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Q3FY21 EARNING PREVIEW

Research Team

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Automobile

Weak demand to impact overall performance

Summary

- **Q3FY21 Result Expectation:** We have seen good demand in PV segment whereas marginal decline in 2W during 42 days festive season sales. This may be led by pent-up demand in retail market, preference for personal mobility during the pandemic, unlocking in tier- 2, 3 cities, easing of supply chains, labour availability, new launches and inventory filing at dealerships due to sustained demand post festive season. We expect OEM's like Ashok Leyland (AL) (72%), Maruti Suzuki (MSIL) (26%), TVS motors (TVSL) (18%) increase in revenue on QoQ basis on account of good festive season sales and recovery in export markets.
- Among auto ancillary companies from our coverage universe, we expect Subros Ltd (Subros) (25%), Jamna Auto (JAI) (11%) and Minda Industries (MIL) (14%) increase in revenue on QoQ basis and all auto ancillary companies under our coverage to become profitable again in Q3FY21 on account of higher production across different segments.
- Key things to look out for in management commentaries – demand outlook for FY22, supply chain easing, challenges on demand side.
- **Outlook:** We believe post festive season the inventory at dealer's level is on higher side for 2W whereas for PV the inventory is in lower side. We expect a gradual decline in demand for 2W whereas the key driver for demand in PV is personal mobility preference, new launches and easy financing schemes. We expect 2W/4W/CV industry likely to decline in double digit in FY21.

Exhibit: Valuation Snapshot

Companies	CMP (Rs)	TP (Rs)	Reco	Mkt Cap (Rs mn)	Revenue (Rs mn) FY22E	Revenue (Rs mn) FY23E	Ebitda (Rs mn) FY22E	Ebitda (Rs mn) FY23E	EPS (Rs) FY22E	EPS (Rs) FY23E	BVPS (Rs) FY22E	BVPS (Rs) FY23E	PER (x) FY22E	PER (x) FY23E	P/B (x) FY22E	P/B (x) FY23E	EV/EBITDA (x) FY22E	EV/EBITDA (x) FY23E	RoE(%) FY23E	RoCE(%) FY23E
OEM's																				
ASHOK LEYLAND	105	86	**HOLD**	3,07,496	1,78,948	2,22,595	17,000	26,868	2.0	4.3	25	29	52.2	24.3	4.1	3.6	18.7	11.3	15.7	17.4
BAJAJ AUTO	3,494	2,890	**HOLD**	10,11,135	2,95,539	3,39,574	49,314	58,951	163.4	192.5	839	941	21.4	18.2	4.2	3.7	20.3	16.8	21.6	21.6
EICHER MOTORS	2,673	2,460	**HOLD**	7,30,309	91,515	1,14,371	18,762	23,420	72.0	92.8	461	538	37.1	28.8	5.8	5.0	37.8	30.3	18.6	13.2
HERO MOTOCORP	3,067	2,540	**REDUCE**	6,12,747	2,97,695	3,46,561	39,131	46,825	139.5	169.1	842	927	22.0	18.1	3.6	3.3	15.2	12.5	19.1	21.5
MARUTI SUZUKI INDIA	7,651	7,525	**ACCUMULATE**	23,11,305	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	492	420	**REDUCE**	2,33,600	1,71,605	2,03,646	14,876	19,580	13.9	20.9	92	109	35.4	23.5	5.3	4.5	15.4	11.1	20.8	21.4
Auto Anc.																				
GNA Axles	301	295	**BUY**	6,459	8,583	9,313	1,330	1,444	28.5	32.7	256	285	10.5	9.2	1.2	1.1	5.0	4.3	12.1	15.8
Jamna Auto Industries	62	58	**BUY**	24,506	10,330	12,912	1,229	1,666	1.8	2.5	15	17	34.4	24.4	4.1	3.7	19.8	14.3	15.9	18.7
Lumax Auto Tech.	135	78	**SELL**	9,212	11,065	12,396	830	930	5.5	6.5	74	80	24.5	20.9	1.8	1.7	10.8	9.4	8.4	6.9
Minda Industries	408	350	**HOLD**	1,10,961	66,414	77,927	7,173	9,975	7.8	14.6	85	97	52.6	28.0	4.8	4.2	16.4	11.5	15.9	13.9
MM Forgings	425	390	**ACCUMULATE**	10,265	7,464	8,450	1,493	1,732	29.2	39.1	226	259	14.6	10.9	1.9	1.6	7.6	6.1	16.1	13.3
Subros	348	233	**REDUCE**	22,709	17,453	20,943	1,798	2,241	9.4	13.7	126	139	37.1	25.4	2.8	2.5	11.8	8.9	10.3	11.9

Source: IDBI Capital Research

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Exhibit: OEM Estimates (Rs mn)

Company		Dec 20	Sept 20	Dec 19	*QoQ (%)*	*YoY (%)*	Comments
Ashok Leyland (Standalone)	Volume	33,410	19,444	31,200	*71.8*	*7.1*	▪ We expect revenues to increase 21% YoY/ 72% QoQ to Rs48.7bn, led by 7% YoY/ 72% QoQ increase in volumes. EBITDA Margin to improve 170bps YoY/ 450bps QoQ to 7.3%. Overall, adjusted PAT to increase 133% YoY/-148% QoQ to Rs7bn.
	Revenue	48,740	28,366	40,157	*71.8*	*21.4*	
	EBITDA	3,558	804	2,252	*342.5*	*58.0*	
	Net Profit	695	-1,450	299	*(148.0)*	*132.6*	
	EBITDA Margin (%)	*7.3*	*2.8*	*5.6*	*450*	*170*	
	EPS	0.2	-0.5	0.1	*(148.0)*	*132.6*	
Bajaj Auto (Standalone)	Volume	13,06,810	10,53,337	12,02,126	*24.1*	*8.7*	▪ We expect revenues to increase 19% YoY/ 27% QoQ to Rs90.9bn, led by 9% YoY/ 24% QoQ increase in volumes. EBITDA Margin to decline by 40bps YoY/ 20bps QoQ to 17.5%. Overall, adjusted PAT to increase +11% YoY/+23% QoQ to Rs14bn.
	Revenue	90,866	71,559	76,397	*27.0*	*18.9*	
	EBITDA	15,902	12,662	13,672	*25.6*	*16.3*	
	Net Profit	13,969	11,382	12,616	*22.7*	*10.7*	
	EBITDA Margin (%)	*17.5*	*17.7*	*17.9*	*(20)*	*(40)*	
	EPS	48.3	39.3	43.6	*22.7*	*10.7*	
Eicher Motors (Consolidated)	Volume (RE)	1,99,668	1,50,519	1,82,791	*32.7*	*9.2*	▪ We expect revenues to increase by 20% YoY / 34% QoQ to Rs28.5bn, led by 9% YoY/ 33% QoQ increase in volumes. EBITDA Margin to decline by 90bps YoY/ +210bps QoQ to 24.1%. Overall, adjusted PAT to increase 5% YoY/ 53% QoQ to Rs5.2bn.
	Revenue	28,496	21,336	23,710	*33.6*	*20.2*	
	EBITDA	6,876	4,711	5,923	*46.0*	*16.1*	
	Net Profit	5,248	3,433	4,987	*52.9*	*5.2*	
	EBITDA Margin (%)	*24.1*	*22.1*	*25.0*	*210*	*(90)*	
	EPS	19.3	12.6	18.4	*52.9*	*5.2*	
Hero MotoCorp (Standalone)	Volume	18,45,274	18,14,683	15,40,868	*1.7*	*19.8*	▪ We expect revenues to increase by 38% YoY/ +3% QoQ to Rs96.3bn, led by 20% YoY/ 2% QoQ increase in volumes. EBITDA Margin to decline by 180bps YoY/ 60bps QoQ. Despite improvement in volumes we expect lower margin due to partial BSVI price hike. Overall, adjusted PAT to increase 2% YoY/ -6% QoQ to Rs9bn.
	Revenue	96,310	93,673	69,967	*2.8*	*37.6*	
	EBITDA	12,617	12,864	10,390	*(1.9)*	*21.4*	
	Net Profit	8,963	9,535	8,804	*(6.0)*	*1.8*	
	EBITDA Margin (%)	*13.1*	*13.7*	*14.8*	*(60)*	*(180)*	
	EPS	44.9	47.7	44.1	*(6.0)*	*1.8*	

Company		Dec 20	Sept 20	Dec 19	*QoQ (%)*	*YoY (%)*	Comments
Maruti Suzuki (Standalone)	Volume	4,95,897	3,93,130	4,37,361	*26.1*	*13.4*	■ We expect revenues to increase by 14% YoY/ 26% QoQ to Rs236bn, led by 13% YoY/ 26% QoQ increase in volumes. EBITDA margin to improve 150bps YoY/ 130bps QoQ to 11.6%. EBITDA Margin improvement to be on lower side due to higher demand of entry level cars. Overall, adjusted PAT to increase 35% YoY/ 54% QoQ to Rs21.2bn.
	Revenue	2,36,365	1,87,445	2,07,068	*26.1*	*14.1*	
	EBITDA	27,418	19,336	21,021	*41.8*	*30.4*	
	Net Profit	21,156	13,716	15,648	*54.2*	*35.2*	
	EBITDA Margin (%)	*11.6*	*10.3*	*10.2*	*130*	*150*	
	EPS	70.1	45.4	51.8	*54.2*	*35.2*	
TVS motors (Standalone)	Volume	9,89,517	8,13,205	8,21,521	*20.4*	*21.7*	■ We expect revenues to increase by 31% YoY/ 18% QoQ to Rs54.2bn, volume increased by 20% YoY/ 22% QoQ. EBITDA margin will decline 60bps YoY/ 110bps QoQ to 8.3%. We expect higher RM cost and adverse product mix would impact margin. Overall, adjusted PAT to increase to 13% YoY/ 2% QoQ to Rs2bn.
	Revenue	54,151	46,055	41,255	*17.6*	*31.3*	
	EBITDA	4,469	4,301	3,633	*3.9*	*23.0*	
	Net Profit	2,010	1,963	1,781	*2.4*	*12.9*	
	EBITDA Margin (%)	*8.3*	*9.3*	*8.8*	*(110)*	*(60)*	
	EPS	4.2	4.1	3.8	*2.4*	*12.9*	

Source: IDBI Capital Research; Note: data for EBITDA Margin YoY and QoQ is in bps.

Exhibit: Auto Ancillary Estimates (Rs mn)

Company		Dec 20	Sept 20	Dec 19	QoQ (%)	YoY (%)	Comments
GNA Axles (Standalone)	Revenue	2,400	2,221	2,141	8.1	12.1	■ We expect revenue to increase 12% YoY to Rs2.4bn, led by strong growth in NA class 8 markets and domestic tractor industry. EBITDA Margin to improve 740bps YoY/ -20bps QoQ to 18.6%. Overall, adjusted PAT to increase 209% YoY/ 3% QoQ to Rs236m
	EBITDA	446	417	239	7.0	86.6	
	Net Profit	236	229	76	2.9	209.3	
	EBITDA Margin (%)	*18.6*	*18.8*	*11.2*	*(20)*	*740*	
	EPS	11.0	10.7	3.6	2.9	209.3	
Jamna Auto (Consolidated)	Revenue	2,071	1,866	2,286	11.0	(9.4)	■ We expect revenue to decrease by 9% YoY to Rs2.1bn due to muted demand in M&HCV goods segment. EBITDA Margin to be flat YoY /+40bps QoQ to 9.3%. Overall, adjusted PAT to decrease 7% YoY/ +15% QoQ to Rs94mn.
	EBITDA	194	166	213	16.4	(9.2)	
	Net Profit	94	81	101	15.2	(7.2)	
	EBITDA Margin (%)	*9.3*	*8.9*	*9.3*	*40*	-	
	EPS	0.2	0.2	0.3	15.2	(7.2)	
Lumax Auto (Consolidated)	Revenue	2,980	2,838	2,870	5.0	3.8	■ We expect revenue to increase by 4% YoY/ 5% QoQ to Rs3bn. EBITDA Margin to improve 180bps YoY/ -40bps QoQ to 10.1%. Overall, adjusted PAT to increase 29% YoY/ 10% QoQ to Rs172mn.
	EBITDA	302	298	239	1.3	26.4	
	Net Profit	172	157	133	9.7	29.4	
	EBITDA Margin (%)	*10.1*	*10.5*	*8.3*	*(40)*	*180*	
	EPS	2.5	2.3	2.0	9.7	29.4	
Minda Industries	Revenue	16,701	14,650	13,268	14.0	25.9	■ We expect revenue to increase 26% YoY to Rs16.7bn, mainly on account of recovery in domestic PV Industry. EBITDA margin to improve by 150bps YoY/ -90bps QoQ to 13.8%. The EBITDA margin improvement to be on lower side due to higher RM Cost and higher demand of entry level cars which led to lower premiemisation. Overall, adjusted PAT to increase 90% YoY/ 17% QOQ to Rs1bn.
	EBITDA	2,309	2,154	1,634	7.2	41.3	
	Net Profit	1,107	945	583	17.1	89.9	
	EBITDA Margin (%)	*13.8*	*14.7*	*12.3*	*(90)*	*150*	
	EPS	4.2	3.5	2.2	17.1	89.9	
MM Forgings (Standalone)	Revenue	1,683	1,473	1,762	14.3	(4.4)	■ We expect revenue to increase +14% QoQ to Rs1.7bn, mainly on account of revival in domestic CV industry and NA Class 8 market. We expect EBITDA margin to improve 70bps YoY/ 60bps QoQ. Overall, adjusted PAT to decrease 8% YoY /+62% QoQ to Rs104mn.
	EBITDA	296	250	298	18.3	(0.7)	
	Net Profit	104	64	112	62.0	(7.7)	
	EBITDA Margin (%)	*17.6*	*17.0*	*16.9*	*60*	*70*	
	EPS	4.3	2.7	4.7	62.0	(7.7)	

Company		Dec 20	Sept 20	Dec 19	QoQ (%)	YoY (%)	Comments
Subros (Standalone)	Revenue	5,726	4,581	4,656	*25.0*	*23.0*	We expect revenue to increase 23% YoY to Rs5.7bn, mainly on account of recovery in domestic PV & CV industry. MSIL has seen double digit growth of ~25% QoQ basis. EBITDA Margin to marginally improve 70bps YoY/ -60bps QoQ. Overall, adjusted PAT to increase 97% YoY/ 50% QOQ to Rs265mn.
	EBITDA	636	535	482	*18.9*	*31.8*	
	Net Profit	265	177	135	*49.7*	*96.9*	
	EBITDA Margin (%)	*11.1*	*11.7*	*10.4*	*(60)*	*70*	
	EPS	4.1	2.7	2.1	*49.7*	*96.9*	

Source: IDBI Capital Research; Note: data for EBITDA Margin YoY and QoQ is in bps.

Exhibit: Volume snapshot

	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	% YoY	% QoQ
Ashok Leyland										
M&HCV	44,019	26,719	16,815	18,117	16,953	1,021	7,936	16,586	*(8.5)*	*109.0*
LCV	15,502	12,889	12,123	13,083	8,551	2,793	11,508	16,824	*28.6*	*46.2*
Total Sales	**59,521**	**39,608**	**28,938**	**31,200**	**25,504**	**3,814**	**19,444**	**33,410**	***7.1***	***71.8***
Atul Auto	**12,282**	**10,514**	**12,259**	**13,568**	**7,741**	**1,477**	**4,185**	**5,640**	***(58.4)***	***34.8***
Bajaj Auto										
Domestic	6,10,094	6,10,936	5,21,350	5,42,978	4,03,084	1,85,981	5,50,194	5,85,469	*7.8*	*6.4*
Export	3,91,889	4,71,691	4,62,890	4,84,183	4,50,456	2,13,948	4,14,271	6,08,398	*25.7*	*46.9*
Total Motorcycle	**10,01,983**	**10,82,627**	**9,84,240**	**10,27,161**	**8,53,540**	**3,99,929**	**9,64,465**	**11,93,867**	***16.2***	***23.8***
Domestic	1,02,258	86,217	1,07,730	96,736	75,076	5,282	23,392	34,230	*(64.6)*	*46.3*
Export	89,349	78,330	81,621	78,589	63,345	37,892	65,480	78,713	*0.2*	*20.2*
Total 3W	**1,91,607**	**1,64,547**	**1,89,351**	**1,75,325**	**1,38,421**	**43,174**	**88,872**	**1,12,943**	***(35.6)***	***27.1***
Domestic	7,12,352	6,97,153	6,29,080	6,39,714	4,78,160	1,91,263	5,73,586	6,19,699	*(3.1)*	*8.0*
Export	4,81,238	5,50,021	5,44,511	5,62,772	5,13,801	2,51,840	4,79,751	6,87,111	*22.1*	*43.2*
Total Bajaj Auto	**11,93,590**	**12,47,174**	**11,73,591**	**12,02,486**	**9,91,961**	**4,43,103**	**10,53,337**	**13,06,810**	***8.7***	***24.1***
Eicher Motor										
CVs	21,010	13,331	11,370	12,391	11,629	2,129	8,167	12,802	*3.3*	*56.8*
Royal Enfield	1,96,162	1,83,589	1,66,589	1,82,791	1,62,870	57,269	1,50,519	1,99,668	*(17.9)*	*32.7*
Total sales	**2,17,172**	**1,96,920**	**1,77,959**	**1,95,182**	**1,74,499**	**59,398**	**1,58,686**	**2,12,470**	***(16.9)***	***33.9***

	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	% YoY	% QoQ
Escorts										
Domestic	24,111	20,122	18,789	24,219	19,122	17,690	23,156	30,072	*24.2*	*29.9*
Exports	1,025	929	961	890	986	460	1,285	1,490	*67.4*	*16.0*
Total	**25,136**	**21,051**	**19,750**	**25,109**	**20,108**	**18,150**	**24,441**	**31,562**	***25.7***	***29.1***
Hero Motocorp	**17,81,250**	**18,42,920**	**16,91,420**	**15,40,868**	**13,34,511**	**5,63,426**	**18,14,683**	**18,45,274**	***19.8***	***1.7***
M&M										
Total Auto Sales	1,74,679	1,31,689	1,19,570	1,32,361	92,423	29,651	92,024	1,21,736	*(8.0)*	*32.3*
Total Tractor Sales	60,878	86,350	71,820	1,04,658	59,290	64,957	93,237	1,01,701	*20.4*	*9.1*
Total Sales	**2,35,557**	**2,18,039**	**1,91,390**	**2,37,019**	**1,51,713**	**94,608**	**1,85,261**	**2,23,437**	***3.1***	***20.6***
Maruti										
Domestic	4,28,863	3,74,481	3,12,519	4,13,698	3,60,428	67,027	3,70,619	4,67,369	*13.0*	*26.1*
Export	29,616	28,113	25,798	23,663	24,597	9,572	22,511	28,528	*20.6*	*26.7*
Total Sales	**4,58,479**	**4,02,594**	**3,38,317**	**4,37,361**	**3,85,025**	**76,599**	**3,93,130**	**4,95,897**	***13.4***	***26.1***
TVS Motor										
Motorcycles	3,74,890	4,17,181	3,41,524	3,25,320	2,79,554	1,19,307	3,65,638	4,25,845	*30.9*	*16.5*
Scooters	2,70,711	2,94,532	3,33,158	2,80,322	1,67,207	83,272	2,69,524	3,11,039	*11.0*	*15.4*
Mopeds	2,20,188	1,71,957	1,67,757	1,67,488	1,43,557	54,335	1,97,251	2,14,995	*28.4*	*9.0*
2 Wheelers	**8,65,789**	**8,83,670**	**8,42,439**	**7,73,130**	**5,90,318**	**2,56,914**	**7,80,205**	**9,51,879**	***23.1***	***22.0***
3 Wheelers	41,539	39,525	43,393	48,391	42,602	9,999	33,000	37,638	*(22.2)*	*14.1*
Total volumes	**9,07,328**	**9,23,195**	**8,85,832**	**8,21,521**	**6,32,920**	**2,66,933**	**8,13,205**	**9,89,517**	***20.4***	***21.7***

Source: Company

Exhibit: Commodity and Currency

Commodity Check	Units	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Aluminum (LME)	($/TN)	1,864	1,794	1,764	1,758	1,692	1,498	1602	1920
Rubber (RSS4 India)	(Rs/kg)	126	138	142	127	133	125	120	152
Lead (LME)	($/TN)	2,037	1,881	2,031	2,039	1,846	1,676	1780	1902
Copper (LME)	($/TN)	6,223	6,116	5,806	5,900	5,641	5,348	6108	7188
Brent Crude	($/bbl)	63	68	62	63	51	32	42	44
chg qoq (%)									
Aluminum (LME)		*(5.1)*	*(3.8)*	*(1.6)*	*(0.3)*	*(3.8)*	*(11.5)*	*7.0*	*12.6*
Rubber (RSS4 India)		*1.6*	*10.0*	*3.1*	*(10.8)*	*5.0*	*(6.3)*	*(4.1)*	*16.2*
Lead (LME)		*3.4*	*(7.7)*	*7.9*	*0.4*	*(9.5)*	*(9.2)*	*6.2*	*1.6*
Copper (LME)		*0.9*	*(1.7)*	*(5.1)*	*1.6*	*(4.4)*	*(5.2)*	*14.2*	*10.3*
Brent Crude		*(6.3)*	*8.2*	*(9.7)*	*1.5*	*(19.1)*	*(37.7)*	*34.3*	*4.0*
Currency Check									
USD/Yen		110.2	109.9	107.3	108.7	109.0	107.6	107.4	104.4
USD/INR		70.5	69.6	70.4	71.2	72.4	75.9	74.9	73.8
GBP/INR		91.7	89.4	86.7	91.7	92.7	94.2	93.6	97.4
EUR/INR		80.1	78.1	78.2	78.9	79.9	83.5	84.4	88.0
GBP/USD		1.3	1.3	1.2	1.3	1.3	1.2	1.3	1.3
GBP/EUR		1.1	1.1	1.1	1.2	1.2	1.1	1.1	1.1
chg qoq (%)									
USD/Yen		*(2.3)*	*(0.2)*	*(2.4)*	*1.3*	*0.2*	*(1.3)*	*(0.1)*	*(1.6)*
USD/INR		*(2.1)*	*(1.3)*	*1.1*	*1.2*	*1.7*	*4.8*	*(1.3)*	*(0.8)*
GBP/INR		*(1.0)*	*(2.6)*	*(3.0)*	*5.8*	*1.1*	*1.6*	*(0.6)*	*1.4*
EUR/INR		*(2.6)*	*(2.4)*	*0.1*	*0.9*	*1.2*	*4.5*	*1.2*	*1.2*
GBP/USD		*1.3*	*(1.3)*	*(4.1)*	*4.5*	*(0.6)*	*(3.1)*	*0.9*	*2.2*
GBP/EUR		*1.8*	*(0.3)*	*(3.0)*	*4.9*	*(0.2)*	*(2.9)*	*(1.5)*	*0.2*

Source: Company

Banking and Finance

NPA formation and One-time rescheduling will be keenly watched

Summary

Banking Sector

- With festive season kicking in along with the pent up demand, business momentum improved during the quarter while credit growth remain stable (5.7 - 6.0%) on sequential basis due to risk averse and focus on collections as moratorium period ended in August month. Disbursements grew strongly on sequential basis especially under retail portfolio as demand for home loans and vehicle loans picks up while credit guarantee scheme, working capital loans for better rated corporates as well as gold loans continue to support. We expect banking system credit growth to remain stable by end of FY21. Sentiments improved on deposit front which could be visible in Yes bank (8% QoQ) Q3FY21 provisional data; Due to uncertainty cause by pandemic deposit maintains healthy growth. On fortnight ended (18th December 2020) deposit grew at 11.3% vs 10.9% in previous fortnight (20th November 2020) while, it continues grow from a low growth at 7.9% (27th March 2020 fortnight).
- Data suggests that banks have not cut deposit rates while MCLR cut has been in the range of 5-10bps which could put pressure on the margins during the quarter. However, higher liquidity on the balance sheet observed during Q2FY21 expected to decline during Q3FY21 which could support the NIMs. Treasury income should see some uptick on sequential basis as 10 year Gsec has declined by ~10bps during the quarter. As a result banks are expected to report higher treasury profits sequentially.
- The big question mark of Covid-19 impact on bank's asset quality will be answered during the quarter as moratorium period ended on Aug'20. Although, RBI allowed one time rescheduling for sectors most impacted by Covid-19, Slippages + Restructured assets will be the key figures to be watch for any upgrading or downgrading of financial estimates. Also, focus will be on management commentary on impact of restructured assets on quarters going ahead and provision requirements for the same. We expect banks could utilize provisions kept against covid-19 impact during H1FY21 as slippages will be higher and minimum 10% provisions required for restructured assets. Resolutions through the IBC framework have slowed down due to lockdown.

Vehicle financing NBFCs and HFCs Sector

- With improvement in vehicles sales and housing sales in Q3FY21, disbursements to improve sharply on sequential basis. Along with focus on recovery during the quarter with the end of moratorium period, AUM growth expected to remain flat sequentially. Also, higher competitive pressure from banks result HFCs to report lower loan growth.
- Post IL&FS crisis, liquidity has been increased on the balance sheet by the NBFCs (including HFCs) and along with TLTROs by RBI towards specific NBFC and MFIs should support during these tough times. However, Banks being risk averse only better rated NBFCs are getting benefit of lower interest rates.
- Asset quality to deteriorate for NBFCs and HFCs with stage 3 assets rising on QoQ basis with the end of moratorium period, however restructuring (3-5% expected) should support the asset quality.

Gold Finance Sector

- During Q3FY21, gold prices have remained flat however; higher ticket size should support the loan growth for gold portfolio. Also, due to high base of last year respective quarter loan growth to decline for both Manappuram and Muthoot finance on sequential basis. Competition from banking sector need to be watch out for.
- Asset quality is not a concern for gold loan book however non gold portfolio could result in higher provisions for Manappuram. Liquidity is quite comfortable with better ALM management.

Outlook & Top Picks: During the quarter, pick-up in economic momentum continued; however recovery process could take more time as Covid-19 cases continue to remain high. FY21 would be stressful for banking and NBFCs with respect to higher NPAs and lower credit growth however we expect significant recovery in FY22 with improvement in economic activity. Among our coverage universe our top picks are HDFC bank (fast revival post normalcy), ICICI Bank (Better prepared to weather storm) Muthoot Finance (Gold - safe bet), Cholamandalam Investment (better placed than its peers).

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Exhibit: Estimates (Rs Mn)

Company		Dec 20	Sept 20	Dec 19	QoQ (%)	YoY (%)	Comments
Banks							
Axis Bank	NII	78,430	73,261	64,530	7.1	21.5	NII could see strong growth YoY
	PPP	73,235	68,977	57,432	6.2	27.5	Expect advances growth at 9.0% YoY; Deposits growth of 9.0% YoY.
	PAT	18,506	16,827	17,575	10.0	5.3	In focus: Commentary on asset quality in 2HFY21, restructuring of accounts.
DCB Bank	NII	3,471	3,340	3,231	3.9	7.4	Rise in operating profit while PAT to decline due to high provision.
	PPP	2,360	2,248	1,899	5.0	24.3	Update on CV business, non-paid customers.
	PAT	913	823	967	11.0	(5.6)	In focus: update on asset quality and restructuring front and further business outlook.
Federal Bank	NII	14,170	13,799	11,550	2.7	22.7	Strong NII growth YoY while strong PAT growth QoQ due to decline in provision.
	PPP	10,378	10,065	7,439	3.1	39.5	Expect stable advance growth YoY; slight decline in deposit YoY.
	PAT	4,736	3,076	4,407	54.0	7.5	In focus: Commentary on asset quality and account restructuring.
HDFC Bank	NII	1,62,824	1,57,764	1,41,729	3.2	14.9	Moderate growth in NII; PAT growth in low single digit
	PPP	1,42,726	1,38,138	1,29,454	3.3	10.3	Stable advances growth at 16% YoY while deposit to grow at19% YoY.
	PAT	79,004	75,131	74,165	5.2	6.5	In focus: Commentary on restructuring and asset quality front.
ICICI Bank	NII	98,321	93,660	85,453	5.0	15.1	Moderate NII growth YoY while decline in PAT YoY as provisions remain high
	PPP	86,557	82,610	75,486	4.8	14.7	Expect loan growth of 6% YoY and Deposit growth at 19% YoY.
	PAT	38,726	42,513	41,465	(8.9)	(6.6)	In focus: Outlook on asset quality, update on restructuring account and business outlook.
IndusInd Bank	NII	33,861	32,780	30,742	3.3	10.1	Improvement in NII growth YoY while deterioration in PAT YoY.
	PPP	29,387	28,305	27,577	3.8	6.6	Muted Loan growth however deposits to grow at 10.6%.
	PAT	6,939	6,470	13,093	7.2	(47.0)	In focus: Commentary on restructuring and asset quality front and business outlook.
Housing Finance Companies							
HDFC	NII	39,039	36,466	32,399	7.1	20.5	Strong NII growth at 21% while PAT to decline by 5% QoQ.
	PPP	38,985	39,678	1,21,380	(1.7)	(67.9)	Advances to grow at 10% YoY.
	PAT	27,274	28,701	83,725	(5.0)	(67.4)	In focus: outlook on asset quality and business growth.

Company		Dec 20	Sept 20	Dec 19	QoQ (%)	YoY (%)	Comments
Repco Home Finance	NII	1,387	1,390	1,312	*(0.2)*	*5.7*	NII to grow at 6% while positive PAT growth YoY compared to Q2FY21 YoY growth.
	PPP	1,157	1,155	1,048	*0.2*	*10.4*	Stable AUM growth YoY and QoQ.
	PAT	791	808	697	*(2.1)*	*13.5*	In focus: Asset quality; restructuring account and non-paid customers.
Gold Finance Companies							
Manappuram Finance	NII	10,425	9,762	9,102	*6.8*	*14.5*	Moderate NII growth while positive PAT growth compared to Q2FY21 .
	PPP	6,776	6,523	5,934	*3.9*	*14.2*	Expect AUM growth at 15% YoY.
	PAT	4,233	4,054	4,022	*4.4*	*5.3*	In focus: commentary on MFI business and Non-gold portfolio.
Muthoot Finance	NII	17,232	15,825	15,869	*8.9*	*8.6*	NII to grow at 9% YoY; strong PAT growth at 17% YoY.
	PPP	13,032	12,107	11,443	*7.6*	*13.9*	Expect AUM growth at 27% YoY.
	PAT	9,417	8,944	8,034	*5.3*	*17.2*	In focus: outlook on business and update on MFI and home finance business.
Vehicle Finance Companies							
Cholamandalam Investment and Finance Company	NII	13,149	12,512	10,825	*5.1*	*21.5*	Strong growth in NII, PPOP and PAT YoY
	PPP	9,309	8,996	6,581	*3.5*	*41.5*	Stable AUM growth of 13% YoY as increase in VF industry growth on MoM basis.
	PAT	5,097	4,319	3,885	*18.0*	*31.2*	In focus: update on business and restructuring account.

Source: IDBI Capital Research; Note: PPP – Pre Provisioning Profit.

Exhibit: Stock performance

Change (%)	1-mnth	3-mnth	6-mnth	1-yr
Axis Bank	8.1	49.6	55.0	(10.6)
DCB Bank	7.3	52.7	56.0	(31.8)
Federal Bank	9.6	42.3	36.4	(20.5)
HDFC Bank	3.0	28.0	32.8	12.5
IndusInd Bank	0.9	53.2	89.1	(39.8)
ICICI Bank	7.0	43.9	48.8	(0.3)
HDFC	18.0	48.5	40.6	8.0
Repco Home Fin	(7.0)	48.2	97.5	(28.6)
Manappuram Fin	0.0	4.2	7.8	(1.8)
Muthoot Fin	10.3	11.3	12.7	67.6
Cholamandalam invest	18.3	73.3	122.3	44.3

Source: Company; IDBI Capital Research

Exhibit: Valuation snapshot

	CMP	TP		NII (Rs bn)		Op.Pft (Rs bn)		PAT (Rs bn)		EPS (Rs)		ABVPS (Rs)		PER (x)		P/ABV (x)		ROA (%)		ROE (%)	
	(Rs)	(Rs)	Reco	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY23E	FY23E
Axis Bank	664	590	**UR**	308	339	260	290	106	118	34.5	38.5	348.0	379.4	19.3	17.3	1.9	1.8	1.1	1.1	9.2	9.9
DCB Bank	125	88	**UR**	12	13	6	7	2	3	7.7	9.9	122.3	135.9	16.1	12.5	1.0	0.9	0.6	0.8	6.5	7.8
Federal Bank	72	67	**BUY**	52	57	32	34	17	18	8.6	9.3	76.7	83.5	8.4	7.8	0.9	0.9	0.9	0.9	10.4	10.4
HDFC Bank	1,427	1,430	**BUY**	714	812	615	702	346	415	63.2	75.6	403.3	463.6	22.6	18.9	3.5	3.1	2.0	2.0	16.5	17.3
IndusInd Bank	922	700	**UR**	125	137	92	100	46	51	61.2	66.9	583.6	659.4	15.1	13.8	1.6	1.4	1.3	1.3	10.8	10.6
ICICI Bank	537	580	**BUY**	401	446	342	392	150	176	23.1	27.2	213.1	246.1	23.3	19.7	2.5	2.2	1.2	1.3	10.5	10.7
HDFC	2,652	2,200	**UR**	175	196	188	210	125	140	70.2	78.2	573.6	621.2	25.1	22.4	3.3	3.0	2.1	2.1	11.1	12.0
Repco Home Fin	242	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
Manappuram Fin	174	220	**BUY**	40	45	25	28	17	19	20.0	22.5	95.4	113.1	8.7	7.7	1.8	1.5	5.1	5.3	22.5	21.3
Muthoot Fin	1,293	1,450	**BUY**	68	75	47	52	34	37	84.0	93.5	397.4	470.0	15.4	13.8	3.3	2.8	5.6	5.7	22.1	20.8
Cholafin	437	320	**UR**	43	49	27	33	16	21	19.5	25.8	119.5	128.2	22.4	17.0	3.7	3.4	2.2	2.5	16.3	18.3

Source: Company; IDBI Capital Research

Cement

Watch for market share gain in volume

Summary

We expect cement companies (driven by lower ASP and higher cost) to report QoQ lower EBITDA/t in Q3FY21. Market share gain has led large cement companies to report YoY volume growth in Q2FY21 and we expect this to continue in Q3FY21. In the sector, we have positive view on ACC and Ultratech.

We have modeled cement industry volume to decline by 3% YoY in Q3FY21. However, for our coverage universe, we are modeling in cement volume increase of 1-10% YoY in Q3FY21. This factors continuation of market share gain for large cement players. On pricing, cement prices at an all India level has declined by 3% QoQ and region wise baring north, other regions has witnessed QoQ decline in cement prices in Q3FY21. Companies with exposure to North (SRCM, ACEM) will benefit from QoQ uptick in cement prices.

Stock wise profitability: a) UTCEM could report decline in EBITDA / t to Rs1350 vs. Rs1403 QoQ. This is driven by 2% QoQ decline in ASP and increase in the costs b) ACC volumes to increase by 1% YoY and realization to decrease by 3% QoQ. EBITDA/t is expected to be decline 8% QoQ at Rs954 c) For SRCM, we expect realization to decrease by 1% QoQ and report EBITDA/t at Rs1403 vs Rs1513 QoQ d) ACEM, volumes to increase by 5% YoY. EBITDA/t is expected at 1040 vs Rs1200 QoQ, impacted from lower ASP.

- **Q3FY21 Industry trend**: Month wise, Oct-20 industry cement volume has increased by 3% YoY but festivities and delay in pick of construction activity has led to industry volume decline of 7% YoY in Nov-20. We expect cement industry volume to decline by 3% YoY in Q3FY21. Average Cement prices at an all India level has declined by 3% QoQ and region wise baring north, other region has witnessed QoQ decline in cement prices in Q3FY21. Fuel cost (imported coal) in Q3FY21 has increased by 9% QoQ but still down by 13% YoY.
- **Q3FY21 stocks trend**: For our coverage universe, we are modeling in an avg. cement volume to increase by 5% YoY in Q3FY21. This is factors market share gain. Stock wise, volume of UTCEM is expected at +5% YoY, ACEM at +5% YoY, ACC at +1% YoY and SRCM at 10% YoY. Average EBITDA/t of coverage stock is expected at Rs1236 down 7% QoQ. Lowest QoQ decline in EBITDA/t is expected for UTCEM as we expect uptick in EBITDA/t for acquired assets (refer exhibit 2).
- **Management commentary to watch for:** We would watch for management commentary on a) volume in non-trade and trade segment, b) regional outlook on construction activities and c) ASP trend**.**

Exhibit: Valuation snapshot

Companies	CMP (Rs)	TP (Rs)	Reco	Mkt Cap (Mn)	Revenue (Rs mn)		Ebitda (Rs mn)		EPS (Rs)		BVPS (Rs)		PER (x)		P/B (x)		EV/EBITDA (x)		RoE(%)	RoCE(%)
					(Rs mn)	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY23E
Ultratech Cement	5,443	5,423	ACCUMULATE	1,537,511	487,670	536,822	120,715	128,400	209.7	242.1	1712	1939	25.4	22.0	3.1	2.7	13.6	12.1	13.3	15.2
Shree Cement	24,699	21,995	REDUCE	867,015	139,354	147,069	42,270	42,151	661.9	649.9	4560	5013	36.3	37.0	5.3	4.8	20.2	19.9	13.6	13.8
Ambuja Cement *	260	245	HOLD	501,872	131,753	137,260	29,594	30,465	10.4	10.5	124	130	24.4	24.0	2.0	1.9	15.0	14.0	8.3	9.6
ACC Ltd *	1,673	1,879	BUY	307,849	165,557	172,423	29,661	30,605	87.4	90.6	735	805	18.8	18.1	2.2	2.0	8.5	8.1	11.8	16.3

Source: IDBI Capital Research

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Exhibit: Quarterly Financial Estimates (Rs mn)

Company		Dec 20	Sept 20	Dec 19	QoQ (%)	YoY (%)	Comments
Ultratech Cement	Volume (mt)	21.0	19.2	20.0	9.3	5.0	We expect EBITDA / t to decline to Rs1350/t vs Rs1403 QoQ. This is driven by 2% QoQ decline in ASP. We have modelled 5% YoY volume increase and is led by market share gain and increase in the utilization for Binani assets.
	Realization (INR/t)	5,282	5,390	5,177	-2.0	2.0	
	EBITDA (INR/t)	1,350	1,403	986	-3.8	36.8	
	Revenue (INRm)	110,926	103,542	103,538	7.1	7.1	
	EBITDA (INRm)	28,350	26,950	19,730	5.2	43.7	
	Net Profit (INRm)	13,540	12,339	8,070	9.7	67.8	
	EBITDA Margin (%)	*26*	*26*	*19*	-1.8	34.1	
	EPS (INR/sh)	49.3	44.9	29.4	9.7	67.8	
ACC	Volume (mt)	7.9	6.5	7.8	21.4	1.0	We expect ACC volume to increase by 1% YoY and realization to decrease by 3% QoQ (ACC 65% of capacity is in East and South). EBITDA/t is expected to be decline QoQ to Rs954.
	Realization (INR/t)	4,993	5,148	4,750	-3.0	5.1	
	EBITDA (INR/t)	954	1,033	693	-7.6	37.7	
	Revenue (INRm)	42,058	34,675	39,698	21.3	5.9	
	EBITDA (INRm)	7,519	6,707	5,405	12.1	39.1	
	Net Profit (INRm)	4,137	3,631	2,692	13.9	53.6	
	EBITDA Margin (%)	*18*	*19*	*13*	-5.7	34.3	
	EPS (INR/sh)	22.0	19.3	14.3	13.9	53.6	
Ambuja Cement	Volume (mt)	6.8	5.7	6.5	20.6	5.0	We expect ACEM's volumes to increase by 5% YoY. Realization to decrease by 1% QoQ. EBITDA/t is expected at 1040 vs Rs1200 QoQ, impacted from lower ASP.
	Realization (INR/t)	4,980	5,031	4,817	-1.0	3.4	
	EBITDA (INR/t)	1,040	1,200	841	-13.3	23.7	
	Revenue (INRm)	34,044	28,525	31,359	19.4	8.6	
	EBITDA (INRm)	7,112	6,803	5,474	4.5	29.9	
	Net Profit (INRm)	4,685	4,405	4,549	6.3	3.0	
	EBITDA Margin (%)	*21*	*24*	*17*	-12.4	19.7	
	EPS (INR/sh)	2.4	2.2	2.3	6.3	3.0	

Company		Dec 20	Sept 20	Dec 19	*QoQ (%)*	*YoY (%)*	Comments
Shree Cement	Volume (mt)	6.9	6.5	6.2	*5.2*	*10.0*	▪ We expect realization to decrease by 1% QoQ tracking the decrease in cement prices particularly North, East (where SRCM has 85% of its capacity). We expect volume to increase by 10% YoY. EBITDA margin is expected decline and SRCM to report EBITDA/t at Rs1403 vs Rs1513 QoQ.
	Realization (INR/t)	4,582	4,628	4,512	*-1.0*	*1.6*	
	EBITDA (INR/t)	1,403	1,513	1,360	*-7.2*	*3.2*	
	Revenue (INRm)	31,477	30,224	28,483	*4.1*	*10.5*	
	EBITDA (INRm)	9,641	9,880	8,493	*-2.4*	*13.5*	
	Net Profit (INRm)	5,001	5,473	3,100	*-8.6*	*61.3*	
	EBITDA Margin (%)	*31*	*33*	*30*	*-6.3*	*2.7*	
	EPS (INR/sh)	139	152	86	*-8.6*	*61.3*	

Source: IDBI Capital Research; Note: data for EBITDA Margin YOY and QOQ is in bps.

Construction

Execution to improve

Summary

For construction companies, we expect revenue to increase by 10-20% YoY in Q3FY21 vs muted increase in Q2FY21. Improved execution is driven by higher labor availability at the site, which now stands at 90-100%. Average EBITDA in Q3FY21 could increase by -6% to 18% YoY but PAT could be -15% to 30% YoY (refer exhibit 2). In the result we would watch for management commentary on a) execution trajectory, b) Ordering activity in the sector and c) asset monetization plans.

YTDFY21 road highway award is one the highest in the past 3-4 years. Road ministry has awarded 5,679km vs 2,982km YoY over Apr-Oct. For FY21E, ministry has target to award 12,650 km road project in FY21E and has a construction target at 10,250 km (28km/day). To improve cash flow with contractors, NHAI has initiated various measures. In the sector, 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). And in Rail EPC, we prefer RITES (due to revenue visibility, valuation and dividend yield of 5%).

Road construction Q3FY21 expectation: In the road construction, we expect for our coverage universe stocks, average revenue to increase by 10% YoY. This is better than Q2FY21 revenue of +5% YoY and Q1FY21 revenue declined of 30% YoY. Labor availability at the site is consistently increasing which will lead to improved execution. Led by lower tax rate we expect avg. PAT could increase by 15% YoY in Q3FY21. Outlier is DBL, due to lower tax rate in Q2FY20 , we expect its PAT to decline by 8% YoY.

Rail EPC Q3FY21 expectation: In the Rail EPC, we expect for our coverage universe stock, average revenue to increase by 16% YoY. For RITES, we expect revenue to increase by 20% YoY vs 41% YoY decline in Q2FY21. As we expect it to start the delivery of export orders. For RVNL, we are modeling Q3FY21 revenue to increase by 10% YoY /28% QoQ and PAT of Rs 2.6bn (up 156% YoY). PAT increase of 100%+ YoY is due to loss from associate company in the base year i.e. Q2FY20. For IRCON, we expect revenue to increase by 15% YoY to Rs13bn. PAT could decline by 15% YoY (due to lower tax rate in Q2FY20 at 12%).

Exhibit 1: Valuation snapshot

Companies	CMP (Rs)	TP (Rs)	Reco	Mkt Cap (Mn)	Revenue (Rs mn) (Rs mn)	Revenue (Rs mn) FY22E	Ebitda (Rs mn) FY23E	Ebitda (Rs mn) FY22E	EPS (Rs) FY23E	EPS (Rs) FY22E	BVPS (Rs) FY23E	BVPS (Rs) FY22E	PER (x) FY23E	PER (x) FY22E	P/B (x) FY23E	P/B (x) FY22E	EV/EBITDA (x) FY23E	EV/EBITDA (x) FY22E	RoE(%) FY23E	RoCE(%) FY23E
RITES	278	342	**BUY**	69,563	28,163	32,543	7,357	8,492	25.0	28.5	115	121	11.1	9.8	2.4	2.3	5.3	4.6	24.2	24.3
Rail Vikas Nigam	27	28	**BUY**	57,234	164,056	195,262	8,902	10,719	3.9	4.6	29	32	7.0	6.0	0.9	0.9	10.2	8.3	15.0	9.2
Dilip Buildcon	392	549	**BUY**	53,607	101,572	111,729	17,267	19,106	39.3	51.7	325	376	10.0	7.6	1.2	1.0	4.1	3.4	14.7	17.3
KNR Constructions	339	375	**ACCUMULATE**	47,620	29,559	33,993	5,616	6,119	19.3	22.3	148	169	17.6	15.2	2.3	2.0	8.4	7.3	14.0	18.9
PNC Infratech	185	266	**BUY**	47,498	58,818	67,641	8,097	9,379	20.1	23.7	132	155	9.2	7.8	1.4	1.2	5.3	4.2	16.5	17.6
IRCON International	90	109	**BUY**	42,417	58,097	67,927	5,204	6,428	10.8	12.8	96	101	8.3	7.0	0.9	0.9	7.1	5.6	13.0	8.6
Ashoka Buildcon	93	111	**BUY**	26,177	44,139	50,759	5,738	6,726	15.6	18.7	120	138	6.0	5.0	0.8	0.7	4.7	3.5	14.5	12.7

Source: IDBI Capital Research

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Exhibit 2: Quarterly Financial Estimates (Rs mn)

Company		Dec 20	Sept 20	Dec 19	*QoQ (%)*	*YoY (%)*	Comments
Ashoka Buildcon	Revenue	10,819	8,775	9,836	23.3	10.0	ASBL guided its FY21 revenue to match with FY20 and thus H2FY21 revenue is expected at 11% YoY. We expect for Q3FY21 its revenue to increase by 10% YoY and EBITDA margin at 13.5% up 90 bps YoY. Net profit is expected at Rs1105mn up 29% YoY
	EBITDA	1,461	1,309	1,243	11.5	17.5	
	Net Profit	1,105	1,047	855	5.6	29.2	
	EBITDA Margin (%)	*13.5*	*14.9*	*12.6*	*(9.5)*	*6.8*	
Dilip Buildcon	Revenue	26,191	19,252	23,810	36.0	10.0	Labor availability has returned to normalcy. For FY21E, company expects to maintain revenue in-line with FY20. This implies H2FY21 revenue of 6% YoY. We expect for Q3FY21 its revenue to increase by 10% YoY and EBITDA margin to be marginally down at 16% YoY. We expect DBL to PAT to decline by 8% to Rs1165mn (due to lower tax in Q2FY20)
	EBITDA	4,191	3,060	4,201	36.9	(0.2)	
	Net Profit	1,165	473	1,270	146.5	(8.3)	
	EBITDA Margin (%)	*16.0*	*15.9*	*17.6*	*0.7*	*(9.3)*	
IRCON International	Revenue	13,020	9,656	11,322	34.8	15.0	Company guides for revenue of Rs49-52bn in FY21. This implies H2FY21 revenue to increase by 18-28% YoY. We expect revenue to increase by 15% YoY to Rs13bn, EBITDA margin is expected to improve QoQ by 220 bps due to lower revenue decline by contribution from high margin export orders. PAT decline is due to lower tax rate in Q2FY20 at 12%.
	EBITDA	1,172	660	1,171	77.4	0.1	
	Net Profit	1,178	762	1,384	54.6	(14.9)	
	EBITDA Margin (%)	*9.0*	*6.8*	*10.3*	*31.6*	*(13.0)*	
KNR Constructions	Revenue	6,137	6,012	5,579	2.1	10.0	KNRC labor availability has reached 80% in Nov-20. Revenue guidance for FY21 is +5-7% YoY KNRC, this implies 2HFY21 revenue at 3% YoY. We expect for Q3FY21 its revenue to grow by 10% YoY and modelled EBITDA margin at 19% vs 22% YoY. We expect its PAT to increase by 2%..
	EBITDA	1,166	1,240	1,244	(6.0)	(6.3)	
	Net Profit	411	498	402	(17.4)	2.3	
	EBITDA Margin (%)	*19.0*	*20.6*	*22.3*	*(7.9)*	*(14.8)*	
PNC Infratech	Revenue	13,398	10,535	12,180	27.2	10.0	Labor availability at the site has reached 90% and PNCL guided its FY21E execution (revenue) to match FY20. This implies We expect 2HFY21 revenue to increase by 28% YoY. We expect revenue will increase by 10% YoY. EBITDA margin flat on YoY at 14%. PAT could grow by 43% due to lower tax rate in Q3FY21.
	EBITDA	1,876	1,421	1,712	32.0	9.6	
	Net Profit	1,105	693	771	59.5	43.3	
	EBITDA Margin (%)	*14.0*	*13.5*	*14.1*	*3.8*	*(0.4)*	

Company		Dec 20	Sept 20	Dec 19	*QoQ (%)*	*YoY (%)*	Comments
Rail Vikas Nigam	Revenue	7,438	4,389	6,198	69.5	20.0	▪ Company guides for revenue of Rs24-25bn in FY21. This implies H2FY21 revenue to increase by 56-69% YoY. We expect revenue to go up by 20% YoY vs 41% YoY decline in Q2FY21. As we model delivery to start from export orders. EBITDA margin is expected at 25%. PAT could increase to Rs1.6bn up 8% YoY.
	EBITDA	1,859	1,275	1,670	45.9	11.4	
	Net Profit	1,622	1,324	1,500	22.5	8.1	
	EBITDA Margin (%)	*25.0*	*29.0*	*26.9*	*(13.9)*	*(7.2)*	
RITES	Revenue	42,542	31,826	36,993	33.7	15.0	▪ Company guides for revenue to increase 20-25% YoY in FY21. This implies H2FY21 revenue to increase by 42-52% YoY. We are modeling Q3FY21 revenue to increase by 10% YoY /28% QoQ. EBITDA margin to increase by 10 bps YoY at 6%. PAT could stand at Rs 2.6bn (up 156% YoY). PAT increase of 100%+ YoY is due to loss from associate company in Q2FY20.
	EBITDA	2,552	1,645	2,169	55.2	17.7	
	Net Profit	2,647	1,878	1,035	41.0	155.8	
	EBITDA Margin (%)	*6.0*	*5.2*	*5.9*	*16.1*	*2.3*	

Source: IDBI Capital Research.

IT Services

A quarter of higher expectations

Summary

In Q3FY21, the BSE IT index (+21.4%) has slightly underperformed BSE SENSEX (+25.4%), though post a strong outperformance in Q2FY21. The IT sector has seen good pick-up in demand for digital solutions resulting in improvement in growth outlook for most of the companies within the sector. Most of the companies have reiterated this improvement during Q3.

Q3FY21 has seen currency volatility, though much smaller, cross-currency movement (positive for reported US$ revenue growth) and INR appreciation (negative on EBIT margin).

Q3FY21 is generally a seasonally weak quarter. However, given the traction in digital solutions and large-deals we forecast a much better QoQ growth vs. previous years. Amongst the large-caps, we forecast revenue growth of between 2.1% and 3% QoQ in CC terms with Wipro (WPRO) outperforming it peers after a long time. We forecast only Tech Mahindra (TECHM) to report a QoQ improvement in EBIT margin.

We expect HCLT to maintain its FY21 guidance, Infosys (INFO) to increase its revenue guidance (3-4% vs. 2-3%) and WPRO to provide Q4FY21 revenue growth guidance of 1-3%. We would watch out for commentary across verticals, EBIT margin outlook and commentary on initial assessment of client budgets for 2021.

- **Q3FY21 – Expect QoQ revenue growth of 2.1%-3% in CC for large-caps**
  We forecast WPRO to outperform with QoQ growth of 3% and forecast a 2.1% QoQ growth for TECHM. We forecast cross-currency tailwind of 40bps to 60bps.
- **Q3FY21 EBIT margin – forecast QoQ change of -105bps to +15bps**
  We forecast TCS to report a QoQ decline of 105bps to 25.2% largely due to the impact of salary increase and promotions. We forecast only TECHM to see a QoQ improvement that of 15bps QoQ.
- **Expect LTI to have another strong quarter**
  We forecast LTI to report a CC revenue growth of 4.5% QoQ and cross-currency benefit of ~35bps. We expect it to continue with its QoQ improvement in EBIT margin (+20bps to 20.1%). We also expect LTI to announce large deals with net-new TCV of US$250mn+ post a muted H1FY21.
- **Focus would be on:**
  - **FY21 outlook/guidance:** Expect companies maintain their positive commentary
    - INFO – expect it to increase its revenue guidance to 3%-4%
    - HCLT – expect it to maintain revenue growth guidance of 1.5%-2.5% for Q4FY21
    - WPRO – expect revenue growth guidance of 1% to 3% for Q4FY21
    - Outlook on EBIT margin
  - Large deal wins, their ramp-up and growth in large clients
  - Commentary on initial assessment of client budgets of 2021
  - Commentary on M&A and capital allocation

Exhibit: Valuation snapshot

	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 Consultancy Services	3,092	3,185	BUY	11,603,500	1,785,405	1,960,508	101.1	113.8	30.6	27.2	22.4	19.8	40.9	49.1
Infosys	1,294	1,311	BUY	5,509,777	1,081,972	1,207,082	50.8	57.0	25.4	22.7	17.4	15.4	32.2	37.5
HCL Technologies	991	984	BUY	2,689,920	811,588	887,382	48.8	54.7	20.3	18.1	12.4	10.7	22.2	26.2
Wipro	406	366	ACCUMULATE	2,321,285	649,362	689,681	17.9	20.3	22.7	20.0	15.0	13.2	18.4	17.3
Tech Mahindra	1,004	972	ACCUMULATE	971,390	411,045	449,700	54.0	60.8	18.6	16.5	11.9	10.2	18.5	17.5
Larsen & Toubro Infotech	4,134	3,542	ACCUMULATE	721,994	136,723	156,724	117.6	136.2	35.1	30.3	22.8	19.5	27.8	35.9
Cyient	548	527	BUY	60,292	44,007	48,772	40.5	43.9	13.5	12.5	6.8	5.7	15.7	16.2

Source: IDBI Capital Research

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Exhibit: Estimates (Rs mn)

Company		Dec 20	Sept 20	Dec 19	*QoQ %*	*YoY %*	Comments
TCS	Revenue (US$ mn)	5,595	5,424	5,586	3.1	0.2	■ We forecast revenue growth of 2.5% QoQ in CC and cross-currency benefit of ~60bps. ■ We forecast EBIT margin to decline by ~105bps largely impacted by the impact of salary increase. ■ **Would watch for:** 1) Outlook on key verticals - BFSI, Retail & CPG and Manufacturing; 2) TCV of deal wins - US$6 bn+; 3) Commentary on pricing, deal closures and deal pipelines; 4) Outlook on EBIT margin; 5) Commentary on attrition.
	Revenue (Rs mn)	412,736	401,350	398,540	2.8	3.6	
	EBIT (Rs mn)	103,805	105,150	99,740	(1.3)	4.1	
	EBIT margin (%)	*25.2*	*26.2*	*25.0*	*(105)*	*12*	
	Net profit (Rs mn)	83,743	82,590	81,180	1.4	3.2	
	EPS (Rs)	22.3	22.0	21.6	1.4	3.2	
Infosys	Revenue (US$ mn)	3,403	3,312	3,243	2.8	4.9	■ We forecast revenue to growth of 2.4% QoQ in CC and cross-currency benefit of ~40bps. ■ We expect EBIT margin to decline by 70bps QoQ impacted by the ramp-up of the Vangaurd deal and no cost reversals as in Q2. ■ **Would watch for:** 1) FY21 guidance - we expect INFO increase its FY21 revenue growth guidance to 3-4% in CC and maintain its EBIT margin guidance; 2) Large deal wins (expect TCV of US$2bn+) and pipeline/pricing environment; 3) Outlook on EBIT margin in the current uncertainty; 4) Attrition level and commentary on reducing the same; 5) Commentary on capital allocation and M&A.
	Revenue (Rs mn)	251,069	245,700	230,920	2.2	8.7	
	EBIT (Rs mn)	61,837	62,280	50,640	(0.7)	22.1	
	EBIT margin (%)	*24.6*	*25.3*	*21.9*	*(72)*	*270*	
	Net profit (Rs mn)	50,223	48,450	44,570	3.7	12.7	
	EPS (Rs)	11.8	11.4	10.5	3.7	12.6	
Wipro	Revenue (US$ mn)	2,118	2,044	2,156	3.6	(1.8)	■ We forecast IT services revenue growth of 3% QoQ in CC. We factor cross currency benefit of ~40bps. ■ We forecast EBIT margin to decline by ~25bps QoQ factoring the promotions and ramp-up of large deals. ■ **Would watch for:** 1) Commentary on the new organisation structure; 2) Q4FY21 guidance – we expect WPRO give IT services growth guidance of 1%-3%; 3) Commentary across verticals - especially BFSI, Consumer business unit and ENU; 4) Commentary on EBIT margin.
	Revenue (Rs mn)	155,447	151,145	154,705	2.8	0.5	
	EBIT (Rs mn)	28,384	27,975	26,506	1.5	7.1	
	EBIT margin (%)	*18.3*	*18.5*	*17.1*	*(25)*	*113*	
	Net profit (Rs mn)	25,540	24,656	24,558	3.6	4.0	
	EPS (Rs)	4.5	4.3	4.3	3.6	4.0	

Company		Dec 20	Sept 20	Dec 19	QoQ %	YoY %	Comments
HCLT	Revenue (US$ mn)	2,590	2,507	2,543	3.3	1.8	▪ We forecast CC revenue growth of 2.9% QoQ vs. company's guidance of of 1.5%-2.5% growth and cross-currency benefit of ~40bps. ▪ We expect EBIT margin to decline by ~35bps QoQ due to the impact of partial salary hike. ▪ **Would watch for:** 1) Q4FY21 guidance - We expect HCLT to maintain revenue growth guidance of 1.5%-2.5%; 2) Outlook across all verticals and for Mode 1/2/3 solutions; 3) Commentary on deal pipeline and pricing; 4) Commentary on products business for near and medium term; 5) Commentary on Capital allocation.
	Revenue (Rs mn)	191,078	185,940	181,350	2.8	5.4	
	EBIT (Rs mn)	40,612	40,160	36,700	1.1	10.7	
	EBIT margin (%)	*21.3*	*21.6*	*20.2*	*(34)*	*102*	
	Net profit (Rs mn)	32,208	31,420	30,380	2.5	6.0	
	EPS (Rs)	11.9	11.6	11.2	2.5	6.0	
TechM	Revenue (US$ mn)	1,297	1,265	1,353	2.5	(4.1)	▪ We forecast CC revenue growth of 2.1% QoQ and cross-currency benefit of ~40bps. ▪ We expect EBIT margin to improve by ~15bps QoQ driven by operational efficiencies. ▪ **Would watch for:** 1) Large deal wins (expect TCV to be between US$400mn to US$500mn); 2) Commentary on demand across all verticals especially on 5G deals, 3) Outlook on EBIT margin; 4) Outlook on attrition; 5) M&A and capital allocation.
	Revenue (Rs mn)	95,692	93,718	96,546	2.1	(0.9)	
	EBIT (Rs mn)	13,745	13,313	11,785	3.2	16.6	
	EBIT margin (%)	*14.4*	*14.2*	*12.2*	*16*	*216*	
	Net profit (Rs mn)	11,478	10,646	11,459	7.8	0.2	
	EPS (Rs)	13.2	12.2	13.2	7.8	0.0	
L & T Infotech	Revenue (US$ mn)	424.2	404.5	394.4	4.9	7.6	▪ We forecast CC revenue growth of 4.5% QoQ and cross currency benefit of ~35bps QoQ. ▪ We forecast EBIT margin to improve by 20bps QoQ driven by strong revenue growth and operational efficiencies. ▪ **Would watch for:** 1) Expect LTI to announce large deals with net-new TCV of US$250mn+; 2) Commentary on large-deals pipeline, closures and pricing; 3) Outlook for manufacturing and ENU verticals; 4) Outlook on 14-15% NPM in the current scenario; 5) Commentary on quantum of salary increase and promotions; 6) Outlook on payout for FY21.
	Revenue (Rs mn)	31,298	29,984	28,111	4.4	11.3	
	EBIT (Rs mn)	6,280	5,956	4,568	5.4	37.5	
	EBIT margin (%)	*20.1*	*19.9*	*16.2*	*20*	*381*	
	Net profit (Rs mn)	4,890	4,556	3,773	7.3	29.6	
	EPS (Rs)	28.0	26.1	21.7	7.3	29.2	

Company		Dec 20	Sept 20	Dec 19	*QoQ %*	*YoY %*	Comments
CYIENT	Revenue (US$ mn)	139.6	135.0	155.2	3.4	(10.1)	▪ We forecast services revenue (in US$) to decline by 0.4% QoQ in US$ and by 0.7% QoQ in CC. We forecast DLM revenue to see a strong growth to US$26.6 mn vs. US$20.9 mn QoQ. ▪ We forecast EBIT margin to decline by ~145bps QoQ due to the impact of salary increase (partial) and furlough; partly offset by operational efficiencies and higher margin in DLM. ▪ **Would watch for:** 1) Outlook on weak verticals like Aerospace & Defence; 2) Commentary for Q4FY21 across verticals; 3) Outlook on EBIT margin for H2FY21; 4) Outlook on attrition; and 5) M&A pipeline and commentary on capital deployment.
	Revenue (Rs mn)	10,296	9,917	11,589	3.8	(11.2)	
	EBIT (Rs mn)	1,000	1,105	1,063	(9.5)	(6.0)	
	EBIT margin (%)	*9.7*	*11.1*	*9.2*	*(143)*	*54*	
	Net profit (Rs mn)	856	839	1,083	2.1	(20.9)	
	EPS (Rs)	7.8	7.6	9.8	2.1	(20.9)	

Source: IDBI Capital Research; Note: data for EBITDA Margin YOY and QOQ is in bps.

Exhibit: Stock price performance

Change (%)	1-mnth	3-mnth	6-mnth	1-yr	YTD
SENSEX	7.4	24.3	34.5	19.1	1.4
BSE IT	14.3	21.3	64.3	62.1	4.9
TCS	13.4	14.3	40.6	40.6	8.0
INFO	14.0	23.4	69.6	75.1	3.0
WPRO	12.6	21.6	80.8	61.1	5.2
HCLT	15.4	20.5	71.2	70.3	4.8
TECHM	8.8	19.4	77.1	30.4	3.2
LTI	26.5	60.0	108.7	127.0	12.8
Cyient	14.4	42.7	105.4	28.8	7.0

Source: Bloomberg

Exhibit: Cross-currency movement trend

Currency	Details	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
USD/INR	Average	70.5	69.6	70.3	71.2	72.4	75.9	74.4	73.8
	QoQ	*(2.2)*	*(1.3)*	*1.1*	*1.3*	*1.6*	*4.8*	*(2.0)*	*(0.8)*
	Closing	69.2	69.0	70.9	71.4	75.5	75.5	73.8	73.1
	QoQ	*(0.9)*	*(0.2)*	*2.7*	*0.7*	*5.8*	*(0.0)*	*(2.3)*	*(1.0)*
GBP/USD	Average	1.3	1.3	1.2	1.3	1.3	1.2	1.3	1.3
	QoQ	*1.3*	*(1.3)*	*(4.1)*	*4.5*	*(0.6)*	*(3.0)*	*4.1*	*2.3*
	Closing	1.3	1.3	1.2	1.3	1.2	1.2	1.3	1.4
	QoQ	*2.2*	*(2.6)*	*(3.2)*	*7.9*	*(6.3)*	*(0.2)*	*4.2*	*5.8*
EUR/USD	Average	1.1	1.1	1.1	1.1	1.1	1.1	1.2	1.2
	QoQ	*(0.4)*	*(1.1)*	*(1.1)*	*(0.4)*	*(0.4)*	*(0.1)*	*6.2*	*2.0*
	Closing	1.1	1.1	1.1	1.1	1.1	1.1	1.2	1.2
	QoQ	*(2.2)*	*1.4*	*(4.2)*	*2.9*	*1.1*	*1.1*	*1.1*	*1.1*
AUD/USD	Average	0.71	0.70	0.69	0.68	0.66	0.66	0.7	0.7
	QoQ	*(0.6)*	*(1.7)*	*(2.1)*	*(0.2)*	*(3.7)*	*(0.1)*	*9.7*	*1.5*
	Closing	0.7	0.7	0.7	0.7	0.6	0.7	0.7	0.8
	QoQ	*0.7*	*(1.1)*	*(3.8)*	*4.0*	*(12.7)*	*12.6*	*3.3*	*7.9*

Source: Bloomberg

Metals & Mining

Steel companies likely to report record profits in Q3FY21

Summary

- During Q3FY21, steel prices continued to march upwards after a sharp recovery witnessed in Q2FY21. Average domestic HRC prices were higher by Rs7,300/tonne to Rs46,000/tonne. It is noteworthy that there was sharp rise in steel prices during December and prices stood at Rs54,500/tonne by end of the month. The rally in steel prices was mainly led by higher global steel prices and recovery in demand in the domestic markets. Hence, we expect higher volumes and realizations for Indian steel companies in Q3FY21 which in turn will lead to record profits for these companies.
- Pent up demand in the domestic market, supply constraints and higher steel prices internationally aided the steel price hike in the domestic market. Iron ore shortage continued to persist in Odisha which has led to lower steel production for some non-integrated players such as JSW Steel.
- Prices of key raw materials showed a mixed trend during Q3FY21. Average domestic iron ore prices jumped 46% QoQ to Rs7,454/tonne due to slower than expected ramp up of auctioned mines in Odisha and rising international prices (+11% QoQ to $132/tonne). Nevertheless, prices of coking coal increased only 5% QoQ to $98/tonne.
- We expect Jindal Steel & Power to report strong results led by higher volumes (+12% YoY to 1.9 mn tonnes) and realizations. Its power business (Jindal Power) reported a positive net profit (after losses in several quarters) during H1FY21 which is likely to sustain in Q3FY21. Tata Steel and JSW Steel's profitability is also likely to remain strong led by steel price hikes.
- SAIL is likely to witness strongest turnaround in Q3FY21 led by sharp improvement in realization which benefits its EBITDA/tonne more than others given its high operating leverage. We expect its Q3FY21 EBITDA/tonne to jump 112% QoQ to Rs9,571.
- With sharp increase in steel prices during December, H2FY21 is likely to witness record profits for steel companies. Further, improvement in domestic demand and muted 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.

Exhibit: Valuation snapshot

Companies	CMP (Rs)	TP (Rs)	Recommendation	Mkt Cap (Rs mn)	Revenue (Rs mn) FY22E	Revenue (Rs mn) FY23E	EPS (Rs) FY22E	EPS (Rs) FY23E	P/E (x) FY22E	P/E (x) FY23E	EV/EBITDA (x) FY22E	EV/EBITDA (x) FY23E	RoE (%) FY23E	RoCE (%) FY23E
JSW Steel	395	323	**HOLD**	9,55,043	8,36,086	9,26,481	22.0	27.4	17.6	14.1	9.0	7.8	16.0	14.7
Tata Steel	681	576	**BUY**	7,80,013	14,86,456	15,25,363	59.1	73.0	10.9	8.8	6.8	6.3	9.4	8.3
SAIL	78	38	**HOLD**	3,21,940	7,15,306	7,64,956	7.1	7.7	10.5	9.6	7.2	6.4	6.5	6.3
Jindal Steel	285	299	**BUY**	2,90,296	4,17,166	4,32,219	59.0	66.8	4.5	4.0	3.9	3.1	14.7	13.6

Source: IDBI Capital Research

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Exhibit: Estimates **(Rs mn)**

Company		Dec 20	Sept 20	Dec 19	*QoQ (%)*	*YoY (%)*	Comments
JSW Steel	Revenue	2,14,485	1,92,640	1,80,550	*11.3*	*18.8*	■ We forecast JSW's sales to increase 18.8% YoY led by strong improvement in both, volumes and realizations. Its EBITDA is likely to increase 146.3% YoY. EBITDA margin is expected to improve 1,456bps YoY due to higher realizations. ■ **Would watch for:** 1) Volume guidance for FY22E and 2) Progress on Dolvi expansion (5 mtpa).
	EBITDA	60,356	44,140	24,510	*36.7*	*146.3*	
	Net profit	30,982	15,950	2,140	*94.2*	*1,347.8*	
	EBITDA margin (%)	*28.1*	*22.9*	*13.6*	*523*	*1456.0*	
	EPS	12.8	6.6	0.9	*94.2*	*1,347.8*	
JSPL	Revenue	96,322	89,898	92,998	*7.1*	*3.6*	■ We forecast JSPL's EBITDA to jump 75.6% YoY led by both, volumes and realizations. Its net profit is likely to witness strong improvement too. ■ **Would watch for:** 1) Volume guidance for FY22E, 2) Outlook on any new PPAs in its power business and 3) update on deleveraging balance sheet.
	EBITDA	31,948	27,023	18,195	*18.2*	*75.6*	
	Net profit	12,273	9,033	(2,186)	*35.9*	*N.M*	
	EBITDA margin (%)	*33.2*	*30.1*	*19.6*	*311*	*1360*	
	EPS	12.7	9.3	(2.3)	*35.9*	*N.M*	
SAIL	Revenue	1,97,571	1,69,236	1,65,413	*16.7*	*19.4*	■ We forecast strong increase of 19.6% YoY in sales led by higher volumes as well as realizations. Its EBITDA is likely to increase 323.7% YoY. ■ **Would watch for:** 1) Volume guidance for FY22E, and 2) Update on divestment of loss making units.
	EBITDA	42,268	19,005	9,976	*122.4*	*323.7*	
	Net profit	20,594	3,933	(4,296)	*423.6*	*N.M*	
	EBITDA margin (%)	*21.4*	*11.2*	*6.0*	*1016*	*1536*	
	EPS (Rs)	5.0	1.0	(1.0)	*423.6*	*N.M*	
Tata Steel	Revenue	3,97,992	3,71,540	3,55,204	*7.1*	*12.0*	■ We forecast increase of 12.0% YoY in sales led by strong improvement in both, volumes and realizations. Its EBITDA is likely to increase 136.6% YoY led by higher spreads at its Indian as well as European operations. ■ **Would watch for:** 1) Profitability and cash flow from European operations, and 2) Update on growth capex.
	EBITDA	85,632	61,408	36,197	*39.4*	*136.6*	
	Net profit	36,706	16,219	(12,489)	*126.3*	*N.M*	
	EBITDA margin (%)	*21.5*	*16.5*	*10.2*	*499*	*1133*	
	EPS (Rs)	32.1	14.2	(13.4)	*126.3*	*N.M*	

Source: IDBI Capital Research; Note: data for EBITDA Margin YOY and QOQ is in bps.

Mid-Caps

Recovery to continue in Q3FY21

Summary

- We expect most of the mid-cap companies under our coverage to report strong improvement in their top lines on a sequential basis in Q3FY21 mainly led by recovery in demand. However, some sectors such as Luggage and Hotels are unlikely to see meaningful recoveries in their businesses as travel and tourism, hospitality etc are yet to reach their peak utilization levels. During H1FY21, several companies resorted to cutting costs, curtailment of capex and streamlining of operations – the benefits of these measures would be witnessed in Q3FY21 results.
- In Plastics space (Supreme, Astral Poly, Finolex and Nilkamal), we expect net sales to grow further over QoQ led by healthy demand in both agri as well as non-agri pipes. Marginal increase in raw material cost would weigh on EBITDA margin which are likely to contract 100-200bps QoQ.
- The domestic paper industry is yet to see demand revival for WPP as educational institutions have not yet opened. On a positive note, opening of metros and increased business activity has led to increased demand for packaging paper. We expect modest revenue growth for JK Paper/Orient Paper over Q2FY21, while lower operating cost will result in EBITDA margin expansion.
- 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 for companies under coverage. We forecast net sales to grow by 80%-150% (on a low base) over Q2FY21, while prudent cost cutting will boost EBITDA margin substantially.
- For footwear stocks, we expect net sales to grow by 20%-45% as sales volume pick up post unlock activities in Q3FY21. Higher sales and improved operating leverage will drive substantial EBITDA margin expansion of 1,050bps QoQ for Bata.
- We believe healthy demand in retail segment, particularly in Tier-II and smaller cities will drive sales growth of organized players in building material space. Opening up of metros and gradual recovery in real estate markets has been encouraging for institutional segment in Q3FY21E. We forecast net sales to grow at a single digit in Q3FY21 over last quarter. Except Kajaria, we expect EBITDA margin to improve by 100-200bps for rest of the companies.
- For Amara Raja and Exide, we expect top-lines to improve on a YoY basis due to improvement in automobile sales amidst pent up demand. Both these companies have announced cost saving measures - the benefits of which will be seen from Q3FY21.
- APL Apollo Tubes' Q3FY21 sales volumes remained flat YoY to 486 kt. Nevertheless, we expect its EBITDA to witness meaningful improvement due to better product mix. Its net debt is likely to fall further as it utilizes cash flows to deleverage its balance sheet.
- Phillips Carbon Black's volumes are likely to recover in Q3FY21 on a sequential basis led by recovery in auto sales alongside pent up demand. The company is likely to focus on domestic volumes (earlier focus was to increase exports) given improvement in domestic demand. The key monitorable would be its specialty black volumes which can lead to stronger margins.
- Luggage companies, VIP Industries and Safari Industries sales are likely to fall sharply on a YoY as the adverse impact of COVID-19 on travel and tourism industry persisted in Q3FY21. Both these companies are resorting to cost saving measures.
- We forecast IRCTC to see meaningful QoQ improvement in profitability driven by the improvement in the internet ticketing volume.
- We forecast multiplexes to increase in EBITDA loss driven by rental/CAM charges given the re-opening of Cinemas. We expect utilization of between 3-4.2% given that there was no meaningful fresh content being released.

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Exhibit: Valuation snapshot

Companies	CMP (Rs)	TP (Rs)	Recommendation	Mkt Cap (Rs mn)	Revenue (Rs mn)		EPS (Rs)		P/E (x)		EV/EBITDA (x)		RoE (%)	RoCE (%)
					FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY23E	FY23E
Astral Polytechnik	1,776	1,386	BUY	267,556	31,716	36,157	25.8	30.9	68.8	57.5	49.0	40.8	17.2	20.5
Amara Raja Batteries	966	859	HOLD	164,919	76,640	83,461	42.6	47.7	22.6	20.2	12.5	11.1	16.5	20.2
APL Apollo Tubes	890	767	BUY	111,049	96,958	111,998	32.0	39.7	27.9	22.4	16.6	13.5	27.6	31.1
Bata India	1,608	1,641	BUY	206,679	31,509	35,353	23.9	29.3	67.3	54.8	31.9	26.0	16.8	15.3
Castrol *	123	138	BUY	121,810	34,867	38,054	7.9	8.8	15.5	14.0	10.2	9.0	45.5	57.0
CCL Product (India)	269	264	ACCUMULATE	35,838	12,716	13,762	15.2	17.6	16.1	13.9	10.0	8.5	17.9	20.2
Century Plyboards	241	208	REDUCE	53,433	22,454	26,149	8.6	10.3	14.6	12.2	7.8	6.5	16.2	23.3
Cera Sanitaryware	3,549	2,930	BUY	46,158	13,466	15,485	87.5	108.5	40.5	32.7	26.2	21.2	14.1	14.1
Exide Industries	196	195	ACCUMULATE	166,898	100,391	108,423	9.7	10.9	20.3	18.0	10.6	9.3	12.4	15.8
Finolex Industries	654	603	BUY	81,109	33,882	37,948	28.1	33.1	23.2	19.8	14.9	12.6	16.6	18.3
Indian Hotels Company	123	95	HOLD	146,636	33,293	46,610	(1.6)	2.4	(77.9)	51.5	38.9	17.4	7.8	5.8
INOX Leisure	315	388	BUY	35,483	20,150	22,902	16.6	21.7	19.0	14.5	9.9	7.8	18.1	19.6
IRCTC	1,457	1,800	BUY	233,088	23,774	29,640	41.9	51.4	34.8	28.4	24.3	19.2	41.8	48.0
JK Paper	129	135	BUY	22,922	34,340	38,307	22.6	27.9	5.7	4.6	4.6	3.9	16.0	14.6
Kajaria Ceramics	709	670	BUY	112,820	30,653	33,156	19.0	22.3	37.3	31.7	21.6	18.7	15.5	15.9
Lemon Tree Hotels	44	29	HOLD	35,057	5,023	6,781	(1.4)	(0.8)	(32.7)	(55.9)	39.6	23.5	(10.7)	2.5
Mold-Tek Packaging	285	335	ACCUMULATE	7,905	4,824	5,523	16.0	19.7	17.8	14.5	9.6	8.0	19.1	19.2
Nilkamal	1,537	1,467	ACCUMULATE	22,936	24,978	27,476	103.9	122.3	14.8	12.6	6.9	5.6	13.8	15.0
Orient Paper & Industries	23	18	ACCUMULATE	4,901	5,414	6,018	(0.2)	1.3	(148.0)	18.0	10.4	5.8	2.2	2.1
Phillips Carbon Black	180	186	BUY	31,012	28,248	31,972	15.8	18.7	11.4	9.6	7.5	6.3	15.6	14.9
PVRL	1,417	1,570	BUY	78,186	37,230	41,884	49.2	52.1	28.8	27.2	13.6	10.7	12.8	17.1
Relaxo Footwears	891	735	ACCUMULATE	221,325	26,492	32,511	11.0	14.7	80.6	60.4	48.0	37.3	19.7	24.0
Safari Industries	532	452	HOLD	11,898	5,047	6,056	10.5	16.2	50.7	32.9	20.5	15.6	14.1	15.8
Somany Ceramics	341	274	BUY	20,929	15,598	18,055	13.5	21.0	25.1	16.2	14.2	10.8	12.3	11.1
Supreme Industries	1,748	1,542	ACCUMULATE	222,024	60,770	68,831	41.1	51.4	42.5	34.0	24.0	19.9	22.0	25.0
VIP Industries	372	279	HOLD	52,627	12,498	13,997	8.1	10.0	37.6	30.8	16.9	14.8	20.3	22.7

*Source: IDBI Capital Research; Note:*Dec Y/E*

Exhibit: Estimates **(Rs mn)**

Company		Dec 20	Sept 20	Dec 19	QoQ (%)	YoY (%)	Comments
Amara Raja Batteries	Revenue	18,349	19,355	17,475	*(5.2)*	*5.0*	▪ We expect Amara Raja's Q3FY21 sales to increase 5.0% YoY mainly led by improvement in replacement segment and increase in automobile sales. EBITDA is expected to improve 11.5% YoY and net profit is expected to increase 12.2% YoY. ▪ **Would watch for:** 1) Outlook on segmental contribution (OEM, replacement and export) and 2) management view on market share gains.
	EBITDA	3,163	3,402	2,837	*(7.0)*	*11.5*	
	Net profit	1,842	2,013	1,642	*(8.5)*	*12.2*	
	EBITDA margin (%)	*17.2*	*17.6*	*16.2*	*(34)*	*100*	
	EPS	10.8	11.8	9.6	*(8.5)*	*12.2*	
APL Apollo Tubes	Revenue	23,477	21,303	20,405	*10.2*	*15.1*	▪ APL Apollo sales volumes remain flat in Q3FY21 but we expect its sales to increase 15.1% YoY due to higher realizations. We forecast its EBITDA to increase by 13.9% YoY due better product mix. Net profit is likely to improve sharply by 36.1% YoY due to fall in interest cost. ▪ **Would watch for:** 1) Volume guidance for FY22E 2) Commentary on market share gains and additions made in value added segment.
	EBITDA	1,827	1,691	1,605	*8.1*	*13.9*	
	Net profit	1,010	921	742	*9.7*	*36.1*	
	EBITDA margin (%)	*7.8*	*7.9*	*7.9*	*(0.2)*	*(0.1)*	
	EPS	8.1	8.3	6.7	*(1.6)*	*21.3*	
Astral Polytechnik	Revenue	8,268	7,471	6,641	*10.7*	*24.5*	▪ We expect Astral to report 24.5% YoY sales growth led by strong sales volume. EBITDA to be higher by 26.8% YoY, while PAT will increase by 39.3% YoY. ▪ **Would watch for:** 1) Demand outlook for FY22E 2) Management commentary on new products launches.
	EBITDA	1,498	1,436	1,182	*4.3*	*26.8*	
	Net profit	950	923	682	*2.9*	*39.3*	
	EBITDA margin (%)	*18.1*	*19*	*17.8*	*(110.0)*	*32.2*	
	EPS (Rs)	7.9	7.7	5.7	*2.9*	*39.3*	
Bata India	Revenue	5,317	3,679	8,308	*44.5*	*(36.0)*	▪ We expect top-line to increase by 44.5% QoQ as demand picks up post unlocking activities in key cities. Cost cutting initiatives to boost EBITDA by 350% over Q2FY211. ▪ **Would watch for:** 1) Company's outlook business growth, 2) Commentary on new initiatives, products launches and stores opening.
	EBITDA	818	182	2,638	*349.9*	*(69.0)*	
	Net profit	144	(442.7)	1,183	*(132.5)*	*(87.8)*	
	EBITDA margin (%)	*15*	*4.9*	*32*	*1044.8*	*(1635.5)*	
	EPS (Rs)	1.1	(3.4)	9.2	*(132.5)*	*(87.8)*	
Castrol*	Revenue	10,766	8,831	10,118	*21.9*	*6.4*	▪ We expect Castrol's top-line to increase 6.4% YoY as volumes are likely to recover on the back of pent up demand. Also, EBITDA to improve 6.4% YoY in line with improvement in sales. ▪ **Would watch for:** 1) company's outlook on volumes, and 2) management updates on product development and Silvassa plant expansion.
	EBITDA	3,630	2,882	3,412	*26.0*	*6.4*	
	Net profit	2,643	2,046	2,713	*29.2*	*(2.6)*	
	EBITDA margin (%)	*33.7*	*32.6*	*33.7*	*108*	*(0.3)*	
	EPS (Rs)	2.7	2.1	2.7	*29.2*	*(2.6)*	

Company		Dec 20	Sept 20	Dec 19	QoQ (%)	YoY (%)	Comments
CCL Products (India)	Revenue	3,328	3,221	3,027	*3.3*	*9.9*	■ We expect CCL's top-line to increase 9.9% YoY aided by higher export sales. Net profit to increase 18.8% YoY. ■ **Would watch for:** 1) company's outlook on volume growth for FY21 and 2) Vietnam plant utilization levels.
	EBITDA	858	775	842	*10.7*	*2.0*	
	Net profit	558	475	470	*17.6*	*18.8*	
	EBITDA margin (%)	*25.8*	*24.1*	*27.8*	*173*	*(201)*	
	EPS (Rs)	4.2	3.6	3.5	*17.6*	*18.8*	
Century Plyboards	Revenue	5,505	5,198	5,954	*5.9*	*(7.6)*	■ We expect Century Plyboards top-line to increase 5.9% QoQ led by pent up demand across product portfolio. EBITDA is likely to increase 4.5% QoQ due to higher sales. ■ **Would watch for:** 1) Realization and margins in MDF, and 2) Management guidance for FY22 and update on market share gains.
	EBITDA	898	859	943	*4.5*	*(4.8)*	
	Net profit	549	514	647	*6.7*	*(15.2)*	
	EBITDA margin (%)	*16.3*	*16.5*	*15.8*	*(21)*	*47*	
	EPS	2.5	2.3	0.9	*6.7*	*190.0*	
Cera Sanitaryware	Revenue	3,378	3,241	3,213	*4.2*	*5.1*	■ We expect healthy demand to continue in Q3FY21, driving net sales growth for Cera. We forecast sales to increase by 4.2% QoQ, while EBITDA to improve marginally by 2.9% over Q2FY21. ■ **Would watch for:** 1) Industry outlook for FY22 and 2) Competitive intensity in sanitaryware segment
	EBITDA	422	411	429	*2.9*	*(1.6)*	
	Net profit	258	233	284	*10.9*	*(9.1)*	
	EBITDA margin (%)	*12.5*	*12.7*	*13.4*	*(16.6)*	*(85.7)*	
	EPS (Rs)	19.8	17.9	21.8	*10.9*	*(9.1)*	
Exide Industries	Revenue	25,561	27,534	24,115	*(7.2)*	*6.0*	■ We expect Exide's Q3FY21 sales to increase 6.0% YoY mainly led by improvement in demand from Replacement and OEM segments. EBITDA is likely to increase 11.6% YoY. ■ **Would watch for:** 1) Outlook on volumes and 2) management view on market share gains.
	EBITDA	3,569	3,920	3,198	*(9.0)*	*11.6*	
	Net profit	1,995	2,288	2,176	*(12.8)*	*(8.3)*	
	EBITDA margin (%)	*14.0*	*14.2*	*13.3*	*(28)*	*70*	
	EPS (Rs)	2.3	2.7	2.6	*(12.8)*	*(8.3)*	
Finolex Industries	Revenue	6,594	5,858	6,994	*12.6*	*(5.7)*	■ We expect sales to improve by 12.6% QoQ led by healthy demand for agri-pipes. Marginal increase in raw material prices will weigh on EBITDA margin by 193bps QoQ. ■ **Would watch for:** 1) Demand outlook for agri-pipes segment 2) Commentary on other business segment growth
	EBITDA	1,502	1,448	1,384	*3.8*	*8.6*	
	Net profit	1,123	1,183	905	*(5.1)*	*24.1*	
	EBITDA margin (%)	*22.8*	*24.7*	*19.8*	*(193.4)*	*299.6*	
	EPS (Rs)	9.0	9.5	7.3	*(5.1)*	*24.1*	

Company		Dec 20	Sept 20	Dec 19	QoQ (%)	YoY (%)	Comments
Indian Hotels Co.	Revenue	6,244	2,567	13,727	*143.3*	*(54.5)*	▪ We expect hospitality industry to show early revivals in RevPAR as domestic occupancy picks on amid festive season as well as Christmas vacations. We expect sales to improve by 143% QoQ, aided by higher occupancy and improvement in ADR. ▪ **Would watch for**: 1) Outlook on domestic leisure segment 2) Outlook on international business 3)New inventory addition
	EBITDA	1,045	-1,503	4,257	*(169.5)*	*(75.5)*	
	Net profit	(211.4)	(2401.9)	1949.3	*(91.2)*	*(110.8)*	
	EBITDA margin (%)	*16.7*	*(58.6)*	*31.0*	*7530.9*	*(1427.8)*	
	EPS (Rs)	(0.2)	(2.0)	1.6	*(91.2)*	*(110.8)*	
INOX Leisure	Revenue	351	4	5,129	*N.M.*	*N.M.*	▪ **Revenue:** While Cinemas were allowed to open-up with SOPs and upto 50% occupancy, there was not meaningful new content that was released. Due to this we expect a utilisation of just ~3% resulting in another quarter of poor revenue performance. ▪ **Profitability:** Given that Cinemas opened up during the quarter we expect part of the rental and CAM cost to be incurred resulting in loss at EBITDA level more than doubling QoQ. ▪ **Would watch for:** 1) Update discussion with the government on a) 100% occupancy allowed at Cinemas with SOPS and b) support for the Film industry; 2) Update on interaction with producers for a) content line-up for Q4FY21 & FY22 and b) likely OTT-first release of more content; 3) Commentary on agreement with property owners on revenue-sharing model and/or lower rentals; 4) Commentary on cash-burn in the near term; 5) Commentary for screen addition for FY22 ; 6) Commentary on pick-up in growth of advertisement revenue; 7) Outlook on SPH growth & gross margin; and 8) commentary on deployment of capital raised recently.
	EBITDA	(737)	(338)	1,035	*N.M.*	*N.M.*	
	Net profit	(1,059)	(472)	511	*N.M.*	*N.M.*	
	EBITDA margin (%)	*N.M.*	*N.M.*	*20.2*	*N.M.*	*N.M.*	
	EPS (Rs)	(9.4)	(4.6)	5.0	*N.M.*	*N.M.*	
JK Paper	Revenue	7,246	6,383	8,213	*13.5*	*(11.8)*	▪ We expect sales to improve by 13.5% QoQ led by higher sales volume. Prudent cost cutting initiatives will drive EBITDA margin improvement by 241bps QoQ. ▪ Would watch for: 1) Demand/pricing outlook for FY22 2) Sirpur paper operations 3)Capacity expansion at CPM, Gujarat plant
	EBITDA	1,766	1,402	2,376	*26.0*	*(25.7)*	
	Net profit	975	679	1,323	*43.7*	*(26.3)*	
	EBITDA margin (%)	*24.4*	*22.0*	*28.9*	*240.7*	*(455.3)*	
	EPS (Rs)	5.5	3.8	7.4	*43.7*	*(26.3)*	
Kajaria Ceramics	Revenue	7,893	7,125	7,413	*10.8*	*6.5*	▪ We expect sales to increase by 10.8% QoQ led by healthy demand. Marginal increase in operating cost would weigh on EBITDA margin by 133bps QoQ. ▪ **Would watch for:** 1) Demand and pricing outlook for FY22 2) Management commentary on sales growth and EBITDA margin over mid-term
	EBITDA	1,487	1,437	1,113	*3.5*	*33.6*	
	Net Profit	930	896	613	*3.7*	*51.8*	
	EBITDA Margin (%)	*18.8*	*20.2*	*15.0*	*(132.7)*	*382.2*	
	EPS	5.8	5.6	3.9	*3.7*	*51.8*	

Company		Dec 20	Sept 20	Dec 19	QoQ (%)	YoY (%)	Comments
Lemon Tree Hotels	Revenue	857	476	1,996	*80.0*	*(57.1)*	■ After a dismal performance in H1FY21, we expect LTH to see improvement in occupancy in key assets, which will drive healthy sales growth. We estimate net sales to increase by 80% QoQ, while prudent cost cutting initiatives will continue to drive EBITDA margin expansion by 930bps QoQ. ■ **Would watch for:** 1) Business outlook on FY22 2) Management commentary on cost optimization and inventory addition
	EBITDA	230	83	812	*175.6*	*(71.7)*	
	Net profit	(347.2)	(528.6)	119.3	*(34.3)*	*(391.1)*	
	EBITDA margin (%)	*26.8*	*17.5*	*40.7*	*929.3*	*(1388.1)*	
	EPS (Rs)	(0.4)	(0.7)	0.2	*(34.3)*	*(391.1)*	
Mold-Tek Packaging	Revenue	1,148	1,191	1,007	*(3.5)*	*14.0*	■ We expect sales to increase by 14% YoY led by higher capacity in paints segment and healthy demand in FMCG vertical. Higher share of food and FMCG segment will drive EBITDA margin improvement by 176bps YoY. ■ **Would watch for:** 1) Outlook on paints/lubricants/FMCG segment demand growth 2)New product launches
	EBITDA	233	258	187	*(9.7)*	*24.8*	
	Net profit	117	135	88	*(13.3)*	*32.5*	
	EBITDA margin (%)	*20.3*	*21.7*	*18.6*	*(138.2)*	*176.2*	
	Adj. EPS (Rs)	4.2	4.9	3.2	*(13.3)*	*32.5*	
Nilkamal	Revenue	5,754	5,343	5,833	*7.7*	*(1.4)*	■ We expect net sales to improve by 7.7% QoQ led by healthy demand in retail segment. Increase in raw material cost would be a drag on EBITDA margin, which we forecast to decline by 102bps QoQ. ■ **Would watch for:** 1) Management outlook on consumer division amid slowdown concerns 2) Retail segment business outlook.
	EBITDA	877	869	680	*0.9*	*29.0*	
	Net profit	502	497	291	*1.0*	*72.4*	
	EBITDA margin (%)	*15.2*	*16.3*	*11.7*	*(102.2)*	*358.6*	
	EPS (Rs)	33.7	33.3	19.5	*1.0*	*72.4*	
Orient Paper & Industries	Revenue	1,094	898	1,638	*21.9*	*(33.2)*	■ We forecast net sales to improve by 21.9% QoQ led by higher sales volume. Cost cutting measures to support healthy improvement in EBITDA. ■ **Would watch for:** 1) Commentary on demand outlook and pricing for FY22.
	EBITDA	13.7	(158.0)	106.0	*(108.7)*	*(87.1)*	
	Net profit	(41.4)	(146.9)	33.1	*(71.8)*	*(225.1)*	
	EBITDA margin (%)	*1.3*	*(17.6)*	*6.5*	*1885.0*	*(521.7)*	
	EPS (Rs)	(0.2)	(0.7)	0.2	*(71.8)*	*(225.1)*	
Phillips Carbon Black	Revenue	7,045	6,639	7,687	*6.1*	*(8.3)*	■ Phillips Carbon Black sales are expected recover 6.1% QoQ, mainly led by recovery in volumes to pre-Covid-19 levels. Its EBITDA is estimated to increase by 5.8% on a QoQ basis on better product mix. ■ **Would watch for:** 1) Mix between domestic and export sales, and 2) Management commentary growth in specialty products.
	EBITDA	1,117	1,056	1,227	*5.8*	*(9.0)*	
	Net profit	585	576	696	*1.6*	*(16.0)*	
	EBITDA margin (%)	*15.9*	*15.9*	*16.0*	*(4)*	*(11)*	
	EPS	3.4	3.3	4.0	*1.6*	*(16.0)*	

Company		Dec 20	Sept 20	Dec 19	*QoQ (%)*	*YoY (%)*	Comments
PVRL	Revenue	932	405	9,157	*N.M.*	*N.M.*	■ Revenue: While Cinemas were allowed to open-up with SOPs and upto 50% occupancy, we forecast utilisation of ~4.2% given than there was not meaningful new content that was released. We expect the distribution business to remain steady driven by digital monetization of content. ■ Profitability: Factoring the increase in rental, CAM and operational cost we forecast EBITDA loss to increase significantly QoQ. ■ **Would watch for:** 1) Update discussion with the government on a) 100% occupancy being allowed in Cinemas with SOPS and b) support for the Film industry; 2) Update on interaction with producers for a) content line-up for Q4FY21 & FY22 and b) likely OTT-first release of more content; 3) Commentary on plan for equity fund raising and deployment of the same; 4) Commentary on agreement with property owners on revenue-sharing model and/or lower rentals; 5) Commentary on cash-burn in the near term; 6) Commentary for screen addition for FY22 ; 7) Commentary on pick-up in growth of advertisement revenue; and 8) Outlook on SPH growth & gross margin.
	EBITDA	(1,551)	(842)	1,802	*N.M.*	*N.M.*	
	Net profit	(2,413)	(1,161)	589	*N.M.*	*N.M.*	
	EBITDA margin (%)	*N.M.*	*N.M.*	*19.7*	*N.M.*	*N.M.*	
	EPS	(43.7)	(21.0)	11.5	*N.M.*	*N.M.*	
Relaxo Footwear	Revenue	6,902	5,759	5,998	*19.8*	*15.1*	■ We expect revenue to increase by 19.8% QoQ as demand is likely to pick up post unlocking activities in key cities. EBITDA margin is expected to be marginally lower by 125.6bps QoQ to 20.8%. ■ **Would watch for**: 1) Outlook on FY22 and 2) Management commentary on new products launches.
	EBITDA	1,434	1,269	1,016	*13.0*	*41.1*	
	Net profit	874	751	542	*16.4*	*61.4*	
	EBITDA margin (%)	*20.8*	*22.0*	*16.9*	*(125.6)*	*384.0*	
	EPS	3.5	3.0	2.2	*16.4*	*61.4*	
Safari Industries	Revenue	1,074	629	1,652	*70.6*	*(35.0)*	■ We expect Safari's revenue to decline by 35.0% YoY led by weakness in travel & tourism. Net profit is likely to fall 43.4% YoY. ■ **Would watch for**: 1) Outlook on FY22 and 2) Management commentary on market share.
	EBITDA	142	(53)	197	*N.M*	*(28.2)*	
	Net profit	52	(90)	91	*N.M*	*(43.4)*	
	EBITDA margin (%)	*13.2*	*(8.5)*	*11.9*	*N.M*	*124*	
	EPS	2.3	(4.0)	4.1	*N.M*	*(43.4)*	

Company		Dec 20	Sept 20	Dec 19	QoQ (%)	YoY (%)	Comments
Somany Ceramics	Revenue	4,555	4,239	4,362	*7.5*	*4.4*	▪ We expect sales to increase by 7.5%% QoQ led by healthy demand, particularly in retail segment. Cost cutting initiatives to drive EBITDA margin up 148.9bps QoQ to 13.2%. ▪ **Would watch for:** 1) Commentary on business outlook 2) Key initiatives by the management on business growth
	EBITDA	599	495	403	*21.2*	*48.8*	
	Net profit	292	213	125	*37.4*	*133.6*	
	EBITDA margin (%)	*13.2*	*11.7*	*9.2*	*148.9*	*392.5*	
	EPS	5.8	4.2	3.0	*37.4*	*94.9*	
Supreme Industries	Revenue	15,176	13,748	13,733	*10.4*	*10.5*	▪ We expect sales to improve by 10.4% QoQ led by healthy demand in agri-pipes segment. Higher raw material cost will be a drag on EBITDA margin which we forecast to deteriorate by 134.7bps QoQ to 17.3%. ▪ **Would watch for:** 1) Outlook for agri pipes demand 2)Capacity expansion plans 3) New products launches
	EBITDA	2,620	2,559	2,209	*2.4*	*18.6*	
	Net profit	1,551	1,484	1,226	*4.5*	*26.5*	
	EBITDA margin (%)	*17.3*	*18.6*	*16.1*	*(134.7)*	*117.6*	
	EPS (Rs)	12.2	11.7	9.7	*4.5*	*26.5*	
VIP Industries	Revenue	1,523	1,028	4,324	*48.3*	*(64.8)*	▪ We expect VIP Industries' sales to decrease by 64.8% YoY due to weak demand in domestic market as international travel continued to remain muted during the quarter. Also, its EBITDA and net profit are likely to fall by 48.5% and 70.1% YoY respectively. ▪ **Would watch for:** 1) Update on ramping up Bangladesh operation 2) Management commentary on channel inventory and raw material procurement.
	EBITDA	350	(221)	680	*N.M*	*(48.5)*	
	Net profit	102	(354)	342	*N.M*	*(70.1)*	
	EBITDA margin (%)	*23.0*	*(21.5)*	*15.7*	*N.M*	*727*	
	EPS (Rs)	0.7	(2.5)	2.4	*N.M*	*(70.1)*	
IRCTC	Revenue	1,483	886	7,160	*67.5*	*(79.3)*	▪ We forecast strong revenue growth QoQ lead by pick-up in the internet ticketing segment. We forecast the EBITDA of this segment to more than double QoQ resulting in the company reporting a positive EBITDA vs. a loss in Q2FY21. ▪ **Would watch for:** 1) Update on volume of internet ticketing and non-ticketing revenue, also the outlook for the same; 2) Outlook on the catering segment and on implementation of the price hike; 3) Commentary on the search for JV partner for private trains; 4) Update on capacity addition in Railneer; and 5) Commentary on appointment of the new CMD.
	EBITDA	372	(56)	2,657	*N.M.*	*(86.0)*	
	Net profit	352	43	2,058	*717.9*	*(82.9)*	
	EBITDA margin (%)	25.1	(6.3)	37.1	*N.M*	*(1203)bps*	
	EPS (Rs)	2.2	0.3	12.9	*716.9*	*(82.9)*	

Source: IDBI Capital Research; Note: data for EBITDA Margin YOY and QOQ is in bps.

Oil & Gas

Higher prices to result in inventory gains along with robust Petchem margin

Summary

- Oil & Gas companies under our coverage universe are likely to get impacted by higher crude oil price, better refinery run-rate and GRMs, better petrochemicals margins and lower domestic gas price. OMCs are expected to deliver strong growth on YoY basis on the back of inventory gains and better marketing margin though likely to see a contraction in growth on QoQ basis due to lower diesel marketing margin.
- Crude oil prices (Brent) declined 29% YoY (+4.2% QoQ) to average US$44.5/bbl in Q3FY21. Arab light-heavy differential contracted to negative US$0.2/bbl in Q3FY21 from a positive US$0.3/bbl in Q2FY21 (US$0.4/bbl in Q1FY21). INR against US$ depreciated 3.6% YoY to average Rs73.8/US$ in Q3FY21.
- Japan Spot LNG price moved up quite considerably during Q3FY21 led by improvement in demand and supply constraints. It averaged to US$6.4/mmbtu against US$3.8/mmbtu in Q2FY21 (US$5.8/mmbtu YoY). However, LNG import volume remained strong during the quarter, reflecting strong demand from CGD and power sector.
- Singapore GRM averaged to US$1.2/bbl vs nil in Q2FY21 owing to revival in crack spread of Gasoline and Jet Kero. Higher hydrocarbon prices are likely to result in inventory gains for all the companies especially refineries like RIL, IOC, BPCL and HPCL. RIL is likely to benefit from higher petchem margin and strong growth from retail and digital services business. Further, GSPL is likely to see a strong growth in volume with flattish effective tariff. We maintain HPCL, GSPL and RIL as our top picks.

Exhibit: Valuation snapshot

Companies	CMP (Rs)	TP (Rs)	Recommendation	Mkt Cap (Rs mn)	Revenue (Rs mn) FY22E	Revenue (Rs mn) FY23E	EPS (Rs) FY22E	EPS (Rs) FY23E	P/E (x) FY22E	P/E (x) FY23E	EV/EBITDA (x) FY22E	EV/EBITDA (x) FY23E	RoE (%) FY23E	RoCE (%) FY23E
Reliance Industries Ltd	1,966	2,468	**BUY**	12,463,341	5,824,059	6,551,428	87.3	105.9	22.4	18.5	10.4	8.4	9.1	10.0
Oil & Natural Gas Corp	95	85	**BUY**	1,194,498	724,611	806,427	7.5	8.2	12.3	11.2	4.8	4.3	5.1	3.7
Indian Oil Corporation	93	86	**ACCUMULATE**	875,517	4,231,243	5,137,558	12.8	12.6	7.1	7.3	7.4	7.4	10.9	7.6
Bharat Petroleum Corp	392	412	**BUY**	849,913	2,411,289	2,986,550	33.6	34.8	12.2	11.8	9.5	9.0	16.1	9.4
Gail India	129	109	**BUY**	583,387	644,697	684,316	12.2	12.8	10.0	9.6	7.1	6.4	11.1	9.1
Petronet LNG	256	282	**BUY**	384,675	368,147	360,683	19.8	22.2	13.5	12.0	7.5	6.7	27.5	24.3
Hindustan Petroleum Corp	223	253	**BUY**	339,128	2,384,011	2,908,622	39.0	38.9	5.6	5.6	6.4	6.8	15.8	5.8
Gujarat State Petronet Ltd	217	306	**BUY**	122,462	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**	121,399	91,554	99,245	10.3	10.7	10.5	10.2	7.9	7.4	4.6	1.6

Source: IDBI Capital Research

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Exhibit: Sectoral key parameters

Key monitorables	Unit	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	% YoY	% QoQ
Brent Crude	US$/bbl	62.7	50.5	31.4	42.7	44.5	*(29.0)*	*4.2*
Dubai Crude	US$/bbl	61.4	50.7	31.7	42.5	43.8	*(28.6)*	*3.2*
Henry Hub Natural Gas	US$/mmbtu	2.4	1.9	1.7	2.0	2.5	*2.1*	*22.5*
AL-AH	US$/bbl	2.3	3.1	0.4	0.3	(0.2)	-	-
Dubai-AH	US$/bbl	(1.2)	(0.4)	5.1	(0.8)	0.1	-	-
Singapore GRM	US$/bbl	1.6	1.2	(0.9)	0.00	1.2	*(24.6)*	-
Gasoline - Dubai Crude	US$/bbl	6.8	6.7	(3.77)	0.96	0.98	*(85.6)*	*1.9*
Gasoil - Dubai Crude	US$/bbl	14.9	11.3	4.54	4.65	4.49	*(69.8)*	*(3.5)*
Naphtha - Dubai Crude	US$/bbl	-5.2	-2.8	(3.70)	0.5	(0.1)	-	-
Jet Kero - Dubai Crude	US$/bbl	12.8	11.0	0.46	0.7	3.2	*(74.9)*	-
FO - Dubai Crude	US$/bbl	-21.3	-9.6	(3.53)	(4.8)	(3.5)	*(83.6)*	*(26.7)*
Spot LNG (Japan)	US$/mmbtu	5.8	4.2	2.8	3.8	6.4	*10.3*	*68.4*
Exchange rate (avg)	Rs/US$	71.2	72.4	75.9	74.4	73.8	*3.6*	*(0.8)*

Source: Bloomberg; IDBI Capital Research

Exhibit: Estimates **(Rs mn)**

Company		Dec 20	Sept 20	Dec 19	*QoQ (%)*	*YoY (%)*	Comments
Bharat Petroleum Corp	Revenue	732,639	501,464	747,328	*46.1*	*(2.0)*	▪ We expect crude throughput and sales volume to decline by 12%/11% YoY to 7.4mmt and 9.8mmt respectively. Core GRM is expected to remain flattish QoQ to US$1.5/bbl, while inventory gain is expected to be US$1.1/bbl.
	EBITDA	29,382	38,512	27,993	*(23.7)*	*5.0*	
	PAT	15,327	23,312	12,606	*(34.3)*	*21.6*	
	EBITDA margin (%)	*4.0*	*7.7*	*3.7*	*(366.9)*	*26*	
	EPS	7.8	11.4	6.4	*(34.3)*	*21.6*	
GAIL India	Revenue	166,959	136,427	177,673	*22.4*	*(6.0)*	▪ Gas transmission volume to remain flattish in Q3FY21 at 111mmscmd while gas trading volume to improve by 2.1% to 98mmscmd. Petchem and LHC volume to remain flat at 204.2kt and 0.3mmt on a YoY basis.
	EBITDA	18,726	13,381	20,724	*39.9*	*(9.6)*	
	PAT	13,219	12,397	12,507	*6.6*	*5.7*	
	EBITDA margin (%)	*11.2*	*9.8*	*11.7*	*140.7*	*(45)*	
	EPS	2.9	2.7	2.8	*6.6*	*5.7*	
Gujarat State Petronet	Revenue	5,919	5,770	6,257	*2.6*	*(5.4)*	▪ We expect volumes to improve by 11% YoY to 41mmscmd in Q3FY21 on a YoY basis while average realization to decline by 15% YoY to Rs1,550/mscm.
	EBITDA	3,894	3,807	3,800	*2.3*	*2.5*	
	PAT	2,417	2,711	2,221	*(10.9)*	*8.8*	
	EBITDA margin (%)	*65.8*	*66.0*	*60.7*	*(18.8)*	*505*	
	EPS	4.3	4.8	3.9	*(10.9)*	*8.8*	
Hindustan Petroleum Corp	Revenue	614,210	517,733	707,496	*18.6*	*(13.2)*	▪ We expect crude throughput to improve and sales volume to decline by +3.4%/-3.7% YoY to 4.3/9.4mmt respectively. Core GRM is expected to decline QoQ to US$1.5/bbl from US$2.8/bbl on a QoQ basis.
	EBITDA	28,386	36,039	18,669	*(21.2)*	*52.0*	
	PAT	14,366	24,775	7,472	*(42.0)*	*92.3*	
	EBITDA margin (%)	*4.6*	*7.0*	*2.6*	*(233.9)*	*198*	
	EPS	9.4	16.3	4.9	*(42.0)*	*92.3*	

Company		Dec 20	Sept 20	Dec 19	*QoQ (%)*	*YoY (%)*	Comments
Indian Oil Corp	Revenue	940,294	856,105	1,246,152	*9.8*	*(24.5)*	■ We expect crude throughput and sales volume to decline 3%/6.2% YoY to 17/20.5mmt. Core GRM is expected to decline to US$1.5/bbl from negative US$1/bbl on a QoQ basis. Further, inventory gain is expected to be US$1.3/bbl.
	EBITDA	72,285	94,272	68,331	*(23.3)*	*5.8*	
	PAT	36,756	62,273	23,396	*(41.0)*	*57.1*	
	EBITDA margin (%)	7.7	11.0	5.5	*(332)*	*220*	
	EPS	4.0	6.8	2.5	*(41.0)*	*57.1*	
Oil India	Revenue	21,394	21,690	29,520	*(1.4)*	*(27.5)*	■ We expect oil production volume to improve by 1.2% YoY to 0.76mmt while gas production volume to decline by 5% YoY to 663 mmscm. Oil net realization is expected to decline by 30% YoY to US$43.3/bbl while gas realization is expected to decline by 44% YoY to Rs4.7/scm.
	EBITDA	5,414	7,373	10,960	*(26.6)*	*(50.6)*	
	PAT	1,557	3,731	4,064	*(58.3)*	*(61.7)*	
	EBITDA margin (%)	25.3	34.0	37.1	*(869)*	*(1,182)*	
	EPS	1.4	3.4	3.7	*(58.3)*	*(61.7)*	
Oil & Natural Gas Corp	Revenue	170,402	169,171	237,101	*0.7*	*(28.1)*	■ We expect oil production volume to reduce marginally by 1.8% YoY to 5.7mmt while gas volume to reduce by 2.8% YoY to 6bcm in Q3FY21. Oil net realization is expected to decline by 28% YoY to US$43.1/bbl while gas realization to decrease by 41% to Rs5.5/scm on a YoY basis.
	EBITDA	64,599	69,894	105,795	*(7.6)*	*(38.9)*	
	PAT	26,140	37,709	42,265	*(30.7)*	*(38.2)*	
	EBITDA margin (%)	37.9	41.3	44.6	*(340.6)*	*(671.1)*	
	EPS	2.1	2.3	3.4	*(9.2)*	*(38.2)*	
Petronet LNG	Revenue	71,669	62,358	89,102	*14.9*	*(19.6)*	■ We expect its total volume to improve by 7.7% YoY to 251tbtu. Out of the total volume, we expect longterm/spot/tolling volume to be 118/8/125 tbtu.
	EBITDA	12,001	13,632	11,076	*(12.0)*	*8.4*	
	PAT	7,498	9,273	6,752	*(19.1)*	*11.1*	
	EBITDA margin (%)	16.7	21.9	12.4	*(512)*	*431*	
	EPS	5.0	6.2	4.5	*(19.1)*	*11.1*	
Reliance Industries	Revenue	1,185,694	1,112,360	1,531,790	*6.6*	*(22.6)*	■ We expect GRM to improve QoQ to US$6.8/bbl in Q3FY21 vs. US$5.7 sequentially. Petchem EBIT margin to improve to 18.6% vs. 15.9% YoY. We forecast its retail segment revenue to remain flattish YoY and improve by 10% sequentially with EBITDA margin of 5.5%. Further we expect ARPU to improve by 3.4% QoQ to Rs150 while digital services revenue to increase 32% on a YoY basis.
	EBITDA	232,707	189,450	226,260	*22.8*	*2.8*	
	PAT	125,218	106,020	119,814	*18.1*	*4.5*	
	EBITDA margin (%)	*19.6*	*17.0*	*14.8*	*259*	*486*	
	EPS	21.1	17.9	20.0	*18.1*	*5.7*	

Source: IDBI Capital Research; Note: data for EBITDA Margin YoY and QoQ is in bps.

Consumer & Retail

FMCG and paints to lead business recovery in 3QFY21

Summary

- In FMCG sector, we expect tailwinds in health and hygiene portfolio to taper-off while demand for discretionary products to pick-up driven by higher off-take in winter and skin care products. We expect FMCG sector revenue to grow 11%YoY in 3QFY21. We expect NESTLE to outperform due to higher demand of packaged food. On margins; we expect food based companies (NEST, BRIT) to witness gross margin expansion driven by deflationary raw material. Raw material cost for crude linked derivatives are on inflationary trend, hence we expect gross margin of FMCG sector (excluding NEST and BRIT) to decline by 116bp YoY to 55.6%.
- In paint sector, we expect recovery in decorative coatings business to be faster compared to industrial coatings. In 3QFY21 we expect overall paint sector to grow 11%YoY. APNT is likely to outperform BRGR and KNPL due to better distribution efficiency and higher exposure to decorative coatings. Key raw materials are on inflationary trend, however given more than 2 months inventory in the books of paint companies, we expect margins to be accretive in 3QFY21. We expect gross margin of of paint sector to improve by 100bp YoY to 44% in 3QFY21.
- In grocery retailing, we expect DMART's overall business to grow 3%YoY surpassing pre-covid levels. Also, reduction in discounting intensity by competition has helped DMART to reduce overall discount in food and non-food portfolio. We expect gross margin to remain under pressure due to lower contribution from margin-accretive general merchandise and apparels portfolio. We expect PAT margins to improve sequentially driven by recovery in overall business.
- In QSR space, business recovery in Oct'20 stood at 96%. We expect sequential recovery in business to continue led by strong growth in delivery and take away segments. We expect overall business to reach c. 99% pre-covid levels during 3QFY21. Gross Margin to expand by 289 bps to 77.8% led by (i) introduction of delivery fee, (ii) deflationary trend in milk and milk related products and (iii) low competitive intensity.
- In apparel sector, revenue decline is likely to be steepest at 20%YoY (vs 45-55% YoY decline in 2QFY21) compared to other discretionary sectors. However, positively we expect both Trent and TCNS to report profit during 3QFY21 (vs Rs 2600mn loss during 1HFY21).

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Exhibit: Valuation snapshot

Companies	CMP (Rs)	TP (Rs)	Recommendation	Mkt Cap (Rs mn)	Revenue (Rs mn) FY22E	Revenue (Rs mn) FY23E	EPS (Rs) FY22E	EPS (Rs) FY23E	P/E (x) FY22E	P/E (x) FY23E	EV/EBITDA (x) FY22E	EV/EBITDA (x) FY23E	RoE (%) FY23E	RoCE (%) FY23E
Hindustan Unilever	2,450	2677	**ACCUMULATE**	57,56,412	5,07,800	5,59,709	44.1	48.7	55.6	50.3	39.0	34.9	75.4	83.5
Asian Paints	2,793	2,376	**ACCUMULATE**	26,79,279	2,41,485	2,74,947	37.4	43.2	74.6	64.6	47.8	41.4	25.4	29.8
ITC	212	295	**BUY**	26,02,531	5,32,293	5,85,973	13.3	14.6	15.9	14.5	12.2	11.0	25.1	27.9
Avenue SupermartS	2,996	2,471	**BUY**	19,40,442	3,65,560	4,59,616	31.9	41.0	93.9	73.1	62.7	48.5	17.0	21.6
Nestle India*	18,572	16,849	**ACCUMULATE**	17,90,594	1,53,019	1,71,048	269.7	306.4	68.8	60.6	46.8	41.3	62.9	49.8
Dabur India	539	544	**ACCUMULATE**	9,52,198	1,05,331	1,14,392	10.9	12.1	49.3	44.5	40.2	35.8	24.0	23.9
Britannia Industries	3,554	4,746	**BUY**	8,56,022	1,48,128	1,63,105	85.3	94.9	41.6	37.4	31.0	27.5	28.7	29.6
Godrej consumer products	760	883	**BUY**	7,76,885	1,17,341	1,25,279	18.2	19.6	41.8	38.7	28.4	26.3	21.1	21.7
Berger Paints	791	517	**SELL**	7,67,943	72,810	82,614	9.1	10.4	86.9	76.4	56.4	48.5	26.1	28.0
Marico	420	438	**BUY**	5,42,142	82,261	91,215	9.9	11.0	42.3	38.3	30.2	27.0	36.0	39.7
Jubilant Foodworks	2,776	2,349	**HOLD**	3,66,333	47,591	53,333	39.7	47.0	69.8	59.1	29.8	25.6	29.3	25.2
Kansai Nerolac	626	540	**HOLD**	3,37,175	52,540	60,968	11.2	13.5	55.6	46.3	35.6	29.7	15.0	18.8
Trent	675	528	**SELL**	2,39,812	38,294	44,862	6.2	7.6	109.5	88.7	34.0	26.3	11.9	9.2
TCNS Clothing Co.	441	488	**BUY**	27,151	12,990	14,425	15.7	16.3	28.2	27.1	8.1	6.3	19.2	9.2

*Source: IDBI Capital Research ; Note * Dec Y/E*

Exhibit: Estimates

(Rs mn)

Company		Dec 20	Sept 20	Dec 19	QoQ (%)	YoY (%)	Comments
Asian Paint	Revenue	61,012	53,502	54,203	14.0	12.6	▪ We expect revenue to grow by 13% YoY driven by strong volume led growth of 16% (v/s 11% in Q2FY21) in decorative segment. ▪ Key raw materials (TiO2 and monomers) are on an inflationary trend; however, with two months of inventory on its books, we expect gross margins to expand by 99bps to 44%. EBITDA Margin to expand by 106bps to 23%. ▪ **Would watch for:** 1) Volume growth, 2) JV performance, 3) Gross Margin trend
	EBITDA	14,033	12,652	11,894	10.9	18.0	
	PAT	9,219	8,304	7,644	11.0	20.6	
	EBITDA margin (%)	23.0	23.6	21.9	(64.8)	105.7	
	EPS	9.6	8.7	7.9	11.0	20.6	
Avenue Supermarts	Revenue	69,545	52,182	67,519	33.3	3.0	▪ We expect overall revenue to reach c. 103% pre-covid level during 3QFY21 led by easing of lockdown restrictions, increase in footfalls, and new store addition. ▪ Overall gross margin is likely to contract 50bp YoY to 14.5% due to margin-dilutive product mix (less demand for general merchandise & apparels). EBITDA margin is likely to contract by 128bp due to negative operative leverage. ▪ **Would watch for:** 1) Store addition rate 2) Gross Margin trend
	EBITDA	5,216	3,249	5,931	60.5	(12.1)	
	PAT	3,572	2,105	3,943	69.6	(9.4)	
	EBITDA margin (%)	7.5	6.2	8.8	127.4	(128.4)	
	EPS	5.5	3.3	6.3	69.6	(12.1)	
Berger paint	Revenue	18,766	17,426	16,959	7.7	10.7	▪ We expect revenue to grow by 11% YoY led by volume growth of 20% in Q3FY21. Revenue growth from subsidiaries to moderate to 8% YoY (v/s 22% in Q2FY21 and 24% in Q3FY20) as STP acquisition reflects in base. ▪ Gross Margin to expand by 120bps to 42% despite inflationary trend in raw materials due to low cost inventory. ▪ **Would watch for:** 1) Volume growth, 2) International business performance 3) Gross Margin trend
	EBITDA	3,378	3,352	2,963	0.8	14.0	
	PAT	2,211	2,209	1,824	0.1	21.2	
	EBITDA margin (%)	18.0	19.2	17.5	(123.7)	53.0	
	EPS	2.3	2.3	1.9	0.1	21.2	

Company		Dec 20	Sept 20	Dec 19	QoQ (%)	YoY (%)	Comments
Britannia Industries	Revenue	32,263	34,191	29,827	*(5.6)*	*8.2*	▪ We expect revenue to grow 8% YoY led by 7% volume growth and 1% price hike. We expect subsidiary revenue to grow at 18%YoY due to significant increase in consumption of cheese. ▪ We expect gross margin to expand by 133bp YoY due to decline in raw material prices. EBITDA margin to expand by 256bp due to operating leverage benefit. PAT is likely to grow at 23%YoY. ▪ **Would watch for:** 1) Volume growth, 2) subsidiary performance, 3) NPDs
	EBITDA	5,969	6,754	5,020	*(11.6)*	*18.9*	
	PAT	4,411	4,992	3,726	*(11.6)*	*18.5*	
	EBITDA margin (%)	*18.5*	*19.8*	*16.8*	*(125.3)*	*166.8*	
	EPS	18.2	20.6	15.4	*(11.6)*	*18.5*	
Dabur India	Revenue	26,334	25,160	23,530	*4.7*	*11.9*	▪ We expect revenue to grow by 12% YoY led by strong growth in Health supplements (+ 25% YoY) OTC & ethical (+ 35% YoY), oral care (+15% YoY) and skin care (+12% YoY) portfolio. While discretionary categories like Food and Home care portfolio to report 2% decline YoY. In international market we expect revenue to grow at 7%YoY. ▪ Gross Margins to remain flat YoY as favorable mix will offset inflationary raw material prices. EBITDA Margin to remain flat at 21%. ▪ **Would watch for**: 1) Domestic volume growth, 2) Gross Margin trend, 3) New product development 4) recovery in rural demand
	EBITDA	5,530	5,694	4,929	*(2.9)*	*12.2*	
	PAT	4,687	4,817	3,977	*(2.7)*	*17.9*	
	EBITDA margin (%)	*21.0*	*22.6*	*20.9*	*(163.2)*	*5.1*	
	EPS	2.7	2.7	2.3	*(2.7)*	*17.9*	
Godrej Consumer Products	Revenue	30,612	29,151	27,781	*5.0*	*10.2*	▪ We expect revenue to grow 10%YoY led by strong performance in India (+10% YoY) and Africa (+12% YoY). Challenging macroeconomic environment in Indonesia to result in 1% YoY decline in business. In domestic business, we expect revenue from Soaps, Hair color and HI to grow 13% YoY, 14% YoY and 8% YoY respectively ▪ Gross Margin to decline by 172 bps to 55% due to inflationary trend in key raw materials like Palm oil, PFAD, caustic soda etc. EBITDA Margin to decline by 70bps to 22% ▪ **Would watch for**: 1) Volume growth , 2) Africa business recovery
	EBITDA	6,735	6,729	6,307	*0.1*	*6.8*	
	PAT	4,599	4,580	4,446	*0.4*	*3.4*	
	EBITDA margin (%)	*22.0*	*23.1*	*22.7*	*(108)*	*(70)*	
	EPS	4.5	4.5	4.4	*0.4*	*3.3*	

Company		Dec 20	Sept 20	Dec 19	*QoQ (%)*	*YoY (%)*	Comments
Hindustan Unilever	Revenue	1,18,804	1,14,420	98,080	*3.8*	*21.1*	▪ We expect revenue to grow at 21% YoY led by 100% increase in revenue from food portfolio (due to merger of GSK's food portfolio). Further, we expect home care business to reach pre-covid level and revenue from Beauty and Personal care to increase by 3%YoY led by winter care portfolio. Overall, we expect underlying volume to grow by 8% YoY in 3QFY21 while the balance growth (to come from price/mix change. ▪ Gross margin likely to contract by 92bp YoY to 53% led by inflationary raw material prices. Palm oil price, PFAD and tea price increased by 41%, 42% and 32% YoY respectively during 3QFY21. We expect EBITDA margin to expand by 37bp YoY to 25% due to lower ad-spends and SKU rationalization. ▪ **Would watch for:** 1) recovery in rural business, (2) pricing actions and new launches,
	EBITDA	30,057	28,690	24,450	*4.8*	*22.9*	
	PAT	21,253	20,090	16,160	*5.8*	*31.5*	
	EBITDA margin (%)	*25.3*	*25.1*	*24.9*	*22.6*	*37.1*	
	EPS	9.0	8.5	7.5	*5.8*	*20.9*	
ITC	Revenue	1,21,191	1,11,831	1,18,056	*8.4*	*2.7*	▪ We expect revenue to grow by 3% YoY led by strong recovery in Cigarette (+3% YoY v/s -4% in Q2FY21) and paperboard segment (-1% YoY v/s -7% in Q2) and FMCG and Agri-business to grow by 16% and 12% respectively during Q3FY21. ▪ We expect gross and EBITDA margins to contract by 99bp YoY and 57bp YoY respectively led by negative operating leverage (especially from hotel segment). ▪ **Would watch for:** 1) cigarette volume growth, (2) outlook on hotel business, (3) FMCG business EBIT Margin
	EBITDA	46,659	40,606	46,127	*14.9*	*1.2*	
	PAT	36,597	32,324	41,419	*13.2*	*(11.6)*	
	EBITDA margin (%)	*38.5*	*36.3*	*39.1*	*219.0*	*(57.2)*	
	EPS	3.0	2.6	3.4	*13.2*	*(11.6)*	
Jubilant FoodWorks	Revenue	10,490	8,055	10,596	*30.2*	*(1.0)*	▪ Business recovery in Oct'20 had reached 96% and we expect sequential recovery to continue led by strong growth in delivery and take away segment. We expect overall business to reach c. 99% pre-covid levels during 3QFY21. ▪ Gross Margin to expand by 289 bps to 77.8% led by (i) introduction of delivery fee, (ii) deflationary trend in milk and milk related products and (iii) low competitive intensity. ▪ **Would watch out for:** 1) SSSG rate, 2) Rental negotiations and cost management ,3) No. of stores added/closed of Domino's, Hong's Kitchen and Ekdum and 4) Management commentary on BBQ acquisition.
	EBITDA	2,706	2,147	2,536	*26.1*	*6.7*	
	PAT	1,092	770	1,037	*41.9*	*5.3*	
	EBITDA margin (%)	*25.8*	*26.7*	*23.9*	*(85.4)*	*187.0*	
	EPS	8.3	5.8	7.9	*41.9*	*5.3*	

Company		Dec 20	Sept 20	Dec 19	*QoQ (%)*	*YoY (%)*	Comments
Kansai Nerolac	Revenue	13,397	12,881	12,481	*4.0*	*7.3*	▪ Higher exposure to automotive coating is likely to keep KNPL's topline under stress. We expect KNPL's revenue growth to be lower than APNT and Berger. ▪ Industrial coatings business is more sensitive to change in crude oil price compared to decorative coatings due to higher exposure to crude-linked-raw-materials. Consequently, in KNPL we expect gross Margin to expand by 40 bps to 37.5% due to low cost inventory. ▪ **Would watch for:** 1) Volume growth, 2) Gross margin trend and (3) Industrial costing segment performance
	EBITDA	2,130	2,594	1,919	*(17.9)*	*11.0*	
	PAT	1,411	1,586	1,227	*(16.7)*	*15.0*	
	EBITDA margin (%)	15.9	20.1	15.4	*(423.8)*	*52.7*	
	EPS	2.6	2.9	2.3	*(16.7)*	*15.0*	
Marico	Revenue	20,072	19,890	18,240	0.9	10.0	▪ We expect revenue to grow by 10% YoY led by strong growth in Saffola Edible Oil (+13%YoY value) VAHO (+10%YoY value) and Parachute Coconut Oil (+8% YoY value). In international market we expect revenue to grow at 9%YoY led by strong double digit growth in Bangladesh. ▪ We expect gross margin to decline by 62bps to 48.5% due to inflationary trend in raw materials. EBITDA margin similar to last year on the back of cost optimization initiatives and judicious A&P spends. EPS is likely to grow at 8%YoY. ▪ **Would watch for:** 1) Commentary on recovery in CSD channel 2) commentary on copra prices 3) updates on new product launches
	EBITDA	4,115	3,890	3,730	5.8	10.3	
	PAT	2,931	2,640	2,720	11.0	7.8	
	EBITDA margin (%)	20.5	29.6	20.4	94	5.0	
	EPS	2.3	2.1	2.1	11.0	7.8	
Nestle India	Revenue	35,337	35,417	31,493	*(0.2)*	*12.2*	▪ We expect overall revenue to grow by 12% YoY driven by (i) continued demand for in-home consumption products like Maggi, Kitkat, Nescafe etc and (ii) sequentially improving out of home consumption. Domestic business/ exports to grow by 13%/5% respectively during Q3FY21. ▪ Deflationary raw material prices will aid gross margin expansion by 45bp YoY to 58%. Milk powder, sugar, wheat prices have declined by 17%, 22% and 19% YoY respectively. EBITDA margin to expand by 198bp to 23.5%. ▪ **Would watch for:** 1) commentary on recovery in trade channels (2) new product pipe line
	EBITDA	8,304	8,837	6,779	*(6.0)*	*22.5*	
	PAT	5,469	5,872	4,730	*(6.9)*	*15.6*	
	EBITDA margin (%)	23.5	25.0	21.5	*(145)*	*198*	
	EPS	56.7	60.9	49.1	*(6.9)*	*15.6*	

Company		Dec 20	Sept 20	Dec 19	*QoQ (%)*	*YoY (%)*	Comments
TCNS Clothing's	Revenue	2,632	1,441	3,290	*82.6*	*(20.0)*	▪ Business recovery in Oct'20 was ~70% and for the quarter we expect overall recovery to be 80% of Q3FY20. The recovery is driven by (i) strong traction during festive season and (ii) double digit revenue growth in online channel. ▪ We expect operating profit margins to remain under stress due to higher fixed costs (rental, employee and other expenses). ▪ **Would watch for:** 1) SSSG in EBO's; 2) Rental negotiation and cost management; 3) No. of stores added/closed
	EBITDA	267	-162	679	*(264.4)*	*(60.7)*	
	PAT	26	-276	550	-	*(95.3)*	
	EBITDA margin (%)	10.1	-11.3	20.6	*2141.0*	*(1048.6)*	
	EPS	0.4	-4.5	9.0	-	*(95.3)*	
Trent	Revenue	6,958	4,521	8,697	*53.9*	*(20.0)*	▪ Trent being women-ethnic dominated private label retailer (superior ability to charge low price and be profitable compared to brands) with diversified product portfolio (innerwear wear, footwear, sleep wear etc.) and higher exposure to daily wear is likely to report 80% business recovery reach compared to 3QFY20. ▪ EBITDA/ PAT to decline by 25%/24% YoY respectively led by negative operating leverage due decline in revenue. ▪ **Would watch for:** 1) SSSG is Westside and 2) Gross Margin trend
	EBITDA	1,304	64	1,735	*1942.7*	*(24.8)*	
	PAT	425	(480.9)	557	-	*(23.8)*	
	EBITDA margin (%)	18.7	1.4	20.0	*1733*	*121*	
	EPS	1.2	(1.3)	1.6	-	*(23.8)*	

Source: IDBI Capital Research; Note: data for EBITDA Margin YoY and QoQ is in bps.

Notes

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