



# Strategy Capital Market

August 21



**Macro's**

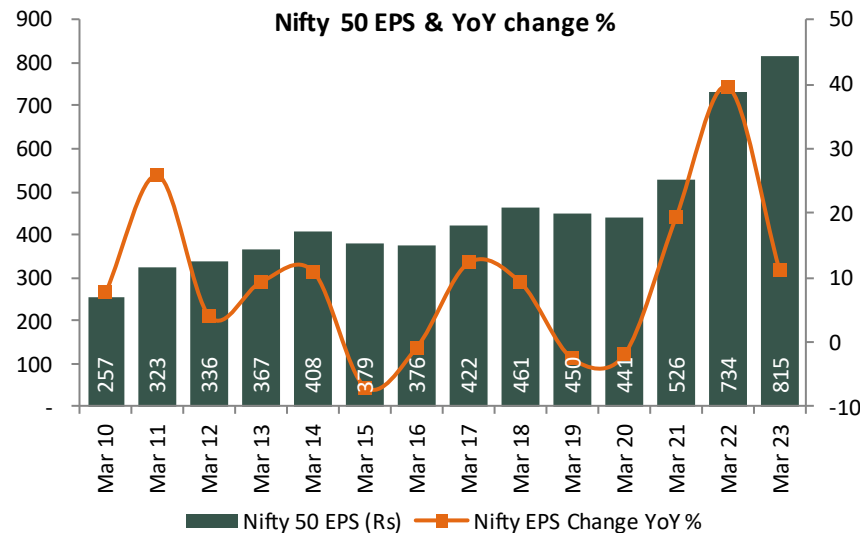
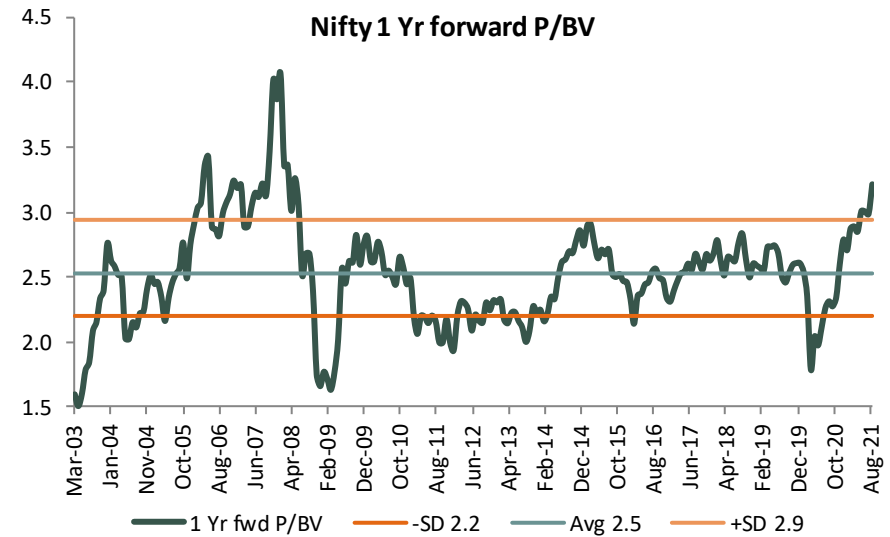
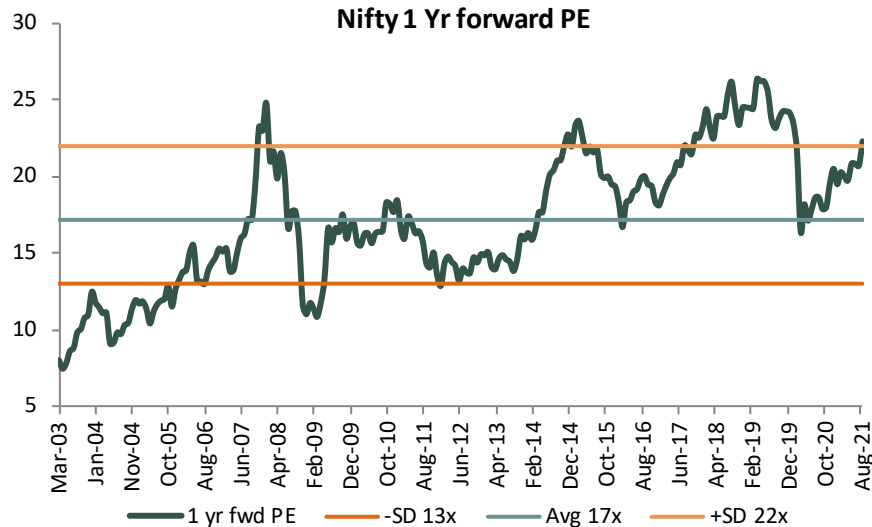
Global Indices	Value	52 week		1 m	Performance (%)				
		High	Low		3 m	6 m	12 m	YTD	24 m
Developed Market									
US - S&P 500	4,523	4,537	3,209	3	7.6	18.7	29.2	12.5	54.5
US - Nasdaq Composite	15,259	15,370	10,519	4	11.0	15.7	29.6	13.2	91.6
Japan - Nikkei	28,090	30,715	22,879	3	(2.7)	(3.0)	21.4	(4.4)	35.7
UK - FTSE 100	7,120	7,224	5,526	1	1.4	9.8	19.4	5.7	(1.2)
Germany - DAX	15,835	16,030	11,450	2	2.7	14.9	22.3	4.8	32.6
France - CAC 40	6,680	6,914	4,513	1	3.6	17.1	35.0	9.5	21.9
MSCI EM EUROPE	360	361	225	5	5.0	17.9	30.3	16.7	12.9
MSCI NORTH AMERICA	4,593	4,611	3,242	3	7.5	18.1	29.9	12.5	56.3
Asia / Pacific									
Hong Kong - Hang Seng	25,879	31,183	23,124	(0)	(11.2)	(10.7)	2.8	(10.6)	0.6
South Korea - Kospi	3,199	3,316	2,267	(0)	(0.1)	6.2	37.5	3.6	62.6
Taiwan - Taiex	17,490	18,034	12,150	1	2.5	9.6	38.9	5.5	64.7
Singapore - STI	3,055	3,237	2,421	(4)	(3.5)	3.6	20.6	(4.0)	(1.7)
Thailand - SET	1,639	1,646	1,187	8	2.8	9.5	25.0	2.7	(1.0)
MSCI EM ASIA	705	817	584	2	(6.3)	(6.1)	15.7	(4.7)	42.1
BRICS									
China - HSCEI	9,184	12,272	8,645	(1)	(15.7)	(18.3)	(8.1)	(18.1)	(8.9)
Brazil - Bovespa	118,781	131,190	93,387	(2)	(5.9)	7.9	19.5	3.1	17.4
India - Nifty	17,132	17,226	10,790	9	9.9	17.9	50.4	15.2	55.4
Russia - Micex	3,919	3,973	2,658	4	5.3	17.1	32.1	11.1	43.0
MSCI EM	1,309	1,449	1,053	2	(4.9)	(2.3)	18.8	(2.0)	33.0

Developed market indices across the world was up MoM in Aug -21. S&P 500, Nasdaq and Dow made a new all-time high in the month. This was driven by Fed comments to support the economy till normalcy and next FOMC meeting is scheduled later this month. But Due to concerns around delta virus, inflation, supply chain issues; Large cap outperformed Small and Mid Cap in the month.

	Current	52 week		Performance (%)						
Indices	Value	High	Low	1 m	3 m	6 m	12 m	YTD	24 m	
Market Cap wise performance										
Nifty 50	17,132	17,226	10,790	8.7	9.9	17.9	50.4	15.2	55.4	
NSE Mid Cap	28,417	28,683	16,013	2.2	10.2	22.1	70.3	17.8	81.6	
NSE Small Cap	10,263	10,674	5,475	(2.5)	10.7	27.5	83.6	23.9	88.5	
Sectoral Performance										
Auto Index	22,559	25,073	16,735	0.3	(3.9)	(3.9)	26.8	8.4	43.1	
Bankex Index	41,616	42,655	23,204	6.2	3.7	5.0	53.7	16.0	34.5	
Consumer Durables Index	37,906	38,042	22,448	4.2	13.2	17.5	65.3	24.7	61.9	
Capital Goods Index	25,279	25,403	12,919	6.8	12.3	15.8	81.3	34.9	49.2	
FMCG Index	39,645	39,821	28,969	10.0	12.5	20.9	27.9	16.0	35.5	
Health Care Index	26,575	26,734	18,320	1.6	8.3	25.8	41.8	22.6	106.4	
IT Index	33,718	34,378	17,854	9.3	22.5	36.4	88.5	39.1	108.8	
Metal Index	20,203	21,740	7,843	(3.8)	8.8	44.3	121.3	74.2	137.0	
Oil & Gas Index	17,177	17,483	11,719	11.2	3.5	8.4	31.9	21.9	30.5	
Power Index	2,972	3,084	1,571	13.6	5.5	20.4	73.5	44.1	57.4	
PSU Index	7,747	8,032	4,378	0.1	1.5	7.7	49.4	34.0	22.0	
Realty Index	3,253	3,377	1,604	2.2	22.0	15.2	83.7	31.3	58.9	
Technology Index	14,778	15,033	8,668	9.6	20.6	30.5	70.0	33.1	88.2	

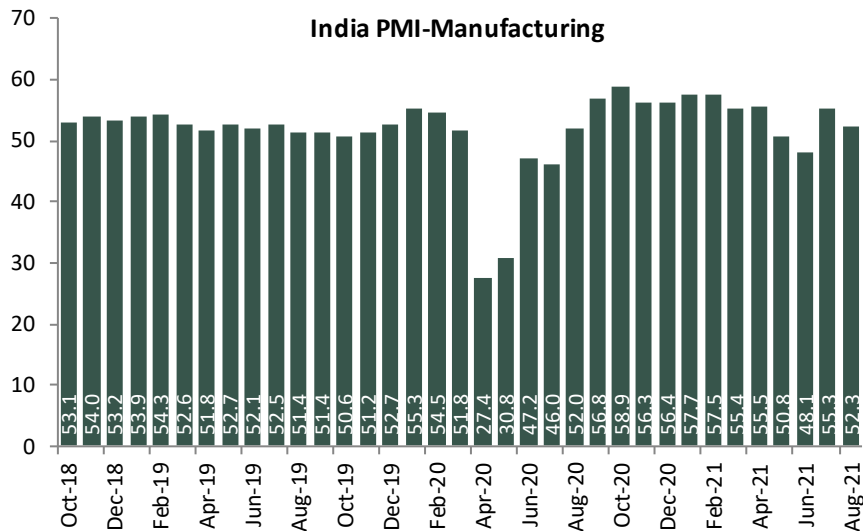
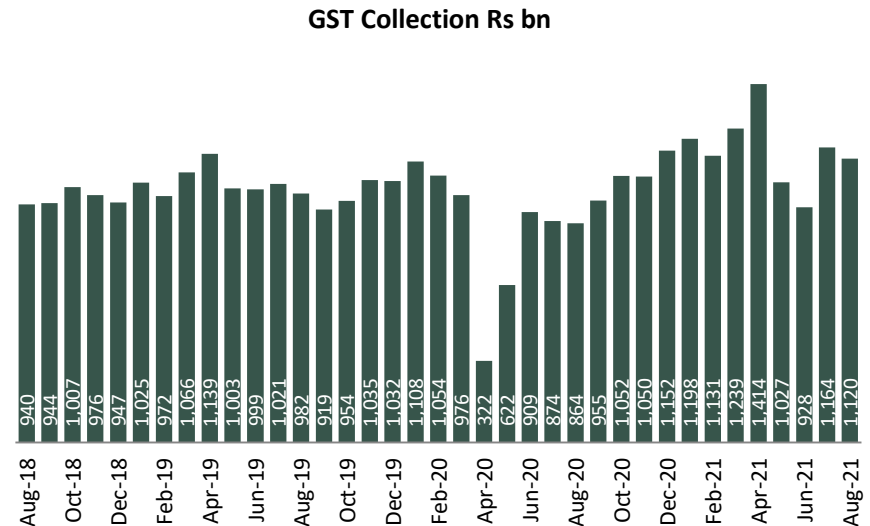
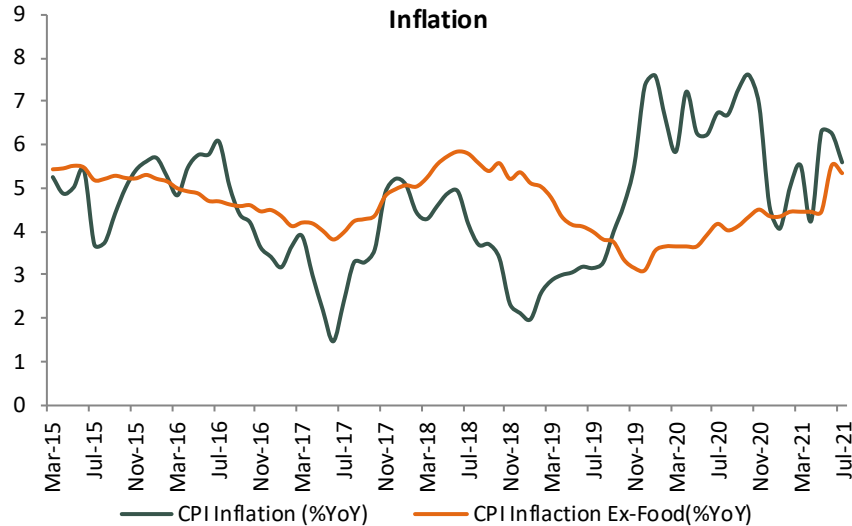
*Nifty -50 was up 9% MoM and performance is driven by defensive sectors like FMCG, Power, IT / Technology. Alpha came from Large cap where the performance scored over mid and small cap in the month.*

*And month also saw tepid new listings.*



Consensus modeling Nifty-50 EPS to increase by 40%/11% YoY for FY22E/23E.

Nifty-50 trades above +1 STD of its long period mean on PER and premium to +1 STD on PBV valuation matrix. Low interest rates are supporting the rich valuation



a) CPI inflation (July-21) eased to 5.59% (vs 6.26% in June 21) and is led by easing of supply chain disruption and moderation of food inflation.

b) GST collection continued to remain buoyant and stood at Rs1.1t+ in Aug 21 yoy and is up +30% YoY and vs Aug 19 its up +14%.

c) PMI Mfg slightly moderated MoM in Aug -21 as demand showed some signs of weakness. But reading above 50 indicate yoy a growth in manufacturing.

Yield (10 Yr)		Absolute Change				
Country	Current	1M	3M	6M	12M	Ytd
AUSTRALIA	1.2	(0.0)	(0.6)	(0.8)	0.2	0.2
BRAZIL	10.5	1.0	1.4	2.0	3.3	3.6
BRITAIN	0.7	0.1	(0.1)	(0.1)	0.4	0.5
CANADA	1.2	0.0	(0.3)	(0.1)	0.6	0.5
CHINA	2.8	(0.0)	(0.2)	(0.4)	(0.2)	(0.3)
FRANCE	(0.0)	0.1	(0.2)	(0.0)	0.1	0.3
GERMANY	(0.4)	0.1	(0.2)	(0.1)	0.0	0.2
<b>INDIA</b>	<b>6.2</b>	<b>0.0</b>	<b>0.2</b>	<b>(0.0)</b>	<b>0.1</b>	<b>0.3</b>
INDONESIA	6.1	(0.2)	(0.4)	(0.5)	(0.8)	0.2
ISRAEL	1.0	(0.1)	(0.2)	(0.2)	0.3	0.2
ITALY	0.7	0.1	(0.2)	(0.1)	(0.4)	0.2
JAPAN	0.0	0.0	(0.1)	(0.1)	(0.0)	0.0
MALAYSIA	3.2	0.0	(0.0)	0.1	0.6	0.5
MEXICO	7.0	0.1	0.4	0.7	0.9	1.4
PERU	6.1	(0.1)	1.3	1.8	2.1	2.6
SPAIN	0.3	0.1	(0.1)	(0.1)	(0.1)	0.3
SWITZERLAND	(0.3)	0.1	(0.2)	(0.1)	0.1	0.2
THAILAND	1.6	0.0	(0.3)	(0.2)	0.1	0.3
TURKEY	16.5	(0.0)	(1.3)	3.5	3.7	4.0
UNITED STATES	1.3	0.1	(0.3)	(0.1)	0.6	0.4
<b>India's Corporate bond</b>						
AAA	7.0	0.2	0.0	(0.3)	0.0	0.3
AA	7.7	0.2	0.8	0.5	0.8	1.1
A	9.2	0.1	2.3	2.0	2.3	2.6
BBB (5years)	10.1	(0.0)	3.2	2.9	3.2	3.5
<b>India's NBFC</b>						
AAA	7.0	0.2	0.1	(0.2)	0.1	0.4
AA	7.8	0.2	0.9	0.6	0.9	1.2

Globally bond yield were flat MoM. In US yield has declined from high of 1.7% in Mar-21 to 1.3% in Aug-21.

In India 10 yr Gsec yield was flat MoM at 6.2%.

Indian corporate bonds remain range bound which is beneficial for NBFCs and corporates with respect to cost of borrowings.

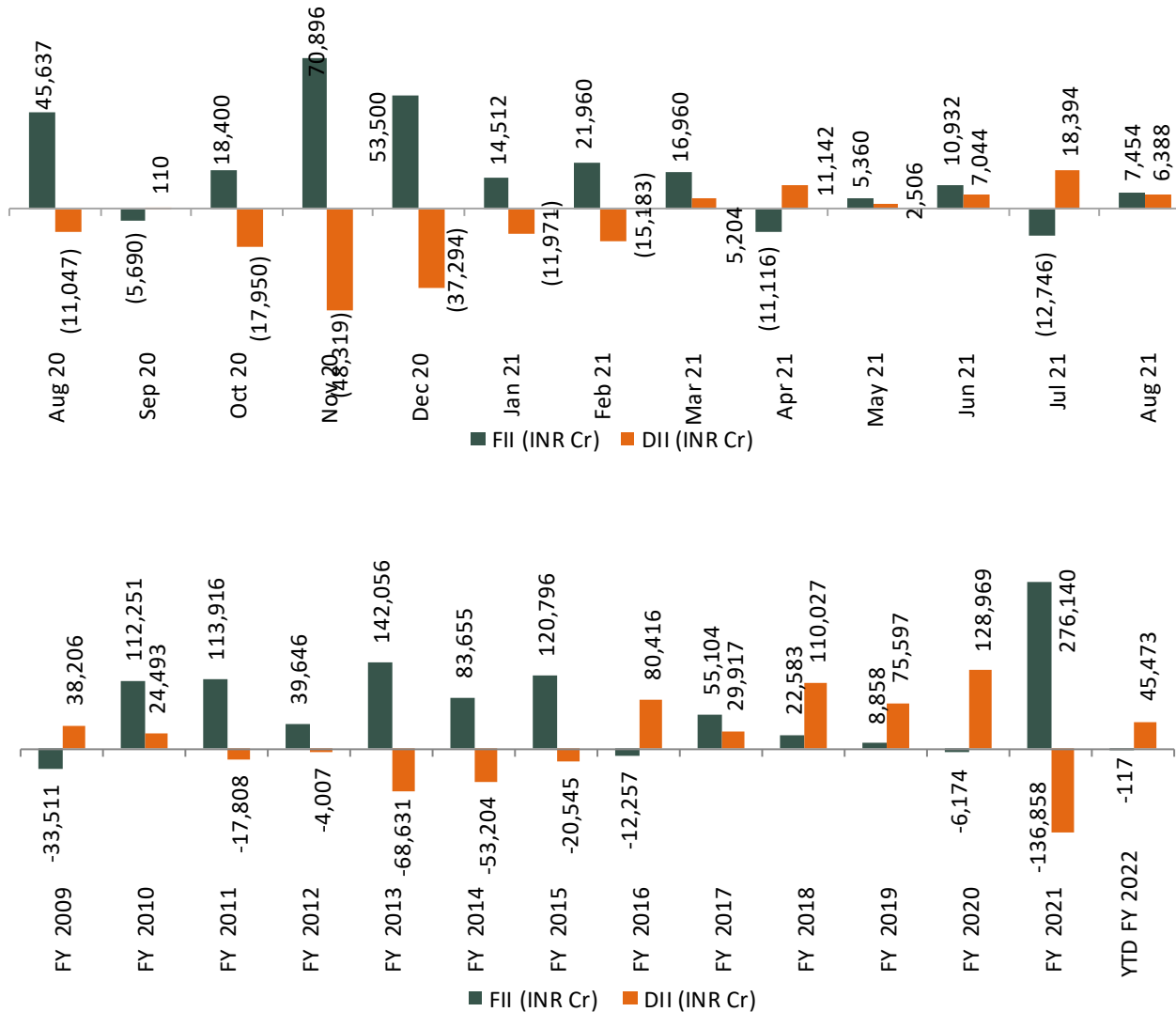
Index	Current Value	Performance (%)				
		1 M	3 M	6 M	12 M	24 M
Brent Crude OIL (USD / Barrel)	71	(5.5)	3.7	10.6	60.5	20.3
Natural Gas ( usd/MMBtu)	4.4	11.7	45.1	48.9	54.1	82.8
Gold (Per Troy Ounce)	1,814	(0.0)	(4.9)	4.6	(7.8)	19.3
Silver (Per Troy Ounce)	24	(6.3)	(14.7)	(10.4)	(15.1)	30.0
Platinum (Per Troy Ounce)	1,016	(3.4)	(14.6)	(14.9)	9.0	8.8
Alluminium (USD / MT)	2,739	5.4	11.4	27.4	55.2	58.9
Copper (USD / MT)	9,528	(1.8)	(7.0)	4.3	42.3	68.5
Zinc (USD / MT)	2,994	(1.1)	(1.6)	7.9	20.2	35.4
Iron Ore (USD / Dry MT)	153	(14.3)	(23.8)	(7.4)	21.7	74.5

*Iron ore prices continue to retreat in Aug-21. Crude was marginally down where as natural gas prices is up driven by weather condition, low gas inventories and recovering demand*



	Current (Rs)	Performance (%)				
		1M	3M	6M	12M	24M
DOLLAR INDEX SPOT	92.6	(0.5)	(3.0)	(1.9)	(0.5)	6.8
USD-INR X-RATE	73.0	1.9	(0.5)	0.6	0.8	(2.2)
EUR-INR X-RATE	86.3	2.6	2.5	3.2	1.4	(8.7)
JPY-INR X-RATE	0.7	2.1	(0.4)	3.8	4.2	1.2
AUD-INR X-RATE	53.5	2.8	5.0	7.2	1.1	(10.2)
CNY-INR X-RATE	11.3	1.9	0.9	0.4	(4.9)	(11.7)
GBP-INR X-RATE	100.5	3.4	2.4	1.9	(2.6)	(13.5)

*Indian rupee has appreciated across all the major currency MoM in August 2021.*



FII and DII were buyers in India equity market in Aug-21.

YTD FY22, FII have sold Rs2bn and DII have bought Rs455bn.

Event	Details	Our View
To launch National Master Plan 'Gati Shakti'	The scheme of more than Rs1t is National Infrastructure Master Plan for transportation. Aim is to reduce travel time and reduce logistics cost.	Logistic cost is 13-14% of GDP vs 6-7% world avg. Right now, there is no coordination between different means of transport and dependence is upon road transport. Gati Shakti aim to reduce logistics cost and make local manufacturers competitive. More details are awaited
Centre to Amend I-T Act to Withdraw Tax Demand	Bill aim to amend the Income Tax Act to end controversial retrospective tax demand. The Bill also proposed to refund the amount paid in these cases without any interest thereon.	Bill aim to resolve the pending disputes at various forums including international forum. Country to emerge as the favourable investment destination
Launch of National Monetisation pipeline	NMP estimates aggregate monetization potential of Rs 6t over a four-year period, from FY22 to FY25	Objective of NMP is that instead of government providing money through budgetary resources for infrastructure creation, existing infrastructure is better managed through private sector and value realized will be used for more infrastructure creation
Bill to privatise state-run general insurance	Bill passed in parliament seeks to remove the requirement that the central government should hold 51%+ of the equity capital in a specified insurer	There are four general insurance companies in the public sector - National Insurance Company Limited, New India Assurance Company Limited (GoI stake 85%), Oriental Insurance Company Limited and the United India Insurance Company Limited

Source: Bloomberg, data as on 31 Aug 2021

**Sector**

## Key Variables / Issues

- In Aug 21, Overall Indian Auto industry struggled to recover due to various factor's impacting industry sub segment. Passenger Vehicle (PV) segment reported muted performance primarily owing to semiconductor shortages globally despite demand bounce in domestic market. Domestic 2W market continues to exhibit weakness as the 2W industry struggling to recover post Covid era.
- Tractor segment reported drop in volumes due to higher base effect and unevenly distribution of rain while CV segment reported volume recovery primarily due to lower base and higher Infra spending.

## Outlook / Near Term Triggers:

- We believe Auto industry is set to report double digit volume growth in FY22, on account of low base, all time low interest rates and increasing demand for personal mobility. Vaccination has picked up strong momentum in last one month. This is expected to bring in incremental normalcy in the urban areas and likely to help urban Auto market to recover.
- Unevenly distribution of rain might influence rural market in the near term. Risk of 3rd COVID wave, semiconductor shortages and regional lockdowns could impact business prospects in the near term. We expect overall Auto market to remain soft during Q2FY22.
- Semi-Conductor issue expected to continue for a year and would adversely impact the OEMs production in Q2FY22. The crucial period for building inventory before the festive season.

## Valuation and Recommendation:

- Auto sector valuations look elevated based on FY22 earnings. However FY22 is impacted due to lockdown across India and hence Companies earnings were impacted to that extent.
- However based on FY23 earnings estimates, valuation multiples are reasonable given the likely recovery in Auto sector business volumes and new volume peak after 4-5 years. We remain positive on 4W Auto OEM's while remain cautious on 2W and CV industry in the near term.
- **Top Picks:** Maruti Suzuki and SonaCom remains our top picks.

## Key Risks:

- Further worsening of global semi-conductor shortage .
- Tamil Nadu has extended lockdown and if other states also join the same , it could impact volume recovery.

## Summary:

- In PV segment, the demand is robust and supply side constraints is affecting the Industry and 2W would take time to recover. The dealers inventory level for 2W is on higher than average and for PV the dealer inventory is at lower than average inventory levels.
- Semi-Conductor shortage has hit hard for Royal Enfield and Maruti Suzuki.
- We expects PV, CV, 3W to grow in higher double digit number, tractors to grow at single digit and expects 2W will take time to recover as 2<sup>nd</sup> COVID wave hit hard the bottom of pyramid and rural economy this time.

## Monthly Numbers

Company	Aug-21	Aug-20	YoY (%)	July-21	MoM (%)	FY22YTD	FY21YTD	YoY(%)
<b>2W (D)</b>								
Bajaj (2W)	1,57,971	1,78,220	(11.4)	1,56,232	1.1	6,56,755	5,16,675	27.1
HMCL	4,31,137	5,68,674	(24.2)	4,29,208	0.4	18,01,034	16,20,952	11.1
HMSI	4,01,469	4,28,231	(6.2)	3,40,409	17.9	12,33,217	9,94,400	24.0
TVS	1,80,767	2,19,051	(17.5)	1,75,722	2.9	6,98,932	5,95,869	17.3
RE	39,070	47,571	(17.9)	39,290	(0.6)	1,80,809	1,40,435	28.7
<b>PV (D)</b>								
MSIL	1,10,080	1,16,704	(5.7)	1,41,238	(22.1)	5,59,413	2,84,875	96.4
Hyundai	46,866	45,809	2.3	48,042	(2.4)	2,09,407	1,12,212	86.6
MM (PV)	15,973	13,651	17.0	21,046	(24.1)	80,221	36,618	119.1
Toyota	12,772	5,555	129.9	13,105	(2.5)	45,007	16,446	173.7
<b>CV (D)</b>								
AL	9,360	6,325	48.0	8,650	8.2	35,997	14,915	141.3
VECV	4,793	2,477	93.5	4,271	12.2	14,870	6,790	119.0
<b>Tractors (D)</b>								
MM	19,997	23,503	(14.9)	25,769	(22.4)	1,41,614	1,12,543	25.8
Escorts	4,920	6,750	(27.1)	6,055	(18.7)	35,475	29,393	20.7

Source: Bloomberg, IDBI Capital Research

## Stock performance in the sector

	Performance (%)						Relative to Index (%)					
	1M	3M	6M	12M	3 year	5 year	1M	3M	6M	12M	3 year	5 year
Ashok Leyland Ltd	-14%	-2%	-3%	78%	-8%	47%	-21%	-12%	-19%	29%	-56%	-49%
Bajaj Auto Ltd	-3%	-13%	-3%	29%	27%	24%	-10%	-23%	-19%	-20%	-21%	-72%
Eicher Motors Ltd	3%	-1%	6%	26%	-5%	20%	-4%	-11%	-10%	-23%	-53%	-76%
Hero MotoCorp Ltd	-3%	-9%	-21%	-7%	-18%	-24%	-10%	-19%	-36%	-57%	-67%	-119%
Maruti Suzuki India Ltd	-6%	-6%	-6%	-2%	-22%	32%	-12%	-16%	-22%	-51%	-71%	-64%
TVS Motor Co Ltd	-7%	-15%	-14%	21%	-10%	60%	-14%	-25%	-30%	-28%	-59%	-36%
GNA Axles Ltd	14%	65%	85%	229%	97%	NA	7%	55%	69%	180%	49%	NA
Jamna Auto Industries Ltd	-2%	9%	25%	109%	10%	97%	-9%	-1%	9%	59%	-38%	1%
Lumax Auto Technologies Ltd	-15%	-4%	-12%	44%	-31%	64%	-21%	-13%	-27%	-6%	-80%	-32%
Minda Industries Ltd	4%	62%	63%	192%	24%	266%	-2%	53%	48%	143%	-25%	171%
MM Forgings Ltd	-11%	-8%	-4%	23%	-10%	197%	-18%	-18%	-19%	-26%	-58%	102%
Subros Ltd	-12%	18%	31%	113%	73%	647%	-19%	8%	16%	64%	24%	551%
S&P BSE AUTO	-3%	-6%	-5%	25%	-9%	1%	-10%	-16%	-21%	-24%	-58%	-95%
<b>NIFTY 50</b>	7%	10%	15%	49%	49%	96%	0%	0%	0%	0%	0%	0%

Source: Bloomberg, IDBI Capital Research

## Key Variables / Issues

- Credit growth in July month stood at 6.2% YoY improved as compared to June month (5.9% YoY), led by Agriculture and Industry credit.
- Agriculture credit growth continues to rise at 12.4% YoY vs 11.4% YoY in June'21. Industry portfolio growth saw improvement in July month compared to past 1 year and registered growth of 1% YoY vs -0.3% YoY in June'21.
- Retail portfolio slight decline at 11.2% YoY vs 11.9% YoY in June'21 led by vehicle loans (7.3% YoY vs 11.0% YoY in June'21) as well as Housing loans (8.9% vs 9.7% YoY in June'21).
- Deposit growth saw rise of 78bps on fortnight basis and growth stood at 10.6% (13th Aug'21) vs 9.8% (30th July'21).
- Bounce rate decline in July'21 to 33.7% vs 36.5% (June'21) as economic activity is picking up.

## Outlook / Near Term Triggers:

- Banking credit growth in FY21 declined to 5.5% YoY vs 6.7% YoY (FY20) led by services sector (1.4% vs 7.4%) while other sectors reported improvement such as Agri (12.3% vs 4.2%) and Personal loans (10.2% vs 10%).
- H2FY22 expected to bounce back strongly due to pent up demand, festive season and uptick in economic activity.
- Credit guarantee schemes, Gold loan portfolios, and housing loans are the categories where significant traction is visible and support credit growth. We expect a significant recovery with respect to credit growth in FY22.

## Valuation and Recommendation:

- Private banks command premium valuation (one year forward P/BV) in the range of 1.6 – 4X, Mid –cap private banks trades at lower valuation in the range of 0.5 – 1.0X while PSU banks trades at lowest valuation in the range of 0.4 – 1.2X. The factors derive the valuations are credit growth, asset quality and return ratios.
- Among our banking coverage universe, our top picks are HDFC bank (fast revival post normalcy) and ICICI Bank (better to weather the storm).

## Key Risks:

- Slower credit growth due to slowdown in economic activity, nationwide lockdown, 3<sup>rd</sup> wave of Covid-19.
- Asset quality risks arising out of restructured assets due to Covid-19 impact.
- Higher interest rates due to change in RBI policy from accommodative arising from spike in CPI inflation.

## Summary:

**Overall, the Credit growth improved slightly supported by growth in agriculture sector, Housing, Vehicle and Micro & small and medium enterprise. Credit growth remained in the range of 5.5-6% for last few months, while improvement visible in July month. We expect improvement in coming months with festive season and pick-up in economic activity. Large industries credit growth still unable to revive while MSME industry would continue to grow further due to extension of ECLGS scheme.**



## Banking

Fortnight(%)	13-08-21	30-07-21	14-08-21
Credit growth	6.5	6.1	5.5
Deposit growth	10.6	9.8	11.0
Investment growth	6.9	8.2	21.2
CD ratio	69.9	70.2	72.6
Excess SLR over regulatory requirement	10.2	10.4	10.5
Monthly(%)	July-21	July-20	June-21
<b>Non Food Bank Credit</b>	<b>6.2</b>	<b>6.4</b>	<b>5.9</b>
Agriculture Credit	12.4	5.4	11.4
Industry Credit	1.0	0.9	(0.3)
Retail Credit	11.2	9.0	11.9
Services Credit	2.7	12.2	2.9
Housing Credit	8.9	10.0	9.7
Auto Credit	7.3	2.7	11.0
Credit Card Credit	9.8	8.6	5.3
Consumer Durable Credit	17.9	23.7	(19.8)
Personal Credit	15.9	12.1	16.6
<b>Services Credit</b>			
Transport Operator	4.0	8.8	0.7
Tourism & Hotel	6.3	20.9	7.3
Trade	7.4	14.6	11.1
Commercial Real Estate	0.1	10.9	1.3
NBFC	0.5	20.5	(2.2)
Credit growth ex NBFC	7.1	4.3	7.3
<b>Industry Credit</b>			
Large Industry Credit	(2.9)	1.4	(3.4)
Medium Industry Credit	71.6	(1.8)	54.6
Small Industry Credit	7.9	(1.8)	6.4

## Market Share

in %	Q1 FY22	Q4 FY21	Q3 FY21	Q2 FY21	Q1 FY21	Q4 FY20	Q3 FY20	Q2 FY20	Q1 FY20	Q4 FY19
Public Banks	56.2	56.4	57.2	57.3	57.7	57.5	57.1	57.3	58.1	58.8
Private Banks	35.6	35.5	35.0	35.0	34.4	34.5	35.0	34.7	34.2	33.6
Others	8.2	8.1	7.8	7.7	7.8	7.9	7.9	8.0	7.7	7.6

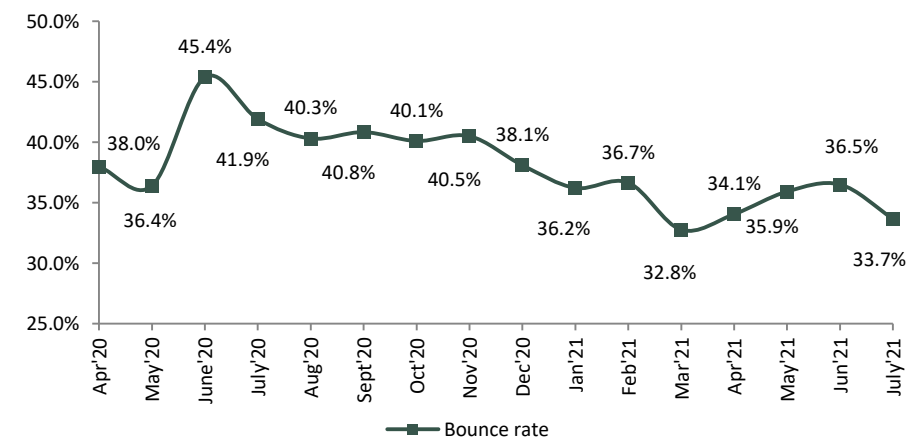
Source: Bloomberg, IDBI Capital Research

## Investments (%)

in %	July-21	July-20	June-20
SLR Investment (% of deposits)	28.4	28.7	28.3
SLR investment (growth)	8.2	20.8	10.6

Source: Bloomberg, IDBI Capital Research

## Bounce rate



## GNPA, Restructuring &amp; ECLGS Data of Banks and NBFCs

	GNPA (%)	NNPA (%)	Restructured advances (% of advances)	ECLGS disbursement (% of advances)	Total stress (%)
<b>PSU Bank</b>					
SBI	5.3	1.8	0.8	0.9	3.5
Bank of Baroda	8.9	3.0	2.6	1.6	7.2
PNB	14.3	5.8	2.4	1.8	10.0
Canara Bank	8.5	3.5	2.8	1.7	8.0
Union bank of India	13.6	4.7	2.7	1.7	9.1
<b>PVT Bank</b>					
HDFC Bank	1.5	0.5	0.8	2.9	4.2
ICICI Bank	5.2	1.2	0.7	2.0	3.9
Axis Bank	3.9	1.2	0.3	2.0	3.5
Kotak Bank	3.6	1.3	0.3	5.2	6.8
Indusind Bank	2.9	0.8	2.7	2.2	5.7
IDBI Bank	22.7	1.7	2.1	1.5	5.3
<b>Mid-private Bank</b>					
Federal Bank	3.5	1.2	1.8	2.3	5.3
DCB Bank	4.9	2.8	5.4	3.5	11.7
Bandhan Bank	8.2	3.3	7.1	2.4	12.8
RBL Bank	5.0	2.0	2.0	2.6	6.7
City union Bank	5.6	3.5	5.5	4.4	13.3
<b>NBFC</b>					
HDFC Ltd	2.6	1.3	0.9	0.3	2.5
Cholafin	6.8	3.9	5.4	3.0	12.3
Bajaj finance	3.0	1.5	0.8	-	2.3
MMFS	15.5	7.8	4.0	1.0	12.7
STFH	8.2	4.7	0.8	-	5.5

Source: Bloomberg, IDBI Capital Research; Note- IDBI Bank- ECLGS number is till Q4FY21.

## Stock performance

	Performance (%)					Relative to Index (%)				
	1M	6M	12M	3 Year	5 Year	1M	6M	12M	3 Year	5 Year
Axis Bank	8.7%	9.8%	65.7%	24.3%	34.0%	1.8%	-5.5%	16.3%	-24.4%	-61.7%
DCB Bank	-9.2%	-19.0%	1.4%	-45.0%	-20.5%	-16.0%	-34.4%	-48.0%	-93.7%	-116.1%
Federal Bank	-7.1%	-5.2%	48.1%	6.1%	18.1%	-14.0%	-20.6%	-1.3%	-42.6%	-77.5%
HDFC Bank	10.8%	3.9%	40.1%	54.5%	147.3%	3.9%	-11.5%	-9.3%	5.8%	51.7%
IndusInd Bank	-1.2%	-2.9%	57.7%	-46.2%	-15.3%	-8.0%	-18.2%	8.3%	-94.9%	-110.9%
ICICI Bank	5.0%	19.0%	84.8%	116.4%	205.3%	-1.8%	3.6%	35.4%	67.7%	109.6%
HDFC	8.7%	9.2%	52.0%	44.7%	93.0%	1.9%	-6.2%	2.6%	-4.0%	-2.6%
RepcO Home Fin	-13.3%	-10.1%	77.9%	-44.2%	-64.5%	-20.1%	-25.5%	28.5%	-92.9%	-160.1%
Manappuram Fin	-22.2%	-1.1%	7.7%	72.1%	89.2%	-29.1%	-16.4%	-41.7%	23.4%	-6.4%
Muthoot Fin	5.0%	19.0%	84.8%	116.4%	205.3%	-1.8%	3.6%	35.4%	67.7%	109.6%
Cholafin	-3.8%	18.2%	32.9%	226.5%	323.6%	-10.6%	2.9%	-16.5%	177.8%	228.0%
Nifty 50	6.8%	15.4%	49.4%	48.7%	95.6%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Bloomberg, IDBI Capital Research

### Key Variables / Issues

- Our interaction with cement dealers across 5 region suggests, average cement price at an all India level is flat MoM in September-2021. Region wise, price increase is seen in South/Central at 4%/1% MoM but price decline is seen in East/North at 6%/1%. And in West its flat MoM.
- Cement production in India for the month of July-21 has increased by 21.8% YoY.
- In Aug-21, imported coal price (adj. for currency) is up 9% MoM.

### Outlook / Near Term Triggers:

- Cement price continue to remain steady on MoM basis and is up by 5% on YoY basis. Q2FY22 average cement price is flat QoQ/ 4% YoY. We were expecting weakness in the cement prices led by the monsoon but prices are steady.
- Input cost inflation has been steadily increasing in cement for fuel and logistics. Freight index is up 2% MoM in July 2021. YTFY22 so far average coal prices have increased by 94% YoY and freight index is up 8% YoY in FY22 till date.
- On demand front, YTFY22 volume of industry is up by 45%. Our dealer interaction suggests, volume for industry has been weak due to monsoon but it's inching up steadily. Going ahead, with expectation of flattish realization and uptick in energy prices, EBITDA/t could be lower on QoQ basis in Q2FY22.

### Valuation and Recommendation:

- We expect no major benefit of increase in the market share and EBITDA margin for industry in FY22E.
- Currently we have HOLD on ACC and UTCEM a) ACC is adding up capacity next year, moving down the cost curve, valuation closer to +1 STD. b) We like UTCEM business but wait for right prices, as valuation above +1 STD is pricing in the planned capacity addition.

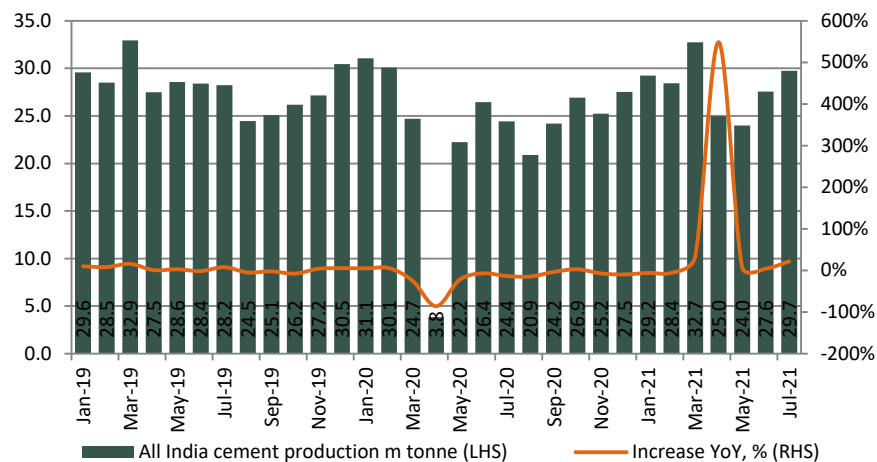
### Key Risks:

- Larger than expected cut in ASP of cement.
- Demand weakness due to covid-3 wave or stringent measure that could restrict the on ground activities.
- Cost inflation led by increase in fuel cost and logistics costs. As both the factors has increase in the last 6 months.

### Summary:

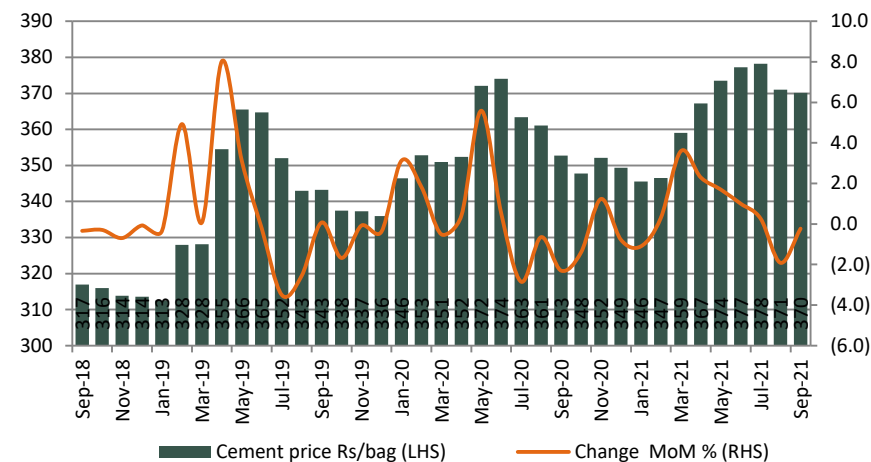
**Large Cap cement stocks trades at 15x FY23E EV/EBITDA. We expect no major benefit of increase in the market share and EBITDA margin for industry in FY22. With this cement stocks to be trading bets at different price level. At CMP, we have HOLD rating for ACC and UTCEM and SELL rating for ACEM and SRCM.**

## Cement production up 22% YoY in July 2021



Source: PIB

## Cement price for Sept-21 is flat MoM



Source: IDBI Capital Research

## Stock performance in the sector

	Performance (%)					Relative to Index (%)				
	1M	6M	12M	3 Year	5 Year	1M	6M	12M	3 Year	5 Year
ULTRATECH CEMENT	2	16	100	85	93	-4	0	50	36	-3
ACC	2	34	83	56	47	-4	19	33	7	-49
AMBUJA CEMENT	2	50	99	87	54	-4	34	49	38	-42
SHREE CEMENT	3	8	47	68	75	-3	-7	-2	19	-21
DALMIA BHARAT	10	52	196	NA	NA	4	36	146	NA	NA
RAMCO CEMENT	-4	2	43	55	85	-10	-14	-7	6	-11
HEIDELBERGCEMENT	0	16	42	63	93	-6	0	-8	14	-3
BIRLA CORP	-1	57	118	79	106	-7	41	68	30	10
STAR CEMENT	-2	4	26	2	NA	-8	-12	-24	-48	NA
JK CEMENTS	4	27	132	329	342	-3	11	83	280	246
JK LAKSHMI CEMEN	7	65	161	114	53	0	49	111	65	-43
SAGAR CEMENTS	-8	95	192	90	119	-14	79	143	41	23
PRISM JOHNSON	-6	11	143	20	15	-13	-4	93	-29	-81
Nifty 50	6	16	50	49	96	0	0	0	0	0

Source: Bloomberg

## Key Variables / Issues

- Daily average e-way bills generated in August were steady compared to July. Data from GSTN, showed that, daily average e-way bills raised at 2.1mn, and is +2% more vs. July-21.
- And in Aug 2021, road construction decreased to 15km/day vs 21km/day in July 21. Construction has decreased MoM, as on ground activity in Aug 21 has been impacted by monsoon. In August 21, road awards stood at 634km versus 753km awarded in July 21.

## Outlook / Near Term Triggers:

- Steady e-way bill generation suggest that supply chains are functioning smoothly and recovering from the disruption caused by regional mobility curbs imposed from lockdown. And also GST revenue for the Centre and states is likely to maintain their pace in September.
- Road ministry has target to construct 40km/day of highways in FY22 vs. 37km/day achieved in FY21. And in April to Aug-21 it stood at 22km/day. Road construction companies has guided for pick up in the construction post monsoon. NHAI is planning to award 5000km of road highways in FY22 up by 4% YoY. And also targets to construct highways of 4600km for FY22.
- In National Monetisation Pipeline of Rs6tr for FY22-25, roads has the highest share of Rs1.6tr (27%). Total length of highway assets considered for monetisation (26700 km) constitutes around 22% of the total national highways (estimated at ~1,21,155 km), excluding the network operated by private sector under BOT-based PPP concessions.

## Valuation and Recommendation:

- PNC and KNR was up 10-20% MoM in August 2021.
- And we continue to retain our preference for a) PNC which has order book of Rs121bn (2x TTM revenue), revenue growth expected at 20% in FY22E and trades at 14x FY23E EPS. b) KNR which has order book of Rs117bn (4x TTM revenue), revenue growth expected at 10% in FY22E and trades at 18x FY23E EPS.

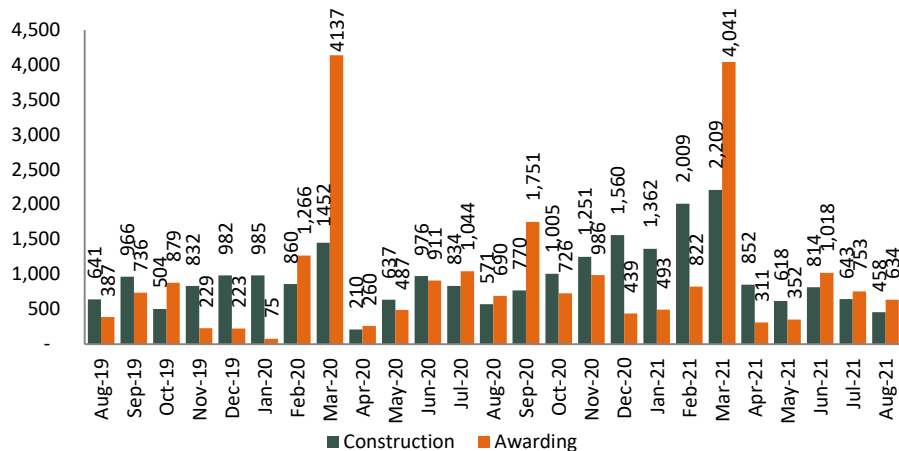
## Key Risks:

- Increase in commodity price could impact the margins.
- Any weakness in the awarding activity by MORTH could impact the order inflow in the sector.
- Delay in the payment by the MORTH could stretch the working capital cycle.

## Summary:

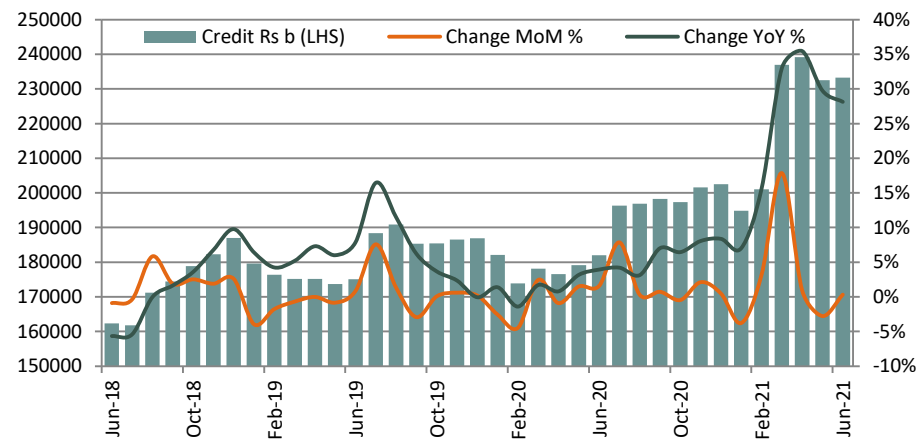
**Road construction and award in the sector is going strong. With NMP, NHAI financials is expected to improve and reduce debt of Rs3t (FY21). Asset divestment to improve liquidity in sector and increase project tendering/award. E-way bill generation also points to pick up of cargo movement and traffic on the road. Road construction companies have been guiding activity level will pick up in 2H. Order book 3 years of previous years revenue is comfortable, in the sector we prefer PNC Infratech, KNR.**

## Monthly Road construction and award (km)



Source: MORTH

## Bank credit in roads sector: Flat MoM in July 21



Source: Bloomberg

## Stock performance in the sector

	Performance (%)					Relative to Index (%)				
	1M	6M	12M	3 Year	5 Year	1M	6M	12M	3 Year	5 Year
ASHOKA BUILDCON LTD	-1.9%	-10.6%	44.3%	-25.8%	-4.1%	-8.1%	-25.2%	-4.1%	-73.6%	-98.5%
DILIP BUILDCON LTD	-8.5%	-23.1%	37.0%	-35.6%	NA	-14.7%	-37.8%	-11.4%	-83.4%	NA
KNR CONSTRUCTONS LTD	19.3%	54.2%	162.1%	204.7%	370.8%	13.2%	39.6%	113.7%	157.0%	276.5%
PNC INFRA TECH LTD	10.0%	28.2%	101.8%	127.2%	184.3%	3.8%	13.6%	53.4%	79.5%	90.0%
NCC LTD	-10.7%	-11.4%	127.9%	-15.5%	-9.2%	-16.8%	-26.0%	79.5%	-63.2%	-103.5%
LARSEN & TOUBRO LTD	4.1%	16.3%	78.1%	26.3%	69.5%	-2.0%	1.6%	29.7%	-21.4%	-24.8%
AHLUWALIA CONTRACTS LTD	-0.1%	34.4%	49.2%	28.7%	30.8%	-6.3%	19.7%	0.8%	-19.0%	-63.6%
JMC PROJECTS LTD	-15.3%	29.2%	87.3%	-1.9%	105.4%	-21.4%	14.6%	38.8%	-49.6%	11.1%
JKUMAR INFRAPROJECTS LTD	-6.6%	8.5%	80.9%	-20.1%	26.4%	-12.7%	-6.2%	32.5%	-67.8%	-67.9%
Nifty 50	6.1%	14.6%	48.4%	47.7%	94.3%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Bloomberg, IDBI Capital Research

### Key Variables / Issues

- In the month of August 21, BSE IT index hit an all time high, once again out performed BSE Sensex. BSE IT index saw a MoM gain of 10.8% vs 9.4% in the case of BSE sensex. This outperformance in the IT index was largely driven by the expectation of improved financial in the coming quarters.
- TCS had a strong uptick of 19.5% MoM basis, this uptick in the stock was largely on the back of positive momentum in the overall sector, broad based healthy revenue growth, strong order bookings, and stable margins in Q1FY22.
- TCS, having the lowest attrition (8.63%) rate should also help company to grow better in coming quarters where demand is strong and supply side poses the major challenges.

### Outlook / Near Term Triggers:

- Given the robust demand environment, we expect the revenue growth momentum to continue. In Q1FY22, Most of the IT companies have registered strong to healthy revenue growth. Robust deal wins and strong order pipeline has been factored in and led to increase or maintain the double digit revenue growth guidance by most the IT companies.
- For FY22, LTI expects to remain in leaders quadrant as regards revenue growth and has guided for PAT margin to be in the range of 14-16%.
- While, Infosys revised its revenue growth guidance to 14% to 16% YoY in CC (vs. 12% to 14% earlier) EBIT margin guidance remained unchanged 22% to 24% despite a higher growth.

### Valuation and Recommendation:

- Covid-19 pandemic has accelerated the digital spend by the global enterprises. The demand for IT infrastructure is far stronger vs pre covid levels and there is a strong visibility for the for next few years.
- Q1FY22 has seen most of the companies meeting expectations as regards growth and profitability. Also, most of them have guided for a double-digit revenue growth for FY22. We maintain our positive outlook on the sector with preferred being Tech Mahindra trading at PER of 20x FY23E and Cyient trading at PER of 18x FY23E.

### Key Risks:

- On the supply side though, there are some cautions as the demand for digital talent has increased, which might continue lead to higher attrition and higher payout to employees, resulting in higher recruitment costs, higher salary hikes and subcontracting costs in turn putting pressure on margins.

### Summary:

**In August 21, BSE IT index has outperformed the broader market which was driven by healthy revenue growth across the Indian IT companies in Q1FY22 results. Also on the expectation of post Covid 19 scenario, where enterprises globally are going to invest heavily in the cloud and digital space. Hence, large IT companies are going to be the key beneficiary of this opportunity.**



## Stock performance in the sector

	Performance (%)					Relative to Index (%)				
	1M	6M	12M	3 Year	5 Year	1M	6M	12M	3 Year	5 Year
TATA CONSULTANCY	20%	24%	68%	82%	202%	11%	11%	17%	34%	107%
INFOSYS	6%	28%	84%	135%	NA	-3%	15%	33%	86%	NA
WIPRO	9%	46%	136%	166%	253%	0%	32%	86%	118%	158%
HCL TECHNOLOGIES	15%	23%	70%	117%	202%	7%	10%	20%	69%	106%
TECH MAHINDRA	20%	50%	95%	87%	209%	11%	36%	45%	38%	113%
Larsen & Toubro Infotech	13%	35%	116%	182%	723%	5%	22%	66%	134%	628%
Cyient	-1%	48%	152%	27%	100%	-10%	35%	101%	-22%	5%
Nifty 50	9%	14%	50%	48%	95%	0%	0%	0%	0%	0%

Source: Bloomberg, IDBI Capital Research

## Key Variables

- During August, BSE Metals Index (-2%) sharply underperformed BSE Sensex (+9%). China's crude steel output fell in July (-8% YoY to 87 mn tonnes) to the lowest monthly level since April 2020 as authorities stepped up production controls in order to meet the target of keeping output unchanged YoY in CY2021.
- In Aug'21, HRC steel price increased by Rs 800/tonne to Rs 66,300/tonne, up by 1.2% MoM as consumers resumed buying in anticipation of an increase in prices in near term.
- Domestic Iron ore prices fell by 8.8% to Rs11,450/tonne while international prices fell by 23% to \$150 on MoM. This led to a 16% fall in stock price of NMDC in August. Meanwhile, coking coal prices continued to remain in an uptrend and increased 5% to \$196/tonne MoM in August.
- Base metal, aluminum and zinc prices increased by 5% each while copper and zinc were lower by 2% and 1%, respectively.
- Overall, ferrous metal stocks SAIL, JSPL, JSW Steel and NMDC witnessed a fall of 14%,13%,9%,16% on MoM basis as steel prices remained muted during the month.

## Near Term Triggers:

- Long products steel demand will be subdued due to the monsoon in Q2FY22. Going forward, there is a possibility that mills may increase prices in Sep by Rs500-1,000/tonne or they can announce a rollover to escalate buying in the domestic market. But there is limited chance of price correction as domestic prices remain at 10% discount to international prices.

## Valuation and Recommendation:

- We believe the current steel prices will come off by 10% in FY23 although they are likely to remain above historical levels. Hence, steel companies balance sheets are likely to be stronger in the coming two years.
- SAIL remains the cheapest stock amongst the large caps (valuation stands below 4x FY23 EV/EBITDA). The stock is a re-rating candidate as it continues to deleverage its balance sheet over the coming two years.

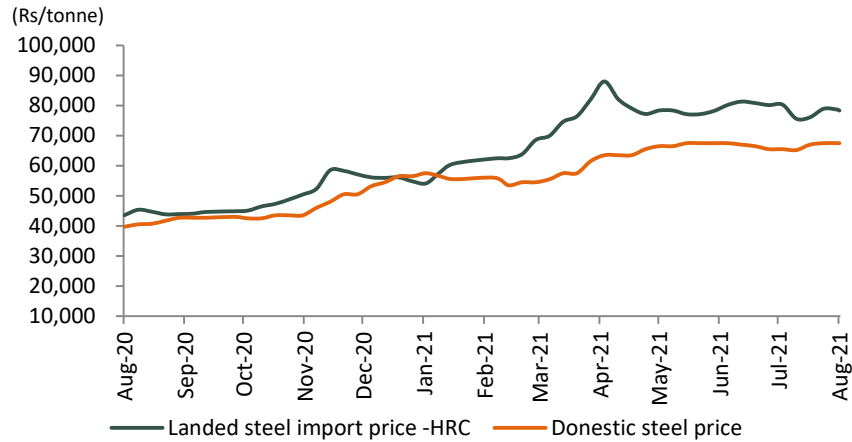
## Key Risks:

- Domestic HRC prices are expected to remain under pressure in the near term due to sluggish sales. The demand could be affected in H2FY22 (seasonally strong season) if there is third wave of Covid-19.
- China's crude steel output grew nearly 12% YoY in H1CY21 but is expected to slow down meaningfully in H2CY21 due to government's emphasis on production cuts. However, if this cuts do not materialize and China starts exporting steel to rest of the world, it could affect realization of steel companies as witnessed in the previous decade.

## Summary:

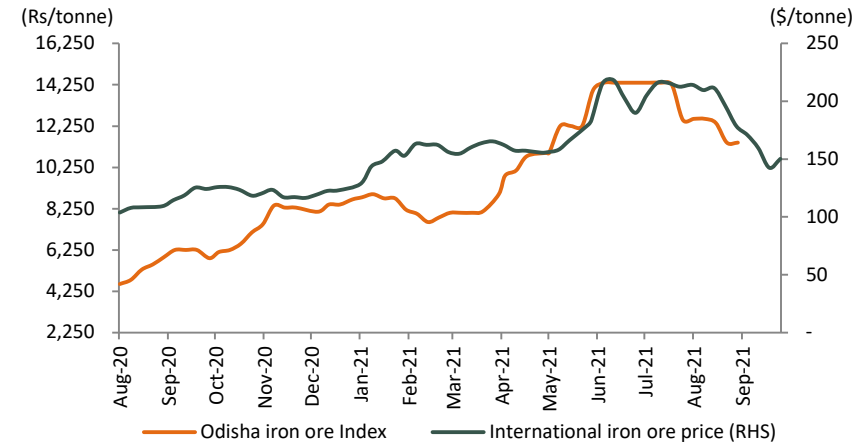
**We do not expect meaningful correction in steel prices from the current levels as domestic prices continue to remain at 10% discount to landed cost of imports. Overall, we maintain our positive stance on Metals & Mining stocks with SAIL as our top pick. On the non-ferrous side, we prefer companies with strong balance sheets such as MOIL and Hindustan Zinc.**

## HRC price trend



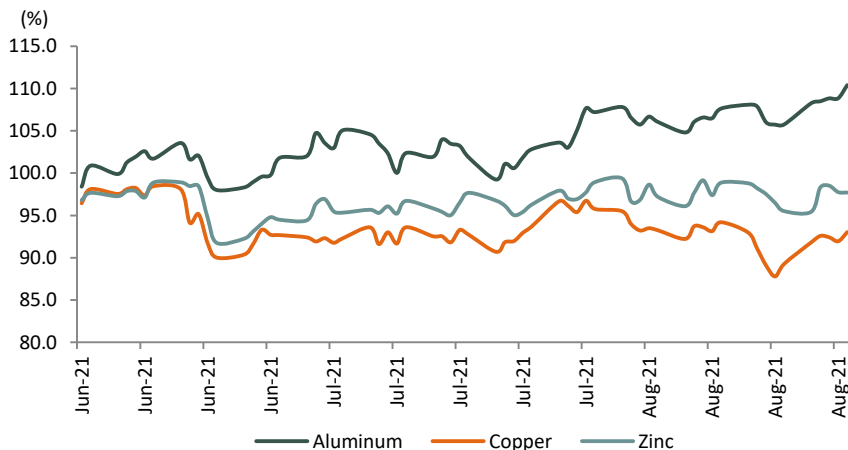
Source: Steelmint, IDBI Capital Research

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



Source: Steelmint, IDBI Capital Research

## 3 month base metal prices trend



Source: Bloomberg, IDBI Capital Research

## Stock performance in the Metals sector

	Performance (%)					Relative to Index (%)				
	1M	6M	12M	3 Year	5 Year	1M	6M	12M	3 Year	5 Year
SAIL IS Equity	-14%	67%	199%	54%	150%	-21%	52%	151%	6%	56%
TATA IS Equity	0%	92%	229%	128%	300%	-7%	78%	180%	81%	206%
JSTL IS Equity	-9%	66%	136%	66%	281%	-17%	52%	87%	19%	187%
JSP IN Equity	-13%	15%	70%	69%	355%	-20%	1%	21%	21%	261%
NMDC IS Equity	-16%	15%	58%	28%	41%	-23%	0%	9%	-19%	-52%
BSEMETL Index	-4%	45%	121%	44%	103%	-11%	31%	72%	-4%	9%
sensex index	8%	14%	47%	49%	101%	1%	-1%	-1%	2%	7%
Nifty 50	7%	14%	49%	47%	94%	0%	0%	0%	0%	0%

Source: Bloomberg, IDBI Capital Research

## Key Variables:

- Capacity addition continues by domestic tile manufacturers, Orient and Asian Granito further strengthen capacity
- Increased fuel cost, container shortage and high freight worries Morbi players
- Kajaria and Somany Ceramic to gain market share amid month long shutdown at Morbi

## Outlook:

- Demand outlook for building material products to remain buoyant and driving capacity addition by leading organized players. After Sun Heart and Sunshine deal in last month, Orient bell and Asian Granito plan to expand capacity in tiles segment. Our interaction with the industry players suggest that the industry is expected to grow by healthy mid-teens across the segments and the key players in tiles, sanitaryware, faucets and pipes expect sales growth to be in the range of ~15%-20% in FY22E.
- Though Morbi did exceedingly well in export market, last month the industry faced challenges on fuel cost and container fronts. Further increased diesel prices also led to higher freight cost, which overall kept the muted tone of the business in August.
- Large tile players like Kajaria and Somany are in a sweet spot to gain market share in the near to medium term as they will be well placed to partially fill the supply vacuum created by production shutdowns by the Morbi players and also increase their channel depth.

## Valuation and Recommendation:

- We like Kajaria in our building material products coverage owing to its scale of operation, balance sheet strength, extensive distribution network and strong brand recall. After a subdued performance in last few quarters, Somany ceramic has rebounded to its earlier growth trajectory. The company's correction actions on working capital front and sustainable growth outlook by the management, the stock is poised for re-rating in earnings multiple in near term.

## Key Risks:

- Inflationary pressure in raw material prices may dent gross margins in absence of price hikes
- Any negative surprises on export front for Morbi may play a spoilsport on demand-supply and pricing front

## Summary:

**Our dealer check suggest that sales volume has picked up post subdued demand in April and May. We expect similar trend to continue for FY22E. The company's strong 15%-16% of sales volume for FY22E and 2%-3% of NSR growth for FY22E. Organized players are poised to outperform the industry growth driven by market share gain, extensive distribution reach and strong brand recall. We continue to be positive on organized players and we believe though valuation looks slightly stretched post rally in the stocks prices, long term outlook remains positive.**

**Key Variables:**

- Hyatt Hotels charts plan to increase India footprint by 70% in two years
- Strong inventory addition continued by IHCL, Lemon Tree and The Leela. ITC entered into mid-scale leisure segment through Welcome Hotels
- After a massive cash burn, companies opt for cash raising, IHCL announces Rs3000crs right issue
- Increase in Covid-19 cases derails the RevPAR growth in USA and China

**Outlook:**

- After a knee jerk reaction on operations due to pandemic, the hospitality industry is seeing early signs of revival. The organized players have become aggressive on inventory addition through management contract as a preferred route. The companies with slightly leveraged balance sheet are also exploring options like asset buyout as many assets are up for sale. We believe supply disruption to be higher than demand disruption and may aid the hospitality industry in near term.
- As more and more Indians continue to get vaccinated, leisure travel is seeing strong uptake. While business travel is still muted, according to industry experts, leisure travel is giving a boost to the Indian hospitality and travel industry. According to HVS Anarock's recent report, hotel occupancy in all the major cities witnessed a month-on-month increase of at least 12-14% led by the revival in leisure travel.

**Valuation and Recommendation:**

- IHCL is well placed to benefit from recovery in RevPAR as domestic leisure segment picks up in H2FY22E. The company's asset light business strategy bodes well for both margin improvement as well as keeping the balance sheet lean. IHCL remains our preferred pick in the organized hospitality space given its strong brand recall, well-diversified portfolio.
- LTH witnessed improvement in occupancy levels & bookings and saw recovery in markets. It has also seen demand traction in wedding, staycation, banquets, work from hotel & social events. After a sharp rally in the stock price, value looks priced in at current level.

**Key Risks:**

- Possible breakout of Delta variant could derail the recovery
- Delay in international travellers may weigh on earnings recovery

**Summary:**

**Q1FY22 performance was subdued on QoQ, while RevPAR recovery was encouraging compared to same quarter last year. The companies have taken prudent cost cutting initiatives and substantial part of it could be retained once operations get back to normalized level and drive 300-500bps EBITDA margin expansion. Lower supply due to closure of properties bodes well for ADR growth in near term. We like IHCL in domestic leisure space and though we are not much comfortable with valuation of LTH currently, we prefer the company in domestic business segment.**

## Stock performance in the sector

	Performance (%)					Relative to Index (%)				
	1M	6M	12M	3 Year	5 Year	1M	6M	12M	3 Year	5 Year
Astral Ltd	-5.4%	26.5%	140.4%	215.1%	631.4%	-11.5%	11.9%	91.9%	167.4%	537.0%
Cera Sanitaryware Ltd	-5.8%	10.2%	71.7%	61.2%	81.8%	-11.9%	-4.4%	23.3%	13.5%	-12.6%
Finolex Industries Ltd	-4.2%	27.7%	66.3%	40.8%	80.5%	-10.4%	13.1%	17.9%	-6.9%	-13.9%
Indian Hotels Co.Ltd	1.8%	20.3%	45.6%	16.8%	27.7%	-4.3%	5.7%	-2.8%	-30.9%	-66.6%
Kajaria Ceramics Ltd	18.8%	23.1%	174.6%	174.9%	90.4%	12.6%	8.5%	126.2%	127.2%	-3.9%
Lemon Tree Hotels Ltd	-6.4%	-8.7%	40.5%	-47.0%	NA	-12.6%	-23.3%	-7.9%	-94.7%	NA
Nilkamal Ltd	-4.8%	54.8%	120.8%	49.7%	123.6%	-11.0%	40.2%	72.4%	1.9%	29.2%
Somany Ceramics Ltd	-5.3%	55.5%	347.6%	53.7%	17.7%	-11.5%	40.9%	299.2%	5.9%	-76.6%
Supreme Industries Ltd	2.6%	3.0%	58.8%	84.0%	125.8%	-3.5%	-11.6%	10.4%	36.2%	31.4%
Nifty 50	6.1%	14.6%	48.4%	47.7%	94.3%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Bloomberg, IDBI Capital Research

## Key Variables / Issues

- As per Nielson; value growth for FMCG sector stood at 8% above pre-covid levels during 1QFY22. The sector grew at 8-9% above pre-covid since last 3 quarters. Revenue from e-commerce grew at 34%. Top 52 cities (including metros) grew only 1%; implying bulk of growth came from rural market. Modern trade recovered to 83% during Jun'21 and to 100% (per our channel check) as on Sep'21.
- On raw material; excluding crude and mentha oil, all other commodities continued to witness inflation MoM. Positively; Saffola has taken price cut in selective SKUs by 7% (Saffola Gold 1ltr and 5 ltr) during June-Aug'21. Inflationary pressure on MRP continues to build-up in all other categories.
- In QSR; JUBI has taken meaningful price hike during Jul-Aug'21 in 80% product portfolio (in Pizza). This should aid margins given paneer and cheese prices continues to rise by 3-4% in Jul-Aug'21. Also, JUBI launched 2 premium priced (49-50% more expensive than its regular product) pizza targeted towards cheese loving customers; 4 Cheese Pizza and Cheese Dominator.

## Outlook / Near Term Triggers:

- In our research titled; COVID and Inflation – the two demons to be slayed; we argued that India should unmask by Dec'21. However, as per ITC; India should unmask by Oct'21 as it expects 70% population to be vaccinated. Also, 3<sup>rd</sup> wave is likely to be shorter and less severe. This should help strong pick-up in discretionary sector which are focussed on out of home consumption.

## Valuation and Recommendation:

- We like DMART, BRIT, and GCPL amongst our coverage universe. DMART is creating an expensive-platform where manufacturers can sell their products. We expect DMART to compound revenue/EPS at 25-30% over next 25 years. In case of BRIT; we are bullish on the company's approach to drive premiumization in the value segment through milk-bikis portfolio. Poor people love to indulge in cheap luxury; we expect BRIT to drive success in premiumization through top-class execution. On GCPL; we are bullish on turnaround of South Africa business while HI business in India likely to continue growth momentum.

## Key Risks:

- Delay in pick-up of business activities due to lockdowns will impact our EPS estimates.
- If inflation in raw material prices does not subside, it may create risk of stagflation; absence of revenue growth (due to low demand) despite price hikes (inflation).

**Summary: FMCG sector has been more resilient during the 2<sup>nd</sup> wave. Raw material cost continues to rise due to which FMCG companies continues to hike price to protect margins. Except edible oil, in all other categories we see either price maintenance or price increase. Price hike in QSR has been steep (JUBI did not take any price hike since last 2 years (only since 1QFY21 it has started taking hikes). All our top picks (TRENT, JUBI, DMART, GCPL, APNT) out-performed and likely to outperform in future as well. Don't expect such companies to trade CHEAP! . DMART, BRIT and GCPL are our top picks.**

## Stock performance in the sector

	Absolute Perf (%)						Relative Perf wrt Nifty (%)					
	1M	3M	6M	12M	3Yrs	5Yrs	1M	3M	6M	12M	3Yrs	5Yrs
HINDUSTAN UNILEVER	16%	18%	26%	29%	69%	201%	10%	8%	10%	-20%	20%	105%
ASIAN PAINTS	10%	14%	40%	68%	153%	185%	4%	4%	24%	19%	104%	90%
ITC	1%	1%	1%	10%	-32%	-20%	-5%	-9%	-15%	-40%	-81%	-116%
AVENUE SUPERMARKET	10%	23%	20%	73%	152%	NA	4%	13%	4%	23%	104%	NA
NESTLE	12%	16%	21%	24%	94%	215%	6%	6%	5%	-26%	45%	119%
DABUR	8%	17%	22%	29%	36%	115%	2%	7%	6%	-21%	-13%	19%
GODREJ CONSUMER	13%	31%	62%	66%	25%	114%	7%	21%	46%	17%	-24%	18%
BRITANNIA	15%	18%	18%	10%	32%	146%	9%	8%	3%	-40%	-17%	50%
BERGER PAINTS	-1%	4%	14%	49%	163%	222%	-7%	-6%	-1%	0%	114%	126%
MARICO	4%	15%	39%	48%	57%	92%	-2%	5%	24%	-2%	8%	-3%
JUBILANT FOODWORKS	10%	29%	34%	79%	192%	595%	4%	19%	18%	30%	143%	499%
KANSAI NEROLAC	-2%	7%	7%	27%	25%	68%	-8%	-3%	-8%	-22%	-24%	-28%
TRENT	7%	16%	12%	52%	173%	341%	1%	6%	-3%	2%	124%	245%
TCNS	14%	24%	39%	77%	3%	NA	8%	14%	24%	27%	-45%	NA
Nifty 50	6%	10%	15%	50%	49%	96%	-	-	-	-	-	-

Source: Bloomberg, IDBI Capital Research



COMPANY	SECTOR	CMP	TP	RATING	M_CAP	EPS (Rs)		BV (Rs)		PE(x)		P/BV(x)		Ebitda Mrgn(%)	
		(Rs)	(Rs)		(Rs_bn)	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
Amara Raja Batteries Ltd	AUTO	713	918	BUY	122	39.1	45.9	273.6	305.5	18.2	15.5	2.6	2.3	14.3	14.6
Ashok Leyland Ltd	AUTO	123	130	HOLD	360	1.3	4.0	24.6	27.3	94.6	30.8	5.0	4.5	7.9	10.3
Bajaj Auto Ltd	AUTO	3,758	4,071	HOLD	1,087	200.0	226.2	930.9	998.8	18.8	16.6	4.0	3.8	17.8	18.0
Castrol India Ltd	AUTO	134	177	BUY	132	5.9	8.0	14.3	16.3	22.8	16.8	9.4	8.2	27.2	27.0
Eicher Motors Ltd	AUTO	2,702	2,524	HOLD	738	74.2	93.3	466.8	527.4	36.4	29.0	5.8	5.1	23.4	24.3
Exide Industries Ltd	AUTO	171	208	BUY	145	8.9	11.0	85.9	92.2	19.3	15.6	2.0	1.9	12.5	13.6
GNA Axles Ltd	AUTO	730	570	HOLD	16	36.8	40.4	272.2	307.5	19.8	18.1	2.7	2.4	15.4	15.9
Hero MotoCorp Ltd	AUTO	2,742	3,387	BUY	548	198.1	227.6	831.3	937.5	13.8	12.0	3.3	2.9	13.5	13.8
Jamna Auto Industries Ltd	AUTO	89	85	HOLD	35	2.7	3.4	16.4	18.5	33.0	26.1	5.4	4.8	13.6	14.6
Maruti Suzuki India Ltd	AUTO	6,786	8,585	BUY	2,050	199.9	286.2	1836.5	2030.7	34.0	23.7	3.7	3.3	8.2	11.2
MM Forgings Ltd	AUTO	759	780	HOLD	18	25.1	43.3	225.9	259.2	30.2	17.5	3.4	2.9	17.7	19.0
TVS Motor Co Ltd	AUTO	530	659	BUY	252	19.1	28.1	102.1	123.2	27.7	18.9	5.2	4.3	9.0	10.6
Lumax Auto Technologies Ltd	AUTO ANCILLARY	141	178	HOLD	10	11.3	14.6	87.9	101.3	12.5	9.7	1.6	1.4	9.6	10.8
Sona Blw Precision Forgings Ltd	AUTO ANCILLARY	499	460	HOLD	291	6.3	9.1	33.8	42.9	79.3	54.7	14.8	11.6	27.8	27.9
Subros Ltd	AUTO ANCILLARY	312	307	HOLD	20	11.7	15.4	132.2	145.8	26.6	20.3	2.4	2.1	9.7	10.0
Axis Bank Ltd	BANKS & FINANCIAL SERVICES	799	875	BUY	2,448	41.9	57.5	353.6	408.3	19.1	13.9	2.3	2.0	-	-
Cholamandalam Investment and Finance Co Ltd	BANKS & FINANCIAL SERVICES	570	605	BUY	467	26.3	30.8	132.0	146.1	21.7	18.5	4.3	3.9	-	-
DCB Bank Ltd	BANKS & FINANCIAL SERVICES	94	104	HOLD	29	9.1	14.7	114.5	128.5	10.4	6.4	0.8	0.7	-	-
Federal Bank Ltd	BANKS & FINANCIAL SERVICES	83	102	BUY	173	10.7	11.6	81.7	92.9	7.8	7.2	1.0	0.9	-	-
HDFC Bank Ltd	BANKS & FINANCIAL SERVICES	1,579	1,790	BUY	8,739	66.7	80.6	433.2	496.7	23.7	19.6	3.6	3.2	-	-
Housing Development Finance Corp Ltd	BANKS & FINANCIAL SERVICES	2,746	2,950	BUY	4,961	69.7	81.5	610.2	661.4	39.4	33.7	4.5	4.2	-	-
ICICI Bank Ltd	BANKS & FINANCIAL SERVICES	720	780	BUY	4,983	31.0	37.2	227.7	275.8	23.2	19.4	3.2	2.6	-	-
IndusInd Bank Ltd	BANKS & FINANCIAL SERVICES	999	1,140	BUY	773	78.7	91.8	624.1	713.4	12.7	10.9	1.6	1.4	-	-
Manappuram Finance Ltd	BANKS & FINANCIAL SERVICES	165	210	HOLD	139	19.9	21.5	98.3	115.9	8.3	7.7	1.7	1.4	-	-
Muthoot Finance Ltd	BANKS & FINANCIAL SERVICES	1,525	1,790	BUY	612	112.3	132.2	445.9	558.6	13.6	11.5	3.4	2.7	-	-
Repco Home Finance Ltd	BANKS & FINANCIAL SERVICES	305	410	BUY	19	39.7	48.6	317.5	371.9	7.7	6.3	1.0	0.8	-	-
ACC Ltd	CEMENT	2,424	2,289	HOLD	455	101.4	115.3	752.3	841.8	23.9	21.0	3.2	2.9	17.6	18.0
Ambuja Cements Ltd	CEMENT	422	347	SELL	837	11.9	13.0	109.6	117.6	35.4	32.5	3.9	3.6	24.1	23.5
Shree Cement Ltd	CEMENT	28,464	25,618	SELL	1,027	786.7	844.0	4914.3	5490.3	36.2	33.7	5.8	5.2	28.4	27.2

# Valuation Summary (Contd.)

COMPANY	SECTOR	CMP	TP	RATING	M_CAP	EPS (Rs)		BV (Rs)		PE(x)		P/BV(x)		Ebitda Mrgn(%)	
		(Rs)	(Rs)		(Rs_bn)	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
UltraTech Cement Ltd	CEMENT	7,765	7,362	HOLD	2,241	230.0	266.5	1707.5	1912.7	33.8	29.1	4.5	4.1	26.1	25.7
Ashoka Buildcon Ltd	CONSTRUCTION	100	135	BUY	28	15.8	19.2	123.0	142.2	6.3	5.2	0.8	0.7	12.0	12.0
Dilip Buildcon Ltd	CONSTRUCTION	511	592	HOLD	75	33.7	49.6	356.2	404.6	15.1	10.3	1.4	1.3	15.0	15.5
KNR Constructions Ltd	CONSTRUCTION	333	329	BUY	93	12.2	17.2	78.1	94.7	27.4	19.4	4.3	3.5	19.4	19.4
PNC Infratech Ltd	CONSTRUCTION	339	390	BUY	87	20.7	25.8	133.5	158.7	16.4	13.1	2.5	2.1	14.0	14.0
Asian Paints Ltd	FMCG	3,304	2,776	SELL	3,168	39.5	46.3	166.4	198.8	83.7	71.4	19.9	16.6	22.3	22.7
Berger Paints India Ltd	FMCG	830	628	SELL	806	9.3	11.4	40.6	47.4	89.7	72.7	20.4	17.5	18.6	19.1
Britannia Industries Ltd	FMCG	4,015	4,351	BUY	967	76.9	87.0	200.6	260.6	52.2	46.1	20.0	15.4	17.4	17.7
Dabur India Ltd	FMCG	626	722	BUY	1,106	10.2	12.0	48.5	54.5	61.3	52.0	12.9	11.5	21.0	22.9
Godrej Consumer Products Ltd	FMCG	1,098	1,171	BUY	1,122	18.8	21.3	100.1	108.6	58.5	51.5	11.0	10.1	22.9	23.7
Hindustan Unilever Ltd	FMCG	2,731	2,566	HOLD	6,417	40.9	46.7	212.0	226.0	66.8	58.5	12.9	12.1	26.4	27.3
ITC Ltd	FMCG	210	274	BUY	2,579	12.2	14.0	50.1	52.7	17.3	15.0	4.2	4.0	35.1	37.3
Jubilant Foodworks Ltd	FMCG	4,001	3,123	HOLD	528	39.9	52.0	148.5	194.3	100.2	76.9	26.9	20.6	25.6	27.0
Kansai Nerolac Paints Ltd	FMCG	623	562	SELL	335	11.0	14.0	84.2	95.8	56.5	44.4	7.4	6.5	16.4	17.7
Marico Ltd	FMCG	547	450	SELL	706	9.7	11.2	28.1	31.5	56.2	48.7	19.5	17.4	19.4	20.3
Nestle India Ltd	FMCG	19,833	15,486	SELL	1,912	248.9	281.6	321.4	448.1	79.7	70.4	61.7	44.3	24.2	24.4
Cyient Ltd	IT-SERVICES	982	1,007	HOLD	108	47.0	55.2	293.0	323.2	20.9	17.8	3.4	3.0	17.7	17.8
HCL Technologies Ltd	IT-SERVICES	1,165	1,118	HOLD	3,160	50.6	55.9	247.4	275.3	23.0	20.8	4.7	4.2	26.0	26.0
Infosys Ltd	IT-SERVICES	1,678	1,595	HOLD	7,148	52.7	61.1	175.4	190.5	31.8	27.5	9.6	8.8	26.5	26.7
Larsen & Toubro Infotech Ltd	IT-SERVICES	5,281	4,438	HOLD	923	127.8	147.9	497.1	591.0	41.3	35.7	10.6	8.9	21.3	21.6
Tata Consultancy Services Ltd	IT-SERVICES	3,715	3,498	HOLD	13,738	104.2	116.6	249.8	268.4	35.7	31.9	14.9	13.8	28.0	28.1
Tech Mahindra Ltd	IT-SERVICES	1,437	1,274	HOLD	1,392	65.0	70.8	299.5	317.3	22.1	20.3	4.8	4.5	19.2	19.4
Wipro Ltd	IT-SERVICES	643	568	HOLD	3,518	23.8	25.8	116.8	134.6	27.0	24.9	5.5	4.8	23.0	23.8
Inox Leisure Ltd	MEDIA	307	343	BUY	38	3.3	16.9	115.0	129.9	93.9	18.2	2.7	2.4	11.5	19.2
PVR Ltd	MEDIA	1,335	1,428	ACCUMULATE	81	-48.8	39.9	398.4	436.2	-	33.5	3.4	3.1	3.9	20.7
Jindal Steel & Power Ltd	METAL AND MINING	371	538	BUY	378	98.3	85.5	410.2	495.7	3.8	4.3	0.9	0.7	34.2	34.9
JSW Steel Ltd	METAL AND MINING	677	853	BUY	1,636	85.1	61.4	273.1	327.6	8.0	11.0	2.5	2.1	29.2	22.9
Steel Authority of India Ltd	METAL AND MINING	121	168	BUY	496	37.3	28.6	139.6	164.2	3.2	4.2	0.9	0.7	29.0	22.2
Tata Steel Ltd	METAL AND MINING	1,412	1,735	BUY	1,698	196.8	138.4	839.0	968.0	7.2	10.2	1.7	1.5	27.8	23.0
APL Apollo Tubes Ltd	MIDCAP	1,676	2,014	BUY	209	43.9	56.4	144.5	200.9	38.2	29.7	11.6	8.3	9.8	10.3
Astral Ltd	MIDCAP	2,110	2,130	HOLD	424	22.7	28.4	113.0	137.4	93.2	74.3	18.7	15.4	18.5	19.2

# Valuation Summary *(Contd.)*

COMPANY	SECTOR	CMP	TP	RATING	M_CAP	EPS (Rs)		BV (Rs)		PE(x)		P/BV(x)		Ebitda Mrgn(%)	
		(Rs)	(Rs)		(Rs_bn)	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
Bata India Ltd	MIDCAP	1,777	1,907	HOLD	228	16.3	34.1	20.6	20.6	109.2	52.2	86.4	86.4	19.0	25.5
CCL Products India Ltd	MIDCAP	408	446	HOLD	54	16.5	20.3	95.2	111.5	24.7	20.1	4.3	3.7	25.3	26.3
Century Plyboards India Ltd	MIDCAP	399	426	HOLD	89	13.9	19.4	67.4	80.9	28.7	20.6	5.9	4.9	21.1	19.1
Cera Sanitaryware Ltd	MIDCAP	4,364	4,431	HOLD	57	112.4	138.5	766.7	884.8	38.8	31.5	5.7	4.9	14.2	14.6
Finolex Industries Ltd	MIDCAP	169	200	HOLD	104	8.4	9.1	55.0	60.5	20.1	18.6	3.1	2.8	18.8	18.4
Indian Hotels Co Ltd/The	MIDCAP	148	147	HOLD	175	-2.0	2.8	28.5	30.6	-	52.7	5.2	4.8	15.0	24.5
JK Paper Ltd	MIDCAP	241	294	HOLD	43	35.7	53.8	175.7	223.5	6.8	4.5	1.4	1.1	25.6	27.1
Kajaria Ceramics Ltd	MIDCAP	1,159	1,163	HOLD	184	23.4	29.1	128.3	140.6	49.5	39.9	9.0	8.2	19.0	19.3
Lemon Tree Hotels Ltd	MIDCAP	39	42	HOLD	31	-0.6	0.4	8.8	10.1	-	97.5	4.4	3.9	37.0	38.5
Mold-Tek Packaging Ltd	MIDCAP	479	550	HOLD	13	21.1	27.5	107.5	129.0	22.7	17.4	4.5	3.7	20.2	21.1
Nilkamal Ltd	MIDCAP	2,750	2,266	SELL	41	104.7	133.3	288.0	288.0	26.3	20.6	9.5	9.5	12.8	13.1
Phillips Carbon Black Ltd	MIDCAP	245	343	BUY	42	25.3	28.4	129.6	150.0	9.7	8.6	1.9	1.6	16.4	16.6
Relaxo Footwears Ltd	MIDCAP	1,197	1,034	SELL	297	12.6	15.9	38.1	49.8	95.3	75.2	31.5	24.1	18.7	19.6
Safari Industries India Ltd	MIDCAP	850	888	BUY	19	1.7	22.2	125.5	146.7	509.0	38.3	6.8	5.8	5.4	13.2
Somany Ceramics Ltd	MIDCAP	697	779	HOLD	30	23.6	31.2	178.1	207.6	29.6	22.4	3.9	3.4	12.2	12.7
Supreme Industries Ltd	MIDCAP	2,140	1,829	SELL	272	62.9	73.2	284.0	328.9	34.0	29.3	7.5	6.5	16.7	17.3
VIP Industries Ltd	MIDCAP	460	457	BUY	65	4.3	12.0	38.8	47.9	108.0	38.3	11.8	9.6	12.5	17.0
Bharat Petroleum Corp Ltd	OIL & GAS	477	445	ACCUMULATE	1,035	33.8	41.9	208.6	230.4	14.1	11.4	2.3	2.1	4.5	4.4
Hindustan Petroleum Corp Ltd	OIL & GAS	267	286	BUY	378	42.7	44.3	242.1	265.1	6.3	6.0	1.1	1.0	3.8	3.0
Petronet LNG Ltd	OIL & GAS	228	267	ACCUMULATE	341	20.4	23.8	79.4	83.2	11.2	9.6	2.9	2.7	14.5	15.2
Reliance Industries Ltd	OIL & GAS	2,270	2,474	BUY	14,868	87.5	109.1	1119.0	1225.0	26.0	20.8	2.0	1.9	19.4	20.8
Avenue Supermarts Ltd	RETAILS	3,970	3,501	HOLD	2,571	23.4	38.1	214.3	252.3	170.0	104.2	18.5	15.7	7.5	8.7
TCNS Clothing Co Ltd	RETAILS	589	469	SELL	36	13.5	15.9	95.3	98.6	43.7	37.1	6.2	6.0	19.2	20.8
Trent Ltd	RETAILS	994	657	SELL	353	6.0	7.7	66.6	67.9	165.9	129.3	14.9	14.6	19.2	21.2
Indian Railway Catering & Tourism Corp Ltd	TRANSPORTATION	2,743	1,800	BUY	439	41.9	51.4	108.8	137.1	65.5	53.4	25.2	20.0	37.4	36.9
IRCON International Ltd	TRANSPORTATION	43	56	BUY	40	5.3	6.2	48.3	49.9	8.1	7.0	0.9	0.9	8.8	9.2
Rail Vikas Nigam Ltd	TRANSPORTATION	29	36	BUY	59	4.5	5.1	29.3	32.2	6.5	5.7	1.0	0.9	5.8	5.9
ITES Ltd	TRANSPORTATION	271	343	BUY	65	25.0	28.6	102.8	106.5	10.8	9.5	2.6	2.5	28.0	25.3

Source: Bloomberg, IDBI Capital Research, data as of 1 September 2021

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