

India Strategy & Q1FY22 Review

Triggers abound for Treasure Hunt



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Triggers abound for Treasure Hunt

- **NIFTY EPS upgrade by 3.5-4.4%, Sept 22 target at 17745:** 1Q22 has seen 1.7% beat on aggregate sales and 3% on EBIDTA, PAT growth has been lower than estimates by 5.1%. Demand was strong in first half of April, followed by covid impact till May end and gradual recovery from June. Aggregate revenues grew 57.5%, EBIDTA grew 56.9% and PAT grew 128%. Numbers optically look strong due to low base of 1Q21. Maximum beat from estimates was recorded in metals, Cement, Infra and Travel and Tourism.
- 1Q FY22/FY20 sales, EBIDTA and PAT grew by 5.9%, 25.2% and 29.6%. Metals, Cement, Agri, IT and Pharma reported 20-35% sales growth. Metals, Agri and Cement reported PAT growth of 229%, 104% and 67% during two years window. Aviation, Education, Media and Travel remained impacted with 46-67% lower sales than 1Q20. Metals, Infra and Pharma have reported sharp margin expansion over past two year period. Discretionary categories like Auto, Consumer durables reported sales and PAT lower than 1Q20 levels.
- NIFTY EEPS has seen an increase of 3.5% for FY22 and 4.4% for FY23 at 690.5 and 787 a growth of 32.2% and 13.7%. we also introduce FY24 EPS at 894.6 with a growth of 13.7%. Our estimates are higher than consensus by 4.2% for FY22, and 3.5%/-0.2% for FY23/24. NIFTY is currently trading at 22.6x 1-year forward EPS which shows 12% premium to 10 year average of 20.1x.
- **Base Case:** we value NIFTY at Sept23 EPS of Rs840 at 5% premium to 10 year average PE (21x) and arrive at Sept 22 target of 17745 (15909 based on 21xFY23 EPS of 754).
- **Bull Case,** we value Nifty at earlier peak of 25x and arrive at bull case target of 21020 (18850 earlier). 3rd Covid wave, lower bond buying by FED, Repo rate increase by RBI, global capital flows and geopolitical instability are key risks to bull case scenario.
- **Major Rating Upgrade:** Tata Steel, L&T, Hero MotoCorp, RIL, LTI, Havells India, ABB, Bajaj Finance, Kotak Bank and PI Inds.
- **Rating Downgrade:** Lupin Labs, Aurobindo, Dalmia Bharat, JK Lakshmi, Polycab, Sumitomo, Ceat, Manappuram, Godrej Agrovet
- **Covid-19 – Vaccination picks up, uncertainty prevails:** India has recovered smartly from 2nd wave of Covid 19 and current vaccination levels of 588mn and daily vaccinations of ~5mn look encouraging. We note that at this rate India will be able to vaccinate ~90% of eligible >18 years population with at least one doze by the end of Sept/middle of October. New cases have been averaged around 37k/day in last month and a half and steady trend is a worry. Given the rising incidence of delta variant in US, UK, Russia and China, we would keenly watch out for the Covid 19 trend in India in festival season. We expect high probability of a potential 3rd covid wave in October /Nov given increased outward movement of people. Intense 3rd wave during festival season can impact the consumer sentiment and demand momentum.
- **Skymet predicts patchy Monsoons:** Skymet has indicated 60% probability of monsoon being 94% of LPA which is below normal. It is also indicating risk of deficient rainfall /drought in Rajasthan, Gujarat, Odisha, Kerala and North East. Monsoon till date stands at 6% below LPA. Adverse spatial distribution and poor water reservoir levels can impact Kharif and also Rabi season as well. Any potential impact on rural demand is likely to be limited given a couple of good seasons in the past.

- **Demand scenario mixed:** Rural demand led by bountiful monsoons and high food inflation saved the day in FY21 even as urban demand was under pressure. However the scenario looks mixed with patchy monsoons and significant hit on the employment at lower levels in urban India. We believe urban poor and lower class has been hit badly, however the savings made by upper class and consequent increase in demand has neutralized the impact so far. Long term outlook remains positive on hopes of employment generation and pick up in economy, near term outlook is mixed and the trend will be clear in the coming couple of quarters.
- **Global interest rates a worry, extended china+1 a big ray of hope;** Global markets have been driven by excessive liquidity injection by central banks in order to shore up pandemic hit economies. We believe that the odds are rising in favor of Fed reducing its bond buying program and looking at gradual tapering of liquidity tap and increase in interest rates. Any potential change in trend remains a big risk for capital flows in emerging markets including India. However we believe that India is a sweet spot as
 1. Crack down on technology companies in China will attract more capital flows into Indian unicorns, which will create employment and promote enterprises
 2. Fresh wave of Covid in china and consequent disrupting in global supply chains is reinforcing the China+1 strategy. This is likely to promote investment in Pharma, Chemicals, Engineering, white goods, Textiles and Auto Ancillaries
- **India on the verge of capex cycle recovery;** we believe India is on the verge of a big capex cycle recovery which will play out in coming few years. we believe that the new cycle has several legs to growth
 1. **Budget provided growth push:** Govt has increased allocation on capital expenditure by 26% to Rs5.54trn. The spending covers wide ambit of capacity building in infrastructure, basic amenities and industry (through PLI scheme with1)16% increase in spending on roads and national highways at Rs1.1trn 2) 9% increase in budgetary allocation on roads in rural areas at Rs150bn 3) A massive spending of Rs2.9trn over next five years on creation of infrastructure to provide water to 29mn households and 4) Near Rs1trn of spending on new metro lines including Metro Lite and Metroneo. This is a part of GOI's plans to spend 1400bn USD on infrastructure (Roads, power, water and sanitation, irrigation, railways etc.) till 2025 will generate enough demand for labor and industrial goods which will boost incomes and demand over coming few years.
 2. **NMP to improve visibility of Govt Capex** – GOI has announced an ambitious Rs6trln National Monetization program which will act as finance mechanism for building world-class infrastructure in India. Monetization will take place under 1) Brownfield Public Private Partnership (PPP) model like Operate maintain transfer (OMT), Toll Operate Transfer (ToT), etc. and 2) Structured finance vehicle like InvITs and REITs. Roads (Rs1.6tn), Railway(Rs1.5tn) and Power (Rs0.9tn) are among top sector in value terms to be monetized of 20+ asset class. We believe asset monetization will act as financing tool for government and boost spending in infrastructure.

3. **Private sector Capex to up sharply:** Increase in global demand for commodities on US Infra push, improved growth outlook in India and likely benefits of PLI and China+1 is likely to kick start private sector capex in India. We note that capex plans announced in Steel, Cement, Oil and Gas, Data Centres, Chemicals, Pharma, Smart Infra and Digitization is at a recent high. We believe Indian corporates are well placed to undertake capex given 1) Bank NPA have peaked and balance sheets are healthy 2) Capacity utilization levels are rising and corporate leverage levels are a decade low 3) Interest rates are benign and 4) Positive outlook on global demand due to china+1 strategy.
4. **Geo Political crisis to emerge as a defense opportunity:** We believe Geo political crisis in Afghanistan and increase in security threat and regional instability will result in significant increase in defense allocation by India. Moreover the global focus on self reliance in defense and security will boost domestic manufacturing of defense equipment, gear and armaments. We believe this will boost demand for equipment mfg. by BEL, BEML, L&T, BF, HAL, Bharat Dynamics etc. in the coming years and boost Made in India.
- **2Q Indications positive, watch out for covid hit sectors:** As per our channel checks, the recovery post second wave is sustaining in the month of July and August. Recruitment and employment generation from IT services sector at a recent high which is positive for middle class demand. Consumption driven segments like FMCG, Durables, apparel, Food services, Airlines, Automobiles are showing signs of revival. Rural demand was tepid, but there are initial signs of a pick up in past couple of weeks. We also see strong build up in demand for Paints, building materials etc. We note that low property prices and interest rates are promoting construction/ renovation activity. The trend which was prevailing more in tier2/3 cities last year, has picked up in Metros and Tier1 cities. We watch out for Covid hit segments like Travel/ Tourism, Food Services, Discretionary retail, Education etc. as the potential pick up in them would come at a fast pace post 2 bad years.
- **Easy returns phase behind, be selective with more focus on large caps:** Liquidity led global rally has seen sharp upsurge in indices in the past 15 months. Market leadership has changed after a decade as Banks and Consumer stocks underperformed in last one year while Metals, Cement, IT and Pharma have seen a sharp rally. NIFTY has been the best performing global index in past 12 months and small and mid caps have outperformed large caps by 29% and 7%. However we believe that phase of easy money making is over. We expect large caps to come into focus in the near to medium term as the valuation gap with small and mid caps no longer exists. We expect sectors like IT, Pharma, Capital Goods, select financials and chemicals to do well over the medium term. We expect increasing focus on emerging industries in Insurance, Healthcare, Consumer/Financial tech and Digital over the coming years which will result in redrawing of portfolio allocations. We advise increased focus on companies with business moats and strong balance sheets and proven and creditable managements in this phase.

Model Portfolio – Overweight on Metals, Industrials, Auto and Cement

- We believe that India is on the verge of capex led recovery led by Govt, private sector capex in Steel, cement, Smart infra, chemicals, Pharma and PLI push. We turn overweight on Auto, Pharma and turn equal weight on IT services. we retain overweight on Metals, increase weights on Industrials and cement.
- **Auto:** We turn overweight on Auto given expectations of medium term recovery despite near term issues led by component and semiconductor shortages. We are increasing weightage on M&M, even as we reduce weightage on MSIL and Eicher.
- **Banks:** We retain overweight on banks as best play on recovery and Infra with minor change in weights of HDFC and IIB.
- **Consumer:** We retain equal weight on consumer given limited scope of re-rating with life time high PE multiples and moderate growth prospects with margins being high. We cut weight on Havells given sharp rally and increase the same on Titan on expected benefits of Hallmarking in the medium term.
- **Pharma:** We turn overweight post underperformance with overweight on Sun Pharma and Cipla.
- **Insurance:** Overweight: Long term growth opportunity, overweight on HDFC Life and equal weight on SBI Life.
- **NBFC:** Overweight: we are overweight on BAF given its initiatives in Digital space and HDFC as a structural play on housing. SBI cards remains a pure play on urban consumer spending.
- **IT;** We turn equal weight given sharp rally in the sector, long term opportunity is intact. No change in stocks
- We are positive on cyclical recovery and retain over weight on Metals, cement and Industrials. We add ABB to Model portfolio as a play on Digitization, Automation and rising need of data centres. We are removing Bayer and Coro from model portfolio as patchy monsoons might result in near term under performance.
- **Top Picks: Additions: M&M** on expectations of success of new SUV launches and declining losses in overseas subsidiaries. Initiatives on improving shareholder value will re-rate the stock. We are adding Crompton Consumer and Rallis India as they look relatively attractive post recent correction.
- **Sun Pharma** in top picks Specialties to lead its growth and margin in counter to dwindling US generics
- **Rallis** is continuing on its path of driving structural growth by new product/molecule introduction, channel/geographical expansion, focusing on R&D and capacity expansion.

Top Pick changes

- **CIFC's** (Cholamandalam) capabilities to bounce back faster on growth (maintain 14%/15%YoY growth over FY22/23) and asset quality (5%/4%NPA over FY22/23) led by (a) right product positioning (b) sufficient shock absorbers (liquidity: 12% cash on BS, Tier I:17%) (c) superior management execution.
- **Crompton Consumer:** Structural positives given 1) market share gains across core categories of Fans, Pumps and LED lights 2) sustained investments in brand building, GTM, innovation, business processes & teams 3) well defined plan of entering and scaling up new categories (Water Heaters, Air Coolers, Mixer-Grinders) and 4) strong balance sheet (Jun21 net cash: Rs7.4bn).
- **Removals: ZEEL** - Recovery in domestic ad-revenues is slower than anticipation which will drag margins (EBITDA margin guidance of 25%+ at the risk of being missed) given the ongoing investment drive in digital, movies and linear TV. Loss in network share to 17% is also a cause of concern despite corrective actions (30+ new shows to be launched in FY22).
- **Bayer** is likely to see short term hiccups in growth due to adverse distribution of monsoon leading to lower than expected growth in seeds and crop protection products. While the buoyancy in stock markets has bypassed Bayer, we still see limited upside in near term as 95% of its revenue comes from India.
- **JK Lakshmi** – On steep re-rating in valuations by ~60% to 8x over last six months and increasing risks to earnings due to limited scope for cost reduction, unabated increase in costs and limited volume growth drivers for next couple of years
- **Dalmia Bharat** – We believe that valuation rerating has played out and increasing risks to margins due to intense competition in its core market, East region.
- **Havells India** – Post 20% run up in past 2 months, expect returns to be back ended. Long term thesis around benefits from likely revival in both Consumer and Industrial/Infra (25% of sales) segments , Diverse product portfolio, top 3 players in most product categories (except Lloyd) and focus on innovation and expansion of distribution reach sustans.

Model Portfolio

Sectors	Mcap (Rs bn)	Nifty Weightage (%)	PL Weightage (%)	Weights
Automobiles		4.7	5.0	Overweight
Ashok Leyland	351		1.6	
Eicher Motors	697	0.5	0.6	
Mahindra & Mahindra	967	1.1	1.5	
Maruti Suzuki	2,055	1.3	1.3	
Banks		25.2	25.8	Overweight
Axis Bank	2,288	2.7	2.0	
HDFC Bank	8,624	9.2	10.0	
ICICI Bank	4,812	6.6	7.5	
Kotak Mahindra Bank	3,381	3.6	5.0	
Indusind Bank	778	0.8	1.3	
Cement		1.7	2.4	Overweight
Ambuja Cement	785		1.1	
UltraTech Cement	2,152	1.2	1.3	
Construction & Engineering		4.4	5.8	Overweight
ABB	360		1.0	
Larsen & Toubro	2,255	2.8	3.3	
Siemens	783		1.5	
Consumer		10.9	10.9	Equalweight
Asian Paints	2,922	1.9	1.0	
Britannia Industries	918	0.6	1.0	
Crompton Consumer Electricals	285		1.0	
Avenue Supermarts	2,402		2.5	
Havells India	793		1.0	
Hindustan Unilever	6,186	3.1	2.4	
Titan Company	1,660	1.1	2.0	
Healthcare		3.5	4.1	Overweight
Cipla	740	0.6	1.0	
Dr. Reddy's Laboratories	763	0.8	0.8	
Lupin Labs	427		0.7	
Sun Pharmaceutical Industries	1,851	1.2	1.6	

Sectors	Mcap (Rs bn)	Nifty Weightage (%)	PL Weightage (%)	Weights
Life Insurance		1.5	1.7	Overweight
HDFC Life Insurance	1,357	0.8	1.0	
SBI Life Insurance Co.	1,161	0.7	0.7	
IT		18.3	18.3	Equalweight
Infosys	7,333	9.0	9.0	
TCS	13,365	5.1	6.1	
Tech Mahindra	1,418	1.2	1.7	
Wipro	3,471	1.3	1.5	
Metals		3.9	4.5	Overweight
Hindalco Industries	946	0.9	2.0	
Jindal Steel & Power	380		0.5	
Tata Steel	1,690	1.6	2.0	
NBFC		10.5	10.5	Overweight
Bajaj Finance	4,213	2.4	2.8	
HDFC	4,860	6.8	6.7	
SBI Cards & Payment Serv.	967		1.0	
Oil & Gas		11.3	11.1	Underweight
Indraprastha Gas	367		1.1	
Reliance Industries	14,305	9.8	10.0	
Others		2.1	-	NA
Telecom		2.1	-	NA

Returns	Model Portfolio	Nifty	OutPerform ance
Since Nov'18	68.17%	54.46%	8.71%
Since Last Report – July 8, 2021	6.02%	5.70%	0.31%

Top Picks

	CMP (Rs.)	TP (Rs)	Upside	Mcap (Rs bn)	Mcap (US\$ m)	Revenue Gr. (%) 2022E	2023E	Earnings Gr. (%) 2022E	2023E	RoE (%) 2022E	2023E	RoCE (%)* 2022E	2023E	PER (x) 2022E	2023E	P/BV (x)* 2022E	2023E
Large Cap																	
HDFC Bank	1,559	1,870	20.0%	8,618.5	1,16,137	12.1	15.8	17.5	19.9	16.6	17.2	2.0	2.1	23.4	19.6	3.8	3.3
Infosys	1,721	1,847	7.4%	7,301.3	98,388	17.5	15.1	15.0	16.1	28.1	30.8	35.1	37.5	32.6	28.1	8.9	8.5
HDFC	2,691	3,028	12.5%	4,855.6	65,431	14.4	13.0	(6.1)	16.7	23.2	21.1	2.1	2.1	36.8	31.6	5.5	5.1
ICICI Bank	694	815	17.4%	4,803.5	64,729	16.2	15.8	26.8	21.3	13.5	14.4	1.6	1.7	22.6	18.7	3.3	2.8
Avenue Supermarts	3,709	3,744	1.0%	2,402.3	32,371	21.3	42.0	33.6	62.0	11.4	16.0	14.8	21.5	163.6	101.0	17.6	15.0
Larsen & Toubro	1,606	1,855	15.5%	2,255.4	30,392	16.7	10.3	(15.7)	12.9	12.2	12.4	7.0	7.5	23.1	20.5	2.7	2.4
Sun Pharmaceutical Industries	771	922	19.5%	1,850.7	24,939	16.7	11.6	21.8	14.8	15.7	18.3	17.1	18.4	23.1	20.1	3.9	3.5
Hindalco Industries	421	500	18.8%	934.3	12,590	26.0	6.1	45.1	1.3	11.5	10.5	11.1	10.7	12.2	12.0	1.3	1.2
Mahindra & Mahindra	778	961	23.5%	929.7	12,528	16.6	12.1	94.0	11.4	12.0	12.3	10.9	11.3	21.5	19.3	2.5	2.3
Ambuja Cement	395	460	16.3%	785.0	10,578	23.5	10.7	30.1	12.3	13.3	13.5	24.1	23.9	24.7	22.0	3.1	2.8
Mphasis	2,808	3,348	19.2%	525.3	7,079	17.7	17.4	20.3	14.3	20.8	20.4	25.3	24.2	35.7	31.3	6.9	5.9
Cholamandalam Investment ar	510	600	17.5%	418.5	5,639	7.7	14.2	26.2	23.9	18.3	19.1	2.4	2.6	21.9	17.7	3.7	3.1
Indraprastha Gas	525	662	26.1%	367.4	4,951	25.8	19.1	35.2	12.4	21.2	20.2	26.0	25.2	27.0	24.0	5.3	4.5
Hindustan Petroleum Corporat	250	404	61.8%	362.7	4,888	6.1	12.2	(43.6)	11.6	15.6	15.5	7.7	7.8	6.0	5.4	0.9	0.8
Mid Caps																	
Ashok Leyland	120	151	26.5%	351.4	4,735	35.5	35.9	(257.6)	225.7	6.7	19.7	3.3	10.6	73.2	22.5	4.8	4.1
Crompton Greaves Consumer	454	518	14.0%	285.3	3,844	13.0	14.1	9.7	23.1	28.4	30.8	34.4	38.3	49.3	40.0	13.2	11.5
Endurance Technologies	1,625	1,832	12.7%	228.6	3,080	28.4	19.8	33.8	35.9	17.9	20.6	21.2	25.4	34.4	25.3	5.7	4.8
Small Caps																	
Westlife Development	511	603	18.1%	79.5	1,072	55.5	31.1	(117.3)	404.6	3.7	16.7	14.5	29.2	443.3	87.9	16.0	13.6
Rallis India	273	321	17.5%	53.1	715	11.0	14.3	5.7	34.7	14.1	17.1	17.4	21.0	22.9	17.0	3.1	2.7
Inox Leisure	310	380	22.9%	37.8	509	575.1	203.7	(42.4)	(196.0)	(49.2)	32.7	(4.1)	12.4	(18.1)	18.9	8.9	6.2

* For Banks P/BV = P/ABV & RoCE = RoAA

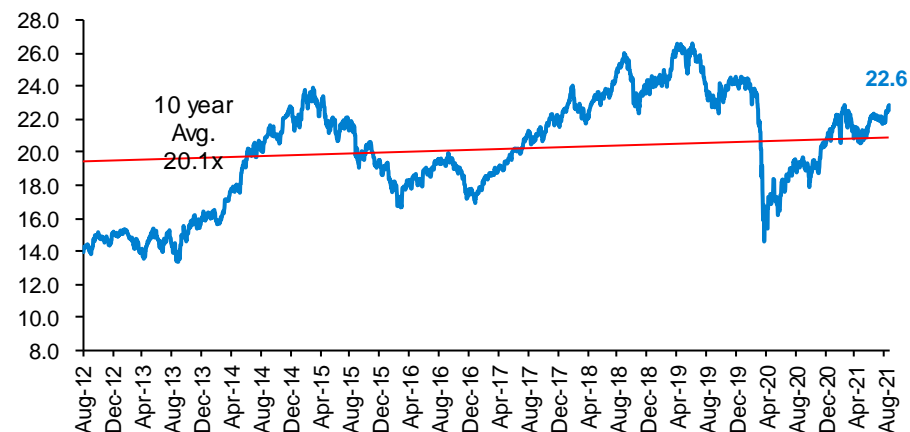
Added: Sun Pharmaceuticals, Mahindra & Mahindra, Cholamandalam Investment & Finance Company, Crompton Greaves Consumer, Rallis India

Removed: Wipro, Dalmia Bharat, Bayer Cropscience, Zee Entertainment, JK Lakshmi Cement

NIFTY: Sept 22 target of 17745 - 3rd Covid Wave and Economic revival key

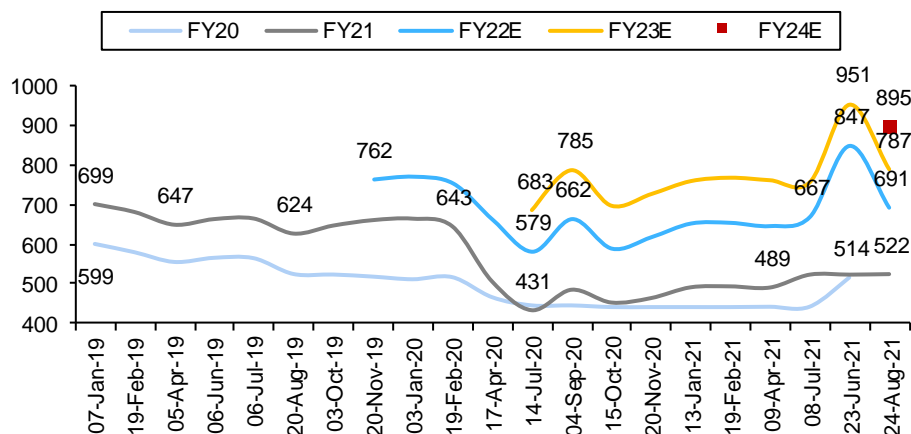
- NIFTY EEPS has seen an increase of 3.5% for FY22 and 4.4% for FY23 at 690.5 and 787 a growth of 32.2% and 13.7%. we also introduce FY24 EPS at 894.6 with a growth of 13.7%. Our estimates are higher than consensus by 4.2% for FY22, and 3.5%/-0.2% for FY23/24. NIFTY is currently trading at 22.6x 1-year forward EPS which shows 12% premium to 10 year average of 20.1x.
- Base Case:** we value NIFTY at Sept23 EPS of Rs840 at 5% premium to 10 year average PE (21x) and arrive at Sept 22 target of 17745 (15909 based on 21x FY23 EPS of 754).
- Bull Case,** Although NIFTY has traded at 27x recently, we continue to take earlier peak of 25x and arrive at bull case target of 21020 (18850 earlier).
- 3rd Covid wave, lower bond buying by FED, Repo rate increase by RBI, global capital flows and geopolitical instability are key risks to bull case scenario.

Nifty 1-yr forward PE



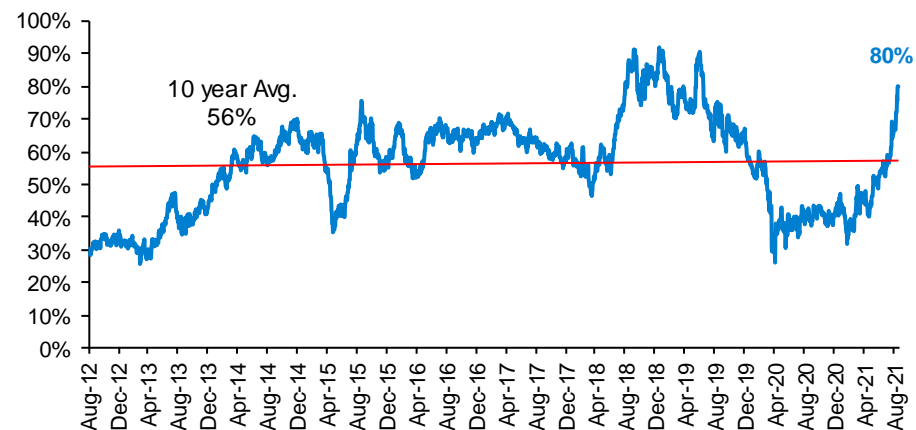
Source: Bloomberg, PL

NIFTY EPS in upgrade zone since Oct20



Source: Bloomberg, PL

MSCI India Premium to MSCI Asia (Ex-Japan)



Source: Bloomberg, PL

NIFTY EPS estimates up by 3.5%, 4.4% for FY22/FY23

	Weight- age (%)	FY21	FY22E	FY23E	FY24E
Banking & Fin.	37.1%				
PER (x)		35.2	26.5	21.3	18.4
PAT Growth (%)		18.8	32.6	24.8	15.6
Technology	18.3%				
PER (x)		35.8	31.1	26.9	23.9
PAT Growth (%)		8.8	15.4	15.3	12.9
Oil & Gas	11.3%				
PER (x)		21.0	18.9	15.4	14.4
PAT Growth (%)		26.2	11.2	22.4	6.9
Consumer	10.2%				
PER (x)		55.3	48.2	41.7	36.9
PAT Growth (%)		(1.0)	14.8	15.6	13.0
Eng. & Power	4.4%				
PER (x)		12.2	11.8	10.8	10.0
PAT Growth (%)		22.4	3.5	9.2	7.5
Auto	4.7%				
PER (x)		32.6	22.5	17.7	14.0
PAT Growth (%)		112.0	45.1	27.4	25.8
Pharma	3.5%				
PER (x)		21.8	29.4	24.1	20.7
PAT Growth (%)		94.0	(25.9)	21.8	16.4
Metals	3.9%				
PER (x)		14.6	5.4	7.6	7.3
PAT Growth (%)		29.3	169.8	(28.9)	3.2
Telecom	2.0%				
PER (x)		(22.7)	63.0	29.4	18.6
PAT Growth (%)		(53.1)	(136.0)	114.4	57.8

	Weight- age (%)	FY21	FY22E	FY23E	FY24E
Cement	1.7%				
PER (x)		40.3	31.6	26.9	21.4
PAT Growth (%)		46.6	27.5	17.6	25.4
Others	0.8%				
PER (x)		104.8	48.3	38.8	33.8
PAT Growth (%)		(29.7)	117.1	24.5	14.7
Ports & Logistics	0.7%				
PER (x)		27.3	20.7	16.9	13.9
PAT Growth (%)		32.7	32.0	22.7	21.6
Agro Chemicals	0.6%				
PER (x)		17.7	13.5	11.2	9.3
PAT Growth (%)		29.6	31.0	20.1	20.5
Nifty as on Jul 24	16,625				
EPS (Rs) - Free Float		522.3	690.5	787.0	894.6
Growth (%)		18.5	32.2	13.7	13.7
PER (x)		31.8	24.1	21.1	18.6
EPS (Rs) - Free Float - Nifty Cons.		522.3	662.5	760.2	896.8
Var. (PLe v/s Cons.) (%)		-	4.2	3.5	(0.2)
Sensex as on Jul 24	55,599				
EPS (Rs) - Free Float		1,675.8	1,940.4	2,383.8	2,718.9
Growth (%)		9.9	15.8	22.9	14.1
PER (x)		33.2	28.7	23.3	20.4
EPS (Rs) - Free Float - Sensex Cons.		1,675.8	1,954.5	2,341.3	2,837.5
Var. (PLe v/s Cons.) (%)		-	(0.7)	1.8	(4.2)

1QFY22 – Performance Snapshots – Metals, Infra led Earnings beat

- 1Q22 has seen 1.7% beat on aggregate sales and 3% on EBITDA, PAT growth has been lower than estimates by 5.1%.
- Demand was strong in first half of April, followed by covid impact till May end and gradual recovery from June.
- Aggregate revenues grew 57.5%, EBITDA grew 56.9% and PAT grew 128%. PAT ex BFSI grew by 200% while PAT ex Oil and Gas grew by 166%. Numbers optically look strong due to low base of 1Q21.
- Maximum beat from estimates was recorded in metals, Cement, Aviation, Infra and Travel and Tourism.
- Major Rating Upgrade: Tata Steel, L&T, Hero MotoCorp, RIL, LTI, Havells India, ABB, Bajaj Finance, Kotak Bank and PI Inds.
- Rating Downgrade: Lupin Labs, Aurobindo, Dalmia Bharat, JK Lakshmi, Polycab, Sumitomo, Ceat, Manappuram, Godrej Agrovet
- Major Estimates Upgrade – Sun Pharma, MGL, OIL, Tata Steel, PVR, WDL, Ambuja Cement, Ultratech, PI, Siemens, Cummins
- Estimate Downgrade – Ashok Leyland, Exide, Manappuram, Zee Entertainment, Lupin and Aurobindo.

	Revenue (Rs mn)			EBITDA (Rs mn)			PBT (Rs mn)			PAT (Rs mn)		
	Estimate	Actual	% Chng.	Estimate	Actual	% Chng.	Estimate	Actual	% Chng.	Estimate	Actual	% Chng.
Agri Chemicals	1,96,263	1,97,581	0.7%	39,091	34,982	-10.5%	27,701	22,088	-20.3%	20,457	19,318	-5.6%
Automobiles	13,61,470	14,12,798	3.8%	1,33,917	1,21,234	-9.5%	45,980	22,785	-50.4%	31,573	-9,070	-128.7%
Aviation	46,826	40,966	-12.5%	-10,292	-16,814	63.4%	-30,800	-40,519	31.6%	-30,800	-40,519	31.6%
Banks	9,14,471	9,01,122	-1.5%	6,78,930	7,01,286	3.3%				2,66,082	2,56,064	-3.8%
Capital Goods	5,18,197	4,78,950	-7.6%	36,296	38,943	7.3%	23,953	26,318	9.9%	14,548	14,160	-2.7%
Cement	2,77,455	2,74,769	-1.0%	68,866	72,348	5.1%	55,242	59,914	8.5%	39,334	42,454	7.9%
Consumer Durables	91,330	91,804	0.5%	9,736	8,719	-10.5%	6,888	8,211	19.2%	6,511	5,839	-10.3%
Consumer Staples	5,36,489	5,63,342	5.0%	1,20,280	1,18,090	-1.8%	1,14,383	1,09,212	-4.5%	85,426	81,694	-4.4%
Education	3,755	3,542	-5.7%	508	412	-18.9%	265	248	-6.6%	199	140	-29.6%
Financial Services	2,14,052	2,09,171	-2.3%	1,63,671	1,62,716	-0.6%				85,339	50,142	-41.2%
Information Tech.	15,12,134	15,25,744	0.9%	3,37,033	3,37,483	0.1%	3,20,992	3,21,348	0.1%	2,46,092	2,42,792	-1.3%
Infrastructure	86,393	1,03,576	19.9%	16,099	20,900	29.8%	3,757	8,193	118.1%	2,903	5,427	87.0%
Media	18,555	19,160	3.3%	2,130	1,921	-9.8%	-1,561	-2,358	51.1%	-905	-1,602	76.9%
Metals	12,97,498	16,51,012	27.2%	4,67,676	5,22,341	11.7%	3,93,056	4,22,670	7.5%	2,85,009	3,11,114	9.2%
Oil & Gas	43,29,508	41,11,607	-5.0%	4,61,112	4,76,703	3.4%	3,34,304	3,43,001	2.6%	2,48,926	2,59,794	4.4%
Pharmaceuticals	3,82,136	3,95,872	3.6%	89,192	90,673	1.7%	73,838	76,679	3.8%	59,348	52,581	-11.4%
Travel & Tourism	3,139	4,496	43.2%	657	1,244	89.3%	479	1,129	135.8%	359	851	136.8%
PL Universe	1,17,89,671	1,19,85,511	1.7%	26,14,903	26,93,181	3.0%	13,68,478	13,78,918	0.8%	13,60,401	12,91,177	-5.1%

Metals, Agri, Cement, Pharma nos much above 1Q20 levels

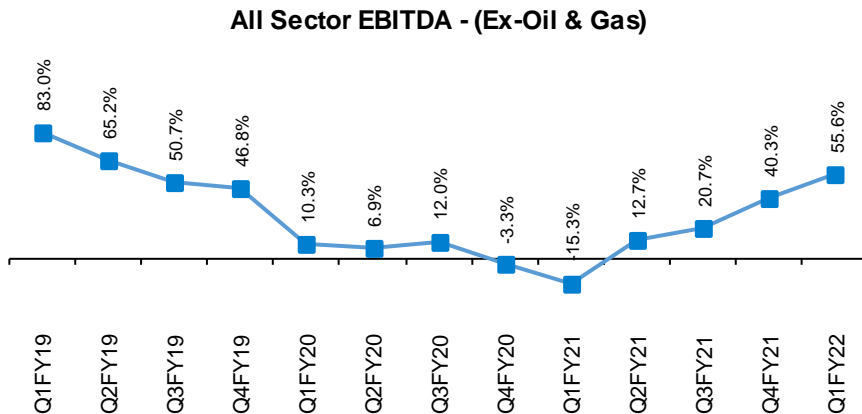
- 1Q FY22/FY20 sales, EBITDA and PAT grew by 5.9%, 25.2% and 29.6%. Metals, Cement, Agri, IT and Pharma reported 20-35% sales growth.
- Metals, Agri and Cement reported PAT growth of 229%, 104% and 67% during two years.
- Aviation, Education, Media and Travel remained impacted with 46-67% lower sales than 1Q20. Metals, Infra and Pharma have reported sharp margin expansion over past two year period.
- Discretionary categories like Auto, Consumer durables reported sales and PAT lower than 1Q20 levels.

	Revenue Growth (%)			EBITDA Growth (%)			EBITDA Margin (bps)			PBT (%)			PAT (%)		
	YoY	QoQ	Q1'22 v/s. Q1'20	YoY	QoQ	Q1'22 v/s. Q1'20	YoY	QoQ	Q1'22 v/s. Q1'20	YoY	QoQ	Q1'22 v/s. Q1'20	YoY	QoQ	Q1'22 v/s. Q1'20
Agri Chemicals	13.7	-8.8	25.9	3.3	-6.0	50.4	-180	54	288	2.1	-15.3	68.2	21.0	-48.1	104.3
Automobiles	125.4	-23.3	-3.8	5,226.3	-50.0	-6.7	822	-458	-27	-129.2	-84.2	-58.6	-90.4	-103.7	-133.2
Aviation	219.7	-49.4	-67.0	-2.0	-354.9	-150.4	9,280	-4,919	-6,790	13.1	163.9	-345.1	13.1	163.9	-400.6
Banks	9.0	2.9	30.0			38.2			463				57.2	4.8	65.0
Capital Goods	38.5	-40.9	-7.6	231.5	-56.4	-17.2	473	-290	-94	-2,624.8	-67.4	-34.1	-597.0	-71.5	-40.5
Cement	49.2	-14.6	23.3	52.1	-8.7	29.3	50	172	122	75.2	-5.6	59.6	79.9	-46.4	67.3
Consumer Durables	57.8	-29.6	-16.9	115.1	-48.6	-25.7	253	-351	-113	151.2	-48.7	-24.1	146.9	-50.2	-17.1
Consumer Staples	34.6	-13.0	4.1	39.1	-15.3	-8.9	67	-57	-299	35.1	-18.2	-12.7	36.6	-19.7	-3.4
Education	-10.6	-25.2	-58.6	-48.3	-73.3	-79.6	-848	-2,091	-1,190	-58.0	-81.8	-86.3	-65.3	-90.9	-87.3
Financial Services	12.7	-4.9	19.6			10.7			-626				-33.0	-37.2	-35.0
Information Tech.	18.2	3.6	21.8	22.3	-0.1	35.1	73	-83	218	25.5	3.1	28.3	27.4	-28.1	28.1
Infrastructure	77.1	-3.2	-0.3	75.9	-1.3	-6.3	-14	38	-129	716.6	-3.8	-16.9	716.6	-3.8	-7.7
Media	39.3	-19.5	-46.5	99.7	-61.4	-83.2	303	-1,087	-2,190	-47.7	-326.2	-128.3	-23.0	130.2	-130.8
Metals	98.0	-0.4	35.0	479.1	5.0	114.5	2,082	163	1,172	-7,033.8	5.9	181.9	-1,439.6	6.8	229.6
Oil & Gas	83.5	-1.0	-5.4	63.9	-5.6	1.5	-138	-56	79	117.6	-14.4	0.6	45.1	-39.1	9.7
Pharmaceuticals	17.5	9.1	20.2	21.6	19.3	39.0	76	196	310	25.2	30.4	51.1	221.7	19.8	37.7
Travel & Tourism	161.9	-22.7	-56.1	-225.4	-16.8	-45.6	-	-	535	-216.7	-17.9	-47.3	-212.0	-43.1	-45.4
PL Universe	57.5	-7.3	5.9	56.9	-8.2	25.2	-8	-21	346	181.5	-15.5	24.0	128.1	-33.4	29.6
PL Universe (Ex-BFSI)	64.8	-8.1	4.0	100.7	-11.0	22.2	301	-55	250	181.5	-15.5	24.0	200.1	-39.0	29.0
PL Universe (Ex-Oil & Gas)	46.6	-10.3	12.9	55.5	-8.7	31.8	161	48	403	211.8	-15.9	34.3	166.5	-31.8	35.8

Metals/ Cement lead profit recovery

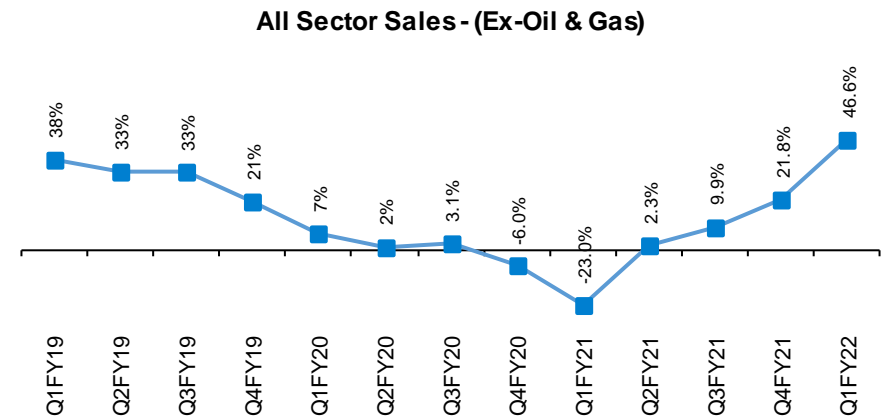
- Ex O&G sales increased by 46.6% for our universe even as discretionary segments remained under cloud.
- EBIDTA increased by 55.6% as operating leverage and strong show by Metals, cement and Agri boosted margins, despite input cost led margin pressure in most other sectors.
- Aggregate PAT increased by 166% due to low base and strong show by above mentioned sectors.

EBIDTA (Ex O&G) up 12.6%



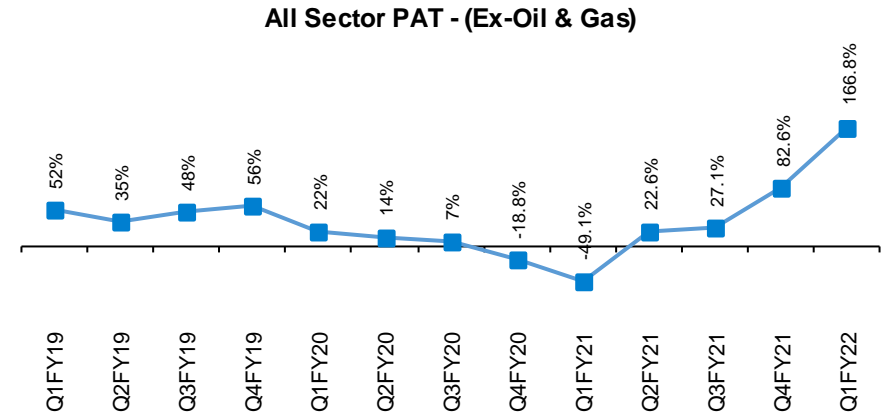
Source: Company, PL

Sales Ex Oil and Gas in Positive territory



Source: Company, PL

PAT Ex O&G up by 21.4% on strong margin expansion



Source: Company, PL

Covid-19- Vaccination picks speed, Oct/Nov hold key to 3rd wave

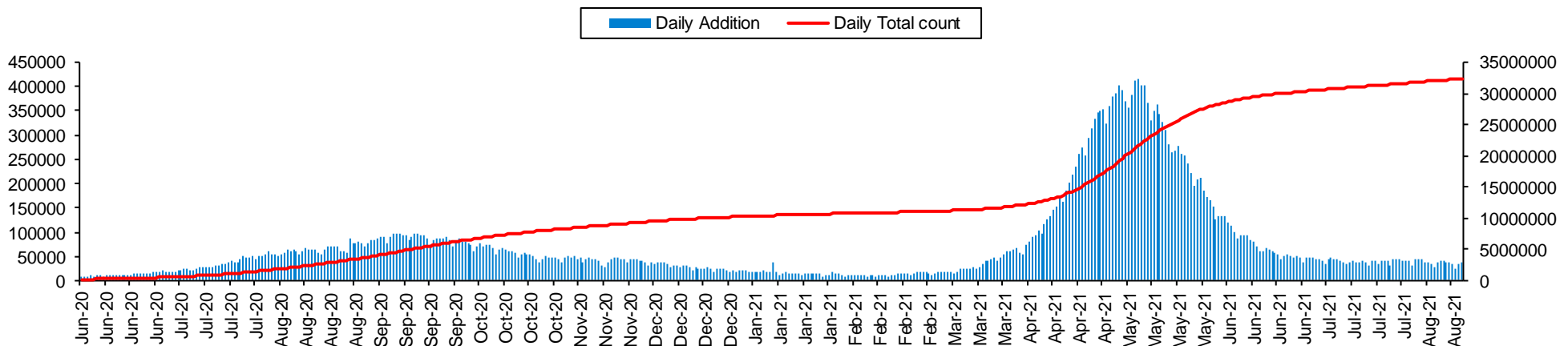
- 2nd wave in India has more or less stabilised with Daily average cases in August and July and August is ~37-38k. However globally the menace of third wave continues in UK, USA, Russia, Australia etc.
- vaccination is picking up considerably in India with ~588mn having being administered at least one doze out of total eligible population of ~850-900mn in the age bracket >18 years.
- At the current rate of 5-6mn dozes/day, 90% of the eligible population would be vaccinated by the end of Sept/middle of October, which will reduce the severity of a potential third covid wave in India.
- We would watch out for the trend in October Nov 2021 as festival season results in much more movement of people and increases chances of a strong third wave of Covid.

COVID 19 cases on the rise again in February

City	Monthly Additions			Cumulative till date Aug	Peak Daily Cases		
	May	Jun	July		May	Jun	July
Mumbai	56,817	16,934	12,557	741,389	3987	985	673
Pune	173,892	37,903	34,329	1,110,897	11,669	1,820	1,798
Delhi	276,907	7,948	2,077	1,437,334	25,219	623	94
Bengaluru	406,489	50,330	13,780	1,235,306	23,706	4,095	715
Chennai	170,689	28,027	5,623	542,729	7,772	2,435	273
Kolkata	103989	12,645	2,368	312,805	3,990	1,040	137

Source: Worldmeters , PL

Daily cases have been stabilized at ~37k since July



Source: PL

2H recovery hinges on 3rd wave of Covid19, if any

Negatives

- **3rd covid wave:-** rising incidence of Delta variant in 3rd wave of covid poses threat to demand and recovery during Oct/Nov2021. US, Russia, UK, Australia etc are facing the third wave of Covid
- Rising covid cases in China is disrupting global supply chains which can impair recovery in the near term and lead to increase in prices of components and select commodities
- Reduction in bond buying by Federal reserve USA can impact liquidity and capital flows in emerging markets
- Rising possibility of repo rate increase in FY23 poses risk to liquidity and market sentiments

Positives

- Growth push in Budget, PLI, rising capex in Steel, Chemicals, Pharma, components, cement etc. can start a multi year capex cycle
- PSU Disinvestment and sale of non core assets can fetch Rs6000bn which will go a long way in pushing up infra spends and growth in the economy
- Bottomed out corporate profit and credit cycle while corporate and bank balance sheets are healthy, a case not seen in last 10 years
- Reasonable monsoons, low interest rates and change in post covid consumption and living pattern will drive strong consumer demand

3rd wave has hit US, Russia, UK etc. hard; vaccinations have seen significant pick up in India

Covid Cases/Day	1st Wave peak	2nd wave peak	3rd Wave	Recent Low	Latest	X recent low	% of population	
							Given 1 dose	Fully vaccinated
Russia	11600	30000	25700	8200	21058	2.6	29	23
UK	7846	33000	67775	1700	36572	21.5	71	61
Argentina	18600	41000	24000	8100	10500	1.3	60	23
Indonesia	14000	56700		2300	22000	9.6	20	11
South Africa	14000	21980	26500	1275	13500	10.6	13	7.7
Bangladesh	4000	7600	16000	350	6500	18.6	9.8	3.6
France	6887	83000	57000	1500	24000	16.0	70	54
Italy	6554	41200	27000	480	7260	15.1	68	58
Germany	6800	31500	32500	350	8300	23.7	64	58
Australia	528	750	747	10	747	74.7	40	22
USA	77000	305000	162000	11000	162000	14.7	60	51
India	97000	414000		29000	37000	1.3	32	9.1

Source: Worldometers, PL

Rs6tn NMP (FY22-25) to accelerate NIP spends

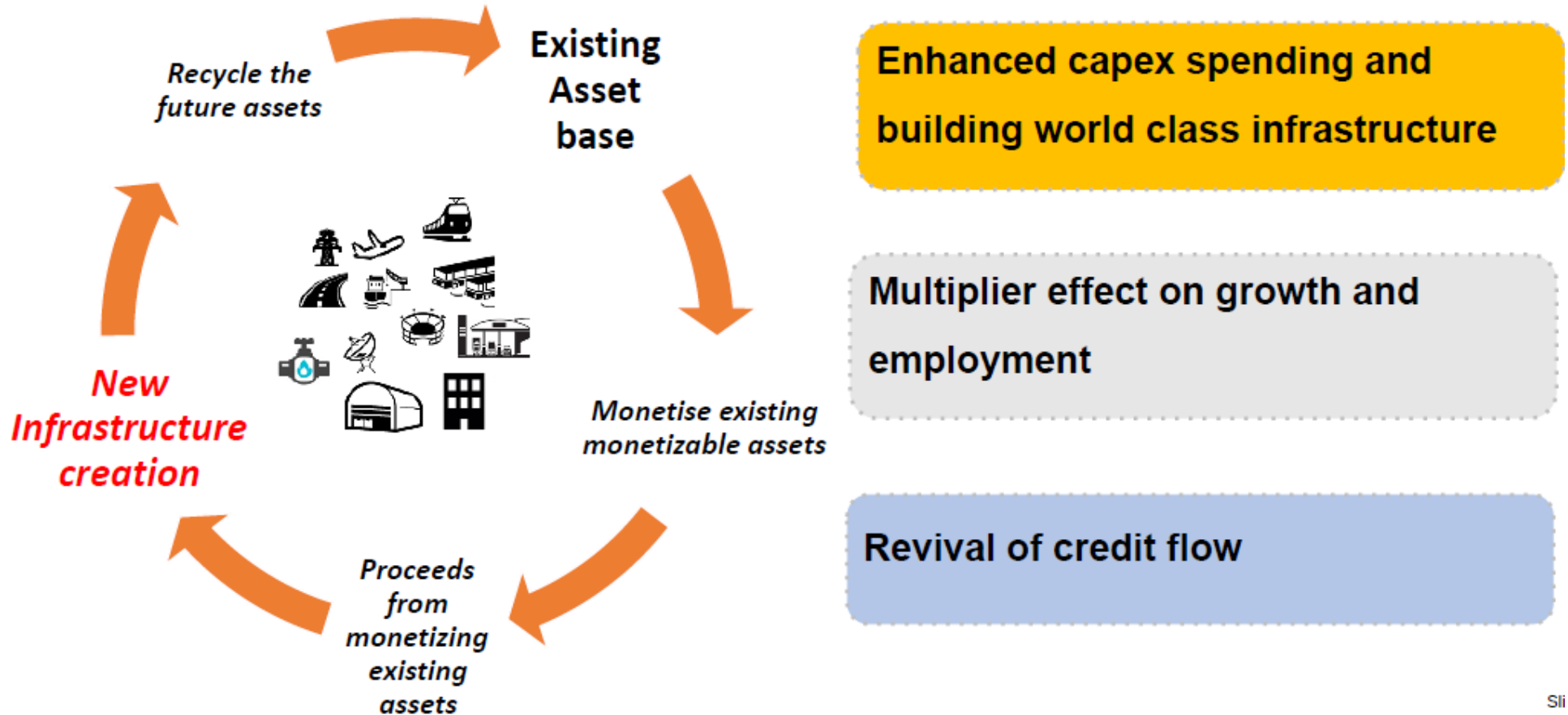
- GOI has launched NMP for monetization of central governments/CPSE's, core infra assets, worth Rs6tn (~14% of Centre's outlay under NIP). The asset monetization will act as finance mechanism for building world-class infrastructure in India. Further policy emphasizes that ownership of assets remains with government and need to mandatorily hand back of asset at end of contract. Monetization will take place under two model 1) Brownfield Public Private Partnership (PPP) model like Operate maintain transfer (OMT), Toll Operate Transfer (ToT), etc. and 2) Structured finance vehicle like InvITs and REITs.
- Roads (Rs1.6tn), Railway(Rs1.5tn) and Power (Rs0.9tn) are among top sector in value terms to be monetized of 20+ asset class. We believe asset monetization will act as financing tool for government and boost spending in infrastructure, resulting in huge opportunity for players in Infrastructure and capital goods sectors.

NMP to raise Rs6trln by FY25

Sectors (Rs bn)	FY22	FY23	FY24	FY25	Total
Roads	300	329	440	534	1,602
Power Transmission	77	75	150	150	452
Power Generation	28	78	117	176	398
Railways	178	572	449	326	1,525
Pipeline (Natural Gas)	67	47	62	69	245
Pipeline (Others)					
Petroleum Product	27	19	42	42	129
LPG Pipeline	-	0	2	2	4
Hydrogen Generation Plant	6	6	-	-	12
ESG	20	20	20	20	80
Warehousing Assets	58	87	87	58	289
Telecom					
Bharatnet Fiber	-	158	105	-	263
BSNL & MTNL tower assets	-	44	44	-	88
Shipping	14	36	44	35	128
Aviation	57	73	40	38	208
Coal Mining	-	-	-	-	287
Mineral Mining					NA
Sports Assets	-	-	-	-	115
Urban Real Estate	-	-	-	-	150

Source: GoI, PL

Asset Monetisation creates a virtuous cycle



Sli

Pipeline of GoI assets : Rs 6.0 lakh cr over FY'22-25

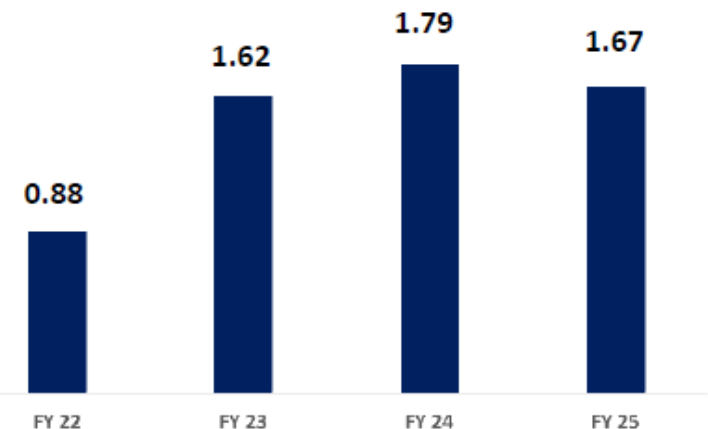
~14% of Centre's outlay under NIP

- **12** line ministries / departments;
- **20+** asset classes;

Top 3 sectors by value:

- Roads
- Railways
- Power

Total NMP Value
~ Rs. 6.0 lakh crore

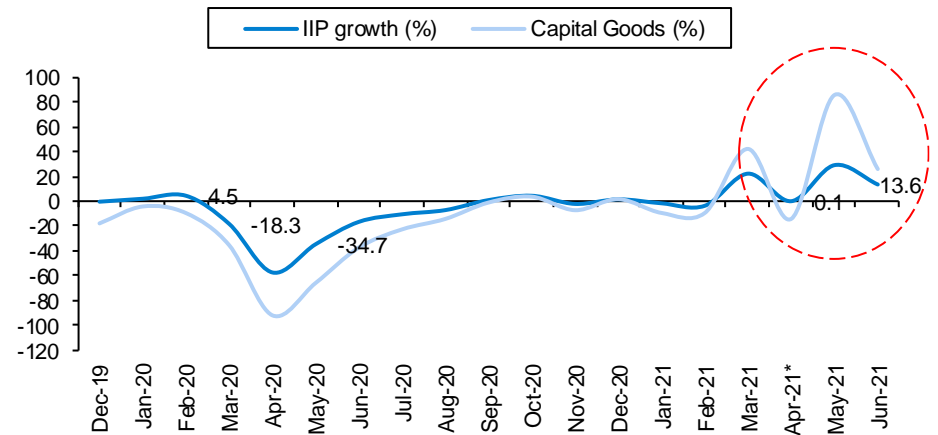


Year on Year Phasing (Rs lac cr)

Capex cycle revival looks a distinct possibility in 2H22

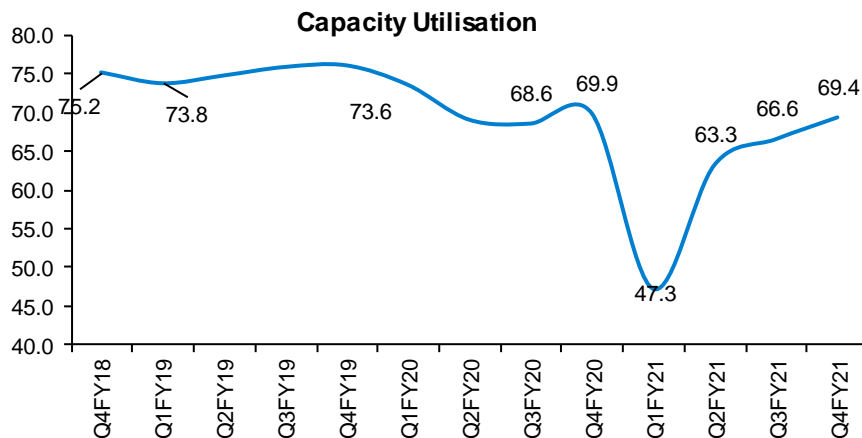
- June'21 witnessed sharp revival as **Industrial production (IIP) improved to 13.6% YoY growth as economic activity picked up** and lockdown restriction were eased. Further, capital good sectors witness signs of revival as projects execution ramped up led by increase in labour availability and higher utilization aided by government capex and supply side issues being addressed.
- Capacity utilization has reached 90-95% precovid levels** as supply chain and labour availability reach normalcy. 2H is expected to remain strong as utilization is expected to bounce back to precovid levels with improvement in project site execution work.
- 1Q saw a healthy ordering activity across sector from both-domestic and international markets. **Tender pipeline remains robust and order conversion is expected to accelerate from 2H22.**

IIP contracted at slower pace, Capital Goods sector gradually picking-up



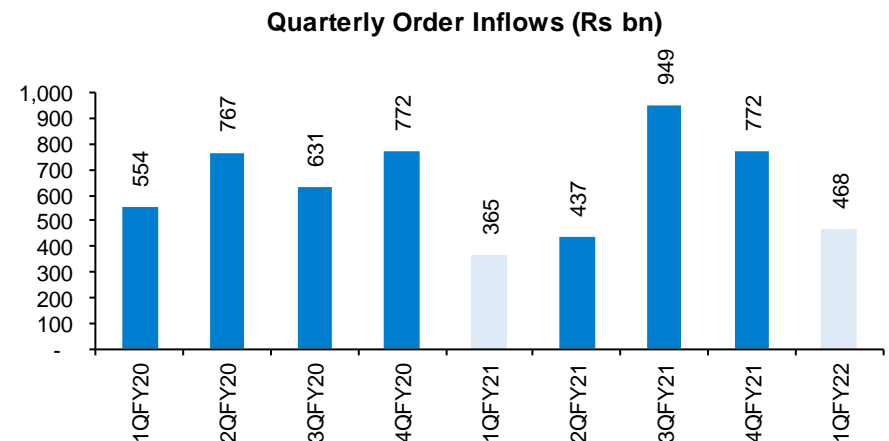
Source: Ministry of Commerce, PL

Capacity Utilization for most companies stands at pre-covid levels



Source: Company, PL

Aggregate order Inflow came in at Rs992bn for 3Q

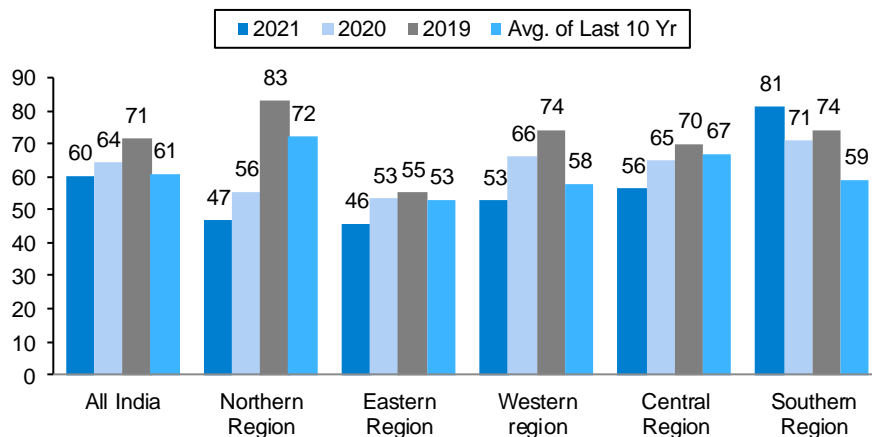


Source: Company, PL

Patchy Rainfall so far, Skymet predicts below normal Monsoons

- Monsoon till date stands at 6% below LPA. The spatial distribution of rainfall has also been adverse with 2 dry spells impacting agricultural activity. This has also impacted the reservoir levels. Storage levels are lower than last year & avg. of 10 years in all regions except South.
- Skymet has indicated 60% probability of monsoon being 94% of LPA which is below normal. It is also indicating risk of deficient rainfall /drought in Rajasthan, Gujarat, Odisha, Kerala and North East.
- With recovery in rainfall since 11th July, sowing activity has picked up but patchy rainfall may negatively impact crop yields thus firming up Agri produce prices further. Patchy rainfall may impact the demand for Agri inputs as well.

Reservoirs of only Southern region have water higher than last year



Source: GoI, PL

Rainfall has improved in the last 1 month but is worst in the last 3 years

Meteorological Sub-Divisions	10-Aug-16	09-Aug-17	08-Aug-18	14-Aug-19	12-Aug-20	11-Aug-21
North East						
Arunachal Pradesh	-5	-16	-36	-7	11	-35
Assam & Meghalaya	-29	-19	-32	-10	18	-22
Naga, Mani, Mizo and Tripura	-29	8	-25	-19	-29	-32
East						
Gangetic West Bengal	-2	12	-8	-38	-9	29
Odisha	-8	-2	6	0	-14	-29
Jharkhand	-19	11	-24	-32	-15	7
Bihar	-13	-5	-15	-9	39	18
North						
East UP	-7	-13	-8	-13	10	5
West UP	8	-27	-1	-27	-30	-10
Uttarakhand	9	6	-8	-29	-13	0
NCR	-20	-15	-12	-33	-10	30
Punjab	-22	-7	-8	-15	-9	-13
Himachal Pradesh	-18	-2	-8	-23	-31	-13
West Rajasthan	30	93	-10	-6	-8	-9
East Rajasthan	57	19	-3	28	-25	22
Central India						
West MP	47	-11	-8	30	-11	23
East MP	29	-13	-10	-8	-12	-6
Chattisgarh	2	-6	-8	1	-4	-11
Western India						
Gujarat	-19	35	-15	22	-31	-44
Saurashtra	-10	44	-26	23	53	-47
Konkan & Goa	26	-3	12	43	15	20
Marathwada	22	-29	-18	-20	32	12
Vidarbha	25	-26	-5	3	-13	-12
Madhya Maharashtra	31	7	1	70	15	9
South India						
Coastal Andhra	7	13	2	-3	23	1
Telangana	9	-14	10	-1	18	28
Rayalaseema	37	-12	-41	-36	109	61
TN	14	3	-8	-14	61	37
Coastal Karnataka	-16	-21	-3	10	5	-15
North Karnataka	20	-20	-24	40	46	33
South Karnataka	-1	-35	-1	21	20	13
Kerala	-27	-27	15	0	1	-26
All India Actual TILL DATE						
	3	-3	-10	1	1	-6
IMD Forecast for ENTIRE MONSOON						
	-2	-7	-7	6	-5	0

Large Excess (+60% or More)	Excess (+20% to +59%)
Normal (+19% to -19%)	Deficient (-20% to -59%)
Large Deficient (-60% to -99%)	

Source: IMD, PL

Higher Input costs, Monsoons raise food Inflation worry?

- Raw material prices for agri-inputs have been on an upward trajectory for the last 1 year. Prices of key fertiliser raw materials have nearly doubled and are still rising. Industry is finding it difficult to pass it on as the GoI has asked the industry to maintain the prices at lower levels post increase in Phosphate subsidy. This is making imports a loss making proposition and hence creating some sort of supply constraints amidst stable demand.
- Prices of pulses, Cotton and Coarse cereals are up YoY on concerns of lower yields due to patchy rainfall. Soyabean prices have more than doubled due to supply shortages both in India and globally. Vegetable prices continue to be volatile and are showing mixed trends.
- Patchy rainfall and increase in inputs pose a risk to near to medium term inflation expectations, we note that food inflation has softened to 4% during last month, a sharp decline of 110bps.

Raw material prices are on upward trajectory

Fertiliser (USD/tn)	Jul-21	Jul-20	YoY gr.	Jun-21	QoQ gr.
Urea	432	220	96.4%	430	0.5%
DAP	660	313	110.9%	650	1.5%
Phosphoric Acid	1160	615	88.6%	998	16.2%
Rock Phosphate	135	80	68.8%	135	0.0%
Ammonia	630	230	173.9%	610	3.3%
Sulphur	178	63	182.5%	180	-1.1%

Source: GoI

Pulses and Coarse Cereals prices up significantly YoY

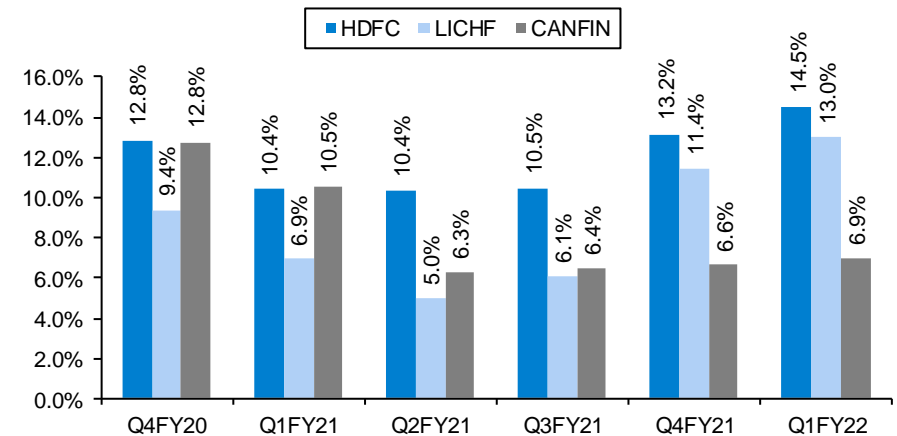
Crop (Rs/Qtl)	Jul-21	Jul-20	YoY gr.	Jun-21	QoQ gr.
Pulses					
Green Gram Moong	8,288	8,745	-5.2%	9,151	-9.4%
Black Gram Urd beans	6,175	5,408	14.2%	6,378	-3.2%
Arhar (Tur)	9,032	8,323	8.5%	9,116	-0.9%
Cotton	6,628	4,687	41.4%	6,202	6.9%
Soyabean	7,730	3,573	116.3%	6,713	15.1%
Coarse Cereals					
Maize	1,673	1,328	26.0%	1,581	5.8%
Bajra	1,350	895	50.8%	1,282	5.3%
Jowar	2,203	2,320	-5.0%	2,353	-6.4%
Paddy	1,666	1,728	-3.6%	1,678	-0.8%
Wheat	1,778	1,836	-3.2%	1,894	-6.1%
Vegetables					
Onion	1,553	735	111.3%	1,584	-1.9%
Tomato	1,198	2,338	-48.8%	946	26.6%
Potato	990	1,932	-48.8%	1,005	-1.5%
Cucumber	1,030	993	3.7%	1,370	-24.8%
Spices					
Turmeric	6,771	5,233	29.4%	7,423	-8.8%
Red Chilly	7,671	13,009	-41.0%	8,743	-12.3%

Source: GoI

High Frequency indicators are on track

- Our channel checks and Industry data from companies in Cement, Paints, Building materials and HFC disbursements suggest sustained recovery in 1Q22 despite 2nd covid wave impact. Current year is witnessing strong demand from Metros and Tier 1 cities.
- Affordability Index of HDFC suggests that the combination of low interest rates, tax benefits, attractive developer schemes and low property prices have increased disbursement growth for leading HFC's.
- We believe sustained real estate and Infra spends have the potential to start a multi year growth cycle which will boost demand for labour and inputs like steel, cement, electrical, tiles, sanitary ware, pipes, Adhesives etc. in coming years
- We note that consumer demand, consumption of power, steel, cement, petrol, air tickets etc. indicate strong bounce back in demand. We would watch out for its sustenance in festival season and beyond.

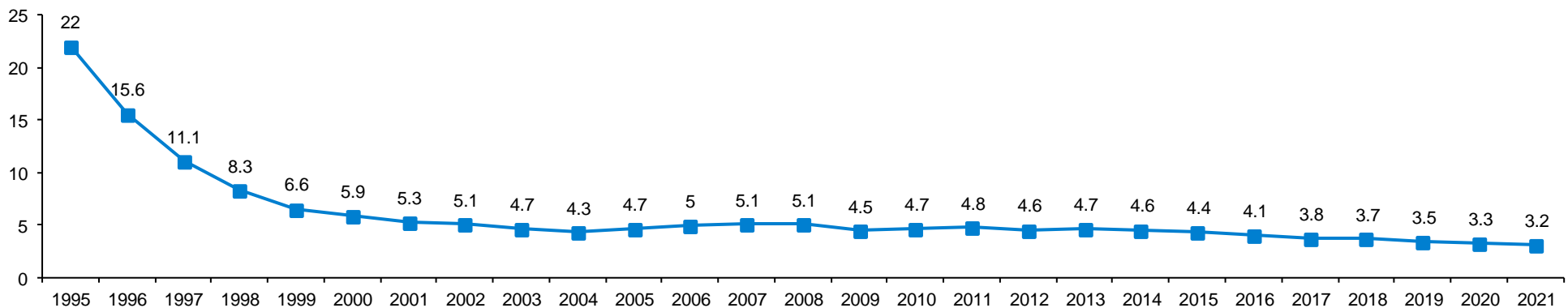
Focus on individual home loans during pandemic quarters



Source: Company, PL

Property affordability index improving (Property value/ Annual Income) after little change between 2004 -2015 – positive for Housing demand

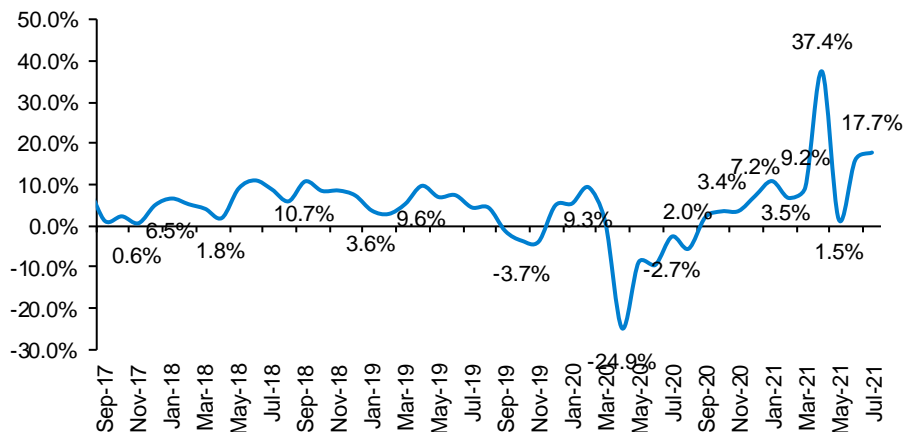
Affordability Index



Source: Company, PL

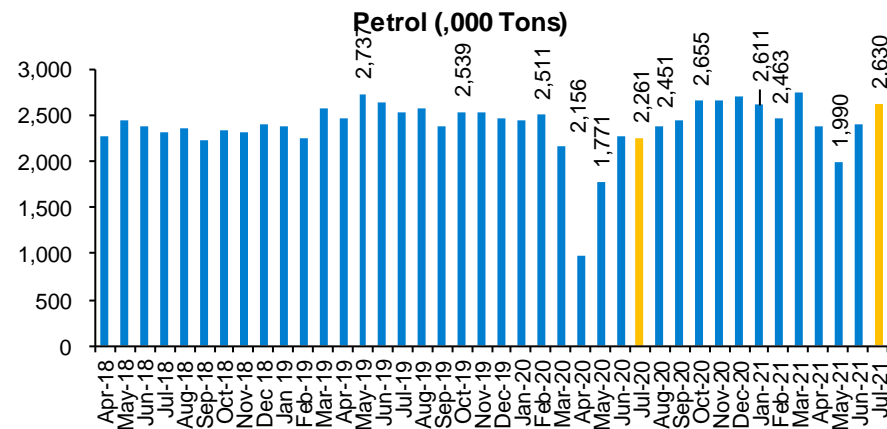
Economic Parameters indicate post May bounce back

Peak Power demand up 17.7% YoY in July, post a poor May



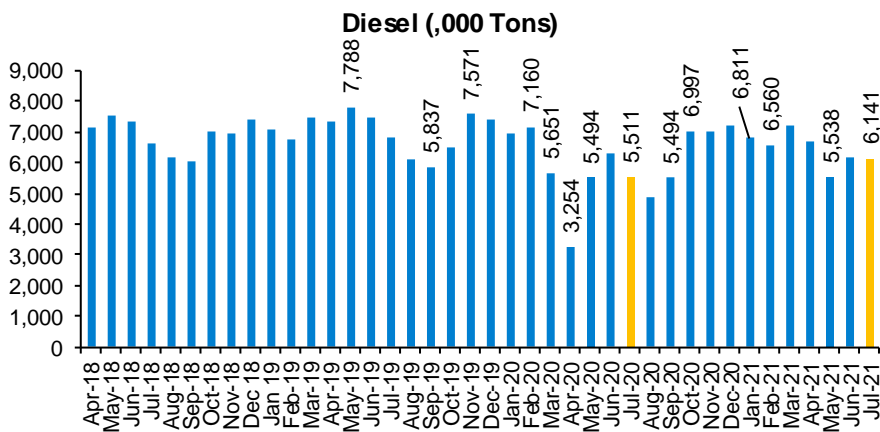
Source: CEA, PL Research

Petrol: July demand higher than Pre covid, just 4% lower than all time high



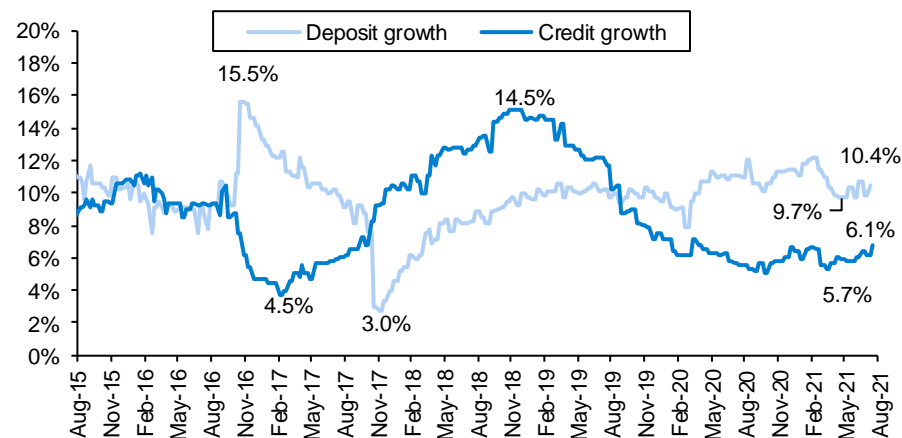
Source: PPAC, PL

July Diesel sales are still down 22% from all time high levels



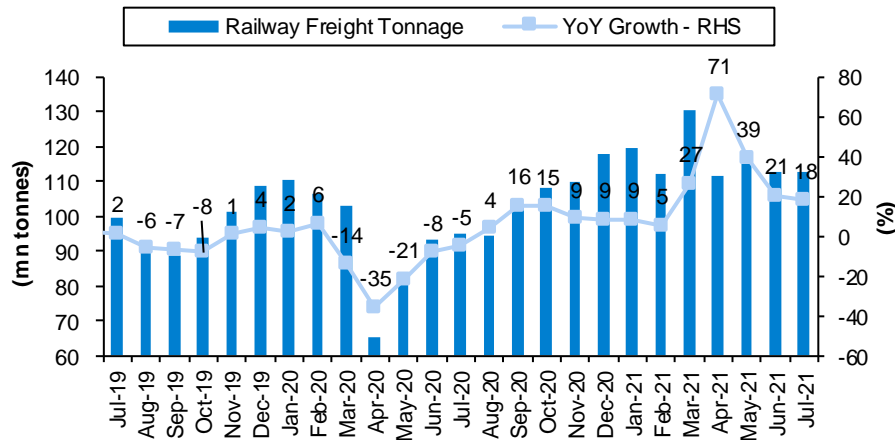
Source: PPAC, PL

Deposit growth is steady, muted credit growth to sustain



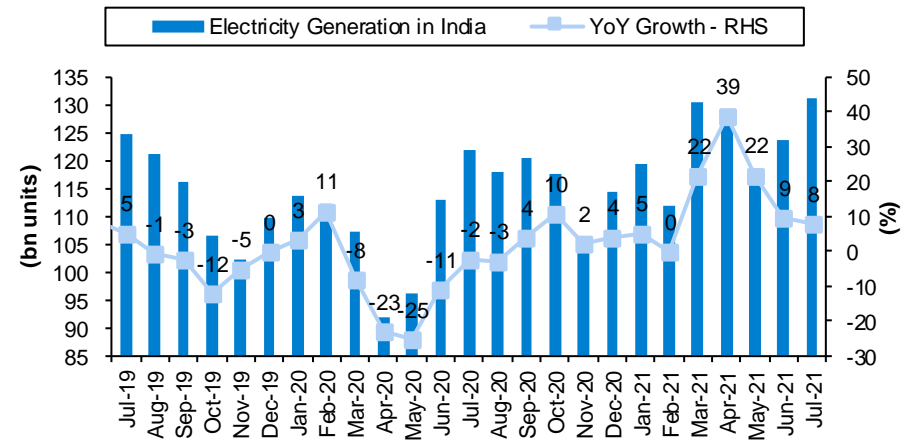
Source: RBI, PL

Railway haulage all time high in March, current levels 5% lower



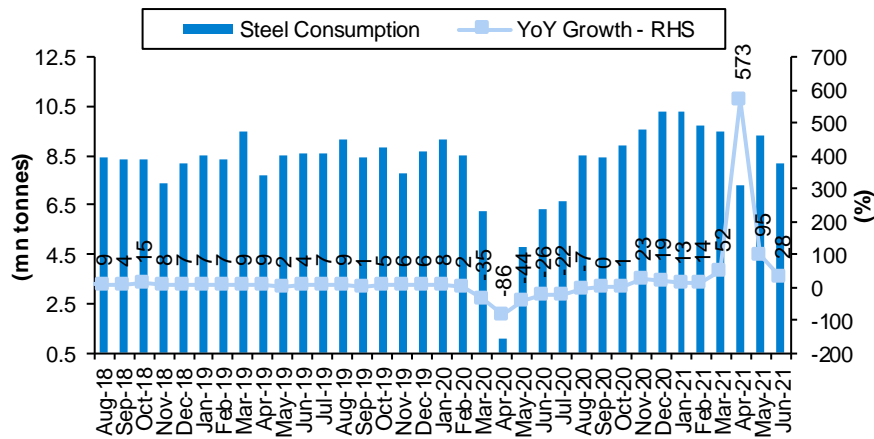
Source: Indian Railway, PL

July electricity generation at all time high, up 8% YoY



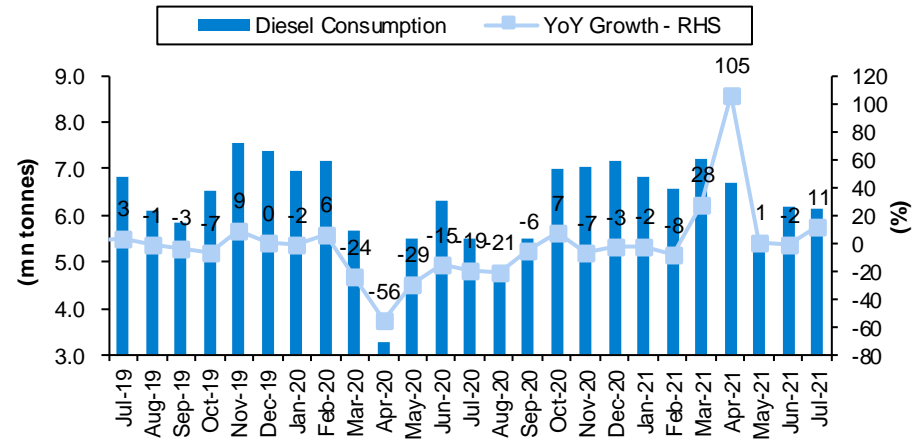
Source: CEA, PL

Steel Consumption still below, peak and pre covid levels



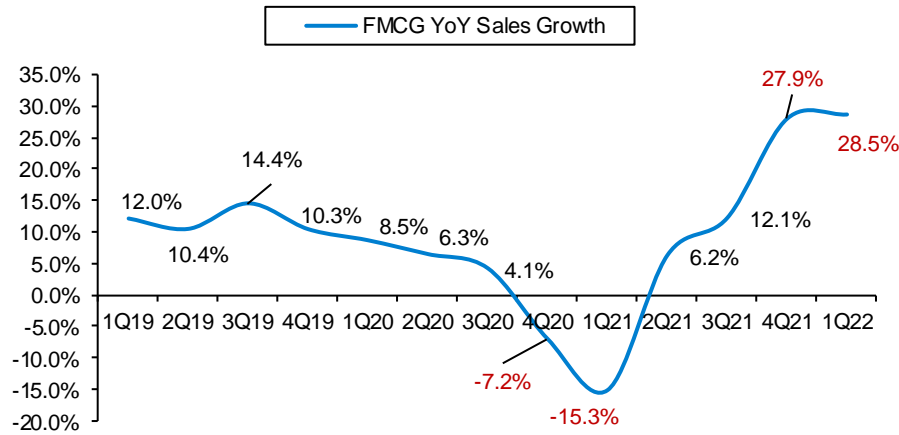
Source: JPC, PL

Diesel consumption remains below pre covid levels



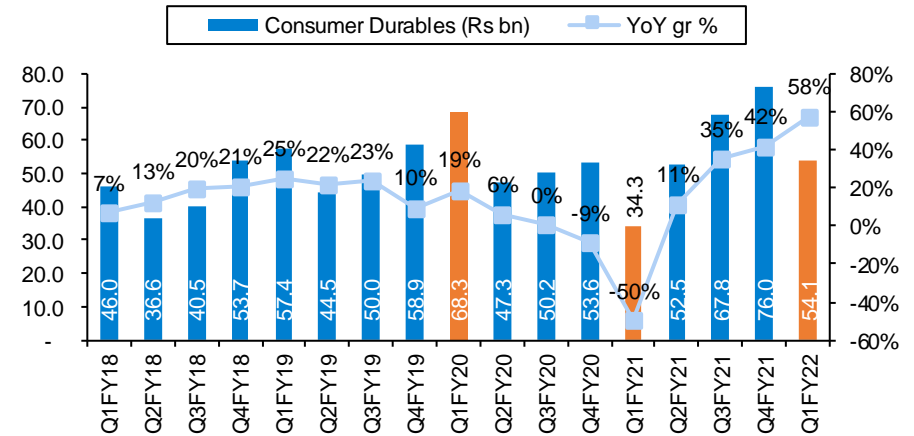
Source: PPCA, PL

Consumer Universe sales up 28.5% YoY and 8.8% over 1QFY20



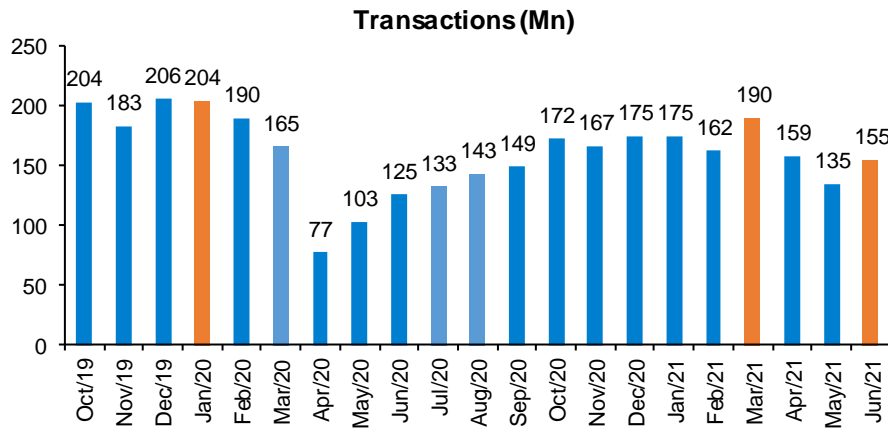
Source: Company, PL

B2C sales powering rebound in durables, lower 20.8% than 1QFY20



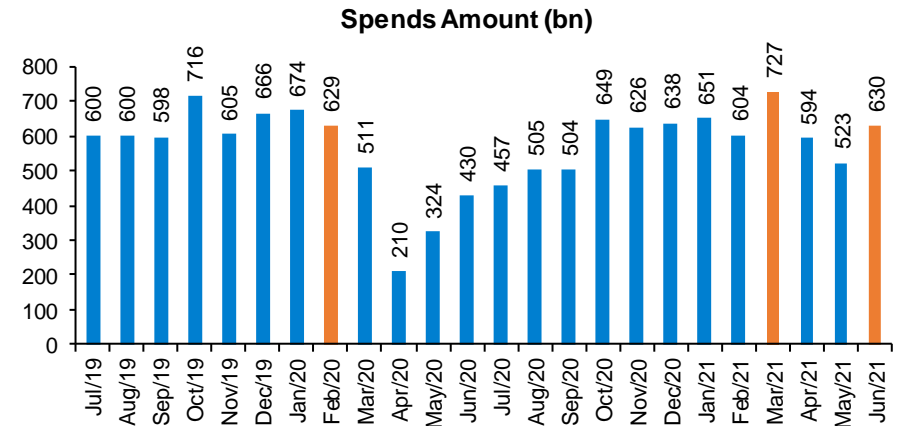
Source: Company, PL

Credit card transactions are 19% and 25% lower than March21/ Feb20 Level



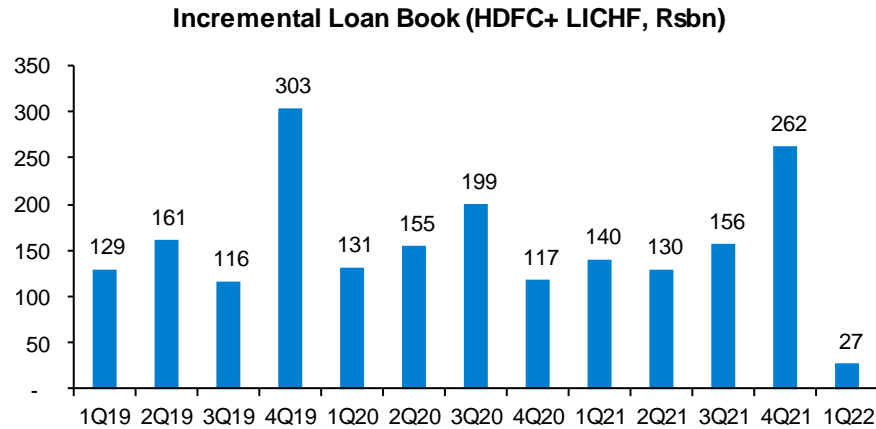
Source: RBI, PL

June Credit card spends at Feb 20 levels, 12% lower than March21



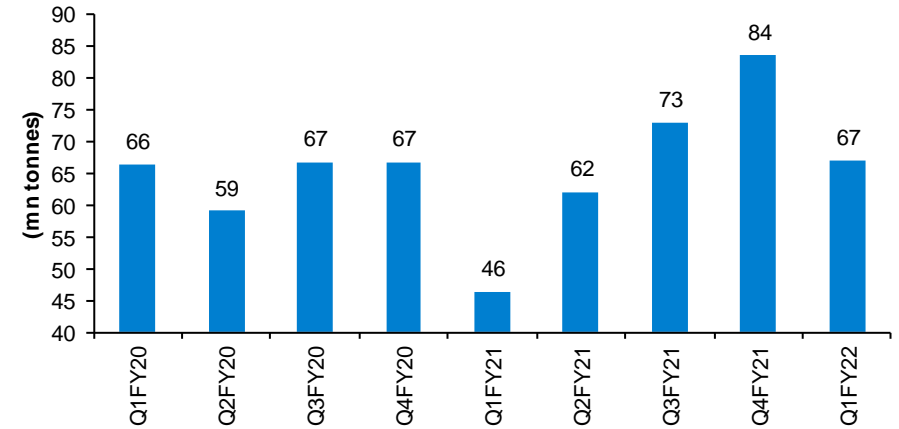
Source: RBI, PL

Incremental HFC loans up 20% QoQ



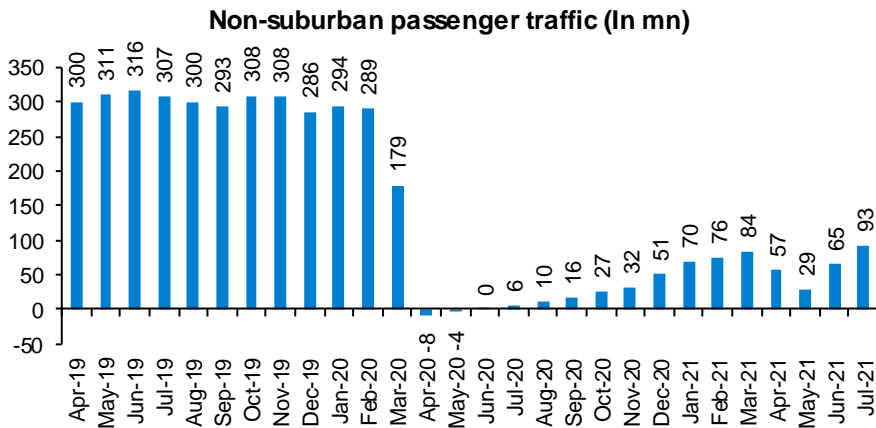
Source: Company, PL

Cement Volumes reach Precovid levels in 1Q, despite 2nd wave



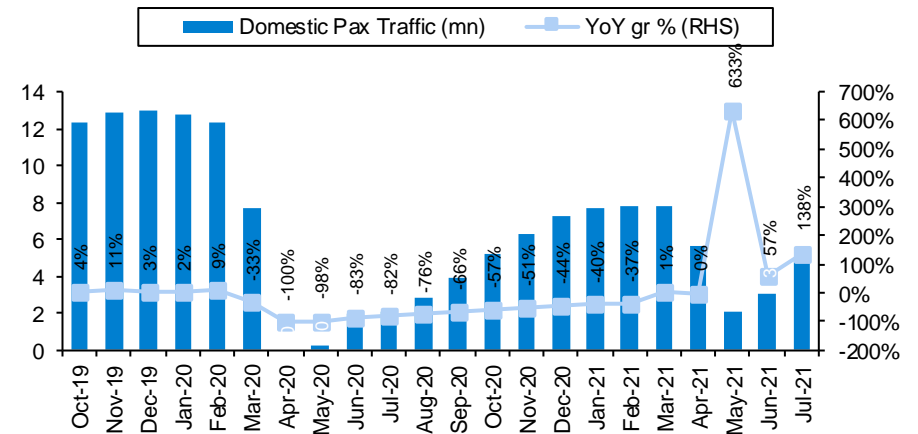
Source: Industry, PL

Train Traffic improving, but just 30% of earlier levels



Source: Industry, PL

Air Traffic in for steady recovery

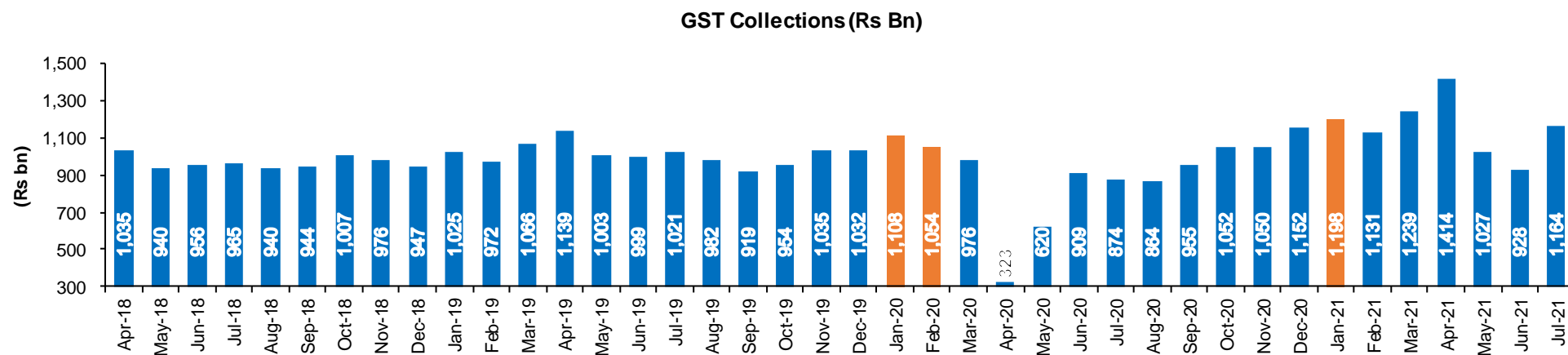


Source: Industry, PL

Jan GST collections up 33% YoY, ~18% lower than April21 levels

- July GST collections at Rs1164bn increased by 33% YoY and 25% MoM. FY21YTD GST collections are up 66% to Rs4533bn as lockdown restrictions were eased gradually.
- The impact of 2nd wave has been far less on account of 1) state wise and as localized lock downs 2) businesses were better prepared to handle second wave and supply chains were operational.
- July Compensation cess has increase by just 7% YoY and is still 17.5/16% lower than April21 levels to Rs78bn on sustained pressures in Cigarettes and production loss in Auto Industry due to component and semi conductor shortages.
- GST collections have seen strong rebound with uptick in economic activity. FY22 Budget expects 22% growth in GST, we estimate that the residual growth is 12% which seems a easy task as of now. can be easily crossed if the 3rd wave is weak and demand momentum is sustained.
- We would keenly watch out for 3rd wave and festival season demand in Sept-Dec2021, a good festival season and goods availability amidst Global supply chain disruptions remains a key risk in our view.

GST Collections improve 33% YoY; 25% MoM as lower restrictions revive demand

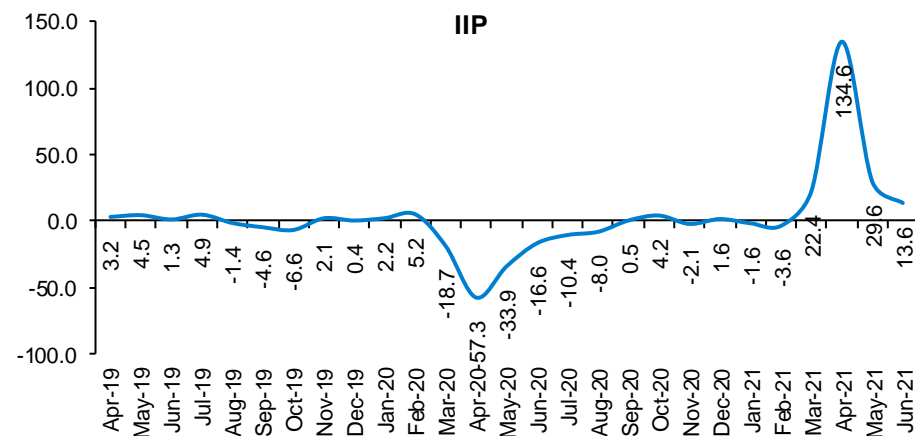


Source: GOI, PL

IIP shows sharp improvement on a low base

- **IIP remains in positive zone:** Industrial output grew 13.6% YoY on a negative base of last year.
- 1.6% growth in Manufacturing and 5.1% in electricity was positive even as Mining declined 4.8%.
- Consumer durables and Non durables grew by 30.1% and -4.5%.
- Capital goods grew by 25.7% while Infra/Construction grew 19.1% all on a negative base of last year as post Covid construction activity continues to gather steam.
- Basic and Intermediate goods grew 12% and 22.6% while general goods grew by 13.6%.

IIP grows by 1% in Dec20 with electricity growing by 5.1%



Source: Ministry of Commerce, PL

Broad based growth in June on opening up, consumer non durables de-grow on a high base

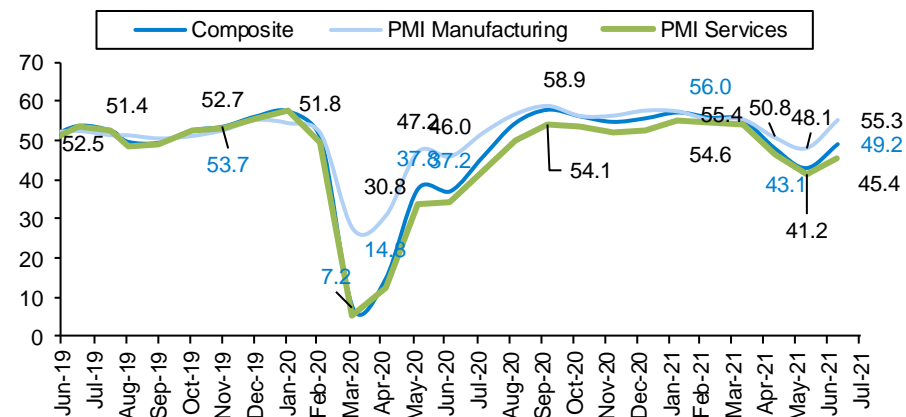
	Jun'20	Jul'20	Aug'20	Sep'20	Oct'20	Nov'20	Dec'20	Jan'21	Feb'21	Mar'21	Apr'21	May'21	Jun'21
General	-15.8	-10.4	-8.0	0.5	4.2	-2.1	1.0	-1.6	-3.6	22.4	134.6	29.6	13.6
Mining	-19.6	-13.0	-9.8	1.4	-1.3	-6.7	-4.8	-3.7	-5.5	6.1	36.3	23.4	23.1
Manufacturing	-16.0	-11.1	-8.6	-0.2	4.1	-2.0	1.6	-2.0	-3.9	25.8	197.9	34.8	13.0
Electricity	-10.0	-2.5	-1.8	4.9	11.2	3.5	5.1	5.5	0.1	22.5	38.5	7.5	8.3
Use-Based													
Basic goods	-14.5	-10.9	-11.1	-1.5	-3.4	-2.3	-0.3	0.2	-4.5	7.7	36.8	15.9	12.0
Intermediate goods	-23.0	-12.5	-6.8	-1.0	2.1	-2.6	0.4	0.5	-5.2	21.2	212.3	57.6	22.6
Capital goods	-37.4	-22.8	-15.4	-1.3	3.5	-7.4	0.6	-9.6	-4.1	41.9	1042.9	74.3	25.7
Infra/Construction Goods	-18.8	-10.6	-2.3	2.5	9.9	1.7	0.9	0.3	-2.1	31.2	596.1	49.7	19.1
Consumer Durables	-34.3	-23.6	-10.3	3.4	18.0	-3.4	4.9	-0.2	6.5	54.9	1880.0	86.3	30.1
Consumer Non-durables	14.3	6.7	-3.3	2.4	7.1	-1.3	2.0	-6.8	-4.1	27.5	94.9	3.0	-4.5

Source: MOSPI, PL

Sentiment improvement expected to be very gradual process

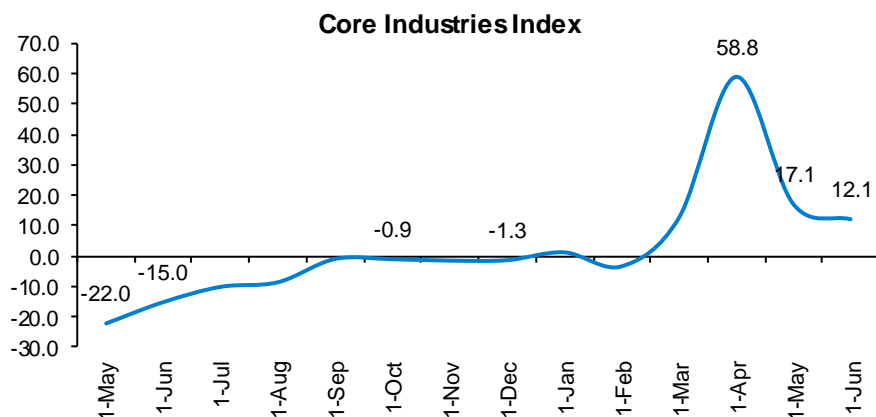
- Core Industries index grew on a low base of -15% last June led by Natural Gas, Steel and electricity which grew by 20.7%, 25% and 8.3%, coal grew by 7.5%. Crude oil, Oil Refineries, cement and Fertilizers were a drag.
- Composite PMI** at 49.2 showed both YoY and MoM improvement, although it remained significantly lower than 54.6-58 band reached between Sept20 to April21. Manufacturing PMI increased to 55.3, just 360bps lower than last Oct peak of 58.9. PMI services increased to 45.4, although it remained 870bps lower than Oct20 level of 54.1.
- Consumer sentiments are showing muted signs of revival with an increase to 48.6, it is no where closer to Pre covid and even last festival season levels. Future Expectations Index improved to 105, although it is 10% lower than last festival season and pre covid levels indicating delayed recovery.

PMI continues to show steady improvement



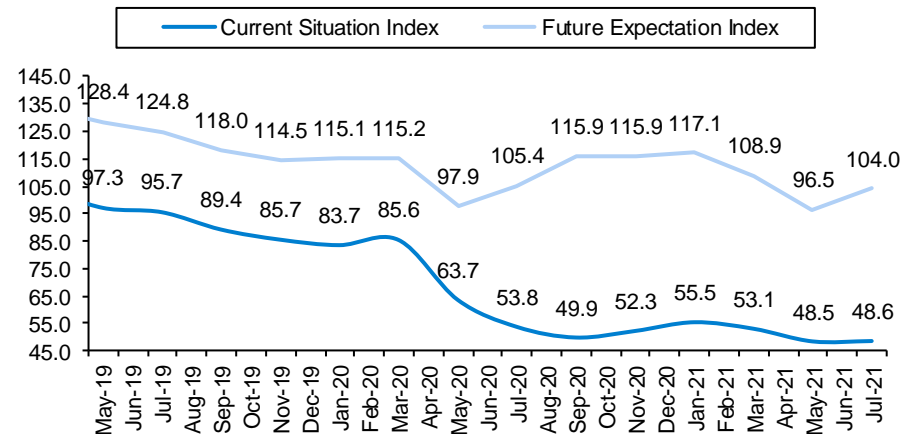
Source: Ministry of Commerce, PL

Core sector recovery led by Electricity, Coal, Crude Oil and Cement



Source: Ministry of Commerce, PL

FEI moves above Feb20 levels

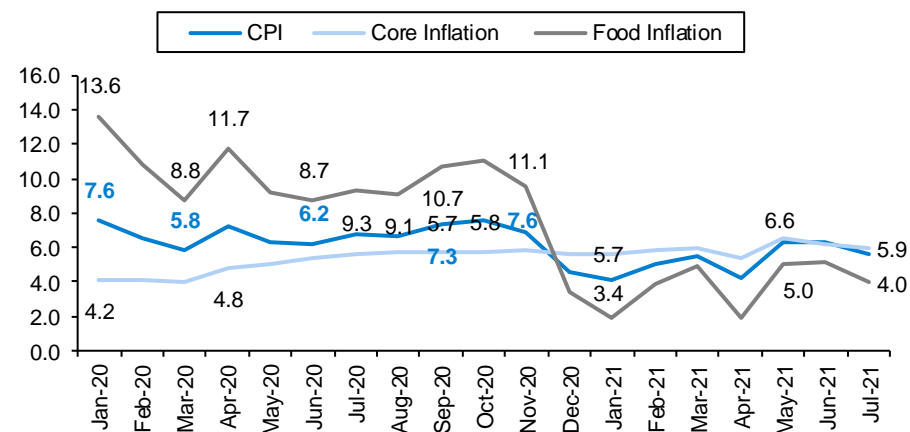


Source: Ministry of Commerce, PL

CPI – 110bps lower food Inflation enables 70bps decline in CPI

- CPI declined by 70bps MoM and 110bps YoY to 5.6%. Core Inflation declined by just 30bps MoM to 5.9% and is up 20bps YoY.
- Food Inflation at 4% declined 110bps MoM and 530bps YoY, however it has seen a peak of 11.1% in Oct20 and a low of 2% in Jan and April21. Decline in food inflation has been led by softening of Fruits, Vegetables, Eggs and Pulses. Onion and oil seeds witnessed sharp increase in Inflation.
- Fuel and light inflation moderated 30bps MoM on some cool off in global crude and oil prices. Clothing and footwear saw an increase in inflation by 300bps in 3 months window. Near term outlook remains mixed and a lot depends upon global demand and supply trends and behavior of supply chains given 3rd Covid wave in production centres globally.

Food Inflation enables moderation in core Inflation



Source: MOSPI, PL

CPI has softened as lower food inflation neutralizes impact of higher fuel and clothing inflation

Consumer Price Index (CPI)	Weight	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21
		7.2	6.3	6.2	6.7	6.7	7.3	7.6	6.9	4.6	4.1	5.0	5.5	4.2	6.3	6.3	5.6
Food, Beverages and Tobacco	45.9	10.5	8.4	7.9	8.5	8.3	9.7	10.1	8.9	3.9	2.7	4.3	5.2	2.6	5.2	5.6	4.5
Pan Tobacco and Intoxicants	2.4	5.9	6.3	11.3	10.5	11.2	10.8	10.6	10.4	10.7	10.9	10.7	9.8	9.0	10.0	4.0	4.7
Clothing and Footwear	6.5	3.5	3.4	2.7	2.8	2.8	3.0	3.1	3.4	3.5	3.8	4.2	4.4	3.5	5.3	6.2	6.5
Housing	10.1	3.9	3.7	3.5	3.3	3.1	2.8	3.3	3.2	3.2	3.2	3.2	3.5	3.7	3.9	3.7	3.9
Fuel and Light	6.8	2.9	1.6	0.5	2.7	3.1	2.9	2.1	1.6	3.0	3.9	3.5	4.5	8.0	11.6	12.7	12.4
Miscellaneous	28.3	5.4	5.8	6.1	6.8	7.0	6.9	6.9	7.0	6.6	6.5	6.8	6.9	6.1	7.5	7.3	6.7
Consumer Food Price Index	39.1	11.7	9.2	8.7	9.3	9.1	10.7	11.1	9.5	3.4	2.0	3.9	4.9	2.0	5.0	5.1	4.0

Source: MOSPI, PL

YTD FY22 trade deficit zooms as oil imports up USD24.6bn, 1Q services balance up 12%

YTD oil imports up USD24.6bn, trade deficit up from USD13.9bn to USD41.8bn, non oil non gold imports jump by 74% on a low base

Merchandise Trade (USD bn)	Apr'20	May'20	Jun'20	Jul'20	Aug'20	Sept'20	Oct'20	Nov'20	Dec'20	Jan'21	Feb'21	Mar'21	Apr'21	May'21	Jun'21	Jul'21
Exports	10.4	19.1	21.9	23.6	22.7	27.6	24.9	23.5	27.1	27.4	27.9	34.4	30.6	32.3	32.5	35.4
YoY %	-60%	-36%	-12%	-10%	-13%	6%	-6%	-9%	-1%	6%	1%	60%	196%	69%	48%	50%
Imports	17.1	22.2	21.1	28.5	29.5	30.3	33.6	33.4	42.6	42.0	40.5	48.4	45.7	38.6	41.9	46.4
YoY %	-59%	-51%	-48%	-28%	-26%	-20%	-10%	-13%	10%	2%	7%	54%	167%	74%	98%	63%
- Oil	4.7	3.5	4.9	6.5	6.4	5.8	6.0	6.3	9.6	9.4	9.0	10.3	10.9	9.5	10.7	12.9
YoY %	-59%	-72%	-55%	-32%	-41%	-36%	-38%	-43%	-10%	-28%	-17%	2%	133%	171%	117%	97%
- Gold	0.0	0.1	0.6	1.8	3.7	0.6	2.5	3.0	4.5	4.0	5.3	8.5	6.2	0.7	1.0	4.2
YoY %	-100%	-98%	-77%	4%	171%	-53%	36%	3%	82%	155%	124%	592%	220357%	790%	59%	136%
- Non Oil Non Gold	12.5	18.6	15.6	20.2	19.3	23.9	25.1	24.1	28.5	28.5	26.3	29.6	28.6	28.4	30.2	29.3
YoY %	-52%	-34%	-41%	-29%	-29%	-13%	-3%	-2%	12%	7%	6%	47%	130%	52%	94%	45%
Trade Deficit	(6.8)	(3.1)	0.8	(4.8)	(6.8)	(2.7)	(8.7)	(9.9)	(15.4)	(14.5)	(12.6)	(13.9)	(15.1)	(6.3)	(9.4)	(11.0)
YoY %	-56%	-80%	-105%	-64%	-50%	-77%	-21%	-23%	37%	-4%	24%	40%	123%	100%	-1282%	127%

Source: MOSPI, PL

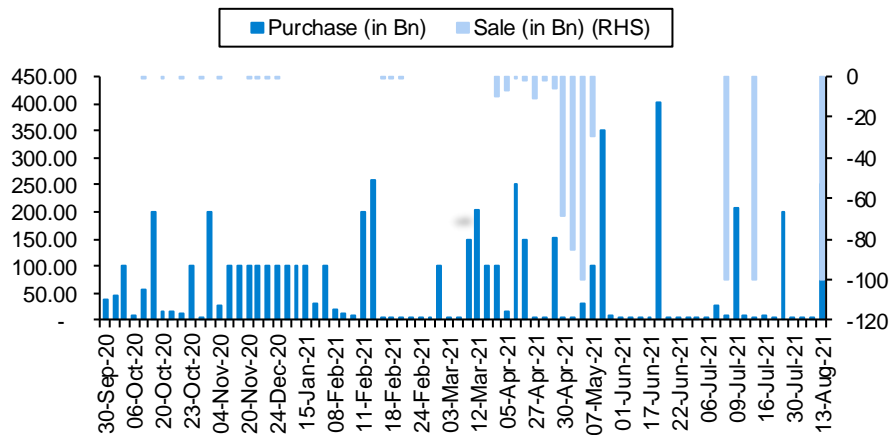
1Q22 Services Balance up 12% to USD23.4bn as exports grow 8.5%, Imports up 6.8%

Services	Mar'20	Apr'20	May'20	Jun'20	Jul'20	Aug'20	Sept'20	Oct'20	Nov'20	Dec'20	Jan'21	Feb'21	Mar'21	Apr'21	May'21	Jun'21
Exports (Receipts)	18.2	16.5	16.8	17.0	17.0	16.4	17.3	16.6	17.1	18.7	17.1	17.5	20.5	17.5	17.4	19.7
YoY %	1%	-9%	-10%	-8%	-11%	-10%	-1%	-6%	-5%	-6%	-10%	-1%	13%	7%	4%	16%
Imports (Payments)	11.1	9.3	9.9	10.0	10.0	9.6	10.1	9.5	10.1	11.5	10.1	10.6	12.5	9.9	10.2	11.1
YoY %	-2%	-18%	-20%	-15%	-22%	-20%	-9%	-12%	-12%	-8%	-16%	-4%	13%	6%	3%	12%
Services balance	7.1	7.1	6.8	7.0	7.0	6.8	7.2	7.1	7.0	7.2	7.0	6.9	7.9	7.7	7.1	8.6
YoY %	7%	7%	10%	4%	12%	10%	11%	3%	7%	-3%	0%	4%	12%	7%	4%	22%

Source: MOSPI, PL

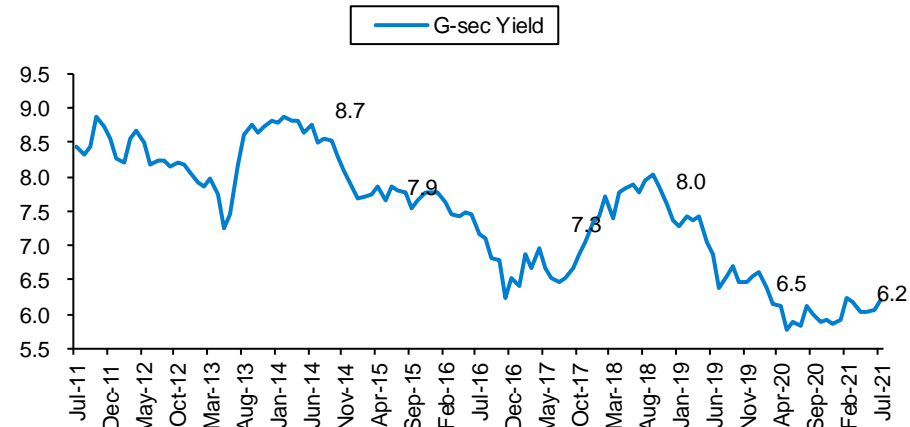
Money Supply remains abundant, G-sec yields have bottomed out

RBI continues to use Operation Twist as a tool to manage Yields



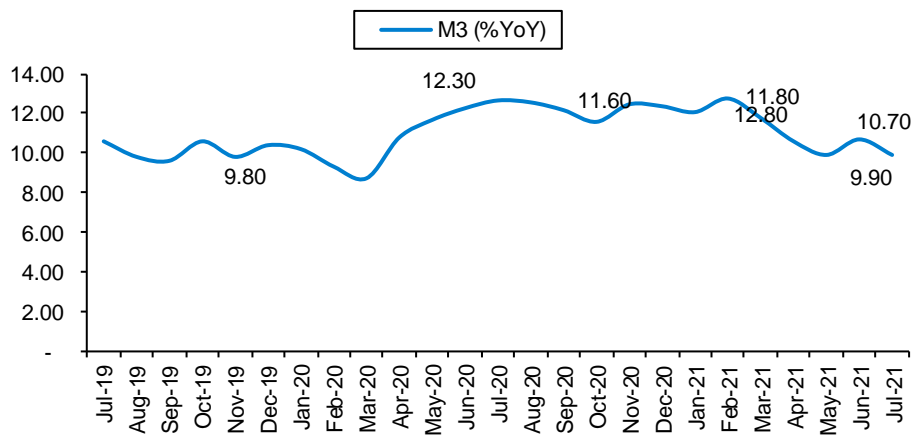
Source: RBI, PL

G-sec Yield unlikely to soften from these levels



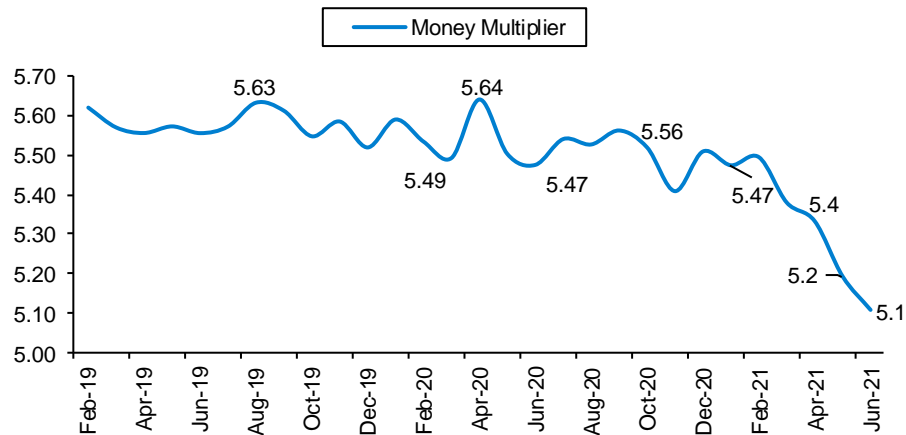
Source: Bloomberg, PL

Money supply grew by 10.7% YoY to a recent high



Source: RBI, PL

Money multiplier continues a steady decline



Source: RBI, PL

Market Rally: Global Liquidity, recovery hopes keep markets afloat

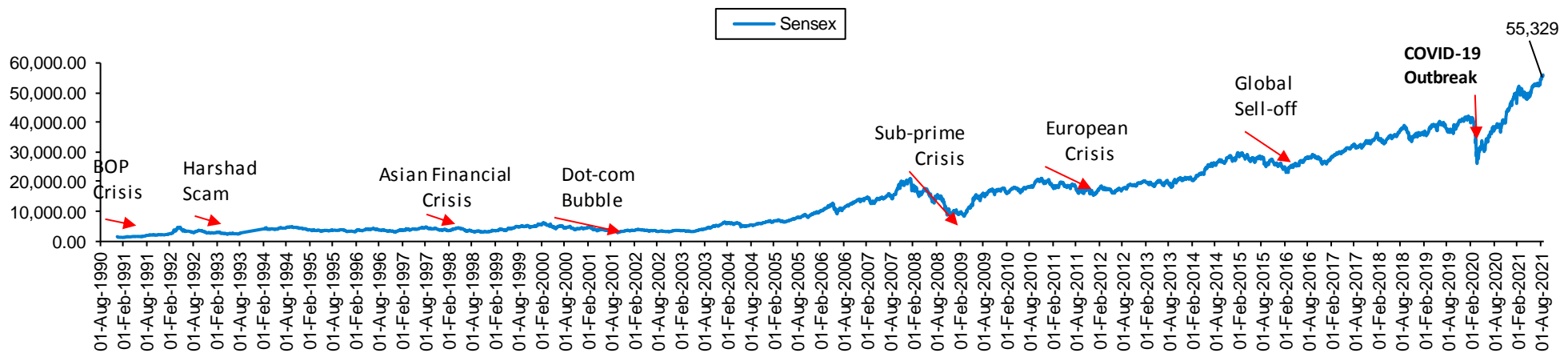
- Global liquidity infusion and rising hopes on demand recovery amidst rising vaccination continues to take markets to new highs. In stock prices than similar occasions in the past with Sensex rising by 113% from March 20 lows and it is now 32% higher than earlier peak
- Equities remain an attractive asset class given ample liquidity, low interest rates and recovery hopes. Rising volatility and inflow of significant retail money remains a key monitorable.
- Although India is showing recovery from 2nd wave and vaccination at ~588mn and daily cases going below 25k/day, vaccination momentum during next 2 months and upcoming festival season holds key to covid control given sharp increase in covid cases in several countries.
- Markets have been led by Metals, IT services, Real Estate. Consumer, Banks, Oil and Gas have been laggards. Fear of global interest rate increase and decline in commodity prices can result in some trade reversal in coming months.

Sensex is up by 32% from pre-Covid highs

Event	Trough Date	Sensex level	Recovery time (Days)	Decline	Rupee Depreciation	VIX
BOP Crisis	Jan-91	956.1	182	-39%	2%	NA
Harshad Mehta Scam	Apr-93	2036.8	473	-54%	10%	NA
Asian Financial Crisis	Oct-98	2764.2	265	-39%	18%	NA
Dot-com Bubble	Sep-01	2600.1	833	-56%	10%	NA
Sub-prime Crisis	Oct-08	8509.6	738	-59%	27%	85.1
European Crisis	Dec-11	15175.1	680	-28%	20%	37.2
Global sell-off	Feb-16	22951.8	417	-23%	10%	28.7
COVID-19 outbreak	Mar-20	25981.2	-	-38%	8%	83.6
24-08-2021	Aug-21	55959.0	519	115%	-1%	14.0

Source: PL

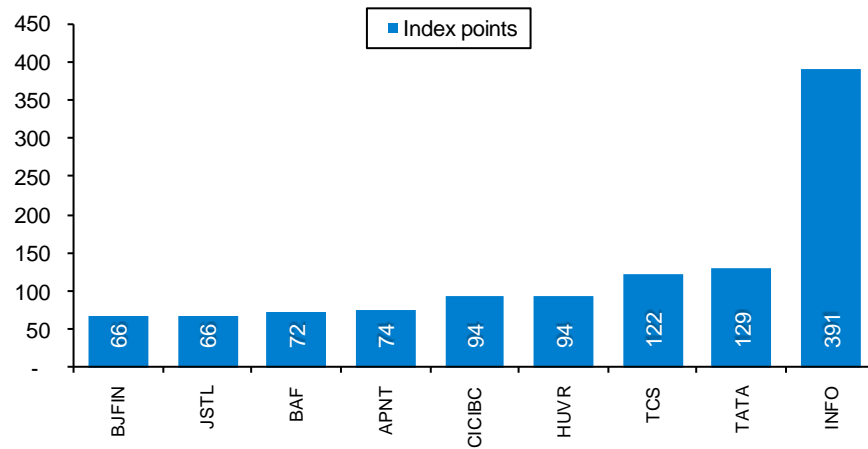
Sensex retraces all losses, makes new high



Source: PL

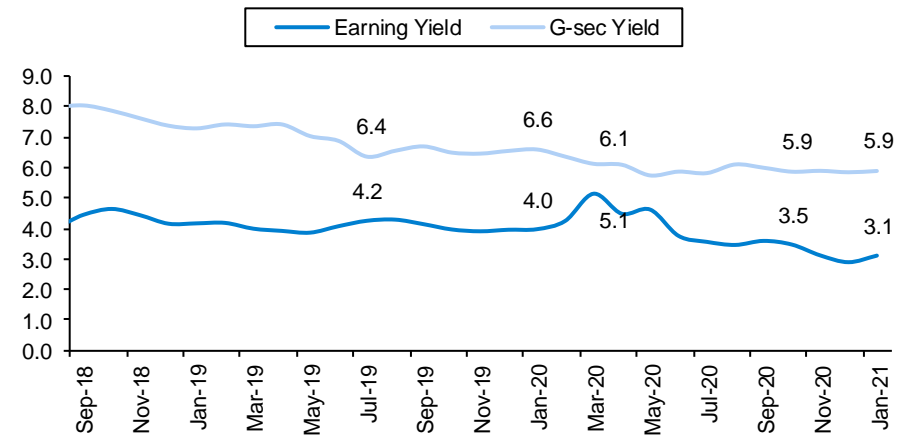
Market Scenario

Nifty 50 – IT Services, Metals lead rally in NIFTY



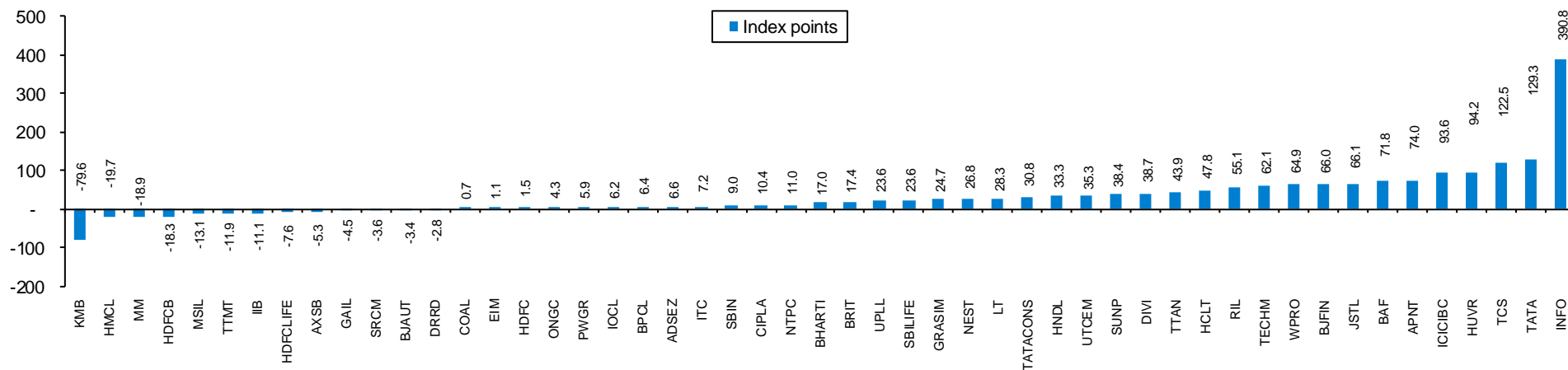
Source: PL

G-Sec and earning yield gap widened by 280bps since March20



Source: Bloomberg, PL

Nifty 50 – Auto, Financials and Oil and Gas (Ex RIL) Drag Nifty



Source: PL

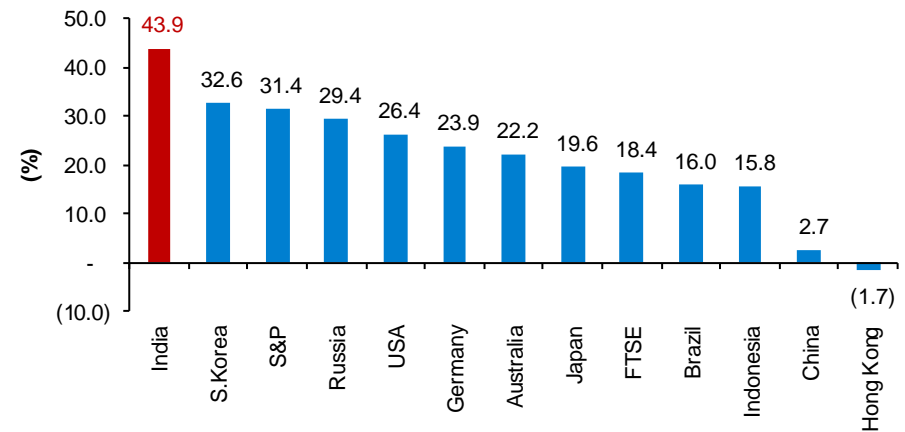
Most sectors are trading at life time high multiples

	'08	'09-11	'11-13	'13-16	'16-19	'16-20	'20	Current Val.	2021	2022		'08	'09-11	'11-13	'13-16	'16-19	'16-20	'20	Current Val.	2021	2022
Nifty Index	15.1	16.3	14.7	18.5	21.6	21.7	23.9	34.8	19.6	27.0	Nifty Index	15.1	16.3	14.7	18.5	21.6	21.7	23.9	34.8	19.6	27.0
Adani Ports & Special Economic Zone Ltd	36.3	28.8	18.5	18.3	18.1	17.2	17.8	31.1	14.6	28.1	Infosys Ltd	13.8	20.5	16.0	16.5	16.0	17.1	17.6	48.5	20.5	34.4
Asian Paints Ltd	17.4	21.5	30.1	39.9	51.3	52.7	53.2	116.6	57.9	89.6	ITC Ltd	18.9	20.5	24.2	32.3	27.0	24.0	21.5	23.7	16.5	19.6
Axis Bank Ltd	10.7	13.1	9.9	14.0	77.5	62.5	58.9	24.7	16.0	20.2	JSW Steel Ltd	17.8	16.2	25.2	55.9	10.1	9.2	10.6	11.5	4.8	9.6
Bajaj Auto Ltd	5.7	9.7	15.1	17.5	18.0	17.6	16.8	28.4	17.5	25.1	Kotak Mahindra Bank Ltd	18.7	17.6	18.6	25.9	28.1	29.1	32.1	47.9	29.9	40.2
Bajaj Finance Ltd	9.9	5.9	6.7	13.3	28.4	34.9	50.3	82.9	40.2	58.7	Larsen & Toubro Ltd	13.9	20.9	18.0	26.2	20.4	18.7	18.1	33.6	14.5	26.2
Bajaj Finserv Ltd	14.8	5.5	6.6	9.9	24.7	25.9	33.3	63.2	22.0	41.4	Mahindra & Mahindra Ltd	6.9	10.5	11.4	18.6	27.4	42.6	106.5	27.0	21.7	22.7
Bharat Petroleum Corp Ltd	11.8	15.6	13.7	8.6	11.3	10.1	10.1	15.9	6.6	13.1	Maruti Suzuki India Ltd	10.4	17.2	15.9	17.5	29.1	33.1	40.2	50.0	38.4	42.4
Bharti Airtel Ltd	16.6	20.9	45.4	29.3	100.0	67.7	-9.6	96.2	49.4	70.2	Nestle India Ltd	20.6	27.6	38.0	61.6	43.6	49.9	56.9	101.0	62.8	73.1
Britannia Industries Ltd	21.5	28.8	23.3	28.3	48.6	47.5	43.3	78.3	48.4	59.4	NTPC Ltd	16.9	17.9	11.9	10.8	11.3	9.9	9.1	10.5	6.1	8.6
Cipla Ltd/India	17.6	23.5	19.3	34.3	33.0	28.4	20.4	37.3	22.3	31.7	Oil & Natural Gas Corp Ltd	9.2	10.8	9.2	17.1	9.6	9.4	12.8	7.9	5.0	6.6
Coal India Ltd	-	2.9	13.7	15.8	16.0	12.7	8.7	8.6	6.2	7.6	Power Grid Corp of India Ltd	20.1	17.6	12.5	11.5	11.1	9.9	8.9	12.9	7.4	10.3
Divi's Laboratories	21.3	19.3	18.8	26.5	25.0	27.4	27.8	74.6	35.5	54.9	Reliance Industries Ltd	13.7	14.8	11.5	10.3	13.2	16.3	19.3	36.9	23.5	29.1
Dr Reddy's Laboratories Ltd	-1,216.9	27.6	16.8	26.8	32.3	30.6	24.0	38.1	31.4	35.5	SBI Life Insurance Co.	-	-	-	-	24.2	35.6	57.0	87.3	49.5	64.0
Eicher Motors Ltd	5.3	7.0	12.0	28.4	35.1	34.7	33.5	49.3	34.6	41.4	Shree Cement Ltd	3.4	17.3	11.8	42.8	46.7	42.2	38.1	51.4	32.6	45.7
Grasim Industries Ltd	3.8	6.0	8.2	19.1	22.8	18.6	11.7	36.1	13.2	30.3	State Bank of India	7.4	11.9	8.9	25.1	263.0	165.2	13.1	15.4	7.3	12.5
HCL Technologies Ltd	9.9	13.5	8.9	-	13.0	13.3	12.7	33.9	15.7	23.8	Sun Pharmaceutical Industries Ltd	16.4	18.1	20.6	37.2	46.0	39.4	30.3	38.9	26.8	29.1
HDFC Bank Ltd	18.5	20.7	18.5	18.0	21.4	21.1	22.0	34.9	19.9	27.7	Tata Consultancy Services Ltd	11.4	16.3	16.9	20.2	19.4	21.6	24.6	50.2	26.0	36.7
HDFC Life Insurance Co. Ltd.	-	-	-	-	30.7	50.1	79.1	129.2	84.2	108.2	Tata Consumer Products	7.7	19.9	18.1	0.6	30.1	34.8	40.0	99.6	45.5	71.1
Hero MotoCorp Ltd	9.4	16.0	17.5	17.4	18.9	17.9	15.1	22.8	17.7	20.1	Tata Motors Ltd	-6.0	5.3	6.5	11.6	0.4	-153.0	-4.4	62.7	-733.5	58.5
Hindalco Industries Ltd	12.5	9.9	9.0	17.2	9.3	9.2	11.6	12.9	6.4	10.2	Tata Steel Ltd	6.0	-6.7	-1,398.0	-13.9	7.6	8.0	13.9	7.2	2.8	5.1
Hindustan Unilever Ltd	24.2	24.3	25.2	37.1	47.0	52.0	59.2	98.4	60.5	74.1	Tech Mahindra Ltd	7.3	12.9	7.2	15.6	12.7	13.4	15.2	33.5	13.6	21.3
Housing Development Finance Corp Ltd	20.5	18.4	16.2	17.1	18.5	19.0	18.9	45.7	21.8	35.0	Titan Co Ltd	22.2	21.2	29.4	38.8	46.7	60.0	85.7	128.6	75.5	94.0
ICICI Bank Ltd	16.1	19.5	13.6	15.0	32.2	27.7	25.4	32.4	15.8	25.0	UltraTech Cement Ltd	6.2	13.7	16.1	28.4	40.0	32.7	21.9	45.1	21.3	34.9
Indian Oil Corp Ltd	8.7	11.2	14.2	12.2	5.6	7.0	13.9	8.6	4.3	7.1	UPL Ltd	11.8	13.1	8.1	13.5	20.9	18.7	19.6	20.0	10.4	17.3
IndusInd Bank Ltd	9.0	12.3	14.4	17.6	26.3	23.8	26.8	20.0	12.0	16.3	Wipro Ltd	10.6	15.6	13.2	15.1	14.9	14.7	14.3	42.0	15.1	29.6

High valuations shift trade towards large cap on valuation concerns

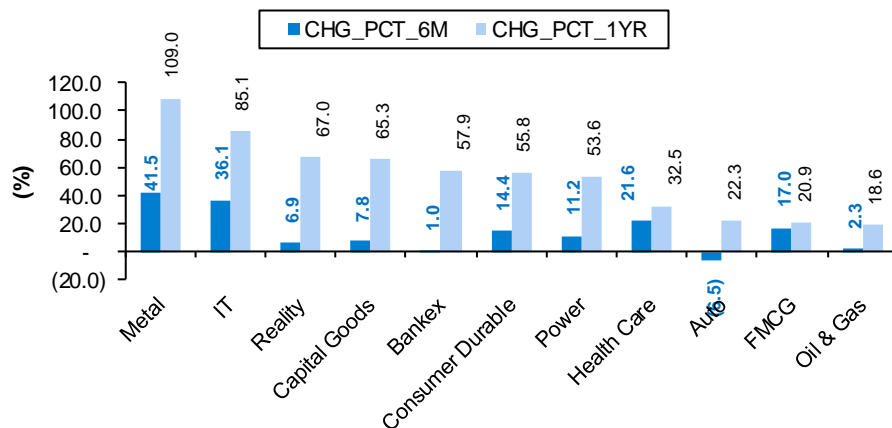
- India is now the best performing market with Nifty having given best returns in past 1,2 and 12 months. Russia, US, Korea and Germany are other major performing markets.
- Metals, IT, Real Estate and Capital goods have given best returns in last 1 year. Auto, Banks and Oil and Gas have been laggards in the past 6 months. Metals, IT, Healthcare and FMCG have given a return of 41.5%, 36.1%, 21.6% and 17% in past 6 months.
- Although small and Mid Caps have outperformed NIFTY by 29.5% and 6.4% over past 12 months, 1 month returns of small and mid caps are higher by just 100-120bps. We believe several small/mid caps are now trading at valuations higher than large caps and risk reward seems tilted in favour of large caps as of now.

Nifty YoY return in positive now, although trails major markets



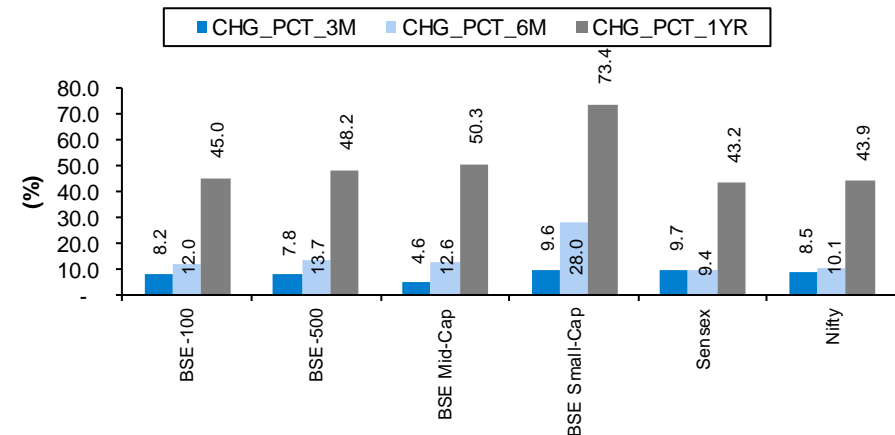
Source: Bloomberg, PL

Healthcare, IT and Auto lead charge, BFSI and Cap Goods Drag



Source: Bloomberg, PL

NIFTY and Sensex outperform Small Cap and Mid caps in past 3 months

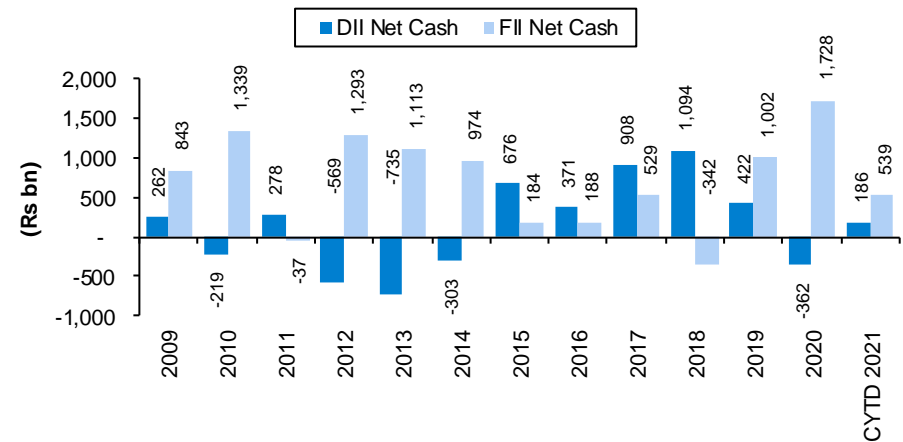


Source: Bloomberg, PL

FII Inflows at Rs431bn YTD, DII outflows at Rs274bn

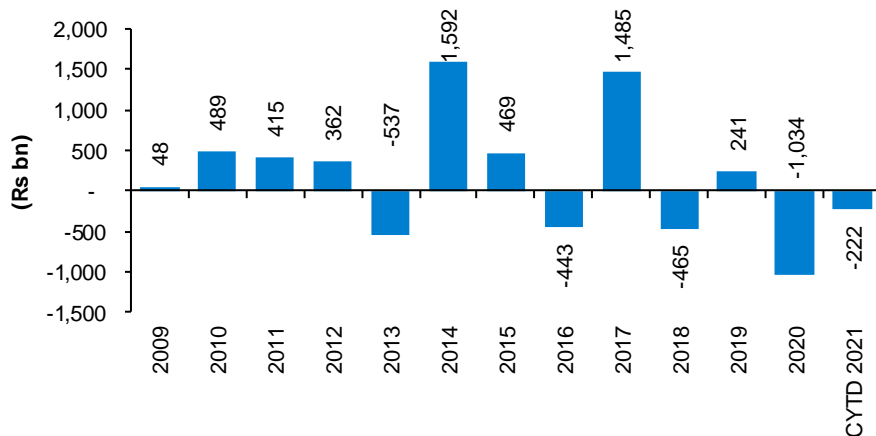
- DII inflow has been 184bn in the last 6 weeks which is a trend change after quite some time. FII outflows are 36bn during the same time despite a number of IPO's hitting the markets. We believe rising DII inflows are an indicator of rising optimism even as direct participation in equities continues to rise at a rapid pace.
- Any potential reduction in US bond buying program and potential increase in interest rates next year remains a key risk for global fund flows and its impact on the markets.
- Debt outflows at Rs222bn show a small decline of 5bn in past 6 weeks and are much lower than the levels seen in CY20.
- Markets have strong correlation with FII inflows and CY20 gave 14.8% NIFTY returns with highest FII inflows. Sustenance of FII inflows is key to NIFTY returns in coming quarters.

FII inflows show a swing of Rs579bn in past 6 weeks



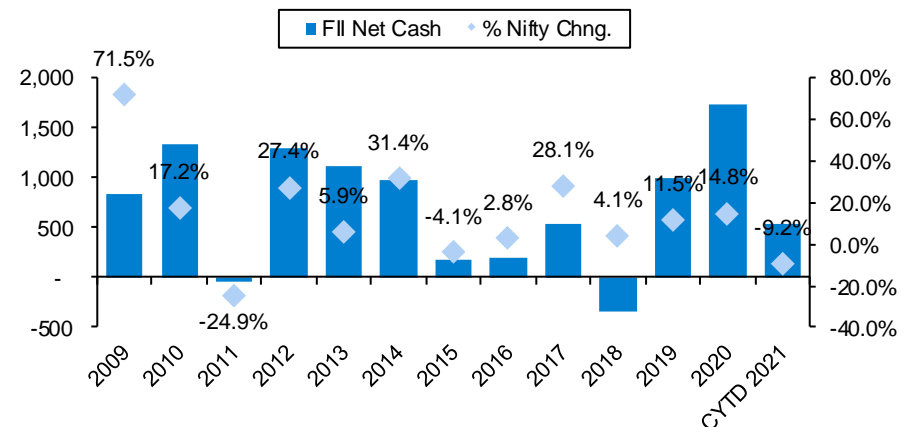
Source: Bloomberg, PL

YTD FII Debt outflows sustain, momentum lower than CY20



Source: Bloomberg, PL

FII inflows have strong co-relation to double digit NIFTY returns



Source: Bloomberg, PL

Change in Estimates Pre / Post Quarterly

Sector / Company Name	Rating	Current	Rating	Price (Rs)	Target (Rs)	Upside (%)	M/Cap (Rs bn)	EPS (Rs) - Pre Quarterly				EPS (Rs) - Current				% Change	
	Pre-Quarterly	Rating	Change					FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY22E	FY23E
Agro Chemicals																	
Bayer Cropscience	ACCUMULATE	ACCUMULATE	Maintained	5,463	6506	19.1	245.5	134.6	136.9	161.3	185.9	134.6	136.9	161.3	185.9	 0.0%	 0.0%
Coromandel International	ACCUMULATE	ACCUMULATE	Maintained	784	991	26.5	229.3	36.4	45.4	53.7	54.5	36.4	45.4	54.1	55.1	 0.7%	 1.0%
Dhanuka Agritech	HOLD	HOLD	Maintained	855	1008	17.9	40.7	28.3	45.8	47.9	55.3	28.3	45.8	48.6	56.0	 1.4%	 1.2%
Godrej Agrovet	BUY	HOLD	Dow ngrade	616	639	3.8	118.2	15.9	16.3	21.6	24.6	15.9	16.3	21.7	24.7	 0.1%	 0.1%
Insecticides India	ACCUMULATE	ACCUMULATE	Maintained	705	817	15.9	14.6	41.2	47.5	66.7	74.3	41.2	47.5	66.7	74.3	 0.0%	 0.0%
P.I. Industries	Under Review	ACCUMULATE	Upgrade	3,148	3363	6.8	434.1	33.1	49.4	61.0	71.6	33.1	49.4	61.5	84.1	 0.8%	 17.4%
Rallis India	HOLD	HOLD	Maintained	273	321	17.5	53.1	8.9	11.3	11.9	16.0	8.9	11.3	11.9	16.0	 0.0%	 0.0%
Sharda Cropchem	ACCUMULATE	BUY	Upgrade	303	457	50.6	27.4	15.9	27.9	28.6	31.8	15.9	27.9	31.3	35.1	 9.4%	 10.3%
Sumitomo Chemical India	HOLD	REDUCE	Dow ngrade	399	376	(5.9)	199.3	4.7	6.9	7.8	9.7	4.7	6.9	8.0	9.9	 1.9%	 1.9%
UPL	HOLD	HOLD	Maintained	731	740	1.3	558.5	31.4	40.7	53.2	64.0	31.4	40.7	53.2	64.0	 0.0%	 0.0%
Automobiles																	
Ashok Leyland	BUY	BUY	Maintained	120	151	26.5	351.4	1.2	-1.0	3.1	5.8	1.2	(1.0)	1.6	5.3	 -47.2%	 -8.7%
Bajaj Auto	HOLD	HOLD	Maintained	3,715	3919	5.5	1,074.9	187.4	168.0	198.1	220.6	187.4	168.0	201.4	220.2	 1.7%	 -0.2%
Eicher Motors	Accumulate	Accumulate	Maintained	2,548	2737	7.4	695.1	67.0	49.3	72.5	98.7	67.0	49.3	69.9	96.9	 -3.6%	 -1.7%
Hero Motocorp	Accumulate	BUY	Upgrade	2,676	3266	22.1	535.7	154.6	148.4	175.1	200.1	154.6	148.4	156.8	185.6	 -10.4%	 -7.2%
Mahindra & Mahindra	BUY	BUY	Maintained	778	961	23.5	928.4	18.4	7.9	35.1	38.8	18.4	18.7	36.2	40.3	 3.1%	 3.9%
Maruti Suzuki	UR	Accumulate	Upgrade	6,803	7684	12.9	2,055.1	187.1	140.0	171.9	258.8	187.1	140.0	193.3	276.5	 12.4%	 6.8%
Tata Motors	Reduce	Reduce	Maintained	280	255	(8.8)	1,006.6	-25.3	9.5	18.1	25.4	(25.3)	9.5	18.1	25.4	 0.0%	 0.0%
TVS Motors	BUY	BUY	Maintained	508	669	31.6	241.4	13.0	12.9	21.5	27.3	13.0	12.9	20.8	26.7	 -3.0%	 -2.4%
Auto Ancillary																	
Bharat Forge	UR	UR	Maintained	741	NA	#VALUE!	345.0	8.8	5.2	19.5	26.6	8.8	5.2	19.5	26.6	 0.0%	 0.0%
CEAT	Accumulate	HOLD	Dow ngrade	1,301	1383	6.3	52.6	64.5	115.2	85.1	99.3	75.1	88.5	76.8	92.2	 -9.7%	 -7.2%
Endurance Technologies	BUY	BUY	Maintained	1,625	1832	12.7	228.6	40.2	35.4	48.9	63.3	40.2	35.4	47.3	64.3	 -3.3%	 1.5%
Exide Industries	BUY	BUY	Maintained	159	191	19.7	135.4	9.9	8.9	10.6	13.0	9.9	8.9	9.2	11.0	 -13.0%	 -15.5%
Motherson Sumi Systems	BUY	BUY	Maintained	209	304	45.6	659.2	2.6	2.4	8.7	10.9	2.6	2.4	8.7	10.9	 0.0%	 0.0%
Aviation																	
InterGlobe Aviation	Hold	HOLD	Maintained	1,693	1630	(3.7)	651.3	-6.4	-151.5	-142.0	70.1	-6.4	-151.5	-176.2	78.7	 24.1%	 12.2%
SpiceJet	Hold	HOLD	Maintained	69	70	1.8	41.4	-26.8	-23.7	-24.5	4.9	-26.8	-23.7	-31.1	4.9	 27.1%	 0.4%

Sector / Company Name	Rating	Current	Rating	Price	Target	Upside	M/Cap (Rs bn)	EPS (Rs) - Pre Quarterly				EPS (Rs) - Current				% Change	
	Pre-Quarterly	Rating	Change	(Rs)	(Rs)	(%)		FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY22E	FY23E
Banks																	
Axis Bank	ACCUMULATE	ACCUMULATE	Maintained	746	860	15.2	2,106.0	6.0	22.4	38.9	51.8	6.0	22.4	38.1	53.6	▼ -2.1%	▲ 3.4%
Bank of Baroda	BUY	BUY	Maintained	76	105	39.1	349.3	1.5	1.7	13.7	15.8	1.5	1.7	12.4	15.4	▼ -9.8%	▼ -2.9%
Federal Bank	ACCUMULATE	ACCUMULATE	Maintained	80	97	21.1	159.6	7.8	8.0	9.8	12.1	7.8	8.0	9.7	11.8	▼ -1.3%	▼ -3.2%
HDFC Bank	BUY	BUY	Maintained	1,559	1870	20.0	8,547.6	48.0	56.6	67.1	80.2	48.0	56.6	66.5	79.7	▼ -0.9%	▼ -0.6%
ICICI Bank	BUY	BUY	Maintained	694	815	17.4	4,495.7	12.3	24.2	30.4	37.4	12.3	24.2	30.7	37.2	▲ 0.7%	▼ -0.5%
IDFC First Bank	REDUCE	REDUCE	Maintained	43	45	4.9	206.3	-6.0	0.9	1.4	2.4	-6.0	0.9	0.0	1.3	▼ -99.6%	▼ -47.1%
IndusInd Bank	BUY	BUY	Maintained	1,005	1280	27.4	697.0	63.8	38.7	73.1	100.1	63.8	38.7	68.3	102.1	▼ -6.6%	▲ 2.0%
Kotak Mahindra Bank	HOLD	ACCUMULATE	Upgrade	1,705	1960	15.0	3,261.5	40.4	45.3	57.7	68.7	40.4	45.3	55.4	67.4	▼ -4.0%	▼ -1.8%
Punjab National Bank	ACCUMULATE	BUY	Maintained	36	50	37.6	244.9	0.6	2.3	4.4	6.4	0.6	2.3	3.7	7.6	▼ -16.1%	▲ 18.8%
State Bank of India	BUY	BUY	Maintained	418	530	26.9	3,726.9	16.2	22.9	35.0	43.7	16.2	22.9	33.5	41.4	▼ -4.1%	▼ -5.3%
South Indian Bank	Under Review	HOLD	Maintained	9	11	16.4	17.1	0.6	0.4	0.9	1.3	0.6	0.3	0.3	1.4	▼ -65.4%	▲ 3.5%
Financial Services																	
Bajaj Finance	Accumulate	BUY	Upgrade	6,980	6840	(2.0)	4,107.1	89.5	73.6	115.7	159.9	89.5	73.6	118.2	163.4	▲ 2.2%	▲ 2.2%
Cholamandalam Investment a	BUY	BUY	Maintained	510	600	17.5	408.6	13.1	18.5	24.5	29.7	13.1	18.5	23.3	28.9	▼ -4.8%	▼ -2.6%
HDFC	BUY	BUY	Maintained	2,691	3028	12.5	4,647.1	64.4	77.8	73.3	83.7	64.4	77.8	73.0	85.3	▼ -0.4%	▲ 1.9%
LIC Housing Finance	HOLD	REDUCE	Dow ngrade	378	390	3.2	286.3	47.4	54.2	60.4	65.7	47.4	54.2	50.7	63.8	▼ -16.0%	▼ -2.8%
L&T Finance Holdings	REDUCE	REDUCE	Maintained	79	87	9.2	159.0	8.5	3.8	8.0	10.4	8.5	3.8	8.0	10.4	▲ 0.4%	▼ -0.2%
Mahindra & Mahindra Financi	SELL	SELL	Maintained	146	148	1.3	90.0	14.7	3.4	11.3	16.4	14.7	3.6	9.8	15.8	▼ -12.7%	▼ -3.4%
Muthoot Finance	BUY	BUY	Maintained	1,503	1780	18.4	602.5	75.3	92.8	110.4	127.5	75.3	92.8	112.3	132.5	▲ 1.7%	▲ 3.9%
Manappuram Finance	ACCUMULATE	HOLD	Dow ngrade	164	183	11.6	138.0	17.4	20.5	22.6	27.6	17.4	20.5	21.5	25.6	▼ -4.9%	▼ -7.3%
Shriram Transport Finance	ACCUMULATE	ACCUMULATE	Maintained	1,280	1453	13.6	290.3	110.3	103.6	114.7	140.8	110.3	103.6	110.8	137.4	▼ -3.3%	▼ -2.4%
SBI Cards and Payment Serv	ACCUMULATE	ACCUMULATE	Maintained	1,028	1073	4.4	912.9	13.3	10.5	19.0	24.6	13.3	10.5	18.3	25.2	▼ -3.7%	▲ 2.5%

Sector / Company Name	Rating	Current	Rating	Price	Target	Upside	M/Cap	EPS (Rs) - Pre Quarterly				EPS (Rs) - Current				% Change	
	Pre-Quarterly	Rating	Change	(Rs)	(Rs)	(%)	(Rs bn)	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY22E	FY23E
Capital Goods																	
ABB India	UR	HOLD	Upgrade	1,697	1687	(0.6)	359.6	14.3	10.9	19.0	21.9	14.3	10.9	19.0	23.8	0.0%	8.6%
Apar Industries	Buy	Buy	Maintained	629	790	25.5	24.1	35.3	41.9	53.8	58.0	35.3	41.9	61.6	65.8	14.4%	13.4%
Bharat Electronics	Buy	Buy	Maintained	178	208	17.1	432.9	7.4	8.5	10.2	12.2	7.4	8.5	10.2	12.2	0.0%	0.0%
BHEL	Sell	Sell	Maintained	53	34	(35.3)	185.4	-4.2	-7.8	-2.1	2.9	-4.2	-7.8	-2.1	2.9	0.0%	0.0%
Cummins India	UR	ACCUMULATE	Upgrade	996	1051	5.5	276.2	22.7	22.3	23.8	26.5	22.7	22.3	24.4	30.0	2.5%	13.1%
Engineers India	BUY	BUY	Maintained	68	129	89.2	43.0	6.7	7.2	8.2	10.7	6.7	7.2	8.2	10.7	0.0%	0.0%
GE T&D India	Hold	Hold	Maintained	135	139	3.1	34.5	-9.7	2.2	4.4	6.4	-9.7	2.2	4.5	6.3	1.9%	-1.8%
KEC International	UR	Accumulate	Upgrade	374	445	19.1	96.1	22.0	21.5	27.9	35.0	22.0	21.5	28.0	37.1	0.4%	6.0%
Kalpataru Power Transmissi	UR	BUY	Upgrade	385	576	49.4	59.6	28.4	41.0	40.1	48.8	28.4	30.0	42.4	50.5	5.7%	3.5%
Larsen & Toubro	UR	BUY	Upgrade	1,606	1855	15.5	2,254.4	68.0	82.5	69.0	78.4	68.0	82.5	69.5	78.4	0.7%	0.0%
Power Grid Corporation of In	Buy	Buy	Maintained	177	205	16.0	923.9	20.7	21.0	24.5	26.5	20.7	21.0	24.5	26.5	0.0%	0.0%
Siemens	Accumulate	Accumulate	Maintained	2,205	2310	4.8	785.0	30.9	21.6	32.3	38.1	30.9	21.6	32.3	42.0	0.0%	10.1%
Thermax	Accumulate	Accumulate	Maintained	1,349	1559	15.6	151.9	18.9	23.0	32.1	41.0	18.9	23.0	32.1	41.0	0.0%	0.0%
Triveni Turbine	BUY	BUY	Maintained	125	156	24.6	40.6	3.8	3.7	4.2	5.2	3.8	3.7	4.2	5.2	0.0%	0.0%
Voltamp Transformers	Accumulate	Accumulate	Maintained	1,418	1825	28.8	14.3	88.3	110.9	100.7	130.4	88.3	110.9	100.7	130.4	0.0%	0.0%
Consumer Durables																	
Bajaj Electricals	HOLD	HOLD	Maintained	1,139	1110	(2.5)	129.5	-0.0	13.5	21.1	30.6	-0.0	15.0	19.8	30.2	-6.2%	-1.5%
Crompton Greaves Consume	BUY	BUY	Maintained	454	518	14.0	285.1	7.0	8.4	9.4	11.3	7.0	8.4	9.2	11.4	-1.6%	0.1%
Havells India	Hold	Accumulate	Upgrade	1,266	1226	(3.2)	792.1	11.7	16.5	17.6	21.8	11.7	16.5	18.7	22.7	5.8%	4.1%
KEI Industries	BUY	BUY	Maintained	722	854	18.2	64.6	28.6	30.4	41.2	47.7	28.6	30.4	43.3	49.8	5.1%	4.3%
Polycab India	BUY	HOLD	Dow ngrade	1,827	1977	8.2	272.0	51.0	51.8	66.8	81.6	51.0	51.8	63.5	80.8	-4.9%	-0.9%
Voltas	Hold	Hold	Maintained	974	1014	4.1	322.0	17.2	15.9	21.0	26.7	17.2	15.9	19.7	25.5	-6.1%	-4.7%

Sector / Company Name	Rating	Current	Rating	Price	Target	Upside	M/Cap (Rs bn)	EPS (Rs) - Pre Quarterly				EPS (Rs) - Current				% Change	
	Pre-Quarterly	Rating	Change	(Rs)	(Rs)	(%)		FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY22E	FY23E
Cement																	
ACC	BUY	BUY	Maintained	2,281	2460	7.9	428.8	69.8	86.3	111.5	115.4	69.8	86.3	115.5	119.8	▲ 3.6%	▲ 3.8%
Ambuja Cement	BUY	BUY	Maintained	395	460	16.3	785.0	8.8	12.3	14.9	16.1	8.8	12.3	16.0	18.0	▲ 7.0%	▲ 11.4%
Dalmia Bharat	BUY	Accumulate	Dow ngrade	2,014	2300	14.2	388.5	21.2	53.3	49.1	64.3	21.2	53.3	58.9	76.2	▲ 20.0%	▲ 18.6%
Heidelberg Cement India	Reduce	Reduce	Maintained	254	225	(11.3)	57.6	11.8	11.5	13.2	15.5	11.8	11.5	13.2	15.5	▬ 0.0%	▬ 0.0%
JK Lakshmi Cement	BUY	HOLD	Dow ngrade	703	690	(1.9)	82.8	21.8	32.8	35.9	42.1	21.8	32.8	35.9	42.1	▬ 0.0%	▬ 0.0%
Shree Cement	Hold	Hold	Maintained	26,233	28400	8.3	946.5	424.2	631.5	704.5	802.1	424.3	630.7	714.5	813.5	▲ 1.4%	▲ 1.4%
The Ramco Cements	Reduce	Reduce	Maintained	960	980	2.1	226.2	25.9	33.1	34.9	39.5	25.9	33.1	35.2	40.4	▲ 0.9%	▲ 2.2%
Ultratech Cement	BUY	BUY	Maintained	7,455	8600	15.4	2,151.8	128.5	184.3	213.5	261.5	128.5	184.3	240.9	287.3	▲ 12.8%	▲ 9.9%
Consumer Staples																	
Asian Paints	BUY	BUY	Maintained	3,046	3511	15.3	2,921.7	28.2	32.6	41.6	49.8	28.2	32.6	38.4	48.4	▼ -7.7%	▼ -2.6%
Avenue Supermarts	BUY	BUY	Maintained	3,709	3744	1.0	2,402.3	20.1	17.0	22.5	36.0	20.1	17.0	22.7	36.7	▲ 0.9%	▲ 1.9%
Britannia Industries	Accumulate	Accumulate	Maintained	3,812	3911	2.6	916.8	60.9	73.2	67.6	77.9	60.9	73.2	68.3	78.2	▲ 1.1%	▲ 0.5%
Burger King India	BUY	BUY	Maintained	162	250	54.8	44.9	-2.6	-4.2	-1.1	0.3	-2.6	-4.2	-1.1	0.3	▬ 0.0%	▬ 0.0%
Colgate Palmolive	Accumulate	Accumulate	Maintained	1,648	1846	12.0	448.3	30.0	38.1	40.9	44.8	30.0	38.1	42.0	46.2	▲ 2.7%	▲ 2.9%
Dabur India	Under Review	HOLD	Upgrade	593	588	(0.9)	1,047.6	8.1	9.6	10.4	12.3	8.1	9.6	10.7	12.7	▲ 2.3%	▲ 3.0%
Emami	BUY	Accumulate	Dow ngrade	588	624	6.1	266.5	11.6	15.0	16.4	18.7	11.6	15.0	17.0	18.7	▲ 3.6%	▼ 0.0%
Hindustan Unilever	BUY	Accumulate	Dow ngrade	2,633	2535	(3.7)	5,687.3	32.1	34.8	39.3	46.6	32.1	34.8	37.6	45.1	▼ -4.2%	▼ -3.2%
ITC	BUY	BUY	Maintained	206	258	25.5	2,529.1	12.4	10.8	12.9	13.7	12.4	10.8	12.6	13.5	▼ -2.0%	▼ -1.3%
Jubilant FoodWorks	Accumulate	Accumulate	Maintained	3,700	3404	(8.0)	488.3	24.3	17.7	36.5	50.5	24.3	17.7	34.3	48.6	▼ -6.1%	▼ -3.7%
Kansai Nerolac Paints	Accumulate	Accumulate	Maintained	629	661	5.1	339.0	9.9	10.0	10.0	14.8	9.9	10.3	10.3	14.9	▲ 2.2%	▲ 0.9%
Marico	Under Review	Hold	Upgrade	522	525	0.6	673.0	8.3	9.2	10.0	11.9	8.3	9.2	10.7	12.3	▲ 7.2%	▲ 3.8%
Mold-tek Packaging	Buy	Buy	Maintained	472	598	26.8	13.1	14.0	17.2	23.3	27.3	14.0	17.2	24.2	28.5	▲ 4.0%	▲ 4.3%
Nestle India	Accumulate	Accumulate	Maintained	19,740	19290	(2.3)	1,903.2	206.7	217.4	244.2	278.7	206.7	217.4	244.3	278.4	▲ 0.0%	▼ -0.1%
Pdillite Industries	Under Review	Reduce	Upgrade	2,208	1904	(13.8)	1,121.7	23.2	22.2	22.4	30.8	23.2	22.2	24.0	31.1	▲ 7.2%	▲ 0.8%
Titan Company	Accumulate	Accumulate	Maintained	1,870	1916	2.5	1,659.8	17.1	11.4	20.0	29.8	17.1	11.4	20.1	30.3	▲ 0.6%	▲ 1.9%
Westlife Development	BUY	BUY	Maintained	511	603	18.1	79.4	0.6	-6.6	1.2	5.1	0.6	-6.6	1.2	5.8	▬ 0.0%	▲ 13.1%
Education																	
Navneet Education	ACCUMULATE	ACCUMULATE	Maintained	101	111	10.8	23.0	8.6	0.6	3.9	9.2	8.6	0.6	3.9	9.7	▲ 0.0%	▲ 5.8%
S Chand and Company	BUY	BUY	Maintained	111	147	32.5	3.9	-29.0	-1.6	4.5	17.2	-29.0	-1.6	4.9	17.3	▲ 8.0%	▲ 0.7%

Sector / Company Name	Rating	Current	Rating	Price	Target	Upside	M/Cap (Rs bn)	EPS (Rs) - Pre Quarterly				EPS (Rs) - Current				% Change	
	Pre-Quarterly	Rating	Change	(Rs)	(Rs)	(%)		FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY22E	FY23E
Information Technology																	
Cyient	BUY	BUY	Maintained	951	1088	14.5	104.6	33.0	33.4	44.0	50.7	33.0	33.4	45.0	53.1	▲ 2.3%	▲ 4.6%
HCL Technologies	BUY	BUY	Maintained	1,153	1239	7.4	3,127.9	40.8	45.8	51.3	58.6	40.8	45.8	49.3	57.5	▼ -4.0%	▼ -1.8%
Infosys	BUY	BUY	Maintained	1,721	1847	7.4	7,327.1	39.1	45.9	54.2	62.1	39.1	45.9	52.7	61.2	▼ -2.8%	▼ -1.4%
Larsen & Toubro Infotech	Accumulate	BUY	Upgrade	4,982	5416	8.7	866.9	85.1	112.4	117.3	143.5	85.1	112.4	120.8	144.9	▲ 3.0%	▲ 1.0%
L&T Technology Services	BUY	BUY	Maintained	3,824	4018	5.1	399.6	78.8	63.8	79.8	98.8	78.8	63.8	84.1	100.5	▲ 5.4%	▲ 1.7%
Mindtree	BUY	BUY	Maintained	3,500	3450	(1.4)	575.9	38.3	67.3	85.8	103.6	38.3	67.3	86.2	105.7	▲ 0.6%	▲ 2.0%
Mphasis	BUY	BUY	Maintained	2,808	3348	19.2	523.4	63.6	65.3	78.0	89.8	63.6	65.3	78.6	89.8	▲ 0.8%	▲ 0.0%
Coforge	BUY	BUY	Maintained	4,943	5393	9.1	308.9	77.1	85.7	118.3	144.2	76.1	86.8	117.8	148.9	▼ -0.4%	▲ 3.3%
Persistent Systems	Under Review	BUY	Upgrade	3,215	3603	12.1	245.7	42.5	56.4	81.2	94.9	42.5	56.4	81.6	98.7	▲ 0.5%	▲ 3.9%
Redington (India)	BUY	BUY	Maintained	150	397	165.1	58.3	13.9	19.6	26.3	30.1	13.9	19.6	28.4	31.6	▲ 7.9%	▲ 5.0%
Sonata Softw are	BUY	BUY	Maintained	878	927.02	5.5	91.3	26.7	23.5	32.6	41.7	26.7	23.5	34.8	43.2	▲ 7.0%	▲ 3.6%
Tata Consultancy Services	BUY	BUY	Maintained	3,613	3807	5.4	13,693.1	85.3	88.1	103.4	118.8	85.3	88.1	103.4	118.8	▬ 0.0%	▬ 0.0%
TeamLease Services	BUY	BUY	Maintained	4,021	4716	17.3	68.7	18.4	48.3	72.1	103.4	18.4	48.3	73.2	106.9	▲ 1.6%	▲ 3.4%
Tech Mahindra	BUY	BUY	Maintained	1,463	1509	3.1	1,277.3	48.8	50.7	61.1	69.1	48.8	50.7	63.5	70.9	▲ 4.0%	▲ 2.6%
Wipro	BUY	BUY	Maintained	634	665	5.0	3,695.7	16.7	19.1	22.0	25.5	16.7	19.1	21.9	25.2	▼ -0.1%	▼ -1.1%
Zensar Technologies	BUY	BUY	Maintained	438	424	(3.1)	98.7	11.8	17.8	17.0	20.2	11.8	17.8	17.4	21.6	▲ 2.0%	▲ 7.2%
Infrastructure																	
Ahluw alia Contracts (India)	ACCUMULATE	ACCUMULATE	Maintained	370	410	10.6	24.8	9.6	11.5	22.1	31.9	9.6	11.5	22.1	31.9	▬ 0.0%	▬ 0.0%
Ashoka Buildcon	BUY	BUY	Maintained	100	160	59.7	28.1	5.7	-2.9	9.5	10.0	5.7	9.7	9.5	10.0	▬ 0.0%	▬ 0.0%
Capacite's Infraprojects	BUY	BUY	Maintained	139	270	94.9	9.4	13.4	0.2	16.1	27.0	13.4	0.2	12.6	27.0	▼ -22.1%	▬ 0.0%
H.G. Infra Engineering	BUY	BUY	Maintained	558	696	24.7	36.4	26.0	36.3	39.8	47.6	26.0	36.3	43.1	58.0	▲ 8.1%	▲ 21.8%
IRB Infrastructure Developer:	BUY	BUY	Maintained	163	192	17.7	57.3	18.9	3.3	18.0	22.5	18.9	3.3	18.0	22.5	▬ 0.0%	▬ 0.0%
ITD Cementation India	BUY	BUY	Maintained	77	97	26.1	13.3	4.9	0.9	5.8	9.7	4.9	0.9	5.8	9.7	▬ 0.0%	▬ 0.0%
J.Kumar Infraprojects	BUY	BUY	Maintained	197	272	37.6	14.9	24.3	8.4	30.8	38.8	24.3	8.4	30.8	38.8	▬ 0.0%	▬ 0.0%
KNR Constructions	ACCUMULATE	ACCUMULATE	Maintained	295	314	6.6	82.9	8.4	9.1	13.3	15.1	8.4	9.1	13.3	16.8	▬ 0.0%	▲ 11.2%
NCC	BUY	BUY	Maintained	76	111	46.5	46.3	6.8	4.3	7.3	9.5	6.8	4.3	7.9	9.5	▲ 8.1%	▲ 0.1%
PNC Infratech	Under Review	BUY	Upgrade	298	372	24.7	76.6	17.9	14.1	19.6	22.0	17.9	14.1	19.6	22.0	▬ 0.0%	▬ 0.0%
Sadbhav Engineering	ACCUMULATE	BUY	Upgrade	49	97	99.8	8.3	4.0	3.5	4.0	6.6	4.0	3.5	4.0	6.7	▼ -0.5%	▲ 0.7%
Logistics & Ports																	
Container Corporation of Indi:	HOLD	HOLD	Maintained	648	607	(6.3)	395.1	16.3	9.6	17.0	22.5	16.3	9.6	17.0	22.5	▬ 0.0%	▬ 0.0%

Sector / Company Name	Rating	Current	Rating	Price	Target	Upside	M/Cap (Rs bn)	EPS (Rs) - Pre Quarterly				EPS (Rs) - Current				% Change	
	Pre-Quarterly	Rating	Change	(Rs)	(Rs)	(%)		FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY22E	FY23E
Media																	
Entertainment Netw ork (India	HOLD	HOLD	Maintained	180	214	19.1	8.6	3.1	-7.3	-0.1	10.3	3.1	-7.3	0.7	10.5	#####	2.0%
Inox Leisure	BUY	BUY	Maintained	310	380	22.9	31.8	1.5	-29.7	-5.6	16.5	1.5	-29.7	-17.1	16.4	▲203.7%	▼-0.7%
Music Broadcast	Under Review	HOLD	Upgrade	23	24	2.2	8.1	0.8	-0.7	0.5	1.3	0.8	-0.7	0.5	1.4	▲2.3%	▲2.3%
PVR	BUY	BUY	Maintained	1,324	1625	22.7	67.9	5.3	-123.2	-31.9	31.6	5.3	-123.1	-44.1	38.0	▲38.2%	▲20.1%
Zee Entertainment Enterprise	BUY	BUY	Maintained	172	253	46.8	165.2	17.8	12.5	16.4	18.5	17.8	12.5	13.2	16.8	▼-19.9%	▼-9.1%
Metals																	
Coal India	HOLD	Accumulate	Upgrade	136	164	20.2	839.4	27.3	20.7	20.8	24.3	27.3	20.7	21.4	25.3	▲2.8%	▲4.0%
Hindalco Industries	BUY	BUY	Maintained	421	500	18.8	934.3	17.8	23.8	30.4	33.1	17.8	23.8	34.5	35.0	▲13.7%	▲5.6%
Hindustan Zinc	Reduce	Reduce	Maintained	316	271	(14.4)	1,336.2	16.1	19.5	23.9	24.3	16.1	19.5	23.9	24.3	▬0.0%	▬0.0%
Jindal Steel & Pow er	Accumulate	BUY	Upgrade	373	500	34.0	380.2	-1.5	71.9	70.5	37.6	-1.5	71.9	70.5	37.6	▬0.0%	▬0.0%
JSW Steel	Reduce	Accumulate	Upgrade	692	810	17.1	1,671.9	17.1	30.2	92.7	53.7	17.1	33.0	111.7	80.0	▲20.5%	▲49.0%
NMDC	Accumulate	Accumulate	Maintained	155	175	13.0	473.8	11.8	22.5	31.4	20.4	11.8	22.5	31.4	20.4	▬0.0%	▬0.0%
Steel Authority of India	Accumulate	Accumulate	Maintained	119	170	43.0	492.4	-4.2	9.0	45.2	20.0	-4.2	9.0	42.4	21.9	▼-6.1%	▲9.6%
Tata Steel	Accumulate	BUY	Upgrade	1,405	1950	38.8	1,608.3	15.5	71.3	277.3	131.4	15.5	71.3	378.9	199.4	▲36.6%	▲51.7%
Oil & Gas																	
Bharat Petroleum Corporator	BUY	BUY	Maintained	456	581	27.3	897.7	18.6	57.6	42.2	58.0	18.6	57.6	42.2	58.0	▬0.0%	▬0.0%
Gujarat Gas	Under Review	BUY	Upgrade	724	896	23.8	498.2	17.3	18.5	22.6	28.7	17.3	18.5	24.2	29.7	▲7.2%	▲3.6%
GAIL (India)	BUY	BUY	Maintained	145	184	26.5	656.0	14.5	10.6	14.0	18.2	14.5	10.6	14.0	18.2	▬0.0%	▲0.0%
Hindustan Petroleum Corpora	BUY	BUY	Maintained	250	404	61.8	380.7	25.2	73.4	41.4	46.2	25.2	73.4	41.4	46.2	▬0.0%	▬0.0%
Indian Oil Corporation	BUY	BUY	Maintained	106	135	27.5	972.3	7.3	21.1	17.4	17.8	7.3	21.1	17.4	17.8	▬0.0%	▬0.0%
Indraprastha Gas	BUY	BUY	Maintained	525	662	26.1	367.4	16.2	14.4	19.4	21.8	16.2	14.4	19.4	21.8	▬0.0%	▬0.0%
Mahanagar Gas	BUY	BUY	Maintained	1,119	1370	22.4	110.6	80.3	62.7	79.9	102.6	80.3	62.7	86.7	112.8	▲8.5%	▲10.0%
Oil & Natural Gas Corporator	BUY	BUY	Maintained	113	155	36.9	1,424.1	16.4	19.4	24.9	24.6	16.4	19.4	24.9	24.6	▬0.0%	▬0.0%
Oil India	Under Review	BUY	Maintained	171	328	91.7	185.5	23.8	20.2	24.2	27.0	46.2	38.2	40.4	43.2	▲67.0%	▲60.0%
Petronet LNG	BUY	BUY	Maintained	228	351	53.6	342.7	18.5	4.9	19.5	24.9	18.5	4.9	19.5	24.9	▬0.0%	▬0.0%
Reliance Industries	Under Review	BUY	Upgrade	2,184	2416	10.6	13,842.5	55.4	42.9	60.5	78.0	55.4	42.9	58.1	82.0	▼-4.0%	▲5.1%
Aarti Industries	HOLD	HOLD	Maintained	921	985	6.9	160.5	15.0	14.7	38.1	27.1	15.0	14.7	38.1	27.1	▬0.0%	▬0.0%
NOCIL	BUY	BUY	Maintained	266	393	48.0	44.0	7.9	5.2	8.6	14.3	7.9	5.2	12.3	16.8	▲43.1%	▲17.7%

Sector / Company Name	Rating	Current	Rating	Price	Target	Upside	M/Cap	EPS (Rs) - Pre Quarterly				EPS (Rs) - Current				% Change	
	Pre-Quarterly	Rating	Change	(Rs)	(Rs)	(%)	(Rs bn)	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY22E	FY23E
Pharma																	
Aurobindo Pharma	BUY	HOLD	Downgrade	688	795	15.5	403.2	48.3	88.4	60.9	66.9	49.2	92.0	47.7	52.9	▼ -21.6%	▼ -20.9%
Cadila Healthcare	Accumulate	BUY	Upgrade	549	695	26.6	562.1	11.5	20.8	24.0	31.7	15.5	20.4	22.9	31.6	▼ -4.8%	▼ -0.2%
Cipla	Accumulate	Accumulate	Maintained	918	980	6.8	739.9	19.8	29.8	37.4	41.3	19.8	30.0	37.1	42.2	▼ -0.8%	▲ 2.3%
Dr. Reddy's Laboratories	Accumulate	Accumulate	Maintained	4,587	5114	11.5	762.4	157.2	158.0	199.3	227.2	222.8	346.5	160.4	205.0	▼ -19.5%	▼ -9.8%
Dr. Lal PathLabs	UR	SELL	Upgrade	3,831	2626	(31.5)	319.3	26.8	35.0	42.2	45.4	28.9	35.0	52.5	57.9	▲ 24.3%	▲ 27.6%
Eris Lifesciences	Accumulate	BUY	Upgrade	731	909	24.4	99.3	22.0	26.2	31.7	35.2	21.8	26.1	31.1	36.4	▼ -1.7%	▲ 3.3%
Glenmark Pharmaceuticals	Reduce	HOLD	Upgrade	522	555	6.4	147.2	27.5	34.4	33.8	36.4	27.5	34.4	37.5	39.7	▲ 10.9%	▲ 9.1%
Indoco Remedies	BUY	BUY	Maintained	451	518	14.9	41.6	2.6	10.0	15.5	20.1	2.6	10.1	15.7	22.5	▲ 0.9%	▲ 12.4%
Ipca Laboratories	Accumulate	Accumulate	Maintained	2,503	2290	(8.5)	316.2	47.8	89.9	80.0	90.1	47.8	90.0	78.0	95.4	▼ -2.6%	▲ 5.9%
Lupin	Accumulate	Reduce	Downgrade	940	955	1.6	425.7	7.8	26.8	45.8	54.6	7.8	27.1	34.8	43.7	▼ -23.9%	▼ -20.0%
Sun Pharmaceutical Industrie	Accumulate	BUY	Upgrade	771	922	19.5	1,850.7	17.8	27.5	28.4	32.2	18.5	27.5	33.5	38.4	▲ 18.0%	▲ 19.3%
Thyrocare Technologies	Under Review	Under Review	Maintained	1,280	NA	#VALUE!	67.7	16.4	21.4	31.8	33.1	16.4	21.4	31.8	33.1	0.0%	0.0%
Midcaps																	
Indian Railway Catering and	BUY	HOLD	Maintained	2,565	2654	3.5	410.4	31.9	9.5	33.4	59.1	31.9	9.5	35.4	61.6	▲ 5.9%	▲ 4.2%
V.I.P. Industries	Under Review	BUY	Maintained	461	457	(0.8)	65.1	11.3	-6.9	3.5	13.4	11.3	-6.9	5.0	14.1	▲ 44.2%	▲ 4.7%

1Q Sectoral Snapshot

Due to recent correction in stock price, we upgrade Rallis to 'ACCUMULATE' (from HOLD) with TP of Rs 321 (unchanged). Rallis India and Coromandel International (TP- 991 @ 18x FY23E EPS of Rs 55) are our top picks in the space.

Q1'22 aggregate topline/EBITDA/PAT growth for our coverage universe was 14%/3%/21% v/s expectation of 13%/15%/28%. EBITDA got impacted (margins down 180 bps v/s expectations of 42 bps expansion) due to difficulty in passing on the rising raw material cost (Gross margin flat YoY v/s expectations of 80 bps increase) and higher cost overheads (Employee cost up 17% and Other expenses up 26% YoY).

Companies which surprised negatively on the EBITDA side were UPL, PI Ind, Rallis, Insecticides India, Godrej Agrovet. Coromandel International and Sharda Cropchem reported better than expected EBITDA.

Amidst resilient demand environment, fertiliser sector is undergoing supply shortages in India, due to continued increase in raw material prices internationally. RM cost inflation coupled with constraint to increase MRP of fertilisers due to Govt's diktat is putting strain on profitability of fertiliser importers, thus creating supply shortages. In this scenario, Coromandel International is placed on a strong footing as it has little dependency on imported fertiliser and the company has also been able to take price hike in some of its NPK grades.

Q1FY22 Result Snapshot

(Rs mn)	Sales			EBITDA			PBT			Adj. PAT		
	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.
BYRCS IN	14,159	15.3%	93.0%	3,223	-0.9%	289.7%	3,200	2.0%	335.4%	2,537	0.3%	206.8%
CRIN IN	36,639	14.0%	28.3%	4,831	17.1%	85.1%	4,455	31.9%	108.6%	3,351	35.1%	28.4%
DAGRI IN	3,638	-2.7%	32.0%	611	-6.4%	-5.4%	642	-7.3%	-5.0%	486	-6.2%	-24.8%
GOAGRO IN	19,928	28.2%	36.3%	1,695	2.2%	51.1%	1,262	1.1%	93.9%	1,060	19.7%	-5.6%
INST IN	4,683	14.3%	83.2%	531	7.9%	85.0%	462	10.1%	96.7%	347	1.9%	21.0%
PI IN	11,938	12.6%	-0.3%	2,489	8.6%	9.5%	2,245	21.3%	0.9%	1,872	28.7%	-17.7%
RALI IN	7,405	11.7%	57.1%	1,215	-5.3%	583.5%	1,091	-9.2%	997.5%	823	-10.4%	363.1%
SHCR IN	6,227	60.1%	-42.8%	1,145	87.7%	-43.6%	665	91.6%	-60.2%	381	36.4%	-81.3%
SUMICHEM IN	7,815	20.7%	46.3%	1,502	26.5%	110.5%	1,427	30.9%	132.4%	1,061	33.6%	48.8%
UPL IN	85,150	8.7%	-33.5%	17,740	-3.2%	-33.1%	6,640	-19.6%	-61.0%	7,400	28.5%	-72.1%

Source: Company, PL

Revenue inline; profitability lower than estimates

Particulars (Rs Mn)	Q1'22 Actual	Q1'22 Preview	YoY gr.	Q1FY21
Revenue	1,97,581	1,96,263	0.7%	1,73,710
EBITDA	34,982	39,091	-10.5%	33,875
PAT	19,318	20,457	-5.6%	15,960

Source: Company, PL

Higher cost overheads dragging margins

Expenses (Rs Mn)	Q1'22	Q1'21	YoY gr.	Q4'21	QoQ gr.
Employee Cost	16,787	14,335	17.1%	15,542	8.0%
Other Expenses	33,772	26,714	26.4%	36,352	-7.1%

Source: Company, PL

- **Bayer:** Growth was driven by strong crop protection sales and product liquidation. Hybrid corn seed supplies were affected by delayed availability of some key hybrids due to late harvesting and acreage changes.
- **Coromandel International:** Displayed strong revenue growth in the Crop Protection business and sustained performance in Nutrient and allied businesses. There is sharp increase in raw material prices along with constraints in RM availability. 6 new generation products launched in CP segment in Q1.
- **Dhanuka Agritech:** Due to delay in monsoon, the management guided for muted topline growth in F22. EBITDA growth is also expected to be subdued due to carry over of high cost inventory. There has been demand slack due to delay in rainfall leading to high competition, elevated inventory pressure, low consumption and inability to pass on price increase.
- **Godrej Agrovet:** 32% increase in Animal Feed segment profit supported by volume growth and realisation of R&D benefits. Vegetable oil segment benefitted from higher oil prices. Astec LifeSciences EBITDA declined by 13.7% due to lower export sales and higher input cost inflation. Food business was impacted by micro lockdowns. Profitability was further impacted by low end-product price.
- **Insecticides India:** Revenue growth was supported by all segments. Lethal group of products are receiving positive response in the market, as a substitute of Nuvan and Thimet. Received three 9(3) category registrations which will further strengthen and improve its product portfolio.

- **PI Industries:** ~6 new molecules planned to be commercialized in FY22. Another MPP planned to be made ready by Q2 FY22. 3 new products expected to be launched in Q2. Maintain original guidance of >15% revenue growth in FY22. Acquisition of Ind Swift labs' API business is inline with Company's s long-term strategic objective, aiming to create a differentiated scale play in Pharma.
- **Rallis India:** Successful launch of 3 new crop protection products, 1 crop nutrition product and 6 in seeds. Focus continued on supply chain and logistics amid lockdown limitations and high international freight rates. Formulation plant to get commissioned in Q2 FY22.
- **Sharda Cropchem:** 48% growth in volumes amidst surge in demand across geographies globally. LatAM/ NAFTA/ Europe clocked 103%/ 73%/ 31% growth in volumes, while RoW reported 13% decline in sales. Gross margins to inch up going forward, driven by better products mix and price hikes.
- **Sumitomo Chemicals:** Continue to maintain good levels of inventory to mitigate any unforeseen COVID-19 related disruptions. Erratic monsoon behaviours need to be monitored. Focused efforts towards improving overall working capital and collections continues.
- **UPL:** Volume growth 6%, price increase of 2% and currency impact of 1%. Favourable product mix partly offset by cost pressures. Created new entity "Natural Plant Protection" to carve out all natural and biologically derived agricultural inputs and technologies under one roof. Launched "nurture.farm", a digital platform that advances resilience for farmers and the food system.

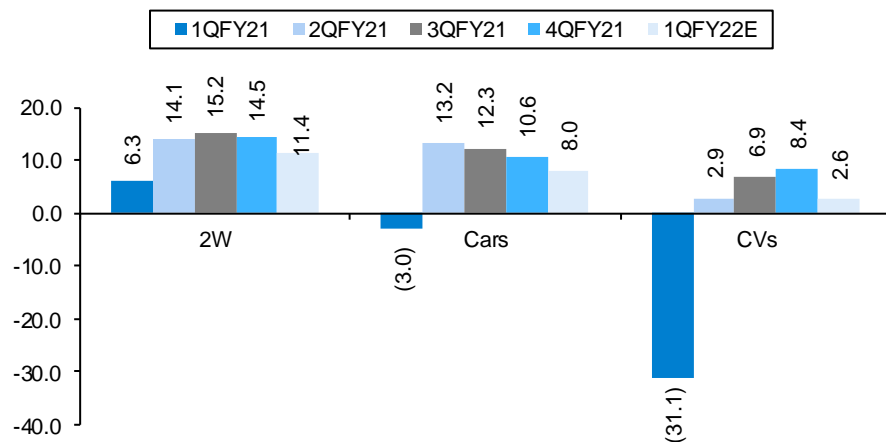
- Aggregate OEMs (ex-JLR) Revenue/ grew by 196%YoY while EBITDA came in at 50b vs loss of 8.5b. while PAT was at Rs 13.4 vs loss of Rs 23b.
- Aggregate EBITDA margins for OEMs (ex-JLR) came at 7.9% (-339bp QoQ, PLe 9.5%) led by negative operating leverage and increased RM costs. Fixed cost increased by 287bps QoQ to 18.4%. While RM cost increased 479bp/44bp YoY/QoQ to 73.6%, it will further increase in 2Q.
- Chip shortage to impact production going ahead: While demand outlook remain positive across segments, chip shortage is a concern.
- We have upgraded HMCL to 'BUY', while downgraded CEAT & EIM to 'HOLD' and ENDU to 'ACCUMULATE'. **Top picks** - AL, MM and TVS among OEMs while BHFC, ENDU and EXID among anc.

Q1FY22 Result Snapshot

(Rs mn)	Sales			EBITDA			PBT			Adj. PAT		
	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.
AL IN	29,510	353.4%	-57.8%	-1,401	NA	NA	-3,809	NA	NA	-2,810	NA	NA
BHFC IN	13,718	221.3%	4.9%	3,914	NA	17.3%	2,822	NA	2.0%	2,133	NA	-36.1%
BJAUT IN	73,860	139.9%	-14.1%	11,198	174.1%	-26.5%	13,827	102.8%	-20.5%	10,612	101.0%	-30.4%
CEAT IN	18,978	70.0%	-16.7%	1,655	62.7%	-35.2%	277	-371.3%	-78.6%	328	-173.1%	-87.1%
EIM IN	19,743	141.3%	-32.9%	3,630	NA	-47.0%	3,669	NA	-45.2%	2,371	NA	-65.4%
ENDU IN	16,937	180.8%	-20.6%	2,443	NA	-26.5%	1,573	NA	-30.2%	1,207	NA	-63.7%
EXID IN	24,864	60.7%	-15.4%	2,606	75.5%	-36.8%	1,640	161.4%	-50.3%	1,254	185.4%	-69.6%
HMCL IN	54,871	84.7%	-36.8%	5,148	376.5%	-57.5%	4,844	NA	-57.1%	3,654	NA	-69.8%
MM IN	1,17,628	110.4%	-11.8%	16,317	184.7%	-16.8%	12,069	NA	-13.3%	9,341	NA	-52.4%
MSIL IN	1,77,707	332.7%	-26.0%	8,211	-195.1%	-58.8%	5,635	-263.0%	-56.9%	4,408	-276.7%	-77.9%
MSS IN	1,61,574	93.5%	-4.8%	12,200	-321.5%	-29.2%	5,027	-138.3%	-43.5%	2,111	-128.5%	-87.7%
TTMT IN	6,64,065	107.6%	-25.1%	52,576	727.2%	-58.7%	-25,812	NA	NA	-44,512	NA	NA
TVSL IN	39,344	174.8%	-26.1%	2,738	NA	-48.9%	1,023	-154.0%	-73.6%	832	-159.9%	-84.5%

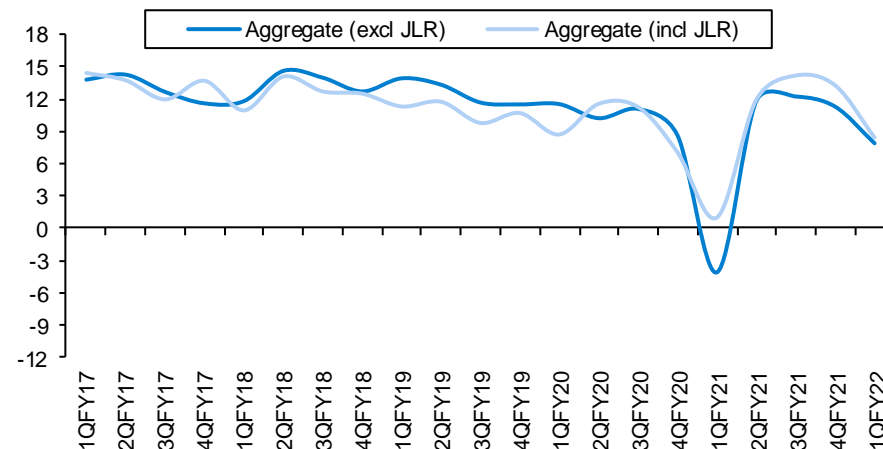
Source: Company, PL

RM headwinds in Q4 to partially offset by likely price hikes and op leverage



Source: Company, PL

Q3FY21 margins (ex-JLR) nine quarters high at 12.2% (+110bp YoY)



Source: Company, PL

Management Commentary

- **Ashok Leyland:** Management indicated improving demand outlook led by infra and economic spend. Also, strong traction is visible in LCVs. Took price hike of 2% each in Q4 and 1QFY22. Leyland Finance - Book size stands at Rs 260b, collection efficiency at 85% in June. Net NPA at 2.6%. Capex to be under Rs7.5b in FY22.
- **Bajaj Auto:** Domestic- Expect 2W industry sales to grow at a slower rate than last year led by higher channel inventory and moderate pent-up demand. Expect CNG 3W to grow going ahead. Exports- Expect exports to remain strong despite weakness in certain markets. Expect 3% RM cost inflation in 2Q. Chetak is launched in 4 more cities.
- **Eicher Motors:** Demand is expected to improve from 2HFY22; southern markets are seeing the delay in recovery. Chip shortage remains the point of concern. Company expanding in Latam and south American markets. Exports grew 28% QoQ. Price increases have covered for the commodity cost inflation. Targets to achieve 20% sales from non auto sales.
- **Hero MotoCorp:** Demand trends shaping up positively led by positive rural sentiments and upcoming festive season and education institutions reopening. Price Hikes: Company has taken price hikes of Rs 600 in April and Rs1,200 in July against RM inflation of ~Rs 2,000/vehicle. Capex guidance for FY22 at Rs8-10bn. Finance penetration is 41% (v/s 48% in Q4) 8) Fincorp reported loss led by increasing GNPA's.
- **M&M-** Tractor to grow by low single digit in FY22. PVs- Higher booking trends continues for Thar (10 months waiting) strong pipeline for Bolero neo. Market Share: Company has gained market share in tractor (~2.6% pts) and in PVs. FES subsidiaries are on track of break even.
- **Maruti Suzuki:** Demand started picking up in July, outstanding bookings at ~170k units. Facing semiconductor shortages. Channel inventory of 130-135k units. A small price hike was taken in July and a price hike of ~1.25% & 0.8% was taken in April & Jan; discounts stand at Rs 14k.
- **Tata Motors:** JLR outlook – 30k units lost in 1Q due to semiconductor issue. Q2 guidance: Wholesales at 65,000 units, revenue at GBP3.7bn, EBIT margin to be negative and FCF to be negative at below GBP1bn. Q3 is expected to be above breakeven. Q1 CV EBITDA contracted 900bps QoQ to 0.1%, while PV EBITDA contracted 80bps QoQ to 4.1%.
- **TVS Motors:** Demand outlook- Seeing good recovery in the month of July retails are closer to 4Q levels, expect Q2 to remain strong both in Exports and Domestic market. Company plans to invest Rs 10b in EV entity, incurred Rs 3b till date.
- **Bharat Forge:** Expect the demand to remain strong in global and domestic CVs 10 month backlog in class 8. Gained share in PVs. AI demand is higher than capacity. Sanghvi to add Rs 5-6b, capex of Rs 2-2.5b in FY22.
- **Ceat:** Expect strong recovery in both replacement segment after green shoots in July. Gross margins to remain under pressure in Q2, led by anticipated 4-5% increase in RM. Taken an average price increase of ~4%/3% in Q1/July expect another price hike of 2-3%. Capex guidance at Rs11.5-12b for FY22. Debt to go up.
- **Endurance:** Increasing disc brake assembly capacities to 570k sets/month from 285k production to start from this month and. Setting up low pressure die casting plant with capacity of 720k/annum (from Q2FY22) Increasing alloy wheel capacity from 240k/month to 320k/month from Q3FY22. ABS production to start from September.

- Revenues were by 3.2x YoY on a lower base; Losses widen:** After achieving a high of 80% of pre-Covid capacity, demand environment collapsed in 1Q22 due to 2nd Covid wave led lockdown restrictions. May month saw average daily flights nosedive to 30%-35% of pre-covid levels, thereby pegging back industry recovery by 6-8 months. Pax per flight too witnessed a drop to 73 (last seen in May20). Scheduled international operations continued to remain restricted. Given this backdrop, INDIGO/ SJET's capacity saw a sequential decline by 41.5%/ 51.9%. With demand environment weak, yields came under pressure. LCCs under our coverage reported Revenue growth of 3.2x YoY on a lower base, but were down 49.4% QoQ. Losses widened YoY/QoQ to Rs40.5bn impacted by high fuel cost environment, MTM forex loss and lower scale of operations.
- August sees swift recovery in domestic traffic:** Post 2nd Covid wave, India's domestic market continues to make a swift recovery reaching 80% of Feb21 highs in August with opening up of economy and rising vaccination count boosting consumer confidence. The industry remains hopeful of reaching Feb21 levels (domestic) by the end of CY2021 while making a full recovery by March22. Rising pax counts and revision of price bands (up 10%-13%/ 45%-51% over May20/May21) will help partially offset rising input cost environment (Crude up 86% over June20) and suboptimal scale of operations (60% of pre-covid). Recapitalization remains need of the hour.

Management Commentary

- IndiGo:** Monthly 1Q22 Revenue trend: April- Rs15.4bn| May- Rs6.7bn| June- Rs9.6bn. July likely to reach April revenues. Doubling of ATF prices YoY impacted earnings by Rs5.4bn (adjusted for capacity). Daily Cash burn increased QoQ from Rs190mn to Rs334mn in 1Q. In addition to Rs45bn additional liquidity target for FY22, identified another Rs10bn of which Rs14bn have been tapped. Employee cost increased QoQ due to higher new pilots training cost. In July, it operated at 65% of pre-covid capacity. Expect to reach 100% domestic capacity by 4QFY22.

Q1FY22 Result Snapshot

(Rs mn)	Sales			EBITDAR			PBT			Adj. PAT		
	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.
INDIGO IN	30,069	292.2%	-51.7%	-14,176	NA	NA	-31,793	NA	NA	-31,793	NA	NA
SJET IN	10,897	111.7%	-41.9%	-2,638	NA	NA	-8,726	NA	NA	-8,726	NA	NA

Source: Company, PL

Domestic traffic makes a swift recovery in Aug21

Particulars	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21*
Average daily flights	2,297	2,305	1,999	894	1,070	1,520	1,859
vs LY %	-27%	3%	NA	64%	43%	90%	100%
vs Jan20 %	-27%	-27%	-36%	-71%	-66%	-52%	-41%
Average daily pax	278.4	251.2	188.2	65.7	101.2	157.1	216.1
vs LY %	-35%	1%	NA	65%	53%	132%	137%
vs Jan20 %	-35%	-41%	-56%	-85%	-76%	-63%	-49%
No of pax / flight	121	109	94	73	95	103	116

Source: MoCA, PL Research

*till 17th August

Management Commentary

- SpiceJet:** Cargo revenues grew by 2.9x YoY/ 13.5% QoQ. Other income includes Boeing compensation of Rs1.4bn. To hive off cargo arm on a slump sale basis for a consideration of Rs25.5bn. This shall enable greater focus on cargo business and enhance ability to raise additional capital to fuel growth. Best domestic passenger load factor of 69.5%. SpiceXpress network spans over 68 domestic and 111 international destination. Carried more than 43,000 tonnes of cargo in 1Q22.

Banks NII growth was slower at 9%YoY/3%QoQ, given 1) slower loan growth especially in retail, 2) higher liquidity & CRR impact and 3) interest reversals. This also led to slower PPOP growth of 8% YoY/-1% QoQ, along with lower fees/treasury (largely from PSBs as Pvt was flat). Asset quality deteriorated marginally on relatively higher slippages, although was continued as PCR continued to be maintained at 70%, no large drawdown in COVID provisions and recovery/upgrades from Q4FY21/Q1FY22. Restructured loans rose for the sector by 50-70bps at 1.75-2.5%, but is still lower than anticipated. We continue to prefer ICICIB/HDFCB/IIB as our top three picks.

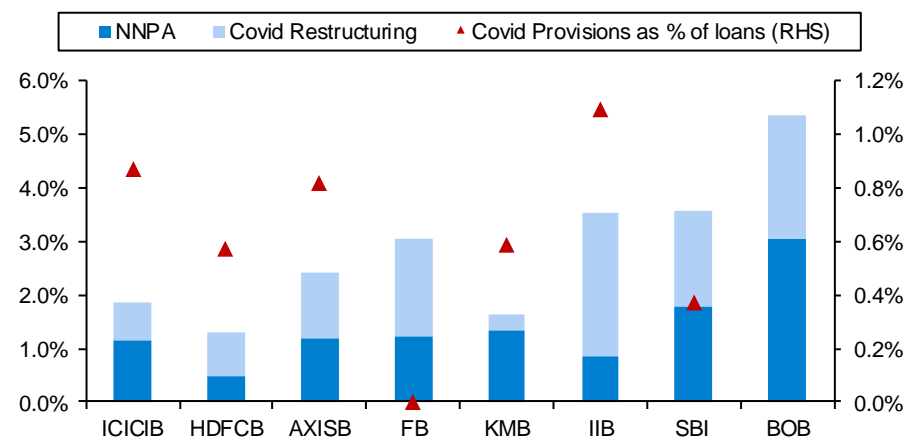
- Coverage banks loan growth remained muted at 7%YoY/-1%QoQ and was mixed within private banks and PSBs. Importantly, corporate loan growth revival was witnessed in many banks post consolidation, while were cautious on retail & SME.
- On liabilities, banks continued to see influx of deposits especially savings, as growth & average ratios remain stable. This has further led to reduction funding cost by 15-25bps QoQ, contrary to expectations of rates being bottomed. Lower cost was passed on yields and interest reversals/mix changes also led to lower yields sequentially.
- Overall NII growth of 9% YoY has slowed from 13-15% in last few quarters and should take a quarter or so to recover. PPOP growth of 8% with only 6% for private banks showcased pressure from lower fees & treasury and rebound in expenses (although down QoQ). Earnings were better on back of 30% lower provisioning from Q1FY21 and cushioned legacy book along with COVID provisioning being in range of 30-100bps.
- On asset quality, slippages were high with average 2.5% of loans for PSBs and 2.5-3.5% for private banks and mainly from retail, followed by MSME. Higher slippages & incremental restructuring has still kept credit cost up and delayed earnings recovery, although provisions are 30% lower than last year on COVID provisions build up. Banks restructuring has been higher at 1-1.5% with 2% for PSBs, 1.5%-2.0% for large private and 2.0-2.5% for mid sized private banks. Most of the commentary suggested Jul'21 being much better on collections and asset quality trends will recovery substantially into H2FY22.

Q1FY22 Result Snapshot

(Rs mn)	NII			Operating Profit			PAT		
	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.
AXSB IN	77,603	11.1%	2.7%	64,160	9.8%	-6.5%	21,602	94.2%	-19.3%
BOB IN	78,917	15.8%	11.0%	57,074	32.1%	-8.9%	12,086	-239.9%	-215.5%
FB IN	14,184	9.4%	-0.1%	11,352	21.8%	28.3%	3,673	-8.4%	-23.1%
HDFCB IN	1,70,090	8.6%	-0.6%	1,51,371	18.0%	-2.5%	77,297	16.1%	-5.6%
ICICIB IN	1,09,358	17.8%	4.8%	88,944	-17.5%	4.2%	46,160	77.6%	4.8%
IDFCB IN	21,848	34.4%	11.5%	10,012	12.3%	55.0%	-6,300	-773.5%	-592.9%
IIB IN	35,637	7.7%	0.8%	31,306	9.4%	2.3%	9,750	111.7%	11.3%
KMB IN	39,417	5.8%	2.6%	31,211	19.0%	-8.4%	16,419	31.9%	-2.4%
PNB IN	72,266	7.1%	4.2%	60,987	15.5%	8.2%	10,235	231.8%	74.6%
SBIN IN	2,76,384	3.7%	2.1%	1,89,748	5.1%	-3.7%	65,040	55.3%	0.8%
SIB IN	5,420	-7.6%	-3.3%	5,121	26.9%	21.1%	103	-87.4%	51.8%

Source: Company, PL

Net Stress is at manageable levels with cushion of contingent provisioning



Source: Company, PL

Growth remained challenged with high disruption from COV-19 wave 2. Collections were impacted and hence slippages were quite high mainly from retail/SME, but commentary suggested sharp rebound in Jun and a much better in Jul'21 which should substantially reduce stress in H2FY22. PCR continues to be better at 65-70% for most banks, although provisions are still elevated due to write-offs, but should subside from hereon. Most bank's commentary was to continue investing in digital capabilities

- **HDFCB** saw Apr/May to be quite tough for collection with better in Jun & rapid improvement in Jul'21 and back to Mar'21 levels. Slippages rate were of 2.5% (2.2% ex-Agri), while restructuring has some more room to move up by Q2FY21 from 80bps currently. NII was weak on lower revolver in cards business and yield impact from non-retail mix. As spends improve, NII will start improving as well.
- **KMB's** Market opportunity has been quite tough with limited pricing power-lower spreads, short term chase of loans and lower utilization of working capital limits apart from the asset quality severity from wave two. Better recovery trends were seen from June end and even better in July. Slippages expected to materially subside in H2FY22.
- **Axis** focus remains on granular accretion, enhancing digital capabilities & analytics help to create cross sell opportunities for ETB & Known to Bank Customers. NIMs have been slightly subdued due to pivoting towards secured assets and better rated corporates, pricing pressures, CRR etc. Collection efficiencies seeing uptrend while bounce rates have been steady, on this back slippages could see moderations in second half of the year.
- **ICICIB** continues to focus on risk-calibrated lending, customer centric approach and leveraging internal synergies. Slippages in the quarter were mainly from Retail, Gold & Agri Loans, however bank expects decent recoveries. Bank will continue to make pro-active provisioning to keep PCR enhanced and holds 90bps of loans as COVID provisions. Higher spends, demand in home loans, demand for overdraft in Biz banking/SME driven loan demand.

- **IIB's** disbursements dwindled in the quarter due to second wave of Covid and induced lockdowns, however seen demand pick-up from segments like MFI, vehicle finance & tractors. Elevated slippages were seen in consumer segment, however recoveries/upgrades seen tractions. Continue the strategy of granular corporate book. For the Corporate Book restructuring was Rs.11.2bn which led to major restructuring. Restructuring for Q2 to be marginal. Not much delinquency expected from restructured portfolio. NIMs to see some marginal improvement on benefit of lower deposit cost.
- **FB's** focus shall be on growth in business banking, retail, credit cards along with Gold loans which has seen demand off-late. Slippages remain higher in the quarter mainly from retail, although are expected to be around the same level as past years (~Rs.18bn) for FY22. Collection efficiency was at ~95% in Q1FY22 with SMA levels unchanged from Q4FY21. Current accounts could see some moderation due to RBI's guidelines. NIMs are expected to be in the range of 3.15% - 3.20% for FY22.
- **IDFCB** will continue to focus on retail deposits & loans. NIMs to be broadly at current levels, C/I to come down to 55% by FY25. Slippages have been high with one-off fall from infra, although FY22 slippages rate to be contained at 2.5%. Bank has made higher provisions and hence expected to taper in rest of the year.
- **SBI** slippages ratio were 2.5% due to impact on collections and mainly from Retail Portfolio. However, the Bank has seen pull back of Rs47-48bn various retail loans. Restructuring of Rs.20.6bn is pending to be implemented in Q2FY22. Sharper focus on growth through YONO, apart from Personal loans; it expects to lend for 2W & Kavach loans. Management continued to commit delivery of 15% ROE, but timeline was uncertain.
- **BOB's** Credit growth to start growing in line with broader market growth. Corporate Book to grow Q2 onwards; Gold Loans, Home Loans & Car loans remain as preferable areas of growth. Endeavour to maintain net slippages below 2%, hence provisions to taper off.

Capital goods sector witnessed a healthy 1Q for most of our coverage universe in both project/product companies, as labour availability improved and capacity utilisation sharply rebounded from June'21 onwards. Revival in economic activity resulted in strong execution for project companies like ENGR, KEC, L&T etc., while decline for BEL was witnessed. EBITDA margins saw a expansion led by stringent cost control measures and curtailment of discretionary spending. Despite pandemic and some deferment witnessed, ordering momentum remained strong in 1QFY22 to Rs468bn (Vs Rs365bn in Q1FY21).

Despite pandemic and second wave impact, execution was strong led by revival in economic activity, higher utilisation levels, labour availability normalizing and low base of last year. Barring GETD and BEL, all the companies reported strong execution.

With steep rise in commodity price product companies like TRIV, BHEL, VOLTAMP, BEL, etc. witnessed pressure on margin, due to execution of old legacy order. While companies like ABB, L&T, APR, KPP etc. witnessed lesser impact, as they were able to delay execution of old legacy orders.

Way forward: Most managements indicated strong order pipeline and expects healthy ordering activity in FY22 from sectors like Railways, Pharma, Chemicals, F&B, Data Centers, Oil & Gas, Power T&D and Water from domestic as well as exports market. Most companies remained cautious on account of sharp increase in raw material price, impacting margins in Q2FY22. Companies having healthy B/S, good corporate governance, well managed working capital cycle and strong cash will benefit from pickup in capex cycle.

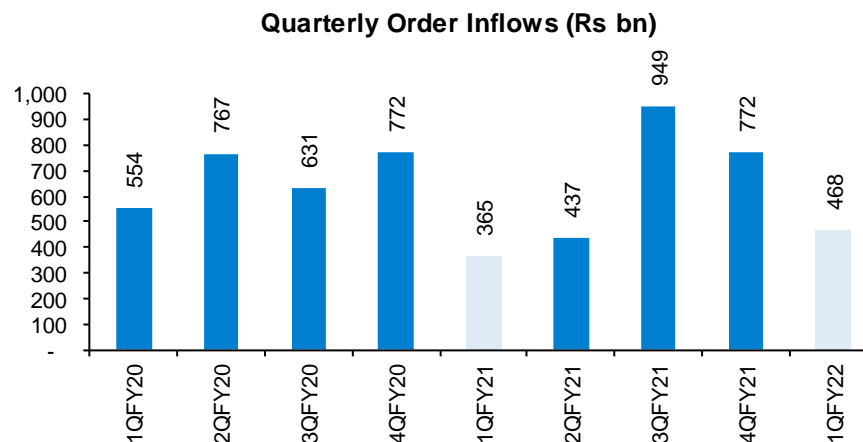
We remain positive on L&T, APAR, & KPP.

Q1FY22 Result Snapshot

(Rs mn)	Sales			EBITDA			PBT			EBITDA		
	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.
ABB IN	14,250	44.6%	-12.5%	948	304.2%	-28.4%	900	320.2%	-30.3%	683	307.9%	-54.6%
APR IN	18,096	40.0%	-4.7%	1,292	240.3%	28.3%	791	NA	24.1%	623	NA	31.0%
BHE IN	16,346	-2.2%	-76.3%	629	-57.2%	-96.8%	152	-80.1%	-99.2%	112	-79.4%	-99.2%
BHEL IN	29,013	45.7%	-59.5%	-4,740	NA	NA	-5,938	NA	NA	-4,454	NA	NA
ENGR IN	7,349	57.1%	-34.2%	1,043	NA	-36.4%	1,217	86.2%	-38.7%	906	88.4%	-34.8%
GETD IN	6,381	-0.7%	-29.5%	14	NA	-96.8%	-253	-3.6%	-151.1%	-193	-5.2%	-149.9%
KECI IN	25,400	15.1%	-41.8%	1,599	-18.0%	-54.9%	585	-39.3%	-78.0%	461	-34.8%	-76.3%
KKC IN	11,845	137.8%	-5.0%	1,488	NA	-11.2%	1,710	142.8%	-30.3%	1,043	98.4%	-43.9%
KPP IN	15,860	8.7%	-32.1%	1,620	3.8%	-33.3%	1,160	14.9%	-42.3%	760	10.1%	-41.5%
LT IN	2,93,347	38.0%	-39.0%	31,715	95.7%	-50.4%	22,746	NA	-60.4%	11,744	NA	-64.3%
SIEM IN	27,080	124.3%	-19.3%	2,283	NA	-48.3%	2,145	NA	-50.4%	1,615	NA	-48.9%
TMX IN	10,524	58.3%	-33.2%	630	NA	-54.9%	563	NA	-59.9%	424	NA	-60.5%
TRIV IN	1,841	11.4%	3.1%	358	-7.5%	44.7%	361	-4.9%	52.9%	278	1.8%	19.2%
VAMP IN	1,619	123.8%	-43.0%	65	107.0%	-80.3%	180	-22.3%	-56.7%	158	-18.1%	-49.2%

Source: Company, PL

Ol came in at Rs468bn with revival in economy and pick-up in demand



Source: Company, PL

- **ABB:** Management indicated a strong recovery with operation reaching normalcy in month of June. Though Management remains cautious in short term due to demand – supply imbalance, forex volatility and pandemic related challenges. Going forward focus will be on cost optimization, order wins and execution.
- **Apar:** Management indicated growth will be driven by increasing ESG investment, Indian railways, automotive & telecom Industry, increasing spend in defense sector and exports market. Focus remains on value added products which help to gain market share, given its superior product quality, first mover advantage and strong brand positioning.
- **Bharat Electronics:** Management indicated execution in Q1 was impacted due to closure of factory for a week, delay in various clearance from government authorities/agency and supply chain disruption. Despite weak 1Q, the company maintained its guidance both in term of revenue growth 15-17% and EBITDA margins in 21-22% range for FY22E.
- **BHEL:** Q1FY22 execution was impacted owing to second wave of Covid, diversion of industrial oxygen towards medical usage and lower labor availability. Though operation have started to reach normalcy, Q2 onwards. Going forward focus will be on scaling up revenue, cost optimization and increasing procurement efficiency.
- **Cummins:** For exports market strong recovery was witnessed in markets like Asia Pac primarily from China, Africa, Europe, Latin America, etc. while ME and Africa is witnessing gradual recovery. For domestic market demand for PowerGen remains strong with recovery in economic activity.
- **GE T&D:** Management is optimistic in reviving ordering activity primarily from green energy corridor TBCB project which is expected to finalize in next couple of months.

- **KEC:** Management indicated tender pipeline continues to remain strong at ~Rs700bn of which T&D pipeline stands at ~Rs400-450bn majorly from international market while Railways pipeline constitutes ~Rs110-120bn. Execution and cost overrun continues in SAE due to Covid.
- **KPP:** Given strong order book of Rs134bn (including Lingemontage), management guided for revenue growth of 15% with double digit EBITDA margin for FY22. While on OI front Management guided for OI of Rs90bn, of which Railways and Oil & Gas OI to be Rs20bn each, while T&D to be Rs50bn, of which TLI to be \$400mn for FY22.
- **Larsen & Toubro:** Management indicated that tender pipeline continues to remain robust at ~Rs8.96trn vs Rs9.06trn as on 4QFY21 primarily driven by Infra (71% of order pipeline) and Hydrocarbon (accounting ~20%) segments. On International front, tendering pipeline continues to be huge with strong traction witness across Power T&D and Hydrocarbon space.
- **Thermax:** Slowdown due to second wave, increase in commodity price, higher freight cost and shortage of containers impacted the Q1 performance. Management indicated enquiry pipeline remains strong from sectors like F&B, Chemicals, Pharma, Refinery, Power etc.
- **Voltamp:** Management highlighted that enquiries remain strong but finalization is taking time, due to delay in decision making on account of steep rise in commodity price and clients demanding reduction in quoted price.
- **Triveni Turbine:** Management indicated enquiry generation remains strong from both domestic and exports market and is expected to increase further in FY22 driven by sectors like cement, steel, chemical, distillery, food, paper, pulp and pharma. Given strong enquiry levels both domestic and international markets, management is confident of higher OI.

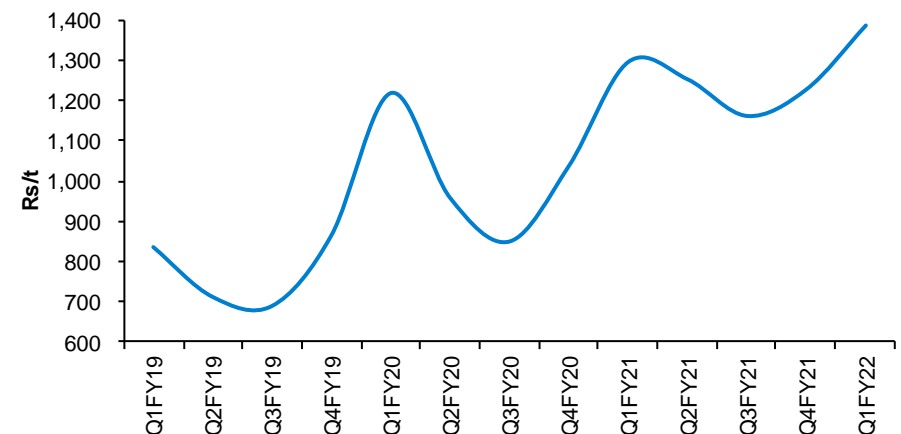
- Beat led by top players:** Sector reported Q1FY22 earnings above our expectation due to lower than expected costs. Sales/EBITDA/PAT of our coverage universe increased by 49%/54%/81% YoY to Rs281bn/Rs72bn/Rs44bn (Ple:Rs276bn/Rs68bn/Rs40bn) respectively. The entire beat was led by Ultratech (UTCEM), Ambuja (ACEM) and ACC. Rest all companies in our coverage space missed our estimates. Sales volume for our coverage universe grew 47% YoY to 53.0mnt (Ple:51.7mnt).
- Lower costs drove beat on margins:** Cement realisations of our coverage universe grew 6% QoQ/Rs290/t (+4% YoY/Rs210) at Rs5,290 (PLe:Rs5,335)/t. Driven by lower than expected energy and freight cost, cost came below our estimate at Rs3,930 (PLe:Rs4,015), up 3.8% YoY/Rs145. Hence, EBITDA/t of coverage universe came above our estimate at Rs1,360 (PLe:Rs1,320), +5% YoY/Rs65 (+11% QoQ/Rs130).
- Sticking with ACEM and UTCEM as top picks:** After delivering strong performance consistently for last six quarters, we remain confident that sector would continue to positively surprise street with better control on costs and higher prices. Led by 6%/9% YoY growth in margins/volumes, we expect EBITDA for the sector to grow by 16% YoY in Q2FY22 despite steep increase in coal and freight cost. We prefer large caps, ACEM and UTCEM given their diversified presence, ample levers for cost reduction (WHR, strong scale of logistics) and high share of trade volumes. We believe that **UTCEM** stands out as best candidate to play in the sector, led by its dominant size (22% market share) and highly efficient operations. In spite of sharp run-up in **ACEM's** price, we see reasonable upside given strong case for positive surprise on margins, capacity growth and continued valuation re-rating. Driven by improved visibility on operations and attractive valuations, we reiterate BUY rating on **ACC**.

Q1FY22 Result Snapshot

(Rs mn)	Sales			EBITDA			PBT			Adj. PAT		
	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.
ACC IN	38,104	51.2%	-9.6%	7,948	79.2%	1.7%	7,550	88.3%	0.7%	5,563	118.4%	-28.8%
ACEM IN	33,420	55.8%	-6.6%	9,305	65.1%	-0.4%	9,665	51.0%	9.1%	7,231	59.5%	-22.6%
DALBHARA IN	25,890	36.2%	-17.7%	7,000	13.8%	-8.3%	3,720	24.4%	-10.8%	2,660	37.8%	-65.1%
HEIM IN	5,504	35.5%	-5.3%	1,255	17.4%	-5.9%	1,039	39.4%	-20.3%	687	40.3%	-48.6%
JKLC IN	12,315	49.2%	-6.8%	2,161	50.7%	-19.3%	1,613	147.0%	-25.8%	1,187	167.2%	-55.7%
SRGM IN	34,495	47.9%	-12.8%	10,135	44.7%	-14.3%	8,667	79.4%	-8.5%	6,617	78.5%	-44.0%
TRCL IN	12,051	17.8%	-25.8%	3,404	40.9%	-23.0%	2,501	60.6%	-28.1%	1,690	54.2%	-61.8%
UTCEM IN	1,12,990	55.6%	-17.9%	31,140	60.3%	-8.8%	25,160	93.4%	-5.1%	16,820	90.1%	-50.7%

Source: Company, PL

EBITDA/t increased 5% YoY/11% QoQ to Rs1,360 of our coverage universe



Source: Company, PL

- **Ultratech:** 1) Demand picked up from June 2) Contrary to the general perception of weakness in rural belt due to Covid-19, recovery in rural areas stand far better compared to urban markets 3) Margins of acquired operations of Century cement increased by 25% QoQ to Rs1,000/t 4) Due to steeper rise in prices, share of pet coke dipped further to 17% (30% QoQ/77% YoY) as imported coal's share increased to 80% (60% QoQ/20% YoY) 5) No takers for current pet coke offers of US\$160-163/t 6) Pet coke consumption cost increased 13% QoQ to US\$123/t 7) Capacity expansion of 19.5mnt on track for commissioning in phases during FY22-FY23 8) Working capital increased by Rs6bn QoQ due to seasonal factors.
- **Ambuja Cement:** 1) Urban housing and infrastructure to drive demand recovery going ahead 2) ~12% Sales from Value added products (up 69% YoY in Q2) 3) Greenfield integrated plant with 3 MTPA clinkerisation and 1.8 MTPA cement grinding plant at Marwar Mundwa to start commercial production in Q3CY21 4) Embarking on brownfield expansion with 1.5 MTPA cement grinding unit at Ropar 5) Energy cost improvement – WHRS (Waste Heat Recovery System) projects of 54MW at Bhatapara, Darlaghat and Marwar Mundwa is progressing well. 6) Sales volumes grew by 53% for the quarter and 37% in H1' 2021 backed by growth in all regions.

- **ACC:** 1) Demand is expected to recover supported strongly by Government's increased spending on large scale infrastructure projects 2) ~19.5mn rural houses are targeted for construction between FY20 and FY22, with completion rate of ~32% 3) Industrial construction demand to witness revival supported by: a) Deferred investments from last fiscal flowing into FY22 b) Large players announcing capex plans c) Implementation of time bound Production Linked Incentive scheme 4) Operated at 77% utilisation in Q2.
- **Dalmia Bharat:** 1) Capex on ongoing projects increased by 55-60% to Rs19.5-20.0bn due to incremental investments on land acquisition 2) Envisaged capex of Rs10-12bn over FY22-24 on green energy initiatives including waste heat recovery (WHR), carbon capture, low carbon cement, etc 3) Would invest Rs9-10bn in FY22-FY24 on maintenance capex 4) Solar/WHR capacity would increase to 87MW/62MW by FY24 from current 8MW/9MW 5) 40%/40%/10% of 10mnt expansion would be distributed between East/South/North East 6) Guided capex of Rs40bn in FY22 7) Announced Capital allocation policy factors in Net debt/EBITDA<2.0x (current 0.1x).

- **JK Lakshmi Cement:** 1) Clinker volumes were higher in the quarter, due to surplus availability 2) Balance of Rs1.4bn would be spent in FY22 on 10MW WHRS and SoX/NoX project at Sirohi plant, having total capital outlay of Rs2.4bn 3) Share of non-trade sales increased by 800bps YoY to 47% 4) 80% of total volumes are transported through direct dispatch while 100% of non-trade volumes move through direct dispatch 5) Looking to complete the ordering of new kiln and mother grinding unit at UCLW in current quarter with commissioning expected in couple of years 6) Recently won two limestone mines in Gujarat and Rajasthan 7) Share of premium products in trade volumes at 25% with target to reach 30-35% 8) UCWL's clinker/cement capacity increased by 25%/38% to 1.5mnt/2.2mnt with commissioning of debottlenecking project 9) Due to sharp increase in pet-coke prices, company increased share of thermal coal by 800bps QoQ to 54%, while pet coke's share reduced by 600bps QoQ to 40%
- **Heidelberg Cement:** 1) Demand in rural markets is looking much stronger than urban 2) Realisations were down QoQ in central India, due to increased material flow from other regions 3) Though cement prices in July remain unchanged, expect uptick in prices during H2FY22e 4) Owing to steep increase in prices, share of pet-coke usage reduced to 35% from 62% YoY 5) Exploring options on group simplification with Zuari Cement which has capacity of ~7mnt; Combined group capacity currently stands at 14mtpa which can be expanded to 20mnt with existing infrastructure

- **Ramco Cement:** 1) Capacity utilisation increased 85-90% from 71% in Q1FY22 2) Cement prices are expected to remain higher due to cost pressures 3) 2.25mtpa clinker capacity at Kurnool would be commissioned in Q2FY22 while 1.0mtpa grinding unit, 12MW WHRS and 18MW TPP would be commissioned by FY22-FY23e 4) Would commission 6MW/3MW WHRS in Q2FY22/Q4FY22 at Jayanthipuram (AP) plant 5) Capex guidance for FY22e at Rs8bn (Spent Rs4.0bn in Q1FY22) ex of capex on RR nagar plant 6) Pet coke consumption cost increased by US\$15/t QoQ 7) Owing to sharper increase in prices, company reduced share of pet coke by 2,300bps YoY to 33% in fuel mix 8) Currently holding pet-coke inventory of 3-4 months 9) Last bought pet coke at US\$115-116/t, but not no interest at current price levels of US\$150/t 9) Green power share increased to 14% in Q1 v/s 5% YoY 9) Modernization cum expansion of RR Nagar would reduce cost by ~Rs500mn annually 10) Trade sales for Q1 at 75% of total volumes 11) 88% of the cement produced is transported by road, while rest through rail.

- **Q1FY22 Sales down 22.3%:** 1Q witnessed a sales decline of 22.3% as most companies were impacted by the national lockdown. EBITDA declined 33.2%. PBT and PAT declined 33.4% and 26.8% respectively.
- All companies delivered strong volume growth on low base. Paint companies volumes grew significantly as base qtr was a washout. QSR's also reported strong SSG, as base quarter was impacted due to lockdowns. Brit's volume growth was flat on the back of strong base qtr.
- **Rural Recovery impacted due to second wave:** Rural demand had been impacted as Covid reached the hinterland. Urban demand grew faster in several product categories as restrictions eased. With expectations of normal monsoons, high crop prices and government interventions Rural will likely sustain higher growth than Urban.
- **Crude linked Input costs continue to remain high:** Barley prices increased 25% YoY. SMP prices were up 7.3% YoY while Palm oil prices were up 87.2% YoY (6.6% QoQ). Mentha prices softened 12.1% YoY. Gold prices were higher by 10.3% YoY and 1.1% QoQ. However crude based inputs like VAM, Packaging, LLP, LAB, Pigments remain at record levels with some softening witnessed in VAM off late.
- We structurally like Britannia, HUL, D'Mart, Paint companies and Titan. We remain positive on BRIT as long term story is intact and the stock has underperformed with valuations lower than peers. APNT remains a good long term play on the back of market share gains and strong growth in waterproofing segment. TTAN remains a structural play and is expected to benefit due to compulsory Hallmarking. We continue to like D'Mart as we believe inflation is beneficial for value retailers while Kansai and Emami can provide alfa due to favorable valuations than peers.

Q1FY22 Result Snapshot

(Rs mn)	Sales			EBITDA			PBT			Adj. Pat		
	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.
APNT IN	55,854	91.1%	-16.0%	9,136	88.7%	-30.7%	7,811	144.1%	-32.1%	5,743	161.0%	-34.0%
BRIT IN	32,362	0.5%	9.6%	5,237	-22.0%	7.4%	6,027	-13.5%	25.9%	4,659	-9.7%	31.8%
BURGERKI IN	1,497	288.9%	-23.6%	15	-105.3%	-93.7%	-444	-43.9%	117.8%	-444	-43.9%	117.8%
CLGT IN	11,660	12.0%	-9.1%	3,552	15.3%	-15.8%	3,142	17.7%	-17.6%	2,332	17.7%	-17.6%
DABUR IN	26,115	31.9%	11.8%	5,520	32.5%	24.8%	5,681	34.0%	25.6%	4,383	28.4%	16.2%
DMART IN	50,318	31.3%	-31.1%	2,212	103.2%	-64.1%	1,563	134.8%	-72.3%	1,151	132.3%	-73.5%
HMN IN	6,610	37.3%	-9.6%	1,697	38.0%	4.2%	968	92.8%	-20.4%	778	97.0%	-11.2%
HUVR IN	1,19,150	12.8%	-1.8%	28,470	7.7%	-3.7%	26,590	5.1%	-5.3%	19,620	4.8%	-6.7%
ITC IN	1,22,171	37.1%	-8.1%	39,922	50.8%	-10.8%	40,154	28.4%	-17.3%	30,135	28.6%	-19.6%
JUBI IN	8,790	131.1%	-14.3%	2,115	778.7%	-15.1%	887	-192.5%	-35.4%	681	-193.8%	-34.7%
KNPL IN	13,012	117.6%	-2.2%	1,871	132.4%	-8.0%	1,585	186.7%	-7.4%	1,187	177.8%	-7.2%
MRCO IN	25,250	31.2%	25.5%	4,810	3.0%	50.8%	4,670	5.4%	54.6%	3,650	12.7%	48.4%
MTEP IN	1,337	104.5%	-17.0%	252	171.7%	-24.1%	166	607.7%	-33.0%	121	586.6%	-36.7%
NEST IN	34,767	14.0%	-3.7%	8,339	9.9%	-10.3%	7,164	8.0%	-11.7%	5,245	5.4%	-12.8%
PIDI IN	19,368	120.6%	-13.4%	3,476	423.7%	-24.6%	2,875	821.3%	-30.5%	2,176	1275.7%	-30.0%
TTAN IN	32,490	74.5%	-54.5%	1,440	-158.5%	-81.9%	820	-124.5%	-88.3%	610	-122.6%	-88.5%
WLDL IN	2,592	176.0%	-27.5%	25	-105.9%	-94.9%	-446	-44.8%	2108.5%	-334	-44.8%	749.7%

Source: Company, PL

Volume recovery witnessed across most companies

Consumer (Vol.Gr.%)	1QFY20	2QFY20	3QFY20	1QFY19	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
Asian Paints	20.0	16.0	11.0	2.5	-38.0	11.0	33.0	48.0	106.0
Britannia	3.0	3.0	3.0	0.1	21.5	9.0	4.0	8.0	1.0
Burger King						-48.6	-34.8	-4.9	120.0
Colgate	6.0	4.0	2.3	-8.0	-8.0	2.3	4.0	15.0	8.0
Dabur	9.6	4.8	5.6	-14.6	-9.7	16.8	18.1	33.0	34.4
Emami	2.0	1.0	-3.0	-20.0	-28.0	10.0	13.0	39.0	38.0
ITC (Cigarettes)	2.5	3.0	2.0	-11.0	-37.0	-11.5	-5.0	8.0	33.0
HUVR	5.0	5.0	5.0	-7.0	-15.0	1.0	4.0	16.0	9.0
Kansai Nerolac	10.0	1.0	-2.5	-10.0	-54.0	8.6	21.2	24.0	114.0
MRCO: Parachute	9.0	-1.0	-2.0	-8.0	-11.0	10.0	8.0	10.0	12.0
Saffola	3.0	1.0	11.0	25.0	16.0	20.0	17.0	12.0	10.0
Value added Oil	7.0	0.0	-7.0	-11.0	-30.0	4.0	21.0	20.0	34.0
Moldtek Packaging	15.4	14.3	5.2	7.1	-41.2	13.0	36.0	28.8	63.0
Pidilite	6.3	0.6	3.0	-4.2	-58.3	3.6	16.3	40.3	102.8
Titan: Tanishq	6.0	-14.0	-5.0	-20.0	-81.0	-21.0	-15.0	45.0	124.0
Jubilant (Dominos)	4.1	4.9	5.9	-3.4	-61.4	-20.0	-1.7	11.8	114.2
Westlife Development	6.7	6.7	9.2	-6.9	-54.0	-40.7	-24.0	10.5	183.0

Source: Company, PL

- **Asian Paints:** Volumes up 106% led by Metros, Tier 1 and Tier 2 centers. Took price hike of 2.85/1.25% in May/June to combat RM inflation. Expect EBITDA margins in the range of 19-21%. Economy & Luxury segment drove growth.
- **Britannia Industries:** Volume up 1% on a high base. Innovation Pipeline healthy with Good day Choco chip, 50-50 Potazos and Wafer sticks Croissants trial ongoing; lunch expected in 6 months. Capex of Rs1.3-1.4bn expected in FY22. ICD of Rs450cr as on June 30th, 2021 down from Rs790cr as on 31st March, 2021.
- **Burger King:** Guidance of 320 stores by FY22 end intact. Increased focus on Apps, resulting in 1+mn downloads, expect 33% delivery through Apps. Experimented with own delivery using E-bikes. Stunner Menu campaign taken national. Whooper campaigns increased awareness resulting in 1 of 3 orders being Whooper.
- **Dabur India:** Volumes grew 34.4% with mid to high single digit growth expected in healthcare, mid teen in HPC and high double digit in foods. Increased Rural reach from 60K villages to 69K villages. Gained share in several segments, expect to extend Odomos in HI category. Expect revenue of Rs100cr in Homemade. Beverages grew ahead of category growth,
- **Emami:** Volumes up 38% with new launches that accounted for 3% of Sales. Rural demand was subdued due to second wave. Rural distribution to increase by 8K/32k villages in 1/3 yrs. Mgmt remains bullish on Male grooming. Added 35-37 lac customers in pain management segment.
- **Hindustan Unilever:** Domestic consumer growth at 12%, underlying volume growth at 9%. 3% price increase taken to partially mitigate RM inflation. E-com contribution more than 10%. Premium portfolio grew at twice the pace of the other segments. Integration with GSK to complete by 3Q22.

- **Kansai Nerolac:** Demand stronger in urban towns led by emulsions. Value growth higher than volume growth due to superior mix. Expect pent up demand in coming qtrs. Double digit inflation in Input cost, took 3 price hike to mitigate impact. Expect 50% of current distribution to sell new products.
- **Marico:** Volumes up 21%. Input cost inflation expected to have peaked out. E-Com contribution at 9%. Core portfolios continue with market share gains on the back of market leadership position. Food portfolio on track to reach Rs 5bn revenues in FY22. Expect Rs4.5-5bn rev from D2C brands by FY24.
- **Moldtek Packaging:** Overall volumes up 63% driven by 93% paint and 59% lubes and 11% food & FMCG volume growth. Average Realization per ton increased 25.2% to Rs220 per kg. Wipro to buy 2mn to 2.5mn pumps from middle of next year. Capex of ~Rs 500mn in FY22.
- **Pidilite Industries:** Avg VAM cost stood at USD 1610 vs USD 890 in 1Q21. Took price hike of 4-6% covering 75% of input cost inflation. Metros came back strongly with Rural and small towns at 1QFY20 levels. Competition from Paint companies in waterproofing towards 1/3rd of Market.
- **Titan:** Tanishq to enter North America targeting NRI/PIO consumers. Higher footfalls seen this quarter, due to better consumer sentiment & vaccinations. Hallmarking beneficial for Titan, as it will bring making charges at par for all players. Changed hedge accounting to reduce fluctuation in profitability, going forward.
- **Westlife Development:** Jul-21/ Jul-19 sales show ~100% recovery in all markets except Maharashtra. 30-40 store additions expected per year with renewed focus on Tier2/3. Identified Fried Chicken as a growth area with incremental sales potential of Rs 5/7.5mn/store. Aim to achieve 16%-18% Restaurant Operating Margin that will lead to an Operating EBITDA of 13% to 15%

- 1QFY22 Sales/ Adj PAT were up by 58%/ 147% on a lower base:** In 1Q, aggregate Sales/ EBITDA/ PAT across our coverage universe grew by 58%/ 115%/ 147% YoY on a lower base. However, with the quarter impacted by 2nd Covid wave led restrictions resulting into 30-45 days loss of revenues, Sales/ EBITDA/ PAT on a 2yr CAGR basis were down by 9%/ 14%/9%.
- HAVL & KEI reported better than estimated earnings aided by higher than expected sales growth & strong cost control.** POLYCA & BJE saw a big miss weighed down by weak operational performance, while VOLT saw second consecutive peak summer season sales being washed out.
- Margins dip sequentially, led by commodity inflation/ lower scale:** Unabated inflation witnessed in key commodities prices coupled with lower scale of operations on account of 2nd Covid wave restrictions, led to margin pressures across the industry. With commodity prices stabilizing over past 1-2 months coupled with most pricing actions having been taken by brands (W&C: 30%-35%; others: 10%-15%), we believe worst seems to be over and expect margins to improve sequentially.
- Demand trends remain strong post unlock; all eyes on festival season:** In June, post unlock demand trends remained resilient and continued to improve in July. Brands stocked up on inventory in anticipation of strong demand, leading to higher company level inventory. However, channel inventory remains at normalized levels (except for summer season portfolio). With festival season on the horizon and rising vaccination counts improving consumer confidence, brands remain upbeat about sustained improvement in demand trends.
- Our preferred picks are CROMPTON and KEI**

Q1FY22 Result Snapshot

(Rs mn)	Sales			EBITDA			PBT			PAT		
	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.
BJE IN	8,528	40.3%	-32.0%	71	-134.4%	-90.0%	-87	NA	-111.4%	-64	NA	-110.9%
CROMPTON IN	10,462	46.7%	-31.0%	1,228	24.2%	-45.4%	1,248	26.3%	-45.2%	931	26.3%	-45.2%
HAVL IN	25,982	75.7%	-22.0%	3,531	169.8%	-30.2%	3,148	266.2%	-30.7%	2,343	269.9%	-30.1%
KEI IN	10,176	36.5%	-18.4%	1,137	57.4%	-19.7%	912	84.3%	-22.1%	671	85.2%	-24.9%
POLYCAB IN	18,805	92.6%	-38.1%	1,393	142.4%	-66.9%	1,003	228.6%	-73.8%	740	209.1%	-73.7%
VOLT IN	17,852	37.6%	-32.7%	1,358	103.4%	-58.9%	1,986	66.6%	-42.1%	1,218	50.1%	-48.8%

Source: Company, PL

Q1FY22 Result Snapshot: 2yr CAGR

(Rs mn)	Sales			EBITDA			PAT		
	Q1FY22	Q1FY20	2yr CAGR	Q1FY22	Q1FY20	2yr CAGR	Q1FY22	Q1FY20	2yr CAGR
BJE IN	8,528	12,978	-18.9%	71	749	-69.1%	-64	174	NA
CROMPTON IN	10,462	13,468	-11.9%	1,228	1,921	-20.0%	931	1,226	-12.8%
HAVL IN	25,982	27,127	-2.1%	3,531	2,781	12.7%	2,343	1,761	15.4%
KEI IN	10,176	10,814	-3.0%	1,137	1,138	-0.1%	671	457	21.1%
POLYCAB IN	18,805	19,513	-1.8%	1,393	2,236	-21.1%	740	1,345	-25.8%
VOLT IN	17,852	26,540	-18.0%	1,358	2,912	-31.7%	1,218	2,082	-23.5%

Source: Company, PL

- **Bajaj Electricals:** Fans/ Appliances/ Lighting/ Morphy Richards revenues grew by 49%/ 75%/ 12%/ 85% in 1Q22. RM inflation of 12%-15%, have passed on 9-10% so far. Price hikes were taken in: May:3-5%; July: 3%; Mid-August: 3%-4%. Demand momentum remains healthy. CP margins impacted due to i) reallocation of expenses from EPC to CP (12cr) ii) delay in transition to Mahindra logistics (Rs5cr) iii) A&P (Rs15cr incremental) iv) Employee increments (Rs3cr) and v) VRS (Rs2cr). BJE maintained margin guidance of min 9% in FY22. Illumination segment has achieved break-even; target double digit margins in 2-3 years.
- **Crompton Consumer:** Jun21 witnessed a marginal growth v/s Jun19. Trend continues to improve. Recovery over LY has been faster and smoother. Commodity inflation of 10% in 1Q. Price action of 5%-6%. Saved Rs38cr under Project Unnati.. Will restore/ improve margins in coming quarters. Fans/ Pumps/ Water Heaters / Air Coolers/ Irons / B2C lighting revenues grew by 63%/ 17%/ 205%/ 90%/ 55%/ 48%. Rural/ E-com-MT sales grew by 195%/ 149%. CFO impacted due to key RM purchase at lower prices (Rs500mn) & inventory built up. Products that were launched in last 1 year/3 year contributed 10%/ 50% of sales.
- **Havells:** Past few weeks (July) witnessed good growth over LY. Commodity prices have stabilized over 1-2 months. Most pricing actions have been taken (W&C 30%-35%; others: 10%-15%). 1Q saw negative cash flow due to low production levels, lower RM purchases, regular payments to vendors & higher inventory. Don't expect pent-up demand like LY, as markets were open for few hours. Projects & industrial have done well & likely to sustain. Switchgear margins aided by better demand. W&C margins aided by low cost inventory. Margins will normalize in near future. Lloyd inventory level higher than normal. Secondary sales trending better than primary.

- **KEI Industries:** EHV cables worth Rs75cr could not be dispatched due to lockdowns and restrictions in movements. Will be billed in Q2. Dealer sales to grow by 25%. Remain on track to receive Rs1.5bn EPC retention money in FY22. Maintain guidance of minimum 20% sales growth with 11%+ margins. Long term Sales CAGR of 17-18%. With copper prices stabilizing, no price hikes taken in July. Don't see too much upside on copper prices from hereon. Channel financing recourse on company in certain banks down from 100% to 50%. Total order book of Rs30.2bn: EPC Rs11.6bn; EHV: Rs5bn; Domestic Cables: Rs13.1bn; Export Cables: Rs0.5bn
- **Polycab:** Institutional business grew 2x (low base), yet still remains below pre-Covid levels. High single digit price hikes against RM inflation of early teens led to W&C margin pressure. FMEG losses widened due to negative operating leverage, employee increments & higher A&P spends. Maintain high single digit margin guidance in 2 years. Premium fans contribute high teens of overall fans sales. To add capacity in Roorkee/ Halol facility. Inventory levels remain on higher side due to softening of RM prices in June impacting primary sales & build up in anticipation of good demand environment. Channel financing coverage – W&C 65-70%/ FMEG 25-30%
- **Voltas:** Better product mix & planned procurement of inventories partially offset higher RM & logistics cost. Higher A&P expenses impact UCP margins. Price hikes of 8-10% taken in CY2021. To monitor RM movement, competition for future pricing action. Company level inventory similar to 1Q21 levels. Channel inventory remains at comfortable levels. In FY21 industry de-grew by 30%. Will be difficult to reach FY20 levels. Industry has written to postpone BEE rating change implementation from current Jan22 date. Voltbek: Ref/ WM market share at 3.1%/ 2.5% YTD. Sold 1mn+ units since inception. Sanand facility sales crossed 5lac units.

Tier-1 IT Services revenue grew +4.2% QoQ USD with 3 out of 5 companies delivering strong beat in revenue. Tier-2 IT Services pack grew at much higher rate (avg 8.8% QoQ USD). EBIT margins declined sequentially (~100-250bps) for most companies, but were in-line or above our estimates. Some of the headwinds were specific to Q1 such as wage hike and visa costs, whereas cost pressures from 1) increased hiring to backfill attrition and fulfillment of strong order book and 2) increased sub-contracting costs may persist. We note that companies have not changed their FY22 margin guidance, implying no further negative surprises and confidence of managing margins.

We remain positive on IT Sector given 1) the sector is in initial phase of strong technology upcycle, 2) digital is becoming mainstream across all verticals, 3) sustained strong deal momentum with faster ramp up, 4) resilient operating performance and 5) improving FCF. We are now valuing IT services companies based on DCF valuation method to capture long-term growth as we believe that the technology upcycle will last for next 4-5 years, given strong broad-based demand tailwind.

We are shifting to DCF valuation as we continue to see 1) Client spending getting more aggressive, 2) Clients are in still in early phase of cloud migration, 3) New revenue streams are coming & growth rates post pandemic will be higher than pre-pandemic levels.

We continue to remain bullish on all 5 tier-1 IT companies. We like TechM & HCLT at current price point given its improving performance on all fronts and attractive valuations. **In midcap our pecking order is Coforge, MTCL, Mphasis, & LTTS-Cyient in ER&D space.**

Q1FY22 Result Snapshot

(Rs mn)	Sales			EBITDA			PBT			Adj. PAT		
	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.
COFORGE IN	14,616	38.3%	15.9%	2,359	30.6%	4.0%	1,887	35.9%	-2.1%	1,491	62.2%	-34.3%
CYL IN	10,582	6.7%	-3.2%	1,879	98.4%	0.3%	1,536	46.7%	7.9%	1,151	41.6%	-38.6%
HCLT IN	2,00,680	12.5%	2.2%	49,080	7.5%	12.3%	41,250	6.7%	19.8%	32,150	10.0%	-26.4%
INFO IN	2,78,960	17.9%	6.0%	74,320	21.4%	2.2%	71,760	23.9%	3.5%	52,070	23.0%	-28.4%
LTI IN	34,625	17.4%	5.9%	6,478	9.4%	-9.5%	6,722	20.3%	-6.2%	4,969	19.3%	-30.6%
LTTS IN	15,184	17.3%	5.4%	3,177	54.3%	8.4%	2,957	85.2%	13.2%	2,170	83.9%	-26.0%
MPHL IN	26,909	17.6%	6.6%	4,895	17.2%	4.8%	4,581	21.7%	8.1%	3,397	23.5%	-27.3%
MTCL IN	22,917	20.1%	8.6%	4,645	44.3%	0.4%	4,652	60.5%	11.1%	3,434	55.2%	-25.8%
PSYS IN	12,299	24.1%	10.5%	2,015	37.6%	7.0%	2,031	66.4%	9.8%	1,512	68.0%	-19.7%
REDI IN	1,34,541	25.8%	-13.2%	3,443	67.7%	-19.0%	3,014	130.9%	-21.7%	2,392	141.7%	-43.7%
SSOF IN	12,685	33.2%	17.9%	1,010	29.4%	-2.0%	1,148	70.0%	5.3%	867	73.8%	-15.9%
TCS IN	4,54,110	18.5%	3.9%	1,21,580	21.3%	-5.0%	1,21,630	28.0%	-2.9%	90,080	28.5%	-29.6%
TEAM IN	13,768	21.1%	2.7%	295	20.0%	13.0%	240	34.4%	-5.7%	245	43.4%	-6.2%
TECHM IN	1,01,976	12.0%	4.8%	18,764	44.3%	-3.7%	17,945	39.9%	16.2%	13,532	39.2%	-30.5%
WPRO IN	1,82,524	22.4%	12.4%	41,817	31.5%	1.4%	38,600	24.7%	2.9%	32,321	35.2%	-21.7%
ZENT IN	9,368	-1.2%	6.9%	1,726	21.7%	-1.0%	1,395	38.7%	12.3%	1,010	39.0%	-42.1%

Source: Company, PL

Tech spends of US Banks continue to remain healthy

Tech Spends (YoY growth)	1QCY20	2QCY20	3QCY20	4QCY20	1QCY21	1QCY22
CITI	0.2%	1.0%	6.1%	9.6%	7.5%	8.8%
J.P. Morgan Chase & Co.	9.1%	8.9%	2.8%	0.8%	-2.3%	-3.9%
Goldman Sachs	12.2%	19.0%	20.1%	10.7%	16.8%	7.5%
Bank of America	3.9%	9.3%	14.6%	21.8%	17.9%	14.5%
Wells Fargo					5.8%	21.3%

Source: Company, PL

- **TCS:** Revenue grew by +2.7% QoQ in USD led by strong growth in core verticals and markets (+4.1% QoQ CC), offset by decline in India business, due to impact of second wave of COVID. Revenue lost (~INR 3.5 Bn) in India business is expected to come back in coming quarters as COVID situation improves. Management mentioned that demand environment continues to be strong with signs of recovery in discretionary retail, travel and hospitality. Deal pipeline remains strong and is further broadened by G&T deals.
- **Infosys:** Infy reported slight beat in revenue led by strong broad-based demand across verticals and markets. Strong deal momentum sustained with large deal TCV of \$2.6 Bn, +23.8% QoQ, +49.4% YoY. We note that net new wins at 30% were lower vs avg 66% net new wins in FY21. Infy raised FY22 revenue guidance to 14-16% YoY CC from 12-14%, in-line with our estimates. Miss in margins was due to higher sub-con costs, employee hiring and retention costs.
- **Wipro :** IT services revenue of \$2.41 bn, 12.2% QoQ USD, surpassed top end of the guidance by ~200 bps driven by strong growth in organic (4.9% QoQ USD) as well as inorganic Capco business. (~US\$ 157 mn). Management guided 17-17.5% margin for FY22 (~200-250 bps lower YoY) due to impact of wage hikes (for junior employees effective Sept 21), talent retention costs and Capco acquisition charges.
- **HCL Tech:** HCLT reported big miss on revenue led by decline in Products business (-1% QoQ CC) and flattish growth in IT services (0.3% QoQ CC) which was impacted by pandemic related absenteeism, slippage of project milestones and closure of one professional services contract. Unlike peers such as INFY and Wipro who raised growth guidance, HCLT management maintained double digit growth guidance.
- **Tech M:** TechM reported strong growth of 4.1% QoQ USD much above our and street estimates. Growth was led by Enterprise segment (+4.7% QoQ USD) & Communications in seasonally weak quarter grew +3.2% QoQ USD, registering highest ever 1Q growth in last 5 years. Management is confident on maintaining EBIT margins above 15% despite headwinds from supply side crunch. Management mentioned that 5G is gaining traction in areas of 5G for cloud and 5G ecosystem for Telecom OEMs with 60-70% of new deals signed involving 5G element.
- **Mindtree:** Demonstrating strength in demand, MTCL blazed past all expectations with exceptionally strong beat in revenue growth, +7.7% QoQ USD. MTCL reported record high deal TCV of \$504mn, + 34.4% QoQ, 29% YoY. Management is confident of sustaining EBITDA margins above 20% in FY22 despite near term headwinds from higher sub-contracting costs, wage hikes in 1Q22 and aggressive hiring as these headwinds will be offset with levers such as pyramid optimization, offshoring and revenue growth leverage.
- **LTI:** LTI reported revenue of \$470.2 mn, +5.1% QoQ USD above our & cons estimates led by broad-based growth across verticals. Insurance vertical is recovering aided by recent large deal wins and new leadership. LTI did not announce large deal TCV this quarter but management mentioned that demand for digital transformation is significantly higher vs pre-pandemic period. EBIT margin declined sharply by 420 bps in the past two quarters due to consecutive quarters of wage hikes.

- **Mpahsis:** Strong revenue growth of 6% QoQ USD was driven by exceptional performance in Direct core business (+10% QoQ USD) partially offset but continued decline in DXC (-18.3% QoQ USD). New deal TCV of \$505 mn in Direct Channel, 106%QoQ, 94% YoY with 85% of deal wins in New Gen services is highest ever in the history. Large TCV was supported by landmark deal win of 10-yr deal, USD250 mn from UK BFSI client. Company will always prioritize investments for growth and keep margins within the band of 15.5-17%.
- **Coforge:** Coforge reported strong growth of 16% QoQ USD in 1Q22, on top of high base in 4Q21. Beat was led by strong growth in organic business at 7.6% QoQ USD. Inorganic business contributed \$14.6 mn. Management raised organic growth guidance to 'at least' 19% YoY CC for FY22 from earlier 17%. This guidance is conservative implying 1-2% growth for next three quarters. EBIT margin declined this quarter by 245bps QoQ to 10.8%, however, management is confident of substantially increasing margins in next three quarters with 200bps increase in 2Q21.
- **Cyient:** Cyient reported revenue of \$143.5 Mn -4.3% QoQ USD, led by anticipated weakness in DLM (-20.1% QoQ USD) and flattish growth in Services (-0.3% QoQ USD). Revenue lost this quarter was around \$3 Mn due to higher absenteeism caused by severe second Covid wave in India and scarcity of digital talent. Order intake was lower this quarter at \$120 mn, +21% YoY (vs \$238 Mn in 4QFY21). However, management is confident of growing double digit in FY22 with growth coming back from 2Q, given order backlog and robust order intake. They anticipate DLM to also post robust growth of 20% YoY CC in FY22.

- **Persistent:** Persistent reported massive beat of ~330bps in revenue with growth of +9.2% QoQ. Beat was driven by exceptionally strong performance in Healthcare & Life Sciences (+16% QoQ USD) and BFS (+11.7% QoQ USD). EBIT margin (13.5%, +39 bps QoQ) has shown consistent improvement for last six quarters. Management mentioned that impact of wage hike roll-out in 2Q22 will be partially offset by margin levers of utilization, pyramid optimization and revenue growth leverage with net impact of around 75-100 bps. Management's priority will be on investing in growth while sustaining margins.
- **Zensar:** Zensar's revenue growth (+5.8% QoQ USD) is back after seven quarters of muted growth, indicating new management's (CEO Mr. Ajay Bhutoria joined in Jan 21) refreshed strategy is headed in right direction. Deal win TCV was soft at \$96.7 mn vs quarterly average TCV of \$150 mn in FY21. EBIT margin was in-line with our estimates at 13.9%, -93bps QoQ. Margins are expected to trend down due to near term headwinds from wage hike (1Q22), supply side pressures due to talent war and investments done to strengthen sales team.

Despite second wave, most infra companies posted healthy performance with positive surprise on execution as strong construction activity continued in 1Q. Road EPC companies witnessed a better execution rate than real estate EPC companies. Labour availability has reached pre-covid levels from June'21 for most of the players. Order inflows garner pace from June'21 onwards with increased orders in Road and Water segments. The bid pipeline continues to remain healthy from sectors like Roads, Urban Infra, Water/Irrigation and Railways segment.

For our coverage universe, execution came in strong as operations rebounded faster than anticipated. Companies such as KNRC, HGINFRA, IRB, NJCC, AHLU, ASBL and JKIL witnessed positive surprise on execution front, while Capacite & SADE saw a weak quarter as impact of Covid was severe. With labour availability picking up, we expect strong execution momentum going forward.

Margins continued to remain robust on the back of healthy topline. Liquidity position for most players remain resilient with reduction in debt levels and timely payments from Govt. authorities (with exception of some State Govts).

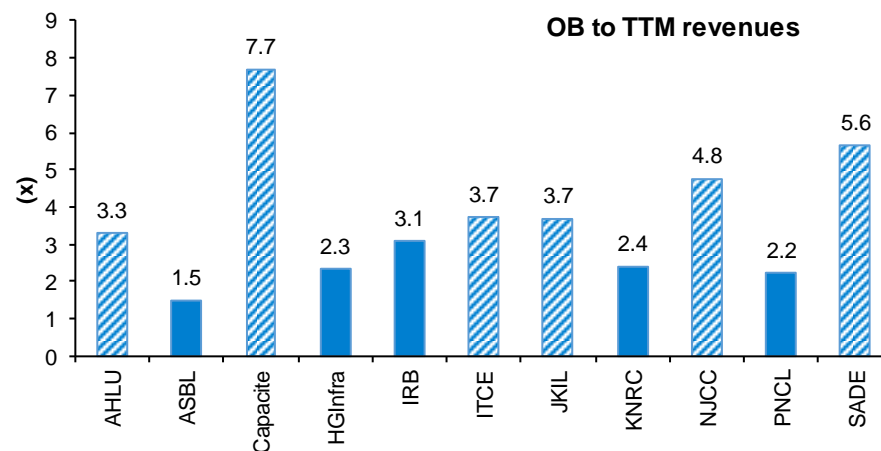
Way forward: Overall commentary and bid pipeline suggest that NHAI's ordering activity should remain strong with active tender's worth ~Rs330bn to be awarded within 3 months. Other sectors such as Water, Urban Infra, Railways, etc. are also witnessing good traction in ordering activity. Focus areas of the majority companies going forward would be ramping up execution as labour availability is improving. We continue to prefer companies with strong balance sheet, low debt levels, good corporate governance, well managed working capital cycle and high book to bill ratio as they are better placed to alleviate the impact of second wave of Covid faster than their peers. PNCL and HGINFRA are our top picks.

Q1FY22 Result Snapshot

(Rs mn)	Sales			EBITDA			PBT			Adj. PAT		
	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.
AHLU IN	5,801	132.2%	5.6%	604	NA	163.0%	465	361.0%	507.4%	348	365.2%	470.1%
ASBL IN	12,832	68.5%	-19.0%	3,968	60.5%	-16.2%	1,207	NA	-32.3%	795	NA	-45.8%
CAPACITE IN	2,800	NA	-8.9%	394	NA	-17.3%	58	NA	22.2%	43	NA	12.0%
HGINFRA IN	9,414	NA	48.5%	1,759	188.4%	61.5%	1,331	412.4%	84.6%	1,010	406.8%	86.0%
IRB IN	16,257	59.0%	2.6%	6,999	46.5%	6.9%	1,407	78.6%	-25.7%	719	NA	-53.4%
ITCE IN	8,255	106.7%	11.6%	782	NA	-7.0%	212	NA	-13.1%	180	NA	-49.4%
JKIL IN	6,751	136.7%	-23.1%	968	NA	5.3%	427	NA	6.0%	321	NA	3.4%
KNRC IN	7,400	54.4%	9.5%	1,433	51.9%	-2.4%	1,133	98.3%	31.8%	730	83.5%	8.6%
NJCC IN	18,926	60.6%	-13.3%	1,997	72.7%	-28.8%	705	NA	-50.0%	517	205.3%	-50.1%
PNCL IN	12,512	38.2%	8.1%	1,754	46.5%	12.2%	1,437	65.9%	32.7%	933	55.2%	22.6%
SADE IN	2,628	14.4%	-35.7%	242	24.2%	-52.1%	-188	NA	2096.5%	-169	NA	NA

Source: Company, PL

OB-to-sales continues to remain healthy at avg 3.4x TTM revenues



Source: Company, PL

- **AHLU:** EBITDA margins bounce to normalcy at 10.4% post balance clean-up provision exercised of Rs530mn in FY21. Strong bid pipeline with projects worth Rs60-65bn in various stages of bid pipeline across segments.
- **ASBL:** Operation efficiency back to pre-covid levels and execution ramp up across portfolio led to performance surprise of Rs12.8bn. Conclusion of monetizing SBI Macquarie assets remains a key; expect SPA to be signed by Q3FY22E.
- **CAPACITE:** Management indicated revenue worth Rs1bn was impacted due to second wave of Covid in Q1FY22, though execution started gradually improving from June as all sites are working with 100% labour availability.
- **HGINFRA:** Management indicated bid pipeline continues to remain strong across sectors and expects additional order inflows of Rs50-60bn for FY22E. It is confident of achieving its revenue guidance of Rs32-33bn plus, with EBITDA margins in the range of 16-17% for FY22E.
- **IRB:** In 1Q, toll revenues in 11 projects (across IRB and private InVIT) saw 26% sequential dip in revenue, owing to second wave of Covid and partial lockdown across state. PCOD expected for 4 projects in FY22. With healthy OB, management maintained 20-25% YoY growth in construction revenues in FY22.
- **ITCE:** Strong bid pipeline for the company at Rs300-350bn for FY22 with primary focus on Marine and Metro projects. Management indicated an impact on execution during the quarter, due to second wave of Covid, being ~15% below pre-covid levels. Guided for 15-20% revenue growth, with double digit EBITDA margins for FY22.

- **JKIL:** Despite challenging environment, JKIL reported stellar execution at Rs6.7bn (up ~137% YoY) with EBITDA margins resilient at 14.3%. Despite healthy execution, gross debt level continues to remain low at Rs5.5bn. Given strong order book, management maintained its revenue guidance of Rs30-35bn with EBITDA margins at 14-15% range for FY22E.
- **KNRC:** Despite impact of Covid-19 pandemic, company reported stellar revenues at Rs7.4bn beating estimates.. WC cycle has reduced to 66 days (vs 82days QoQ) owing healthy cash collection. PCOD for 2 HAM projects (Chittor- Mallavaram, Ramsanpalle-Mangloor) within 2-3 months.
- **NJCC:** With lockdown restriction easing and labour availability improving, company expects execution momentum to continue in 9MFY22. The company secured orders worth Rs31.7bn in 1Q translating into order book of Rs390.9bn. Liquidity position strong with reduced debt, lower interest rate covid loans & reduced BG requirements.
- **PNCL:** With lockdown restriction easing and vaccination drive picking up, labor availability and execution run rate reached pre-covid levels and expect momentum to continue. Toll/Annuity revenue grew 12.0% YoY in Q1FY22. Company received COD/ PCOD for 4 project during the quarter. Management maintained its revenue growth guidance of ~20% in FY22, with EBITDAM to be in the range at 13.5-14%.
- **SADE:** Order book stands healthy at Rs91bn (5.5x TTM revenue) as on 1QFY21; Bid pipeline remains strong Rs114bn (Rs58bn-submitted, Rs69bn to be submitted). Execution to ramp-up from Q3, based on full labour force & execution pick up in large EPC projects (Run rate of Rs70-80mn/day). Stake sale in Maharashtra Border Check Post project concluded and expect net equity inflow of Rs5.5bn.

Premiums growth were moderate at 20% YoY as base growth had strong single/group premium growth, lockdown impact and renewals were tad slower. Hence, APE for coverage grew by strong 33% YoY but was varied across insurers. COVID-19 second wave saw severe impact with 2.5-3x rise in claims from FY21 leading to lower profitability or losses, although were mitigated from reserving done in Q4FY21 and still have a decent build up in claims reserving. Insurers have taken price hikes on certain products and remain cautious on protection business due to claims. We continue to prefer SBI Life as our top pick.

APE strong on lower base: APE for coverage universe grew by strong 33% YoY, given low base of last year and higher regular premiums than last year. Q1FY22 although felt the impact of lockdown with 53% decline in APE sequentially lower than trends, if adjusted for seasonality. IPru Life which struggled last year on growth is seeing strong come back as new tie-up are firing all cylinders, while SBIL I was tad slower in the pack.

Margins moderate given retail mix slower: VNB margins declined marginally from FY21 levels barring for IPru Life which saw margins expand by ~400bps given strong protection mix & non-par savings improvement, while other insurers saw margins being steady but still up YoY in range of 200-300bps. Largely challenge on margins was lower mix of retail especially protection, while higher claims impacted profitability and cautious underwriting limiting growth. Margins should improve, given improvement in product mix towards higher margin products as economy opens up.

Distribution Channels: Banca channel continues to lead growth, while agency has been moderate and surprisingly direct channels have been slower. IPru saw strong pickup from both ICICIBC & non-ICICIBC, while HDLI's & Max's Banca continues to perform very well.

Persistency trends improve in early buckets: Persistency trends in early buckets were quite good & improved for all insurers by 50-100bps near to 89-90%, although faced setback on lower persistency in the 61st month persistency on high surrenders and withdrawals due to COVID impact.

Strong VNB growth with margins largely intact but slightly slower premiums

Q1FY22 Financial Snapshot	SBI Life	HDFC Life	IPRU Life	Max Life
APE (Rs bn)	50.3	15.6	12.2	8.8
VNB (Rs bn)	3.4	4.1	3.6	1.7
VNB Margin	21%	26%	29%	20%
13m Persistency	85%	90%	85%	85%
61m Persistency	61%	58%	58%	54%
YoY Growth				
APE	9.7%	43.6%	48.1%	32.4%
VNB	41.7%	40.9%	78.1%	52.2%
VNB Margin	250bps	190bps	498bps	270bps
13m Persistency	295bps	280bps	430bps	300bps
61m Persistency	-226bps	370bps	-300bps	200bps
QoQ Growth				
APE	-46.8%	-42.6%	-51.7%	-54.4%
VNB	-61.4%	-47.2%	-39.4%	-62.7%
VNB Margin	-97bps	-77bps	597bps	-435bps
13m Persistency	-296bps	828bps	-70bps	100bps
61m Persistency	140bps	200bps	-100bps	0bps

Source: Company, PL

High claims impact profitability leading to higher reserving

Rs. In bn	HDFCLI	SBI Life	IPru Life	Max Life
Net Death Claims - Q1FY22	10.0	13.1	10.7	5.6
Net Death Claims - Q1FY21	1.7	3.3	2.1	1.3
Increase in Death Claims YoY	5.9x	4.0x	5.0x	4.5x
Covid Claims % of Death Claims	20.0%	43.4%	46.8%	41.7%
Covid Reserving during Quarter	6.3	2.6	1.7	-
O/S Covid Reserve	7.0	4.5	5.0	5.0
Reserve impact to EV	2.4%	0.8%	0.6%	0.0%
O/s Covid reserve % of EV	2.6%	1.3%	1.7%	4.2%

Source: Company, PL

Insurers continued to focus on claim management, cautious underwriting and favoured mix from non-par saving push. Although, ULIPs saw bounce back and protection growth was led from group business (credit protect) but commentary has been quite cautious on group term business given the risk of future waves and claims from second wave. Margin protection remained paramount and hence strategy revolved around the same on growth front. Insurers closely watch near term impact, although are focused on longevity products.

- **HDFC Life's** focus continues to remain on long term products, while cautious in near term on protection as profitable underwriting is quite tough. Non-banca channel sourcing picked up mainly from agency rebound mainly as non-par savings remain in flavor. With subsiding second wave, business has picked up and claims moved down, although visibility of growth & COVID impact remains quite uncertain.
- **SBI Life's** Product construct has been less sensitive to sharp margin improvement. Earnings were impacted due to higher claims & covid reserving. Focus remains on protection business which grew by +20% YoY. Non-par savings also saw good growth that helped in changing business mix, vibrant distribution network and sustainable product mix.
- **ICICI Prudential Life's** sourcing channels have picked up with ICICI BC this quarter & non-ICICI BC banca has seen continued traction (with traditional products), while agency & direct channels are seeing rebound as well. Management believes GTI business underwritten remains quite comfortable with most relationships having better vaccination coverage & have taken pricing revision to mitigate risk. Improved mix towards protection/non-par savings, increased pricing & growth push has led to industry leading margins of 29%.
- **Max Financial's** focus continues to remain on the Protection Business, shoring up Non-Par business, annuity, retirement & riders. Margins came down by 500bps in Q1 on seasonality, cost & business mix, although for FY22 to be better or in the same range of 25% delivered in FY21. Axis bank partnership has strengthened having joined the board as co- promoters and should boost further growth. Focused on enhancing digital sourcing.

Valuation Summary- Life Insurance

	HDFC Life				SBI Life				ICICI Pru Life				Max Fin Services			
Price	671				1160				661				1044			
Shares O/s.	2019				1000				1436				345			
Mcap (Rs bn)	1357				1160				961				360			
Target Price	725				1250				670				1120			
Upside	8.0%				7.8%				1.3%				7.3%			
Rating	HOLD				BUY				ACCUMULATE				ACCUMULATE			
Valuation	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY20	FY21	FY22E	FY22E
P/EV	5.1	4.3	3.6	3.1	3.5	3.0	2.5	2.2	3.3	2.9	2.5	2.2	3.6	3.0	2.6	2.2
P/EVOP	35.5	27.5	23.1	19.4	23.1	20.4	17.4	14.8	27.1	22.9	18.1	15.5	19.9	19.5	13.6	11.8
P/E	15.1	13.5	12.0	10.5	11.2	9.9	8.4	7.4	10.0	9.6	8.8	8.0	14.2	13.0	13.2	12.8
Key Parameters (Rs bn)	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY22E
APE	83.7	96.8	112.5	135.9	114.5	132.9	155.0	182.9	64.6	77.7	92.7	108.6	42.4	50.2	57.5	67.1
VNB	21.8	25.7	30.4	37.1	23.3	28.8	34.5	41.1	16.2	20.6	24.4	29.4	9.0	12.5	15.0	18.1
EVOP	38.2	49.2	58.7	70.0	50.2	56.8	66.5	78.5	35.1	41.5	52.3	61.1	18.1	18.5	26.5	30.6
EV	266.1	315.0	372.4	441.2	333.8	391.9	458.6	537.3	291.0	332.2	381.8	440.0	99.8	118.4	139.1	164.8
Networth	89.8	100.6	113.1	129.0	104.0	117.4	137.7	157.5	95.2	98.6	108.0	119.1	25.5	27.7	27.4	28.1
VIF	176.3	214.3	259.3	312.2	229.8	274.4	320.9	379.8	195.8	233.7	273.8	321.0	74.3	90.7	102.1	114.7
Growth YoY	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY22E
APE	13.0%	15.6%	16.2%	15.6%	8.3%	6.7%	18.5%	16.6%	-12.5%	20.2%	19.4%	17.1%	5.9%	18.4%	14.5%	16.9%
VNB	13.9%	17.8%	18.1%	22.0%	17.0%	15.9%	23.7%	19.5%	1.0%	27.1%	18.4%	20.4%	8.7%	39.4%	20.0%	20.5%
EVOP	15.2%	28.9%	19.2%	19.3%	38.3%	9.3%	13.0%	17.2%	6.6%	18.4%	26.0%	16.7%	10.1%	2.1%	43.0%	15.6%
EV	28.9%	18.4%	18.2%	18.5%	17.4%	27.0%	17.4%	17.0%	26.3%	14.2%	14.9%	15.3%	11.6%	18.6%	17.5%	18.5%
Networth	24.8%	12.0%	12.5%	14.0%	2.0%	19.0%	12.9%	17.3%	21.4%	3.5%	9.6%	10.2%	6.1%	8.8%	-1.1%	2.6%
VIF	31.0%	27.9%	26.0%	24.6%	26.9%	30.9%	19.4%	16.9%	28.9%	19.3%	17.2%	17.2%	13.6%	22.0%	12.7%	12.3%
Operating Parameters	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY22E
VNB Margin	26.1%	26.6%	27.0%	27.3%	20.4%	21.7%	22.2%	22.5%	25.1%	26.5%	26.3%	27.0%	21.6%	25.2%	26.1%	26.9%
OP RoEV	18.5%	18.5%	18.6%	18.8%	19.1%	17.0%	17.0%	17.1%	15.2%	14.3%	15.8%	16.0%	20.3%	18.6%	22.4%	22.0%
RoEV	28.5%	19.6%	19.4%	19.5%	27.0%	17.4%	17.0%	17.2%	26.3%	14.2%	14.9%	15.3%	16.7%	22.4%	21.1%	21.5%
Per Share Values	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY22E
VNB per share	10.8	12.7	15.0	18.4	23.3	28.8	34.5	41.1	11.3	14.3	17.0	20.5	26.0	36.2	43.4	52.4
EVOP per share	18.9	24.4	29.0	34.7	50.2	56.8	66.5	78.5	24.4	28.9	36.5	42.5	52.5	53.6	76.7	88.6
EV per share	131.7	155.9	184.3	218.4	333.8	391.8	458.5	537.2	202.7	231.4	265.9	306.4	289.1	343.0	403.1	477.5
BV per share	44.4	49.8	56.0	63.9	104.0	117.4	137.7	157.5	66.3	68.6	75.2	82.9	73.7	80.2	79.3	81.4
VIF per share	87.2	106.1	128.3	154.5	229.8	274.4	320.8	379.7	136.4	162.7	190.6	223.5	215.4	262.7	296.0	332.3
VNB per share	10.8	12.7	15.0	18.4	23.3	28.8	34.5	41.1	11.3	14.3	17.0	20.5	26.0	36.2	43.4	52.4

Multiplex

- Performance of PVR & Inox was subdued in 1QFY22, due to paucity of fresh content & intermittent closures. Except for a few regional releases there was hardly any worthwhile content from Bollywood/Hollywood genre. However, with the number of COVID cases declining, a staggered re-opening is under process. In fact, as per news reports, Maharashtra is expected to re-open from Sep (no official communication as yet) which is likely to pave way for big budget releases resulting in footfall stabilization by 2HFY22.

Broadcasting

- While ZEEL's domestic ad-revenues were 23% lower than the pre-COVID base of 1QFY20, Sun TV's ad-revenues were lower by 34% due to higher dependence on local advertisers (recovery is slower when compared with national advertisers). Though original programming prevailed for most part of the quarter ensuring sustenance in ad-volumes, yields have proven to be a drag. Network share (fell to 17%) and margin trajectory (25% EBITDA margin guidance is at the risk of being missed) are key factors to monitor for ZEEL in the near to medium term.

Travel & Tourism

- Luggage industry registered a sharp comeback with VIP/Safari's top-line being just 15%/10% lower respectively on sequential basis in 1QFY22. Demand recovery post 2nd wave was significantly better than our anticipation and we expect the current momentum to sustain as lockdown curbs are gradually eased with declining COVID cases..
- Increasing frequency of passenger trains (2,750 trains are operating in August, only ~700 short when compared to pre-COVID levels) boosted the ticketing volumes of IRCTC in 1QFY22. Further, ~34.4mn tickets were booked online in July, significantly better than pre-COVID monthly run rate of ~25mn odd, as benefits of conversion to 2S class has started playing out. Faster online migration post COVID and incremental ticketing volumes from conversion of coaches to reserved category should bode well for IRCTC in the near term.

Q1FY22 Result Snapshot - Media

(Rs mn)	Sales			EBITDA			PBT			Adj. PAT		
	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.
ENIL IN	388	7.1%	-60.8%	-187	NA	NA	-369	NA	NA	-277	NA	NA
INOL IN	223	8824.0%	-75.3%	-290	NA	NA	-1,632	NA	NA	-1,223	NA	NA
RADIOCIT IN	205	42.6%	-51.8%	-132	NA	NA	-182	NA	NA	-129	NA	NA
PVRL IN	594	367.6%	-67.3%	-909	NA	NA	-3,245	NA	NA	-2,194	NA	NA
Z IN	17,750	35.3%	-9.7%	3,440	56.4%	-36.4%	3,069	432.8%	-34.5%	2,222	56.9%	-21.0%

Source: Company, PL

Q1FY22 Result Snapshot - Education

(Rs mn)	Sales			EBITDA			PBT			Adj. PAT		
	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.
NELI IN	3,183	-2.0%	66.9%	618	-20.6%	NA	594	-12.8%	157.5%	445	-12.1%	49.7%
SCHAND IN	358	-49.8%	-87.3%	-205	-1163.4%	NA	-346	278.1%	-130.6%	-305	197.9%	-124.5%

Source: Company, PL

Q1FY22 Result Snapshot – Travel & Tourism

(Rs mn)	Sales			EBITDA			PBT			Adj. PAT		
	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.
VIP IN	2,062	411.3%	-15.1%	129	-123.3%	302.8%	18	-102.7%	-132.3%	25	-104.9%	-20.9%
IRCTC IN	2,434	85.3%	-28.2%	1,115	-354.2%	-23.8%	1,111	-477.9%	-22.5%	825	-435.4%	-43.6%

Source: Company, PL

Education

- Navneet & S Chand's performance was marred by delay in the start of academic session amid emergence of 2nd wave. However, as most states are eyeing staggered re-opening around Aug/Sep, we expect some revenue spill-over in subsequent quarters. Further, given increasing relevance of online education, both companies have lined up aggressive plans in the Ed-Tech space to fund the next leg of growth.

Radio

- Both the radio companies under our coverage reported weak set of numbers, as yields continue to remain under pressure. We believe price recovery would be a long drawn process and ENIL is relatively better placed to manage the current slowdown, given increasing focus on non-FCT and digital business.

- **PVR:** Management highlighted that big ticket films would start releasing towards Sep end as producers have shown willingness to release movies even with 50% occupancy caps. Further, narrowing window gaps and higher distributor pay-outs are stop gap arrangements, unlikely to sustain post-COVID. Rental waivers for lockdown period are under negotiation and for new signings, revenue sharing model is being explored.
- **Inox Leisure:** Bollywood & Hollywood content pipeline is strong with ~25 movies in each genre being ready for release. In fact, management highlighted that August has some big ticket releases planned like Bell Bottom, Suicide Squad, The Conjuring, Fast & Furious-9 and Reminiscence. On expansion front, the target is to open 49 screens (5 already opened) in FY22. Balance 19 screens (90% of the work is complete) would require additional capex of Rs80-100mn, while management would take a call on rest 25 screens depending on the situation.
- **ZEEL:** As recovery in domestic ad-revenues has been delayed management cited that the EBITDA margin guidance of 25%+ is at the risk of being missed. Given the fall in network share to 17%, content revamp (30+ new shows in pipeline) is planned with primary focus on Hindi, Tamil and Marathi markets.
- **IRCTC:** As of August, ~2,750 trains were operating and as lockdown curbs ease the figure is expected to reach pre-COVID levels (~700 short at present) in the near term. Further, online bookings in July were ~34.4mn indicating that benefits of shift to 2S category have started materializing.
- **VIP Industries:** Going ahead, ~90% of the demand will be catered through in-house production (India & Bangladesh) thereby reducing dependency on China. Further, management highlighted that ~1/3rd of the planned ~20-25 new launches will be from value/mass category (demand is expected to be strong in near/medium term) thereby eliminating concerns on market share loss.
- **S Chand Ltd:** Management is eyeing sales of Rs5bn (aided by a price hike of 5-10%) with EBITDA margin in the range of 15-20% in FY22. Further, some revenue spill-over expected in 2Q & 3Q due to gradual re-opening of schools in August & Sep. S Chand is aiming to be net debt free by 4QFY23 with a structural shift towards lower inventory levels in future (Rs0.8-1bn in FY22).
- **Navneet Education Ltd:** Staggered re-opening is expected for higher grades (9-12th) while lower grades (primary & kindergarten) may witness a delay/not open at all resulting in business loss. However, management sounded confident on prospects of stationary exports and hinted that revenues in FY22 can be similar to FY20. Further, momentum is likely to continue in FY23 (minimum 20% growth targeted) as well aided by new product launches and expanding customer base.
- **ENIL:** At the network level, volume was up by 60% while pricing dropped by 5%. While there are headwinds in radio segment as price recovery is a long drawn process (may take 1-2 years to reach pre-COVID levels), management sounded upbeat on the core solutions & digital business which is expected to form ~50% of the top-line in coming years.
- **Music Broadcast Ltd:** Radio City's ad-volumes (top 15 markets) increased 71% YoY in 1QFY22 while yields were similar to 4QFY21, signifying no erosion on sequential basis. Management highlighted that new revenue opportunities contributed Rs110mn (~54% of sales) in 1QFY22 and on a steady state basis, contribution is expected to be in the range of ~20-25%.

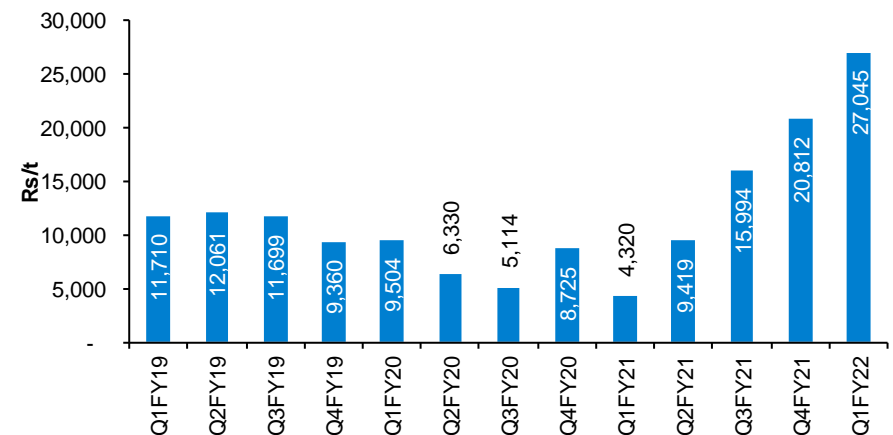
- **Earnings in line on back of strong show by private players:** On aggregate basis, stocks under our coverage posted earnings in line with our expectation. Revenue/EBITDA/PAT fell 0.3%/+4.5%/+5.4% QoQ at Rs1,652bn/Rs527bn/Rs309bn (PLe:Rs1,600bn/Rs529bn/Rs317bn).
- **Tata steel (TATA)** posted 3.5% beat on our consol. EBITDA estimates. India ops delivered beat on EBITDA by 8% with EBITDA margins at Rs35,570 (PLe:Rs32,875), up 28% QoQ on back of lower costs. European operations posted 27% QoQ growth in EBITDA at US\$208mn (PLe:US\$283mn) with 34% rise in EBITDA/t at US\$89 (PLe:US\$120).
- **JSW Steel (JSTL)** reported 7% beat on our EBITDA est. due to higher margins in both domestic and overseas operations. Led by higher than expected realisations, EBITDA/t came above our estimates at Rs26,290 (PLe:Rs25,090), up 33% QoQ.
- In line with its peers, **Jindal steel and power (JSP)** delivered 7% beat on our EBITDA estimates. The beat was primarily on count of higher realisations. EBITDA/t increased 10% QoQ to Rs28,100 (PLe:Rs26,075).
- **Hindalco (HNDL)** reported earnings above our expectation in both India and Novelis. EBITDA of India operations grew 29% QoQ at Rs24.1bn (PLe:Rs22.2bn). Novelis' Adj. EBITDA grew 1% QoQ to US\$508mn (PLe:US\$500mn). EBITDA/t expanded 1.6% QoQ to US\$522/t despite unfavorable product mix with lower share of Auto sheets.
- **Remain Upbeat on sector:** We upgraded **TATA** to **BUY** on back of unparalleled domestic operations and better profitability in TSE. We upgraded our reco on **JSP** to **BUY** on attractive valuations and strong B/S. Led by strong outlook on steel prices, we raised our rating on **JSTL** to **Accumulate**. After a long gap, we also upgraded **Coal India** to **Accumulate** due to positive outlook on E-auction realisations. In Non-Ferrous space, we maintain **BUY** on **HNDL** on the back of strong earnings outlook on both India and Novelis operations.

Q1FY22 Result Snapshot

(Rs mn)	Sales			EBITDA			PBT			Adj. PAT		
	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.
COAL IN	2,52,822	36.8%	-5.3%	48,439	58.7%	-24.1%	43,366	54.8%	-32.3%	31,752	52.8%	-30.9%
HNDL IN	1,32,980	79.2%	-7.7%	20,980	NA	41.2%	14,120	NA	84.3%	9,126	NA	90.1%
HZ IN	64,831	62.5%	-6.7%	36,275	NA	-6.4%	32,675	96.4%	-2.3%	24,441	79.8%	-1.5%
JSP IN	1,06,095	65.8%	0.1%	45,390	NA	-8.6%	34,096	NA	-10.8%	25,433	NA	-13.3%
JSTL IN	2,89,020	NA	7.3%	1,02,740	NA	21.7%	82,960	NA	30.8%	59,040	NA	38.7%
NMDC IN	72,675	NA	6.1%	43,945	NA	3.6%	44,475	NA	4.2%	33,267	NA	4.6%
SAIL IN	2,06,424	NA	-11.4%	65,636	NA	6.7%	51,449	NA	7.7%	38,500	NA	7.9%
TATA IN	5,33,718	NA	6.8%	1,61,106	NA	13.6%	1,21,368	NA	19.0%	90,893	NA	19.0%

Source: Company, PL

Benefitted by higher realisations, domestic steel EBITDA/t grew 30% QoQ



Source: Company, PL

- **TATA Steel:** 1) Current domestic steel prices are at 20% discount to import parity prices 2) Realisations in TSE would remain elevated for rest of FY22 due to lag benefit of higher steel prices 3) Fall in interest cost was lower on consolidated level due to one-time charges incurred on prepayment of €500mn of debt in TSE 4) One-time loss of £14mn in TSE on sale of CO2 emission rights sold in Q1FY21 5) Coking coal cost will be higher US\$20/t QoQ in Q2 6) Iron ore cost in TSE will be higher by US\$10/t QoQ in Q2 7) 60-70% of contracts in TSE have duration ≥ six months 8) Finished goods Inventory increased by Rs46bn/Rs26bn QoQ in TSE/India due to higher steel prices/2nd wave 9) Capex guidance for FY22e at Rs100-120bn (Spent Rs20bn/Rs70bn in Q1FY22/FY21) 10) 6mtpa pellet plant and 2.2mtpa CR mill will be commissioned in H1CY22e 11) Both the subsidiaries, TATA steel BSL and TATA steel Long products are close to become debt free.
- **JSW Steel:** 1) Coking coal cost will be US\$30-35/t higher QoQ while Iron ore cost would remain unchanged in Q2 2) Met 42% of iron ore requirement through captive mines 3) The recently announced PLI scheme is expected to add ~25mtpa incremental downstream capacity involving investment of Rs400bn 4) Would invest Rs4.45bn in SPVs of JSW energy to setup 958MW of renewable energy plant to meet its renewable power obligation (RPO) of ~300MW and replace fossil fuel at cheaper rate 5) Will invest Rs3bn in JSW Paints for 6.9% stake in Q2; Balance investment of Rs4.5bn would be made in tranches by FY25e 6) JSW Paints is strategic supplier of Industrial Paints for JSTL's coated steel operations.

- **Jindal Steel & Power:** 1) Current NSR is higher by Rs5000/t over Q3 realisations 2) Booked coking coal at low cost (US\$105/t v/s current prices of US\$130/t) till May-2021 3) 4.5mnt of zero cost iron ore inventory available, sufficient to meet the requirement for next two quarters 4) On track to reduce net debt to Rs150bn by FY23e 5) Expects to divest remaining 51% stake in Shadeed operations by March-2021 6) Putting 6mtpa pellet plant at Angul steel plant to improve yield mix in DRI/BF and save freight cost 7) Maintained capex guidance of Rs6-8bn for FY21e (9MFY21-Rs3bn incurred) 8) Jindal Power Ltd (JPL) received Rs4.3bn out of dues from SEBs under Central Govt's financial package announced in May-20.
- **Hindalco Industries:** 1) AL CoP will increase 5% QoQ in Q2 (over 4% QoQ increase in Q1) due to increase in coal and carbon prices 2) Reiterated strategy to not expand AL smelter capacity based on coal 3) The new FRP will produce high end products catering to defense, industrial, building & construction, automotive, transport and canbody stocks 4) Further scope for adding 3rd AL FRP line of 170-180kt 5) CU operations should operate at quarterly EBITDA run-rate of Rs3bn as maintenance shutdowns are behind 6) Hedged 32%/23% of AL volumes for FY22/FY23 at US\$1913/US\$2229 7) Capex guidance at Rs27bn (Spent Rs16bn in FY21) in FY22e 8) Exploring pumped hydro technology to replace 130-150MW of coal based CPP at Hirakud 9) Coal sourcing mix of 69%/22%/5% between Linkage/E-auction/Captive mines 10) Will source 75-80% of coal through captive mines in next 3-4 years on back of recently won Chakla coal block and acquisition of other available coal blocks in upcoming auctions 11) Increased guidance on combination cost synergies by more than 20% with revised target in excess of US\$120mn 12) Guidance on strategic synergies increased by more than 53% to upwards of US\$100mn 13) Maintained EBITDA guidance of US\$360mn in Aleris (US\$220mn in FY21) over next couple of years

- **Steel Authority of India:** 1) Tenders for expansion projects will be issued in 15-18 months 2) Steel realisations increased 19% QoQ/Rs8,950 to Rs55,450 on back of 18%/7% increase in Flat/Long product realisations 3) Steel realisations in August are higher by ~1.3%/Rs750 over Q1 average on back of 4% increase in flat product's prices, offset by 2% fall in long product's realisations 4) Impact of higher prime coking coal cost would be partially offset by doubling the share of PCI coal which is cheaper by Rs7,000/t 5) Capex guidance of Rs60bn for FY22e (Spent Rs7.5bn/Rs42.8bn in Q1FY22/FY21) 6) Revenues from sale of iron ore fell 18% QoQ to Rs4.5bn due to 38% fall in volumes to 860kt 7) Currently carrying 30 days/100 days inventory of Coking Coal/PCI Coal 8) Other expenses included Rs2.7bn on account of higher royalty on iron ore operations in Jharkhand.
- **Coal India:** 1) Debtors reduced to Rs171bn in July compared to Rs196bn at March-2021 2) E-auction realisations were low in the quarter due to old backlogs of low price, high inventory stuck with end users and traders owing to 2nd wave of Covid-19 and increase in lifting period allowed by company 3) As the wage revision for non-executive employees is due from 1st July-2021, company is confident to take requisite hike to maintain EBITDA margins in range of 29-30% 4) Guided production/despatch at 630-640mnt/700mnt in FY22e

- **NMDC:** 1) Volume guidance for FY22e at 44mnt (33.3mnt in FY21) 2) EBITDA margins would be between 42-50% going ahead as full impact of additional royalty would be visible 3) Capex guidance for FY22e at Rs37.5bn including Rs21.5bn capex towards steel plant and rest on Slurry pipeline and beneficiation plant in Chhattisgarh 4) Spent Rs187bn (out of Rs219bn) on Steel Plant till date 5) Hopeful of commissioning steel plant by Q4FY22 6) Slurry pipeline from Nagarnar to Vizag would be commissioned by Q3FY24 7) Would start preparatory work on coal mine in Jharkhand in Q3FY22e; commercial operations would take a couple of quarters afterwards
- **Hindustan Zinc:** 1) Global zinc concentrate demand is expected to grow by 4.3% YoY at 13.8mnt in CY21 on a negative base of 3.9% YoY in CY20 2) Power shortage in China's metal producing region Yunnan would impact 20kt global refined zinc production 3) Guided mined metal production/Silver volumes for FY22e at 1,025-1,050 kt/720 t v/s 972kt/706t in FY21 4) Growth capex guidance for FY22e at US\$100mn 5) Guided CoP for FY22e to be below US\$1,000/t (US\$1070/t / US\$954/t in Q1FY22/FY21) due to higher volumes and efficiency improvements 6) Ore grade slipped by 50bps YoY/39bps QoQ at 6.91% as per mine plan and mix shift 7) Coal cost increased 24% QoQ/+17% YoY to Rs8,300/t in Q1FY22 8) Owing to increase in coal cost, shifted to Linkage coal from Imported coal (33%/67% (25%/75% in Q4FY21)

Q1FY22 earnings were reflective of exasperated asset quality challenges and moderation of growth, owing to disruption in business activity for two long months. While collections and business activities resumed in Jul'22, asset quality pain-points and moderation in growth is likely to persist for the full year. Amongst the sectoral business segments, affordable housing remained fairly resilient and is expected to report higher growth for FY22. Across key operational parameters, MUTH remained fairly resilient for Q1.

- **Growth tumbles; margins shrink:** Second wave challenges marred Q1FY22 business with aggregate coverage reporting loan de-growth on sequential basis and mere 7%YoY growth. With BAF at 4%QoQ growth followed by SHTF at 2%, most NBFCs witnessed weak growth trends. Yields tumbled and favourable funding costs cushioned the NII. While business activities resumed in Jul'22, the overhang of third wave would imply cautious stance in near term.
- **Asset quality woes exasperate; credit costs climb:** As collection activities came to a standstill for months of May-Jun'22, GNPA's climbed across players. MMFS with 16% GNPA's followed by SHTF at 8% is indicative of severe pain in vehicle finance space after MFIs. Credit costs spiked 200bps on aggregate basis for coverage with MMFS reporting highest spike. MUTH and HDFC turned out to be clear winners on asset quality performance implying gold and housing standing relatively resilient; should also see uptick in growth and AQ improvement for FY22.
- **Earnings crumble; FY22 outlook somber; stay selective:** Earnings saw a dip of aggregate 300bps+ both on YoY/QoQ basis for coverage as elevated provisions consumed most profits. While restructured book has been shrinking for most, Stage 2 assets remained on higher side indicating pain points to persist for major part of the year. Against this backdrop, asset backed businesses and market leaders could prove resilient and hence MUTH and HDFC stand better placed, we reckon.

Q1FY22 Result Snapshot

(Rs mn)	NII			Operating Profit			PAT		
	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.
BAF IN	44,884	8.1%	-3.6%	31,162	4.0%	2.1%	10,024	4.2%	-25.6%
CIFC IN	13,631	38.7%	1.6%	9,927	55.8%	19.9%	3,268	-24.2%	34.4%
HDFC IN	41,252	23.7%	2.4%	45,906	-4.5%	-1.1%	30,007	-1.7%	-5.6%
LICHF IN	13,071	5.5%	-17.0%	10,233	-4.7%	-23.0%	1,534	-81.2%	-61.5%
LTFH IN	16,313	15.8%	-9.7%	10,293	26.0%	-15.8%	1,770	20.1%	-33.4%
MGFL IN	10,285	13.2%	-2.1%	7,086	11.1%	-2.8%	4,369	18.7%	-6.7%
MMFS IN	11,580	-15.8%	-23.4%	7,488	-28.3%	-29.2%	-15,288	-1081.3%	-1119.4%
MUTH IN	17,015	17.8%	-7.4%	13,338	17.0%	-2.0%	9,711	15.5%	-2.5%
SBICARD IN	21,329	13.6%	3.3%	10,540	4.0%	20.1%	3,046	-22.5%	73.6%
SHTF IN	19,812	7.9%	-6.3%	16,743	12.0%	0.8%	1,699	-46.9%	-77.5%

Source: Company, PL

Q1FY22: MMFS underperformed, MUTH a clear winner

Q1FY22 (Rs mn)	BAF	CIFC	LTFH	HDFC	LICHF
AUM	1590570	6,78,210	884400	5004900	2325480
Growth QoQ %	4.0%	-3.1%	-5.9%	0.4%	0.2%
Stage 2 %	3.9%	14.0%	9.0%	6.6%	20.0%
Stage 3 %	3.0%	6.8%	5.8%	2.2%	5.9%
Covid Provision as a % of AUM	0.3%	1.0%	0.4%	0.2%	0.4%
ECL Provision % (Stage 3)	51.3%	35.5%	65.0%	48.0%	33.5%
Credit Cost %	4.1%	3.3%	3.6%	0.1%	1.4%
Total Restructuring	12870	25790	9830	37000	13500
Restructuring as % of AUM	0.8%	3.8%	1.1%	0.7%	0.6%
Q1FY22 (Rs mn)	MMFS	SHTF	MGFL	SBICARD	MUTH
AUM	5,64,090	1193013.7	247560	244380	5,26,140
Growth QoQ %	-5.9%	1.8%	-9.1%	-2.7%	0.0%
Stage 2 %	19.4%	14.5%	-	12.8%	-
Stage 3 %	15.5%	8.2%	2.0%	3.9%	1.2%
Covid Provision as a % of AUM	4.8%	0.2%	0.1%	1.1%	-
ECL Provision % (Stage 3)	53.7%	44.2%	-	78.2%	30.5%
Credit Cost %	20.0%	4.9%	0.5%	10.4%	0.3%
Total Restructuring	21720	3425	11740	2580	-
Restructuring as % of AUM	3.9%	0.3%	4.7%	1.1%	-

Source: Company, PL

Management Commentary & Outlook

Management commentary indicate persistence of asset quality pain and moderation of growth expectations for the current fiscal.

- **BAF:** Business Transformation plan on track & to be launched in a phased manner. 1st phase to go live by Oct-21 & 2nd by Mar'21. In wallet business: received PPI license. Onboarded 320k customer so far, on track to originate +5mn customers in FY22. In OTR 2.0 expecting much lower amount of restructuring than OTR 1.0, also reflecting lower bounce rate.
- **CIFC:** Rise in replacement volume in coming quarter will lead to uptick in demand for LCVs. Capacity utilization in 0,1 to 10 vehicle customers is better, mid size fleet operators due to higher opex will remain under stress in near term. Disbursement growth to revive gradually from Q2FY22, while maintaining cautious approach.
- **LICHF:** Geography wise major delinquencies came from tier 2-3 cities (>50% business) with small tickets. In Jun'22, recoveries bounced back and are expected to improve going forward.
- **MUTH:** Gold Loan business picked up post Jun'21, whereas non gold segment will take another 2-3 months to restart its operations. AUM Growth at 15% & ROA is expected be at 7-8% levels for FY22
- **HDFC:** Strong pipeline in the LRD & large proposals in constructions portfolio remains intact; & expected to disburse in Q2FY22. No further increase in Stage 2 assets is expected until 3rd wave.
- **MMFS:** Infra opening up, OEMs are bullish, footfalls at dealership gone up & with decent inventory level turnaround would be witnessed from H2FY22. Expect disbursement growth post Sept'21 and AUM growth will be seen from Q4FY22 as there will be higher repayments than disbursements in coming two qtrs. Expect additional restructuring of 30-40k accounts in the coming qtr.

- **MGFL:** Co to grow AUM by 15% from Q1FY21 resulting in almost flattish AUM growth over FY21 to FY22. Expects Credit cost to come down in Q2FY22.
- **SHTF:** Expect pent up demand from Aug-Sep'21 & end FY22 with double digit growth. Restructuring of Rs 3000mn done in Q1FY22 & expects the same no. in Q2FY22.
- **SBICC:** Clocked market share gains. Currently focus is on term loan & once RBI RE is completely paid off, new mix would remain 1/3rd each (revolver, transactor, EMI) of total asset.

Q1FY22 proved to be one of the toughest quarter in the history of NBFC space as COVID challenges exasperated. NPAs across coverage universe observed sharpest spike followed by elevated provisions eating away profitability for most. While collections have resumed Jul'22 onwards with declining restructured book, we are yet to gain confidence in asset quality of NBFCs as ultimate credit loss remain undeterminable. Hence, we maintain **cautious stance on the sector and maintain our preference for select players like MUTH, HDFC who are market leaders and hold resilient balance sheets.**

For the quarter gone by, we downgrade MMFS and LICHF to SELL/REDUCE respectively as asset quality disappointment stood stark for both names. Albeit both trading at valuations lower than the peer set, the legacy AQ issues and the continued pandemic challenges would continue to weigh on growth & profitability metrics for both in remainder year. **We reiterate our conviction of 'BUY' on MUTH owing to Co.'s ability to maintain growth despite underlying asset price fluctuations and superior asset quality translating into rich return profile. We also believe CIFC owing to its resilient balance sheet has capabilities to bounce back faster.**

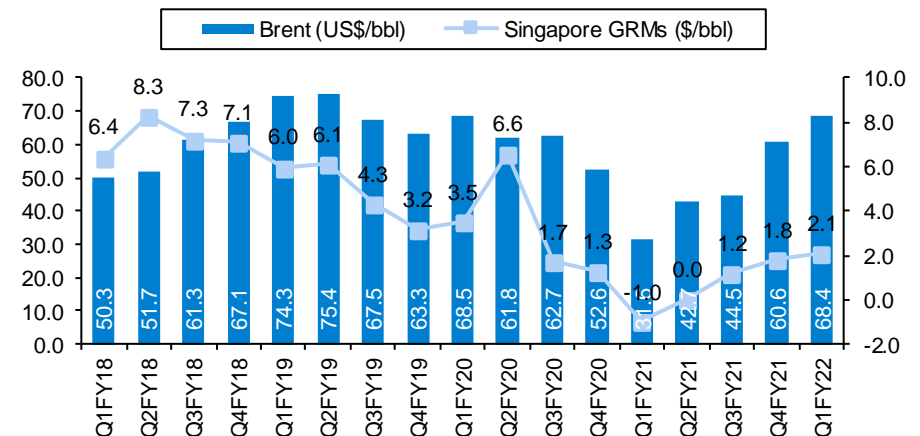
- Q1FY22 oil sector earnings were at Rs259bn (-17%QoQ), hit by lower profits from the Oil Marketing Companies. RIL's hydro carbon business recovered on the back of strong petrochemicals performance while telecom business reported healthy profits. RIL's retail business was hit by pandemic restrictions and footfall were at 46% (88% in Q4).
- CGD players benefitted from higher margins despite lower volumes given pandemic restrictions. Upstream companies like ONGC and OIL India were supported by higher net realization of ~US\$66bbl, in-line with international crude price trends.
- Gas companies reported mixed results:
 - MGL, GGAS reported strong results led by healthy spreads.
 - IGL reported lower than expected volume growth due to pandemic.
 - PLNG was hit by lower than expected volumes despite healthy spreads.
 - GAIL results were hit by lower volumes from maintenance shutdown and weak spreads.
- OMCs earnings of Rs94bn for Q1 (-37% QoQ) were impacted by lower inventory gains and refining profits even as marketing earnings were strong.
- Positive surprise: GGAS, MGL
- Negative surprise: GAIL, IGL
- Preferred Picks:** IGL & GGAS

Q1FY22 Result Snapshot

(Rs mn)	Sales			EBITDA			PBT			Adj. PAT		
	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.
ARTO IN	13,140	45.2%	15.0%	3,067	74.3%	23.4%	2,046	100.7%	24.2%	1,653	103.0%	22.7%
BPCL IN	7,09,213	82.9%	-7.8%	32,528	-16.9%	-35.7%	20,732	-29.1%	-60.5%	15,016	-27.7%	-87.4%
GAIL IN	1,73,866	43.8%	11.8%	24,113	287.3%	-6.0%	20,537	NA	-21.4%	15,299	NA	-19.8%
GUJGA IN	30,109	178.0%	-12.2%	7,229	289.2%	30.4%	6,377	NA	36.2%	4,761	NA	36.1%
HPCL IN	7,24,434	92.1%	-3.2%	31,930	-26.7%	-31.6%	23,969	-35.7%	-41.1%	17,950	-36.2%	-40.5%
IGL IN	12,574	96.9%	-18.9%	3,808	356.3%	-22.6%	3,299	NA	-25.0%	2,442	NA	-26.2%
IOCL IN	11,86,705	90.2%	-4.1%	1,11,261	101.8%	-24.3%	77,985	196.7%	-28.8%	59,414	NA	-32.3%
MAHGL IN	6,155	135.1%	-14.2%	3,040	280.1%	-3.8%	2,756	NA	-3.8%	2,041	NA	-4.1%
NOCIL IN	3,445	223.4%	7.0%	727	871.5%	44.4%	632	NA	48.4%	471	NA	30.7%
OINL IN	30,070	72.4%	16.6%	12,331	525.4%	190.4%	6,774	NA	-44.0%	5,091	NA	-48.5%
ONGC IN	2,30,216	76.9%	8.6%	1,21,528	105.7%	20.0%	67,503	NA	6.9%	43,348	NA	-35.6%
PLNG IN	85,979	76.1%	13.5%	10,543	15.9%	-3.4%	8,512	22.2%	-0.6%	6,357	22.2%	2.0%
RIL IN	9,05,700	79.5%	5.3%	1,14,600	60.8%	12.4%	1,01,880	132.3%	37.5%	85,950	-11.9%	12.8%

Source: Company, PL

Singapore GRMs & Crude Prices



Source: Bloomberg, PL

- **Reliance Industries:** Better petrochemicals realization led to higher profits. ARPU was at Rs138.4 (flat QoQ). Domestic polymer/polyester demand was hit by lockdown restrictions. Retail business was also hit by lockdown restrictions and footfalls were at 46% (88% in Q4).
- **MGL:** Five new CNG stations were opened and total station count is 274. The company plans to add 20 CNG stations and upgrade 20-25 stations in FY22. MGL also plans to set up 8-10 mobile dispensing unit in congested areas of Mumbai to increase volumes. CNG private vehicle conversion remains at 90-95% of pre pandemic levels. And CNG sales are almost at pre pandemic levels.
- **PLNG:** PLNG expects gradual ramp up for setting up LNG stations and Compressed Biggas Biogas plants and that will depend on economics and demand environment. For FY22, PPLNG plans to set up 4-5LNG stations on highways.
- **GAIL:** Current consumptions of fertilizer plants at 2.5mmscmd and are expected to increase to 10-12 mmscmd by mid CY22. 23 LNG cargoes were imported in Q1 of which 15 were sold internationally. Petrochemical plant production has come back post maintenance shutdown. GAIL gas currently has 5.5mmscmd volumes and has 253 CNG stations.
- **BPCL:** Management clarified that they have not received any information from government to exit IGL/PLNG stake and they are working with government to avoid need for open offer or paring down of stake in these companies. Q1FY22 capex was at Rs40bn and includes stake buy of BORL for Rs24bn and marketing Rs7.3bn. FY22 capex for BPCL will be at Rs100bn. BORL Q1 GRMs was were at USD5.2/bbl and loss was at Rs640m. Q1 refinery volume was aligned to demand and accordingly throughput was lower.
- **HPCL:** FY22 capex was at Rs145bn with refining at Rs60bn, marketing Rs50bn and JV at Rs23bn; expect similar levels for FY23E. Ethanol blending was at 9.3% in Q1. Mumbai refinery expansion is expected to be commissioned in Q2FY22 and Vizag expansion by CY22 end. Post expansion, Vizag distillate yield will increase to 90%.
- **IOCL:** Capex for FY22 is estimated at Rs285bn and that includes Rs66bn for marketing, Rs50bn each for refining & pipelines and Rs25bn for petrochemicals. IOCL plans to monetize two hydrogen plants in FY22. Q1 end crude inventory is valued at \$70.44/bbl. Q1 polymer margins were at \$620/ton (-10%QoQ), while PTA spreads were at \$200/ton (flat QoQ) .
- **ONGC:** FY22 capex is likely to be at Rs295bn to Rs325bn. Management expects gas prices to rise ~50%-60% in next round of revision. KG98/2 gas production is expected at 3bcm and oil production is likely at 1.8MTPA for FY23E. OPAL utilization rate was at EBIDTA/PAT for Q1 at Rs9.7bn/650m. Interest charges were at Rs4.6bn. For FY22, ONGC expects gas production to be at 24.3bcm and will be led by start of two additional wells at KG98/2.
- **GGAS:** Q2 volumes have recovered to pre pandemic levels of 12 mmscmd. The company has yet to take any price hike for rise in spot LNG prices as they prioritize volumes over margins in near term.

Healthcare companies under PL coverage witnessed Revenue/EBITDA/PBT /PAT growth of 18%/ 22%/ 25%/ 222% YoY v/s our estimate of 13%/20%/20% /263%. The diagnostic companies performance was much higher along with its core business reaching at pre-Covid level on account of lower base (Nationwide lock-down in FY21) and volume up-tick with surge in Covid-19 cases during 2nd wave. Revenues in pharma companies missed our estimates, mainly due to weak traction in export markets especially in US generics and EU. Higher competitive intensity with pricing pressure and lack of meaningful launches impacted US sales, while lockdown in key economies led to tepid sales in EU. There was however super normal growth (both QoQ and YoY) in India formulations due to a) lower base benefits and strong traction in anti-infective portfolio after 12 quarters.

Companies maintained their guidance towards India market growth momentum and demand of precautionary COVID products: In Q1, companies guided for growth revival in domestic market and normalized EBITDA margin levels for FY22E on the back of increased demand as well as operational readiness of companies during the second wave of Covid-19. Majority of the company's EBITDAM was in line with their guidance as companies are more focused on cost optimization measures. Companies' COVID product portfolio contribution was fluctuating during the quarter which might improve in coming quarters with recent increasing trend of new variant of COVID-19 cases.

Regulatory status: Travel restrictions challenges continued in the system for FDA officer with newer wave of COVID, which led to further delay in plant resolution with OAI/WL status. The Virtual audit/inspection from India office of USFDA procedures as an alternative to actual inspections, cost heavily to companies and resulted in increased pressure on profit margins with uncertainties.

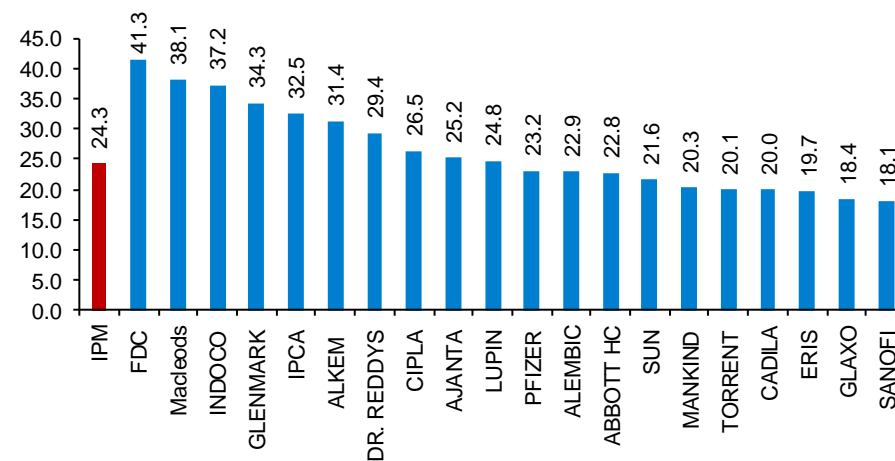
Top pick : Our top picks are SUNP, INDR, ERIS on the back of strong growth in their core business in India and patented biz in exports.

Q1FY22 Result Snapshot

(Rs mn)	Sales			EBITDA			PBT			Adj. PAT		
	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.	Q1FY22	YoY gr.	QoQ gr.
ARBP IN	56,919	-2.5%	-5.0%	11,993	2.7%	-5.2%	10,267	-6.4%	-3.9%	7,700	-1.7%	-3.8%
CDH IN	40,254	14.5%	9.0%	9,330	18.0%	15.9%	7,546	31.8%	33.1%	5,648	28.8%	-13.4%
CIPLA IN	54,707	27.9%	19.3%	13,123	34.0%	69.4%	11,201	40.2%	106.0%	7,147	23.7%	72.9%
DLPL IN	6,060	127.8%	40.6%	1,884	290.1%	54.4%	1,787	369.0%	61.3%	1,331	368.7%	56.4%
DRRD IN	49,451	11.7%	3.7%	9,183	-18.1%	-12.9%	7,230	-19.0%	-9.5%	5,642	-5.1%	1.0%
ERIS IN	3,438	19.3%	25.4%	1,210	22.4%	33.7%	1,172	23.9%	38.4%	1,068	20.0%	56.5%
GNP IN	29,461	27.6%	4.1%	5,548	25.4%	12.4%	4,436	34.6%	31.4%	3,065	54.8%	31.1%
INDR IN	3,812	42.9%	29.3%	815	104.7%	83.0%	612	152.5%	83.2%	396	129.9%	59.3%
IPCA IN	14,786	-0.4%	42.0%	3,940	-33.0%	81.9%	3,564	-35.4%	91.9%	2,847	-37.2%	88.0%
LPC IN	38,640	11.4%	2.8%	5,214	21.6%	-23.7%	3,769	38.3%	-27.3%	2,735	150.1%	-40.6%
SUNP IN	96,694	29.2%	14.2%	27,718	58.9%	39.3%	24,353	68.0%	54.5%	14,442	-187.2%	61.5%
THYROCAR IN	1,650	NA	6.5%	716	NA	20.1%	742	NA	33.5%	560	NA	23.0%

Source: Company, PL

May-July CY21 - Domestic Formulations growth trend (%)



Source: Company, PL

- **SUNP:** US biz continued to witness growth with better supply chain management and launch of brands. Taro registered growth led by Gx and specialty products. Halol resolution expected in FY22E, will help to add new meaningful approvals. Key specialty products to record double digit growth in FY22E.
- **DRRD:** In spite of price erosion in older molecules, company guided for better traction from US & India biz on strong product pipeline. India formulations are expected to grow with increased footfall at hospitals.
- **CIPLA:** Balanced growth from COVID as well as Non-COVID product portfolio in domestic market while Albuterol to drive growth in US. Invest in digitalization & transformation to help increase EBITDAM in future.
- **IPCA:** Guided for improved EBITDAM in FY22/23E with increased guidance for India formulation of 16-18% while reducing its API at 5-10% with delay in capacity expansion at API plant and generic exports at 5% on high pricing erosion and lack of opportunities in new Sartan sales.
- **LPC:** Tepid sales of US generics, due to increased competition in existing products and loss of Rx share. Guided for 16-17% EBITDAM in FY22E on the back of ramp-up in Albuterol and other key products. Delay in Goa, Pithampur (Indore) Unit-2 and Somerset plants resolutions.
- **CDH:** Company is more focused on medium term growth opportunities for introduction of Covid-19 led vaccines and new filing (pain mgt) plus launch of new products in India as well as US market.
- **ARBP:** Injectables sales remained under pressure and we expect it to decrease further in Q2 due to 3rd wave of COVID-19 in the US. Acquisition of 6 ANDAs, 9 OTC products and veterinary company to lower EBITDAM in near term.

- **GNP:** GLS's IPO proceedings used for debt repayment. India formulation grew 57% YoY while adj. growth (ex-Favipiravir) was in double digit. Its US revenue was range-bound and handled pricing pressure with improved ramp-up in Brovana Inhalation as well as new launches in the market. Company expects to close 1-2 licensing agreements at Ichanos in FY22E.
- **ERIS:** Company continued its cost controlling measures and focused on its launches of newly off-patent branded generics along with creations of new divisions like derma and women's healthcare in FY22E/FY23E. Cardio-Metabolic & VMN products segment outperformed the IPM growth. The company planned and guided for CAPEX of Rs1.3bn for new plant in Gujarat, through internal accruals.
- **INDR:** Guided US revenue of Rs2.5bn (vs. Rs1.5bn in FY21) for FY22E along with sustainable growth of 15% in India formulation. With guidance of CAPEX, unutilized capacity especially for US and EU markets, resolution of regulatory issues and restructured sales force, INDR is poised to grow on better traction in India, EU and US markets.
- **DLPL:** Conducted more than double test on QOQ basis i.e. 1.1m of COVID RT-PCR tests with revenue of Rs2.2bn in 1Q (36% of total revenue). Average realization per patient at Rs860 (vs Rs760 YoY). Non-COVID business recovering; grew 15% YoY with more focus on expansion of collection centers in western and southern India.
- **THYROCAR:** COVID testing contributed 37% of revenue v/s 45% in 1QFY21. Average realization per test was Rs.382/-, compared to Rs.516/- in 4QFY21. Non-COVID business contributed about 60% in 1QFY22.

PL Coverage Financial & Valuation Summary

Sector / Company Name	Rating	Price (Rs)	TP (Rs)	Upside (%)	Mcap (Rs bn)	Revenues (Rs bn)			PAT (Rs bn)			EBITDA (Rs bn)			EPS (Rs)			BVPS (Rs)			RoE (%)			RoCE (%)			PER (x)			P/BV (x)			EV/EBITDA (x)		
						2021	2021E	2022E	2021	2021E	2022E	2021	2021E	2022E	2021	2021E	2022E	2021	2021E	2022E	2021	2021E	2022E	2021	2021E	2022E	2021	2021E	2022E	2021	2021E	2022E	2021	2021E	2022E
Agri Chemicals																																			
Bayer Cropscience	ACC	5,463	6,506	19.1	245.5	42.6	47.7	52.5	6.2	7.2	8.4	8.1	9.4	10.7	136.9	161.3	185.9	567.5	722.1	904.9	24.0	25.0	22.9	28.8	29.9	26.8	39.9	33.9	29.4	9.6	7.6	6.0	28.7	24.2	20.8
Coromandel Int.	ACC	784	991	26.5	229.3	142.1	184.9	195.7	13.3	15.8	16.1	20.2	22.8	23.7	45.4	54.1	55.1	176.1	210.7	246.7	28.1	28.0	24.1	33.2	36.7	31.9	17.2	14.5	14.2	4.5	3.7	3.2	11.0	9.9	9.4
Dhanuka Agritech	HOLD	855	1,008	17.9	39.8	13.9	15.1	17.5	2.1	2.3	2.6	2.7	2.9	3.3	45.8	48.6	56.0	171.0	207.2	253.4	28.4	25.7	24.3	33.4	30.3	28.9	18.7	17.6	15.3	5.0	4.1	3.4	14.1	13.2	11.3
Godrej Agrovet	HOLD	616	639	3.8	118.3	62.7	71.5	78.2	3.1	4.2	4.7	5.6	7.4	8.2	16.3	21.7	24.7	106.8	120.7	137.1	16.1	19.0	19.2	15.0	19.6	22.3	37.7	28.4	24.9	5.8	5.1	4.5	22.6	16.4	14.4
Insecticides India	ACC	705	817	15.9	14.6	14.2	16.0	17.3	1.0	1.3	1.5	1.5	2.0	2.3	47.5	66.7	74.3	396.0	477.7	547.2	12.7	14.9	14.5	14.0	18.0	18.0	14.8	10.6	9.5	1.8	1.5	1.3	9.6	7.4	6.3
P.I. Industries	ACC	3,148	3,363	6.8	478.5	45.8	59.1	80.8	7.5	9.4	12.8	10.1	13.9	19.1	49.4	61.5	84.1	351.5	402.4	473.0	18.9	16.3	19.2	19.2	19.1	24.1	63.7	51.2	37.4	9.0	7.8	6.7	45.2	33.4	24.1
Rallis India	HOLD	273	321	17.5	53.1	24.3	27.0	30.8	2.2	2.3	3.1	3.2	3.8	4.9	11.3	11.9	16.0	81.8	87.6	99.7	14.6	14.1	17.1	16.7	17.4	21.0	24.2	22.9	17.0	3.3	3.1	2.7	15.5	13.6	10.3
Sherda Cropchem	BUY	303	457	50.6	27.4	24.0	28.6	32.0	2.5	2.8	3.2	4.4	5.5	6.2	27.9	31.3	35.1	178.9	218.9	248.1	16.7	15.7	15.0	17.3	18.0	17.4	10.9	9.7	8.6	1.7	1.4	1.2	5.6	4.2	3.5
Sumitomo Chemicals	Reduce	399	376	(5.9)	199.3	26.4	30.2	34.7	3.5	4.0	4.9	4.9	5.6	7.0	6.9	8.0	9.9	30.9	36.9	44.7	25.0	23.5	24.2	31.9	30.3	31.3	57.7	50.2	40.4	12.9	10.8	8.9	40.4	34.7	27.7
UPL	HOLD	731	740	1.3	559.3	387.0	420.1	453.7	31.1	40.7	48.9	83.5	94.5	106.6	40.7	53.2	64.0	273.0	292.0	314.2	15.5	18.8	21.1	13.4	16.2	19.1	18.0	13.7	11.4	2.7	2.5	2.3	8.9	7.7	6.7
Automobiles																																			
Ashok Leyland	BUY	120	151	26.5	351.4	153.0	207.3	281.6	-3.0	4.8	15.6	5.4	13.4	27.6	-1.0	1.6	5.3	23.8	24.7	29.2	-4.3	6.7	19.7	-1.2	3.3	10.6	(115.4)	73.2	22.5	5.0	4.8	4.1	71.1	28.6	13.6
Bajaj Auto	HOLD	3,715	3,919	5.5	1,074.9	277.4	322.4	352.8	48.6	58.3	63.7	49.3	57.6	63.8	168.0	201.4	220.2	870.9	898.2	922.5	21.5	22.8	24.2	20.5	21.3	23.0	22.1	18.4	16.9	4.3	4.1	4.0	21.7	18.4	16.5
Eicher Motors	ACC	2,548	2,737	7.4	696.3	87.2	105.5	127.4	13.5	19.1	26.5	17.8	23.9	32.6	49.3	69.9	96.9	418.5	471.5	551.4	12.6	15.7	19.0	12.2	15.6	19.5	51.7	36.4	26.3	6.1	5.4	4.6	35.3	25.7	18.3
Hero MotoCorp	BUY	2,676	3,266	22.1	534.6	308.0	344.8	383.8	29.6	31.3	37.1	40.2	42.5	50.0	148.4	156.8	185.6	760.7	807.5	883.1	20.2	20.0	22.0	16.3	15.5	17.3	18.0	17.1	14.4	3.5	3.3	3.0	10.7	9.8	7.9
Mahindra & Mahindra	BUY	778	961	23.5	929.7	445.7	519.9	582.8	22.3	43.3	48.2	68.8	72.9	84.1	18.7	36.2	40.3	288.8	315.0	343.3	6.5	12.0	12.3	11.7	10.9	11.3	41.7	21.5	19.3	2.7	2.5	2.3	12.8	12.6	11.1
Maruti Suzuki	ACC	6,803	7,684	12.9	2,055.1	703.3	841.5	961.6	42.3	58.4	83.5	53.5	71.1	100.5	140.0	193.3	276.5	1,700.4	1,833.7	2,030.2	8.5	10.9	14.3	4.6	7.4	11.5	48.6	35.2	24.6	4.0	3.7	3.4	37.2	28.1	19.9
Tata Motors	Reduce	280	255	(8.9)	1,071.4	2,497.9	3,178.0	3,560.0	36.5	69.3	97.4	357.8	441.1	512.9	9.5	18.1	25.4	144.3	162.4	187.8	6.2	11.8	14.5	4.1	8.2	9.8	29.4	15.5	11.0	1.9	1.7	1.5	4.5	3.6	3.3
TVS Motors	BUY	508	669	31.6	241.4	167.5	214.3	244.2	6.1	9.9	12.7	14.3	19.3	23.2	12.9	20.8	26.7	87.8	104.6	127.3	15.7	21.7	23.0	15.5	21.7	24.2	39.4	24.4	19.0	5.8	4.9	4.0	17.4	12.6	10.3
Auto Ancillary																																			
Bharat Forge	UR	741	NA	-	345.0	63.4	95.6	110.3	2.4	9.1	12.4	8.6	16.9	21.8	5.2	19.5	26.6	116.3	132.8	155.4	4.5	15.7	18.4	2.6	10.4	13.7	142.9	38.0	27.9	6.4	5.6	4.8	45.1	22.4	17.2
CEAT	HOLD	1,301	1,383	6.3	52.6	76.1	91.3	100.8	3.6	3.1	3.7	9.8	9.2	11.1	88.5	76.8	92.2	823.9	872.8	936.7	11.4	9.1	10.2	14.2	10.6	12.0	14.7	16.9	14.1	1.6	1.5	1.4	6.5	7.1	6.2
Endurance Technologies	BUY	1,625	1,832	12.7	228.6	65.0	83.4	99.9	5.0	6.7	9.0	9.9	13.4	17.1	35.4	47.3	64.3	244.6	283.8	341.0	15.4	17.9	20.6	15.9	21.2	25.4	46.0	34.4	25.3	6.6	5.7	4.8	22.8	16.4	12.3
Exide Industries	BUY	159	191	19.7	135.4	100.4	113.6	126.0	7.6	7.8	9.4	13.6	14.6	16.7	8.9	9.2	11.0	81.1	87.3	94.3	11.5	10.9	12.1	14.8	14.0	15.6	17.9	17.4	14.5	2.0	1.8	1.7	9.3	8.7	7.7
Motherson Sumi Systems	BUY	209	304	45.6	659.2	573.7	752.1	868.4	7.7	27.6	34.3	43.6	81.6	101.7	2.4	8.7	10.9	39.8	45.8	53.2	6.5	20.5	21.9	6.5	24.3	31.6	85.2	23.9	19.2	5.2	4.6	3.9	15.8	8.7	6.7
Airlines																																			
InterGlobe Aviation	HOLD	1,693	1,630	(3.7)	651.5	146.4	215.7	390.7	-58.3	-67.8	30.3	2.6	1.0	97.2	-151.5	-176.2	78.7	1.8	-174.4	-95.7	-196.5	204.3	-58.3	-107.5	1,122.4	-245.1	(11.2)	(9.6)	21.5	918.7	(9.7)	(17.7)	192.7	502.2	4.9
SpiceJet	HOLD	69	70	1.8	41.4	52.7	66.2	130.0	-14.2	-18.7	2.9	5.6	3.1	24.0	-23.7	-31.1	4.9	-42.8	-69.2	-64.3	68.5	55.6	-7.3	97.1	56.0	-20.0	(2.9)	(2.2)	14.1	(1.6)	(1.0)	(1.1)	8.6	15.7	2.0
Banks																																			
Axis Bank	ACC	746	860	15.2	2,286.6	292.4	332.7	392.8	65.9	116.6	164.3	257.0	288.0	340.4	22.4	38.1	53.6	331.6	369.7	413.6	7.1	10.9	13.7	0.7	1.1	1.4	33.3	19.6	13.9	2.3	2.0	1.8	-	-	-
Bank of Baroda	BUY	76	105	39.1	390.9	288.1	316.9	347.6	12.9	64.1	79.6	206.3	214.9	234.2	1.7	12.4	15.4	138.9	151.3	165.1	1.7	8.0	9.1	0.1	0.5	0.6	44.7	6.1	4.9	0.5	0.5	0.5	-	-	-
Federal Bank	ACC	80	97	21.1	159.9	55.3	62.6	71.9	15.9	19.9	24.7	37.9	42.9	48.9	8.0	9.7	11.8	80.7	89.9	100.3	10.4	11.4	12.4	0.8	0.9	1.0	10.0	8.2	6.8	1.0	0.9	0.8	-	-	-
HDFC Bank	BUY	1,559	1,870	20.0	8,593.6	648.8	727.2	842.3	311.2	367.1	440.7	573.6	651.7	747.3	56.6	66.5	79.7	369.5	431.9	496.6	16.6	16.6	17.2	1.9	2.0	2.1	27.5	23.4	19.6	4.2	3.6	3.1	-	-	-
ICICI Bank	BUY	694	815	17.4	4,803.5	389.9	452.9	524.3	161.9	212.2	257.4	364.0	390.7	439.1	24.2	30.7	37.2	208.8	237.4	272.0	12.3	13.5	14.4	1.4	1.6	1.7	28.7	22.6	18.7	3.3	2.9	2.6	-	-	-
IDFC First Bank	Reduce	43	45	4.9	243.5	73.8	90.6	106.9	4.5	0.0	7.8	25.4	33.8	38.3	0.9	0.0	1.3	31.4	33.6	34.8	2.7	0.0	0.7	0.3	0.0	0.4	49.7	7,850.1	34.1	1.4	1.3	1.2	-	-	-
IndusInd Bank	BUY	1,005	1,280	27.4	777.3	135.3	151.1	174.4	28.4	52.8	79.0	117.3	128.5	145.0	38.7	68.3	102.1	556.6	619.8	712.0	7.3	11.5	15.2	0.8	1.4	1.8	26.0	14.7	9.8	1.8	1.6	1.4	-	-	-
Kotak Mahindra Bank	ACC	1,705	1,960	15.0	3,378.8	172.9	194.1	221.5	90.1	110.2	133.9	151.2	169.8	196.0	45.3	55.4	67.4	407.1	462.9	510.6	12.4	12.7	13.5	2.1	2.4	2.6	37.6	30.7	25.3	4.2	3.7	3.2	-	-	-
L&T Finance Bank	BUY	36	50	37.6	380.9	304.8	317.6	343.7	20.2	40.1	83.7	229.8	239.7	257.9	2.3	3.7	7.6	79.9	81.5	88.3	2.6	4.3	8.3	0.2	0.3	0.6	15.5	9.7	4.8	0.5	0.4	0.4	-	-	-
State Bank of India	BUY	418	530	26.9	3,726.9	1,107.1	1,226.8	1,363.3	204.1	299.4	369.1	715.5	785.4	856.1	22.9	33.5	41.4	258.0	287.6	322.9	8.4	11.2	12.5	0.5	0.6	0.7	18.3	12.4	10.1	1.6	1				

Sector / Company Name	Rating	Price (Rs)	TP (Rs)	Upside (%)	Mcap (Rs bn)	Revenues (Rs bn)			PAT (Rs bn)			EBITDA (Rs bn)			EPS (Rs)			BVPS (Rs)			RoE (%)			RoCE (%)			PER (x)			P/BV (x)			EV/EBITDA (x)		
						2021	2021E	2022E	2021	2021E	2022E	2021	2021E	2022E	2021	2021E	2022E	2021	2021E	2022E	2021	2021E	2022E	2021	2021E	2022E	2021	2021E	2022E	2021	2021E	2022E	2021	2021E	2022E
Capital Goods																																			
ABB	HOLD	1,697	1,687	(0.6)	359.6	58.2	72.8	84.7	2.3	4.0	5.0	2.8	5.8	7.2	10.9	19.0	23.8	170.2	181.4	198.1	6.5	10.8	12.5	4.3	12.3	14.5	156.0	89.4	71.4	10.0	9.4	8.6	122.5	58.1	47.2
Bharat Electronics	BUY	178	208	17.1	432.9	140.6	164.9	192.9	20.7	24.9	29.8	31.8	34.9	41.8	8.5	10.2	12.2	44.4	51.3	59.6	20.0	21.3	22.1	27.2	26.7	27.6	21.0	17.4	14.5	4.0	3.5	3.0	12.7	11.3	9.2
BHEL	Sell	53	34	(35.3)	185.4	173.1	226.2	307.3	-27.2	-7.4	10.0	-31.4	-6.2	17.3	-7.8	-2.1	2.9	76.1	73.9	76.8	-9.8	-2.8	3.8	-11.0	-3.6	3.8	(6.8)	(25.0)	18.5	0.7	0.7	0.7	(5.4)	(28.4)	9.9
Cummins India	ACC	996	1,051	5.5	276.2	43.3	53.3	60.7	6.2	6.8	8.3	5.8	6.6	8.3	22.3	24.4	30.0	159.0	167.3	177.5	14.4	14.9	17.4	10.0	11.6	14.2	44.7	40.9	33.2	6.3	6.0	5.6	45.5	40.0	31.8
Engineers India	BUY	68	129	89.2	38.2	31.4	33.9	37.0	4.0	4.6	6.0	3.5	3.9	5.4	7.2	8.2	10.7	31.1	35.7	41.6	19.4	24.7	27.8	15.7	19.4	23.5	9.5	8.3	6.3	2.2	1.9	1.6	6.6	5.1	3.4
GE T&D India	HOLD	135	139	3.1	34.5	34.5	37.8	42.3	0.6	1.1	1.6	1.5	2.2	2.7	2.2	4.5	6.3	43.8	47.3	52.3	5.2	9.8	12.7	5.5	10.8	13.5	60.7	30.1	21.3	3.1	2.8	2.6	24.9	16.3	13.1
KEC International	ACC	374	445	19.1	96.1	131.1	148.4	174.4	5.5	7.2	9.5	11.4	14.1	17.6	21.5	28.0	37.1	130.7	154.5	186.0	18.0	19.6	21.8	19.1	22.0	24.6	17.4	13.4	10.1	2.9	2.4	2.0	9.9	8.2	6.6
Kalpalanu Power Transmissi	BUY	385	576	49.4	57.4	76.7	94.0	110.2	4.5	6.3	7.5	8.1	10.2	11.9	30.0	42.4	50.5	259.4	251.0	249.5	12.1	16.6	20.2	13.8	17.4	20.7	12.8	9.1	7.6	1.5	1.5	1.5	8.3	6.1	5.3
Larsen & Toubro	BUY	1,606	1,855	15.5	2,255.4	1,359.8	1,586.8	1,750.0	115.8	97.6	110.2	156.2	182.5	203.8	82.5	69.5	78.4	540.2	598.1	663.1	16.2	12.2	12.4	6.1	7.0	7.5	19.5	23.1	20.5	3.0	2.7	2.4	20.0	17.2	15.4
Power Grid Corporation of Ii	BUY	177	205	16.0	923.9	392.9	434.4	461.8	109.8	128.4	138.8	342.6	378.8	402.7	21.0	24.5	26.5	132.8	144.1	156.3	16.4	17.7	17.7	11.1	11.9	12.1	8.4	7.2	6.7	1.3	1.2	1.1	6.6	6.0	5.7
Siemens	ACC	2,205	2,310	4.8	785.0	99.5	131.0	153.0	7.7	11.5	14.9	10.0	14.7	19.0	21.6	32.3	42.0	266.6	291.8	324.5	8.3	11.6	13.6	8.1	12.1	14.7	102.0	68.3	52.5	8.3	7.6	6.8	72.5	49.9	38.4
Thermax	ACC	1,349	1,559	15.6	151.9	47.9	59.6	73.3	2.6	3.6	4.6	3.6	5.1	6.2	23.0	32.1	41.0	288.8	313.1	344.2	8.3	10.7	12.5	7.1	10.3	12.2	58.6	42.0	32.9	4.7	4.3	3.9	37.8	26.6	21.4
Triveni Turbine	BUY	125	156	24.6	40.6	7.0	9.7	11.1	1.2	1.4	1.7	1.5	1.9	2.3	3.7	4.2	5.2	19.7	22.9	26.9	20.7	19.9	20.9	21.8	23.7	25.0	33.5	29.5	24.1	6.4	5.5	4.7	24.9	19.8	16.1
Voltamp Transformers	ACC	1,418	1,825	28.8	14.3	6.9	9.1	11.2	1.1	1.0	1.3	0.8	1.0	1.3	110.9	100.7	130.4	824.5	895.2	994.4	14.2	11.7	13.8	8.6	9.9	12.6	12.8	14.1	10.9	1.7	1.6	1.4	18.1	13.8	10.1
Consumer Durables																																			
Bajaj Electricals	HOLD	1,139	1,110	(2.9)	130.4	45.7	50.2	59.4	1.7	2.3	3.5	3.0	3.7	5.2	15.0	19.8	30.2	140.1	159.9	184.6	11.5	13.2	17.5	15.3	17.8	22.7	75.9	57.6	37.7	8.1	7.1	6.2	43.9	35.8	24.8
Crompton Greaves Consum	BUY	454	518	14.0	285.3	47.5	53.7	61.2	5.3	5.8	7.1	7.0	7.5	9.2	8.4	9.2	11.4	30.6	34.3	39.5	31.2	28.4	30.8	38.8	34.4	38.3	54.0	49.3	40.0	14.9	13.2	11.5	39.0	36.7	29.7
Havells India	ACC	1,266	1,226	(3.2)	792.3	104.3	119.6	141.2	10.3	11.7	14.2	15.7	17.2	20.9	16.5	18.7	22.7	82.5	97.7	112.7	21.8	20.7	21.6	29.6	26.9	28.9	76.9	67.8	55.6	15.3	13.0	11.2	49.6	44.7	36.5
KEI Industries	BUY	722	854	18.2	64.9	41.8	54.1	61.8	2.7	3.9	4.5	4.6	6.1	7.0	30.4	43.3	49.8	197.9	241.2	287.8	16.6	19.7	18.8	21.8	25.4	24.7	23.7	16.7	14.5	3.6	3.0	2.5	14.2	10.7	9.2
Poly cab India	HOLD	1,827	1,977	8.2	272.4	89.3	116.0	133.9	7.7	9.5	12.1	11.7	14.3	17.7	51.8	63.5	80.8	318.8	372.3	440.1	18.0	18.4	19.9	24.9	24.7	26.9	35.3	28.8	22.6	5.7	4.9	4.2	22.5	18.4	14.5
Volta	HOLD	974	1,014	4.1	322.0	75.6	85.4	97.1	5.3	6.5	8.4	6.4	8.1	10.1	15.9	19.7	25.5	151.0	165.7	184.6	11.3	12.4	14.6	16.4	18.1	19.9	61.3	49.4	38.2	6.4	5.9	5.3	49.5	38.9	30.9
Cement																																			
ACC	BUY	2,281	2,460	7.9	428.8	134.9	162.1	172.8	16.2	21.7	22.5	21.8	30.0	30.8	86.3	115.5	119.8	675.5	777.0	876.0	13.4	15.9	14.5	12.7	17.7	16.0	26.4	19.8	19.0	3.4	2.9	2.6	16.9	12.1	11.4
Ambuja Cement	BUY	395	460	16.3	785.0	245.2	302.8	335.1	24.4	31.8	35.7	49.8	69.8	76.7	12.3	16.0	18.0	114.6	126.6	139.6	10.4	13.3	13.5	16.3	24.1	23.9	32.2	24.7	22.0	3.4	3.1	2.8	14.0	9.7	8.4
Dalmia Bharat	ACC	2,014	2,300	14.2	376.1	105.2	129.4	152.3	9.9	11.0	14.2	27.9	30.5	36.1	53.3	58.9	76.2	672.7	730.3	805.2	18.7	15.8	16.0	16.9	16.5	17.1	37.8	34.2	26.4	3.0	2.8	2.5	13.6	12.5	10.5
Heidelberg Cement India	Reduce	254	225	(11.3)	57.6	20.9	23.3	25.6	2.6	3.0	3.5	4.8	5.2	5.8	11.5	13.2	15.5	65.9	69.1	75.6	18.6	19.6	21.4	22.1	23.2	26.6	22.1	19.2	16.4	3.9	3.7	3.4	11.6	10.5	8.9
JK Lakshmi Cement	HOLD	703	690	(1.9)	82.8	43.8	50.8	53.1	3.9	4.2	5.0	7.9	8.5	9.4	32.8	35.9	42.1	176.4	208.5	246.6	20.4	18.6	18.5	18.7	19.8	21.3	21.4	19.6	16.7	4.0	3.4	2.9	11.0	9.6	8.0
Shree Cement	HOLD	26,233	28,400	8.3	946.5	134.6	161.8	187.3	22.8	25.8	29.4	40.4	44.4	51.2	630.7	714.5	813.5	4,267.6	4,923.4	5,668.7	15.9	15.5	15.4	16.5	16.7	16.7	41.6	36.7	32.2	6.1	5.3	4.6	22.8	20.4	17.3
The Ramco Cements	Reduce	960	980	2.1	226.2	51.9	60.4	68.5	7.8	8.3	9.5	14.7	15.8	18.0	33.1	35.2	40.4	238.8	270.5	306.9	14.8	13.8	14.0	13.4	12.8	13.8	29.0	27.3	23.8	4.0	3.5	3.1	17.4	16.1	13.7
Ultratech Cement	BUY	7,455	8,600	15.4	2,151.8	442.6	523.3	579.3	53.2	69.5	82.9	110.5	127.7	143.1	184.3	240.9	287.3	1,526.5	1,730.4	1,970.5	12.8	14.8	15.5	13.3	15.4	17.0	40.5	31.0	25.9	4.9	4.3	3.8	20.2	17.2	14.8
Consumer Staples																																			
Asian Paints	BUY	3,046	3,511	15.3	2,921.7	217.1	276.9	311.3	31.3	36.8	46.5	48.2	54.0	66.9	32.6	38.4	48.4	133.5	137.5	159.3	27.3	28.3	32.6	34.1	34.0	39.4	93.3	79.4	62.9	22.8	22.1	19.1	59.9	53.5	43.0
Britannia Industries	ACC	3,812	3,911	2.6	916.8	123.8	135.9	152.2	17.6	16.4	18.8	23.5	22.7	26.8	73.2	68.3	78.2	138.0	83.1	108.8	46.4	61.8	81.5	41.2	47.7	69.7	52.1	55.8	48.7	27.6	45.9	35.0	39.2	40.4	34.0
Burger King	BUY	162	250	54.8	62.0	4.9	10.3	14.3	-1.6	-0.4	0.1	0.1	1.5	2.5	-4.2	-1.1	0.3	17.6	16.7	17.0	-34.0	-6.5	1.9	-19.6	1.2	12.2	(38.4)	(146.3)	505.9	9.2	9.7	9.5	393.2	39.0	23.5
Colgate Palmolive	ACC	1,648	1,846	12.0	448.3	48.4	53.5	58.3	10.4	11.4	12.6	15.1	16.6	18.3	38.1	42.0	46.2	42.9	59.4	64.8	75.0	82.2	74.3	96.2	105.5	95.6	43.3	39.2	35.7	38.5	27.8	25.4	29.1	26.5	24.0
Dabur India	HOLD	593	588	(0.9)	1,047.8	95.4	108.1	120.7	17.0	18.8	22.4	20.0	22.8	26.3	9.6	10.7	12.7	43.4	49.3	55.9	23.8	23.0	24.1	23.1	23.5	24.4	61.8	55.6	46.7	13.7	12.0	10.6	51.5	45.1	38.8
Avenue Supermarts	BUY	3,709	3,744	1.0	2,402.3	241.4	292.8	415.8	11.0	14.7	23.8	17.4	24.0	37.9																					

Sector / Company Name	Rating	Price (Rs)	TP (Rs)	Upside (%)	Mcap (Rs bn)	Revenues (Rs bn)			PAT (Rs bn)			EBITDA (Rs bn)			EPS (Rs)			BVPS (Rs)			RoE (%)			RoCE (%)			PER (x)			P/BV (x)			EV/EBITDA (x)		
						2021	2021E	2022E	2021	2021E	2022E	2021	2021E	2022E	2021	2021E	2022E	2021	2021E	2022E	2021	2021E	2022E	2021	2021E	2022E	2021	2021E	2022E	2021	2021E	2022E	2021	2021E	2022E
Information Technology																																			
Cyient	BUY	951	1,088	14.5	104.6	41.3	46.7	54.5	3.7	5.0	6.0	6.1	8.0	9.2	33.4	45.0	53.1	268.6	295.1	326.4	13.6	16.3	17.4	12.9	16.3	17.8	28.5	21.1	17.9	3.5	3.2	2.9	15.0	11.3	10.1
HCL Technologies	BUY	1,153	1,239	7.4	3,128.6	753.8	838.6	964.0	124.3	133.7	156.1	193.3	200.9	231.3	45.8	49.3	57.5	226.7	249.8	293.1	22.0	20.7	21.2	25.1	24.0	24.6	25.2	23.4	20.0	5.1	4.6	3.9	15.3	14.7	12.3
Hexaware Technologies	BUY	4,943	5,393	9.1	299.5	46.6	63.8	76.0	5.3	7.1	9.0	8.4	11.6	14.6	86.8	117.8	148.9	406.9	477.8	567.3	21.6	26.6	28.5	26.9	31.3	32.1	56.9	42.0	33.2	12.1	10.3	8.7	34.7	25.1	19.7
Infosys	BUY	1,721	1,847	7.4	7,300.2	1,004.7	1,180.5	1,358.4	194.6	223.7	259.7	278.9	311.8	344.6	45.9	52.7	61.2	181.0	194.1	203.1	27.3	28.1	30.8	34.5	35.1	37.5	37.5	32.6	28.1	9.5	8.9	8.5	25.2	22.3	20.1
Larsen & Toubro Infotech	BUY	4,982	5,416	8.7	871.9	124.1	146.5	173.3	19.8	21.4	25.7	27.6	29.4	36.4	112.4	120.8	144.9	417.3	489.5	576.1	31.1	27.0	27.6	38.3	32.5	34.4	44.3	41.2	34.4	11.9	10.2	8.6	30.0	28.0	22.4
L&T Technology Services	BUY	3,824	4,018	5.1	401.5	54.5	63.9	76.6	6.6	8.7	10.6	10.1	13.2	15.1	63.8	84.1	100.5	330.8	381.0	441.5	21.3	23.4	24.4	25.2	29.8	29.0	60.0	45.5	38.1	11.6	10.0	8.7	38.1	28.9	25.2
Mindtree	BUY	3,500	3,450	(1.4)	576.2	79.7	97.6	115.7	11.1	14.2	17.4	16.4	19.4	23.7	67.3	86.2	105.7	262.4	319.3	395.7	29.7	29.7	29.6	36.2	35.6	34.8	52.0	40.6	33.1	13.3	11.0	8.8	33.5	28.1	22.5
Mphasis	BUY	2,808	3,348	19.2	523.0	97.2	114.4	134.3	12.2	14.7	16.8	18.0	21.2	24.0	65.3	78.6	89.8	350.5	407.2	474.8	19.7	20.8	20.4	25.3	25.3	24.2	43.0	35.7	31.3	8.0	6.9	5.9	28.4	24.0	21.0
Coltarge	BUY	4,943	5,393	9.1	299.5	46.6	63.8	76.0	5.3	7.1	9.0	8.4	11.6	14.6	86.8	117.8	148.9	406.9	477.8	567.3	21.6	26.6	28.5	26.9	31.3	32.1	56.9	42.0	33.2	12.1	10.3	8.7	34.7	25.1	19.7
Persistent Systems	BUY	3,215	3,603	12.1	245.7	41.9	52.8	62.5	4.5	6.5	7.9	6.8	8.8	11.1	56.4	81.6	98.7	365.8	425.5	497.7	17.4	21.6	22.4	19.5	22.6	24.2	57.1	39.4	32.6	8.8	7.6	6.5	33.6	25.8	20.3
Redington (India)	BUY	150	397	165.1	58.3	569.5	671.9	776.7	7.6	11.0	12.3	13.4	16.3	18.6	19.6	28.4	31.6	126.8	147.6	170.9	16.5	20.7	19.9	19.5	25.7	25.4	7.6	5.3	4.7	1.2	1.0	0.9	2.1	1.3	0.8
Sonata Software	BUY	878	927	5.5	91.3	42.3	55.9	66.3	2.4	3.6	4.5	3.8	4.8	6.2	23.5	34.8	43.2	87.1	101.1	118.3	31.0	37.0	39.3	38.8	41.7	47.2	37.4	25.2	20.3	10.1	8.7	7.4	22.3	17.2	13.2
Tata Consultancy Services	BUY	3,613	3,807	5.4	13,693.1	1,641.8	1,906.8	2,189.3	333.9	391.7	450.1	465.1	525.1	595.9	88.1	103.4	118.8	277.7	327.5	392.3	34.9	34.2	33.0	44.4	43.4	41.2	41.0	35.0	30.4	13.0	11.0	9.2	28.4	24.8	21.6
TeamLease Services	BUY	4,021	4,716	17.3	68.7	48.8	60.7	77.5	0.8	1.3	1.8	1.0	1.5	2.1	4.8	7.3	106.9	383.9	457.1	564.0	13.4	17.4	20.9	5.1	7.9	11.1	83.2	54.9	37.6	10.5	8.8	7.1	66.2	43.6	30.0
Tech Mahindra	BUY	1,463	1,509	3.1	1,277.3	378.6	428.8	498.7	44.3	55.7	62.2	68.5	82.0	94.9	50.7	63.5	70.9	284.9	335.3	394.4	18.5	20.5	19.4	20.9	22.2	21.9	28.9	23.0	20.6	5.1	4.4	3.7	17.2	14.1	11.8
Wipro	BUY	634	665	5.0	3,579.1	619.4	773.7	888.1	108.0	124.0	142.4	148.8	166.3	191.6	19.1	21.9	25.2	97.9	119.4	143.5	19.4	20.2	19.2	19.1	19.0	18.3	33.1	28.9	25.1	6.5	5.3	4.4	22.2	20.0	16.5
Zensar Technologies	BUY	438	424	(3.1)	98.8	36.7	40.2	48.0	4.0	3.9	4.9	6.8	7.1	8.7	17.8	17.4	21.6	103.8	117.3	134.1	18.1	15.8	17.4	20.5	19.3	21.4	24.7	25.2	20.2	4.2	3.7	3.3	13.3	14.4	11.8
Infrastructure																																			
Ahluwalia Contracts (India)	ACC	370	410	10.6	24.8	19.8	23.1	31.9	0.8	1.5	2.1	1.5	2.7	3.7	11.5	22.1	31.9	131.4	153.0	184.3	9.2	15.6	18.9	13.4	21.9	26.3	32.1	16.7	11.6	2.8	2.4	2.0	13.8	8.5	6.2
Ashoka Buildcon	BUY	100	160	59.7	28.1	49.9	55.9	59.5	2.7	2.7	2.8	15.4	16.8	17.9	9.7	9.5	10.0	22.1	30.6	39.6	52.9	36.1	28.5	18.7	19.0	18.4	10.3	10.5	10.0	4.5	3.3	2.5	5.4	5.3	5.2
Capacite's Infraprojects	BUY	139	270	94.9	9.4	8.8	17.8	26.7	0.0	0.9	1.8	1.4	2.9	4.3	0.2	12.6	27.0	136.8	147.9	171.6	0.2	8.8	16.9	3.8	13.0	19.6	614.1	11.0	5.1	1.0	0.9	0.8	7.6	4.0	3.0
H.G. Infra Engineering	BUY	558	696	24.7	36.4	26.0	33.7	41.6	2.4	2.8	3.8	4.8	5.6	7.1	36.3	43.1	58.0	163.0	206.1	264.1	25.1	23.3	24.7	25.3	24.3	26.1	15.4	13.0	9.6	3.4	2.7	2.1	8.5	7.4	5.9
IRB Infrastructure Developer	BUY	163	192	17.7	57.3	53.0	61.3	66.4	1.2	6.3	7.9	25.1	28.6	30.9	3.3	18.0	22.5	196.4	210.3	228.8	1.7	8.8	10.2	7.3	8.2	8.8	48.9	9.1	7.3	0.8	0.8	0.7	9.4	8.2	7.4
ITD Cementation India	BUY	77	97	26.1	13.3	27.3	34.5	41.3	0.2	1.0	1.7	2.1	3.4	4.5	0.9	5.8	9.7	62.0	67.9	77.6	1.5	9.0	13.4	7.5	15.3	19.3	83.1	13.2	7.9	1.2	1.1	1.0	7.2	4.5	3.2
J.Kumar Infraprojects	BUY	197	272	37.6	14.9	25.7	34.1	39.9	0.6	2.3	2.9	3.1	5.0	5.9	8.4	30.8	38.8	249.4	278.9	316.5	3.4	11.7	13.0	6.8	14.1	15.2	23.4	6.4	5.1	0.8	0.7	0.6	4.5	3.5	2.9
KNR Constructions	ACC	295	314	6.6	82.9	27.0	34.7	42.1	2.6	3.7	4.7	5.4	6.4	7.8	9.1	13.3	16.8	66.4	79.4	95.7	14.6	18.2	19.1	21.0	22.9	23.8	32.5	22.2	17.6	4.4	3.7	3.1	15.3	12.7	10.4
NCC	BUY	76	111	46.5	46.3	72.6	100.0	115.0	2.6	4.8	5.8	8.5	12.0	13.8	4.3	7.9	9.5	88.0	94.5	102.4	5.0	8.7	9.6	9.6	13.6	14.6	17.7	9.6	8.0	0.9	0.8	0.7	7.0	5.2	4.5
PNC InfraTech	BUY	298	372	24.7	76.6	49.3	59.2	69.7	3.6	5.0	5.6	6.7	8.4	9.8	14.1	19.6	22.0	113.4	132.0	152.9	13.3	16.0	15.4	18.6	20.4	20.1	21.1	15.2	13.6	2.6	2.3	2.0	10.6	8.7	7.5
Sadbhav Engineering	BUY	49	97	99.8	8.3	16.2	20.1	26.1	0.6	0.7	1.1	2.1	2.5	3.2	3.5	4.0	6.7	125.0	128.3	134.2	2.9	3.2	5.1	3.6	4.4	6.0	13.8	12.2	7.3	0.4	0.4	0.4	9.0	6.6	5.9
Logistics & Ports																																			
Container Corporation of India	HOLD	648	607	(6.3)	395.1	63.8	73.7	82.9	5.9	10.4	13.7	10.3	15.5	20.1	9.6	17.0	22.5	167.5	177.7	191.2	5.8	9.9	12.2	5.0	9.7	12.6	67.3	38.0	28.8	3.9	3.6	3.4	35.9	24.1	18.5
Media																																			
Entertainment Network (India)	HOLD	180	214	19.1	8.6	2.7	4.0	5.4	-0.4	0.0	0.5	0.2	0.9	1.6	-7.3	0.7	10.5	168.7	168.4	177.9	-13.6	0.4	5.9	-9.8	0.6	8.2	(24.4)	247.9	17.1	1.1	1.1	1.0	50.8	8.9	4.5
Inox Leisure	BUY	310	380	22.9	34.8	1.1	7.2	21.7	-3.3	-2.1	2.0	0.5	1.4	7.0	-29.7	-17.1	16.4	56.3	34.7	50.1	-53.3	-49.2	32.7	-6.9	-4.1	12.4	(10.4)	(18.1)	18.9	5.5	8.9	6.2	124.8	44.1	8.8
PVR	BUY	1,324	1,625	22.7	80.5	2.8	13.4	38.6	-7.5	-2.7	2.3	-3.3	2.4	12.5	-123.1	-44.1	38.0	301.7	257.6	293.6	-40.8	-17.1	12.9	-14.3	-2.7	11.3	(10.8)	(30.0)	34.9	4.4	5.1	4.5	(36.0)	52.7	10.0
Music Broadcast	HOLD	23	24	2.2	8.1	1.3	1.9	2.6	-0.2	0.2	0.5	-0.1	0.5	0.9	-0.7	0.5	1.4	17.6	18.2	19.5	-4.0	2.8	6.9	-7.3	2.0	8.1	(33.4)	45.5	17.3	1.3	1.3	1.2	(57.1)	12.3	6.0
Zee Entertainment Ent.	BUY	172	253	46.8	165.3	77.3	81.9	90.4	12.0	12.6	16.2	17.9	18.5	23.4	12.5	13.2	16.8	105.1	115.0	127.6	12.3	12.0	13.9	14.9	14.6	17.3	13.8	13.1	10.2	1.6	1.5	1.3	8.4	7.9	5.9
Metals																																			
Coal India	ACC	136	164	20.2	839.4	900.3	1,024.0	1,119.1	127.6	131.6	156.0	200.2	239.8	286.1	20.7	21.4	25.3	60.3	65.2	75.2	36.8	34.0	36.0	36.4	32.0	35.4	6.6	6.4	5.4						

Sector / Company Name	Rating	Price (Rs)	TP (Rs)	Upside (%)	Mcap (Rs bn)	Revenues (Rs bn)			PAT (Rs bn)			EBITDA (Rs bn)			EPS (Rs)			BVPS (Rs)			RoE (%)			RoCE (%)			PER (x)			P/BV (x)			EV/EBITDA (x)		
						2021	2021E	2022E	2021	2021E	2022E	2021	2021E	2022E	2021	2021E	2022E	2021	2021E	2022E	2021	2021E	2022E	2021	2021E	2022E	2021	2021E	2022E	2021	2021E	2022E			
Oil & Gas																																			
Aarti Industries	HOLD	921	985	6.9	160.5	43.2	61.5	70.4	5.1	13.3	9.5	9.3	20.1	16.3	14.7	38.1	27.1	97.9	132.2	156.6	16.3	33.1	18.8	13.5	26.0	15.7	62.5	24.2	34.0	9.4	7.0	5.9	19.4	9.3	11.8
Bharat Petroleum Corporatio	BUY	456	581	27.3	955.2	2,301.6	2,719.7	3,224.1	120.5	88.3	121.4	213.0	133.4	169.2	57.6	42.2	58.0	255.9	292.9	320.8	26.8	15.4	18.9	17.0	8.3	11.8	7.9	10.8	7.9	1.8	1.6	1.4	6.0	8.0	6.0
GAIL (India)	BUY	145	184	26.5	656.0	567.3	745.2	1,037.7	47.7	63.3	81.9	64.5	89.7	115.5	10.6	14.0	18.2	103.3	111.8	124.5	10.5	13.0	15.4	8.9	12.5	15.6	13.8	10.4	8.0	1.4	1.3	1.2	10.8	7.2	5.6
Hindustan Petroleum Corpora	BUY	250	404	61.8	362.7	2,330.0	2,472.2	2,774.4	106.6	60.1	67.1	159.3	117.8	129.7	73.4	41.4	46.2	249.1	280.4	315.4	32.7	15.6	15.5	17.0	7.7	7.8	3.4	6.0	5.4	1.0	0.9	0.8	4.6	7.8	6.7
Indian Oil Corporation	BUY	106	135	27.5	972.3	3,639.5	5,084.7	5,618.4	193.7	160.1	163.6	405.9	339.9	354.5	21.1	17.4	17.8	121.8	134.0	145.2	18.7	13.6	12.8	13.4	10.4	9.9	5.0	6.1	5.9	0.9	0.8	0.7	4.8	5.2	5.3
Indraprastha Gas	BUY	525	662	26.1	367.4	49.4	62.2	74.0	10.1	13.6	15.3	14.8	20.5	23.7	14.4	19.4	21.8	83.9	99.4	116.9	18.4	21.2	20.2	21.8	26.0	25.2	36.5	27.0	24.0	6.3	5.3	4.5	23.0	16.7	14.1
Mahanagar Gas	BUY	1,119	1,370	22.4	110.6	21.5	27.6	34.5	6.2	8.6	11.1	9.3	12.4	16.0	62.7	86.7	112.8	327.2	387.9	466.9	20.0	24.2	26.4	24.2	29.2	32.1	17.8	12.9	9.9	3.4	2.9	2.4	10.3	7.4	5.4
NOCIL	BUY	266	393	48.0	44.1	9.2	14.9	19.3	0.9	2.0	2.8	1.3	3.1	4.1	5.2	12.3	16.8	76.6	86.9	98.8	7.1	15.0	18.1	8.6	20.1	24.2	51.0	21.6	15.8	3.5	3.1	2.7	33.9	13.9	10.3
Oil & Natural Gas Corporati	BUY	113	155	36.9	1,424.1	3,605.7	4,301.8	4,738.8	243.6	313.4	309.3	566.0	732.6	780.5	19.4	24.9	24.6	221.0	236.0	250.9	10.0	10.9	10.1	7.7	7.6	6.9	5.8	4.5	4.6	0.5	0.5	0.5	4.1	3.8	3.8
Oil India	BUY	171	328	91.7	185.5	225.0	340.0	376.3	41.5	43.9	46.8	57.0	78.7	86.0	38.2	40.4	43.2	218.2	249.3	281.7	17.7	17.3	16.3	9.8	13.6	13.7	4.5	4.2	4.0	0.8	0.7	0.6	6.3	3.7	3.5
Petronel LNG	BUY	228	351	53.6	342.7	260.2	311.0	364.9	7.4	29.2	37.3	24.9	45.5	54.9	4.9	19.5	24.9	76.2	81.1	87.3	6.8	24.7	29.5	15.8	31.0	35.6	46.2	11.7	9.2	3.0	2.8	2.6	11.9	6.1	4.7
Reliance Industries	BUY	2,184	2,416	10.6	14,073.9	2,456.7	3,926.0	4,454.5	276.4	374.3	528.2	335.0	516.0	662.4	42.9	58.1	82.0	736.2	847.1	916.2	6.1	7.3	9.3	3.7	5.6	6.9	50.9	37.6	26.6	3.0	2.6	2.4	44.8	26.9	19.5
Pharma																																			
Aurobindo Pharma	HOLD	688	795	15.5	403.2	245.6	234.7	263.1	53.9	28.0	31.0	51.2	47.1	51.1	92.0	47.7	52.9	374.3	416.5	466.5	27.8	12.1	12.0	16.5	13.7	14.5	7.5	14.4	13.0	1.8	1.7	1.5	7.8	8.4	7.6
Cadila Healthcare	BUY	549	695	26.6	562.1	148.2	156.8	195.6	20.9	23.4	32.4	30.6	36.6	46.3	20.4	22.9	31.6	126.9	148.7	179.2	17.8	16.6	19.3	13.7	17.4	20.8	27.0	24.0	17.4	4.3	3.7	3.1	19.2	15.7	12.1
Cipla	ACC	918	980	6.8	740.0	189.9	206.8	217.7	24.2	29.9	34.1	40.8	48.6	52.0	30.0	37.1	42.2	227.2	229.5	229.7	14.2	16.2	18.4	18.0	21.1	22.8	30.6	24.8	21.7	4.0	4.0	4.0	17.6	15.0	14.1
Dr. Reddy's Laboratories	ACC	4,587	5,114	11.5	763.3	190.5	204.5	227.4	57.7	27.3	34.2	76.8	43.6	53.3	346.5	160.4	205.0	1,060.2	1,187.7	1,360.6	34.7	14.6	16.1	34.0	15.0	18.1	13.2	28.6	22.4	4.3	3.9	3.4	9.9	17.2	13.9
Dr. Lal PathLabs	SELL	3,831	2,626	(31.5)	319.1	15.8	22.2	24.1	2.9	4.4	4.8	4.4	6.4	6.8	35.0	52.5	57.9	149.5	169.6	207.5	25.6	32.9	30.7	31.5	41.0	37.9	109.5	73.0	66.2	25.6	22.6	18.5	70.9	48.3	45.3
Eris Lifesciences	BUY	731	909	24.4	99.3	11.9	13.6	15.4	3.6	4.2	4.9	4.1	4.8	5.6	26.1	31.1	36.4	116.0	140.1	169.2	24.7	24.3	23.5	25.6	24.3	23.6	28.0	23.5	20.1	6.3	5.2	4.3	23.9	20.4	17.3
Glenmark Pharmaceuticals	HOLD	522	555	6.4	147.2	108.1	113.1	123.9	9.7	10.6	11.2	19.5	20.2	20.6	34.4	37.5	39.7	250.4	285.3	322.5	14.8	14.0	13.1	13.6	13.3	12.9	15.2	13.9	13.2	2.1	1.8	1.6	9.2	8.6	8.3
Indoco Remedies	BUY	451	518	14.9	41.6	12.2	15.6	18.8	0.9	1.4	2.1	2.0	3.0	3.6	10.1	15.7	22.5	83.4	99.1	134.2	12.8	17.2	19.3	13.8	20.3	21.5	44.7	28.8	20.0	5.4	4.6	3.4	21.6	14.3	11.5
Ipsa Laboratories	ACC	2,503	2,290	(8.5)	317.4	54.2	55.5	63.2	11.4	9.9	12.1	15.4	13.6	16.3	90.0	78.0	95.4	370.6	440.6	528.1	27.4	19.2	19.7	29.9	21.7	22.5	27.8	32.1	26.2	6.8	5.7	4.7	20.2	22.8	18.8
Jubilant Pharmova	ACC	594	1,088	83.1	94.7	98.5	113.9	126.7	9.2	11.5	14.7	20.9	22.8	27.2	58.0	72.3	92.2	406.9	476.4	565.7	15.3	16.4	17.7	16.1	16.9	20.2	10.2	8.2	6.4	1.5	1.2	1.1	5.5	4.9	3.8
Lupin	Reduce	940	955	1.6	426.4	149.3	156.2	177.9	12.3	15.8	19.8	23.3	24.6	34.8	27.1	34.8	43.7	304.2	319.2	355.2	9.3	11.2	13.0	8.6	9.6	14.8	34.7	27.0	21.5	3.1	2.9	2.6	17.8	16.3	11.3
Sun Pharmaceutical Industri	BUY	771	922	19.5	1,850.7	332.3	387.7	432.8	109.0	74.0	92.1	82.3	106.2	118.6	27.5	33.5	38.4	193.7	198.3	222.1	23.8	15.7	18.3	12.0	17.1	18.4	28.1	23.1	20.1	4.0	3.9	3.5	21.7	16.8	14.7
Thyrocare Technologies	UR	1,280	NA	-	67.7	4.9	6.5	7.0	1.1	1.7	1.8	1.7	2.5	2.7	21.4	31.8	33.1	80.8	102.6	125.8	28.5	34.7	29.0	35.4	44.7	37.9	59.8	40.3	38.6	15.8	12.5	10.2	38.8	26.4	24.4
Mid Caps																																			
IRCTC	HOLD	2,565	2,654	3.5	410.4	7.8	16.0	32.5	1.5	5.7	9.8	1.9	7.2	12.6	9.5	35.4	61.6	91.7	116.8	159.8	10.9	34.0	44.5	10.4	40.0	54.4	270.5	72.5	41.7	28.0	22.0	16.0	206.6	54.9	31.2
V.I.P. Industries	BUY	461	457	(0.8)	65.1	6.2	11.6	17.4	-1.0	0.7	2.0	-0.7	1.8	3.5	-6.9	5.0	14.1	36.6	40.2	51.3	-18.5	12.7	27.5	-21.3	17.0	37.2	(66.8)	91.8	32.7	12.6	11.5	9.0	(101.6)	36.8	18.6

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