



# Capital Market Monthly

**Equity Research**

**DECEMBER 2020**

# Global Market Summary

Global Indices	Value	52 week		Performance (%)					
		High	Low	1 m	3 m	6 m	12 m	YTD	24 m
<b>Developed Countries</b>									
US - S&P 500	3,756	3,770	2,192	4	11.7	21.2	16.3	31.0	49.8
Japan - Nikkei	27,444	27,603	16,358	4	18.4	23.1	16.0	27.6	37.1
UK - FTSE 100	6,461	7,690	4,899	3	10.1	4.7	(14.3)	(11.7)	(4.0)
DAX INDEX	13,719	13,907	8,256	3	7.5	11.4	3.5	17.4	29.9
CAC 40 INDEX	5,551	6,111	3,632	1	15.6	12.5	(7.1)	2.7	17.3
US - Nasdaq Composite	12,888	12,973	6,631	6	15.4	28.1	43.6	64.6	94.2
<b>Asia / Pacific</b>									
Hong Kong - Hang Seng	27,231	29,175	21,139	3	16.1	11.5	(3.4)	(7.9)	5.4
South Korea - Kospi	2,873	2,955	1,439	11	23.4	36.3	30.8	32.5	40.8
Taiwan - Taiex	14,733	14,974	8,524	7	17.7	26.8	22.8	38.4	51.5
<b>BRICS</b>									
China - HSCEI	10,738	11,502	8,290	2	14.3	10.0	(3.8)	(7.1)	6.1
Brazil - Bovespa	119,017	120,354	61,691	9	25.8	25.2	2.9	23.9	35.4
India - Sensex	47,751	48,220	25,639	8	25.4	36.8	15.8	22.8	32.4
Russia - Micex	3,289	3,351	2,074	6	13.2	19.9	8.0	30.5	38.8
<b>MSCI</b>									
MSCI INDIA	1,600	1,627	873	9	19.6	33.8	16.8	19.0	26.7
MSCI EM ASIA	713	723	406	7	18.6	31.7	26.0	31.3	46.9
MSCI EMU	128	137	82	2	12.6	12.4	(2.7)	5.5	19.1
MSCI EM EUROPE	308	384	196	10	20.8	12.5	(15.9)	(3.1)	5.5
MSCI NORTH AMERICA	3,831	3,847	2,179	4	12.7	22.9	18.4	32.9	52.5
MSCI WORLD	2,690	2,709	1,579	4	13.6	22.2	14.1	26.2	42.8

Source: Bloomberg, data as on 31 Dec, 2020

# Global Commodity

Index	Current Value	Performance (%)				
		1 M	3 M	6 M	12 M	24 M
Brent Crude OIL (USD / Barrel)	51.2	8.5	25.0	25.1	(23.0)	(3.8)
Natural Gas ( usd/MMBtu)	2.5	(11.4)	(21.2)	(10.8)	(5.0)	(10.8)
Gold (Per Troy Ounce)	1,898.4	6.8	0.7	6.6	25.1	48.0
Silver (Per Troy Ounce)	26.4	16.6	13.6	45.0	47.9	70.4
Platinum (Per Troy Ounce)	1,072.1	10.8	20.0	29.3	10.9	34.7
Alluminium (USD / MT)	1,973.6	(3.1)	14.1	23.2	10.8	6.0
Copper (USD / MT)	7,749.0	2.4	16.2	29.1	26.0	30.3
Zinc (USD / MT)	2,729.3	(1.7)	14.3	34.0	19.7	8.4
Iron Ore (USD / Dry MT)	152.9	23.7	27.2	56.0	77.9	116.7
Thermal Coal (USD / MT)	40.0	0.0	(11.1)	2.6	(23.1)	(34.4)

Source: Bloomberg, data as on 31 Dec, 2020

# Global Currency Performance



	Performance (%)					
	1M	3M	6M	12M	Ytd	24M
DOLLAR INDEX SPOT	(2.10)	(4.21)	(7.65)	(6.69)	(9.77)	(6.48)
INR-USD X-RATE	1.30	1.01	3.42	(2.51)	4.82	(4.71)
EUR-USD X-RATE	2.42	4.22	8.74	8.94	11.42	6.53
JPY-USD X-RATE	0.97	2.07	4.47	5.15	3.73	6.09
AUD-USD X-RATE	4.77	7.43	11.46	9.59	26.73	9.15
CNH-USD Cross Rate	1.25	4.34	8.77	7.10	9.54	5.63
GBP-USD X-RATE	2.60	5.80	10.23	3.12	10.50	7.18

Source: Bloomberg, data as on 31 Dec, 2020

# G-Sec Yield (India)

Country	Current	Absolute Change				
		1M	3M	6M	12M	Ytd
AUSTRALIA	0.97	0.07	0.18	0.10	-(0.40)	-(1.35)
BRAZIL	6.91	-(1.05)	-(0.68)	-(0.04)	0.12	-(2.33)
BRITAIN	0.20	-(0.11)	-(0.03)	0.03	-(0.63)	-(1.08)
CANADA	0.68	0.01	0.12	0.15	-(1.03)	-(1.29)
CHINA	3.15	-(0.13)	-(0.00)	0.30	0.00	-(0.16)
FRANCE	-(0.34)	-(0.01)	-(0.10)	-(0.23)	-(0.46)	-(1.05)
GERMANY	-(0.57)	0.00	-(0.05)	-(0.12)	-(0.38)	-(0.81)
<b>INDIA</b>	<b>5.87</b>	<b>-(0.05)</b>	<b>-(0.15)</b>	<b>-(0.02)</b>	<b>-(0.69)</b>	<b>-(1.55)</b>
INDONESIA	5.89	-(0.29)	-(1.08)	-(1.32)	-(1.18)	-(2.14)
ISRAEL	0.78	-(0.02)	0.07	0.14	-(0.07)	-(1.52)
ITALY	0.54	-(0.08)	-(0.32)	-(0.72)	-(0.87)	-(2.20)
JAPAN	0.02	-(0.01)	0.01	-(0.01)	0.03	0.02
MALAYSIA	2.65	-(0.11)	-(0.02)	-(0.21)	-(0.65)	-(1.42)
MEXICO	5.55	-(0.25)	-(0.58)	-(0.30)	-(1.36)	-(3.11)
PERU	3.51	-(0.41)	-(0.82)	-(0.27)	-(0.70)	-(2.13)
SPAIN	0.05	-(0.03)	-(0.20)	-(0.42)	-(0.42)	-(1.37)
SWITZERLAND	-(0.55)	-(0.03)	-(0.06)	-(0.11)	-(0.08)	-(0.30)
THAILAND	1.28	-(0.13)	-(0.11)	0.00	-(0.21)	-(1.23)
TURKEY	12.51	0.58	-(0.29)	-(0.29)	0.65	-(3.29)
UNITED STATES	0.91	0.07	0.23	0.26	-(1.00)	-(1.77)

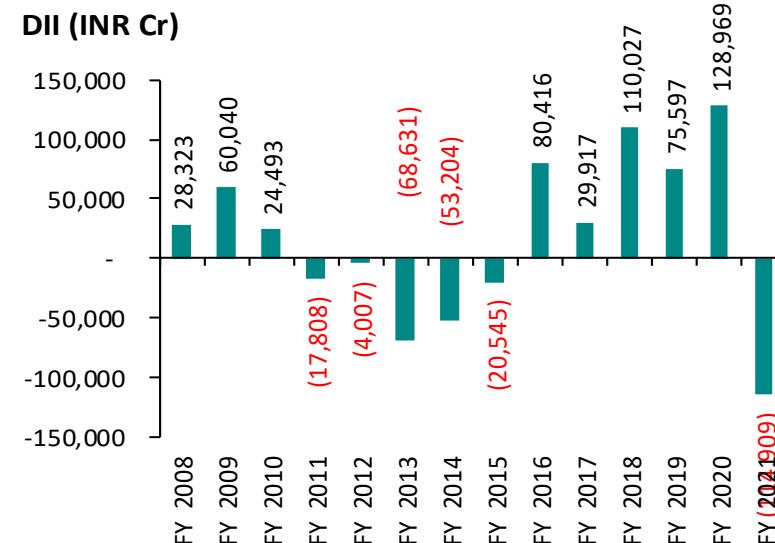
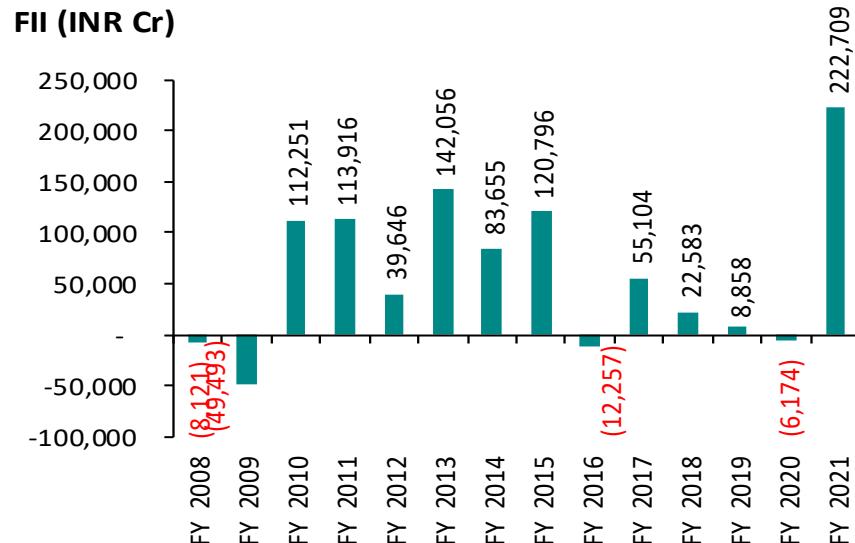
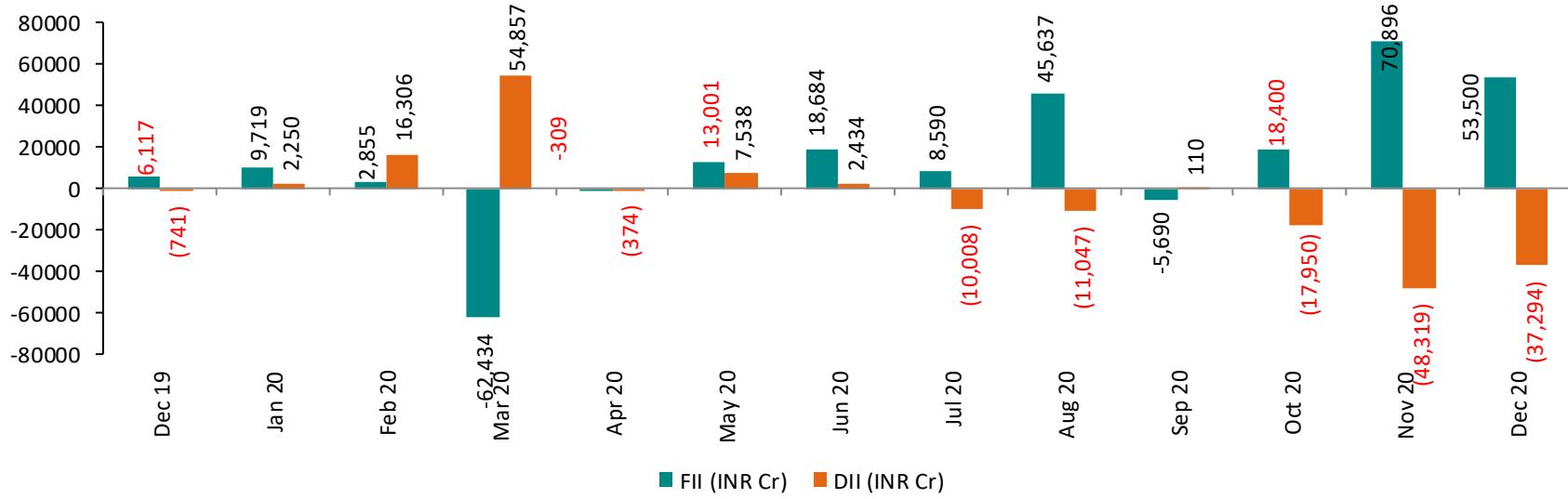
Source: Bloomberg, data as on 31 Dec, 2020

# India Sectoral Indices

Indices	Current Value	52 week		Performance (%)					
		High	Low	1 m	3 m	6 m	12 m	YTD	24 m
<b>BSE/NSE sectoral indices</b>									
India - Sensex	47,751	48,220	25,639	8.2	25.4	36.8	15.8	44.8	32.4
NSE 50	13,982	14,148	7,511	7.8	24.3	35.7	14.9	38.2	28.7
Auto Index	20,811	21,382	10,141	3.4	16.4	36.2	12.6	-13.5	-0.1
Bankex Index	35,888	36,927	18,430	5.9	47.4	47.7	-2.1	32.0	18.1
Consumer Durables Index	30,394	30,525	16,699	12.4	25.2	49.4	21.5	36.5	46.9
Capital Goods Index	18,745	19,250	9,499	10.1	35.5	45.8	10.6	1.5	-0.4
FMCG Index	34,177	34,714	22,699	7.8	14.5	13.7	13.5	30.8	12.0
Health Care Index	21,681	22,087	10,948	6.7	9.5	33.3	61.4	64.8	55.7
IT Index	24,248	25,171	10,937	12.1	21.4	62.9	56.7	100.4	72.1
Metal Index	11,599	12,293	5,336	13.5	39.7	60.9	11.2	-12.9	-2.0
Oil & Gas Index	14,090	14,936	8,724	6.3	15.1	11.2	-4.4	-3.6	2.5
Power Index	2,062	2,112	1,275	3.1	24.8	30.9	7.1	-3.0	3.1
PSU Index	5,781	7,080	4,014	9.2	27.4	18.4	-16.9	-26.5	-20.1
Realty Index	2,478	2,565	1,259	20.2	48.3	56.7	8.7	11.1	37.8
Technology Index	11,101	11,499	5,491	11.4	20.5	46.7	43.8	70.4	57.1

Source: Bloomberg, data as on 31 Dec, 2020

# FII & DII Flows ( Indian Equity )



Source: Bloomberg, data as on 31 Dec, 2020

# Top 5 NIFTY & NIFTY JR STOCK PERFORMANCE

## Stock Performance (Nifty)

Top 5 Performer (Nifty)	CMP (Rs)	1 M	3 M	6 M	12 M	YtD
Asian Paints Ltd	2,765	24.8	39.2	63.8	54.9	101.6
GAIL India Ltd	123	20.1	42.0	20.7	1.8	(31.9)
Oil & Natural Gas Corp Ltd	93	18.5	34.4	14.4	(27.8)	(37.3)
Adani Ports & Special Economic Zone Ltd	484	17.5	41.6	40.7	32.2	24.4
Sun Pharmaceutical Industries Ltd	592	15.8	18.4	25.2	36.9	36.6

Worst 5 Performer (Nifty)	CMP (Rs)	1 M	3 M	6 M	12 M	YtD
Britannia Industries Ltd	3,576	(1.7)	(5.8)	(0.8)	18.1	15.3
Power Grid Corp of India Ltd	190	(1.3)	16.9	8.6	(0.2)	(5.1)
Shree Cement Ltd	24,013	(1.2)	18.5	4.2	17.9	41.5
HDFC Bank Ltd	1,436	(0.3)	33.2	34.8	12.9	33.7
Mahindra & Mahindra Ltd	721	(0.2)	18.5	41.1	35.6	(6.8)

## Stock Performance (Nifty Jr)

Top 5 Performer (Nifty Jr)	CMP (Rs)	1 M	3 M	6 M	12 M	YtD
DLF Ltd	233	24.4	52.5	57.3	0.8	29.1
Avenue Supermarts Ltd	2,764	20.7	25.4	19.3	50.3	73.7
Bank of Baroda	61	19.7	49.7	26.4	(39.7)	(50.2)
NMDC Ltd	114	18.7	39.1	41.0	(11.2)	19.5
Berger Paints India Ltd	759	17.2	30.1	53.8	47.3	128.4

Worst 5 Performer (Nifty Jr)	CMP (Rs)	1 M	3 M	6 M	12 M	YtD
Adani Green Energy Ltd	1,053	(7.4)	42.7	193.3	532.4	2,442.5
ACC Ltd	1,618	(5.1)	16.1	21.4	11.9	8.7
Ambuja Cements Ltd	249	(4.7)	14.7	28.5	26.8	11.6
Container Corp Of India Ltd	399	(1.7)	9.4	(4.5)	(30.2)	(27.2)
Petronet LNG Ltd	248	(1.5)	12.2	(4.0)	(7.6)	8.1

Source: Bloomberg, data as on 31 Dec, 2020

# Sectoral Highlights

## Automobile

In December20, OEMs like Maruti Suzuki (MSIL), Royal Enfield (RE), Ashok Leyland (AL), Tata Motors (TAMO), Escorts(ESC), M&M (FES) has reported better than expected numbers and Hero Moto Corp (HMCL), TVS Motors (TVSL), Bajaj Auto (BJAUT) has reported below estimated numbers. Tractor OEM's like M&M (FES) and Escorts sales improved as demand is driven fundamentally because restoration of channel inventory, govt. support in better procurement of Kharif crop and anticipation of better Rabi crop harvesting, rural development scheme and easy availability of finance.

**Outlook:** In December20, wholesale continue to improve in PV segment and Farm Equipment segment (FES). This demand is driven by pent-up demand in retail market, preference for personal mobility during the pandemic, attractive vehicle financing schemes and new launches. Whereas 2W wholesale was down due to higher inventory at dealer's level.

We believe demand for 4W continues to remain robust whereas 2W demand expected to be subdued. CV demand expected to grow on the back of increase in road/construction activity.

Company	Dec-20	Dec-19	YoY (%)	Nov-20	MoM (%)	FY21YTD	FY20YTD	YTD (%)
<b>2W (D+E)</b>								
Bajaj (2W)	1,28,642	1,24,125	3.6	1,88,196	(31.6)	13,21,644	16,75,264	(21.1)
HMCL	4,25,033	4,12,009	3.2	5,75,957	(26.2)	41,03,381	49,46,508	(17.0)
TVS	1,77,815	1,58,059	12.5	2,48,635	(28.5)	15,12,423	19,93,472	(24.1)
RE	65,492	48,489	35.1	59,084	10.8	3,83,779	5,01,541	(23.5)
<b>PV (D)</b>								
MSIL	1,50,288	1,25,735	19.5	1,44,219	4.2	9,04,852	11,22,759	(19.4)
Hyundai	47,400	37,953	24.9	48,800	(2.9)	3,15,330	3,76,997	(16.4)
Renault	9,800	11,964	(18.1)	10,181	(3.7)	60,638	68,756	(11.8)
MM (PV)	16,182	15,691	3.1	18,212	(11.1)	1,04,491	1,52,859	(31.6)
Toyota	7,487	6,544	14.4	8,503	(11.9)	52,927	90,902	(41.8)
<b>CV (D)</b>								
AL	12,762	11,168	14.3	10,659	19.7	56,668	99,746	(43.2)
VECV	4,892	5,042	(3.0)	3,710	31.9	23,098	37,092	(37.7)
<b>Tractors (D)</b>								
MM	21,173	17,213	23.0	31,619	(33.0)	2,52,584	2,34,277	7.8
Escorts	7,230	3,806	90.0	9,662	(25.2)	70,918	63,130	12.3

Source: Company

# Sectoral Highlights (Contd.)

## Stock performance in the sector

OEM's	1M	3M	6M	1YR	3YR	5YR
Ashok Leyland Ltd	6.1	30.0	101.8	18.0	-21.9	6.4
Bajaj Auto Ltd	4.3	16.6	20.9	11.5	6.6	39.1
Eicher Motors Ltd	0.4	15.7	38.5	17.7	-11.0	48.2
Hero MotoCorp Ltd	-0.8	-1.5	16.1	27.7	-17.0	18.6
Maruti Suzuki India Ltd	6.7	13.2	29.3	4.9	-18.1	68.4
TVS Motor Co Ltd	0.5	2.3	27.3	6.8	-36.0	70.9
S&P BSE AUTO	-0.2	16.5	32.7	14.6	-20.5	15.1
GNA Axles Ltd	5.9	18.8	41.2	-3.7	-37.6	29.3
Jamna Auto Industries Ltd	7.6	36.3	90.0	28.1	-25.3	111.0
Lumax Auto Technologies Ltd	4.8	3.3	18.6	6.5	-35.4	197.3
Minda Industries Ltd	1.6	20.2	48.3	10.7	-4.1	538.9
MM Forgings Ltd	6.7	29.4	128.1	11.8	-26.6	58.8
Subros Ltd	15.8	35.4	93.5	21.0	9.4	221.3

Source: Company

## IDBI Auto Coverage

Companies	CMP	TP (Rs)	Mkt Cap (Rs mn)	Revenue (Rs mn)	Ebitda (Rs mn)	EPS (Rs)	BVPS (Rs)	PER (x)	P/B (x)	EV/EBITDA (x)	RoE(%)	RocE(%)								
				FY22E	FY23E	FY22E	FY23E	FY22E	FY22E	FY23E	FY22E	FY23E								
Ashok Leyland	95	86	<b>HOLD</b>	2,80,196	1,78,948	2,22,595	17,000	26,868	2.0	4.3	25	29	47.5	22.2	3.7	3.3	17.1	10.3	15.7	17.4
Bajaj Auto	3,447	2,890	<b>HOLD</b>	9,97,506	2,95,539	3,39,574	49,314	58,951	163.4	192.5	839	941	21.1	17.9	4.1	3.7	20.1	16.6	21.6	21.6
Eicher Motors	2,530	2,460	<b>HOLD</b>	6,91,358	91,515	1,14,371	18,762	23,420	72.0	92.8	461	538	35.1	27.3	5.5	4.7	35.8	28.6	18.6	13.2
Hero Motocorp	3,109	2,540	<b>REDUCE</b>	6,21,147	2,97,695	3,46,561	39,131	46,825	139.5	169.1	842	927	22.3	18.4	3.7	3.4	15.4	12.7	19.1	21.5
Maruti Suzuki	7,650	7,525	<b>ACCUMULATE</b>	23,10,822	7,36,366	9,01,998	81,648	1,01,009	212.4	250.9	1840	2003	36.0	30.5	4.2	3.8	27.0	21.1	13.1	10.1
TVS Motor Co	486	420	<b>REDUCE</b>	2,30,679	1,71,605	2,03,646	14,876	19,580	13.9	20.9	92	109	35.0	23.2	5.3	4.4	15.2	10.9	20.8	21.4
GNA Axles	273	295	<b>BUY</b>	5,855	8,583	9,313	1,330	1,444	28.5	32.7	256	285	9.6	8.3	1.1	1.0	4.6	3.9	12.1	15.8
Jamna Auto Ind.	61	58	<b>BUY</b>	24,466	10,330	12,912	1,229	1,666	1.8	2.5	15	17	34.4	24.3	4.1	3.7	19.8	14.3	15.9	18.7
Lumax Auto	125	78	<b>SELL</b>	8,537	11,065	12,396	830	930	5.5	6.5	74	80	22.7	19.3	1.7	1.6	10.0	8.7	8.4	6.9
Minda Industries	399	350	<b>HOLD</b>	1,08,404	66,414	77,927	7,173	9,975	7.8	14.6	85	97	51.3	27.4	4.7	4.1	16.1	11.3	15.9	13.9
MM Forgings	417	390	<b>ACCUMULATE</b>	10,072	7,464	8,450	1,493	1,732	29.2	39.1	226	259	14.3	10.7	1.8	1.6	7.5	6.0	16.1	13.3
Subros Limited	343	233	<b>REDUCE</b>	22,360	17,453	20,943	1,798	2,241	9.4	13.7	126	139	36.5	25.0	2.7	2.5	11.6	8.8	10.3	11.9

Source: Company

# Sectoral Highlights (Contd.)

## Banking & Financial Services

### Banking

Fortnight(%)	18-Dec-20	4-Dec-20	20-Dec-19
Credit growth	6.1	5.7	7.1
Deposit growth	11.3	11.3	10.1
CD ratio	72.8	72.0	76.5
Excess SLR over regulatory requirement	10.7	11.0	8.2
Monthly(%)	Nov-20	Oct-20	Nov-19
<b>Non Food Bank Credit</b>	<b>6.0</b>	<b>5.6</b>	<b>7.2</b>
Agriculture Credit	8.5	7.4	6.5
Industry Credit	(0.7)	(1.7)	2.4
Retail Credit	10.0	9.3	16.4
Services Credit	8.8	9.5	4.8
Housing Credit	8.5	8.2	18.3
Auto Credit	10.0	8.4	4.7
Credit Card Credit	8.0	4.9	24.1
Consumer Durable Credit	26.2	23.8	68.0
Personal Credit	14.9	14.3	21.1
<b>Services Credit</b>			
Transport Operator	10.7	6.5	8.1
Tourism & Hotel	18.0	12.0	13.1
Trade	14.7	14.0	4.6
Commercial Real Estate	5.6	3.5	17.6
NBFC	7.8	9.2	29.1
Credit growth ex NBFC	5.9	5.4	5.7
<b>Industry Credit</b>			
Large Industry Credit	(1.8)	(2.9)	3.0
Medium Industry Credit	20.9	16.7	(2.4)
Small Industry Credit	0.5	0.7	(0.1)

### Corporate Borrowing

- CPs as on Oct'20 have de-grew by 17.8% YoY and grew by 4.9% QoQ. Corporate bond as on June-20 grew YoY and QoQ by 8.5% and 2.1% respectively.
- Corporate bonds and CPs form 23.3% and 2.7% respectively of overall credit. Credit growth including Corporate bonds and CPs is at 5.8%.

### NBFCs & Micro-finance

- Credit outstanding to NBFCs from banks saw a further decline to 7.8% YoY in the month of Nov'20.
- Gross loan portfolio of NBFC- MFI stands at Rs71,147Cr, growth of 12% in Q2FY21 while NBFC-MFIs disbursed 32.0 lakh loans as compared to 2.04 lakh QoQ.
- Average loan amount disbursed per account in Q2FY21 was Rs32,912, an increase of 20% YoY.

### Insurance

Life Insurance (%)	Nov-20	Oct-20
New business premium	(26.9)	31.9
APE Basis	(31.9)	10.9
Overall APE (YTD Basis)	(8.8)	(3.8)
Private sector (YTD Basis)	(6.4)	(6.2)
LIC (YTD Basis)	(11.1)	(1.4)
Market share (APE basis) (%)	Nov-20	Oct-20
Private sector	55.8	52.0
LIC	44.2	48.0
Non Life Insurance (%)	Nov-20	Oct-20
Premium	2.7	(0.4)
Market share (%)	Nov-20	Oct-20
Private	63.8	63.6
Public	36.2	36.4

# Sectoral Highlights (Contd.)

## Market Share

in %	Q2FY21	Q1FY21	Q4FY20	Q3FY20	Q2FY20	Q1FY20	Q4FY19	Q3FY19	Q2FY19
Public Banks	57.3	57.7	57.5	57.1	57.3	58.1	58.8	60.9	61.3
Private Banks	35.0	34.4	34.5	35.0	34.7	34.2	33.6	31.4	31.0
Others	7.7	7.8	7.9	7.9	8.0	7.7	7.6	7.7	7.7

## Stock performance

Change (%)	1-mnth	3-mnth	6-mnth	1-yr
<b>Banks</b>				
Axis Bank	1.7	40.9	45.8	-15.9
DCB Bank	5.6	53.9	53.5	-32.9
Federal Bank	6.9	39.6	33.1	-22.4
HDFC Bank	2.2	28.0	31.8	11.7
IndusInd Bank	-1.8	51.6	84.2	-41.3
ICICI Bank	5.9	44.0	47.3	-1.3
<b>Housing Finance</b>				
HDFC	14.8	44.1	36.8	5.1
Repco Home Fin	-7.0	48.2	97.5	-28.6
<b>Gold Finance</b>				
Manappuram Fin	-1.0	3.3	6.7	-2.8
Muthoot Fin	6.1	7.8	8.5	61.3
<b>Vehicle Finance</b>				
Cholamandalam invest	19.9	72.3	125.3	46.3

Source: IDBI Research

# Sectoral Highlights (Contd.)

## Expected Restructuring Data of Banks and NBFCs

Banks & NBFCs	Expected Restructuring % of advances (H2FY21)
<b>PSU Bank</b>	
SBI	0.8%
Bank of Baroda	NA
PNB	3.1%
Canara Bank	2.1%
Union bank of India	2.8%
<b>PVT Bank</b>	
HDFC Bank	NA
ICICI Bank	NA
Axis Bank*	1.6%
Kotak Bank	NA
Indusind Bank	NA
<b>Mid-private Bank</b>	
Federal Bank	3.0%
DCB Bank	3.0-5.0%
Bandhan Bank	NA
RBL Bank	NA
City union Bank	5.0-6.0%
<b>NBFC</b>	
HDFC Ltd	NA
Cholafin	<5.0%
Bajaj finance	NA
MMFS	0.9%
STFH	2.5%

Source: Company, IDBI Research; Note- Restructuring data as per management guidance; Axis Bank- % is based on fund based restructuring

# Sectoral Highlights (Contd.)

## Valuation

	Market Cap (Rs Bn)	CMP (Rs)	TP (Rs)	Reco	NII (Rs bn)		Op Pft (Rs bn)		PAT (Rs bn)		EPS (Rs)		ABVPS (Rs)		PER (x)		P/ABV (x)		ROA (%)		ROE (%)		
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	
<b>Banks</b>																							
Axis Bank	1,912	625	590	BUY	308	339	260	290	106	118	34.5	38.5	348.0	379.4	18.1	16.2	1.8	1.6	1.1	1.1	9.2	9.9	
DCB Bank	38	123	88	ACCU.	12	13	6	7	2	3	7.7	9.9	122.3	135.9	15.9	12.4	1.0	0.9	0.6	0.6	0.8	6.5	7.8
Federal Bank	141	71	67	BUY	52	57	32	34	17	18	8.6	9.3	76.7	83.5	8.2	7.6	0.9	0.8	0.9	0.9	0.9	10.4	10.4
HDFC Bank	7,799	1,416	1,430	BUY	714	812	615	702	346	415	63.2	75.6	403.3	463.6	22.4	18.7	3.5	3.1	2.0	2.0	16.5	17.3	
IndusInd Bank	680	898	700	BUY	125	137	92	100	46	51	61.2	66.9	583.6	659.4	14.7	13.4	1.5	1.4	1.3	1.3	10.8	10.6	
ICICI Bank	3,671	532	580	BUY	401	446	342	392	150	176	23.1	27.2	213.1	246.1	23.0	19.5	2.5	2.2	1.2	1.3	10.5	10.7	
<b>Housing Finance</b>																							
HDFC	4,642	2,579	2,200	ACCU.	175	196	188	210	125	140	70.2	78.2	573.6	621.2	24.0	21.5	3.1	2.9	2.1	2.1	11.1	12.0	
Repco Home Fin	15	243	250	HOLD	5	6	4	5	3	3	42.6	54.0	308.4	356.6	5.7	4.5	0.8	0.7	2.1	2.4	12.6	14.1	
<b>Gold Finance</b>																							
Manappuram Fin	146	172	220	BUY	40	45	25	28	17	19	20.0	22.5	95.4	113.1	8.6	7.6	1.8	1.5	5.1	5.3	22.5	21.3	
Muthoot Fin	499	1,244	1,450	BUY	68	75	47	52	34	37	84.0	93.5	397.4	470.0	14.8	13.3	3.1	2.6	5.6	5.7	22.1	20.8	
<b>Vehicle Finance</b>																							
Cholafin	363	443	320	BUY	43	49	27	33	16	21	19.5	25.8	119.5	128.2	22.7	17.2	3.7	3.5	2.2	2.5	16.3	18.3	

Source: IDBI Research

# Sectoral Highlights (Contd.)

## Cement : Nov-20 cement production at -7% YoY

**Nov-20 production:** Cement production in India for the month of Nov-20 decreased by 7% YoY versus +3% YoY increase seen in Oct-20. YTDFY21 cement production stood at -19% YoY. Decline in Nov-20 is led by festivities leading to slow pickup in construction activity and higher base of last year. We are modeling monthly cement volume decline of 3% YoY for Dec-20 to Feb-21.

**FY21E cement production:** We maintain cement volume production at -11% YoY for the industry in FY21E. In 11% decline, we have modeled 2H demand of +2% YoY (large part of this is driven by March-21 where we expect vol of +29% YoY).

**Sector wise trend:** After festivities in Nov-20, demand is taking time to pick up. Region wise, our dealer interaction for this month suggest, Cement demand has improved in few cities of East / Central / North.

**Capex plan:** Dalmia Bharat announced capex of Rs3.6bn for 2.3mt GU in bengal market. JK Lakshmi is planning to part finance its Rs15bn capex by way of debt and equity.

**Price in Jan-21:** Our channel check suggests, average cement price at an all India level is down 1% MoM in Jan-2021. Price decrease is seen in North/West/East at 2 to 3%, central is at -1% MoM and South is up 3% MoM.

**Fuel cost:** In Dec-20, imported coal price (adjusted for exchange rate) is up 7% MoM. In FY21 so far, average imported coal price is down 19% vs avg of FY20. But we need to watch for the trend as coal cost is moving up.

**Summary :** Cement price in Q3FY21 is down 3% QoQ and fuel cost is up 9% QoQ. Cement demand has been weak in Nov-20 and we expect industry volume to decline by 3% YoY in Q3FY21. However if there is market share gain then company could report YoY increase in the volume in Q3FY21. In the sector, our positive view is on ACC (trading close to last 10 years average ev/ebitda) and Ultratech (trading closer to +1 STD of last 10 years average ev/ebitda).

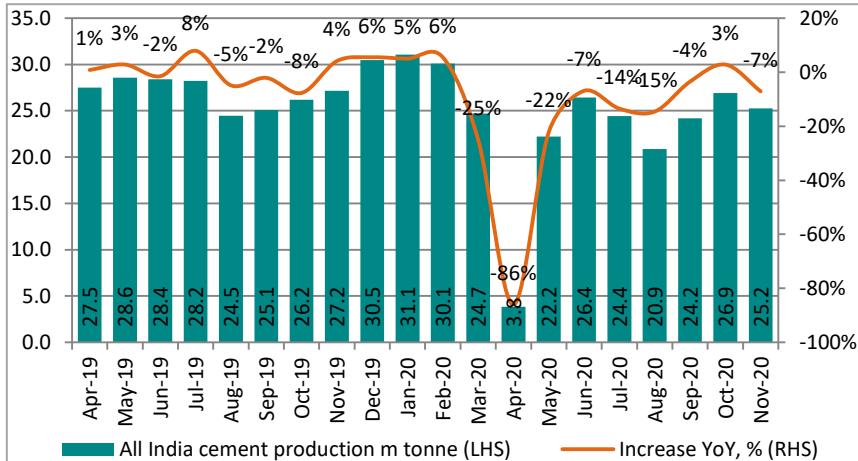
## Valuation Summary

Companies	CMP (Rs)	TP (Rs)	Reco	Mkt Cap (Rs mn)	Revenue (Rs mn)	EPS (Rs)	BVPS (Rs)	PER (x)	EV/EBITDA (x)	RoE(%)	RoCE(%)
				FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Ultratech Cement	5,327	5,423	ACCUMULATE	15,37,511	4,87,670	5,36,822	209.7	242.1	1712	1939	25.4
Shree Cement	24,030	21,995	REDUCE	8,67,015	1,39,354	1,47,069	661.9	649.9	4560	5013	36.3
Ambuja Cement	253	245	HOLD	5,01,872	1,31,753	1,37,260	10.4	10.5	124	130	24.4
ACC Ltd	1,639	1,879	BUY	3,07,849	1,65,557	1,72,423	87.4	90.6	735	805	18.8

Source: IDBI Research

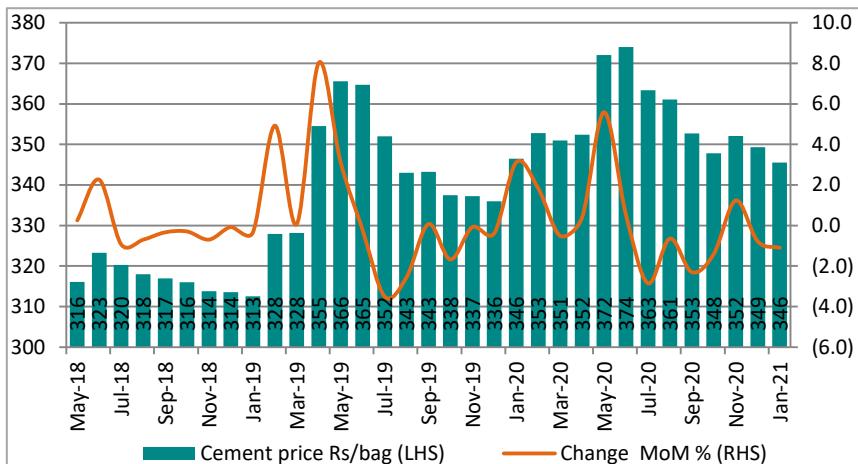
# Sectoral Highlights (Contd.)

## Cement production -7% YoY in Nov 2020



Source: PIB Release

## Cement price for Jan-21 at -1% MoM



Source: Bloomberg, 6322 kcal

## Imported coal prices adjusted for currency (Rs/t)



Source: Bloomberg, 6322 kcal

## Stock performance in the sector (Large Cap)

	Performance (%)				
	1M	3M	6M	12 Year	3 Year
ULTRATECH CEMENT	4.6%	40.6%	26.2%	20.9%	4.6%
ACC Ltd	-1.1%	25.5%	11.6%	-9.3%	-1.1%
AMBUJA CEMENT	-0.1%	29.1%	24.1%	-8.6%	-0.1%
SHREE CEMENT	-3.4%	7.2%	13.9%	23.4%	-3.4%
DALMIA BHARAT	0.4%	58.8%	40.4%	NA	0.4%
RAMCO CEMENT	-10.5%	23.2%	4.5%	-1.7%	-10.5%
<b>Nifty 50</b>	<b>6.4%</b>	<b>31.7%</b>	<b>15.3%</b>	<b>32.6%</b>	<b>6.4%</b>

Source: Bloomberg

# Sectoral Highlights (Contd.)

## Construction: NHAI's avenues of funding

- NHAI raising fund by way of SPV:** NHAI has conceived the idea of floating project-specific SPVs, especially for the large ones. The aim is to diversify its resource base and develop self-liquidating approach to raise finances for the critical projects. NHAI is planning to raise Rs460bn debt for Delhi Mumbai Expressway SPV and the borrowing will be off NHAI's balance sheet.
- NHAI debt by FY21:** NHAI debt is expected to go past Rs3tn by FY21E. As on November-end, the authority's debt stood at Rs2.7tn and it is likely to borrow another Rs315bn before March. Debt is increasing sharply as award of project in BOT Toll mechanism is falling and its non-debt receipts: budgetary support, cess fund, ploughed back toll remittances and capital grants not rising in tandem with the expenditure.
- Construction sector norms relaxed, smaller players to benefit:** NHAI has relaxed the norms for contractors such as a) Performance guarantee for construction contracts reduced to 3% from 5-10%. This is valid for existing contract and awarded

until CY21 b) minimum net worth criteria reduced to 15% from 25% of the EPC project value. c) technical requirement w.r.t. past experience is relaxed for tunneling, bridge works.

- NHAI InvIT:** In order to raise fund, more than 10 global and domestic investors have indicated their willingness to invest in the InvIT proposed by NHAI (size expected at Rs50bn). NHAI has formed investment manager and appointed IDBI Trusteeship Services Limited as the trustee.
- Summary:** NHAI has awarded Rs0.5t worth of road asset till date and has a target to award Rs2tn of assets in FY21. This will keep buoyancy in the order inflow for contractors in the sector. On execution, most of the construction company have guided at 5-10% YoY revenue growth in FY21E. In the sector, our stock checklist is companies with order book visibility, low leverage and thus we have preference for PNCL (order book at Rs158bn, standalone Net DER at 0.1x) and KNR (order book at Rs86bn, standalone Net DER at 0.1x).

## Valuation Summary

Companies	CMP (Rs)	TP (Rs)	Reco	Mkt Cap (Rs mn)	Revenue (Rs mn)		EPS (Rs)		BVPS (Rs)		PER (x)		EV/EBITDA (x)		RoE(%)	RoCE(%)
	FY22E	FY23E		FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY23E	FY23E	
Dilip Buildcon	395	549	BUY	54,058	1,01,572	1,11,729	39.3	51.7	326	377	10.1	7.6	4.1	3.4	14.7	17.2
KNR Constructors	334	345	ACCUMU.	46,910	27,620	31,763	17.4	20.3	145	165	19.2	16.5	8.8	7.7	13.1	17.5
PNC Infratech	181	265	BUY	46,318	58,818	67,641	20.0	23.7	132	155	9.0	7.6	5.1	4.1	16.5	17.6
Ashoka Buildcon	93	111	BUY	26,093	44,139	50,759	15.6	18.7	120	138	6.0	5.0	4.6	3.5	14.5	12.7

Source: IDBI Research

# Sectoral Highlights (Contd.)

## IT Services

- Post a pause in November, 2020, the BSE IT index again outperformed Sensex in December. The BSE IT index saw a strong MoM gain of 12.1% vs. a 8.2% MoM gain in case of SENSEX. Due to its underperformance in November, the BSE IT index has underperformed SENSEX on 3 months basis. However, it continues to outperform SENSEX on 6/12 months basis.
- Infosys (INFO) had another good month and outperformed its peers with a gain of 14.2% MoM. INFO at its investor meet reiterated its optimism to get back to pre-Covid revenue growth momentum and also drive growth in profitability. It has announced a very large-deal through a long-term strategic partnership with Daimler AG. This deal involves transformation of Daimler's IT operational model and infrastructure across workplace services, service desk, data center, networks and SAP basis. INFO would transform it into a fully scalable on-demand Digital IT infrastructure and anytime-anywhere workplace. As a part of the partnership, INFO would take over Daimler's IT infrastructure employees across Germany, Europe, US and APAC. This deal demonstrates INFO ability to augment its relationship with clients like Daimler and transform it into a long-term + strategic partnership providing strong revenue visibility. Benefiting from this deal, we would not be surprised if INFO announces large deal TCV of US\$2 bn+ in Q3FY21.
- HCL Technologies (HCLT) also saw a strong gain of 15.1% MoM. HCLT reported a strong performance in Q2FY21 (revenue growth of 4.5% QoQ in CC and EBIT margin at a 23 quarter high of 21.6%, +110bps QoQ). HCLT has maintained its revenue growth guidance at CQGR of 1.5% to 2.5% in CC for H2FY21, implying 0% to 0.7% YoY growth for FY21. However, it has now guided for EBIT margin 20%-21% for FY21 vs. 19.5%-20.5% earlier. Given the strong deal-wins with 15 transformational deals (net-new) in Q2FY21 and the TCV of the same is +35% QoQ and similar to Q2FY20 levels, we expect HCLT to easily achieve the top-end of the guidance.
- L&T Infotech (LTI) also saw a strong gain of 14.3% MoM. At its 2020 analyst day, LTI reiterated its outlook for industry-leading revenue growth and net profit margin of 14-15% for FY21. It targets to be a resilient enterprise and achieve this in every/any market condition. It targets to react and execute with speed to changes at the market place. To address the opportunities in the market place due to the pandemic it has launched 2 new dedicated businesses units - 1) Cloud and 2) Products. LTI also allayed concerns on slower large deal-wins in H1FY21 and confirmed that it has secured couple of large deals in Q3FY21. It has secured deal from Injazat, UAE-based leader in digital transformation, to implement its new best-shore service delivery model with deal value of AED760 mn (US\$205 mn at the current FX rate) for 6 years. Further, its large deal pipeline has grown by 62% YoY to US\$1.9 bn.
- In the near-term we expect investor focus to be in Q3FY21 results and commentary for Q4FY21. Also, we expect focus to continue to be on pick-up in the growth driven by acceleration in digital transformation and significant easing as regards supply side issues. We maintain our positive outlook on the sector with TCS and INFO being top-picks amongst large-caps and Cyient (CYL) amongst the mid-caps.

# Sectoral Highlights (Contd.)

## Valuation

	CMP	TP		Mkt Cap	Revenue (Rs mn)		EPS (Rs)		P/E (x)		EV/EBITDA (x)		RoE (%)	RoCE (%)
Companies	(Rs)	(Rs)	Recommendation	(Rs mn)	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY23E	FY23E
Tata Con. Ser.	3,039	3,185	BUY	11,404,436	1,785,405	1,960,508	101.1	113.8	30.1	26.7	22.0	19.5	40.9	49.1
Infosys	1,289	1,311	BUY	5,488,692	1,081,972	1,207,082	50.8	57.0	25.3	22.6	17.3	15.3	32.2	37.5
HCL Tech.	980	984	BUY	2,658,171	811,588	887,382	48.8	54.7	20.1	17.9	12.3	10.6	22.2	26.2
Wipro	396	366	Accumulate	2,264,988	649,362	689,681	17.9	20.3	22.1	19.5	14.6	12.8	18.4	17.3
Tech Mahindra	1,002	972	ACCUMULATE	968,971	411,045	449,700	54.0	60.8	18.6	16.5	11.9	10.2	18.5	17.5
L & T Infotech	3,845	3,542	ACCUMULATE	671,583	136,723	156,724	117.6	136.2	32.7	28.2	21.1	18.0	27.8	35.9
Cyient	525	527	BUY	57,762	44,007	48,772	40.5	43.9	13.0	12.0	6.4	5.3	15.7	16.2

Source: IDBI Capital Research

# Sectoral Highlights (Contd.)

## Metals & Mining: Metals: Steel prices spurs

During December, steel prices continued to march upwards as HRC price increased by 15% MoM to Rs55,250/tonne led by strong rally in global steel prices. Steel companies are likely to report strong profitability in Q3FY21 and Q4FY21 is likely to be even stronger. BSE Metals Index (+14%) outperformed BSE Sensex (+8%) during the month.

- **Steel prices continue to surge:** During December, the domestic HRC prices jumped up to Rs55,250/tonne led by higher domestic demand and sharp rise in global steel prices. Global HRC prices increased ~25% to \$750/tonne on a MoM basis in December. Despite sharp increase in domestic price, the international prices are higher by Rs2,000/tonne compared to domestic prices as of December end. Indian steel spreads have risen by ~25% in Q3FY21 (three-year high). Looking ahead, H2FY21 is expected to be strong for steel companies due to better demand from construction and infrastructure projects. Given higher international prices and winter supply curbs on Chinese steel production, we expect the higher prices to sustain until monsoon season in Q1FY22.
- **Steel stocks higher:** During the month, SAIL gained 48% as higher steel spreads are likely to result in sharp deleveraging in H2FY21. SAIL expects the debt to come down to Rs400 bn by end of FY21 from ~Rs480 bn as of September 30, 2020. It has also increased its capex guidance for FY21-22 given strong visibility on free cash flows. Tata Steel gained 10% as spreads in European markets also improved sharply. European sales volumes are expected to improve remarkably as demand for steel has improved.
- **JSPL wins coal block:** During December, JSPL emerged as the highest bidder for the Gare Palma-IV/1 coal mine in Chhattisgarh.

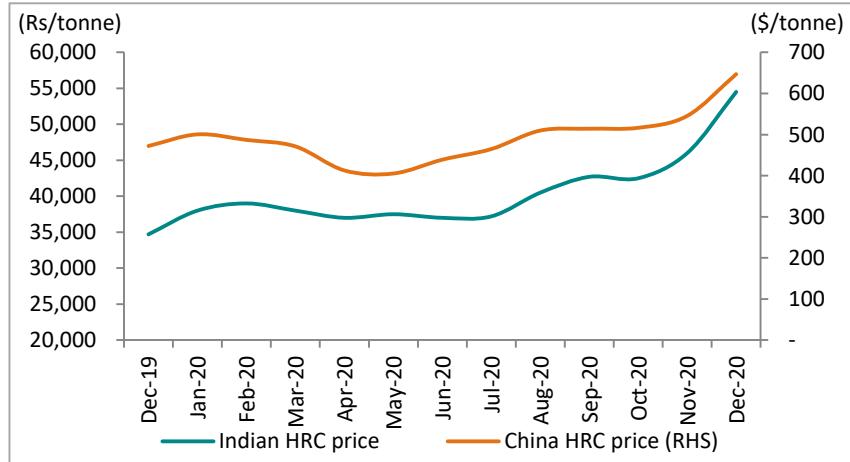
JSPL won the block after it quoted a 25% premium on the revenue share to the state. Once JSPL commissions coal mining from the block, it will be able to produce power at a very low cost and hence, it will be able to ramp up its power plant PLFs (currently around 40%) even when power tariffs remain weak.

- **Hike in iron ore prices:** NMDC gained 19% on MoM as the company increased price of Baila lumps by Rs700/tonne (\$10), DR-CLO by Rs 820/tonne (\$11) and it stands at Rs5,200/tonne and Rs6,040/tonne respectively. The shortage of iron ore in Odisha continued and global iron ore prices continued to rise during the month. NMDC signed four-year lease deed to resume mining at Donimalai mine.
- **Base metals flattish:** Base metal prices remained muted during December. Zinc, aluminium and lead fell 2%/3%/4% respectively. Hindustan Zinc and MOIL gained 5%/13% respectively. Hindalco gained 5%, were company plans to invest Rs 73 bn to set up a 34,000-tonne aluminium extrusion plant at Silvassa. Vedanta gained 33% as Vedanta promoters increase stake by 5% to 55%.
- **Gold prices also rise:** Gold price was higher by 7% MoM to \$1,898/ounce. This was due to a combination of an additional stimulus package alongside asset purchase by the Fed which drove gold prices higher. Going ahead, weaker dollar is likely to benefit precious metals.
- **Outlook:** With sharp increase in steel prices during December, the steel companies are likely to report record high profits in H2FY21. Further, improvement in domestic demand and lower coking coal prices will lead to strong margins and improvement in credit profile for steel companies. We maintain our positive view on Metals & Mining sector with JSPL as our top pick. Given the muted stock price performance of MOIL in the recent times, we believe risk-reward ratio remains favourable.

# Sectoral Highlights (Contd.)

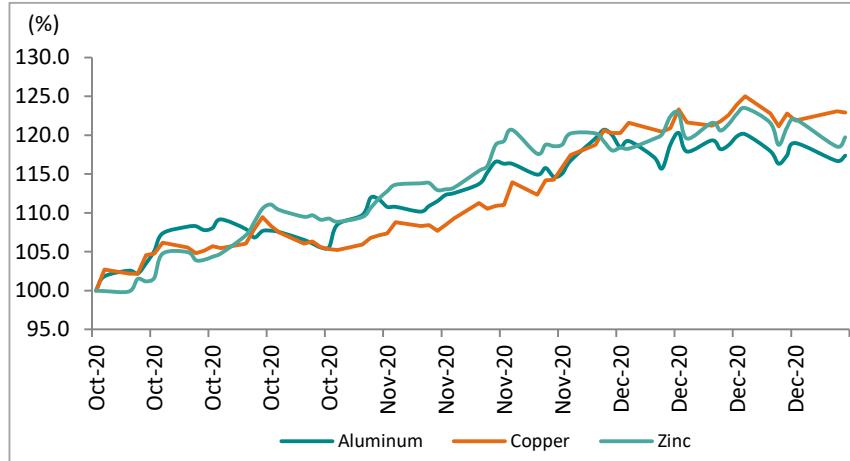
## Metals & Mining: key charts and table

### HRC price trend



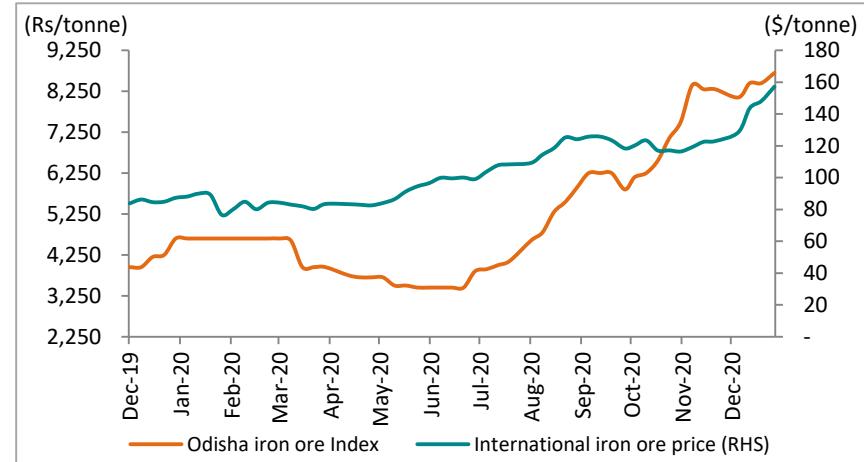
Source: Steelmint, IDBI Capital Research

### 3 month base metal prices trend



Source: Bloomberg, IDBI Capital Research

### Domestic iron ore price v/s International iron ore price



Source: Steelmint, IDBI Capital Research

### Stock performance in the Metals sector

	1M	6M	12M	3 Years	5 Year
SAIL	48%	118%	73%	-20%	53%
TATA Steel	10%	76%	36%	-7%	163%
JSW Steel	8%	76%	43%	44%	275%
JSPL	5%	44%	59%	30%	285%
NMDC	19%	37%	-11%	-17%	27%
Sensex	7%	27%	16%	40%	83%
BSE Metal	12%	48%	11%	-22%	57%

Source: Bloomberg, IDBI Capital Research

# Sectoral Highlights (Contd.)

## Valuation

	CMP	TP		Mkt Cap	Revenue (Rs mn)		EPS (Rs)		P/E (x)		EV/EBITDA (x)		RoE (%)	RoCE (%)
Companies	(Rs)	(Rs)	Recommendation	(Rs mn)	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY23E	FY23E
JSW Steel	390	323	HOLD	9,36,190	8,36,086	9,26,481	22.0	27.4	16.6	13.3	8.6	7.5	16.0	14.7
Tata Steel	644	576	BUY	7,40,630	14,86,456	15,25,363	59.1	73.0	8.3	6.7	6.3	5.8	9.9	8.4
JSPL	271	299	BUY	2,71,380	3,95,551	4,10,064	44.3	51.8	6.0	5.1	4.7	3.9	12.4	11.8
SAIL	75	38	HOLD	3,06,040	7,15,306	7,64,956	7.6	8.3	9.7	8.9	6.4	5.6	7.5	6.8

Source: IDBI Capital Research

# Sectoral Highlights (Contd.)

## Oil & Gas

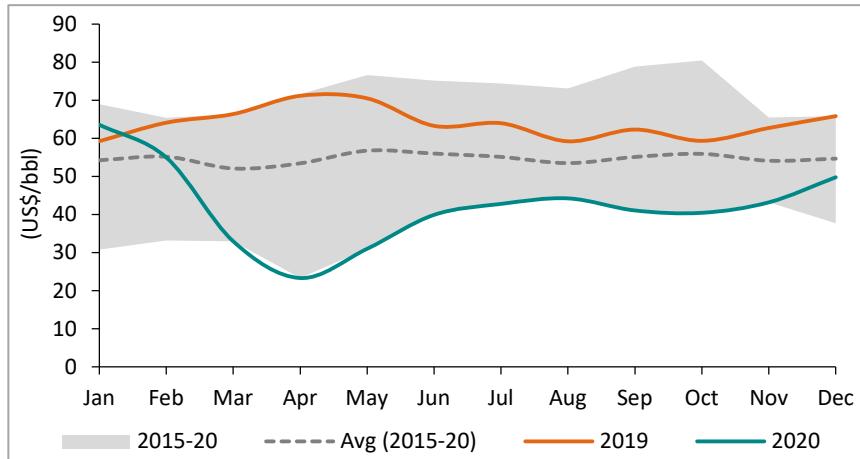
- **Crude oil price improved:** Bullish sentiments remained in crude oil prices on the back of demand recovery, rollout of Covid vaccine and lower production from OPEC. Brent crude oil price rose by 15.2% MoM to average US\$49.8/bbl in Dec'20. US total rig counts increased to 351 at the end of Dec'20 from 320 at the end of Nov'20, though significantly lower compared to 830 rigs in same period last year. Though, demand has improved sharply from its lows but fresh round of lockdown and new traces of Covid raises concern. OPEC+ has eased production cuts from 7.7mbpd to 7.2mbpd from January 2021 onwards and would continue to ease 0.5mbpd every month over the next three months. We maintain our bearish view on crude oil price owing to higher growth in renewable energy, higher penetration in EVs and higher supply from non-OPEC.
- **GRM flattish:** Singapore GRM remained flattish for the month of December to average MoM US\$1.0/bbl. Cracks recovered marginally across all products except Fuel oil which saw a significant fall. Gas Oil and Jet Kero cracks improved to US\$5.2/4/bbl in Dec'20 vs US\$4.6/2.5/bbl in Nov'20. Gasoline

and Naphtha cracks also increased modestly to US\$ +0.25/-1.2/bbl vs US\$-0.8/-1.8/bbl, respectively. However, Fuel Oil weakened to a -US\$5.7/bbl in Dec'20 from a -US\$3.1/bbl in Nov'20. US refinery utilization improved marginally MoM to 79.1% vs 77.2% in Nov'20, still lower than five year average of 91.1%.

- **RIL, HPCL and GSPL remain top picks:** Higher hydrocarbon prices are likely to result in inventory gains for all the , companies especially refineries like RIL, IOC, BPCL and HPCL. Our calculation suggests that marketing margin for petrol and diesel contracted MoM by 50p/ltr on petrol and 20p/ltr in Dec'20 to Rs4.1/ltr and Rs2.6/ltr respectively, which is still higher compared to last three years average. On natural gas front, spot LNG has moved up and crossed US\$10/mmbtu on the back of strong demand from Asian countries and supply concern from Australia, which is positive for GAIL. Also, imported volume remained strong led by strong recovery from power, fertilisers and CGD business. Our top-picks remain as GSPL, RIL and HPCL.

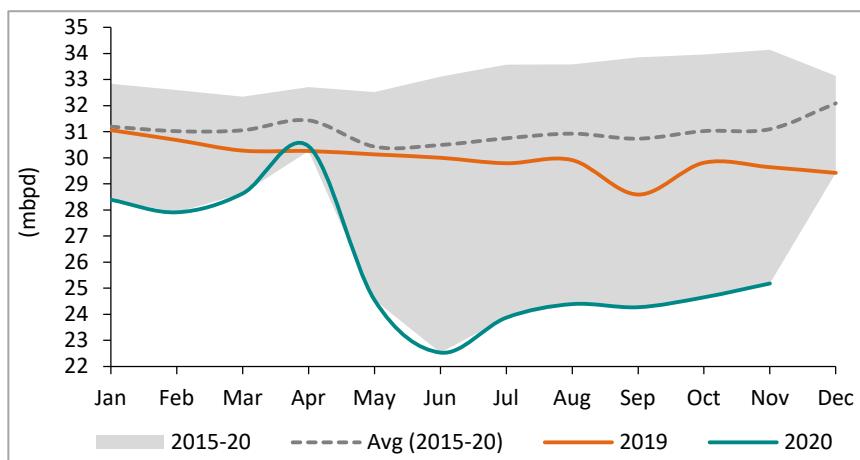
# Sectoral Highlights (Contd.)

Brent oil price improves 15.2% MoM



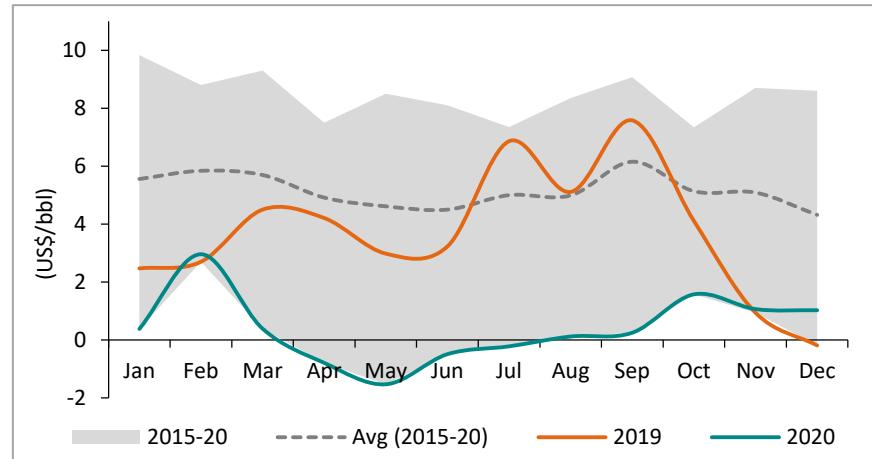
Source: Bloomberg; IDBI Capital Research

OPEC Production rises 2.2% MoM



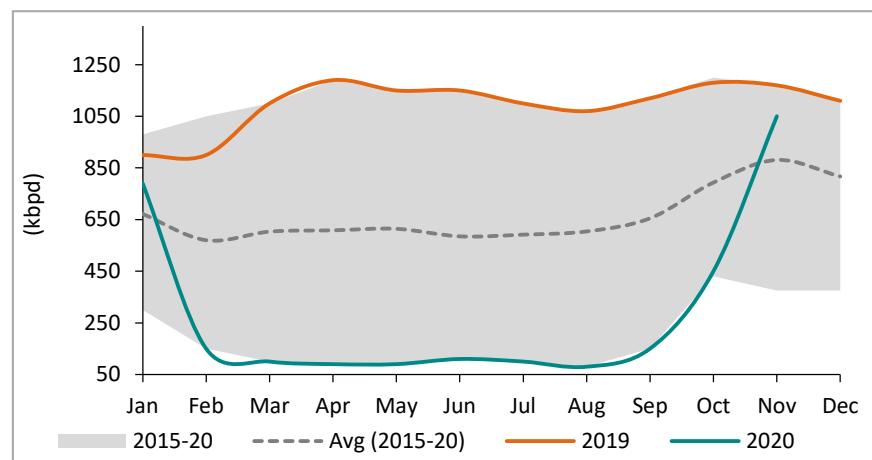
Source: Bloomberg, IDBI Capital Research

GRM remains flattish at US\$1.1/bbl



Source: Reuters; IDBI Capital Research

Libya production



Source: Bloomberg, IDBI Capital Research

# Sectoral Highlights (Contd.)

## Valuation

	CMP	TP		Mkt Cap	Revenue (Rs mn)		EPS (Rs)		P/E (x)		EV/EBITDA (x)		RoE (%)	RoCE (%)
Companies	(Rs)	(Rs)	Recommendation	(Rs mn)	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY23E	FY23E
RIL	1,991	2,468	BUY	1,26,19,608	58,24,059	65,51,428	87.3	105.9	22.4	18.5	10.4	8.4	9.1	10.0
ONGC	97	85	BUY	12,19,658	7,24,611	8,06,427	7.5	8.2	12.3	11.2	4.8	4.3	5.1	3.7
IOCL	94	86	ACCUMULATE	8,83,048	42,31,243	51,37,558	12.8	12.6	7.1	7.3	7.4	7.4	10.9	7.6
BPCL	395	412	BUY	8,57,506	24,11,289	29,86,550	33.6	34.8	12.2	11.8	9.5	9.0	16.1	9.4
Gail India	128	109	BUY	5,77,298	6,44,697	6,84,316	12.2	12.8	10.0	9.6	7.1	6.4	11.1	9.1
Petronet LNG	252	282	BUY	3,78,450	3,68,147	3,60,683	19.8	22.2	13.5	12.0	7.5	6.7	27.5	24.3
HPCL	223	253	BUY	3,38,976	23,84,011	29,08,622	39.0	38.9	5.6	5.6	6.4	6.8	15.8	5.8
GSPL	219	306	BUY	1,23,703	28,613	31,449	24.0	27.5	9.3	8.1	5.9	4.8	16.8	19.3
Oil India	112	90	HOLD	1,21,833	91,554	99,245	10.3	10.7	10.5	10.2	7.9	7.4	4.6	1.6

Source: IDBI Capital Research

# Sectoral Highlights (Contd.)

## Building material products

- Covid-19 dented industry growth in CY20:** After CAGR ~5% over CY15-19, the domestic ceramic industry is expected to de-grow by 12% in CY20E owing to nationwide lockdown amid Covid-19 pandemic. Domestic market witnessed ~18% de-growth, while outperformance of export market came in as a rescue. Demand from institutional real estate, constituting 65% within the domestic market, is expected to decline 35% in the current fiscal, as fresh construction activity has moderated. However, retail demand is expected to grow 15%, mainly from Tier 2 and 3 cities, cushioning the fall to an extent. On a positive note, gas prices, which ~22% total manufacturing cost for tile makers, have fallen 30% in CY20 driving operating margin expansion of organized players.
- Demand in metros back on track:** Our dealer check suggests that demand is in good shape in both retail and institutional segment. Metros, in particular, are showing strong demand traction, which is also supporting pricing in key products. Given benign fuel costs, we believe the industry leaders may opt for a nominal price hike, which generally happens in early start of the year. However, high end

products in GVT and PVT, may see price hike of 4%-6% in next month. Sanitary ware and faucets will follow the trend and may see price hike in selected categories.

- Healthy demand to support Q3FY21E:** Our interactions with the management suggest that demand revival has been very strong, particularly in retail market in Tier-II and smaller cities. Opening up of metros and gradual recovery in real estate markets has been encouraging. Stellar growth across all categories in renovation market was a positive surprise and the organized players are hopeful that healthy demand will continue in CY21E as well. Q2FY21 was a beat on all parameters for building material companies and we expect that out performance to continue in Q3FY21E. Morbi's clear focus on export market would keep demand-supply scenario in favour of organized players, which in turn aid sales growth as well as margin expansion. Apart from sales growth, the key players are equally focused on working capital cycle. We believe healthy sales growth outlook and margin improvement may drive re-rating of the stocks in FY22E.

## Stock Performance

Company	1month	3 month	6 month	1 year	3 year	5 year
Cera Sanitaryware	8%	46%	53%	29%	-9%	67%
Kajaria Ceramics	9%	27%	79%	34%	-4%	43%
Somany Ceramics	18%	70%	179%	55%	-64%	-17%

Source: Company, IDBI Capital

## Valuation

Companies	CMP (Rs)	TP (Rs)	Reco	Mkt Cap (Rs mn)	Revenue (Rs mn)	EPS (Rs)	PER (x)	EV/EBITDA (x)	RoE(%)	RoCE(%)
				FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY23E
Kajaria Ceramics	703	670	BUY	111,866	30,653	33,156	19.0	22.3	37.0	31.5
Cera Sanitaryware	3,390	2,930	BUY	44,090	13,466	15,485	87.5	108.5	38.7	31.2
Somany Ceramics	330	274	BUY	20,293	15,598	18,055	13.5	21.0	24.4	15.7

Source: Company, IDBI Capital

# Sectoral Highlights (Contd.)

## Hotels

- Christmas and New year cheered up hospitality segment:** A surge in hotel bookings has been recorded in many tourist destinations across India and it is seen as a silver lining to a bleak year for hospitality. After Covid-19 disrupted the hospitality operations, the industry is gearing up to revive and revitalize the operations by exploring other revenue streams, along with changing business model to cope up with the new business dynamics. Leisure segment is seeing early revival, particularly in staycation and drivable distance destinations. However, business segment is still reeling pressure of lower occupancy as corporate travel is yet to get back to pre-Covid levels. Our channel check and data analysis suggest that prices are up by 3%-7% across the segments and markets in December,20. We expect the trend to further strengthen, supported by wedding season and family getaways.
- Indian Hotels strengthens its footprint in East India:** IHCL has signed a three hotel deal with Ambuja Neotia Group to make deeper inroads in the eastern part of the country.

With this and three other properties being developed by the Kolkata-based Group, IHCL will be able to double the number of rooms to 2,000 over the next four years in a strategically important region for the company. The upcoming projects in Eastern India include two in Kolkata and one in Patna, Bihar. The region accounts for close to 10% for IHCL revenue now and the management expects it to grow at a rapid pace both in terms of room addition as well revenues in the forthcoming years.

- Q3FY21E-Harbinger of demand revival:** The domestic hospitality industry was one of the worst hit due to pandemic. After a dismal H1FY21, we expect Q3FY21E to be harbinger of growth for organized players in the hospitality space. Healthy occupancy growth aided by festive season, Christmas, New year and improved ADR will lead to robust sales growth. The companies have taken cost cutting initiatives which will lead to operating margin expansion. However, leveraged balance sheet and higher depreciation will remain an overhang on net profitability.

## Stock Performance

Company	1month	3 month	6 month	1 year	3 year	5 year
Indian hotels	2%	27%	50%	-17%	2%	10%
Lemon tree hotels	21%	44%	69%	-37%	-44%	

Source: Company, IDBI Capital

## Valuation

Companies	CMP (Rs)	TP (Rs)	Reco	Mkt Cap (Rs mn)	Revenue (Rs mn)	EPS (Rs)	PER (x)	EV/EBITDA (x)	RoE(%)	RoCE(%)		
				FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY23E	FY23E	
Indian Hotels Company	120	95	<b>HOLD</b>	142,830	33,293	46,610	(1.6)	2.4	-	50	38.0	17.0
Lemon Tree Hotels	40	29	<b>HOLD</b>	31,848	5,023	6,781	(1.4)	(0.8)	-	-	37.1	22.0

Source: Company, IDBI Capital

# Sectoral Highlights (Contd.)

## Retail and Consumer

### Detergent and tea to drive volume growth for HUL

As per SKU level analysis of HUL's soap, detergent and tea portfolio which contributes c. 60% to total revenue.

- tea and soap category, FMCG companies have taken price hikes driven by inflationary raw material pricing trend
- In tea portfolio, HUVR has been highly conservative in taking price hikes while in Soaps it has been aggressive compared to competition
- In detergent powder category HUVR has taken price cuts in line with deflationary raw material pricing trend while P&G has taken price hike.

HUVR to gain volume led market share in both detergent and tea portfolio which contributes c. 33% to total revenue. In soaps portfolio, we expect Godrej Consumer to benefit from conservative price action in value segment. In premium segment, we expect HUVR pricing action to be margin accretive.

### FMCG companies emerge as the top advertisers on TV in CY20

- The top 10 advertisers on TV were: HUL, Reckitt Benckiser, P&G, ITC, Colgate, GCPL, Cadbury, Wipro, Amazon and Amul. Among the top 10 advertisers, 8 were FMCG companies.
- Toilet soaps (7% of total advertisement expenditure), ecommerce sites (4%) and toothpastes (4%) were the top advertising categories on television followed by shampoo, washing powder, floor cleaners, milk beverages, cars and chocolates.

### JUBI scales up and re-brands its Indian cuisine offering; launches Ekdum! (earlier Biryani's of India)

- Ekdum offers 20 different types of Biryans like Hyderabadi Nizami Biryani, Lucknowi Nawabi Biryani, Dindigul Biryani, Kolkata Biryani, Butter Chicken Biryani, Egg Biryani, Paneer Makhni Biryani etc. Along with biryani, it serves a wide range of kebabs, curries, breads, desserts, beverages, raita and chutneys.
- JUBI maintains its VFM proposition with biryani prices starting at Rs99
- Currently, Ekdum! has 3 restaurants in Gurgaon for delivery, take-away and dine-in and company plans on opening more in NCR region over the next few months.

### E-commerce sector in Indiagrew by 7-8% in CY20 to \$33bn (v/s 18-20% in US and China)

Sales during festive month grew 66%YoY while no. of use increased 87%YoY.

- As per Unicommerce report, Personal care reported order volume growth of 176% YoY during festive sales followed by fashion and accessories (+71% YoY), Electronics (+65% YoY) and beauty and wellness (+52% YoY)
- Tier 2 cities and beyond contributed over 59% of online consumer demand during festive sales

# Sectoral Highlights (Contd.)

## Valuation

Companies	CMP	TP	Reco	Mkt Cap	Revenue (Rs mn)		EPS (Rs)		PER (x)		EV/EBITDA (x)		RoE(%)	RoCE(%)
	(Rs)	(Rs)		(Rs mn)	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY23E	FY23E
Hindustan Unilever	2,427	2,677	ACCUMULATE	57,01,198	5,07,800	5,59,709	44.1	48.7	55.1	49.9	38.6	34.5	75.4	83.5
Asian Paints	2,755	2,376	ACCUMULATE	26,42,398	2,41,485	2,74,947	37.4	43.2	73.6	63.8	47.4	41.0	25.4	29.8
ITC	213	295	BUY	26,25,910	5,32,293	5,85,973	13.3	14.6	16.1	14.7	12.4	11.1	25.1	27.9
Avenue Supermarts	2,903	2,471	HOLD	18,80,393	3,65,560	4,59,616	31.9	41.0	91.0	70.8	60.7	47.0	17.0	21.6
Nestle India	18,388	16,849	ACCUMULATE	17,72,916	1,53,019	1,71,048	269.7	306.4	68.2	60.0	46.3	40.9	62.9	49.8
Dabur India	543	544	ACCUMULATE	9,60,328	1,05,331	1,14,392	10.9	12.1	49.8	44.9	40.6	36.1	24.0	23.9
Britannia Industries	3,554	4,746	BUY	8,56,094	1,48,128	1,63,105	85.3	94.9	41.6	37.4	31.0	27.5	28.7	29.6
Godrej Cons. Products	758	883	BUY	7,74,891	1,17,341	1,25,279	18.2	19.6	41.7	38.6	28.3	26.3	21.1	21.7
Berger Paints	778	517	SELL	7,55,803	72,810	82,614	9.1	10.4	85.5	75.2	55.5	47.8	26.1	28.0
Marico	417	438	BUY	5,38,397	82,261	91,215	9.9	11.0	42.0	38.0	30.0	26.8	36.0	39.7
Jubilant Foodworks	2,748	2,349	HOLD	3,62,651	47,591	53,333	39.7	47.0	69.1	58.5	29.5	25.4	29.3	25.2
Kansai Nerolac	619	540	HOLD	3,33,672	52,540	60,968	11.2	13.5	55.1	45.8	35.2	29.4	15.0	18.8
Trent	679	528	SELL	2,41,305	38,294	44,862	6.2	7.6	110.2	89.2	34.2	26.5	11.9	9.2
TCNS Clothing Co	444	488	BUY	27,317	12,990	14,425	15.7	16.3	28.3	27.3	8.2	6.3	19.2	9.2

Source: Company, IDBI Capital

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