While FY21 was very strong aided by cheap valuations and a low base but March was a mixed bag. The high beta sectors like BFSI saw profit booking while defensives like FMCG and Pharma registered some gains. Nonetheless, the market structure continues to remain positive. As we embark on the new fiscal, the focus is clearly on earnings growth and sustenance of demand momentum. Even as some areas are seeing the waning of demand momentum because of the fulfilment of pent up demand but the structural trends are still positive. There also challenges emerging on account of a sharp rise in input costs which will impact the earnings across sectors where commodities such as metals are key input costs but new areas of growth like improving fixed capital formation are emerging. The structure has is a significant long term positive as the capacity creation phase delivers solid returns.

We have made key changes to our top picks with the addition of SBI, Equitas SFB, ACC, Camlin Fine Science, and Minda Corp while we book profits in NOCIL, Manappuram, Endurance, Canfin Homes, and JK Lakshmi Cement. Our December NIFTY target remains unchanged at 17,200. Our key ideas are as follows:

Broad-based returns in FY21: In FY21, NIFTY delivered 78% returns which was higher than most of the emerging markets. India was one of the top-performing equity markets in the world even beating the highly coveted NASDAQ tech index. However, the year started on a very sombre note with the imposition of lockdown and major concerns for the banking sector. As the year progressed and quarterly results were declared, it was observed that India Inc managed the crisis much better than expectations. Losses were mitigated better than expectations and as the economy started opening up, the demand scenario was much better than expectations. The IT sector reported a very strong momentum of deal wins through the year.

The momentum got stronger through the entire year and the sector was clearly the second-best performing sector after the metals sector. We believe that IT will continue to deliver good returns in FY22 also as tail winds for the sector continue to be robust. The metals and mining sector also saw a sharp increase in commodity prices and Steel was one of the best-performing commodities in FY21. Even as IT and Metals were the top-performing sectors, all the other sectors delivered solid double-digit returns. The NIFTY midcap 100 and NIFTY small cap 250 more than doubled beating the large cap NIFTY 50 by a significant margin indicating the broad-based returns of FY21. The market returns in 2018 and 2019 were quite narrow with the top 10 stocks dominating the market.

Focus on Q4 earnings and the commentary for FY22: Post Q3 earnings, the NIFTY 50 index saw solid earnings upgrades but margin challenges have emerged recently. Q4 will be benefited from a low base but margins will be critical. IT and Metals will report one of the best earnings trends but it is quickly getting factored into the prices. Earnings for mid and small caps will be closely watched as they will set the tone for FY22. The auto sector will be another critical sector as margin trends have been weak for the sector bellwether Maruti and Hero could also face similar challenges with further impact on account of inventory issues. BFSI will still hold the key but the trends from large private banks like ICICI continue to remain very strong. Overall, Q4 should be a continued improvement on Q3 but operating performance will be very closely watched.

Mid cap, Small cap, and Large Cap Value will be key themes for FY22: Mid and Small caps have outperformed the large caps by a significant margin in FY21 but we believe that this trend is likely to sustain in FY22 as well as earnings growth is expected to be very strong for the broader market. Generally, during periods of higher earnings growth, mid and small caps register strong earnings growth and outperform the large caps. Value as a theme outperformed quality, growth and momentum by a very large margin and this trend is also likely to sustain as broader economic recovery aids such investment styles.

Maintain December NIFTY target 17,200: Earnings growth for the entire decade from 2010-2020 was quite sluggish with an earnings CAGR of ~7%(doubling in 10 years). However, the current expectations build for earnings doubling in the next 4 years translating to an earnings CAGR of ~18% which is quite significant.

Based on the above themes we recommend the following stocks:

ICICI Bank, SBI, Equitas SFB, Federal Bank, Bharti Airtel, HCL Tech, Tech Mahindra, Varun Beverages, RelaxoFootwears, Amber Enterprises, Camlin Fine Science, Minda Industres, Steel Strip Wheels. Lupin& ACC

Axis Securities Top Picks

Company Name	Sector	Stock price	Target Price	Upside (%)	12 Month Fwd PE	12 Month Fwd P/BV	Dividend Yield	TR 1M%	TR 3M%	TR 6M%	TR YTD%
ICICI BANK LTD	Financials	582	720	24%	25.5	2.8	NA	-2.6	8.8	64.1	8.8
STATE BANK OF INDIA	Financials	364	477	31%	14.2	1.3	NA	-6.6	32.5	96.5	32.5
FEDERAL BANK LTD	Financials	76	93	23%	11.5	1.0	NA	-9.3	13.6	56.0	13.6
EQUITAS SMALL FINANCE	Financials	60	72	20%	20.1	2.1	NA	28.6	59.8	NA	59.8
VARUN BEVERAGES LTD	Consumer Staples	1003	1230	23%	38.9	6.9	0.2	-3.8	9.5	43.6	9.5
RELAXO FOOTWEARS LTD	Consumer Discretionary	882	1013	15%	90.2	14.9	NA	3.2	8.9	32.3	8.9
CAMLIN FINE SCIENCES	Materials	140	165	18%	27.1	3.2	NA	3.8	14.2	21.8	14.2
AMBER ENTERPRISES INDIA	Consumer Discretionary	3316	3658	10%	129.4	7.4	0.0	2.6	40.9	62.7	40.9
MINDA CORP LTD	Consumer Discretionary	101	121	20%	30.9	2.2	0.6	-2.4	12.6	38.0	12.6
STEEL STRIPS WHEELS LTD	Consumer Discretionary	703	877	25%	NA	NA	NA	11.1	39.1	59.5	39.1
LUPIN LTD	Health Care	1020	1225	20%	42.5	3.5	0.6	0.2	4.5	1.3	4.5
TECH MAHINDRA LTD	Information Technology	991	1116	13%	19.0	3.6	1.0	7.9	1.9	27.6	1.9
BHARTI AIRTEL LTD	Communication Services	517	676	31%	NA	4.5	0.4	-7.0	1.5	22.9	1.5
HCL TECHNOLOGIES LTD	Information Technology	983	1088	11%	20.1	4.4	1.2	8.0	4.3	22.1	4.3
ACC LTD	Materials	1903	2100	10%	21.4	2.6	0.7	10.6	18.5	37.6	18.5

Source: Company, Axis Securities

Sector Outlook

Sector	Current View	Outlook
Automobiles	Overweight	The Indian automobile sector has seen significant improvement in demand and most categories are seeing good traction. CV cycle will continue to be under pressure for some more time but policy changes could help. Two-wheelers and entry-level passenger vehicles in urban markets see revival as a preference for personal mode of travel is seeing an upsurge. Rural demand is likely to be better than urban demand, and tractors are expected to perform better than most segments.
Banking and Financial services	Overweight	The BFSI sector has under-performed the broader market in 2020 by a significant margin owing to issues of the moratorium and the stress in the system. However, both Q2FY21 and Q3FY21 operating and financial performance across the banking sector was better-than-expected. The focus of banks has shifted to growth and as the macroeconomic cycle improves, banks being leveraged play will see stronger earnings growth. Taking the budget and operating performance into consideration, we upgrade BFSI to overweight.
Capital Goods	Equal Weight	Q3FY21 was helped by a rise in the Gross Fixed Capital Formation. The government's Capex cycle continues to be robust and house registrations have continued to remain robust in the metro cities. It is only a matter of time that the private Capex cycle will pick up which will aid the capital goods sector. We upgrade our stance on the capital goods sector to Equal Weight from Underweight stance.
Cement	Equal weight	The cement sector has had pricing power and it has managed to withstand tough times better. We maintain our outlook to equal-weight as we see better pricing scenario evolving. Demand scenario is also picking up in quite a few regions which have been a positive surprise. Overall, we find the cement sector has been able to cope better than expected. Hence, we upgrade our outlook.

Sector Outlook (Cont'd)

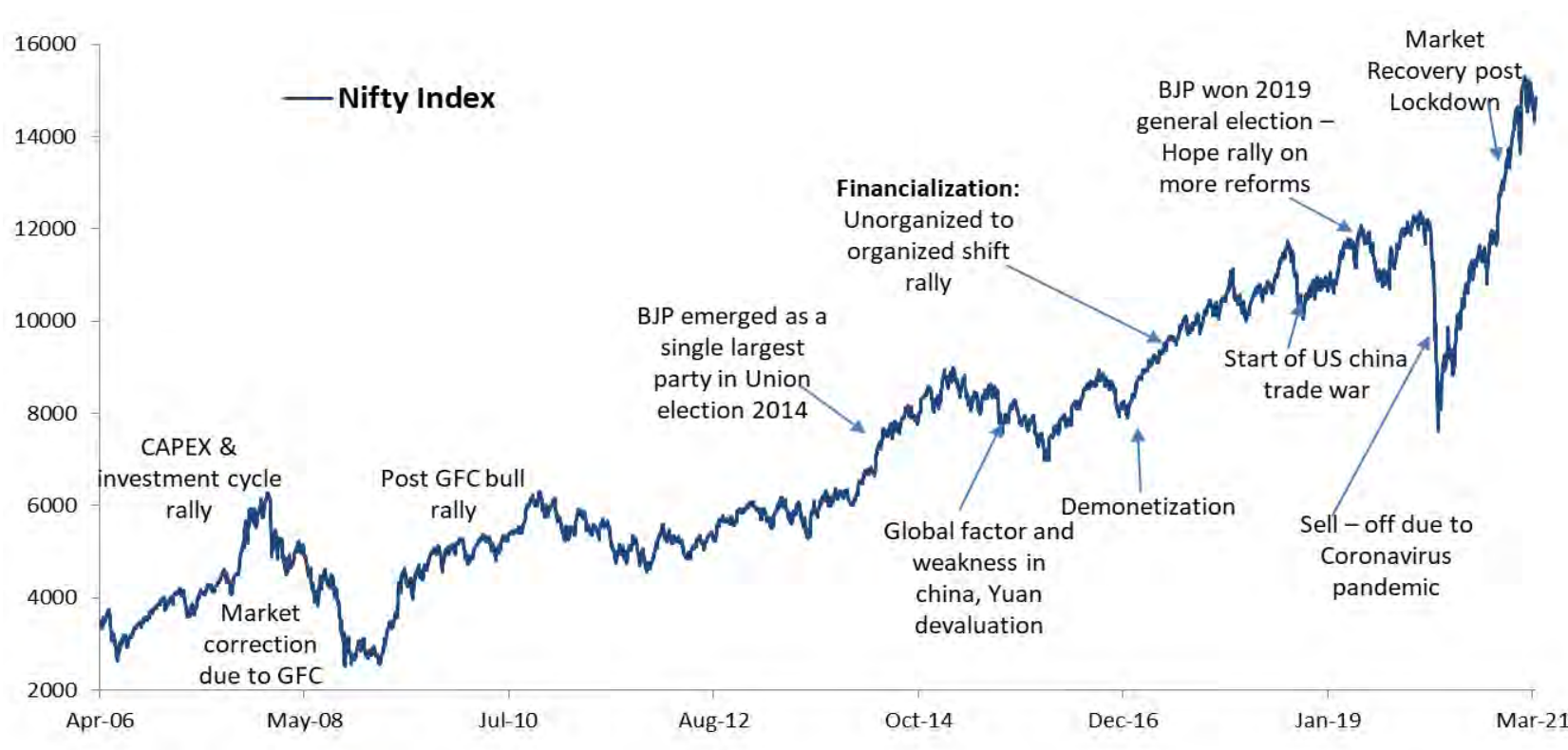
Sector	Current View	Outlook
Consumer staples	Equal weight	The consumer staples sector has seen good demand recovery with Dabur, Marico and Asian paints beating expectations for Q3FY21. While the sector has strong earnings visibility and best in class return ratios, the expensiveness versus other sectors limits the upside as earnings visibility will improve across the board. We maintain the FMCG sector to Equal Weight.
Consumer Discretionary	Overweight	The consumer discretionary space is seeing strong revival and many categories are coming back. All formats of discretionary consumption are seeing improved QoQ traction. This likely to improve further with traction in vaccination. We upgrade Consumer discretionary to Overweight.
Information Technology	Overweight	Q3FY21 earnings for the sector are likely to be robust and further earnings upgrades cannot be ruled out. The sector is in a re-rating cycle and this trend is likely to persist over the medium term. The information technology space is marked by companies with a strong balance sheet and play on the current trend of digitization. Even at current levels, the IT sector valuations are reasonable. Thus, we recommend an overweight stance on the sector.
Metals and Mining	Equal Weight	The metals and mining sector has seen a significant pricing uptrend as Chinese data has improved and weakening the dollar. This trend is likely to persist in the medium term and metal stocks are likely to perform well. We upgrade the sector to equal weight.
Oil and Gas	Underweight	The Oil and Gas sector has its own set of challenges because of lower GRMs and demand scenario. While the OMCs have seen solid marketing margins but the sustainability remains questionable. We recommend an underweight stance on the sector.

Sector Outlook (Cont'd)

Sector	Current View	Outlook
Pharmaceuticals	Equal Weight	The Q3FY21 results were a mixed bag with a not-so-encouraging performance from the US business. Margins were strong but a significant portion is factored into the market prices. Significant improvement in operating metrics is needed for further re-rating. We see risks to this and downgrade sector stance to Equal Weight from our earlier overweight position.
Real Estate	Equal weight	The real estate sector is seeing record registrations in the metro cities. Demand has picked up as real estate prices are low and interest rates are very attractive. The real estate sector is likely to see more traction in 2021. We upgrade real estate to an equal weight stance.
Specialty Chemicals	Overweight	The specialty chemicals sector of India has been one of the sunrise sectors of India. India has been gaining global market share in the space because of India's capabilities in space and supply chain realignment from China to India. We believe that Indian companies could gain ground further as companies would want to reduce dependence on China after the COVID19 pandemic and shift their supply chains. Apart from the long-term theme of the shift in the supply chain, the manufacturing of many specialty chemicals is part of essentials and the facilities have started opening up. The decline in raw materials prices could also help the margins and reduce working capital needs, however, input costs are a pass-through for most companies and benefits could be limited. Overall the specialty chemicals industry is likely to continue to perform well in the medium term. We recommend an overweight stance on the sector.
Telecom	Overweight	Telecom has become the most critical sector during the current challenging times to keep the businesses up and running. Even before the COVID19 outbreak, the sector was seeing an improved pricing environment. The industry is highly consolidated with two strong and one weak player in the wireless space. We recommend an overweight stance for the sector.

Nifty events update: Volatile month

The Indian Equity market has bounced back by 100% to 15,315 from the bottom after a major sell-off seen in the month of March, however, the market has corrected by 4% from the top on account of weaker global cues of rising bond yields on the anticipation of higher inflation. Overall a volatile month, in which market went up by 4% till 10th March while corrected by 3% since then. **The nifty index rallied by more than 78% in FY21, while Mid & small-cap rallied more than 100% during the same time.** Apart from rising yields, investor sentiments dampened due to the rising number of corona cases domestically and globally. The market may face some challenges in short term, but from April month onwards with the Q4 earnings season, the market uptrend is likely to resume. Till that time Q4 earnings season unfold, global cues likely to weigh higher in the market.



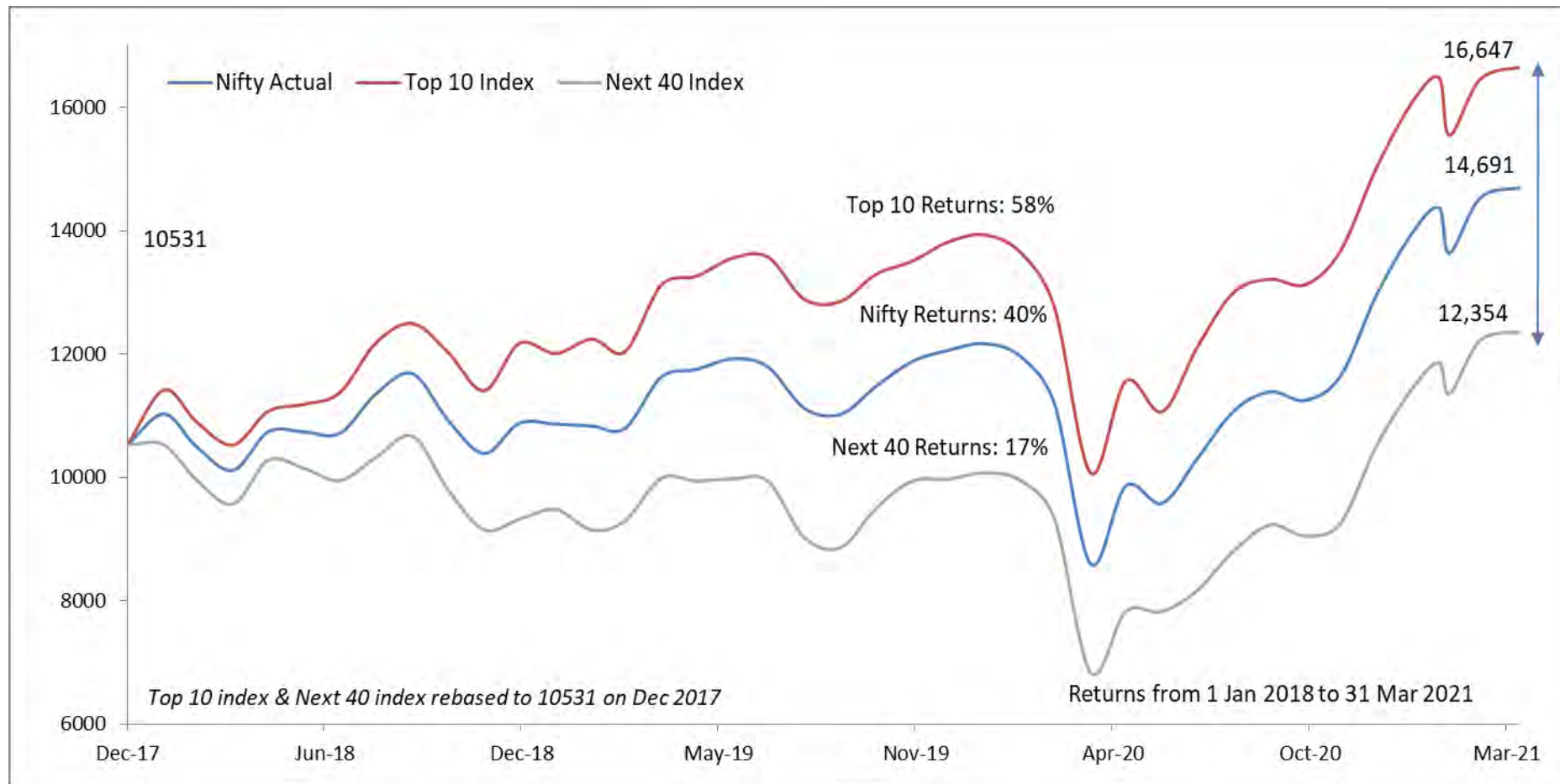
Lifetime high:
15,314 on 15th Feb

Volatile month:
Market up by 4% till 10th March while corrected by 3% since then

Source: Bloomberg, Axis Securities

Top 10 stocks domination dwindling in the market

Since Dec 2017, Nifty has delivered a return of 40%. Out of which, the top 10 stocks by free-float market cap have delivered a stellar return of 58% while the remaining 40 stocks had delivered only 17%. This divergence has started narrowing in recent months, based on the top 10 stocks the adjusted Nifty value works out to 16,647 while the remaining 40 would lead NIFTY to just 12,354. This indicates Nifty is better valued beyond the top 10 names. Long term risk rewards are better in the next 40 names vs. the top 10.

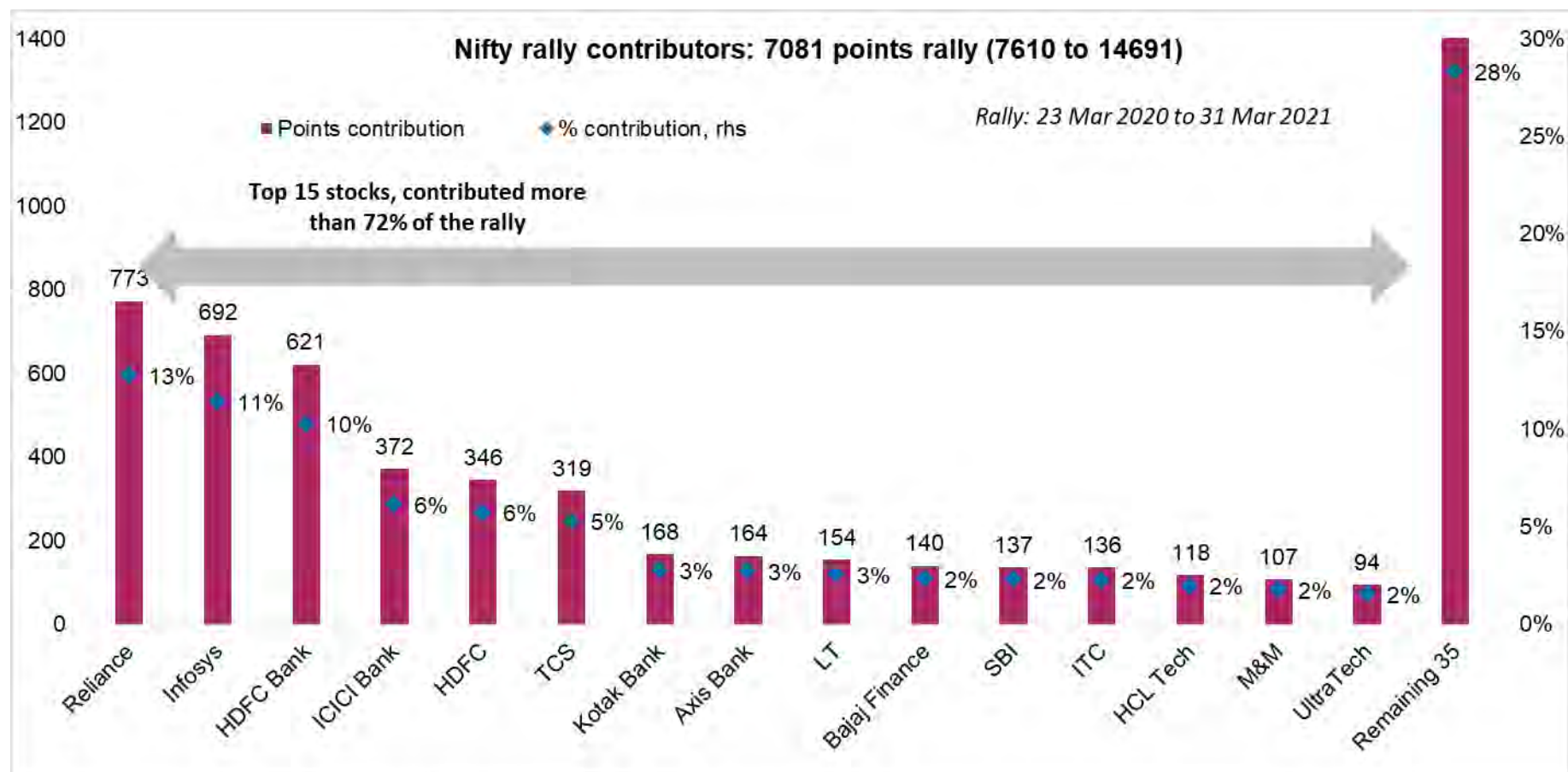


Source: Bloomberg, NSE, Axis Securities, Data till 31 Mar 2021

Rally since 23rd March: Dominance of Reliance has reduced significantly

The nifty index rallied +7081 points (From 7610 to 14,691) after making a bottom on 23rd Mar 2020. In this massive rally, the top 15 stocks have contributed more than 72% to the rally while the remaining 35 stocks have contributed only 28%. During the same time, 46% of the rally is driven by 5 Names: Reliance, HDFC Bank, Infosys, ICICI, and HDFC Ltd.

Reliance contribution to the rally has reduced significantly to 13% vs 28% which was the case four months back.

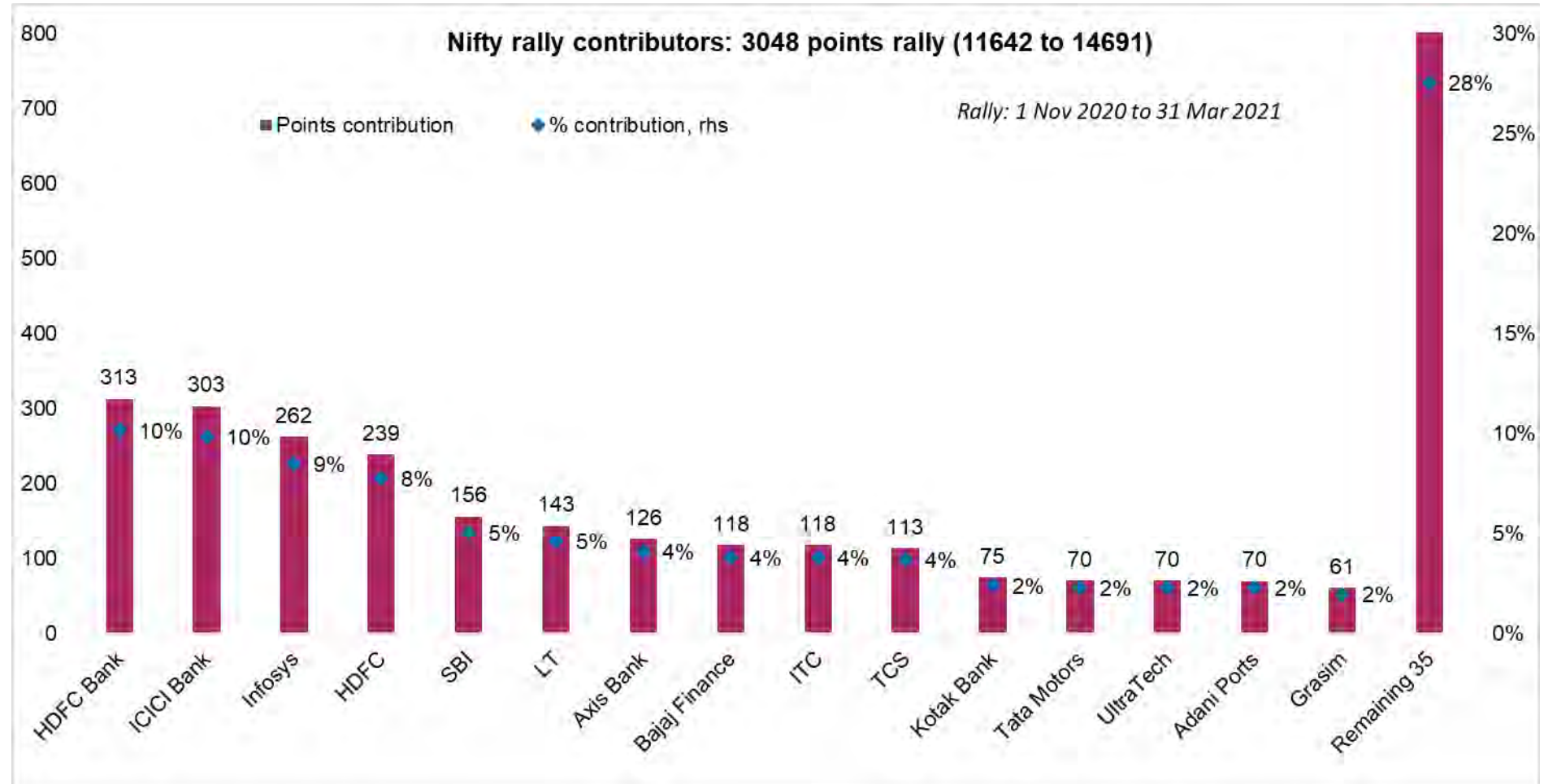


Source: Bloomberg, Axis Securities

Rally since 1st Nov 2020

(3048+ point rally), dominated by BFSI stocks

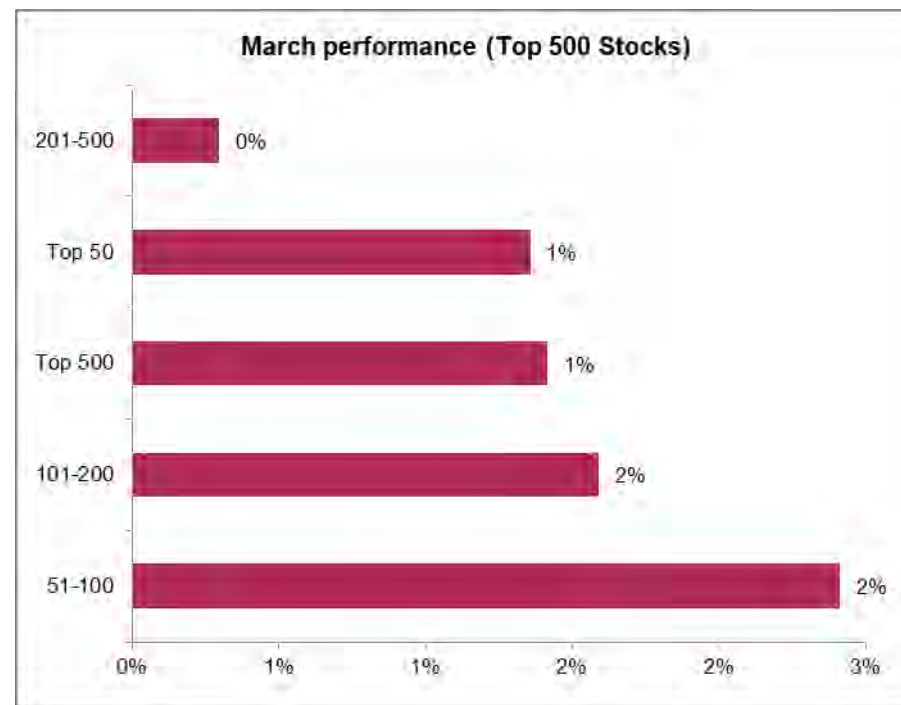
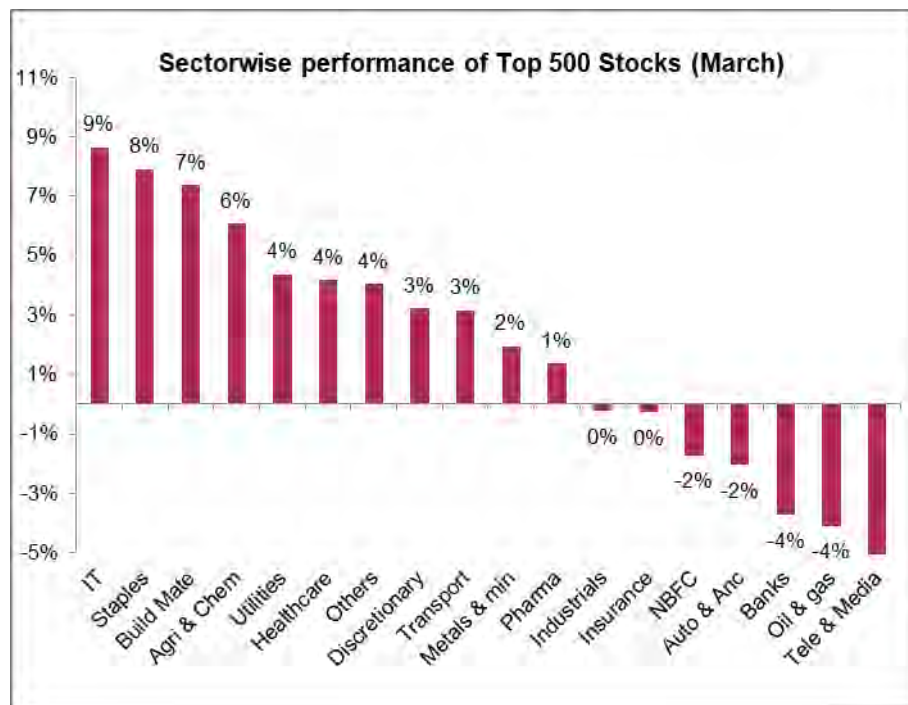
The nifty index rallied +3048 points (From 11642 to 14691) since 1st Nov 2020. In this massive rally, the contribution of the Top 6 stocks is more than 46%. In the top 15, 7 stocks are from the BFSI sector.



Source: Bloomberg, Axis Securities

What happened in March – A volatile month, high beta suffered

Overall a volatile month, in which market went up by 4% till 10th March while corrected by 3% since then. Rising bond yields in anticipation of higher inflation have changed the market mood to a cautious zone. Apart from rising yields, sentiments dampened due to the rising number of corona cases domestically and globally. Mid-caps (Ranking from 101-200) companies performed better than Top 50 companies in a volatile trade during the month while small caps (201-500) closed on a flat note. **Panic was seen in high beta sectors like BFSI, Telecom, Oil & Gas, Auto while buying continued in IT, Staples, and building material sectors.**



Source: Bloomberg, Axis Securities

Top 500 stock performance

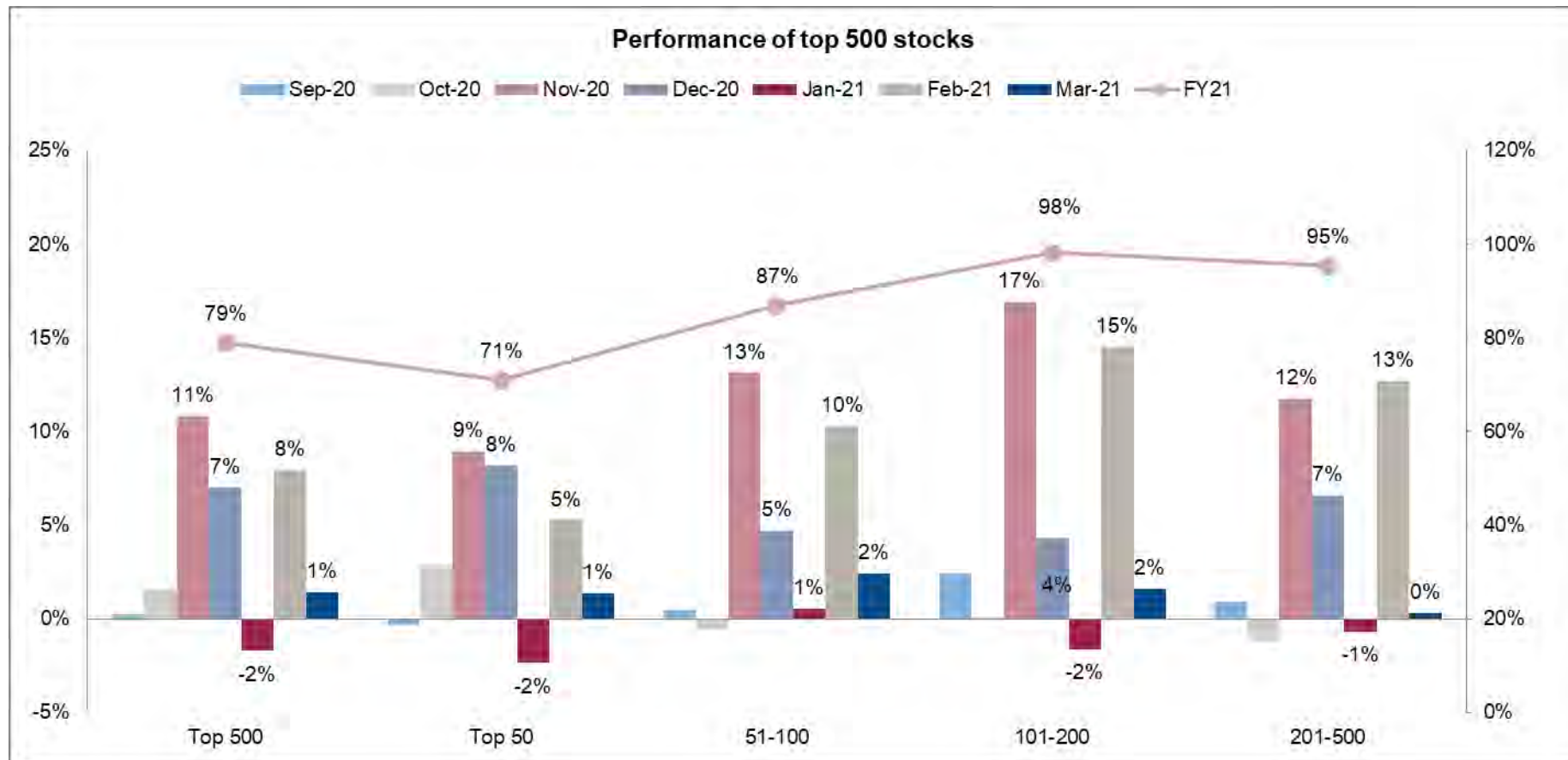
The market cap of top 500 stocks has risen by 94% to 189 trillion on 31st March vs 97.4 trillion on 23rd March last year. 10 out of 18 sectors have rallied by more than 100% in the last one year since march low. Overall market cap of top 500 stocks has been increased by 2% only in the month of march on account of higher volatility. **In last one year sharp recovery seen in Utilities, Metals, building materials, IT, health care & Auto while moderate recovery seen in staples & telecom sector.**

	No of companies	Sectoral market cap of Top 500 stocks in Trillion as of										Chg since 23rd March
		Dec-19	31-01-2021	20th Feb	Mar-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	
Banks	35	24.9	23.9	23.7	13.8	19.4	23.6	24.8	24.0	27.7	26.6	93%
IT	23	16.6	16.7	17.2	12.1	21.6	22.1	24.4	25.5	24.4	26.5	118%
Oil & gas	15	16.0	14.9	15.3	9.4	17.7	17.8	18.6	17.2	19.5	18.8	100%
NBFC	49	14.2	14.3	15.2	8.2	11.1	14.1	15.1	14.4	16.0	15.8	94%
Staples	27	13.8	14.1	14.4	11.1	13.6	14.3	15.3	14.8	14.3	15.5	40%
Discretionary	49	9.8	10.2	11.0	7.3	10.0	10.8	12.5	11.9	12.4	12.9	76%
Auto & Anc	36	9.4	9.3	9.0	5.5	9.0	10.2	10.6	11.2	11.8	11.6	111%
Pharma	35	6.7	6.9	7.2	5.6	9.2	9.7	10.4	9.8	9.6	9.7	74%
Industrials	47	6.2	6.4	6.1	3.8	5.1	6.0	6.7	7.0	8.1	8.1	115%
Build Mate	33	5.6	6.1	6.0	3.8	5.6	6.2	6.6	6.7	7.7	8.3	117%
Metals & min	20	5.6	5.2	5.2	3.1	4.5	5.5	6.2	6.0	7.3	7.4	142%
Tele & Media	18	4.0	4.4	4.6	3.1	4.1	4.5	4.3	4.5	4.6	4.3	36%
Insurance	6	4.2	4.2	4.0	2.2	3.5	3.9	4.1	4.0	4.2	4.2	86%
Utilities	12	4.0	3.9	3.9	2.7	4.3	5.2	5.3	5.1	6.1	6.4	135%
Others	45	3.2	3.5	3.6	2.1	3.6	4.1	4.5	4.5	5.3	5.5	160%
Agri & Chem	30	3.2	3.4	3.5	2.3	3.6	3.7	4.0	3.9	4.2	4.5	95%
Transport	12	1.2	1.2	1.2	0.7	1.0	1.2	1.3	1.2	1.4	1.4	101%
Healthcare	8	0.7	0.8	0.8	0.6	1.0	1.1	1.2	1.2	1.2	1.3	129%
Total	500	149.1	149.6	151.9	97.4	148.0	163.9	175.9	172.9	185.7	188.7	94%

Source: Bloomberg, Axis Securities

Performance of top 500 stocks: Broader rally since November

Broad-based market performance was seen in the month of March despite higher volatility which signifies overall risk appetite is intact towards mid & small stocks. **Stocks ranking from 101-200 rallied by 2% in March, and 98% in the last one year which is superior to the large-cap performance.** Small and midcaps are picking up steam and they should deliver solid returns in 2021 as economic uncertainties will reduce and volatility will decline.



Source: Bloomberg, Axis Securities

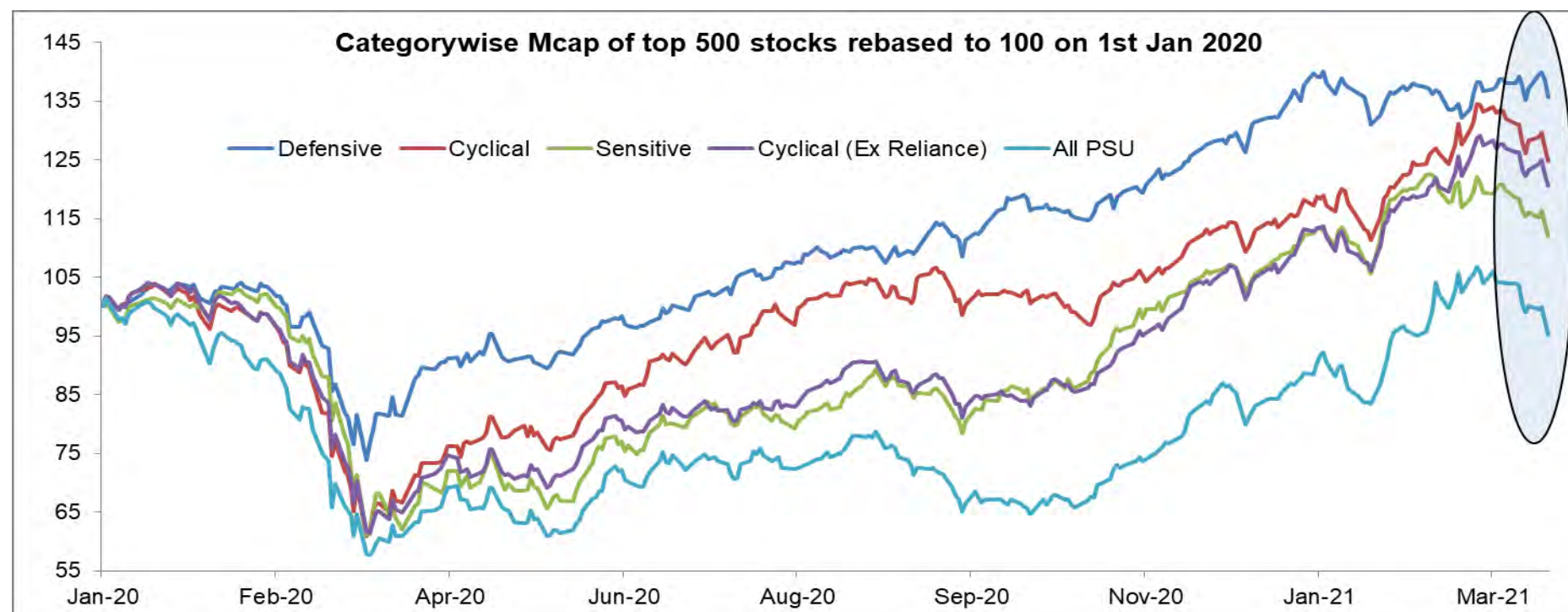
Sector rotation: Cyclical have gained more traction after the budget

During the initial phase of this bull market rally till October 2020, the entire market narrative was positioned towards defensive plays with IT and Pharma stocks outperforming the market. Since November, recovery was seen in BFSI, Auto, Metals, Cyclical (Ex Reliance). The budget has given a further boost to cyclical & rate-sensitive stocks which are now outperforming the defensive plays. However, some high beta names corrected in the last one month on account of higher volatility. **PSU stocks which were laggards till October have also started outperforming the market since November and had touched to pre covid level post-budget. However, some of the high beta PSUs have been corrected in the last few weeks on account of higher volatility.**

Defensive: IT, Staples, Pharma, Healthcare, Utilities, Insurance

Cyclical: Oil & Gas, Industrials, Metals, Building Materials, Agri& Chemicals, Transport

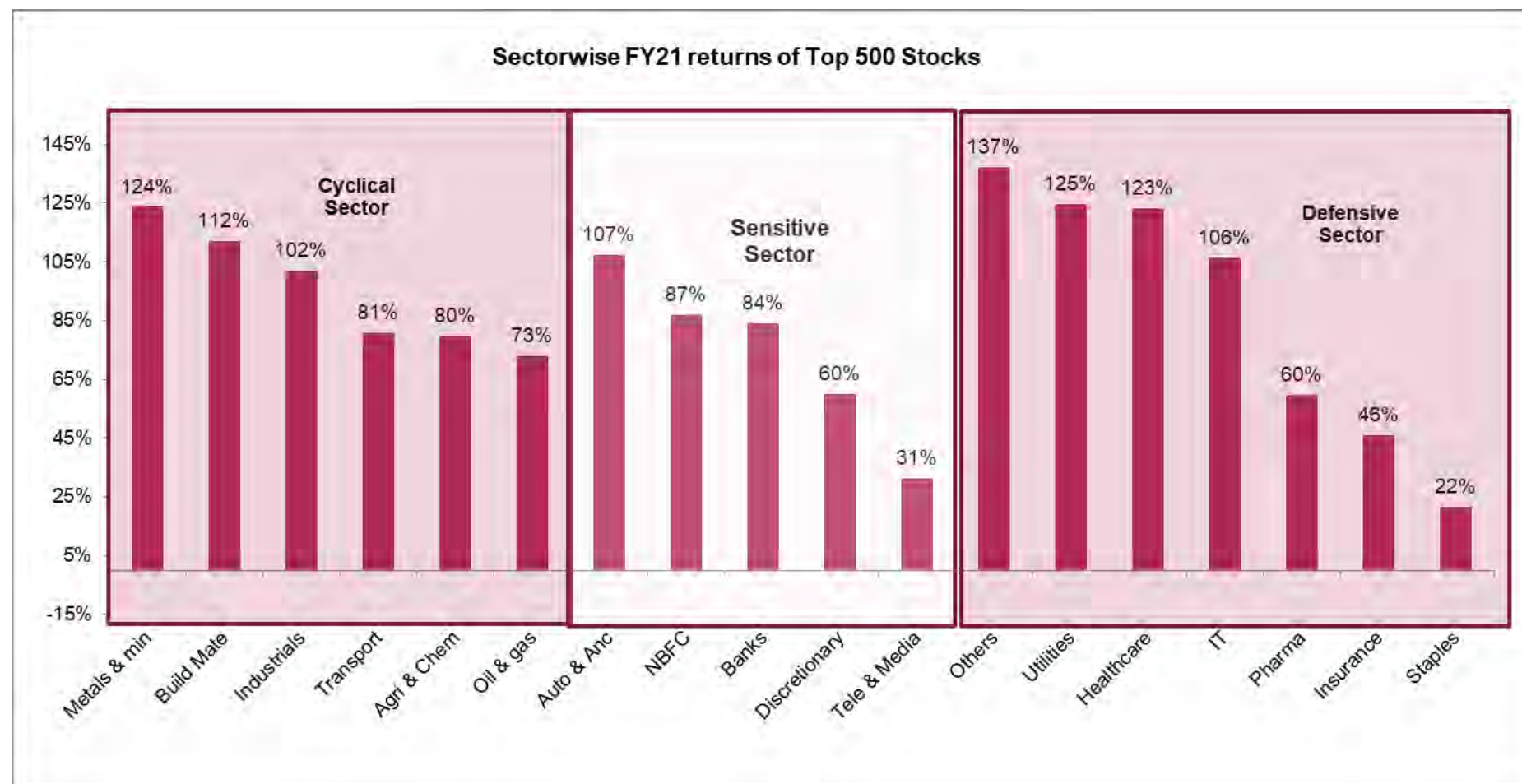
Sensitive: Banks, NBFC, Discretionary, Auto, Telecom



Source: Bloomberg, Axis Securities

Sector rotation: Cyclical & Sensitive sectors are playing a catch-up rally

All the sectors closed on a positive note in FY21 with defensive sectors outperformed the cyclical and rate-sensitive sectors. In the last one year defensive sectors recovered faster than other themes, Utilities up by 125%, Healthcare by 123%, IT by 106%. However Cyclical and rate-sensitive sectors have started outperforming the market and playing a catch-up rally, especially after the budget.



Source: Bloomberg, Axis Securities

What happened in last one year (23rd March to 23rd March)

250 companies out of the top 500 companies have recovered by 100%, 153 companies have been recovered between 50-100% while the returns of almost 100 companies are below 50%. In oil & gas, only one company has recovered by more than 100% while the majority is below 100%. 50% of the PSU stocks in the top 500 also got doubled in the last one year.

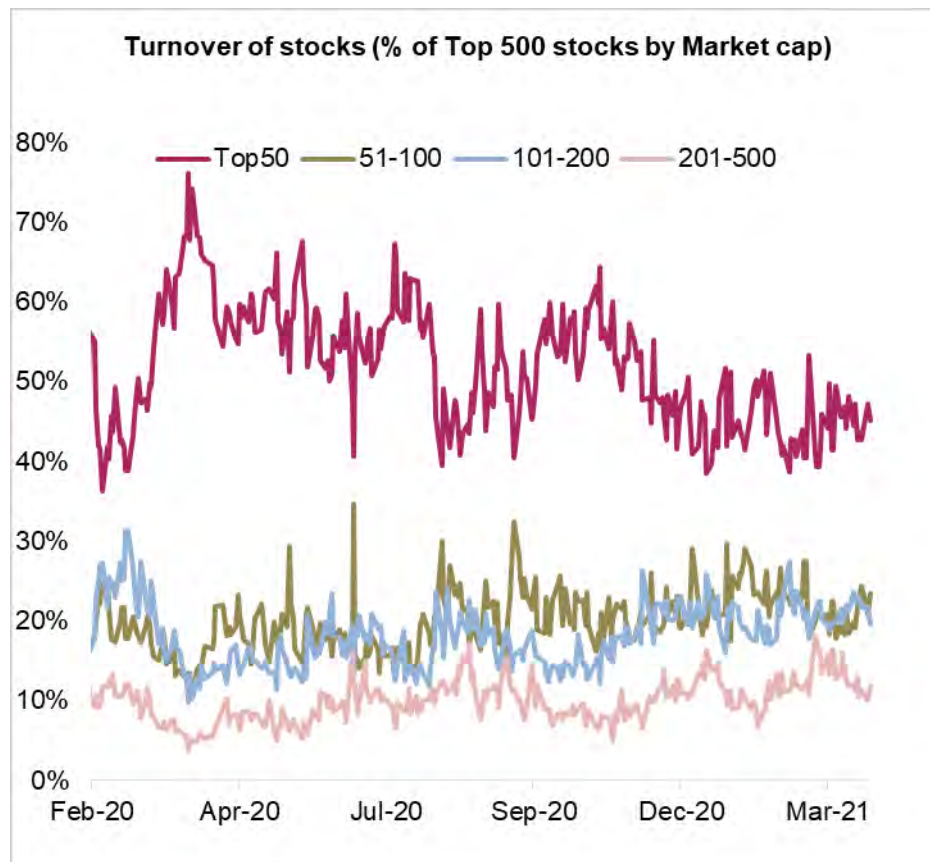
Showcasing no of stocks for different price returns from 23rd march to 23rd March for top 500 companies						
Sector	No of Stocks	>100%	>50%<100%	>25%<50%	>0%<25%	Negative
Agri & Chem	35	19	10	6	0	0
Auto & Anc	34	17	13	2	2	0
Banks	28	15	4	6	2	1
Build Mate	34	15	13	4	1	1
Discretionary	46	18	16	4	4	4
Healthcare	46	20	16	5	4	0
Industrials	47	27	15	1	2	1
IT	23	21	2	0	0	0
Metals & min	21	14	4	2	1	0
NBFC	56	27	19	8	0	1
Oil & gas	13	1	8	1	2	0
Others	51	28	15	6	1	1
Staples	27	8	9	7	3	0
Tele & Media	16	8	4	1	3	0
Transport	11	8	3	0	0	0
Utilities	12	4	2	6	0	0
Total	500	250	153	59	25	9
%		50%	31%	12%	5%	2%
PSUs	55	25	13	13	4	0

Source: Bloomberg, Axis Securities

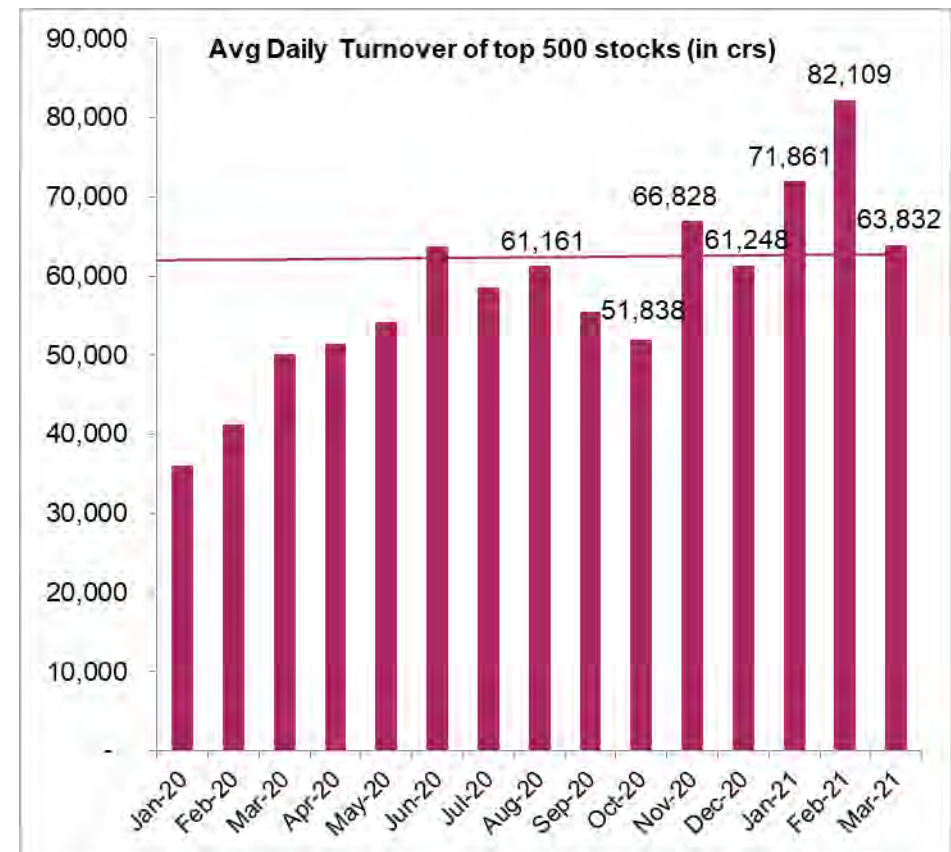
Market turnover (% of top 500 Names)

Market turnover of top 50 stocks has been reducing & consistently below 50% since 1st November, implies broader market participation.

Healthy Turnover: Average daily turnover for top 500 companies is continuously increasing and has touched a new high of 82,000 cr in February earlier high of 66,828 cr in Nov-20. However, turnover has reduced to ~64,000 in March on account of higher volatility.

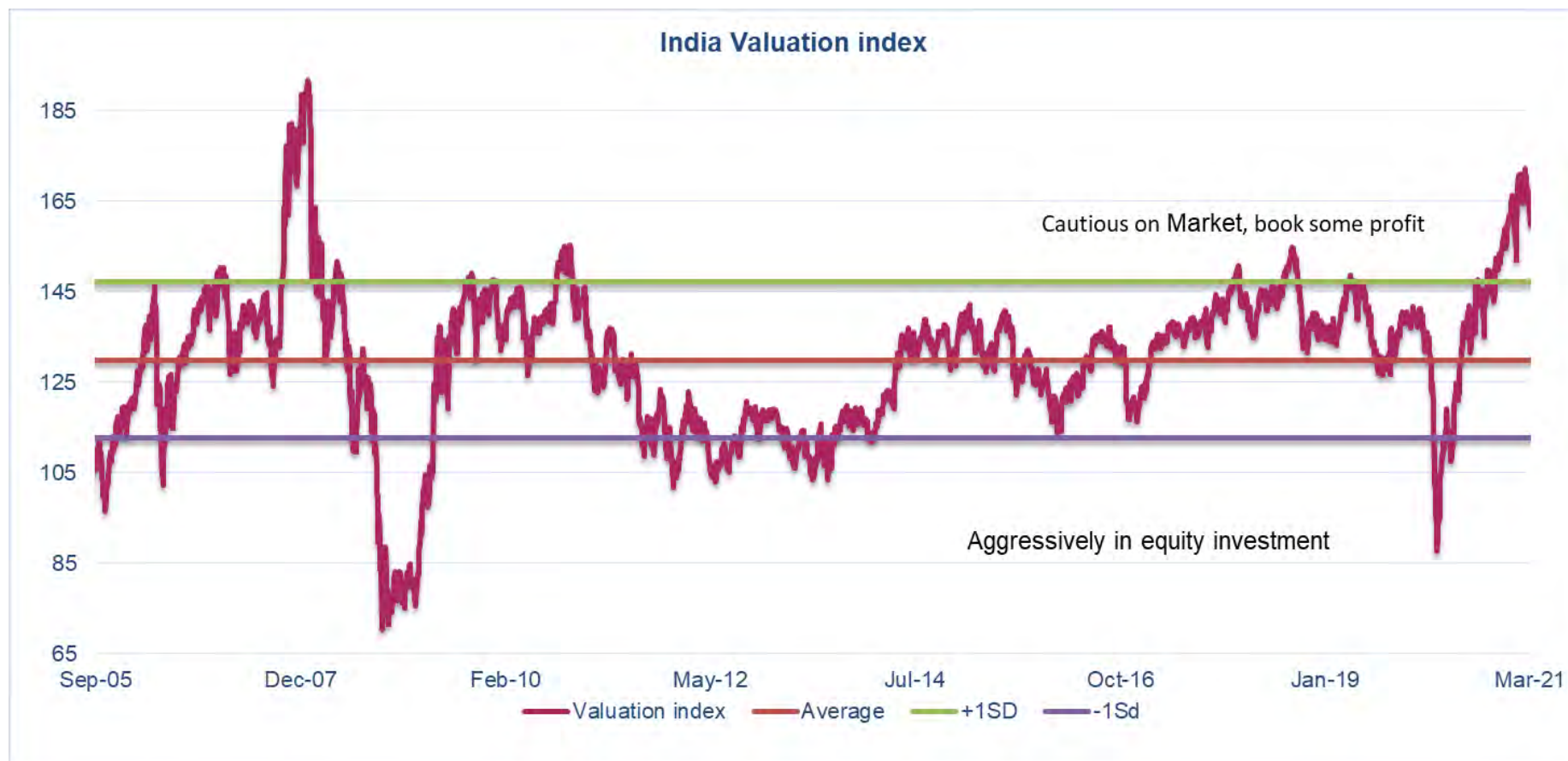


Source: Bloomberg, Axis Securities



India Valuation Index: Retracing back to cautious zone after the recent run-up but earnings upgrades more critical

Our Market valuation index has retraced back to the cautions zone after the recent run-up (earlier seen in 2018). The index value was one standard deviation below its long-term average in March 2020, which meant one should have aggressively invested in equity. However, current levels indicate some profit booking in the market (especially large caps), stock picking and sector rotation is key at the current level to generate outperformance. India valuation index calculated based on four fundamental market parameters (12m fwd PE, 12m fwd PB, Bond Equity Earning yield ratio, Mcap to GDP ratio).

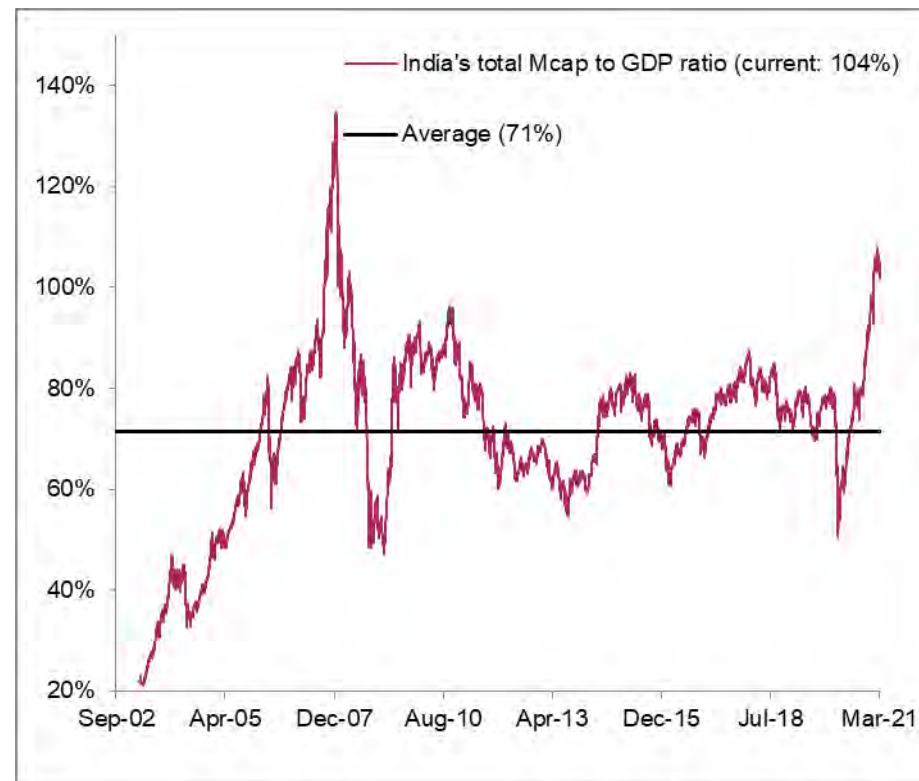
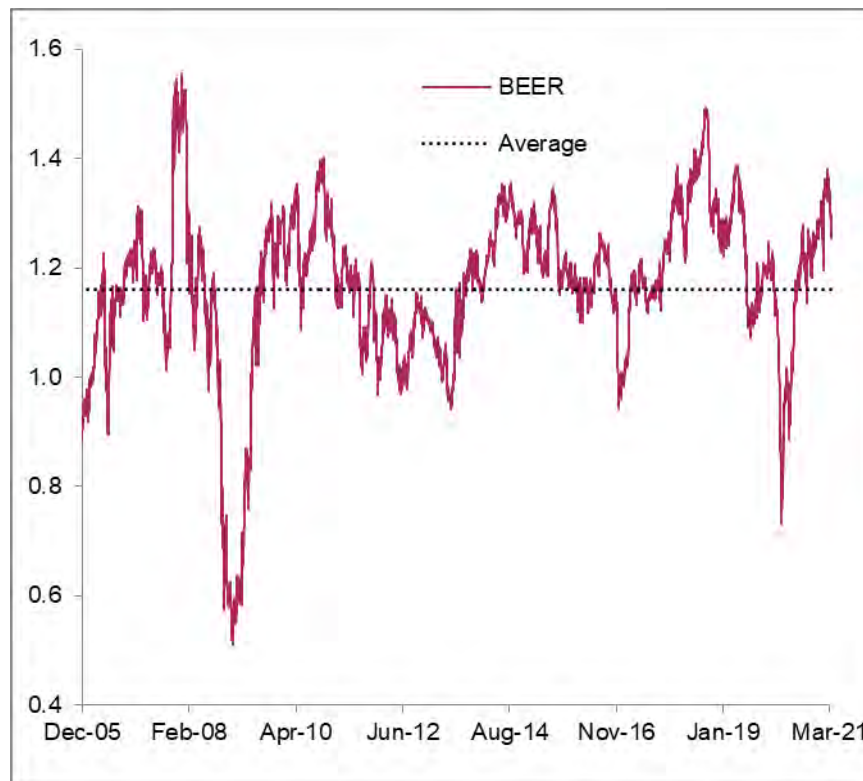


Source: Bloomberg, Axis Securities

Two fundamental ratios are trading slightly above their LTA after a recent run-up

BEER: With the recent run-up in the benchmark index, the BEER ratio is trading above its LTA which indicates the stock market is slightly expensive at the current level vs the bond market.

India's total market cap to GDP is trading at 104%, above its long term average. Currently, we are entering into a positive earnings momentum cycle after a sharp downgrade seen in earlier quarters. Historically, immediately after the GFC crisis similar upward earning momentum was seen for FY10 earnings which took a market cap to GDP to the range of 95-98%. With this positive earnings momentum in the current cycle, it is likely to see higher levels of Mcap to GDP in upcoming quarters.

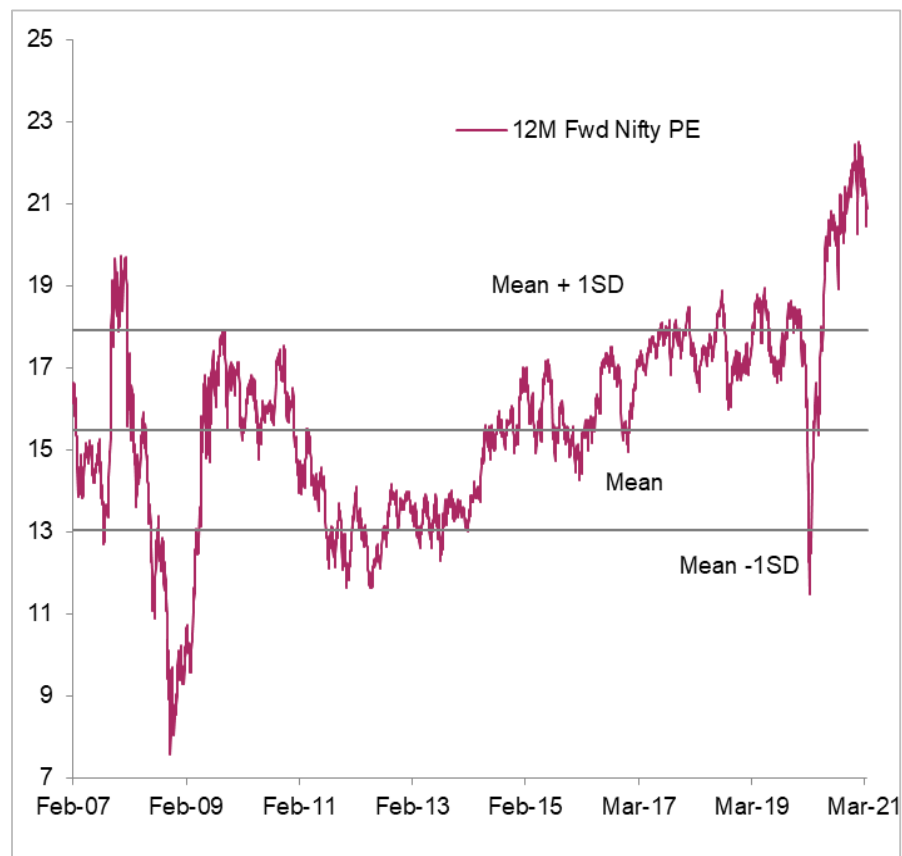


Source: Bloomberg, Axis Securities

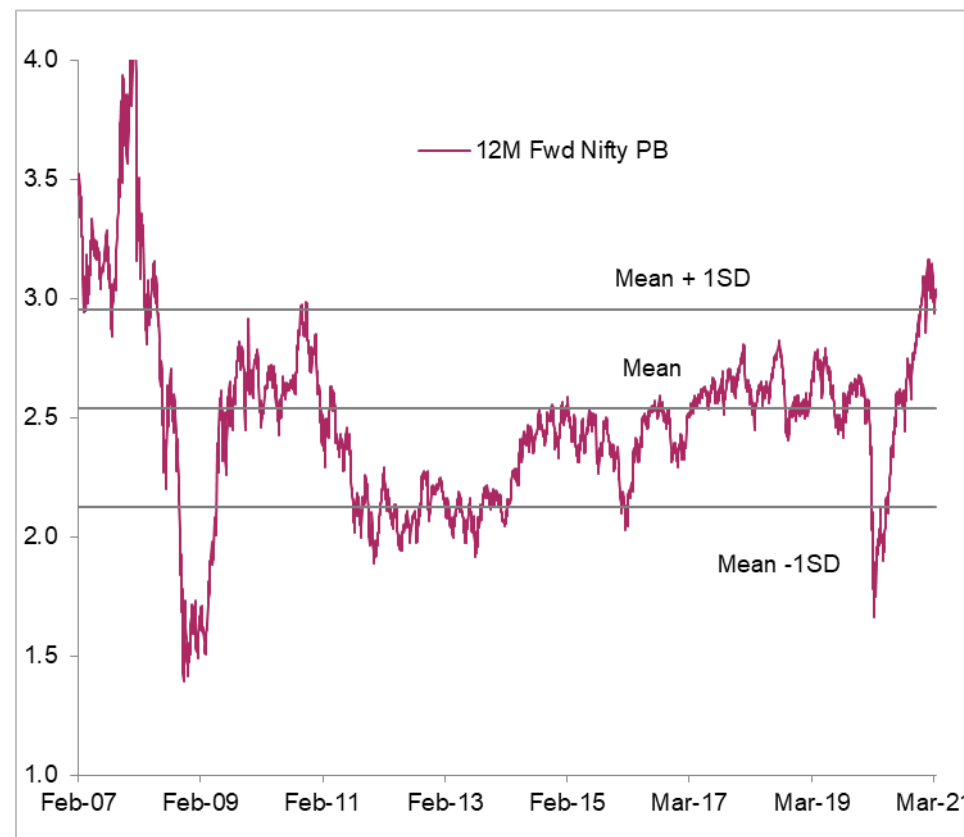
Market Valuations: Expensive but operating performance also picking up

Nifty is currently trading at 20.9x on 12m fwd PE, 2.2 std above its long-term average while Nifty is trading 1.0 std on 12m Fwd PB. **The top 10 are trading at 25.0x while the remaining 40 are trading at 18.0x on 12m forward PE.**

Nifty 12m Fwd PE



Nifty 12m Fwd PB



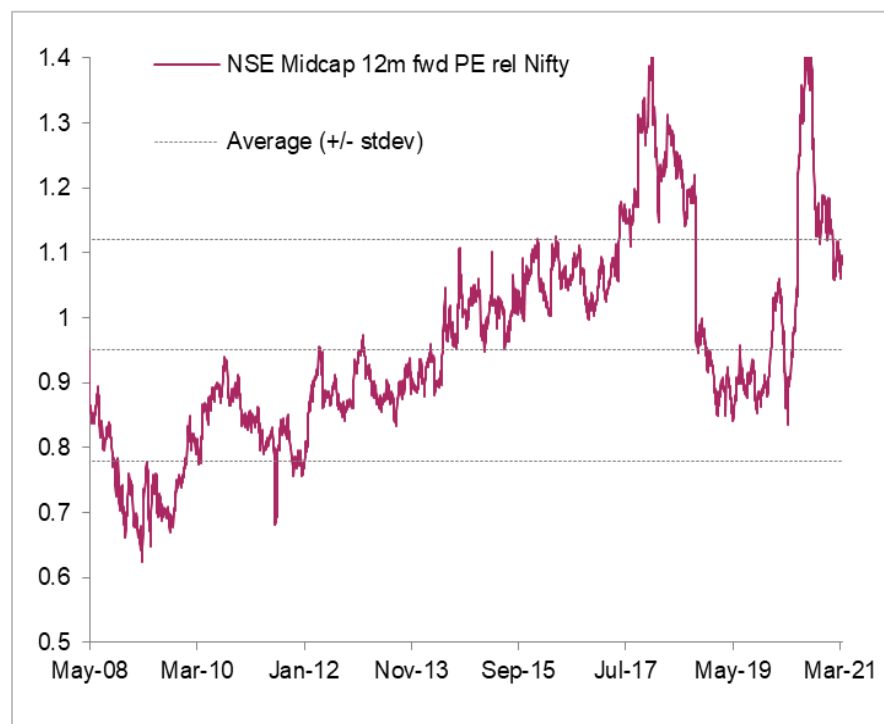
Source: Bloomberg, Axis Securities

Midcaps look attractive: Trading at a 10% premium to large caps

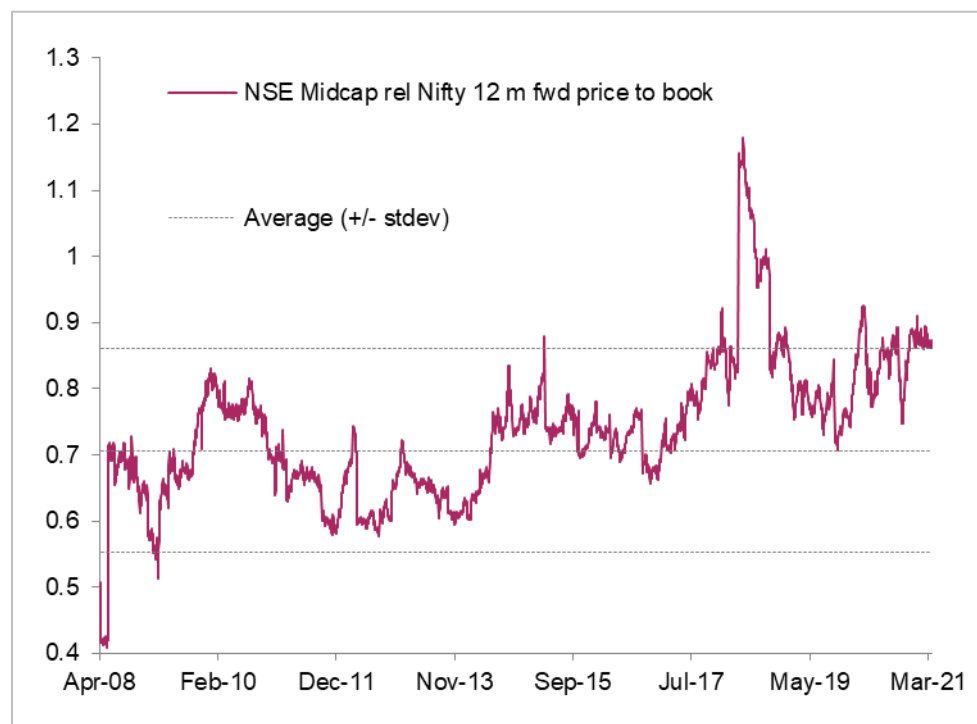
From a valuation perspective, the Midcaps look attractive vs. large caps. Historically, during the bull phase of 2017, midcaps were trading at a 45% premium to large caps. The recent spate of IPOs and their success clearly indicates that the appetite for mid and small-cap stocks. Our case for two year rolling returns indicates that the market has turned in favour of small and mid-cap stocks which are more reasonably valued and offer greater upside potential.

Since November, Small and midcaps are picking up steam and they should deliver solid returns in 2021 as economic uncertainties will reduce and volatility will decline.

NSE Midcap rel Nifty 12m fwd PE



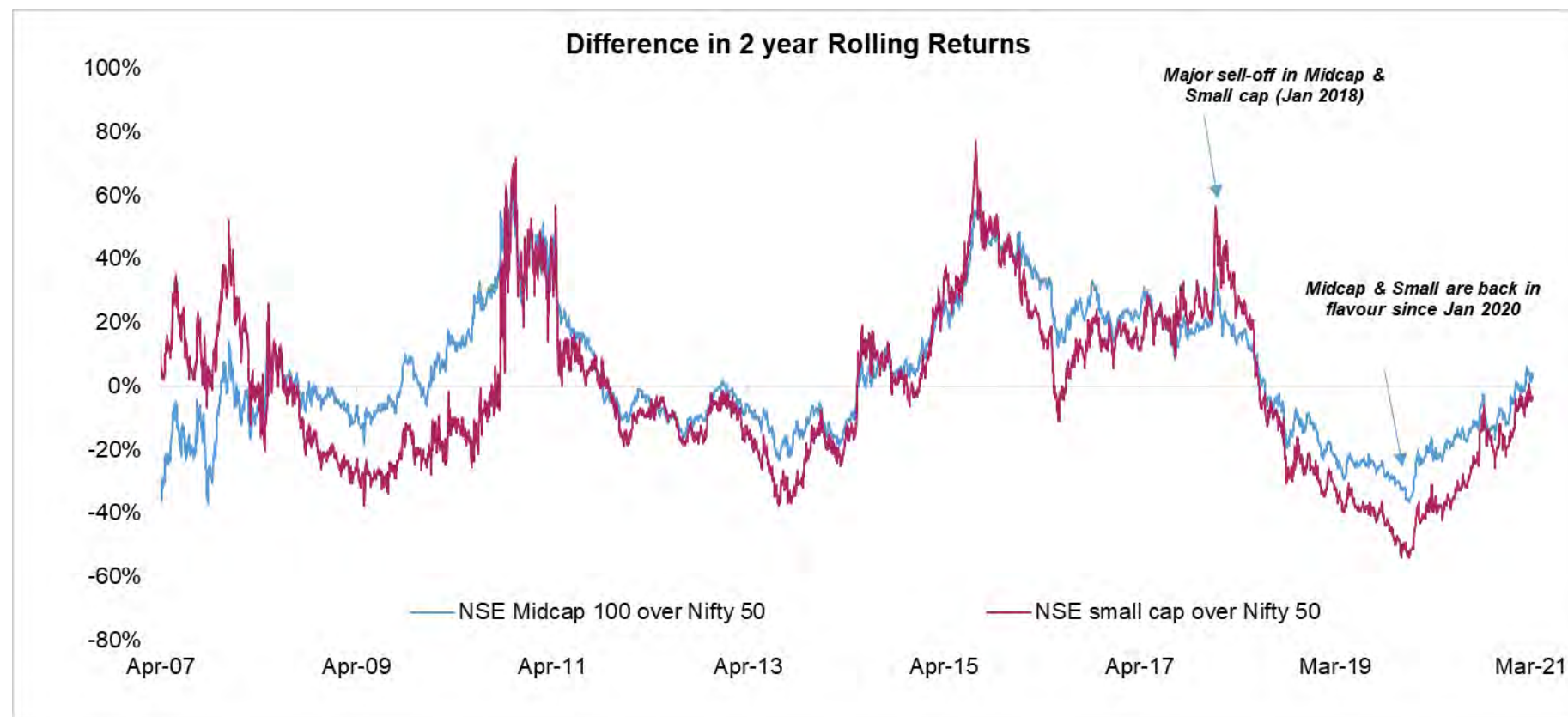
NSE Midcap rel Nifty 12m Fwd PB



Source: Bloomberg, Axis Securities

Mean reversion in rolling returns: Midcaps and Small caps are chasing large caps

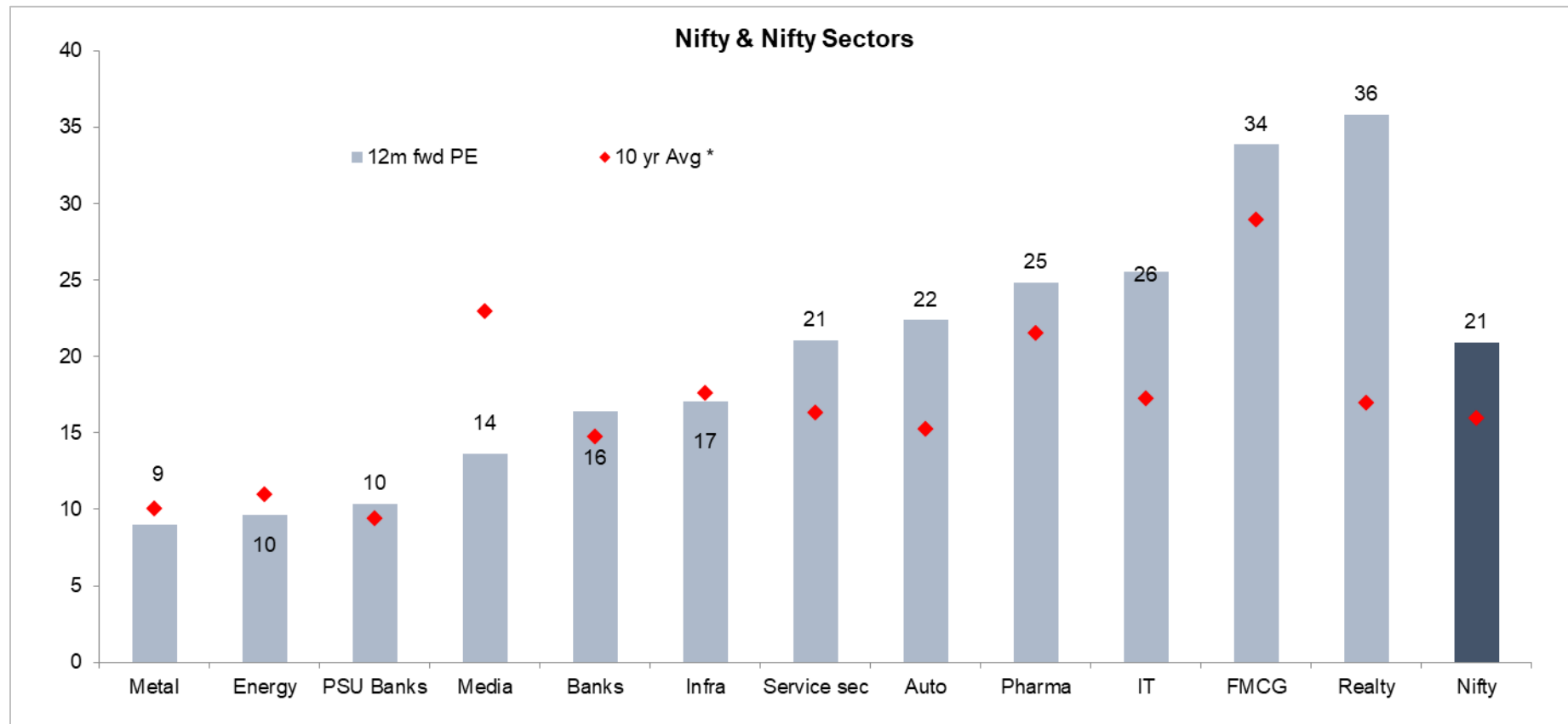
Since Jan 2020, we have seen mean reversion in the two years rolling returns of Midcaps and Small-cap relative to Nifty 50. The broader market has started outperforming after the new SEBI guidelines on Multicap schemes. On expected lines, broader market outperformance has continued in February/March as uncertainty over the US election eased, consistent FII flows, a weaker dollar, better than expected Q3 Earnings, optimism on the vaccine development, all favouring equities. **However, some volatility was seen in the month of March on account of rising US bond yields. The overall structure of the market looks constructive, short term global challenges likely, but from April month onwards market focus will shift on Q4 earnings. Till that time Q4 earnings season unfold, global cues and rising COVID cases in India will keep the market jittery.**



Source: Bloomberg, Axis Securities

Nifty and Sectors

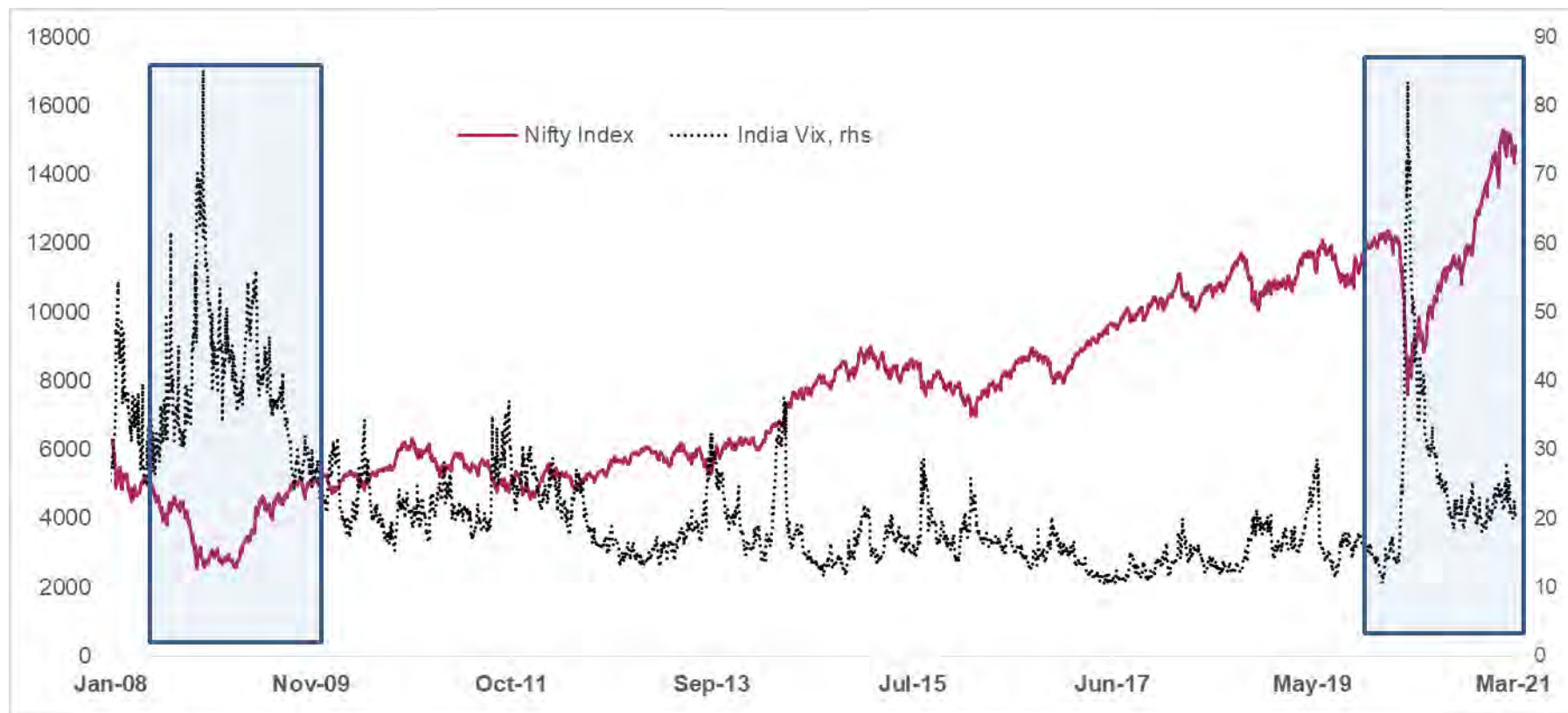
PSU banks, Energy and Metal Index provide valuation comfort at the current level. Valuations for the IT, pharma, and Auto sector are expensive. IT sector valuations are likely to persist on account of the strong structural theme emerging.



Source: Bloomberg, Axis Securities

India's Nifty Index vs VIX: Volatility has reduced after the budget

Volatility significantly reduced in the last two months. India VIX started with a level of 26 in the month of March on account of rising bond yields but eventually settled below its long term average. Currently, VIX is trading at 21 level which is lower than the historical average of 22. Earlier in the month, the sudden spike in VIX was the reflection of risk aversion in the market amid a rise in US bond yields beyond 1.6% in anticipation of higher inflation & due to a sudden spike in crude prices. **THE current VIX reading indicates that downside is limited, Further, If VIX sustained below 20 for a longer time then it would trigger a more broad-based rally.**

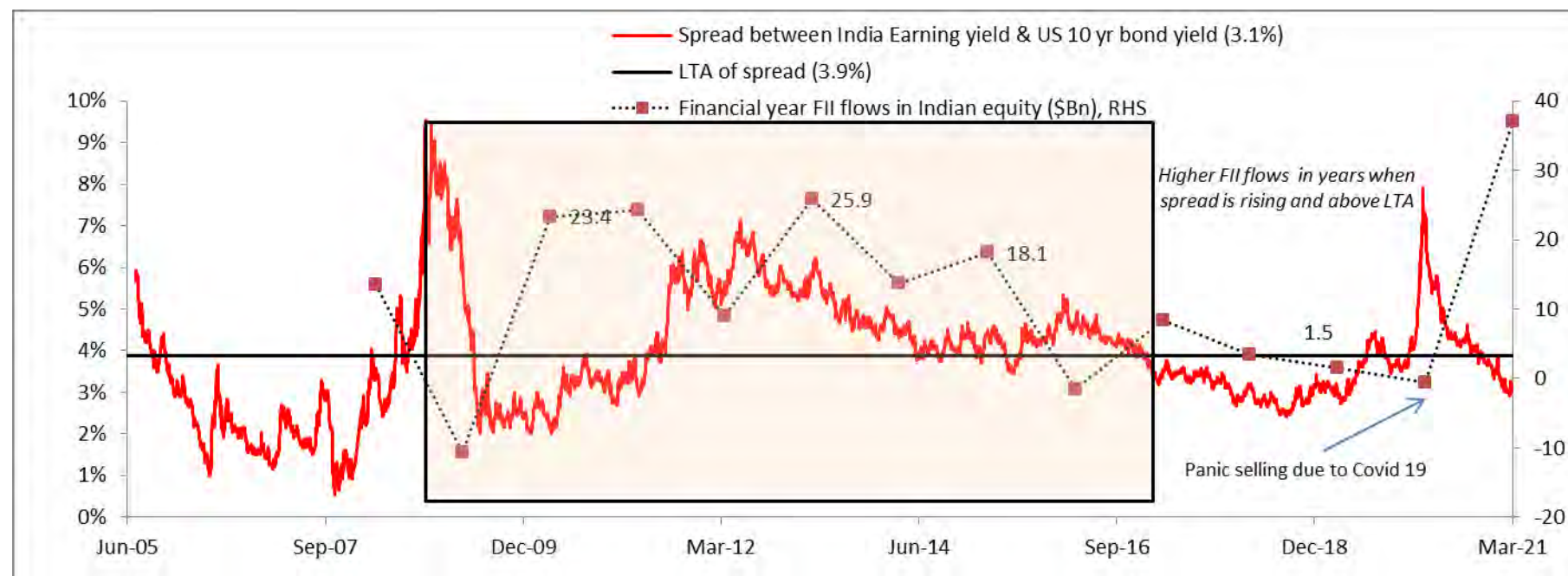


Source: Bloomberg, Axis Securities

Spread between India's earning yield and US 10-year Bond yields – trending below LTA

Historically, India sees positive FII flows whenever the spread between India earning yield and US 10-year bond yield is on a rising trend or above the long-term average. Rising and above-average spread gives valuation comfort to the investors which were seen during FY10-15 where we had witnessed strong FII flows in the Indian market. **Highest ever FII inflows seen in the current financial year of US\$ 37 bn, higher than FY10/11/13 levels.**

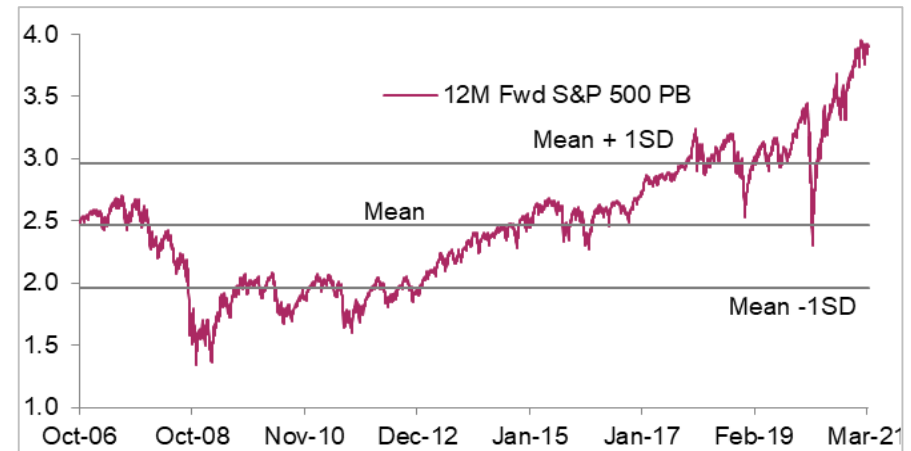
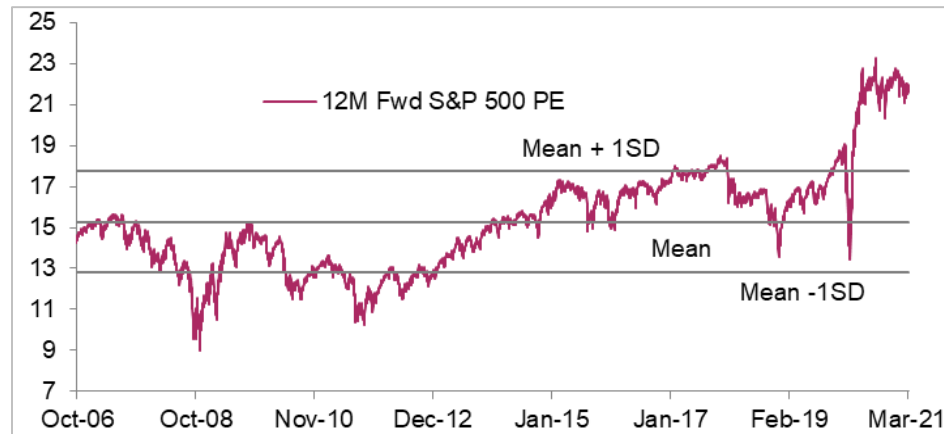
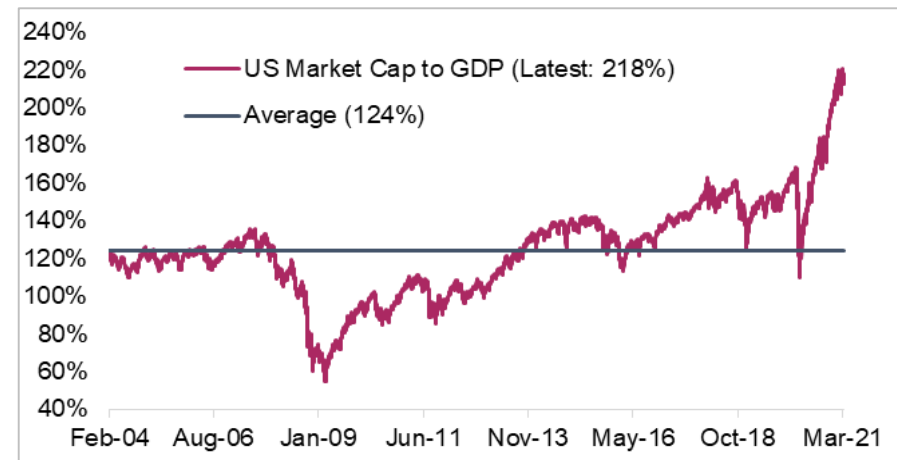
However, in past few weeks, a spike in bond yields has reduced the differential which is impacting the FII flows. Currently, Rising US bond yields and a sharp spike in Crude prices are the major concerns for the market in a short time. However, rising yields and improving crude prices are reflective of improving economic conditions. It remains to see the further direction of the bond yields which will decide the behaviour of FIIs in the shorter term. The upward shift of yield will present short term challenges for the market but the structural growth story for India is intact. However, earlier Emerging markets were likely to gain the benefit of a weaker dollar for 2021 on account of higher fiscal spending and lower yields. It remains to see the stable direction of the dollar under the scenario of rising yields and rising crude prices.



Source: Bloomberg, Axis Securities

S&P 500 is trading at 21.8 x on 12m fwd PE, 2.6std above its long term average

US Mcap to GDP is currently trading at 218% vs Long term average of 124%. US bond equity earning yield ratio is now trading at long term average after a spike in long term bond yields. The recent rise in US bond yields has reduced the attractiveness of the equity market in the month of February/March, now the US bond equity earnings yield ratio is trading at a long-term average which is indicating a risk to stretched equity valuations. (Three months back this ratio was trading below 2 stdev to LTA).



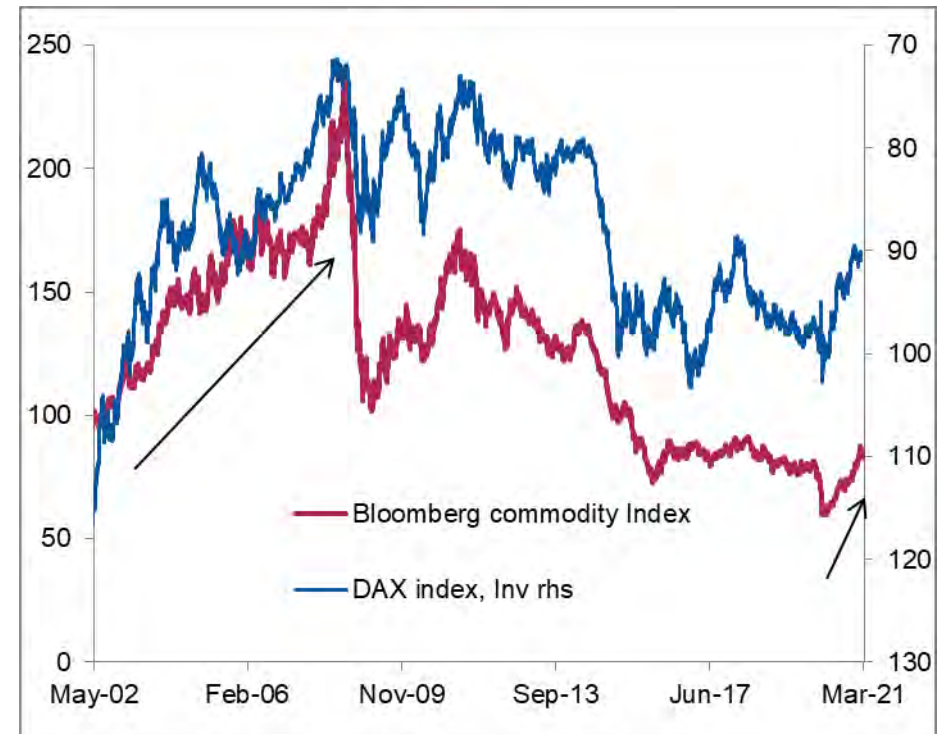
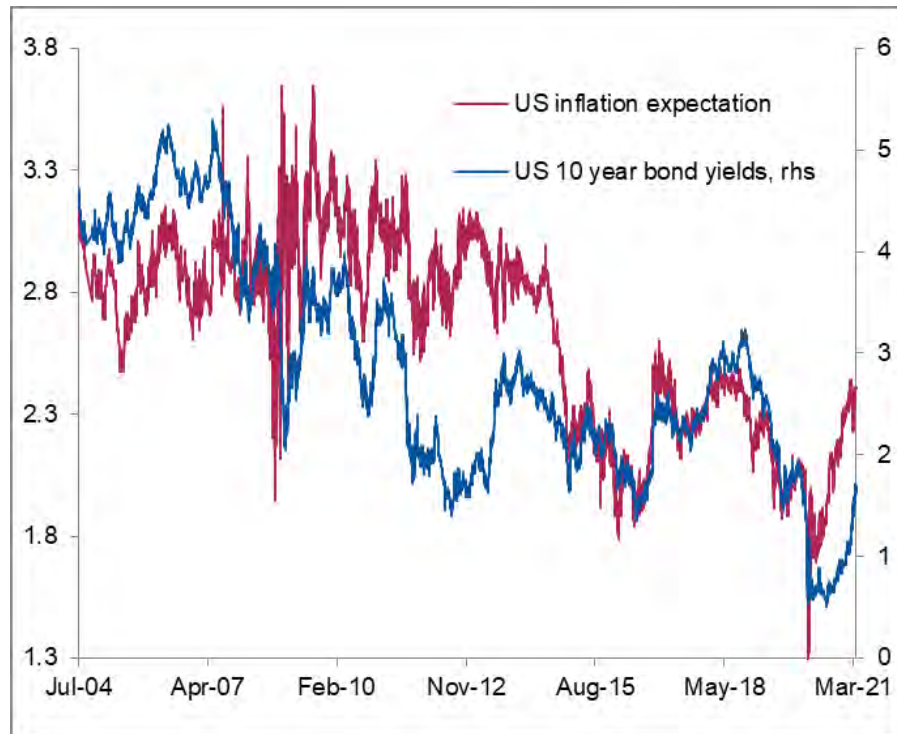
Source: Bloomberg, Axis Securities

US yields vs inflation expectation

US bond yields have crossed 1.7 in the month of March, the first time in FY21 after the anticipation of higher inflation, however rising bond yields are the reflection of faster economic revival after the announcement on vaccination development.

Commodities prices have also started rising in the last few months on account of a weaker dollar. crude prices are inching higher from the past few weeks on vaccination optimism and improved growth outlook for 2021, reflecting the expectation of stronger global economic recovery in the second half of the year.

The direction of the dollar under the scenario of rising yields and crude prices on account of higher inflation expectation will be critical for a further rally in commodity prices.

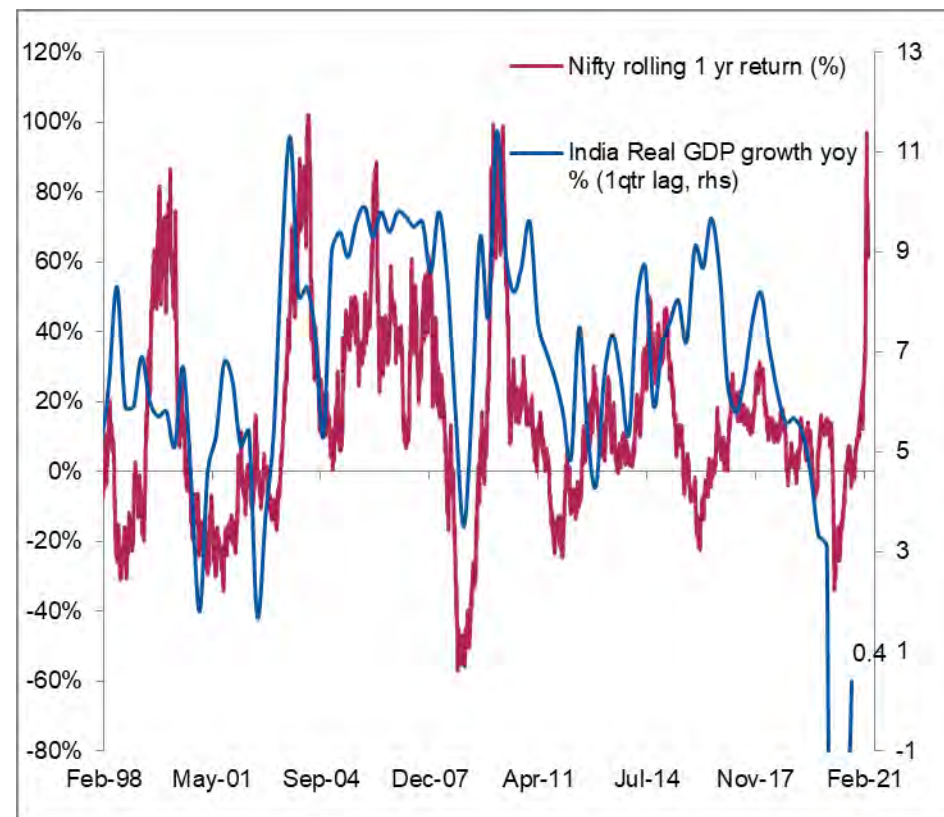
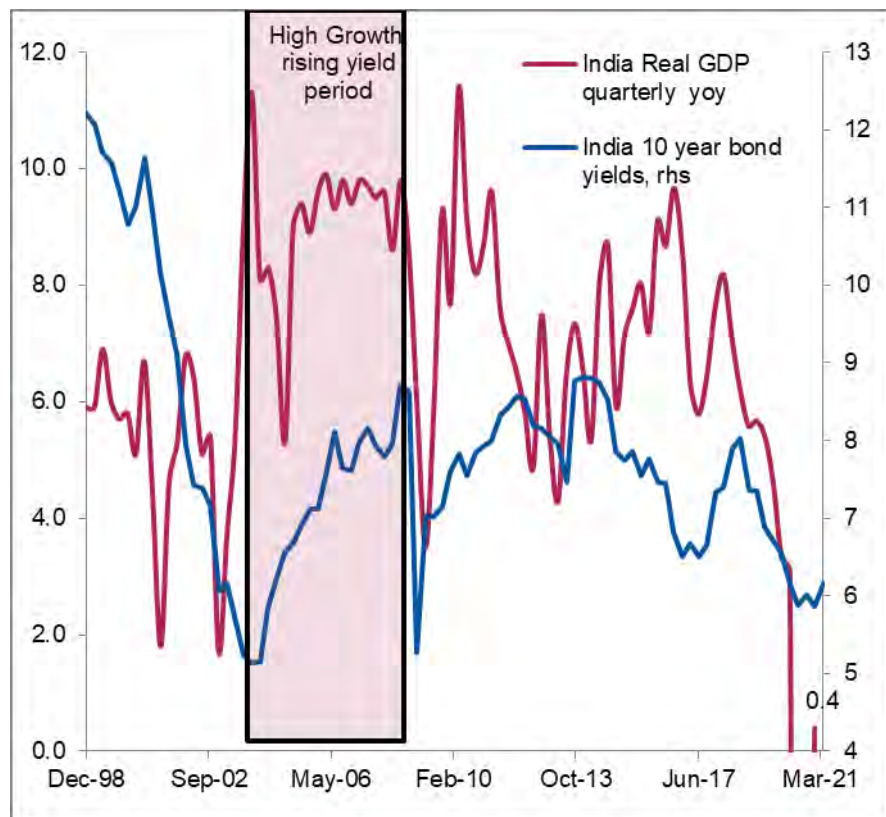


Source: Bloomberg, Axis Securities

How to read rising yields

In the 2003-07 cycle we have seen a period of rising yields under a high growth environment. Despite that rising growth period, Nifty had given a stellar return during that time on account of sharper economic recovery.

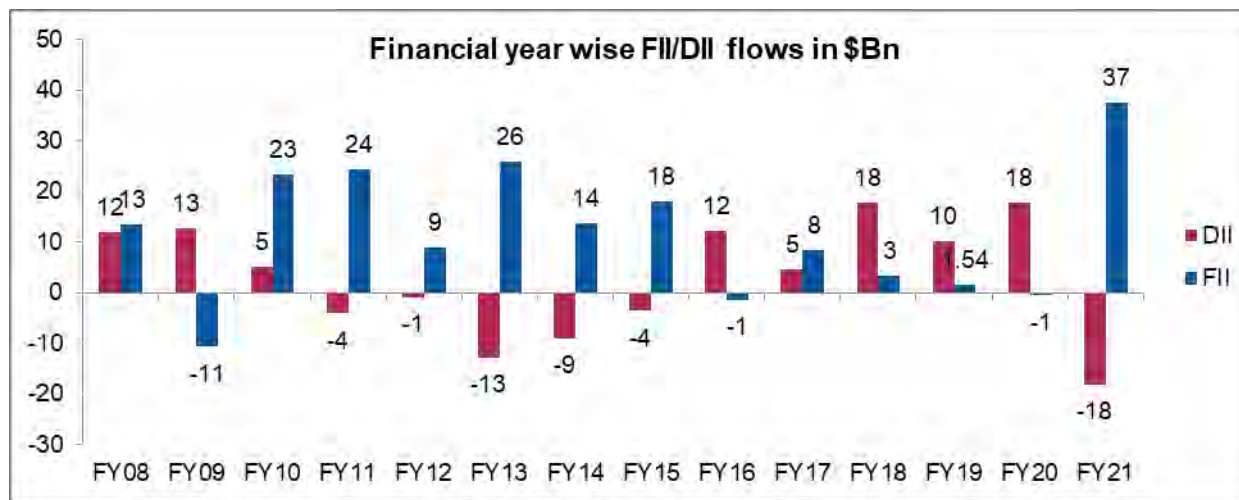
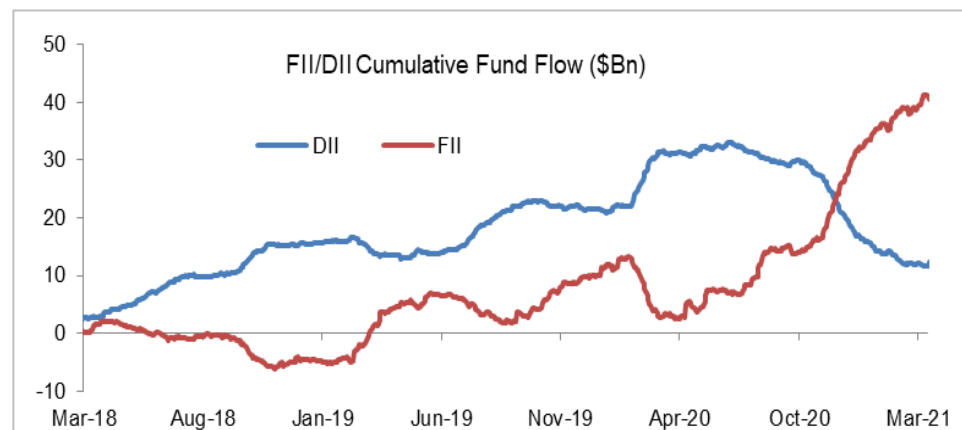
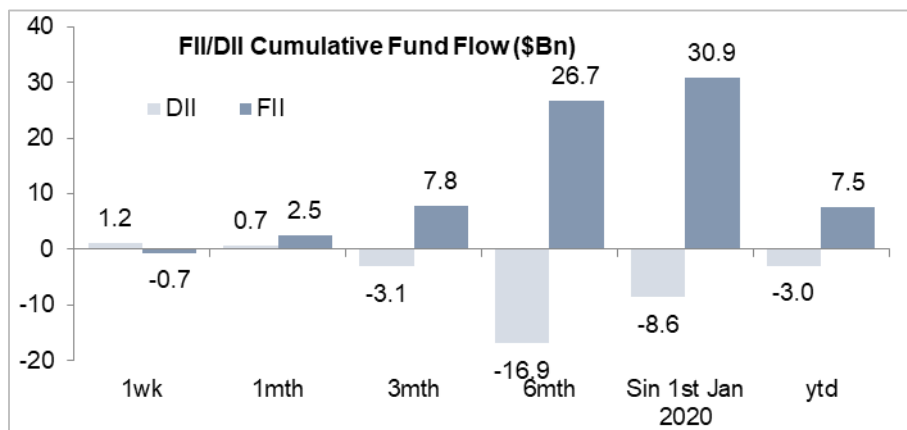
This time again we are entering into a high growth cycle which may lead to the upward trend of bond yields, but as long as the growth expectations are intact equity market continues to perform well in the current cycle as it did in past.



Source: Bloomberg, Axis Securities

Flows continue to drive the momentum: Stronger FII flows since November

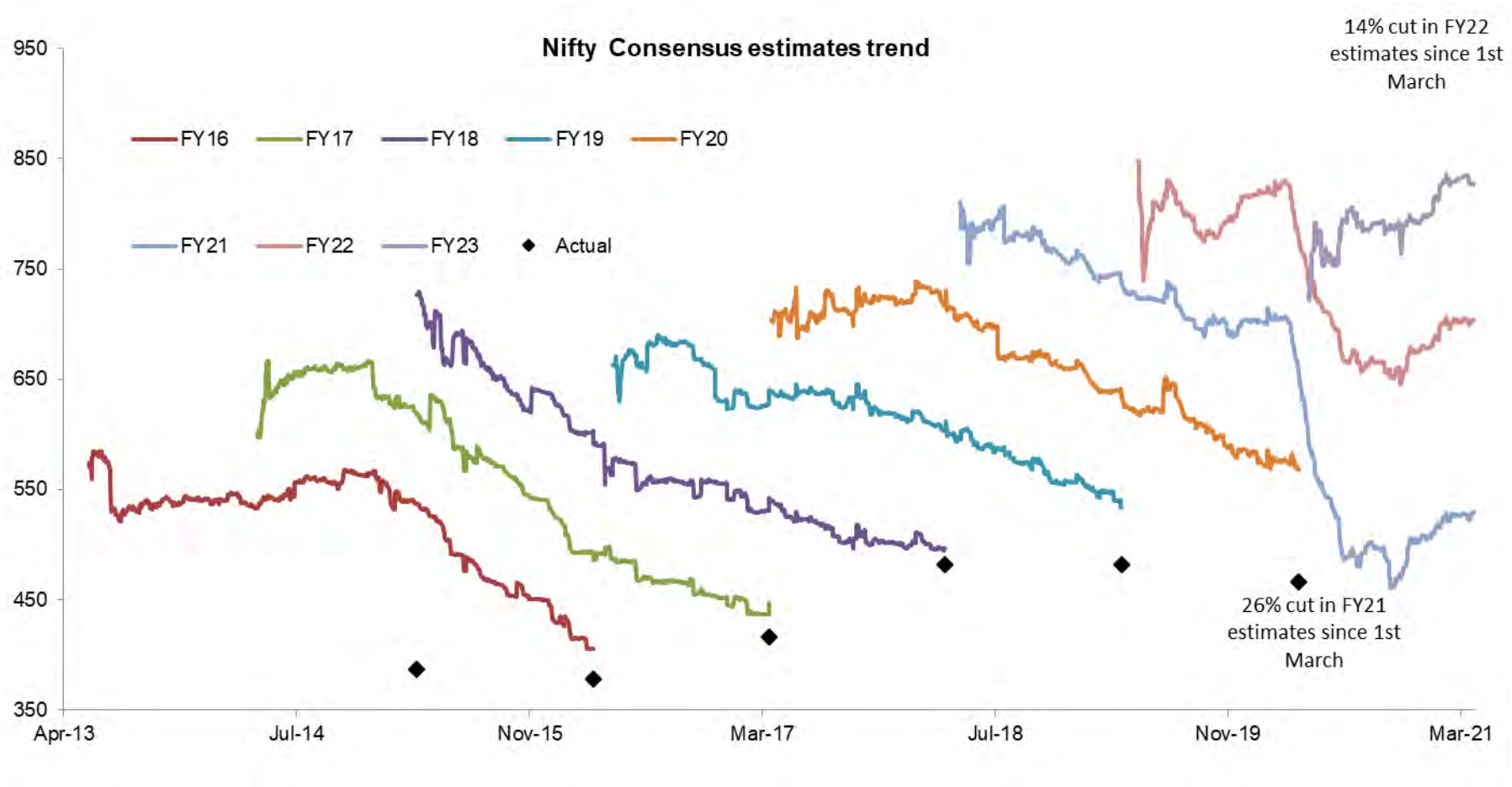
FII's are net buyers; FIIs have added US\$ 7.8 bn while DIIs have pulled out US\$ 3.1 bn from the Indian equity market in the last 3 months. Since Jan 2020, FIIs have bought a massive amount of US\$ 30.9 bn while the DIIs have sold US\$ 8.6 bn from the Indian equity market. **Highest ever FII inflows seen in the current financial year: US\$ 37 bn, higher than FY10/11/13 levels.**



Source: Bloomberg, Axis Securities

Consensus Nifty EPS trend

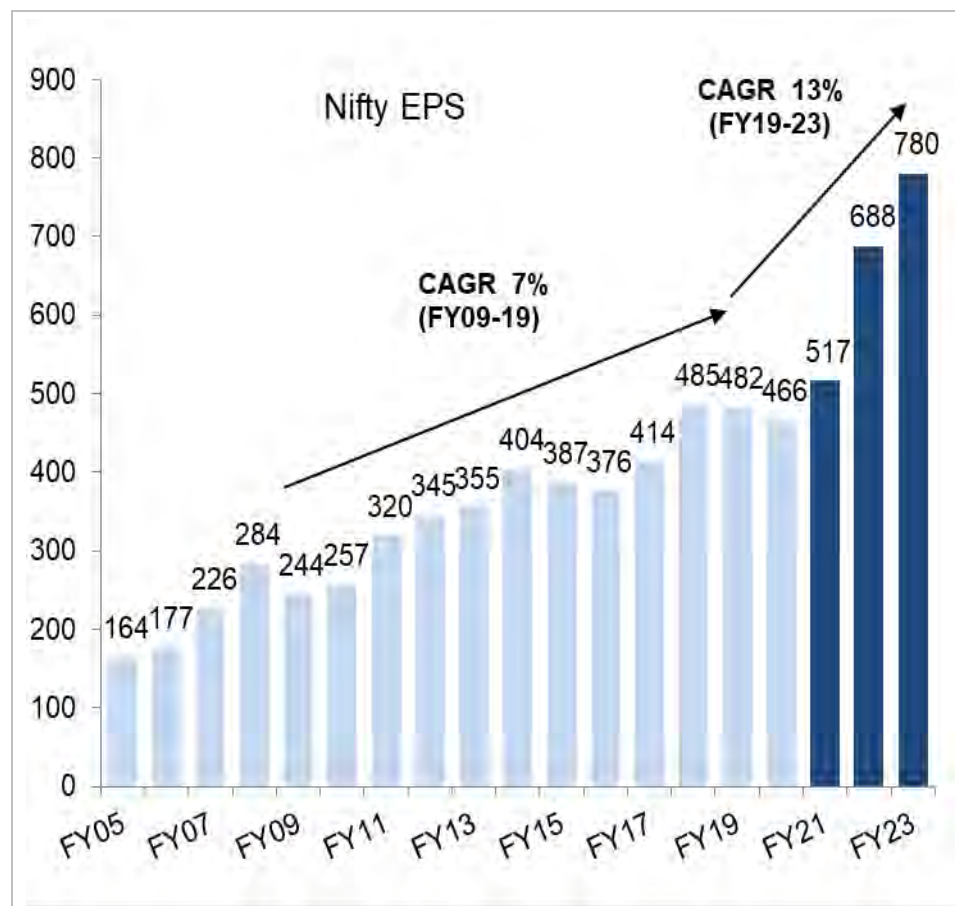
Earnings upgrade momentum continues in Q3: Earnings downgrades seem to have bottomed out and the upgrade momentum of Q2 has continued in Q3 also. Based on this, Nifty consensus Earnings for FY21/22 has been upgraded by 15%/8% from the bottom. Earlier Covid-19 led uncertainty was visible in Nifty downgrades which led the Nifty to downgrade by 26%/14% for FY21/22.



Source: Bloomberg, Axis Securities

Nifty EPS: Upgraded the FY21/22/23 EPS by 9%/8%/7%, see Nifty at 17,200 in December 2021

Positive Earnings momentum has continued in Q3 also. We have upgraded our FY21/22 EPS by 9%/8% after Q3. We have also upgraded our FY23 EPS by 7% to 780. Consequently, our December 2021 NIFTY target also moves up by 7% maintaining our target multiple at 22x to 17,200. We also see the possibility of further earnings upgrade considering the strong demand cycle. **Q4FY21 earnings construct looks positive overall with some concerns emerging on margins on account of input costs. Here on focus on Q4FY21 earnings traction and upgrades or downgrades will be critical.**

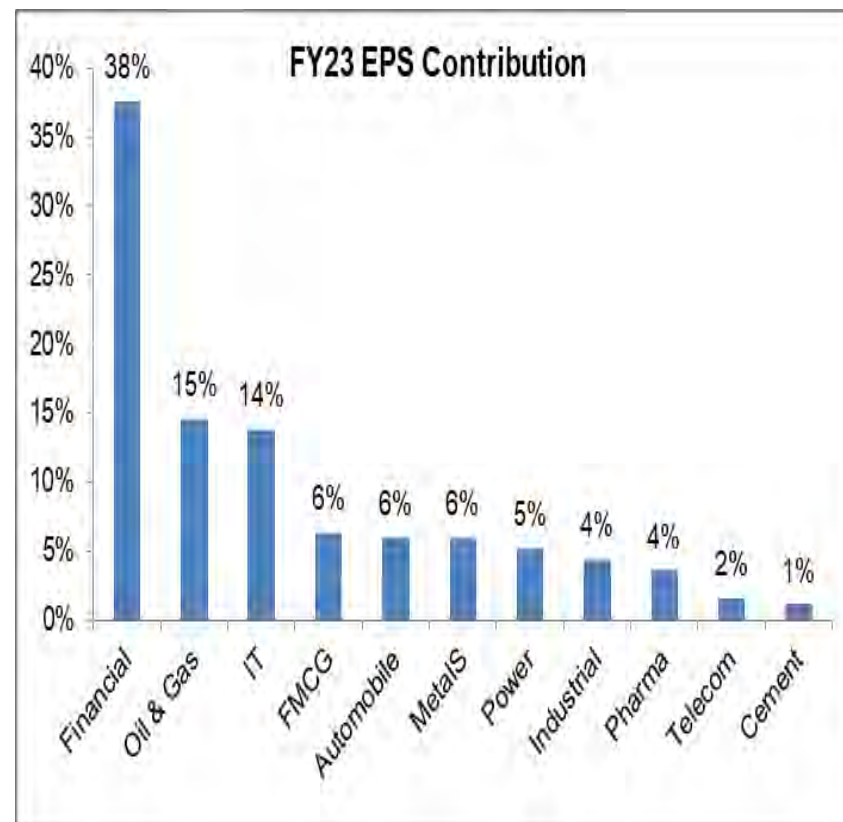
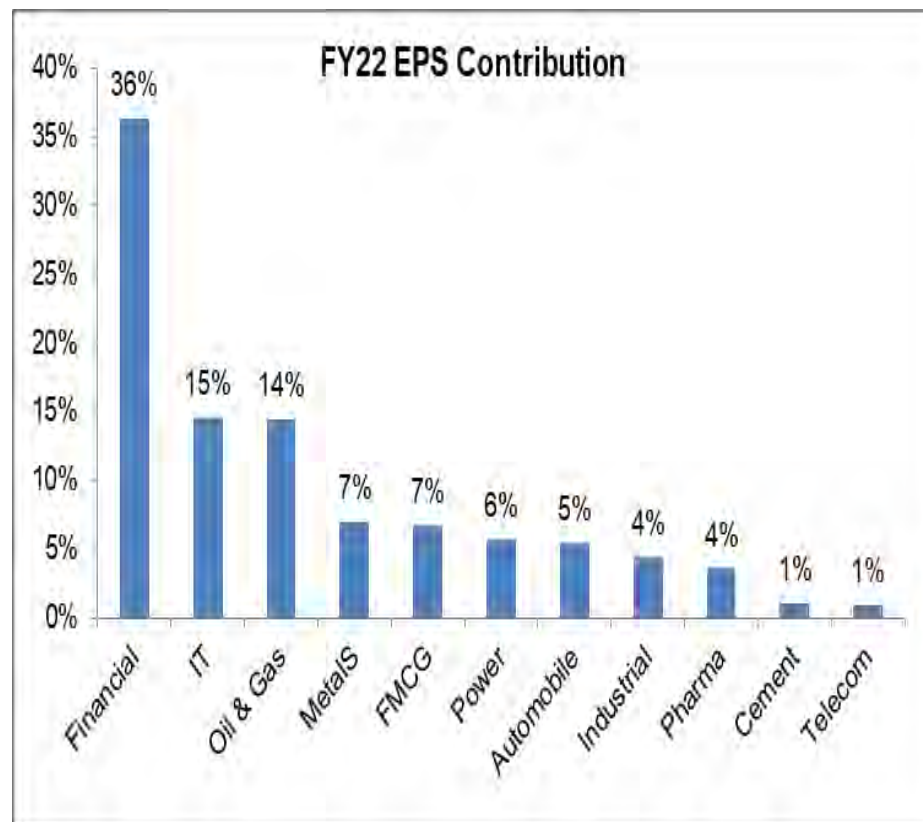


Source: Axis Securities

	FY21 Nifty EPS Change			% chg	
	Before Q2	After Q2	After Q3	After Q2	After Q3
Financial	159.2	170.5	187.3	7%	10%
IT	79.3	82.9	87.2	5%	5%
Oil & Gas	66.9	69.8	75.6	4%	8%
FMCG	38.0	37.4	37.6	-2%	1%
Power	32.1	31.9	33.4	-1%	5%
Industrial	20.6	26.5	22.0	28%	-17%
Pharma	19.4	20.8	21.5	7%	4%
Metals	15.5	22.1	34.0	43%	54%
Automobile	12.8	15.0	19.6	17%	31%
Cement	4.5	5.5	6.4	21%	16%
Telecom	-4.5	-7.3	-7.1	NA	-2%
Total	449	475	517	6%	9%

Nifty EPS: Financials sector holds the key for Nifty EPS

The contribution of the Financial sector in Nifty EPS is more than 36% in FY22/23. Taking the budget and operating performance into consideration, we recently upgraded BFSI to overweight from equal weight. BFSI sector has under-performed the broader market in 2020 by a significant margin owing to issues of a moratorium and the stress in the system. However, both Q2FY21 and Q3FY21 operating and financial performance across the banking sector was better-than-expected. The focus of banks has shifted to growth and as the macroeconomic cycle improves, banks being leveraged play, will see stronger earnings growth. With this, we could see further positive surprises in Nifty EPS.



Source: Axis Securities

India starts outperforming: Broader market rally in FY21

BFSI & cyclical sectors are playing a catch-up rally

Outperformer of 2020: Pharma, IT

Underperformer of 2020: PSU Bank, banks, Media

The market has consistently risen on account of positive FII flows and vaccination rollout, Overall risk appetite has increased and now investors are betting more on riskier assets like equity on account of positive recovery in high-frequency indicators, consistent FII flows, a weaker dollar, better than expected earnings, all favouring equities. However the market has turned volatile in the last one month on account of weaker global cues. **Commodities, FMCG, Metal, IT sector did well in the last month while high beta sectors like banks, PSU banks, auto sector closed on a negative note amid higher volatility. PSU banks were the underperformer of 2020 has bounced back with double-digit returns in the last 3 months.**

National Index

Index Performance (%)	1m	3m	6m	2020	2019	FY2021
Nifty 50	-0.5%	5.1%	30.6%	14.9%	12.0%	78.0%
Nifty Next 50	-1.1%	5.1%	26.4%	14.8%	0.5%	65.4%
Nifty 500	-0.4%	6.9%	31.8%	16.7%	7.7%	82.1%
Nifty Midcap 100	0.0%	13.7%	39.5%	21.9%	-4.3%	106.5%
Nifty SmallCap 250	-0.9%	14.4%	39.0%	25.1%	-8.3%	119.3%
Sector Index (%)	1m	3m	6m	2020	2019	FY2021
NIFTY AUTO	-5.3%	7.3%	24.7%	11.5%	-10.7%	111.8%
NIFTY BANK	-5.6%	6.5%	55.2%	-2.8%	18.4%	82.9%
NIFTY COMMODITIES	1.6%	17.7%	43.8%	10.7%	0.0%	100.8%
Nifty Financial Services	-4.0%	3.3%	47.9%	4.5%	25.6%	75.7%
NIFTY ENERGY	-5.1%	7.5%	21.0%	6.4%	11.0%	68.8%
NIFTY FMCG	6.5%	2.2%	17.1%	13.5%	-1.3%	32.5%
NIFTY IT	5.3%	6.6%	29.6%	54.9%	8.4%	114.6%
NIFTY INFRA	-2.1%	12.0%	32.7%	12.2%	2.5%	79.0%
NIFTY MEDIA	-8.8%	-6.3%	-0.2%	-8.6%	-29.7%	54.3%
NIFTY METAL	2.1%	22.2%	77.4%	16.2%	-11.2%	156.0%
NIFTY PHARMA	1.5%	-5.0%	4.2%	60.6%	-9.3%	74.7%
NIFTY PSU BANK	-9.5%	23.1%	68.9%	-30.6%	-18.3%	68.2%
Nifty Private Banks	-5.5%	3.0%	50.3%	-2.9%	16.2%	83.4%
NIFTY REALTY	-5.7%	6.5%	57.7%	5.1%	28.5%	94.2%
NIFTY SERV SECTOR	-1.3%	4.8%	41.3%	12.5%	16.9%	81.4%

International Index

Index Performance (%)	1m	3m	6m	2020	2019	FY2021
Shanghai Comp	-3.1%	-0.9%	7.0%	13.9%	22.3%	25.9%
Bovespa	5.9%	-1.8%	23.5%	2.9%	31.6%	64.7%
Russia	2.1%	6.2%	25.0%	-10.4%	44.9%	49.1%
south africa	-1.8%	12.1%	21.8%	7.0%	8.8%	52.3%
Korea	1.6%	6.5%	31.5%	30.8%	7.7%	81.6%
Mexico	7.0%	10.4%	32.0%	5.0%	3.6%	52.5%
Indonesia	-5.6%	0.1%	22.9%	-5.1%	1.7%	34.0%
Argentina	-1.8%	-6.1%	16.6%	22.9%	37.6%	89.9%
Japan	-1.6%	6.3%	25.9%	16.0%	18.2%	61.5%
Hongkong	-3.6%	4.2%	21.0%	-3.4%	9.1%	22.9%
Philippines	-6.3%	-9.8%	9.9%	-8.6%	4.7%	19.1%
Taiwan	3.0%	11.5%	31.3%	22.8%	23.3%	70.0%
Singapore	6.5%	11.3%	28.3%	-11.8%	5.0%	29.7%
Thailand	5.7%	9.5%	28.3%	-8.3%	1.0%	43.6%
Vietnam	0.4%	7.9%	31.6%	14.9%	7.7%	75.2%
Dow	4.9%	8.0%	19.0%	7.2%	22.3%	57.9%
Nasdaq	-4.0%	1.2%	16.8%	43.6%	35.2%	77.2%
FTSE 100 INDEX	2.8%	4.8%	15.4%	-14.3%	12.1%	24.1%
DAX INDEX	7.0%	9.3%	17.5%	3.5%	25.5%	57.1%
CAC 40 INDEX	5.0%	9.5%	26.6%	-7.1%	26.4%	44.5%
S&P 500 Index	1.5%	5.4%	17.7%	16.3%	28.9%	60.2%

Source: Bloomberg, Axis Securities, Note: Data as of 31st March

Market Indicators

Precious Metal: Gold price remained muted in the last few months while Gold was one of the best asset class of 2020 with returns of 25%.

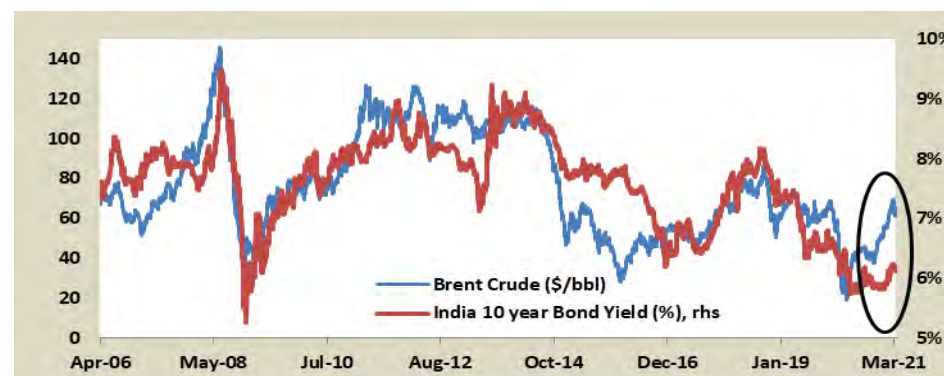
Commodities: Steel prices rallied by 41%, Copper up by 26% in 2020, up by 11% in the last one month.

Crude: Brent crude has crossed 65 \$/bbl first time since March on vaccine optimism and improved growth outlook for 2021. Sudden rise in crude prices is creating upward pressure on long term yields. However, it has corrected in the last few trading session on account of rising cases globally.

Market Indicator	31-03-2021	1m ago	3m ago	Dec-20	Dec-19	01-04-2021
Brent Crude (\$/bbl)	63.8	63.7	51.8	51.8	66.0	24.7
Bond Yield (GOi 10Yr)	6.2	6.2	5.9	5.9	6.6	6.1
USD/INR	73.1	73.6	73.1	73.1	71.4	75.5
India Vix	20.6	25.6	21.1	21.1	11.7	60.1

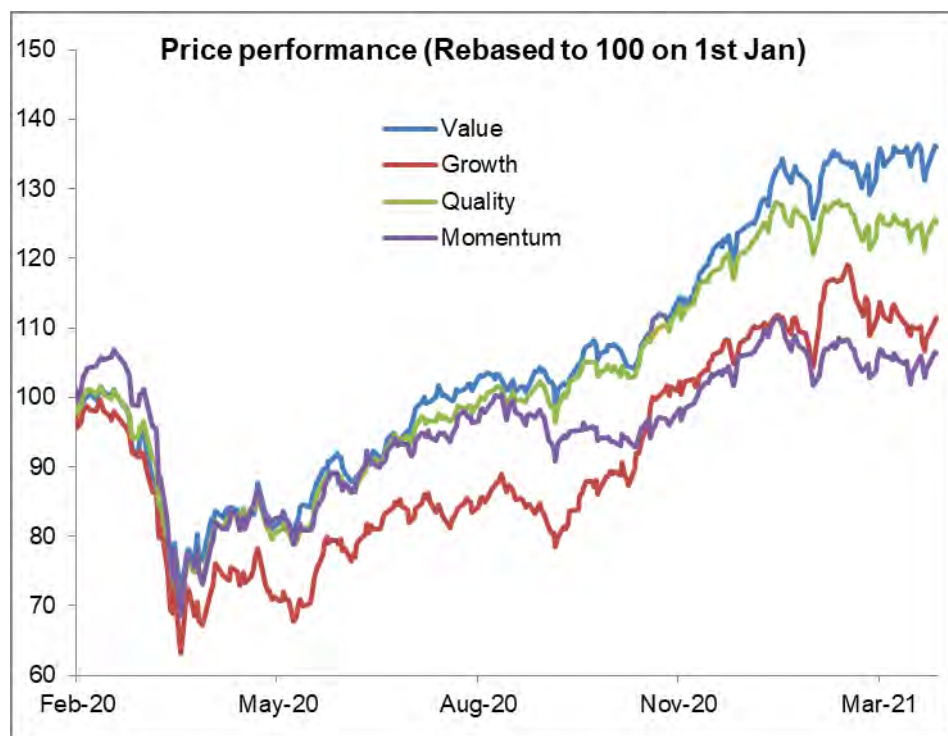
Commodity Index	1m	3m	6m	2020	2019	FY2021
Gold (\$/OZ)	-2.2%	-11.1%	-10.5%	25.1%	18.3%	6.0%
Steel (\$/ton)	10.9%	10.9%	49.0%	41.2%	-1.0%	70.8%
Aluminium (\$/ton)	3.1%	12.3%	27.8%	9.9%	-3.7%	51.7%
Copper (\$/ton)	-3.5%	13.2%	31.5%	26.0%	3.4%	83.3%
Zinc (\$/ton)	1.2%	3.6%	16.9%	18.8%	-8.7%	53.1%

Source: Bloomberg, Axis Securities



Value outperformed other styles in 2020: Growth as an investment style started recovering since November

Value is the best performer in 2020 while Growth is the laggard. After the budget, we now believe that Value and Growth will be the top themes for 2021. As the economy improves Value stocks see significant improvement in financial metrics. Also, broader economic growth will mean strong earnings growth. Quality could take a back seat as the 'Buy Quality at any price' theme may not work as there will be multiple opportunities across sectors with improving financial metrics and earnings visibility.



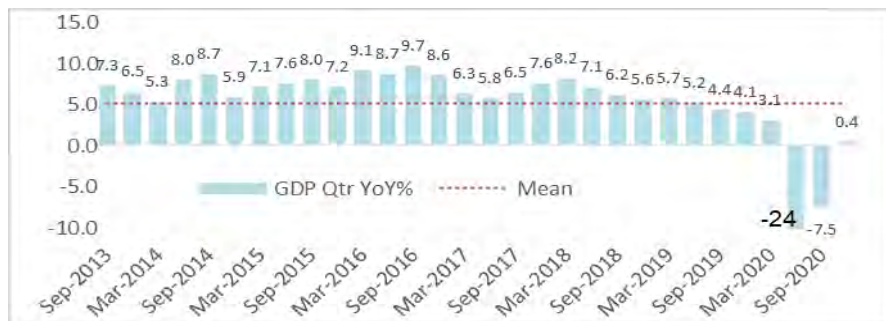
Source: Bloomberg, Axis Securities

Perf	Performance (%)			
	Value	Growth	Quality	Momentum
Till 23 Mar	-28.5%	-36.8%	-30.9%	-31.4%
Since 23 Mar	90.3%	76.4%	81.2%	55.1%
2020	24.9%	10.2%	22.6%	6.6%
1m	5.4%	2.4%	3.2%	3.5%
3m	9.0%	1.2%	2.1%	-0.2%
6m	33.7%	36.3%	24.1%	12.5%

Macro Indicators – The second wave could be a risk in faster economic recovery

December GDP print turned positive to 0.4%, in line with the street expectation. Sequential recovery in GDP is driven by the uptick in all the components of the supply-side while on the demand side growth was led by private and government consumption and investments. Economic activity has improved faster than expected so far. Hereon data like mobility, Unemployment and PMI will not get impacted due to base effect while others may show yoy improvement due to the low base of last year during the phase of lockdown. Vaccination will be the next trigger of economic recovery beyond the current point, an increase in COVID cases leading to activities restrictions will remain a key risk in the medium term.

February CPI rose to 5% after easing to 4.1% in January primarily due to an increase in petrol prices. While global inflation is rising on account of multiple factors, India's inflation composition is also markedly different as it is dominated by food inflation. Inflation in India has started cooling off from January while some rise was seen in February and the next leg of food inflation is likely to start in the second half of 2021. We expect inflation to remain in the ~4% zone for 2021 which means that RBI's accommodative policy stance will continue and support economic growth.



Source: Bloomberg, Axis Securities

ICICI BANK – WELL POSITIONED FOR GROWTH

ICICI Bank (ICICIB) is amongst the largest private sector bank in India with business operations spread across Retail, Corporate, and Insurance etc. It is supported by a strong liability franchise and healthy retail corporate mix. Its subsidiaries ICICI Venture Funds, ICICI Pru AMC, ICICI Securities, ICICI Prudential and ICICI Lombard are amongst the leading companies in their respective segments.

Industry view



Key Rationale

- **Comfort on asset quality:** With NPA standstill over, we believe ICICIB remains comfortably placed with high PCR of 77% and adequate Tier 1 (18.1%) to absorb any asset quality hiccups. On a pro-forma basis, the bank reported a slippage of 1% in Q3FY21, bulk from the retail portfolio. Credit costs came down to 1.6% vs 1.8% QoQ
- **Healthy traction in loan book/ deposits:** Overall loan growth in Q3FY21 was 10%YoY with domestic loan book growing 13% YoY. Within domestic loans, Retail/Corporate/SME grew 15/7/25% reflecting gradual normalisation to pre-Covid levels. Deposit growth was strong at 22%YoY. Headline CASA ratio improved to 45% from 44% QoQ.
- **Operational performance strengthening:** Overall reported NIM increased ~10 bps QoQ to 3.7%, driven by ~30bps decline in cost of funds and relatively lower decline in the yield on earning assets. Fee income, too, has gained traction in Q3FY21.

Key Rationale

- **Well-placed:** Management expects NIM to be steady as interest reversals decline and excess liquidity is utilised with growth picking up. Asset quality is likely to strengthen following adequate provisioning and guidance of lower credit costs. Slippages and restructuring levels have tapered down and indicate a better asset quality going forward with adequate provisioning buffers in place.
- **Valuation:** Higher loan growth, improving operating profits, strong provision buffer coupled with strong deposit franchise will help ROAE/ROAA expansion over FY22-23E for the bank. We believe valuation wise it has further scope for expansions vis-à-vis its peer banks. We maintain Buy on the stock with a revised target price of Rs 720 (SOTP basis core book at 2.3x FY23E and Rs 160 Subs. Value).
- **Key risks:** Significant deterioration in retail asset quality, Delay in the resolution of stressed assets

Overweight

CMP
582

Target Price
720

Upside
24%

Key Financials (Standalone)

Y/E Mar (Rs Cr)	NII (Rs)	PPOP (Rs)	PAT (Rs)	EPS (Rs)	ABV (Rs)	P/ABV (x)	ROAA (%)	NNPA (%)
FY20	33,267	28,101	7,931	144.7	144.7	3.3	0.8	1.5
FY21E	38,672	36,253	16,054	184.0	184.0	2.5	1.4	0.8
FY22E	41,902	36,936	20,169	209.8	209.8	2.1	1.6	0.7
FY23E	43,555	38,724	23,280	237.4	237.4	1.6	1.7	0.8

Source: Company, Axis Securities

Income Statement		(Rs Cr)			
Y/E March	FY20	FY21E	FY22E	FY23E	
Net Interest Income	33,267	38,672	41,902	43,555	
Other Income	16,449	19,210	19,808	21,933	
Total Income	49,716	57,882	61,710	65,488	
Total Operating Exp	21,614	21,629	24,774	26,764	
PPOP	28,101	36,253	36,936	38,724	
Provisions & Contingencies	14,053	15,965	9,496	7,264	
PBT	14,048	20,288	27,440	31,459	
Provision for Tax	6,117	4,234	7,272	8,179	
PAT	7,931	16,054	20,169	23,280	

Source: Company, Axis Research

Balance Sheet		(Rs Cr)			
Y/E March	FY20	FY21E	FY22E	FY23E	
SOURCES OF FUNDS					
Share Capital	1,295	1,391	1,391	1,391	
Reserves	1,15,206	1,45,438	1,63,393	1,84,119	
Shareholder's Funds	1,16,501	1,46,829	1,64,785	1,85,510	
Total Deposits	7,70,969	8,97,504	9,84,487	10,88,594	
Borrowings	1,62,900	1,13,122	1,24,201	1,41,766	
Other Liabilities & Provisions	47,995	57,594	60,949	67,036	
Total Liabilities	10,98,365	12,15,049	13,34,422	14,82,906	
APPLICATION OF FUNDS					
Cash & Bank Balance	1,19,156	1,19,445	1,22,316	1,43,619	
Investments	2,49,531	2,82,551	3,19,327	3,52,889	
Advances	6,45,290	7,26,978	7,99,895	8,84,482	
Fixed Assets	8,410	8,621	9,052	9,504	
Other Assets	75,978	77,455	83,832	92,412	
Total Assets	10,98,365	12,15,049	13,34,422	14,82,906	

Source: Company, Axis Research

Valuation ratios (%)

Y/E March	FY20	FY21E	FY22E	FY23E
EPS	12.3	23.1	29.0	33.5
Earnings growth (%)	134.8	88.4	25.6	15.4
Adj. BVPS	144.7	184.0	209.8	237.4
ROAA (%)	0.77	1.39	1.58	1.65
ROAE (%)	7.1	12.2	12.9	13.3
Core P/ABV (x)	3.3	2.5	2.1	1.6
Dividend Yield (%)	0.0	0.4	0.5	0.6

PROFITABILITY

Yield on Advances (%)	9.3	8.3	8.3	8.3
Yield on Investment (%)	6.4	6.3	6.2	6.1
Cost of Funds (%)	4.7	4.2	4.4	4.6
Cost of Deposits (%)	4.6	4.3	4.3	4.6
NIM (%)	3.7	3.7	3.6	3.4

OPERATING EFFICIENCY

Cost/Avg. Asset Ratio (%)	2.4	2.1	2.2	2.1
Cost-Income Ratio (%)	43.5	37.4	40.1	40.9

Source: Company, Axis Research

Balance Sheet Structure Ratios (%)

Y/E March	FY20	FY21E	FY22E	FY23E
Loan Growth (%)	10.0	12.7	10.0	10.6
Deposit Growth (%)	18.1	16.4	9.7	10.6
C/D Ratio (%)	83.7	81.0	81.3	81.3
Equity/Assets (%)	10.6	12.1	12.3	12.5
Equity/Advances (%)	18.1	20.2	20.6	21.0
CASA (%)	45.1	41.9	42.1	41.8
Total Capital Adequacy Ratio	16.1	17.7	18.0	18.2
Tier I CAR	14.7	16.5	16.9	17.2

ASSET QUALITY

Gross NPLs	40,829	40,526	37,124	37,114
Net NPLs	9,923	5,900	5,940	7,415
Gross NPLs (%)	6.3	5.6	4.6	4.2
Net NPLs (%)	1.5	0.8	0.7	0.8
Coverage Ratio (%)	75.7	85.4	84.0	80.0
Provision/Avg. Loans (%)	1.5	2.0	1.2	0.8

ROAA TREE

Net Interest Income	3.23%	3.34%	3.29%	3.09%
Non Interest Income	1.59%	1.66%	1.55%	1.56%
Operating Cost	2.10%	1.87%	1.94%	1.90%
Provisions	1.36%	1.38%	0.74%	0.52%
Tax	0.59%	0.37%	0.57%	0.58%
ROAA	0.77%	1.39%	1.58%	1.65%
Leverage (x)	9.17	8.79	8.18	8.04
ROAE	7.05%	12.19%	12.94%	13.29%

Source: Company, Axis Research

STATE BANK OF INDIA – RIPE FOR RE-RATING

State Bank of India (SBIN) is the largest public sector bank in terms of assets, deposits, branches, number of customers, and employees having a pan-India presence. The bank has been designated by the RBI as a Domestic Systemically Important Bank (D-SIB), which means that its continued functioning is critical for the economy.

Key Rationale

- **Asset quality outlook improves:** SBI's Q3FY21 asset quality performance was commendable. Pro-forma GNPA/NNPA declined QoQat 5.44/1.8% (vs 5.9%/2.1%) unlike its peers. 9M slippages at Rs 16,460cr (0.7% of loans) is also amongst the lowest. Restructuring (0.8%) is well within the guided range, of which 65% is corporate. Overall stress till Q3 is at 1.6% even as management guides of 2.5%. Pro-forma PCR is at 68%, in addition, it also carries Covid provision of Rs 13,000cr (0.6% of loans). Two large accounts (Dewan and Bhushan) may get upgraded in Q4FY21.
- **Improved loan mix portfolio:** SBI's retail book growth remains healthy at 15.5% YoY, led by home loans/express credit (10/36% YoY). Bank's market share in Home loans is 34.6% & in Auto loans is 32.7%. We believe SBI's unsecured lending profile is strong with more than 90% to salaried government employees.
- **Non-banking subsidiaries to boost overall performance:** Apart from core banking, SBI's subsidiaries will continue to add further value. It has a strong presence in various financial services operations like credit cards, insurance (life and general), asset management, pension funds, investment banking, institutional and retail broking etc. Most of these are generating stable returns and boosting overall performance.

Key Financials (Standalone)

Y/E Mar (Rs00'Cr)	NII (Rs00'Cr)	PPOP (Rs00'Cr)	Net Profit (Rs00'Cr)	EPS (Rs)	ABV (%)	P/ABV (%)	ROAA (%)	NNPA (%)
2020	981	681	69	7.7	222	1.6	0.2	2.2
2021E	1,138	715	174	19.4	216	1.7	0.4	1.9
2022E	1,252	810	316	35.2	242	1.5	0.7	1.5
2023E	1,377	928	409	45.4	296	1.2	0.8	1.8

Source: Company, Axis Securities;

Industry view



Overweight

CMP
364

Target Price
477

Upside
31%

Key Rationale

- **Outlook:** While management maintained its credit costs guidance at sub 2%, we expect lower credit costs with pro-forma slippages under control and adequate provisioning. Overall Stress pool is at ~1.6% as of 9MFY21 vs ~2.5% indicated. We believe SBI's unsecured lending profile is strong with >90% to salaried government employees. Retail book traction at 15.5% remains healthy supported by home loans and express credit, with further improvement likely in coming quarters. Contained stress formation, recoveries from legacy NPAs and broad-based growth in loan book will help ROAAs back to the historical range of 0.7-1% after a 6 year down cycle.
- **Valuation:** Among PSU banks, SBIN remains the best play on the gradual recovery in the Indian economy, with a healthy PCR, robust capitalization, a strong liability franchise and an improved asset quality outlook. Subsidiaries' performance was also stable in Q3FY21. We believe lower credit costs will aid better asset quality outlook, leading to double-digit ROEs of 13-15% by FY22-23E. We recommend Buy on the stock with a target price of Rs 477 (SOTP basis core book at 1.1x and subsidiaries at Rs 151).
- **Key risks:** Slower than expected recovery cycle

Profit & Loss		(Rs00'Cr)			
Y/E MAR	FY20	FY21E	FY22E	FY23E	
Net Interest Income	981	1,138	1,252	1,377	
Other Income	452	384	405	482	
Total Income	1,433	1,522	1,657	1,859	
Total Operating Exp	752	807	847	931	
Staff expenses	457	503	523	575	
Other operating expenses	295	304	324	356	
PPOP	681	715	810	928	
Provisions & Contingencies	431	478	383	375	
PBT	250	237	428	553	
Provision for Tax	181	63	111	144	
PAT	69	174	316	409	

Source: Company, Axis Research

Balance Sheet		(Rs00'Cr)			
Y/E MAR	FY20	FY21E	FY22E	FY23E	
SOURCES OF FUNDS					
Share capital	9	9	9	9	
Reserves and surplus	2,074	2,248	2,565	2,974	
Shareholders' funds	2,083	2,257	2,499	2,908	
Total Borrowings	32,416	34,361	37,453	40,824	
Other Liabilities, provisions	3,147	2,934	2,911	3,004	
Total	1,868	1,961	2,118	2,288	
APPLICATION OF FUNDS					
Cash & Bank Balance	2,511	1,806	1,588	1,309	
Investments	10,470	11,517	12,208	12,941	
Advances	23,253	24,648	27,359	30,643	
Fixed Assets & Other Assets	3,280	3,542	3,826	4,132	
Total assets	39,514	41,514	44,981	49,024	

Source: Company, Axis Research

KEY RATIOS		(Rs Cr)			
Y/E MAR	FY20	FY21E	FY22E	FY23E	
VALUATION RATIOS					
EPS	7.7	19.4	35.2	45.4	
Earnings Growth (%)	666.7	152.5	81.6	29.3	
DPS	0.0	0.0	3.0	3.0	
BVPS	231.4	250.8	277.6	323.1	
Adj. BVPS	222.4	215.8	241.6	296.1	
ROAA (%)	0.2	0.4	0.7	0.8	
ROAE (%)	3.5	8.0	13.3	15.1	
P/E (x)	47.7	18.9	10.4	8.1	
P/ABV (x)	1.6	1.7	1.5	1.2	
Dividend Yield (%)	0.0	0.0	0.8	0.8	
PROFITABILITY					
NIM (%)	2.9	3.2	3.1	3.1	
Cost-Income Ratio	52.5	53.0	51.1	50.1	

Source: Company, Axis Research

Balance Sheet Structure Ratios		(%)			
Y/E MAR	FY20	FY21E	FY22E	FY23E	
Loan Growth (%)	6.4	6.0	11.0	12.0	
Deposit Growth (%)	11.3	6.0	9.0	9.0	
C/D Ratio (%)	71.7	71.7	73.0	75.1	
CASA	44.0	44.0	43.0	43.0	
Tier 1	11.0	10.8	11.0	11.3	
CAR	13.1	13.3	13.2	13.2	
ASSET QUALITY					
Gross NPLs (%)	6.2	5.9	5.2	4.8	
Net NPLs (%)	2.2	1.9	1.5	1.8	
PCR	65.2	70.1	72.2	74.5	
Credit costs	1.8	1.9	1.4	1.2	

Source: Company, Axis Research

FEDERAL BANK – OPERATIONAL IMPROVEMENT ON TRACK

Federal Bank is a Kerala-based private sector bank. It has exposure to insurance and NBFC business through its joint venture with IDBI and wholly-owned subsidiary Fedfina respectively. The bank has been proactively managing its strategy from being a regional player towards being a branch light distribution heavy franchise with a push towards digital banking.

Key Rationale

- **Improving liability franchise:** As FB entrenches its presence pan – India, it is amongst the few mid-tier banks which have improved its deposit base. In Q3FY21, Deposits growth was strong at 12% YoY, led by CASA up ~23/6% YoY/QoQ. CASA ratio at 34.5%, up from 31.5% YoY. Retail deposits ~92%. NR deposits have also been growing with share at ~40%, being preferred banker for NRIs.
- **Loan mix more balanced:** FB's loan book growth is being led by retail (inclagri) is >40% and granular. In Q3FY21, Loan growth of 6% YoY was led by Retail up 16% w/w Gold loans grew 67% YoY. SME grew 11.7/4.7% YoY/QoQ with ECLGS disbursement amounting to Rs 26bn. Corporate book de-grew 2% YoY. Gold loan is a key segment where the bank intends to grow.
- **Asset quality manageable:** The restructuring pool was much lower than expectations, at 0.9% of loans and is largely in retail (mainly mortgage), wherein LGDs will be low. Management expects a further ~40-50 bps to come in Q4FY21. In FY21, the bank expects a restructuring of ~Rs 1500-1600 with currently approved Rs1000-1100cr. It intends to hold a 15-20% provision on the restructuring book. Pro-forma slippages of Rs 830cr includes one large infra account (Rs 210cr) likely to be resolved in Q4.

Key Rationale

- **Outlook:** FB has been taking a cautious approach in building the loan mix toward high-rated corporates and retail loans. The bank's liability franchise remains strong with CASA plus Retail TD of ~90% and one of the highest LCR amongst banks. Restructuring levels are also lower than expected. Management intends to keep PCR in the range of 65-70% as a high proportion of the book is secured and LGDs historically have treaded below 40%. FB has been consistently improving across parameters – efficiency, deposits, fee income etc. It has professionalized its senior management in recent years and done well on corporate and retail loans (especially gold).
- **Valuation:** We believe that key positives are increasing retail focus, strong fee income, adequate capitalisation (Tier-1 at 13%), and prudent provisioning. Given strong underwriting standards, changing loan mix and strong retail deposit franchise, we expect the valuation to improve from current levels if asset quality trends maintain and ROA improvement keeps on track. We maintain Buy with a revised target price of Rs93 (1x FY23E ABV).
- **Key risks:** Asset quality trends in coming quarters

Industry view



Overweight

CMP
76

Target Price
93

Upside
23%

Key Financials (Standalone)

Y/E Mar (Rs Cr)	NII (Rs Cr)	PPOP (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	ABV (%)	P/ABV (%)	ROAA (%)	NNPA (%)
2020	4,649	3,205	1,543	7.8	64.9	1.1	0.9	1.3
2021E	5,532	3,859	1,408	7.1	74.9	1.0	0.6	1.3
2022E	6,085	3,988	1,741	8.7	82.9	0.9	0.8	1.2
2023E	6,877	4,532	2,280	7.1	92.5	0.8	1.0	1.0

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E MAR	FY20	FY21E	FY22E	FY23E
Net Interest Income	4,649	5,532	6,085	6,877
Other Income	1,931	1,970	1,753	1,894
Total Income	6,580	7,502	7,839	8,770
Total Operating Exp	3,376	3,643	3,850	4,239
PPOP	3,205	3,859	3,988	4,532
Provisions & Contingencies	1,172	1,957	1,635	1,450
PBT	2,033	1,903	2,353	3,081
Provision for Tax	490	495	612	801
PAT	1,543	1,408	1,741	2,280

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E MAR	FY20	FY21E	FY22E	FY23E
SOURCES OF FUNDS				
Share Capital	399	399	399	399
Reserves	14,518	15,925	17,517	19,627
Shareholder's Funds	14,916	16,324	17,915	20,026
Total Deposits	1,52,290	1,69,194	1,90,682	2,16,424
Borrowings	10,372	10,788	12,876	14,614
Other Liabilities & Provisions	3,458	3,631	3,885	3,885
Total Liabilities	1,81,037	1,99,937	2,25,358	2,54,949
APPLICATION OF FUNDS				
Cash & Bank Balance	12,575	14,447	22,100	25,825
Investments	35,893	39,482	41,430	44,430
Advances	1,22,268	1,31,071	1,46,144	1,65,874
Fixed Assets & Other Assets	10,301	14,937	15,684	18,820
Total Assets	1,81,037	1,99,937	2,25,358	2,54,949

Source: Company, Axis Research

Key Ratios	(Rs Cr)			
	Y/E MAR	FY20	FY21E	FY22E
VALUATION RATIOS				
EPS	7.8	7.1	8.7	11.4
Earnings Growth (%)	23.8	-9.4	23.7	31.0
BVPS	1.0	0.0	1.0	1.0
Adj. BVPS	72.8	81.9	88.9	99.5
RoAA (%)	64.9	74.9	82.9	92.5
ROAE (%)	0.9	0.6	0.8	1.0
P/E (x)	10.8	7.8	9.6	12.1
P/ABV (x)	10.3	11.3	9.2	7.0
P/PPOP (x)	1.1	1.0	0.9	0.8
Dividend Yield (%)	1.3	0.0	1.3	1.3
PROFITABILITY				
NIM (%)	2.9	3.2	3.1	3.2
Cost-Income Ratio	51.3	48.6	49.1	48.3

Source: Company, Axis Research

Balance Sheet Structure Ratios	(%)			
	Y/E MAR	FY20	FY21E	FY22E
Loan Growth (%)	10.9	7.2	11.5	13.5
Deposit Growth (%)	12.8	11.1	12.7	13.5
C/D Ratio (%)	80.3	77.5	76.6	76.6
CAR	14.3	14.2	14.1	14.1
CAR Tier I	13.3	13.2	13.2	13.3
ASSET QUALITY				
Gross NPLs (%)	2.8	3.4	3.4	3.0
Net NPLs (%)	1.3	1.3	1.2	1.0
Coverage Ratio (%)	53.2	63.2	65.3	65.1
Net Interest Income	2.7	2.5	2.6	2.9
Non Interest Income	1.1	1.0	0.8	0.8
Operating Cost	2.0	1.9	1.8	1.8
Provisions	0.5	0.8	0.5	0.4
Tax	0.3	0.3	0.3	0.3
ROAA	1.1	0.6	0.8	1.0
Leverage (x)	12.2	12.5	12.8	12.9
ROAE	11.1	8.3	9.2	10.1

Source: Company, Axis Research

EQUITAS SMALL FINANCE BANK – READY FOR THE NEXT LEG OF GROWTH!

Equitas SFB (EQSFB) offers a diversified suite of products spread across Microfinance, Small Business Loans, Vehicle Finance, Housing finance, SME Financing and NBFC Financing. The bank primarily caters to the low and middle-income individuals and businesses that have limited or no access to formal banking and finance channels.

Industry view



Overweight

CMP
60

Target Price
72

Upside
20%

Key Rationale

- **Improving liability franchise:**The bank has been seeing good traction in deposits lately, especially in the retail deposits and expects the momentum to continue. We expect the deposits to grow at ~40% CAGR over FY20-23E with a continued focus on retail TDs and CASA deposits, thus improving CASA ratio to ~29% in FY23E from 25.3% in Q3FY21.
- **Diversified book skewed towards secured lending:**EQSFB's focus to diversify the non-MFI secured book (~80% of the book in Q3FY21) are visible with the continuous reduction in the mix of MFI loans (~20% of the book in Q3FY21) in the portfolio. The mix of MFI loans is expected to further reduce, with non-MFI products driving growth. Huge unmet demand and a large addressable market will aid growth. (~26% CAGR over FY21-23E)
- **Asset quality stress largely taken care of:**~80% of EQSFB's book is secured and LGDs across segments have been historically low. EQSFB also holds adequate provisions against each segment. Currently, the restructured book was ~2% and is expected to be contained at that level. Though we expect credit costs to peak out in FY21E, we remain cautious of any incremental stress build-up with a possible 2nd wave of COVID-19 impacting business, the impact of TN assembly elections on the MFI book and heightened chances of a strict lockdown/ restrictions in Maharashtra (13% of advances).

Key Rationale

- **Outlook:**EQSFB has been pro-actively shifting away from the MFI portfolio to build a strong diversified secured lending dominated book. The bank has been seeing good traction on deposits especially retail deposits (~60%) and is expected to improve further. Improving liability franchise will help lower CoF which will support NIMs as the bank turns towards lower yielding secured lending. The improving operating efficiency with improving branch productivity and leveraging technology to source deposits will drive ROA expansion. With most of the stress well provided for, we believe the credit costs would peak-out in FY21E. EQSFB is also well capitalised to fuel growth for the medium term, with Tier I at 21.6%.
- **Valuation:**We believe EQSFB is eligible for re-rating given its improving profitability, asset quality and return ratios. The bank's plan to apply for a reverse merger with Equitas Holdings in Sep'21, on completion of 5 years of commencing banking operations, coupled with its application for a universal banking license further supports our re-rating rationale. We recommend BUY with a target price of Rs72 (1.9x FY23E ABV).
- **Key risks:**Asset quality stress due to 2nd wave of COVID-19

Key Financials (Standalone)

Y/E Mar (Rs Cr)	NII (Rs. Cr)	PPOP (Rs. Cr)	Net Profit (Rs. Cr)	EPS (Rs.)	ABV (Rs.)	P/ABV (x)	ROAA (%)	NNPA (%)
2020	1,495	598	244	2.3	23.9	2.5	1.4	1.7
2021E	1,857	931	391	3.4	27.1	2.2	1.7	2.0
2022E	2,213	1,090	521	4.6	32.0	1.9	1.8	1.4
2023E	2,703	1,367	688	6.0	37.9	1.6	2.0	1.2

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E MAR	FY20	FY21E	FY22E	FY23E
Net Interest Income	1,495	1,857	2,213	2,703
Other Income	282	371	389	464
Total Income	1,778	2,228	2,602	3,167
Total Operating Exp	1,180	1,297	1,511	1,800
PPOP	598	931	1090	1367
Provisions & Contingencies	247	408	393	447
PBT	351	522	697	920
Provision for Tax	107	132	176	232
PAT	244	391	521	688

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E MAR	FY20	FY21E	FY22E	FY23E
SOURCES OF FUNDS				
Share Capital	1,053	1,138	1,138	1,138
Reserves	1,691	2,276	2,798	3,485
Shareholder's Funds	2,744	3,415	3,936	4,624
Total Deposits	10,788	17,713	23,113	29,763
Borrowings	5,135	4,226	2,602	2,587
Other Liabilities & Provisions	647	764	840	924
Total Liabilities	19,315	26,118	30,491	37,898
APPLICATION OF FUNDS				
Cash & Bank Balance	2,537	4,077	4,048	4,618
Investments	2,343	4,608	4,626	5,957
Advances	13,747	16,698	21,034	26,466
Fixed Assets & Other Assets	688	735	783	858
Total Assets	19,315	26,118	30,491	37,898

Source: Company, Axis Research

Key Ratios	(Rs Cr)			
	Y/E MAR	FY20	FY21E	FY22E
VALUATION RATIOS				
EPS	2.3	3.4	4.6	6.0
Earnings Growth (%)	11%	48%	33%	32%
BVPS	26.1	30.0	34.6	40.6
Adj. BVPS	23.9	27.1	32.0	37.9
RoAA (%)	1.4%	1.7%	1.8%	2.0%
ROAE (%)	9.7%	12.7%	14.2%	16.1%
P/E (x)	26.0	17.5	13.1	9.9
P/ABV (x)	2.5	2.2	1.9	1.6
P/PPOP (x)	0.1	0.1	0.1	0.0
Dividend Yield (%)	0.0	0.0	0.0	0.0
PROFITABILITY				
NIM (%)	9.1	8.7	8.3	8.3
Cost-Income Ratio	66.4	58.2	58.1	56.8

Source: Company, Axis Research

Balance Sheet Structure Ratios	(%)			
	Y/E MAR	FY20	FY21E	FY22E
Loan Growth (%)	18.6	21.5	26.0	25.8
Deposit Growth (%)	19.8	64.2	30.5	28.8
C/D Ratio (%)	127.4	94.3	91.0	88.9
CAR	23.6	25.7	23.9	22.7
CAR Tier I	22.4	24.8	23.1	22.1
ASSET QUALITY				
Gross NPLs (%)	2.7	4.6	3.4	3.1
Net NPLs (%)	1.7	2.0	1.4	1.2
Coverage Ratio (%)	45.0	60.0	63.0	65.0
Net Interest Income	8.5	8.2	7.8	7.9
Non-Interest Income	1.6	1.6	1.4	1.4
Operating Cost	6.7	5.7	5.3	5.3
Provisions	1.4	1.8	1.4	1.3
Tax	0.6	0.6	0.6	0.7
ROAA	1.4	1.7	1.9	2.0
Leverage (x)	7.0	7.4	7.7	8.0
ROAE	9.7	12.7	14.4	16.1

Source: Company, Axis Research

VARUN BEVERAGES – GEARED FOR GROWTH

VBL is the 2nd largest franchisee for PepsiCo in the world (outside the USA). Products manufactured by VBL include Carbonated Soft Drinks - Pepsi, Mountain Dew, Seven Up, Mirinda; Non-Carbonated Beverages - Tropicana Slice, Tropicana Frutz; and Bottled water – Aquafina. It operates in India and is also the exclusive bottler for PepsiCo in Nepal, Sri Lanka, Morocco, Zambia and Zimbabwe.

Industry view



Equal Weight

CMP
1003

Target Price
1,230

Upside
23%

Key Rationale

- Q4CY20 performance was healthy on a YoY basis with in-home consumption growing 20-25% rate, flat domestic volumes and 25% YoY growth in IBD volumes to 24mn cases. For CY20, total sales volume declined by 13.7% YoY to 425.3 million cases and organic sales volume declined by 20.8% primarily due to a decline in Q2CY20 where volumes declined by 46.4% due to lockdown restrictions. In CY20, India volumes fell by 17% YoY to 337 million cases, while international business volumes were flattish at 88 million cases. Expect EBITDA Margins to stabilize in 21-22% ranged on the back of improved mix and cost rationalization initiatives taken during the pandemic.
- **Low per capita soft drink consumption in India** of 44 bottles as of 2016 as compared to 271 bottles in China, 1,496 bottles in the USA and 1,489 bottles in Mexico offers immense scope for growth from deeper penetration of soft drinks in India is a structural growth opportunity.
- **Key risks:** seasonality, concerns on COVID's second wave (50% OOH* consumption), regulatory actions against soft drinks if any.

Key Rationale

- **Outlook:** With business growth restoring, aided by unlocking as witnessed in Q4CY20, we do expect this momentum to continue. The trend of in-home consumption has seen an increase and is likely to sustain as consumers get habituated to consuming soft drinks at home. Further, OOH is also resuming normalcy, where too, growth could be seen. Rural regions are likely to grow ahead of urban counterparts on the back of a healthy agriculture outlook. Share gain opportunities from smaller players are expected to boost its market share especially in acquired territories of South and West where the company will look to add dealers ahead of the season in CY21.
- **Valuation.** We expect VBL to register Revenues/Earnings CAGR of 11%/31% resp. over CY19-22E. This growth will be driven by 1) consolidation in newly acquired territories, 2) distribution led market share gains, 3) margin tailwinds from cost efficiencies. Given the healthy outlook for the upcoming season and tie-ups with leading and fast-growing QSR players in India could propel VBLs growth into a new orbit. We value VBL at a premium of 17x its CY22 EV/EBITDA to arrive at our upgraded TP.

Key Financials (Consolidated)

Y/E Dec (Rs Cr)	Net Sales	EBIDTA	Net Profit	EPS (Rs)	PER (x)	EV/EBIDTA (x)	ROE (%)	ROCE (%)
CY19	7,130	1,448	472	16.8	42.1	15.9	14.1	14.5
CY20E	6,556	1,202	357	11.4	89.1	26.5	9.9	10.0
CY21E	8,943	1,896	861	29.8	34.1	16.4	19.9	18.7
CY22E	9,729	2,121	1,066	36.9	27.5	14.1	20.3	20.2

Source: Company, Axis Securities; * OOH – Out-of-Home

Profit & Loss		(Rs Cr)			
Y/E DEC	CY19	CY20	CY21E	CY22E	
Total Net Sales	7,130	6,556	8,943	9,729	
% Change	39.7%	-8.0%	38.7%	8.8%	
Total Raw material Consumption	3,219	2,870	3,890	4,174	
Staff costs	811	890	1,055	1148	
Other Expenditure	1,652	1,595	2,102	2,286	
Total Expenditure	5,682	5,354	7,047	7,608	
EBITDA	1,448	1,202	1,896	2,121	
% Change	43.8%	-17.0%	57.7%	11.9%	
EBITDA Margin %	20.3%	18.3%	21.2%	21.8%	
Depreciation	489	529	574	603	
EBIT	959	673	1,322	1518	
% Change	54.3%	-29.8%	96.3%	14.8%	
EBIT Margin %	13.5%	10.3%	14.8%	15.6%	
Interest	310	281	234	161	
Other Income	43	37	63	68	
(as % of PBT)	6%	10%	5%	5%	
PBT	696	429	1,150	1425	
Exceptional Items	-	(67)	-	0	
PBT(after adj)	696	362	1,150	1,425	
Tax	224	5	290	359	
Tax Rate %	32.2%	1.2%	25.2%	25.2%	
APAT	472	357	861	1066	

Source: Company, Axis Research

Balance Sheet		(Rs Cr)			
Y/E DEC	CY19	CY20	CY21E	CY22E	
Share Capital	289	289	289	289	
Reserves & Surplus	3,040	3,300	3,975	4,913	
Net Worth	3,359	3,589	4,329	5,267	
Total Loan funds	2,823	2,693	2,293	1793	
Deferred Tax Liability	283	226	226	226	
Long Term Provisions	170	204	206	221	
Other Long Term Liability	1	24	1	1	
Capital Employed	6,635	6,736	7,055	7,508	
Gross Block	8,079	9,100	9,049	9,529	
Less: Depreciation	2,187	2,624	3,290	3,892	
Net Block	5,893	6,475	5,760	5,637	
Investments	45	-	57	62	
Sundry Debtors	173	242	245	267	
Cash & Bank Bal	171	190	553	1285	
Loans & Advances	7	52	10	10	
Inventory	882	929	981	858	
Other Current Assets	440	570	552	600	
Total Current Assets	1,672	1,982	2,340	3,020	
CurrLiab&Prov	1,753	1,721	2,022	2,166	
Net Current Assets	(81)	261	319	853	
Total Assets	6,635	6,736	7,055	7,508	

Source: Company, Axis Research

Cash Flow

(Rs Cr)

Cash Flow	CY19	CY20	CY21E	CY22E
PBT	696	362	1,150	1425
Depreciation & Amortization	489	529	574	603
Other djustment	295	309	234	161
Chg in Deferred tax	35	-	-	-
Chg in Working cap	(85)	(111)	85	208
Direct tax paid	(120)	(78)	(290)	-359
Cash flow from operations	1,310	1,012	1,754	2038
Chg in Gross Block	(754)	(560)	(636)	-516
Chg in Investments	(1,625)	88	-	-
Chg in WIP	68	-	-	-
Cash flow from investing	(2,311)	(471)	(636)	-516
Proceeds / (Repayment) of Short Term Borrowings (Net)	560	1,020	-	-
Repayment of Long Term Borrowings	46	(1,244)	-	-
Loans Repayment	-	-	(400)	-500
Finance Cost paid	(301)	(277)	(234)	-161
Dividends paid	(69)	(72)	(120)	-128
Dividend Distribution Tax paid	(9)	-	-	-
Cash flow from financing	1,110	(574)	(754)	-789
Chg in cash	100	(33)	363	732
Cash at start	42	138	190	553
Cash at end	142	105	553	1285

Source: Company, Axis Research

Ratio Analysis

(%)

Key Ratios	CY19	CY20	CY21E	CY22E
Growth (%)				
Net Sales	39.7%	-8.0%	38.7%	8.8%
EBITDA	43.8%	-17.0%	57.7%	11.9%
APAT	57.5%	-24.4%	140.8%	23.8%
Per Share Data (Rs.)				
Adj. EPS	16.8	11.4	29.8	36.9
BVPS	116.4	124.3	149.9	182.4
Profitability (%)				
EBITDA Margin	20.3%	18.3%	21.2%	21.8%
Adj. PAT Margin	7%	5%	10%	11%
ROCE	14.5%	10.0%	18.7%	20.2%
ROE	14.1%	9.9%	19.9%	20.2%
ROIC	14.8%	10.3%	20.3%	24.4%
Valuations (X)				
PER	42.1	89.1	34.1	27.5
P/BV	6.1	8.2	6.8	5.6
EV / EBITDA	15.9	26.5	16.4	14.1
EV / Net Sales	3.2	4.9	3.5	3.1
Turnover Days				
Asset Turnover	1.0	0.8	1.0	1.0
Inventory days	82.8	119.5	89.6	80.4
Debtors days	7.7	11.7	9.9	9.6
Creditors days	45.0	65.3	46.5	43.5
Working Capital Days	45.4	66.0	53.0	46.5
Gearing Ratio				
Debt: Equity (x)	0.8	0.8	0.5	0.3

Source: Company, Axis Research

RELAXO FOOTWEAR- STRONG & RESILIENCE BUSINESS MODEL

Relaxo is a footwear manufacturing company with headquarter in New Delhi. The company's products include rubber/EVA slippers, canvas shoes, sports shoes, sandals, and school shoes with the negligible presence of leather footwear. It has a market share of ~5% in the footwear market and has a prominent presence in mass and value category products catering for the entire family. The company has effectively increased its reach in tier II, III & IV cities with a limited presence in metro and tier I cities.

Industry view



Key Rationale

- **Volumes driven by open footwear with demand for closed footwear inching up:** Open footwear majorly contributed to the revenues during 9MFY21 as there was a strong demand for these due to the extension of work from the home trend. We expect an even higher demand for open footwear with better recovery in demand of closed footwear from West and South with lockdown easing up and winter season.
- **Margin to improve on cost rationalization:** Gross Margin expanded in 9MFY21 bps in on the back of benign raw material prices. We expect prices of raw material to rise as demand reverts to normalcy in turn levelling margins to previous trends. EBITDA Margin witnessed sharp improvement on account of better product mix and saving in selling and administrative expenses. We expect margins to improve by 60-70 bps in FY21E vs FY20.

Key Rationale

- **Valuation:** Relaxo has maintained healthy operating cashflows, asset turns (~3x) and EBITDA Margins over the years making it a capital-efficient business. We believe a strong balance sheet with a D/E ratio of 0.1x and efficient working capital should help Relaxo sail through the current situation comfortably. We expect the company to be the beneficiary of market share gains as most players in the unorganized segment mainly dominant in the mass and value category would be facing liquidity constraints. We remain positive on the stock from a long term perspective given immense growth potential. We expect the company to register Revenue/EBITDA/PAT CAGR of 16/21/25% over FY20-23E.
- **Key Risks:** Currently, ~ 40% of raw materials used by the company are imported (EVA, PU etc). As these raw materials are derivatives of crude, therefore any fluctuation in prices of crude would impact the pricing of its key raw material.

Equal Weight

CMP
882

Target Price
1,013

Upside
15%

Key Financials

Y/E Mar (Rs Cr)	Net Sales	EBIDTA	Net Profit	EPS (Rs)	PER (x)	EV/EBIDTA (x)	ROE (%)	ROCE (%)
FY20	2,410	409	227	9.1	69	38	18	22
FY21E	2,327	410	227	8.2	108	53	14	18
FY22E	3,066	580	330	13.3	66	37	19	24
FY23E	3,773	732	441	17.8	50	29	21	27

Source: Company, Axis Securities

Profit & Loss

(Rs Cr)

Y/E Mar	FY20	FY21E	FY22E	FY23E
Total Net Sales	2,410	2,327	3,066	3,773
Total Raw material Consumption	1,039	1,012	1,319	1,611
Staff costs	294	303	380	468
Other Expenditure	668	603	788	962
Total Expenditure	962	905	1,168	1,430
EBITDA	409	410	580	732
EBITDA Margin %	17.0	17.6	18.9	19.4
Depreciation	109	129	132	138
EBIT	300	281	447	594
EBIT Margin %	12.4	12.1	14.6	15.7
Interest	17	18	17	17
Other Income	9	8	10	12
PBT	292	270	441	589
Tax	65	68	111	149
APAT	227	202	330	441

Source: Company, Axis Research

Balance Sheet

(Rs Cr)

Y/E Mar	FY20	FY21E	FY22E	FY23E
Share Capital	25	25	25	25
Reserves & Surplus	1,248	1,420	1,686	2,063
Net Worth	1,273	1,445	1,711	2,087
Total Borrowings	-	-	-	-
Deferred Tax Liability	25	25	25	25
Long Term Provisions	11	15	20	25
Other Long-Term Liability	120	125	130	130
Capital Employed	1,428	1,610	1,886	2,267
Gross Block	948	1,010	1,073	1,139
Less: Depreciation	197	273	353	437
Net Block	751	737	720	703
Other Non-Current Assets	300	299	319	321
Investments	-	-	-	-
Sundry Debtors	172	236	269	331
Cash & Bank Bal	4	104	265	471
Loans & Advances	0	0	0	0
Inventory	448	517	568	699
Other Current Assets	166	150	250	350
Total Current Assets	790	1,007	1,352	1,851
CurrLiab&Prov	413	434	506	607
Net Current Assets	377	574	847	1,244
Total Assets	1,428	1,610	1,886	2,267

Source: Company, Axis Research

Cash Flow

(Rs Cr)

Y/E Mar	FY20	FY21E	FY22E	FY23E
PBT	292	270	441	589
Depreciation & Amortization	109	129	132	138
Net Finance Interest and other expenses	17	10	7	5
Chg in Deferred tax				
Chg in Working cap	(20)	(92)	(126)	(194)
Direct tax paid	(84)	(68)	(111)	(149)
Cash flow from operations	315	249	342	390
Chg in Gross Block	(116)	(98)	(100)	(104)
Chg in Investments				
Chg in WIP				
Cash flow from investing	(116)	(98)	(100)	(104)
Proceeds / (Repayment) of ST Borrowings (Net)	(68)	-	-	-
Repayment of LT Borrowings	(24)	-	-	-
Loans Repayment				
Finance Cost paid	(17)	(18)	(17)	(17)
Dividends paid	(64)	(30)	(64)	(64)
Other repayment	(28)	-	-	-
Cash flow from financing	(201)	(48)	(81)	(81)
Chg in cash	(2)	103	162	205
Cash at start	2	(0)	104	265
Cash at end	(0)	103	265	471

Source: Company, Axis Research

Ratio Analysis

(%)

Key Ratios	FY20	FY21E	FY22E	FY23E
Growth (%)				
Net Sales	5.2	(3.5)	31.8	23.1
EBITDA	26.2	0.1	41.5	26.3
APAT	29.3	(10.8)	63.1	33.7
Per Share Data (Rs.)				
Adj. EPS	9.1	8.2	13.3	17.8
BVPS	51	58	69	84
Profitability (%)				
EBITDA Margin	17.0	17.6	18.9	19.4
Adj. PAT Margin	9.4	8.7	10.8	11.7
ROCE	21.6	17.9	24.3	26.7
ROE	17.8	14.0	19.3	21.1
Valuations (X)				
PER				
P/BV	69	108	66	50
EV / EBITDA	12	15	13	10
EV / Net Sales	38	53	37	29
Turnover Days	6.5	9.4	7.1	5.7
Asset Turnover				
Inventory days	3.1	3.1	4.2	5.3
Debtors days	68	81	68	68
Creditors days	26	37	32	32
Working Capital Days	34	36	36	34

CAMLIN FINE SCIENCES – STRONG INTEGRATED PLAYER WITH FOCUS ON GROWTH

Camlin Fine Sciences (CFS) was formed after de-merging the fine chemical business of Kokoyu Camlin in 2006. The company is vertically integrated and engaged in the research, development, manufacturing, commercializing and marketing of specialty chemicals and blends. These find applications in a wide array of sectors such as food, feed and pet nutrition, pharma, petrochemicals, polymers, flavours and fragrances, agro chemicals, dyes and pigments and bio diesel among others.

Industry view



Equal Weight

CMP
140

Target Price
165

Upside
18%

Key Rationale

- **Margin Accretive Blends Segment to be a Value Creator:** CFS has plans to evolve as a global food blender and has commissioned facilities in Mexico, Brazil, North America, Europe and India. The Blends segment contributes 30% to the top-line. Blends margins in FY20 stood at 20% and the same is expected to improve further by 500 bps to 25% in the coming years. The top-line is expected to grow by ~22%-25% in the backdrop of new launches, expansion in new geographies, and growth in existing geographies.
- **Dahej Plant Commercialization- a key growth catalyst:** CFS has announced a greenfield plant expansion in Dahej at a total cost of Rs. 180 crore, with a capacity of 10,000 MTPA to manufacture key raw materials such as di-phenols like Hydroquinone and Catechol its major raw materials and the downstream products. The said green-field expansion will make CFS 2nd largest and lowest-cost producers of Hydroquinone and Catechol as well as a leading vertically integrated player in the world. The backward integration in India is expected to provide the company with a significant cost advantage to the tune of \$1-1.5/kg and reduce inventory days.

Key Rationale

- **Strategically Integrated Player:** CFS is one of the world's leading and integrated manufacturers of the most preferred traditional antioxidants and vanillin and manufactures various other shelf-life solutions, aroma ingredients and performance chemicals. The company has integrated backwards through its facility in Italy and with the recently commissioned facility at Dahej, it stands 2nd largest and lowest-cost producers of Hydroquinone and Catechol and is the 3rd largest producer of Vanillin in the world. CFS has also commercialized a plant to produce di-phenols at Dahej, thus mitigating the single location risk.
- **Valuation:** CFS's strategic focus on expansion and having a worldwide presence, expected growth in blends segment, increasing demand of vanillin worldwide, strategic vertical integration, step up in innovation/new launches, healthy margin profile and improving balance sheet are some of the key features from a long term perspective that are likely to support and strengthen the business. We expect the company to register Revenue/EBITDA/PAT CAGR of 23/31/68% over FY20-23E.

Key Financials

Y/E Mar (Rs Cr)	Net Sales	EBIDTA	Net Profit	EPS (Rs)	PER (x)	EV/EBIDTA (x)	ROE (%)	ROCE (%)
FY20	1,049	131	30	2.5	57.4	16.4	6.4	10.9
FY21E	1,257	180	65	5.4	26.3	12.3	10.5	11.3
FY22E	1,540	234	98	8.1	17.4	9.5	12.9	13.5
FY23E	1,850	296	138	11.4	12.4	7.5	15.3	16.1

Profit & Loss (Rs Cr)

Y/E Mar	FY20	FY21E	FY22E	FY23E
Net sales	1,049	1,257	1,540	1,805
% change	17.6	19.8	22.6	17.2
Raw material expenses	534	641	779	908
Employee expenses	100	122	146	171
Other Operating expenses	285	314	380	430
Total Expenditure	918	1,077	1,306	1,509
EBITDA	131	180	234	296
% change	90.4	37.5	30.3	26.4
EBITDA Margin %	12.5	14.3	15.2	16.4
Depreciation	32.8	55.0	62.5	69.9
EBIT	98	125	172	226
% change	146.8	27.4	37.6	31.8
EBIT Margin %	9.3	9.9	11.1	12.5
Interest paid	43	41	42	42
Other Non-Operating Income	3	9	11	13
PBT	58	93	140	197
Tax	28	28	42	59
Tax %	48.7	30.0	30.0	30.0
Net Profit	30	65	98	138
% change	873.4	118.3	50.7	40.3

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E Mar	FY20	FY21E	FY22E	FY23E
Share Capital	12	12	12	12
Reserves & Surplus	391	551	694	832
Net Worth	460	620	763	901
Total Loan funds	490	540	562	560
Deferred Tax Liability	2	2	2	2
Long Term Provisions	3	4	5	6
Capital Employed	964	1,167	1,333	1,469
Net Fixed Assets	485	569	659	734
Investments	17	19	21	23
Sundry Debtors	253	300	359	410
Cash & Bank Bal	52	61	55	54
Inventory	298	386	448	497
Other Current Assets	46	63	77	90
Total Current Assets	675	822	952	1,064
Current Liabilities & Provisions	270	300	356	409
Net Current Assets	405	522	596	655
Total Assets	964	1,167	1,333	1,469
Other Current Assets	166	150	250	350
Total Current Assets	790	1,007	1,352	1,851
CurrLiab&Prov	413	434	506	607
Net Current Assets	377	574	847	1,244
Total Assets	1,428	1,610	1,886	2,267

Source: Company, Axis Research

Cash Flow		(Rs Cr)			
Y/E Mar	FY20	FY21E	FY22E	FY23E	
PBT	58	93	140	197	
Depreciation & Amortization	34	55	63	70	
Chg in Working cap	-41	-121	-80	-60	
Direct tax paid	-18	-28	-42	-59	
Cash flow from operations	86	31	112	177	
Chg in Gross Block	-134	-139	-153	-145	
Chg in Investments	38	0	0	0	
Proceeds on redemption of Fin. Assets	0	0	0	0	
Cash flow from investing	-90	-132	-144	-134	
Proceeds / (Repayment) of Short Term Borrowings (Net)	34	46	13	-2	
Proceeds from issue of Equity Instruments of the company	0	0	0	0	
Loans	17	15	9	-1	
Finance Cost paid	-39	-41	-42	-42	
Dividends paid	-3	0	0	0	
Cash flow from financing	3	97	26	-44	
Chg in cash	-1	-4	-6	-1	
Cash at start	53	52	48	42	
Cash at end	52	48	42	41	

Source: Company, Axis Research

Ratio Analysis		(%)			
Key Ratios	FY20	FY21E	FY22E	FY23E	
Growth (%)					
Net Sales	17.6%	19.8%	22.6%	17.2%	
EBITDA	90.4%	37.5%	30.3%	26.4%	
APAT	873.4%	118.3%	50.7%	40.3%	
Per Share Data (Rs.)					
Adj. EPS	2.5	5.4	8.1	11.4	
BVPS	37.9	51.2	63.0	74.3	
DPS	2.5	0.0	0.0	0.0	
Profitability (%)					
EBITDA Margin	12.5%	14.3%	15.2%	16.4%	
Adj. PAT Margin	2.8%	5.2%	6.4%	7.6%	
ROCE	10.9%	11.3%	13.5%	16.1%	
ROE	6.4%	10.5%	12.9%	15.3%	
Valuations (X)					
PER	43.9	20.1	13.3	9.5	
P/BV	2.8	2.1	1.7	1.5	
EV / EBITDA	13.4	10.0	7.8	6.2	
EV / Net Sales	1.7	1.4	1.2	1.0	
Turnover Days					
Asset Turnover	3.6	2.8	2.4	2.4	
Inventory days	199.5	194.9	195.5	190.1	
Debtors days	80.4	80.2	78.0	77.8	
Creditors days	115.7	109.5	107.8	107.7	
Working Capital Days	164.2	165.6	165.6	160.2	
Gearing Ratio					
Total Debt to Equity (x)	1.0	0.8	0.7	0.6	

AMBER ENTERPRISES – A KEY BENEFICIARY OF ATMANIRBHAR BHARAT

Amber Enterprises Ltd.(AEL) is a leading solution provider for the Air conditioner OEM/ODM Industry in India. It caters to 9 out of the top 10 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. Further Amber has expanded its offerings by the acquisition of Sidwal (mobility solutions) and recently forayed into commercial AC's.

Industry view



Equal Weight

CMP
3,316

Target Price
3,658

Upside
10%

Key Rationale

- **A most backward integrated player in India and strategic plant locations:** With strategically located and most backward integrated plants Amber is a cost-efficient solutions provider to RAC brands/OEMs. AEL caters to the majority of clients requirements for ACs like 49% for outdoor units, 78% for indoor units & 60% for window ACs.
- **Strong traction in RAC demand& healthy order outlook:** Amber witnessed strong traction for RAC's and components during Q3FY21. Further, the government measures to ban ACs with refrigerants have led to increased traction for Amber and the company has added 6 new customers to cater to this need for gas filling solutions by its clients.
- **Strong summer season:** Brands /OEMs have witnessed demand recovery in the current quarter and adequate stocking by dealers with the prediction of warmer than usual summer. A strong summer season would augur well for the company in the near to medium term.
- **Planned Capex to augur well with PLI scheme on the cards:** the company has acquired land near Pune to set up a facility for manufacturing components while its planned Capex for RAC plant in South India (Sri City remains on track. 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.

Key Rationale

- **Outlook:** Amber caters to the top 9 out of the top 10 RAC brands in India and has expanded further into Mobility Solutions (Sidwal subsidiary). Moreover, its Commercial AC foray indicates the intent to cater to a broad spectrum of HVAC solutions. Strong traction in the under-penetrated RAC segment and growth opportunities led by government policies (PLI) and export opportunities augur well for Amber over the long term.
- **Valuation:** We expect Amber to register Revenue/Earnings CAGR of 15.4%/21.8% respectively over FY20-23E. The near term order outlook remains strong for RAC as well as mobility solutions. Healthy build-up for the upcoming season, government policy measures and support through the PLI scheme makes us believers in this structural long term story. Hence we raise our multiple to 41x, which is at a premium to consensus and historical multiples. We value Amber at 41 x FY23 E EPS of Rs 89.2 arriving at a target price of Rs 3,658.
- **Key risks:** (i) slower than expected recovery in RAC's; (ii) delay in ramp-up of component manufacturing and its green-field Capex.

Key Financials (Consolidated)

Y/E Dec (Rs Cr)	NetSales (Rscr)	EBIDTA (Rscr)	Net Profit (Rscr)	EPS (Rs)	PER (x)	EV/EBIDTA (x)	ROE (%)	ROCE (%)
FY20	3,963	317	164	52.2	64.0	32.9	15.4	17.3
FY21E	3,005	231	72	22.3	154.4	48.5	6.2	9.2
FY22E	4,679	392	184	54.7	60.2	28.6	14.4	17.6
FY23E	6,086	549	301	89.2	37.2	20.1	19.7	23.3

Source: Company, Axis Securities

Profit & Loss		(Rs Cr)			
Y/E Mar	FY20	FY21E	FY22E	FY23E	
Net sales	3,963	3,005	4,679	6,086	
Other operating inc.	8.2	30.4	18.8	24.3	
Total income	3,971	3,036	4,697	6,110	
Cost of goods sold	3,654	2,804	4,306	5,561	
Contribution (%)	7.8%	6.7%	8.0%	8.6%	
Operating Profit	317	231	392	549	
Depreciation	85	94	108	112	
Interest & Fin Chg.	42	40	38	36	
E/o income / (Expense)	0	0	0	0	
Pre-tax profit	27	97	246	402	
Tax provision	164	25	62	101	
(-) Minority Interests	0	0	0	0	
Associates	0	0	0	0	
Adjusted PAT	163	72	184	301	

Source: Company, Axis Research

Balance Sheet		(Rs Cr)			
Y/E Mar	FY20	FY21E	FY22E	FY23E	
Total assets	1,638	1,717	1,912	2,230	
Net Block	1,106	1,221	1,336	1,337	
CWIP	6	20	23	10	
Investments	45	45	45	45	
Wkg. cap. (excl cash)	361	317	454	576	
Cash / Bank balance	120	113	54	262	
Misc. Assets	0	0.0	0.0	0.0	
Capital employed	1,638	1,717	1,912	2,230	
Equity capital	31	34	34	34	
Reserves	1,097	1,164	1,343	1,637	
Pref. Share Capital	0	0	0	0	
Minority Interests	35	35	35	35	
Borrowings	405	405	410	430	
Def tax Liabilities	70	80	90	96	

Source: Company, Axis Research

Cash Flow

(Rs Cr)

Y/E Mar	FY20	FY21E	FY22E	FY23E
Sources	318.9	173.3	297.8	410.4
Cash profit	290.8	206.3	331.9	448.2
(-) Dividends	12.1	5.5	6.3	7.3
Retained earnings	278.7	200.9	325.7	440.9
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	(29.8)	(27.8)	(30.5)
Applications	318.9	173.3	297.8	410.4
Capital expenditure	369.2	224.1	225.0	100.0
Investments	(15.2)	0.0	0.0	0.0
Net current assets	(121.4)	(43.8)	131.5	102.8
Change in cash	86.3	(7.1)	(58.7)	207.6

Source: Company, Axis Research

Ratio Analysis

(%)

Key Ratios	FY20	FY21E	FY22E	FY23E
Sales growth	44.0	(24.2)	55.7	30.1
OPM	8.0	7.6	8.4	9.0
Oper. profit growth	42.5	(27.1)	70.5	39.3
COGS / Net sales	92.2	93.3	92.0	91.4
Overheads/Net sales	0.0	0.0	0.0	0.0
Depreciation / G. block	5.8	5.6	5.7	5.6
Effective interest rate	15.1	12.4	11.9	10.7
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	9.2	17.6	23.3
Debt / equity (x)	0.28	0.27	0.24	0.21
Effective tax rate	13.9	25.7	25.2	25.1
RoE	15.4	6.2	14.4	19.7
Payout ratio (Div/NP)	7.4	7.5	3.4	2.4
EPS (Rs.)	52.2	21.5	55.1	89.2
EPS Growth	73.2	(58.9)	156.9	61.8
CEPS (Rs.)	78.9	49.5	87.1	122.4
DPS (Rs.)	3.2	1.5	1.9	1.9

Source: Company, Axis Research

MINDA CORPORATION– PREMIUMISATION AND ELECTRIFICATION TO DRIVE GROWTH

Minda Corporation (Minda Corp.) is the flagship company of the Spark Minda group and is a leading supplier of key auto components to domestic & global OEMs. It has a well-diversified presence across segments with 2W, CV, PV and aftermarket constituting ~53%, 23%, 10%, and 14% of its sales (FY20), respectively. In terms of geographies, ~85% of sales come from India and the rest ~15% from overseas. All leading OEMs in India are its clients with top clients being Bajaj Auto, Ashok Leyland, TVS Motors, Suzuki Motors and M&M among others.

Industry view



Key Rationale

- Minda Corp. would be a beneficiary of migration to BS6 as the company's product viz., wire harness (25-30% market share) would witness a sea change in share of business both in terms of value and volume. We continue to like the growth story driven by increasing value of kit per vehicle, removal of drag from loss-making operations and probable inorganic acquisition if any given the cash-rich position of the company.
- The company has a large portfolio of EV products, for e2Ws and e3Ws. The company's 3x3x3 EV strategy will provide complete drivetrain solutions within 3 segments (2Ws/3Ws/entry cars) with 3 products (DC-DCconverter, battery charger, motor controllers) and products less than 3kW. It has started receiving orders in the EV space from leading OEMs like Bajaj's Chetak and other OEMs in India for multiple products. The management believes that in India, the shift to EVs would happen cutting out the hybrid phase as the latter is not cost-effective.

Key Rationale

- Other growth drivers for Minda Corp, include connected mobility solutions, light-weighting solutions and vehicle access system.
- Also, we believe the demand recovery in CVs, which constitutes 20% of Minda Corp's revenues will help boost its topline over the next two to three years.
- **Valuation:** Given the product basket and market share of Minda Corp., we expect the profitability of the company to improve over FY21 to FY23 on the back of operating leverage and new product addition. We expect the company to post excellent growth in profitability by FY23 on the back of improved content per vehicle and higher indigenous content. Return ratios would improve by FY23 led by improvement in profit margins and asset turnover crossing 2x (peak of 3x seen between FY13-16). We value the company at 12x FY23E to arrive at a target price of Rs 121 and maintain BUY.
- **Key risks:** Delay in automobile demand recovery esp. 2W; slower than expected transition to EV.

Over weight

CMP
101

Target Price
121

Upside
20%

Key Financials (Consol)

Y/E Mar (Rs Cr)	Sales (Rs Cr)	PAT (Rs Cr)	EPS (Rs.)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)	D/E (x)
FY20	2,813	-200	-8.8	-7.8	-18.3	13.9	4.9	0.5
FY21E	2,319	83	3.2	30.2	7.6	12.2	9.5	0.4
FY22E	3,123	187	7.3	13.3	14.8	20.7	5.5	0.3
FY23E	3,874	258	10.1	9.6	17.5	24.1	4.1	0.2

Source: Company, Axis Securities

Income Statement		(Rs Cr)			
Y/E March	FY20	FY21E	FY22E	FY23E	
Net sales	2,813	2,319	3,123	3,874	
Other operating income	0	0	0	0	
Total income	2,813	2,319	3,123	3,874	
Cost of goods sold	2,455	2,109	2,779	3,444	
Contribution (%)	12.7%	9.1%	11.0%	11.1%	
Advt/Sales/Distrn O/H	108.4	0.0	0.0	0.0	
Operating Profit	249.9	210.0	344.3	430.0	
Other income	44	35	47	50	
PBIDT	294	245	391	479	
Depreciation	118	95	108	109	
Interest & Fin Chg.	50	37	33	26	
E/o income / (Expense)	-293	0	0	0	
Pre-tax profit	-167	113	250	345	
Tax provision	45	30	63	87	
(-) Minority Interests	0	0	0	0	
Associates	12	-1	0	0	
Adjusted PAT	173	83	187	258	
Reported PAT	-200	83	187	258	

Source: Company, Axis Research

Balance Sheet		(Rs Cr)			
Y/E March	FY20	FY21E	FY22E	FY23E	
Total assets	1,524	1,673	1,745	1,864	
Gross block	529.1	519.2	496.6	473.0	
Net Block	28.5	15.0	15.0	15.0	
CWIP	29.9	29.9	29.9	29.9	
Goodwill	176.1	176.1	176.1	176.1	
Investments	288	344	379	408	
Wkg. cap. (excl cash)	472.4	589.3	649.2	762.1	
Cash / Bank balance	0.0	0.0	0.0	0.0	
Misc. Assets					
	1,524	1,673	1,745	1,864	
Capital employed	45.3	51.4	51.4	51.4	
Equity capital	930	1,122	1,294	1,537	
Reserves	0.0	0.0	0.0	0.0	
Minority Interests	0.0	0.0	0.0	0.0	
Borrowings	544	494	394	269	
Def tax Liabilities	4.8	5.2	5.7	6.2	

Source: Company, Axis Research

Cash Flow

(Rs Cr)

Cash Flow	FY20	FY21E	FY22E	FY23E
Sources	-142	244	180	227
Cash profit	-44	215	328	392
(-) Dividends	19	15	15	15
Retained earnings	-64	200	312	377
Issue of equity	0.0	6.1	0.0	0.0
Change in Oth. Reserves	0.0	124.4	0.0	0.0
Borrowings	-17	-50	-100	-125
Others	-61	-36	-32	-25
Applications	-142	244	180	227
Capital expenditure	(97.4)	71.5	85.0	85.0
Investments	11.2	0.0	0.0	0.0
Net current assets	(158.7)	55.5	35.0	29.0
Change in cash	102.7	116.9	60.0	112.9

Source: Company, Axis Research

Ratio Analysis

(%)

Key Ratios	FY20	FY21E	FY22E	FY23E
Sales growth	(9.0)	(17.6)	34.7	24.0
OPM	8.9	9.1	11.0	11.1
Oper. profit growth	(14.5)	(16.0)	64.0	24.9
COGS / Net sales	87.3	90.9	89.0	88.9
Overheads/Net sales	3.9	0.0	0.0	0.0
Depreciation / G. block	13.7	10.1	10.5	9.8
Effective interest rate	5.4	7.5	9.5	7.5
Net wkg.cap / Net sales	0.12	0.12	0.10	0.09
Net sales / Gr block (x)	3.3	2.5	3.0	3.5
RoCE	13.9	12.2	20.7	24.1
Debt / equity (x)	0.53	0.40	0.27	0.15
Effective tax rate	(27.2)	26.4	25.2	25.2
RoE	(18.3)	7.6	14.8	17.5
Payout ratio (Div/NP)	(9.6)	18.7	8.3	6.0
EPS (Rs.)	-8.82	3.22	7.30	10.06
EPS Growth	(219.2)	(136.5)	126.9	37.9
CEPS (Rs.)	(3.6)	6.9	11.5	14.3
DPS (Rs.)	0.7	0.5	0.5	0.5

Source: Company, Axis Research

STEEL STRIP WHEELS - OPERATING LEVERAGE TO PLAY OUT AS CAP. UTILIZATION IMPROVES

Steel Strip Wheels Ltd. is a tier 1 Auto ancillary for 2W, PV and CV OEMs for designing, manufacturing and supplying automotive steel wheels since 1991. The company has 4 plants viz., 2W, PV and tractor wheel plant at Dapper, Chandigarh, CV plant at Jamshedpur, CV and PV plant at Chennai and Al-alloy wheel plant at Mehsana, Gujarat. SSWL has a technology tie-up with Sumitomo Metals, Japan, and Kalink, Korea who along with Tata Steel are also strategic investors.

Industry view



Over weight

CMP
703

Target Price
877

Upside
25%

Key Rationale

- Automobile demand recovery would help SSWL optimally utilize its capacity; SSWL has built massive capacity across various auto segments viz., 2W, PV, CV, tractors, OTR and Al-alloy wheels, all of which are currently underutilized owing to the slowdown seen in the Auto sector post-IL&FS crisis in 2018. The company has a production capacity of 7.25 mn steel wheel rims for 2W & PVs, 1.75 mn for CV, OTR & tractors at Dapper, Chandigarh. It has a 6 mn steel wheel manufacturing capacity for PVs and 1.5 mn for CVs at Chennai & 2.1 mn steel wheel capacity for CVs at Jamshedpur. The company has 1.5 mn Al-alloy wheels manufacturing facility at Mehsana, Gujarat which would be expanded to 2.4 mn by Q4FY21. Optimum capacity utilization would help SSWL improve profitability over the next two years.
- Export opportunities are opening up as the US, EU has levied huge Anti Dumping Duties (ADD) on imports from China, The estimated value of imports of steel wheels from China were around \$1300 million (US: \$400 mn, EU: \$900 mn) before the imposition of import tariffs. SSWL is well-positioned to capitalize on exports opportunity from its Chennai plant (having both CV and PV steel making facility) located close to the port. At the current juncture, the company intends to take exports to upwards of Rs 300 cr by FY22.

Key Rationale

- The increasing contribution of high margin Al-alloy wheel rims in overall revenues to aid margin expansion. SSWL had reported around 7% of revenues from Al-alloy wheels in FY20 and expects to take it to 25% plus over a couple of years. The company has visibility of orders to supply Al-alloy wheels over the next 5 years; the company is also expanding Al-alloy wheel capacity to 2.4 mn wheels which would be ready by the end of FY21. Being a high margin product (margin differential of around 500-600 bps over Steel wheels), the bottomline is expected to grow at a faster pace as the share of the Al-alloy wheel rises in overall sales.
- Being in an oligopoly market, SSWL commands leadership with a market share of around 55% in steel wheel rims and around 20% in alloy wheels; we expect SSWL to outperform the industry given its sticky relations with OEMs across all the auto segment viz., 2/3W, PV, CV, and Tractors. We have pencilled in Revenue/EBIDTA/PAT CAGR of 20%/28%/96% over FY20-23E vis-à-vis 7%/9%/(1)% CAGR for FY13-20 on back of operating leverage playing out backed by better capacity utilization riding the domestic auto-recovery and exports.
- Key risks: Delay in automobile demand recovery esp. PV and CV; Sharp appreciation of INR in wake of rising exports of the company

Key Financials (Consol)

Y/E Mar (Rs Cr)	Net Sales (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs.)	PER (x)	RoE (%)	RoCE (%)	EV/EBIDTA (x)	D/E (x)
FY20	1,563	23	15	23.5	3.4	8.9	5.7	1.4
FY21E	1,615	34	22	27.3	4.8	9.7	6.9	1.3
FY22E	2,413	134	86	7.0	16.8	18.7	3.8	0.9
FY23E	2,691	181	116	5.2	19.1	22.8	2.5	0.5

Source: Company, Axis Securities

Income Statement		(Rs Cr)			
Y/E March	FY20	FY21E	FY22E	FY23E	
Net sales	1,563	1,615	2,413	2,691	
Other operating income	0	0	0	0	
Total income	1,563	1,615	2,413	2,691	
Cost of goods sold	1,311	1,335	1,966	2,184	
Contribution (%)	16.1%	17.4%	18.5%	18.8%	
Advt/Sales/Distrn O/H	80.9	87.8	133.1	146.6	
Operating Profit	171	193	314	361	
Other income	22	14	19	21	
PBIDT	193	206	333	382	
Depreciation	72	71	75	81	
Interest & Fin Chg.	89	85	79	59	
E/o income / (Expense)	0	0	0	0	
Pre-tax profit	33	49	179	242	
Tax provision	9	15	45	61	
(-) Minority Interests	0	0	0	0	
Associates	0	0	0	0	
Adjusted PAT	23	34	134	181	
Reported PAT	23	34	134	181	

Source: Company, Axis Research

Balance Sheet		(Rs Cr)			
Y/E March	FY20	FY21E	FY22E	FY23E	
Total assets	1,734	1,845	1,815	1,742	
Net Block	1,329.2	1,306.5	1,355.3	1,294.1	
CWIP	52.8	85.5	10.0	10.0	
Investments	0.2	0.2	0.2	0.2	
Wkg. cap. (excl cash)	231	361	360	323	
Cash / Bank balance	121.0	91.7	89.3	115.0	
Misc. Assets	0.0	0.0	0.0	0.0	
Capital employed	1,734	1,845	1,815	1,742	
Equity capital	15.6	15.6	15.6	15.6	
Reserves	666	682	839	1,014	
Pref. Share Capital	0.0	0.0	0.0	0.0	
Minority Interests	0.0	0.0	0.0	0.0	
Borrowings	927	994	814	564	
Def tax Liabilities	125.7	153.5	146.6	148.0	

Source: Company, Axis Research

Cash Flow		(Rs Cr)			
Cash Flow	FY20	FY21E	FY22E	FY23E	
Sources	169	179	37	8	
Cash profit	237	184	288	321	
(-) Dividends	8	8	6	6	
Retained earnings	229	177	282	315	
Issue of equity	0.0	0.0	0.0	0.0	
Change in Oth. Reserves	22.8	1.3	0.0	0.0	
Borrowings	-11	67	-170	-250	
Others	-72	-65	-75	-57	
Applications	169	179	37	8	
Capital expenditure	93.4	80.2	20.0	20.0	
Investments	0.0	0.0	0.0	0.0	
Net current assets	85.2	128.6	41.3	(37.8)	
Change in cash	(9.6)	(29.3)	(23.9)	25.7	

Source: Company, Axis Research

Ratio Analysis		(%)			
Key Ratios	FY20	FY21E	FY22E	FY23E	
Sales growth	(23.4)	3.3	49.4	11.5	
OPM	11.0	11.9	13.0	13.4	
Oper. profit growth	(30.4)	12.6	62.9	14.8	
COGS / Net sales	83.9	82.6	81.5	81.2	
Overheads/Net sales	5.2	5.4	5.5	5.4	
Depreciation / G. block	3.8	3.5	3.6	3.8	
Effective interest rate	9.4	8.8	8.9	8.7	
	1.5	2.1	5.5	6.7	
Net wkg.cap / Net sales	0.18	0.20	0.13	0.12	
Net sales / Gr block (x)	0.8	0.8	1.2	1.3	
RoCE	8.9	9.7	18.7	22.8	
Debt / equity (x)	1.40	1.34	0.94	0.53	
Effective tax rate	28.3	30.4	25.2	25.2	
RoE	3.4	4.8	16.8	19.1	
Payout ratio (Div/NP)	32.1	16.4	4.2	3.1	
EPS (Rs.)	15.0	22.0	85.8	116.1	
EPS Growth	(71.5)	46.5	289.2	35.3	
CEPS (Rs.)	61.2	67.9	134.0	168.1	
DPS (Rs.)	4.0	3.0	3.0	3.0	

Source: Company, Axis Research

LUPIN LTD – COMPLEX MOLECULES LED TO SEQUENTIAL GROWTH

Lupin's specialty product portfolio includes (Albuterol, Solosec& Levothyroxine) in the US, a strong chronic portfolio in India and biosimilars& geographical expansion in emerging and growth markets could drive topline.

Key Rationale

- Lupin's specialty product portfolio includes (Albuterol, Solosec& Levothyroxine) in the US, a strong chronic portfolio in India and biosimilars& geographical expansion in emerging and growth markets could drive topline. Gross margins expansion with the launch of value-added products, digital promotion in the marketing of Solosec, cost rationalization in R&D and employee segment could improve EBITDA margins by 590 basis points while better capital allocation could result in the improvement of RoCE by 560 bps over the period FY20-FY23E.
- Lupin' specialty business (USD\$ 200 mn) includes Levothroxine, Solosec and ProAir could add strong incremental growth in the US. In Developed and Emerging markets the launch of biosimilar etanercept and NaMuscla& extension of products in CVS, OTC and Ophthalmology therapeutics could drive topline. Further, Lupin has a strong presence in API categories like Tuberculosis (TB), HIV, Malaria, and CRVs in the product basket is well placed to grab upcoming opportunities in the API sector.

Key Financials (Consolidated)

Y/E Mar (Rs Cr)	Net Sales(Rs)	EBIDTA (Rs)	Net Profit(Rs)	FDEPS (Rs)	PER (x)	EV/EBIDTA (x)	P/BV (x)	RoE (%)
2020	15,375	2,357	-271	(6.0)	NA	20.6	3.7	NA
2021E	14,945	2,391	1,021	22.5	45.7	20.0	3.5	7.6
2022E	16,218	3,098	1,539	34.0	30.3	15.0	3.1	10.3
2023E	17,661	3,744	2,012	44.4	23.2	12.1	2.8	12.1

Source: Company, Axis Securities

Industry view



Equal Weight

CMP
1020

Target Price
1225

Upside
20%

Key Rationale

- The domestic formulations market in India has recorded ~9.5% CAGR in 2014-19 to reach US\$ 22 bn is expected to grow at 8%-11% CAGR to US\$ 31-35 bn by 2040. Within the pharma market, the chronic segments (Cardiac, Anti-Diabetic & Respiratory) has outpaced the industry growth by 300-400 bps. Lupin has a 65% contribution from the chronic segment in the overall portfolio in the domestic market and expected to deliver revenue CAGR 7.6% over the period FY20-23E.
- Lupin has taken several steps to improve overall EBITDA margins 1.) launch of value-added products including biosimilars could improve gross margins 2.) alternate vendor strategies to bring down the overall procurement costs, 3.) bring down manpower costs to rationalize expenses for launch of new products 4.) rationalization of R&D costs to have more focus on complex products (8% R&D costs over the long term) 5.) lower cost in Solosec promotions could improve EBITDA margins by 590 basis points over the period FY20-FY23E.
- Key risks: Increase in API prices, Further, Price erosion in US market, an extension of lockdown

Profit & Loss

(Rs Cr)

Y/E March	FY20	FY21E	FY22E	FY23E
Net sales	15,375	14,945	16,218	17,661
Other operating income	0	0	0	0
Net Revenue	15,375	14,945	16,218	17,661
Cost of goods sold	5,430	5,380	5,514	5,810
Contribution (%)	35.3%	36.0%	34.0%	32.9%
Other operating costs	7,589	7,173	7,606	8,106
EBITDA	2,357	2,391	3,098	3,744
Other income	484	306	322	338
PBIDT	2,840	2,697	3,419	4,082
Depreciation	970	1,005	1,075	1,145
Interest & Fin Chg.	363	322	279	237
E/o income / (Expense)	-752	0	0	0
Pre-tax profit	756	1,371	2,065	2,700
Tax provision	1,157	350	527	689
(-) Minority Interests	0	0	0	0
Associates	0	0	0	0
Adjusted PAT	-402	1,021	1,539	2,012
Other Comprehensive Income	0	0	0	0
Reported PAT	-271	1,021	1,539	2,012

Source: Company, Axis Research

Balance Sheet

(Rs Cr)

Y/E March	FY20	FY21E	FY22E	FY23E
Total assets	24,983	25,065	26,613	28,191
Net Block	4,366	3,861	3,286	2,642
CWIP	758	758	758	758
Investments	2,344	2,644	2,944	3,444
Wkg. cap. (excl cash)	3,733	4,818	6,015	7,902
Cash / Bank balance	2,454	2,638	3,505	4,192
Misc. Assets	0	0	0	0
Capital employed	24,983	25,065	26,613	28,191
Equity capital	91	91	91	91
Reserves	12,490	13,409	14,794	16,605
Pref. Share Capital	0	0	0	0
Minority Interests	0	0	0	0
Borrowings	4,286	3,786	3,286	2,786
Def tax Liabilities	0	0	0	0

Source: Company, Axis Research

Cash Flow		(Rs Cr)			
Y/E March	FY20	FY21E	FY22E	FY23E	
PBT	756	1,371	2,065	2,700	
Add: depreciation	970	1,005	1,075	1,145	
Add: Interest	363	322	279	237	
Cash flow from operations	2,088	2,697	3,419	4,082	
Change in working capital	-2,282	440	292	769	
Taxes	1,157	350	527	689	
Miscellaneous expenses	-130	0	0	0	
Net cash from operations	3,343	1,907	2,600	2,625	
Capital expenditure	2,873	-500	-500	-500	
Change in Investments	-74	-300	-300	-500	
Net cash from investing	2,800	-800	-800	-1,000	
Increase/Decrease in debt	-3,936	-500	-500	-500	
Dividends	-273	-102	-154	-201	
Proceedings from equity	0	0	0	0	
Interest	-363	-322	-279	-237	
Others	-104	0	0	0	
Net cash from financing	-4,675	-924	-933	-938	
Net Inc./ (Dec.) in Cash	1,467	184	867	687	
Opening cash balance	987	2,454	2,638	3,505	
Closing cash balance	2,454	2,638	3,505	4,192	

Source: Company, Axis Research

Ratio Analysis		(%)			
Y/E March	FY20	FY21E	FY22E	FY23E	
Sales growth	4.8	(2.8)	8.5	8.9	
OPM	15.3	16.0	19.1	21.2	
Oper. profit growth	(8.0)	1.5	29.5	20.9	
COGS / Net sales	35.3	36.0	34.0	32.9	
Overheads/Net sales	49.4	48.0	46.9	45.9	
Depreciation / G. block	14.5	14.0	14.0	14.0	
Effective interest rate	153.2	25.5	25.5	25.5	
Net wkg.cap / Net sales	19.4	22.9	22.9	25.4	
Net sales / Gr block (x)	2.3	2.1	2.1	2.2	
RoCE	8.2	8.0	11.1	13.3	
Debt / equity (x)	0.3	0.3	0.2	0.2	
Effective tax rate	153.2	25.5	25.5	25.5	
RoE	(2.2)	7.6	10.3	12.1	
Payout ratio (Div/NP)	249.9	112.7	169.8	222.1	
EPS (Rs.)	(6.0)	22.5	34.0	44.4	
EPS Growth	(144.9)	(476.2)	50.6	30.8	
CEPS (Rs.)	15.4	44.7	57.7	69.7	
DPS (Rs.)	5.0	2.3	3.4	4.4	

Source: Company, Axis Research

TECH MAHINDRA – STRONG BROAD-BASED GROWTH

Tech Mahindra is India's leading IT services provider to many business conglomerates. Tech Mahindra is headquartered in Mumbai (India) and has a strong presence across geographies like North America, Europe, Middle East, Australia etc. The company provides specialized IT services to its clients across verticals like Communications, Healthcare, and BFSI etc.

Industry view



Overweight

CMP
991

Target Price
1,116

Upside
13%

Key Rationale

- **Strong Q3 FY21 performance aided by capabilities:** Q3 revenue showed a strong recovery of 2.9% QoQ cc was equally split between demand traction and easing of supply-side issues. Management expects demand momentum led by acceleration in Digital to aid further growth. Growth is expected to be in both: (i) Communications led by the transformation of IT, network, systems, processes over the next 2 years and (ii) Enterprise led by traction in Digital with near term momentum expected to be led by Manufacturing, Retail and Utilities.
- **Strong deal wins and pipeline reflect demand acceleration:** Net new deal wins recovered to \$ 455mn in Q3 out of which \$105mn are from Communication and \$320 mn from Enterprise. Management is expecting strong recovery from supply-side constraints and expects recovery because of the ramp-up in new deal wins. Moreover, the deal pipeline is trending at an all-time high led by (i) advanced stage discussions within the network and core transformation within Communications and (ii) Data and Digital within Enterprise. Reflects demand acceleration.
- Tech Mahindra posted robust broad-based growth. Its Telecommunication vertical grew by 3.2% QoQ, Enterprise vertical grew by 5.9% QoQ, Technologies Media & Entertainment vertical grew by 0.6% QoQ, BFSI vertical grew by 0.4% QoQ, and Retail Transportations & Entertainment grew by 8.4% QoQ.

Key Rationale

- **Initial traction in 5G; may pick up in FY22:** Management sees initial traction in 5G both on (i) Communications side where traction is visible in modernization IT, network, process and systems, and (ii) Enterprise side where it signed 3 Manufacturing 5G solutions in Europe and 1 in the US. While the timing of pickup is difficult to predict, management expects 5G growth to pick up in FY22 or at most in FY23. We expect initial traction and pipeline build-up to aid network and core modernization for 5G within Communications in FY22. We see 5G for Enterprise as a long term opportunity and expect it to pick up in FY23 and beyond.
- **Strong and sustainable margin growth:** Q3 operating margin expanded 170 bps to 15.3%. Margin expansion was aided mainly by (i) stabilization of demand and supply-side constraints (+160 bps), (ii) offshore, utilization and sub-contracting cost (+160 bps) and (iii) normalization of seasonality in mobility business and absence of visa costs (+70 bps).
- **Valuations** We believe Tech Mahindra has a resilient business structure from a long term perspective. We recommend **BUY** and assign 14x P/E multiple to its FY23E earnings of Rs. 81, which gives a **TP of Rs. 1,116 per share.**

Key Financials (Consolidated)

Y/E Mar (Rs Cr)	Net Sales(Rs)	EBIDTA (Rs)	Net Profit(Rs)	FDEPS (Rs)	Change (%)	PER (x)	RoE (%)	RoCE (%)
2020	36,354	5,832	4,130	48.0	8	34.0	20%	19%
2021E	37,548	6,563	4,230	59.2	23%	26.0	21%	19%
2022E	43,556	7,498	4,852	68.7	16%	12.3	22%	19%
2023E	49,218	10,495	5,531	81.0	18%	10.3	25%	21%

Source: Company, Axis Securities

Profit & Loss

(Rs Cr)

Y/E March	FY20	FY21E	FY22E	FY23E
Net sales	36,354	37,548	43,556	49,218
Growth, %	5%	3%	16%	13%
Other income	1,090	1,232	1,380	1,561
Total income	3,744	3,878	4,494	5,078
Employee expenses	18,718	20,767	22,858	23,099
Other Operating expenses	6,561	7,611	8,307	9,194
EBITDA (Core)	5,832	6,563	7,498	10,495
Growth, %	-8%	13%	14%	40%
Margin, %	16%	17%	17%	21%
Depreciation	1,379	1,438	1,273	1,584
EBIT	4,453	5,126	6,225	8,911
Growth, %	-14%	15%	21%	43%
Margin, %	12%	14%	14%	18%
Interest paid	185	133	104	95
Pre-tax profit	5,358	6,225	7,501	10,377
Tax provided	1,268	1,666	2,008	3,228
Profit after tax	4,089	4,559	5,494	7,149
Net Profit	4,130	4,230	4,852	5,531
Growth, %	-4%	2%	15%	14%
Net Profit (adjusted)	4,130	4,230	4,852	5,531

Source: Company, Axis Research

Balance Sheet

(Rs Cr)

Y/E March	FY20	FY21E	FY22E	FY23E
Cash & bank	1,722	3,154	5,518	10,459
Debtors	7,370	8,336	9,225	10,209
Other current assets	6,590	6,590	6,590	6,590
Total current assets	22,065	24,803	28,359	34,007
Net fixed assets	1,971	1,243	431	431
CWIP	276	276	276	276
Other Non-current assets	752	752	752	752
Differed tax assets	609	609	609	609
Total Non-Current Assets	361	288	207	207
	0	0	0	0
Total assets	33,543	35,964	39,321	44,341
	0	0	0	0
Creditors	2,592	2,795	2,971	3,114
Provisions	395	395	395	395
Total current liabilities	9,800	9,763	9,939	10,082
Other liabilities	42	42	42	42
Paid-up capital	433	433	433	433
Reserves & surplus	20,125	22,624	25,847	30,724
Shareholders' equity	2,056	2,306	2,628	3,116
Total equity & liabilities	33,543	35,964	39,321	44,341

Source: Company, Axis Research

Cash Flow		(Rs Cr)			
Y/E March	FY20	FY21E	FY22E	FY23E	
Pre-tax profit	5,358	6,225	7,501	10,377	
Depreciation	1,379	1,438	1,273	1,584	
Chg in working capital	-820	-1,306	-1,192	-706	
Total tax paid	1,268	1,666	2,008	3,228	
Cash flow from operating activities	5,812	6,200	7,410	11,238	
Capital expenditure	727	710	673	745	
Cash flow from investing activities	-727	-710	-673	-745	
Free cash flow	5,812	6,200	7,410	11,238	
Dividend (incl. tax)	3,846	2,112	2,323	2,323	
Cash flow from financing activities	-291	-281	-42	24	
Net chg in cash	-321	1,432	2,364	4,941	

Source: Company, Axis Research

Ratio Analysis		(%)			
Y/E March	FY20	FY21E	FY22E	FY23E	
Per Share data	48.0	59.2	68.7	81.0	
EPS (INR)	-2%	23%	16%	18%	
Growth, %	233.6	262.0	298.6	354.1	
Book NAV/share (INR)	39	42	46	46	
FDEPS (INR)	62.6	68.7	77.5	99.8	
CEPS (INR)	36.5	43.8	42.8	42.8	
CFPS (INR)	24	21	24	24	
DPS (INR)					
Return ratios	12%	13%	14%	16%	
Return on assets (%)	20%	21%	22%	25%	
Return on equity (%)	19%	19%	19%	21%	
Return on capital emp. (%)					
Turnover ratios	18.4	32.6	69.8	65.0	
Asset turnover (x)	18.4	32.6	69.8	65.0	
Sales/Total assets (x)	102.4	102.4	102.4	102.4	
Receivables Days	25.5	5.1	5.0	2.4	
Cash conversion cycle					
Liquidity ratios	2.2	2.4	2.7	3.2	
Current ratio (x)	1.4	1.6	1.9	2.3	
Quick Ratio	0	0	0	0	
Net debt/Equity (%)	2	2	1	1	
Leverage Ratio					
Valuation	34.0	26.0	20.0	18.0	
PER (x)	3.3	2.9	2.6	2.2	
Price/Book (x)	3.1	2.9	2.8	2.8	
EV/Net sales (x)	7.3	7.3	6.4	6.4	
EV/EBITDA (x)	4.4	2.9	4.4	4.4	
Dividend Yield	48.0	59.2	68.7	81.0	

Source: Company, Axis Research

BHARTI AIRTEL– AHEAD OF MARKET OPERATING PERFORMANCE

Bharti Airtel is one of the largest telecom companies in the world with operations spanning 18 countries and a subscriber base of more than 420 mn subscribers. It is the second-largest wireless telecom operator in terms of revenue after Reliance Jio. Bharti Airtel is a well-capitalized telecom operators with offerings across the telecom spectrum of enterprise and fixed-line broadband services.

Key Rationale

- Bharti Airtel reported solid numbers in Q2FY21 beating consensus estimates both on financial and operating parameters. The India wireless business reported robust numbers with an ARPU increase of 3% qoq to Rs 162 which was significantly higher than expectations. Data consumption has continued to register very strong growth.
- Jio's ARPU improvement to Rs 145 from 140 was higher than Bharti on account of price hikes but Bharti still has the best quality subscriber.
- The margins for the quarter were quite robust with 47bps qoq improvement but the India business margins improved even more by 156bps qoq and 476bps YoY.
- The Africa business continues to perform well and it has been adding significant value in terms of consistent growth in operating profits and cash flows.
- Capex for the quarter at Rs 67bn was high vs Q1 FY21 as guided by the management it has declined from the peak levels.
- The Indian telecom market has seen a major round of tariff hikes in December with all the telecom operators taking tariff hikes. The full impact of tariff hikes was seen in Q4FY20 revenues. The ARPU improvement in Q2FY21 was a function of customers upgrading and better post-paid sales. However, considering the industry structure further tariff hikes cannot be ruled out in the forthcoming quarters which will lead to consistent EBIDTA improvement. Bharti's management indicated that ARPU will reach Rs 200 over the medium term but the timing for tariff hikes is difficult to calibrate.

Key Rationale

- Regulatory challenges are well known and Bharti Airtel is well-capitalized to deal with the payouts as it has raised enough capital (Rs 450bn equity in FY20) and has access to debt as there are no major business solvency risks associated with it.
- We maintain our ARPU assumptions and forecast a 13%/17% CAGR for Revenue/EBIDTA over the period FY20-23E. Profit growth will be even more significant considering FY20E was a loss for the company. Our forecast is based on significant ARPU improvement from the current Rs 162/subs/month (Q2FY20) to Rs 208/subs/month by end of Q4FY23. While the ARPU improvement seems significant but our FY23 ARPU forecast is similar to Q4FY15. Thus, our estimates are conservative considering the concentrated industry structure and far greater level of value provided to the customer.
- Jio has raised Rs 1. 4 trillion bn at an EV of Rs 5.1 trillion through a mix of strategic and PE deals. Jio's valuation is significantly higher than Bharti Airtel's current valuation (Rs 4.1 trillion) which has more lines of services, significantly higher revenues and geographies of operation.
- **Valuation:** We value the company based on SOTP valuation at Rs 673. The value could increase by a further Rs 40/share if Vodafone-Idea shuts down. Our SOTP valuation implies an EV/EBIDTA of 9.5x on FY22E EBIDTA.

Industry view



Overweight

CMP
517

Target Price
676

Upside
31%

Key Financials (Consolidated)

Y/E Mar (Rs Cr)	Net Sales (Rs Cr)	EBIDTA (Rs Cr)	Net Profit	EPS (Rs)	PER (x)	EV/EBIDTA (x)	P/BV (x)	ROE (%)	Debt/Equity (%)
2020	87,539	36,436	(38,332)	(70.2)	nmf	10.8	4.0	(48.0)	99.2
2021E	98,664	47,235	(231)	(0.4)	nmf	8.5	4.0	(0.3)	108.6
2022E	1,10,527	55,754	10,441	19.1	30.3	7.1	3.5	11.6	87.3
2023E	1,21,067	62,331	16,684	30.6	18.9	6.2	3.0	15.6	66.4

Source: Company, Axis Securities

Profit & Loss

(Rs Cr)

Y/E March	FY20	FY21E	FY22E	FY23E
Net sales	87,539	98,664	1,10,527	1,21,067
Growth, %	8	13	12	10
Total income	87,539	98,664	1,10,527	1,21,067
Raw material expenses	-10,921	-7,812	-7,132	-7,689
Employee expenses	-3,807	-4,619	-4,943	-5,335
Other Operating expenses	-49,630	-50,186	-53,566	-57,433
EBITDA (Core)	36,436	47,235	55,754	62,331
Growth, %	41.1	29.6	18.0	11.8
Margin, %	41.6	47.9	50.4	51.5
Depreciation	-27,690	-27,872	-26,235	-24,816
EBIT	8,747	19,363	29,519	37,515
Growth, %	95.6	121.4	52.4	27.1
Margin, %	10.0	19.6	26.7	31.0
Interest paid	-13,205	-12,833	-11,844	-9,862
Other Non-Operating Income	288	1,461	1,381	1,376
Non-recurring Items	-40,362	-42	0	0
Pre-tax profit	-43,879	8,469	19,437	29,316
Tax provided	7,238	-6,701	-6,803	-10,261
Profit after tax	-36,641	1,768	12,634	19,055
Others (Minorities, Associates)	-1,691	-2,041	-2,192	-2,372
Net Profit	-38,332	-273	10,441	16,684
Growth, %	1,545.2	(99.4)	(4,627.2)	59.8
Net Profit (adjusted)	(38,332)	(231)	10,441	16,684
Unadj. shares (bn)	545.7	545.7	545.7	545.7
Wtdavg shares (bn)	545.7	545.7	545.7	545.7

Source: Company, Axis Research

Balance Sheet

(Rs Cr)

Y/E March	FY20	FY21E	FY22E	FY23E
Cash & bank	28,082	14,560	16,456	18,685
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	61,143	59,997	59,857	59,698
Total current assets	89,225	74,557	76,313	78,383
Investments	0	0	0	0
Gross fixed assets	2,39,050	2,34,732	2,33,412	2,32,201
Less: Depreciation	0	0	0	0
Add: Capital WIP	0	0	0	0
Net fixed assets	2,39,050	2,34,732	2,33,412	2,32,201
Non-current assets	35,396	37,568	38,131	38,703
Total assets	3,64,770	3,59,702	3,66,591	3,81,014
Current liabilities	1,44,889	1,42,860	1,41,285	1,40,154
Provisions	0	0	0	0
Total current liabilities	1,44,889	1,42,860	1,41,285	1,40,154
Non-current liabilities	1,17,277	1,12,470	1,08,300	1,04,798
Total liabilities	2,62,166	2,55,330	2,49,585	2,44,952
Paid-up capital	2,729	2,729	2,729	2,729
Reserves & surplus	77,151	76,879	87,320	1,04,004
Shareholders' equity	1,02,604	1,04,372	1,17,006	1,36,061
Total equity & liabilities	3,64,770	3,59,702	3,66,591	3,81,014

Source: Company, Axis Research

Cash Flow		(Rs Cr)			
Y/E March	FY20	FY21E	FY22E	FY23E	
Pre-tax profit	-43,879	8,469	19,437	29,316	
Depreciation	27,690	27,872	26,235	24,816	
Chg in working capital	-51,255	166	1,097	1,377	
Total tax paid	6,960	-6,517	-6,580	-9,989	
Other operating activities	0	0	0	0	
Cash flow from operating activities	-64,581	30,104	40,203	45,536	
Capital expenditure	-26,033	-23,554	-24,915	-23,605	
Chg in investments	0	0	0	0	
Chg in marketable securities	-40,966	1,146	140	159	
Other investing activities	28,523	-2,603	-6,560	-12,647	
Cash flow from investing activities	3,142	-25,638	-31,095	-35,965	
Free cash flow	-61,438	4,466	9,107	9,571	
Equity raised/(repaid)	46,790	0	0	0	
Debt raised/(repaid)	20,089	-6,297	-5,927	-5,579	
Dividend (incl. tax)	0	0	0	0	
Other financing activities	0	0	0	0	
Cash flow from financing activities	74,385	-6,297	-5,927	-5,579	
Net chg in cash	12,947	-1,830	3,180	3,991	
Opening cash balance	14,923	28,082	14,560	16,456	
Closing cash balance	28,082	14,560	16,456	18,685	

Source: Company, Axis Research

Ratio Analysis		(%)			
Y/E March	FY20	FY21E	FY22E	FY23E	
Per Share data					
EPS (INR)	(70.2)	(0.4)	19.1	30.6	
Growth, %	1,105.1	(99.4)	(4,627.2)	59.8	
Book NAV/share (INR)	146.4	145.9	165.0	195.6	
FDEPS (INR)	(70.2)	(0.4)	19.1	30.6	
CEPS (INR)	(19.5)	50.7	67.2	76.0	
CFPS (INR)		51.8	68.6	79.4	
DPS (INR)	-	-	-	-	
Return ratios					
Return on assets (%)	(9.0)	2.6	5.6	7.1	
Return on equity (%)	(48.0)	(0.3)	11.6	15.6	
Return on capital employed (%)	(14.3)	4.3	8.8	10.6	
Turnover ratios					
Asset turnover (x)	0.6	0.7	0.8	0.9	
Sales/Total assets (x)	0.3	0.3	0.3	0.3	
Sales/Net FA (x)	0.4	0.4	0.5	0.5	
Working capital/Sales (x)	(1.0)	(0.8)	(0.7)	(0.7)	
Fixed capital/Sales (x)	2.6	2.3	2.0	1.8	
Working capital days	(349.2)	(306.5)	(268.9)	(242.6)	
Liquidity ratios					
Current ratio (x)	0.6	0.5	0.5	0.6	
Quick ratio (x)	0.6	0.5	0.5	0.6	
Interest cover (x)	0.7	1.5	2.5	3.8	
Total debt/Equity (%)	134.4	126.9	105.6	83.9	
Net debt/Equity (%)	99.2	108.6	87.3	66.4	
Valuation					
PER (x)	(8.2)	(1,370.1)	30.3	18.9	
Price/Book (x)	4.0	4.0	3.5	3.0	
EV/Net sales (x)	4.5	4.1	3.6	3.2	
EV/EBITDA (x)	10.8	8.5	7.1	6.2	
EV/EBIT (x)	45.2	20.8	13.4	10.3	

Source: Company, Axis Research

HCL TECHNOLOGIES – BETTER PRODUCT MIX, STRONG EXECUTION

HCL Technologies Limited, an Indian Information technology (IT) service and consulting company headquartered in Noida, UP is a next-generation global technology company that helps enterprises reimagine their businesses for the digital age. HCL technologies products, services and engineering are built on strong innovation making a more sustainable business model even in uncertainties.

Key Rationale

- **Robust business structure in global uncertainties:** HCL Technologies may see faster recovery after COVID 19 outbreak also the management has upgraded revenue guidance as it expects strong client-side demand recovery across verticals like Healthcare, Financial Services, and Telecom & Media. The deal pipeline also remained strong across services and geographies. Management now expects revenue growth to exceed 2%-3% QoQ in CC terms in FY21 compared to the earlier expectation of 1.5-2.5% FY21 and margin of 21-21.5% (guidance of 20-21% for FY21) for FY21. HCL Tech won 13 transformational deals in this quarter. Deal wins for the quarter remained strong and showed a growth of 13% QoQ. Total TCV for the quarter stood at \$91 mn.
- **Digital transformation business is a great opportunity for HCL tech even in the global pandemic:** IT service provider's engagement with its partner network has expanded beyond certifications into the setup of co-innovation centres, building industry solutions, ISV partnerships and joint sourcing of deals. These partnerships play a significant role in implementation, rollouts & upgrades, validation and support services.

Key Rationale

- The recent deal trend continues to be healthy for HCL tech and is reflective of traction in Retail & CPG, Manufacturing and BFSI verticals. HCL Tech has received 13 digital transformational deals in Q3 FY21. We believe that the COVID outbreak will create huge opportunities across geographies and services for HCL Tech to post strong organic growth over different verticals.
- **Healthy growth aided by Product and Platform business:** HCL Tech had reported better than expected Q3FY21 numbers on both margin and revenue front. Strong revenue growth in Mode 2 business (10.9% YoY) helps HCL Tech to achieve higher growth momentum in longer term with more advanced technologies. A better business matrix will help to generate higher operating business even if there is pricing pressure across verticals. We believe a better business matrix and large long-term contracts make HCL Tech a promising investment as compared to its Indian peers.
- **Valuations** We believe HCLT has a resilient business structure from a long-term perspective. We recommend **BUY** and assign 16 x P/E multiple to its FY23E earnings of Rs. 59.8, which gives a TP of Rs.1,136 per share

Industry view



Overweight

CMP
983

Target Price
1,088

Upside
11%

Key Financials (Consolidated)

Y/E Mar (Rs Cr)	Net Sales (Rs Cr)	EBIDTA (Rs Cr)	Net Profit	EPS (Rs)	PER (x)	EV/EBIDTA (x)	P/BV (x)	ROE (%)
2020	70,678	16,694	11,062	41	17.9	7.7	3.4	24
2021E	78,050	17,590	11,845	46.1	18.1	9.5	3.1	18
2022E	85,509	20,424	14,088	52.1	15.7	8.1	3.2	19
2023E	94,009	24,549	17,073	58.8	14	7	2.7	23

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E March	FY20	FY21E	FY22E	FY23E
Net sales	70,678	78,050	87,393	98,323
Growth, %	17%	10%	12%	13%
Other income	193	814	1,153	1,328
Total income	7,087	7,886	8,855	9,965
Employee expenses	44,018	50,313	54,823	58,179
Other Operating expenses	9,966	10,146	10,487	11,799
EBITDA	16,694	17,590	22,082	28,345
Growth, %	20%	5%	26%	28%
Margin, %	24%	23%	25%	29%
Depreciation	2,841	2,413	2,611	2,931
EBIT	1,385	1,599	2,062	2,674
Growth, %	17%	15%	29%	30%
Margin, %	2%	2%	2%	3%
Interest paid	-15	262	148	134
Pre-tax profit	14,061	15,730	20,477	26,608
Tax provided	2,938	3,854	5,119	6,652
Profit after tax	11,123	11,876	15,358	19,956
Net Profit	11,062	11,845	15,327	19,925
Growth, %	9%	7%	29%	30%
Net Profit (adjusted)	11,062	11,845	15,327	19,925

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E March	FY20	FY21E	FY22E	FY23E
Cash & bank	8,385	11,166	14,638	25,723
Debtors	14,134	15,994	18,386	20,685
Other current assets	5,188	5,188	5,188	5,188
Total current assets	38,333	44,027	51,169	65,300
Goodwill & Intangible Assets	0	0	0	0
Net fixed assets	5,713	1,967	1,541	1,068
CWIP	531	531	531	531
Other Noncurrent assets	0	0	0	0
Total Non-Current Assets	2,946	2,998	3,080	3,080
	0	0	0	0
Total assets	83,216	92,562	1,10,420	1,10,420
	0	0	0	0
Creditors	1,917	1,982	1,963	2,103
Provisions	8,000	7,500	7,500	7,500
Total current liabilities	20,889	19,202	19,346	20,498
Other liabilities	2,548	2,548	2,548	2,548
Paid-up capital	543	543	543	543
Reserves & surplus	51,143	60,448	73,235	90,620
Total equity & liabilities	83,216	92,562	1,10,420	1,10,420

Source: Company, Axis Research

Cash Flow (Rs Cr)

Y/E March	FY20	FY21E	FY22E	FY23E
Pre-tax profit	14,062	15,731	20,478	26,609
Depreciation	2,841	2,413	2,611	2,931
Chg in working capital	338	-4,600	-3,525	-1,895
Total tax paid	294	385	512	665
Cash flow from operating activities	14,345	14,322	20,342	28,422
Capital expenditure	0	1,951	2,185	2,458
Cash flow from investing activities	-11,374	-7,639	-7,872	-8,146
Free cash flow	297	473	1,028	1,782
Dividend (incl. tax)	2,540	2,540	2,540	2,540
Cash flow from financing activities	5,551	-1,339	-1,339	0
Net chg in cash	3,045	1,578	3,472	11,085

Source: Company, Axis Research

Ratio Analysis (%)

Y/E March	FY20	FY21E	FY22E	FY23E
Per Share data				
EPS (INR)	40.76	46.06	52.51	59.86
Growth, %	10%	13%	14%	14%
Book NAV/share (INR)	375.7	443.3	536.2	662.6
FDEPS (INR)	39	42	46	46
CEPS (INR)	100.5	103.0	129.8	165.5
CFPS (INR)	36.5	43.8	42.8	47.936
DPS (INR)	23	25	27	30.24
Return ratios				
Return on assets (%)	24%	21%	23%	24%
Return on equity (%)	24%	18%	19%	21%
Return on capital employed (%)	14%	14%	15%	17%
Turnover ratios				
Asset turnover (x)	0.9	0.9	0.9	0.8
Sales/Total assets (x)	1.2	1.2	1.3	1.456
Receivables Days	70.4	70.4	70.4	70.4
Cash conversion cycle	36	35	35	39.2
Liquidity ratios				
Current ratio (x)	2.4	2.6	2.8	3.136
Interest cover (x)	0	112	132	147.84
Net debt/Equity (%)				
Valuation				
PER (x)	17.9	18.1	15.7	14.4
Price/Book (x)	3.1	3.7	3.2	2.7
EV/Net sales (x)	2.6	2.4	2.1	1.8
EV/EBITDA (x)	7.7	9.5	8.1	7.0
Dividend Yield	1	1.5	1.9	2.2

Source: Company, Axis Research

ACC LIMITED – CAPACITY EXPANSION AND STRONG CEMENT DEMAND TO DERIVE GROWTH

ACC Limited (ACC) was formed in 1936 when ten existing cement companies came together under one umbrella in a historic merger. . ACC is one of the leading players in the Indian building materials space with 17 modern cement factories, 80 ready mixed concrete plants, a vast distribution network of over 10,000 channel partners, and a countrywide spread of sales offices

Industry view

Key Rationale

- **Capacity Expansion to strengthen footprint in Eastern and Central regions:**The Company is expanding its cement grinding capacity by 19% from the present 33.0 mntpa to 39.2 mntpa to be able to cater to the high-growth market of East and Central India and is expected to be commissioned in Q2CY22E. Both Eastern and Central regions are exhibiting promising growth potential driven by increasing housing and infra activities. we expect the Company to deliver volume growth of 9% CAGR over CY20-CY23E. We expect the company to clock revenue CAGR of 11% over the same period.
- **Operating efficiency measures to trigger margin improvement:**To improve operating efficiency, the Company has undertaken various initiatives on apan-India basis to improve its operational matrix which will bolster its competitive edge in the market further. We expect these initiatives in combination with rising demand for cement consumption will lead to EBIDTA margins growth from 17% in CY20A to 19% by CY23E. This will also result in EBIDTA/tonne improving by 5.8% to Rs.1093/tonne over the same period.
- **Pan-India presence and a higher share of premium products to improve margin profile:**The Company caters to the retail segment, which contributes ~80% of the cement sales, through a robust channel network of 11,000 dealers and 55,000 channel partners distributed across India. Additionally, the Company's focus on increasing the share of premium brands of cement and RMC, and Value Added Products & Services (VAPS) business will lead to a better product mix and margins expansion.

Key Rationale

- **Outlook:** With the revival of cement demand both in trade and non-trade segment in its key markets of East and South and increasing sell of value-added products, we believe the Company is well-positioned to grow its revenue and profitability going forward.Further,the recent budget announcement on infra development also augurs well for the Company.
- **Valuation:** Stock is currently trading at 8.3x CY22E and 7.14x CY23E EV/EBITDA. We recommend to BUY with a target price of Rs.2100/ share valuing the Company at 10x of its CY22E EV/EBITDA
- **Key risks:** Lower than expected volume growth and rise in inputprices.



CMP
1903

Target Price
2100

Upside
10%

Key Financials

Y/E Dec (Rs Cr)	NetSales (Rscr)	EBIDTA (Rscr)	Net Profit (Rscr)	EPS (Rs)	PER (x)	EV/EBIDTA (x)	ROE (%)	ROCE (%)	D/E (x)
CY20A	13786	2355	1430	67	24.2	10.4	10.3	15.0	-0.46
CY21E	16163	2743	1677	89	18.1	10.7	12.4	16.1	-0.43
CY22E	17721	3320	2081	111	14.6	8.4	13.7	17.9	-0.47
CY23E	19055	3647	2323	124	13.1	7.1	13.6	17.8	-0.52

Source: Company, Axis Securities

Profit & Loss

(Rs Cr)

Y/E Mar	FY20	FY21E	FY22E	FY23E
Net sales	13786	16163	17721	19055
Other operating income	0	0	0	0
Total income	13786	16163	17721	19055
Raw Material	2513	2873	3074	3290
Power & Fuel	2575	3089	3305	3537
Freight & Forwarding	3416	4151	4483	4797
Employee benefit expenses	841	890	952	1019
Other Expenses	2086	2416	2586	2767
EBITDA	2355	2743	3320	3647
Other income	217	242	266	324
PBIDT	2572	2986	3586	3970
Depreciation	639	698	751	808
Interest & Fin Chg.	57	73	80	86
E/o income / (Expense)	176	0	0	0
Pre-tax profit	1700	2215	2755	3077
Tax provision	279	554	689	769
RPAT	1421	1662	2066	2308
Minority Interests	0	0	0	0
Associates	9	15	15	15
APAT after EO item	1430	1677	2081	2323

Source: Company, Axis Research

Balance Sheet

(Rs Cr)

Y/E Mar	FY20	FY21E	FY22E	FY23E
Total assets	18200	20006	21890	24018
Net Block	7243	8257	8392	8537
CWIP	548	600	600	600
Investments	121	121	121	121
Wkg. cap. (excl cash)	-69	110	133	146
Cash / Bank balance	6006	6265	7748	9482
Misc. Assets	4352	4653	4897	5132
Capital employed	18200	20006	21890	24018
Equity capital	188	188	188	188
Reserves	12511	13906	15705	17746
Minority Interests	3	3	3	3
Borrowings	0	0	0	0
Def tax Liabilities	215	215	215	215
Other Liabilities and Provision	5283	5694	5779	5866

Source: Company, Axis Research

Y/E Mar	(Rs Cr)			
	FY20	FY21E	FY22E	FY23E
Cash Flow				
Profit before tax	1709	2215	2755	3077
Depreciation	639	698	751	808
Interest Expenses	57	73	80	86
Non-operating/ EO item	133	-255	-294	-355
Change in W/C	388	-289	-143	-123
Income Tax	-707	-554	-689	-769
Operating Cash Flow	2219	1888	2460	2723
Capital Expenditure	-749	-1455	-886	-953
Investments	0	0	0	0
Others	213	180	271	332
Investing Cash Flow	-535	-1275	-615	-621
Borrowings	0	0	0	0
Interest Expenses	-40	-73	-80	-86
Dividend paid	-263	-282	-282	-282
Others	-25	0	0	0
Financing Cash Flow	-327	-355	-362	-368
Change in Cash	1357	259	1483	1735
Opening Cash	4493	5849	6108	7591
Closing Cash	5849	6108	7591	9326

Source: Company, Axis Research

Key Ratios	Ratio Analysis (%)			
	FY20	FY21E	FY22E	FY23E
Sales growth	-12%	17%	10%	8%
OPM	17.1%	17.0%	18.7%	19.1%
Op. profit growth	-2%	16%	21%	10%
COGS / Net sales	62%	63%	61%	61%
Overheads/Net sales	21%	20%	20%	20%
Depreciation / G. block	6.5%	6.0%	6.0%	6.0%
Efficiency Ratios				
Total Asset turnover (x)	1.41	1.44	1.47	1.46
Sales/Gross block (x)	1.41	1.44	1.47	1.46
Sales/Net block(x)	1.95	2.00	2.15	2.26
Working capital/Sales (x)	0.08	0.09	0.09	0.09
Valuation Ratios				
PER (X)	24.2	18.1	14.6	13.1
P/BV (x)	2.39	2.13	1.90	1.69
EV/Ebitda (x)	10.36	10.67	8.37	7.14
EV/Sales (x)	1.77	1.81	1.57	1.37
EV/Tonne \$ (x)	101	116	97	91

Source: Company, Axis Research

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