INSTITUTIONAL RESEARCH

HSIE Results Daily

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- **Aurobindo Pharma:** Aurobindo's Q1 results were in line driven by strong growth in ARV business and stable performance in US (flat QoQ). The company continues to guide for good growth momentum in the US (ex injectables) driven by 50+ launches in the year. R&D investments are likely to inch up to 5.5% of sales (+120bps YoY) as the company targets complex /differentiated opportunities. The progress on this front is encouraging (one MDI inhaler filed in the US, depot/biosimilars filing starting 2HFY21/22). FCF generation was strong in the quarter at USD217mn aided by reduction in working capital days (lower receivables in the US). Balance sheet is comfortable with Net debt/equity at 0.08x. We increase our earnings estimates by 3% in FY21/22 and revise our TP to Rs980 based on 16x FY22 EPS (from 14x earlier). Maintain Buy.
- **GAIL (India):** Our BUY recommendation on GAIL with a price target of INR 128 is based on 15% CAGR expansion in gas transmission volume over FY21-23E to 137mmscmd on the back of (1) increase in domestic gas production, (2) increase in demand of RLNG, and (3) completion of major pipelines in the eastern and southern part of India. 1QFY21 EBITDA/APAT was 47/52% below estimates as the company reported an operating loss of INR 5bn in the NG marketing business vs our expectation of a profit of INR 4bn.
- **Ashok Leyland:** While Ashok Leyland (AL) reported a 1QFY21 loss of Rs 3.9bn, the management is witnessing green shoots of demand with LCVs, ICVs and tippers witnessing a pick-up from COVID lows; demand for MHCVs (haulage trucks) remains weak. The OEM is focusing on LCVs to broad-base the sales mix and is rolling the Phoenix LCV in 3QFY21. We believe that the recovery is yet nascent and await a more meaningful pick-up in overall CV sales. Maintain REDUCE.
- **Galaxy Surfactants:** Our BUY recommendation on GALSURF with a price target of INR 2,100 is premised on (1) stickiness of business as 55% of the revenue mix comes from MNCs, (2) stable EBITDA margins at >12% since fluctuations in raw material costs (RMC) are easily passed on to customers, and (3) strong return ratios (RoE/RoIC of 22/18% in FY22E).
- **Kalpataru Power Transmission:** We maintain BUY on Kalpataru Power (KPTL) with an SoTP of Rs 357/sh (core 10x FY22EPS). 1QFY21 performance was a beat on all fronts, driven by robust execution amidst a challenging environment, as well as cost rationalisation. Multiple triggers are in place for a further re-rating with (1) execution efficiency reaching ~90% pre-COVID level (~75-80% execution in May-20), (2) monetisation of three BOOT transmission assets during FY21E on track, and (3) restructuring of two JMC roads BOTs, which shall reduce cash burnout (Rs ~0.5bn in FY21E vs Rs ~0.8bn in FY20). No change in FY21/22 estimates.
- **Indostar Capital Finance:** INDOSTAR's 1Q earnings came in above the estimates due to lower-than-expected operating and tax expenditure. The company is now well-positioned on the liquidity, capital and funding fronts, as a result of the equity infusion by Brookfield.. While the retail portfolio under moratorium registered a sharp fall, the corporate portfolio under moratorium was sticky, which would keep asset quality risks and provisions elevated and return ratios subdued in the near term. We, thus, maintain REDUCE with a target price of Rs 267.

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- **Brigade Enterprises:** BRGD reported 1QFY21 pre-sales volume/value at 0.42mn sqft/Rs 2.5bn, registering decline of 63%/58% YoY. While leasing activity was conspicuous by its absence, rental collection from existing portfolio remained healthy at 98% in 1QFY21. The company has given 50% waiver on MG during the lockdown for the retailers who have reopened at the mall. BRGD has started operations at hospitality assets and hopes to achieve gross operating breakeven by 2QFY21. Collection of Rs 3.8bn led to positive operating cashflow of Rs 820mn. Net debt also remained stable at Rs 29bn (Rs 28bn at FY20-end, BRGD's share). Despite midterm challenges in hospitality and retail business, we maintain BUY with target price of Rs 213/sh as BRGD has strong liquidity. Lease tie-up in BTG Bengaluru will lead to further re-rating.

- **Balaji Amines:** Our BUY recommendation on Balaji Amines with a price target of INR 785 is premised on (1) robust demand from pharma and agrochemical industry that comprise 77% of its revenue mix, and (2) faster-than-anticipated recovery in plant utilisation. 1Q EBITDA/APAT was 41/71% above our estimates, attributable to (1) 10% higher sales volumes and (2) 28% higher per-kg EBITDA.

- **JMC Projects:** JMC Project's (JMC) 1QFY21 financial performance has been severely impacted as its order book has a high exposure to the worst-affected urban regions, mainly in the buildings and factories segment (58% of order backlog). With almost a one-month loss due to the lockdown, execution is now gradually ramping up with labour availability improving from 60% to 75% QoQ. Despite weak execution, order intake has been robust at Rs 34.3bn ex-L1 of Rs 17bn (JMC to surpass inflow guidance of Rs 50bn). We expect FY21E to mark new beginnings with (1) likely restructuring of 2 BOT assets (would cut loss funding to Rs 500mn vs. Rs 800mn for FY20) and (2) order accretion from international geographies. We maintain BUY with Rs 69/sh TP.

Aurobindo Pharma

Steady performance, outlook intact

Aurobindo's Q1 results were in line driven by strong growth in ARV business and stable performance in US (flat QoQ). The company continues to guide for good growth momentum in the US (ex injectables) driven by 50+ launches in the year. R&D investments are likely to inch up to 5.5% of sales (+120bps YoY) as the company targets complex /differentiated opportunities. The progress on this front is encouraging (one MDI inhaler filed in the US, depot/biosimilars filing starting 2HFY21/22). FCF generation was strong in the quarter at USD217mn aided by reduction in working capital days (lower receivables in the US). Balance sheet is comfortable with Net debt/equity at 0.08x. We increase our earnings estimates by 3% in FY21/22 and revise our TP to Rs980 based on 16x FY22 EPS (from 14x earlier). Maintain Buy.

- **Q1 snapshot:** Revenues at Rs59.2bn were largely in line as strong growth in ARV (+34% YoY, shift towards TLD), stable performance in US business (6.5% YoY, flat QoQ in cc terms) offset weak growth in EU (down 5% YoY, overstocking in Q4). US sales (USD412mn) were steady as subdued growth in injectables business (down 14% QoQ, Covid impact) was offset by strong traction in nutraceuticals (+25% QoQ). Excluding one off cost (Rs600mn, provisions), EBIDTA margin expanded to 22.2% (+91bps YoY, +44bps QoQ) as strong improvement in gross margin (58.7%, +138bps YoY, flat QoQ) partially offset increase in staff cost and R&D expense.
- **Progress on differentiated/complex pipeline is encouraging:** Depo injectables - clinical trials for first product to start in Q3FY21, filing in FY22. Biosimilars – working on 5 products, plans to file one by end of FY21 in EU, followed by another in FY22. Inhaler – one MDI inhaler filed in the US.
- **Key to Note:** a) Expects 50 launches (6 in Q1) and 50+ filings in FY21; Pricing environment is stable; b) Net debt reduction – USD168mn in Q1, will further reduce over the year; c) Unit 1, IX, XI - invited FDA for desktop review; Unit VII – completed most of CAPA, Aurolife- submitted CAPA, awaiting FDA response; d) Capex – USD150-200mn in FY21, FY22 capex will be based on decision to invest in PLI scheme.
- **Maintain Buy, risks:** We increase our earnings estimates by ~3% for FY21/22e and revise TP to Rs980 based on 16x FY22e EPS (from 14x earlier). Key downside risks: higher price erosion in the US, delay in plant resolution (Unit I, IX, XI, VII, AuroLife) and lower margin improvement in EU business.

Financial Summary

INR Mn	Q1 FY21	Q1 FY20	% YoY chg	Q4 FY20	% QoQ chg	FY19	FY20	FY21E	FY22E
Net Revenues	59,248	54,446	*8.8*	61,584	*(3.8)*	195,636	230,985	254,702	274,937
EBIDTA	13,174	11,608	*13.5*	13,425	*(1.9)*	39,520	48,643	54,610	57,737
APAT	8,072	6,591	*22.5*	8,596	*(6.1)*	23,762	28,493	33,449	35,962
Recurring EPS (Rs)	13.8	11.2	*22.5*	14.7	*(6.1)*	40.6	48.6	57.1	61.4
P/E (x)						21.7	18.1	15.4	14.4
EV / EBITDA (x)						14.3	11.2	9.6	8.6
RoE (%)						16.5	16.8	16.7	15.4

Source: Company, HSIE Research

BUY

CMP *(as on 13 Aug 2020)*	**Rs 881**
Target Price	**Rs 980**
NIFTY	**11,300**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	Rs 835	Rs 980
EPS %	FY21E	FY22E
	3%	3%

KEY STOCK DATA

Bloomberg code	ARBP IN
No. of Shares (mn)	586
MCap (Rs bn) / ($ mn)	516/6,902
6m avg traded value (Rs mn)	4,399
52 Week high / low	Rs 968/281

STOCK PERFORMANCE (%)

	3M	**6M**	**12M**
Absolute (%)	30.4	67.1	46.2
Relative (%)	10.7	74.7	42.5

SHAREHOLDING PATTERN (%)

	Mar-20	**Jun-20**
Promoters	51.87	52.01
FIs & Local MFs	12.56	12.56
FPIs	22.26	22.63
Public & Others	13.31	12.80
Pledged Shares	0.00	0.00

Source : BSE

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GAIL (India)

A muted quarter

Our BUY recommendation on GAIL with a price target of INR 128 is based on 15% CAGR expansion in gas transmission volume over FY21-23E to 137mmscmd on the back of (1) increase in domestic gas production, (2) increase in demand of RLNG, and (3) completion of major pipelines in the eastern and southern part of India. 1QFY21 EBITDA/APAT was 47/52% below estimates as the company reported an operating loss of INR 5bn in the NG marketing business vs our expectation of a profit of INR 4bn.

- **NG transmission**: 1Q revenue dipped 18/14% QoQ/YoY to INR 13bn, owing to 17/14% YoY/QoQ decline in transmission volumes to 90.2mmscmd and 7/4% YoY/QoQ fall in tariff to INR 1,436/tscm. We expect NG transmission volumes to rise to 103/123mmscmd in FY21/22E vs. 108mmscmd in FY20.
- **Petchem**: Revenue in 1Q grew 0.4/10% QoQ/YoY to INR 12bn, led by an increase in sales volumes by 5/35% QoQ/YoY to 183kT. However, distress prices of polymers (HDPE, LLDPE) resulted in 5/18% QoQ/YoY fall in realisation to INR 67/kg. Hence, the segment reported an operating loss of INR 430mn (vs profit of INR 2bn in 4QFY20 and loss of INR 1bn in 1QFY20). We expect sales volumes of 650/801kT in FY21/22E vs 738kT in FY20.
- **NG marketing**: Operating loss of INR 5bn (vs profit of INR 6/9bn QoQ/YoY) was owing to trading loss of INR 700/tscm (vs a gain of INR 709/980 QoQ/YoY). Volumes traded declined to 81.2mmscmd (-17/16% QoQ/YoY) with a reduction in India's gas demand in 1Q. We expect trading margins of INR 146/155 tscm (INR 644/tscm in FY20) and volumes of 90/105mmscmd in FY21/22E (96mmscmd in FY20).
- **Takeaways from the earnings call**: Capacity utilisation in 1Q declined across segments: natural gas transmission 45% (vs. 53% QoQ), petchem 76% (vs. 86% QoQ), LPG transmission 99% (vs. 109% QoQ), polymers 66% (vs. 103% QoQ), liquid hydrocarbon 76% (vs. 85% QoQ). Demand for gas has recovered in 2Q.
- **Our target price is INR 128/sh (6.0x Mar-22E EV/e for the stable Gas, LPG transmission and gas marketing business, 4.0x EV/e for the cyclical petchem and LPG/LHC business, INR 35 for investments). The stock is currently trading at 10.6x/7.9x FY21/22E EPS.**

Standalone Financial summary

YE March (INR bn)	1Q FY21	4Q FY20	*QoQ (%)*	1Q FY20	*YoY (%)*	FY19*	FY20P*	FY21E*	FY22E*
Revenues	121	178	*(31.9)*	183	*(34.0)*	762	725	488	582
EBITDA	6	25	*(74.8)*	23	*(72.4)*	97	90	55	76
APAT	3	14	*(81.2)*	13	*(80.2)*	65	94	42	56
AEPS (INR)	0.6	3.0	*(81.2)*	2.9	*(80.2)*	14.5	20.9	9.2	12.3
P/E (x)						6.8	4.7	10.6	7.9
EV/EBITDA (x)						4.6	5.5	8.8	6.3
RoE (%)						14.9	19.8	8.1	9.9

Source: Company, HSIE Research | *Consolidated

Consolidated change in estimates

	FY21E			FY22E		
	Old	New	*% Ch*	Old	New	*% Ch*
EBITDA (INR bn)	56	55	*(0.6)*	76	76	*0.7*
AEPS (INR/sh)	9.3	9.2	*(0.6)*	12.2	12.3	*0.7*

Source: Company, HSIE Research

BUY

CMP *(as on 13 Aug 2020)*	**INR 98**
Target Price	**INR 128**
NIFTY	**11,300**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR 124	INR 128
	FY21E	**FY22E**
EPS %	-0.6%	+0.7%

KEY STOCK DATA	
Bloomberg code	GAIL IN
No. of Shares (mn)	4,510
MCap (Rs bn) / ($ mn)	439/5,871
6m avg traded value (Rs mn)	1,679
52 Week high / low	Rs 149/65

STOCK PERFORMANCE (%)

	3M	**6M**	**12M**
Absolute (%)	9.0	(25.2)	(22.7)
Relative (%)	(10.7)	(17.7)	(26.4)

SHAREHOLDING PATTERN (%)

	Mar-20	**Jun-20**
Promoters	52.06	52.10
FIs & Local MFs	18.31	19.14
FPIs	16.30	15.61
Public & Others	13.33	13.15
Pledged Shares	0.00	0.00

Source : BSE

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INSTITUTIONAL RESEARCH

Ashok Leyland

Demand bottoming out

While Ashok Leyland (AL) reported a 1QFY21 loss of Rs 3.9bn, the management is witnessing green shoots of demand with LCVs, ICVs and tippers witnessing a pick-up from COVID lows; demand for MHCVs (haulage trucks) remains weak. The OEM is focusing on LCVs to broad-base the sales mix and is rolling the Phoenix LCV in 3QFY21. We believe that the recovery is yet nascent and await a more meaningful pick-up in overall CV sales. Maintain REDUCE.

- **1QFY21 financials:** Volumes (down 90/85% YoY/QoQ) were affected by the COVID-led lockdown. MHCV/LCV volumes declined by 96/78% YoY. Revenue declined by 89% YoY. EBITDA loss came in at Rs 3.33bn, owing to negative operating leverage. The company reported a loss of Rs 3.87bn.
- **Call takeaways: (1) Green shoots of demand:** The OEM is witnessing a pick-up in demand from the COVID lows. In 2Q, the company will exceed 10,000 units (from ~3,800 units in 1Q). The management expects demand to be led by an improvement in ICVs, tipper sales (driven by a pick-up in infrastructure activities) and LCVs. **(2) Phoenix LCV launch**: The OEM will launch the Phoenix LCV (5-7.5T segment) in 3QFY21. AL's modular platform AVTR is well-received, and ~2,000 units have been produced. **(3) Defence reforms**: The management is enthused by the government's initiative to promote local manufacturing by banning the import of 101 products. This move will promote 'Make by India', where local manufacturers will develop indigenous technology. However, timelines remain unclear as yet. **(4) Debt levels:** AL's debt level as of Jun-20 has risen to Rs 42bn vs Rs 30.6bn in FY20, due to payments made to vendors. The debt level will moderate as demand improves/working capital cycle normalises. AL's ICDs to group companies has reduced to Rs 4bn due to repayment of Rs 1bn from its sister company.
- **Earnings**: While we are reducing our FY21 estimates to factor in the weak 1Q, our FY22/23E estimates are mostly unchanged. We now value the stock at 15x (vs 13x earlier) to factor in the bottoming of demand and set a revised target price of Rs 57. **Key risks**: a sharper-than-expected recovery and favourable response to new launches.

Financial Summary

YE March (Rs mn)	1Q FY21	1Q FY20	*YoY (%)*	4Q FY20	*QoQ (%)*	FY19	FY20	FY21E	FY22E	FY23E
Net Sales	6,509	56,839	*(88.5)*	38,385	*(83.0)*	290,550	174,675	154,505	188,103	230,703
EBITDA	(3,332)	5,370	*NA*	1,830	*NA*	31,357	11,736	8,652	18,810	23,416
APAT	(3,871)	2,503	*NA*	114	*NA*	20,289	3,426	1,783	10,273	13,805
Adj. EPS (Rs)	(1.3)	0.9	*NA*	0.0	*NA*	6.9	1.2	0.6	3.5	4.7
APAT Growth(%)						16.7	(83.1)	(48.0)	476.2	34.4
P/E (x)						8.8	52.3	100.5	17.4	13.0
RoE (%)						26.0	4.4	2.4	13.4	16.4

Source: Company, HSIE Research

Change in Estimates

Rs mn	New			Old			Change (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	154,505	188,103	230,703	161,059	195,686	238,438	(4)	(4)	(3)
EBITDA	8,652	18,810	23,416	9,986	19,569	24,201	(13)	(4)	(3)
EBITDA Margin (%)	5.6	10.0	10.2	6.2	10.0	10.2	-60 bps	0 bps	0 bps
PAT	1,783	10,273	13,805	2,684	10,237	13,734	(34)	0	1
EPS	0.6	3.5	4.7	0.9	3.5	4.7	(34)	0	1

Source: Company, HSIE Research

REDUCE

CMP *(as on 13 Aug 2020)*	**Rs 61**
Target Price	**Rs 57**
NIFTY	**11,300**

KEY CHANGES	**OLD**	**NEW**
Rating	REDUCE	REDUCE
Price Target	Rs 49	Rs 57
EPS %	FY21E	FY22E
	-34%	0%

KEY STOCK DATA	
Bloomberg code	AL IN
No. of Shares (mn)	2,936
MCap (Rs bn) / ($ mn)	179/2,397
6m avg traded value (Rs mn)	2,150
52 Week high / low	Rs 88/34

STOCK PERFORMANCE (%)

	3M	**6M**	**12M**
Absolute (%)	25.3	(25.1)	(0.7)
Relative (%)	5.6	(17.5)	(4.4)

SHAREHOLDING PATTERN (%)

	Mar-20	**Jun-20**
Promoters	51.5	51.5
FIs & Local MFs	15.1	14.1
FPIs	16.9	15.6
Public & Others	16.5	18.7
Pledged Shares	*4.7*	*5.6*

Source : BSE

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Galaxy Surfactants

Higher per-unit EBITDA drives earnings

Our BUY recommendation on GALSURF with a price target of INR 2,100 is premised on (1) stickiness of business as 55% of the revenue mix comes from MNCs, (2) stable EBITDA margins at >12% since fluctuations in raw material costs (RMC) are easily passed on to customers, and (3) strong return ratios (RoE/RoIC of 22/18% in FY22E).

- **View on the result:** EBITDA/APAT was 74%/2.3x higher than estimates, attributable to (1) 23% higher volumes and (2) 42% higher per-ton EBITDA.
- **Resilient performance despite the pandemic:** 1Q revenue declined merely by 8/9% QoQ/YoY to INR 6bn due to (1) only 11/5% QoQ/YoY decline in overall volumes, (2) 4/-4% QoQ/YoY growth in per-unit realisation. Strong demand for performance surfactants (+8% YoY) was offset by lower demand for speciality care products (-26% YoY). Increased awareness for hygiene, given COVID-19, led to a spike in volume offtake for the former; however, as discretionary spending reduced during the pandemic, the latter suffered a blow. Despite a strong demand, labour shortage and lower production by customers (supply constraints) dragged overall volumes of the company.
- **Margins**: Gross margin dipped by 217bps QoQ to 34.2%. However, EBITDAM corrected merely by 73bps QoQ to 14.9% owing to 199bps dip in opex margins. Lower opex (-21% QoQ) was consequential to curtailed repairs and maintenance, travel, power and fuel expenses, which are likely to recover with volume. The company should be able to retain its GM/EBITDAM at 34.4/14.3% in FY21E (33.9/14.2% in FY20), driven by robust demand for performance surfactants (+12% YoY), given COVID-19.
- **Performance Surfactants' volume grew 8%YoY despite supply constraints**: Total volumes declined by 5%YoY to 52kT, predominantly owing to 26% YoY contraction in Specialty Care volumes to 15kT. Performance Surfactants (70% of vol mix) grew 8%YoY to 36kT. Blended volume growth was driven by the Africa/Middle East/Turkey (AMET) market (mainly, Egypt) that grew 10%YoY (42% of volume mix). Indian demand (37% of the 1Q volume mix) contracted 2%YoY. April and May 2020 were poor for the Indian market. However, volumes picked up in June. Volume declined 27%YoY from the RoW market (rest of the world) that comprised 21% of the 1Q volume mix.
- **Change in estimates:** We raise our FY21E EPS estimate by 44% to INR 62.9, led by (1) faster-than-anticipated recovery in volumes, with improvement in the Egypt and Indian markets, (2) buoyant demand for performance surfactants as COVID-19 acts as a tailwind, (3) higher-than-anticipated per-ton EBITDA margin in 1QFY21. We cut our FY22E per ton EBITDA by 15%, in line with the management's guidance leading to a 10% correction in EPS.
- **DCF-based valuation:** Price target of INR 2,100 is based on Mar-22E cash flows (WACC 10%, Terminal growth 3.0%). The stock is trading at 21.8x FY22E EPS.

Consolidated Financial Summary

Year Ending March (INR mn)	1Q FY21	4Q FY20	*QoQ (%)*	1Q FY20	*YoY (%)*	FY19	FY20	FY21E	FY22E
Revenues	6,072	6,567	*(7.5)*	6,650	*(8.7)*	27,630	25,964	27,424	34,094
EBITDA	905	1,026	*(11.8)*	961	*(5.8)*	3,472	3,689	3,921	4,752
APAT	565	628	*(10.0)*	526	*7.5*	1,910	2,244	2,231	2,815
AEPS (INR)	15.9	17.7	*(10.0)*	14.8	*7.5*	53.9	65.0	62.9	79.4
P/E (x)						32.1	26.6	27.4	21.8
EV/EBITDA (x)						16.8	15.9	15.0	12.2
RoE (%)						23.9	23.1	19.7	21.9

Source: Company, HSIE Research

BUY

CMP *(as on 12 Aug 2020)*	**INR 1,727**
Target Price	**INR 2.100**
NIFTY	**11,308**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR 1,915	INR 2,100
EPS %	FY21E	FY22E
	+44.1	-10.2

KEY STOCK DATA	
Bloomberg code	GALSURF IN
No. of Shares (mn)	35
MCap (INR bn) / ($ mn)	61/818
6m avg traded value (INR mn)	40
52 Week high / low	INR 1,791/975

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	31.7	4.7	44.5
Relative (%)	9.3	12.4	42.4

SHAREHOLDING PATTERN (%)	**Mar-20**	**June-20**
Promoters	70.93	70.93
FIs & Local MFs	13.62	13.60
FPIs	3.25	3.09
Public & Others	12.20	12.38
Pledged Shares	0.0	0.0

Source : BSE

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Kalpataru Power Transmission

Execution-led beat

We maintain BUY on Kalpataru Power (KPTL) with an SoTP of Rs 357/sh (core 10x FY22EPS). 1QFY21 performance was a beat on all fronts, driven by robust execution amidst a challenging environment, as well as cost rationalisation. Multiple triggers are in place for a further re-rating with (1) execution efficiency reaching ~90% pre-COVID level (~75-80% execution in May-20), (2) monetisation of three BOOT transmission assets during FY21E on track, and (3) restructuring of two JMC roads BOTs, which shall reduce cash burnout (Rs ~0.5bn in FY21E vs Rs ~0.8bn in FY20). No change in FY21/22 estimates.

- **1QFY21 highlights:** Revenue: Rs 14.6bn (-12%/-37% YoY/QoQ, 37% beat). EBITDA: Rs 1.56bn (-19%/-38% YoY/QoQ, 59% beat). Margin was slightly down 91/29bps YoY/QoQ at 10.7% (vs est of 9.3%), but within the guided range of ~10.5-11%. Margin beat was driven by decent execution as well as cost curtailment. Interest cost at Rs 350mn (+3%/-24% YoY/QoQ) came in slightly lower-than-envisaged owing to debt reduction due to efficient WC management. Consequently, RPAT stood at Rs 690mn (-25%/-35% YoY/QoQ, 138% beat vs est. of Rs 290mn). Standard net debt was at Rs 7.6bn vs Rs 9.9/9.7bn YoY/ QoQ (0.21x vs 0.27x QoQ).
- **Segmental performance:** While T&D was flat YoY overall in 1QFY21(~Rs 9.5bn), Linjemontage operations are ramping up nicely with revenue of Rs 2.7bn (+ ~100% YoY) and margin improving from ~4.5% to ~5.5%. Railways and Oil & Gas (O&G) both saw ~25-30% decline. FY21E guidance is at ~5-10% revenue growth.
- **Robust order backlog and inflows:** The order book as on 1QFY21 stood at Rs 135bn. YTD FY21 inflows of Rs 24.7bn (1QFY21 orders - Rs 18.7bn, 2QFY21- Rs 6bn). Order book as of now is Rs 141bn with Rs 10bn L1 in TDI. 2HFY21 Railways electrification/O&G bid pipeline remains robust at Rs 80/50bn. KPTL will also look at 2-3 TBCB bids selectively, but to execute and exit. Equity investments in these projects would be largely met from internal accruals to keep debt in check. KPTL is also open to strategic international acquisitions in smaller consideration sizes of $25-30mn.
- **Asset monetisation seems on track:** KPTL expects to achieve zero standalone net debt status by Mar-21 (~Rs 8bn as on 1QFY21). It is in advanced stages of divesting stake in Kohima Asset to CLP India by Dec-20 (Element 3 to be commissioned soon, Elements 1 & 2 commissioned in 1QFY21). Closure of definitive agreements signed to sell Jhajjar (EV of Rs 3.1bn) & Alipurduar (EV of Rs 12.86bn) assets in 1HFY21 on track. KPTL has appointed advisors to find suitors for Shubham Logistics.

Financial summary

(Rs mn)	1Q FY21	1Q FY20	YoY (%)	4Q FY20	QoQ (%)	FY20	FY21E	FY22E	FY23E
Net Revenues	14,590	16,550	(11.8)	23,030	(36.6)	79,040	76,027	81,251	90,005
EBITDA	1,560	1,920	(18.8)	2,530	(38.3)	8,600	7,391	8,515	9,466
APAT	690	920	(25.0)	1,070	(35.5)	4,390	3,752	4,540	5,331
Diluted EPS (Rs)	4.5	6.00	(25.0)	6.97	(35.5)	28.6	24.4	29.6	34.7
P/E (x)						8.6	9.9	8.2	7.0
EV/EBIDTA (x)						5.5	6.1	4.9	4.3
RoE (%)						13.1	10.1	11.1	12.0

Source: Company, HSIE Research

BUY

CMP*(as on 13 Aug 2020)*	Rs 247
Target Price	Rs 357
NIFTY	11,300

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 357	Rs 357
EPS %	FY22E	FY22E
	-	-

KEY STOCK DATA	
Bloomberg code	KPP IN
No. of Shares (mn)	154
MCap (Rs bn) / ($ mn)	38/510
6m avg traded value (Rs mn)	107
52 Week high / low	Rs 516/170

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	23.7	(37.0)	(49.3)
Relative (%)	4.0	(29.4)	(53.0)

SHAREHOLDING PATTERN (%)	Mar-20	Jun-20
Promoters	54.37	54.38
FIs & Local MFs	29.18	26.94
FPIs	7.37	7.11
Public & Others	8.71	11.57
Pledged Shares	31.26	31.27

Source : BSE

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Indostar Capital Finance

Asset quality risks remain elevated

INDOSTAR's 1Q earnings came in above the estimates due to lower-than-expected operating and tax expenditure. The company is now well-positioned on the liquidity, capital and funding fronts, as a result of the equity infusion by Brookfield.. While the retail portfolio under moratorium registered a sharp fall, the corporate portfolio under moratorium was sticky, which would keep asset quality risks and provisions elevated and return ratios subdued in the near term. We, thus, maintain REDUCE with a target price of Rs 267.

- **1QFY21 highlights**: NII grew 10.4% QoQ to Rs 1.34bn and was in line with estimates. PPOP, at Rs 737mn (-38% YoY), was 14.7% ahead of estimates due to better-than-expected cost control. PAT was 57% higher than estimates, as tax costs fell sharply.
- **Funding and liquidity trends**: The equity infusion by Brookfield has strengthened INDOSTAR's position on these fronts. CRAR now stands at 37.7%, with a Tier 1 of 33.4%. Cash and cash equivalents at Rs 21.3bn now constitute ~30% of borrowings. The company raised ~Rs 7.3bn during the quarter from banks and capital markets at sub 9% (vs. 9.5% earlier).
- **Asset quality, moratorium and provisioning:** GNPAs were up 2.8% QoQ to Rs 3.76bn (4.5%). VF GNPAs (5.9%) rose ~10% QoQ while SME GNPAs (1.1%) dipped 35.4%. The portfolio under moratorium dipped to 57.7% (from 90%) due to a 52% fall in the retail portfolio to ~44%. Worryingly, the corporate portfolio under moratorium remained at ~90%. We, thus, believe that asset quality risks remain elevated in the near term (we build GNPAs of 7.8% in FY21E). Non-tax provisions were 61.8/96% lower YoY/QoQ, and INDOSTAR did not make additional COVID-related provisions, which stood at Rs 2.8bn.
- **Growth:** AUMs were 15.3% lower YoY, this has been on account of the fall in the corporate portfolio (-32% YoY), now ~30% of AUMs. Given INDOSTAR's comfortable funding position, it is well-positioned to resurgent growth. We estimate negligible AUM growth over FY21-22E.

Financial summary

YE Mar (Rs mn)	1Q FY21	1Q FY20	YoY (%)	4Q FY20	QoQ (%)	FY19	FY20	FY21E	FY22E
NII	1,344	1,557	*(13.6)*	1,217	*10.4*	5,177	6,028	6,879	7,268
PPOP	737	1,193	*(38.2)*	137	*437.5*	3,954	3,837	5,072	5,011
PAT	471	477	*(1.3)*	*(4,213.9)*	*NA*	2,408	(3,246)	1,281	2,150
EPS (Rs)	3.8	5.2	*(26.1)*	*(45.6)*	*NA*	26.1	(35.1)	9.5	16.0
ROAE (%)						9.5	(11.4)	4.5	5.2
ROAA (%)						2.47	(3.0)	1.28	1.98
ABVPS (Rs)						275.5	226.2	244.8	277.4
P/ABV (x)						0.92	1.12	1.04	0.92
P/E (x)						9.7	NA	26.8	15.9

Change in estimates

Rs mn	FY21E			FY22E		
	Old	New	*Change*	Old	New	*Change*
AUM	91,824	91,824	*0.0%*	100,283	100,283	*0.0%*
NIM (%)	7.0	7.2	*15 bps*	7.5	7.6	*11 bps*
NII	6,736	6,879	*2.1%*	7,158	7,268	*1.5%*
PPOP	4,752	5,072	*6.7%*	4,872	5,011	*2.8%*
PAT	1,142	1,281	*12.1%*	2,140	2,150	*0.5%*
ABVPS (Rs)	246.8	244.8	*-0.8%*	275.7	277.4	*0.6%*

Source: Bank, HSIE Research

REDUCE

CMP *(as on 13 Aug 2020)*	**Rs 254**
Target Price	**Rs 267**
NIFTY	**11,300**

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	Rs 266	Rs 267
EPS %	FY21E	FY22E
	12.1%	0.5%

KEY STOCK DATA	
Bloomberg code	INDOSTAR IN
No. of Shares (mn)	123
MCap (Rs bn) / ($ mn)	31/416
6m avg traded value (Rs mn)	60
52 Week high / low	Rs 298/166

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(8.3)	(10.6)	(12.1)
Relative (%)	(28.0)	(3.1)	(15.7)

SHAREHOLDING PATTERN (%)

	Mar-20	Jun-20
Promoters	60.6	45.5
FIs & Local MFs	20.6	2.4
FPIs	10.7	-
Public & Others	8.1	52.1
Pledged Shares		

Source : BSE

Pledged shares as % of total shares

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Brigade Enterprises

Muted performance

BRGD reported 1QFY21 pre-sales volume/value at 0.42mn sqft/Rs 2.5bn, registering decline of 63%/58% YoY. While leasing activity was conspicuous by its absence, rental collection from existing portfolio remained healthy at 98% in 1QFY21. The company has given 50% waiver on MG during the lockdown for the retailers who have reopened at the mall. BRGD has started operations at hospitality assets and hopes to achieve gross operating breakeven by 2QFY21. Collection of Rs 3.8bn led to positive operating cashflow of Rs 820mn. Net debt also remained stable at Rs 29bn (Rs 28bn at FY20-end, BRGD's share). Despite midterm challenges in hospitality and retail business, we maintain BUY with target price of Rs 213/sh as BRGD has strong liquidity. Lease tie-up in BTG Bengaluru will lead to further re-rating.

- **Revenue misses estimates:** Revenue (Rs 2bn) for the quarter declined by 71%/68% YoY/QoQ as revenue from residential and hospitality business declined by 78% and 86% YoY respectively. Despite reducing overhead expenses by 54%, EBITDA declined by 74%/65% YoY/QoQ. Consequently, BRGD posted a loss of Rs 527mn against our estimated loss of Rs 501mn. Labour availability has improved from 30%, post ease of restriction, to 50% currently. Management expects it to normalize by 3QFY21, which would help book better revenue from the residential segment.
- **Residential sales at 0.4mn sqft; commercial rent collection at +98%:** BRGD registered pre-sales of 0.4mn sqft (~40% of 1QFY20) as booking activity picked up from 15% in April to 65% in June. The company expects sales to improve further as it has strengthened its digital channels. Management also highlighted three trends which, we believe, will continue in the medium term: (1) preference for completed homes, (2) higher interest from NRI buyers and, (3) demand for larger space. Despite the lockdown, rent collection from office space remained healthy at +98% in the quarter. However, new leasing was mostly absent. BRGD launched two new projects, one each in residential (0.62mn sqft) and office (1.3mn sqft).
- **Balance sheet remains stable with strong liquidity:** Collection of Rs 3.8bn during the quarter was largely from residential (Rs 2.8bn) and office (Rs 0.8bn) segments. Consolidated net debt stood at Rs 36.2bn (vs Rs 35.2bn on Mar'20), of which Rs 19bn is LRD/GOP securitized debt. With rents from BTG Bengaluru and WTC Chennai commencing by Jan-21, BRGD has headroom to raise additional Rs 22bn in LRD. With Rs 4.6bn of cash, net D/E stood at 1.23x. BRGD has opted for loan moratorium for its hospitality and retail assets (Rs 12bn), which are facing significant headwinds.

Quarterly/Annual Financial summary

Year Ending March (Rs mn)	1Q FY21	1Q FY20	*YoY (%)*	4Q FY20	*QoQ (%)*	FY19	FY20	FY21E	FY22E
Net Sales	2,033	7,087	*(71.3)*	6,359	*(68.0)*	29,727	26,322	19,813	29,248
EBITDA	474	1,823	*(74.0)*	1,352	*(64.9)*	7,897	6,633	5,416	9,629
APAT	(527)	412	*NA*	27	*NA*	2,399	1,511	(249)	1,352
Diluted EPS (Rs)	(2.6)	2.0	*NA*	0.1	*NA*	11.7	6.4	(1)	6.6
P/E (x)						12.5	23.0	(121)	22.2
EV / EBITDA (x)						8.3	10.6	14	8.0
RoE (%)						10.7	5.8	(1)	6.1

Source: Company, HSIE Research, Standalone financials

BUY

CMP *(as on 13 Aug 2020)*	Rs 147
Target Price	Rs 213
NIFTY	11,300

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 213	Rs 213
EPS %	FY21E	FY22E
	-	-

KEY STOCK DATA	
Bloomberg code	BRGD IN
No. of Shares (mn)	204
MCap (Rs bn) / ($ mn)	30/405
6m avg traded value (Rs mn)	49
52 Week high / low	Rs 255/91

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	46.7	(35.4)	(16.1)
Relative (%)	27.0	(27.8)	(19.8)

SHAREHOLDING PATTERN (%)	Mar-20	June-20
Promoters	46.82	46.82
FIs & Local MFs	17.17	18.49
FPIs	11.85	11.95
Public & Others	24.16	22.74
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Balaji Amines

Volume and margin surprise positively!

Our BUY recommendation on Balaji Amines with a price target of INR 785 is premised on (1) robust demand from pharma and agrochemical industry that comprise 77% of its revenue mix, and (2) faster-than-anticipated recovery in plant utilisation. 1Q EBITDA/APAT was 41/71% above our estimates, attributable to (1) 10% higher sales volumes and (2) 28% higher per-kg EBITDA.

- **Volumes and realisation:** Total sales volume was 18.31kt (-9/-17% YoY/QoQ). While volume declined due to lower capacity utilisations, per-unit gross margin improved by 28/10% QoQ to INR 54/kg on the back of a better product mix and stable raw material costs. The tabulated per-kg realisation from the Amines segment comes to INR 115 (+2/10% YoY/QoQ). Back calculated per-kg EBITDA improved by 52/15% YoY/QoQ to INR 28. Utilisation for Apr/May 2020 stood at 70/80% but bounced back to pre-COVID levels from June.
- **Margins**: Gross margin stood at 47.0%, +804/-122bps YoY/QoQ. EBITDA margin jumped by 823/153bps YoY/QoQ to 24.3% (HSIE 21.9%). We believe that the current elevated level of EBITDA margin is not sustainable and expect a correction to 19.6/21.3% in FY21/22E.
- **Takeaways from the earnings call**: Production of **Acetonitrile** will double from the current 9 ton/day to 18, post a de-bottlenecking drill from Nov-2020. BLA expects Acetonitrile prices to remain elevated as its demand from pharma customers continues unabated, and the synthetic manufacturing process that is employed by the company produces a superior quality product. **Greenfield project,** INR 800mn of the budgeted INR 1.5bn has been spent; expected commissioning is by 4QFY21. **Balaji Specialty Chemicals (BSC)** revenue was unaffected by the pandemic as the end-user industry is agrochemicals.
- **Change in estimates:** We raise our FY21/22E EPS estimate by 2.7/3.9% each to INR 36.6/47.8 to factor in the 1Q performance, and in anticipation of (1) faster-than-estimated pick-up in revenue from BLA's subsidiary BSC, (2) sustainable demand for Amines from pharma and agrochemical customers, (3) spike in demand for (high-margin) Acetonitrile from the pharma sector.
- **DCF-based valuation:** Our price target of INR 785 is based on Jun-22E cash flows (WACC 10%, terminal growth 3%). The stock is trading at 14.1/11.6x FY22/23 EPS.

Standalone Financial Summary

YE Mar (INR mn)	1Q FY21	4Q FY20	*QoQ (%)*	1Q FY20	*YoY (%)*	FY19*	FY20*	FY21E*	FY22E*	FY23E*
Net Sales	2,105	2,355	*(10.6)*	2,314	*(9.0)*	9,431	9,358	10,481	12,120	13,405
EBITDA	511	535	(4.6)	371	37.7	1,934	1,807	2,055	2,586	3,058
APAT	347	324	*7.1*	200	*73.6*	1,171	975	1,187	1,550	1,876
Adj. EPS (Rs)	10.7	10.0	7.1	6.2	73.6	36.1	30.1	36.6	47.8	57.9
P/E (x)						18.6	22.4	18.4	14.1	11.6
EV/EBITDA(x)						12.3	13.5	11.2	8.7	7.1
RoE (%)						19.8	14.6	15.1	16.6	16.7

Source: Company, HSIE Research | *Consolidated

Consolidated Change in Estimates

	FY21 Old	FY21 New	*Change (%)*	FY22 Old	FY22 New	*Change (%)*
EBITDA	1,907	2,055	*7.8*	2,368	2,586	*9.2*
EPS	35.7	36.6	*2.7*	46.0	47.8	*3.9*

Source: Company, HSIE Research

BUY

CMP *(as on 13 Aug 2020)*	**Rs 672**
Target Price	**Rs 785**
NIFTY	**11,300**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	Rs 650	Rs 785
EPS %	FY21E +2.7%	FY22E +3.9%

KEY STOCK DATA	
Bloomberg code	BLA IN
No. of Shares (mn)	32
MCap (Rs bn) / ($ mn)	22/291
6m avg traded value (Rs mn)	130
52 Week high / low	Rs 698/200

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	70.7	67.0	161.1
Relative (%)	51.0	74.6	157.5

SHAREHOLDING PATTERN (%)	**Mar-20**	**Jun-20**
Promoters	53.67	53.70
FIs & Local MFs	0.28	0.36
FPIs	1.72	1.77
Public & Others	44.33	44.17
Pledged Shares	0.0	0.00

Source : BSE

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JMC Projects

In-line performance

JMC Project's (JMC) 1QFY21 financial performance has been severely impacted as its order book has a high exposure to the worst-affected urban regions, mainly in the buildings and factories segment (58% of order backlog). With almost a one-month loss due to the lockdown, execution is now gradually ramping up with labour availability improving from 60% to 75% QoQ. Despite weak execution, order intake has been robust at Rs 34.3bn ex-L1 of Rs 17bn (JMC to surpass inflow guidance of Rs 50bn). We expect FY21E to mark new beginnings with (1) likely restructuring of 2 BOT assets (would cut loss funding to Rs 500mn vs. Rs 800mn for FY20) and (2) order accretion from international geographies. We maintain BUY with Rs 69/sh TP.

- **Execution hit owing to huge presence in worst-affected urban areas:** JMC's order book has huge exposure to buildings in Southern urban cities. Lockdown restrictions and labour scarcity impacted 1QFY21 execution, despite a robust order backlog. Work has resumed in most of the sites, and execution ramp-up should lead to normalisation by 3QFY21. Revenue: Rs 4.7bn (-48/-50% YoY/QoQ, 4.4% beat). EBITDA: Rs 279mn (-72/-74% YoY/QoQ, 29% miss). EBITDA margin: 5.9% (-518/-542 bps YoY/QoQ). APAT: a loss of Rs 218mn for the quarter (vs. estimated loss of Rs 160mn).
- **Order accretion robust, on track to beat annual guidance:** JMC has an FYTD21 order backlog of Rs 127.7bn (3.5x FY20 revenue), ex-L1 of Rs 17bn. About 58% of the order book is in buildings (private – 47%, government – 11%), while exposure to infrastructure is at 38% and industrials at 4%. JMC secured FYTD21 new orders worth Rs 34.3bn (1QFY21 – 20.6bn and 2QFY21 – Rs 13.6bn). Including L1 of Rs 17bn, it is well on track to beat Rs 50bn of order inflow guidance. Labour availability has improved to 75% and expected to normalise in 3QFY21.
- **Positive progress on road BOT asset restructuring:** JMC is in the advanced stages of restructuring the 2BOT assets (Wainganga and Kurukshetra expressway). As a step towards same, JMC has already taken investment write off of Rs 795mn in Kurukshetra project during 4QFY20. Banks need to take a final call on the same. Total equity exposure now stands at Rs 8.2bn, including Rs 760mn loss funding investment for FY20. Resolution in these BOT assets continues to be the key monitorable as loss funding may reduce from Rs 750mn to Rs 500mn annually.
- **We maintain BUY** on JMC as we see FY21E to be a turnaround year for the company. A large part of Buildings order book (~85%) is in South India, which is better-placed for real estate recovery. New opportunities are being explored in Africa from an order booking perspective. Order accretion has been robust. Net debt has increased by Rs 830mn QoQ to Rs 8.2bn, and net D/E is 0.8x, which may be a cause of concern, but manageable. Key risks: (1) delay in monetisation/resolution of BOT assets and (2) leverage.

Financial summary

YE March	1QFY21	1QFY20	YoY (%)	4QFY20	QoQ (%)	FY19	FY20	FY21E	FY22E
Net Sales	4,704	9,039	*(48.0)*	9,386	*(49.9)*	32,528	37,130	33,528	39,450
EBITDA	279	1,004	*(72.3)*	1,065	*(73.8)*	3,371	4,114	3,371	4,261
APAT	(218)	356	-	451	-	1,423	1,585	725	1,269
Diluted EPS (Rs) -	1.3	2.1	*(161.4)*	2.7	*(148.4)*	8.5	9.4	4.3	7.6
P/E (x)						6.1	5.5	12.0	6.9
EV / EBITDA (x)						4.6	4.0	4.9	3.5
RoE (%)						16.6	16.7	7.3	11.8

Source: Company, HSIE Research

BUY

CMP*(as on 13 Aug 2020)*	Rs 52
Target Price	Rs 69
NIFTY	11,300

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 69	Rs 69
EPS %	FY21E	FY22E
	-	-

KEY STOCK DATA	
Bloomberg code	JMCP IN
No. of Shares (mn)	168
MCap (Rs bn) / ($ mn)	9/117
6m avg traded value (Rs mn)	9
52 Week high / low	Rs 132/30

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	37.6	(38.0)	(55.6)
Relative (%)	17.9	(30.4)	(59.2)

SHAREHOLDING PATTERN (%)	Mar-20	Jun-20
Promoters	67.36	67.36
FIs & Local MFs	18.49	17.04
FPIs	0.50	0.29
Public & Others	13.65	15.31
Pledged Shares	-	-

Source : BSE

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Rating Criteria
BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Bansi Desai	Aurobindo Pharma	CFA	NO
Harshad Katkar	Gail, Galaxy Surfactants, Balaji Amines	MBA	NO
Nilesh Ghuge	Gail, Galaxy Surfactants, Balaji Amines	MMS	NO
Divya Singhal	Gail, Galaxy Surfactants, Balaji Amines	CA	NO
Rutvi Chokshi	Gail, Galaxy Surfactants, Balaji Amines	CA	NO
Aditya Makharia	Ashok Leyland	CA	NO
Mansi Lall	Ashok Leyland	MBA	NO
Parikshit Kandpal	Kalpataru Power Transmission, Brigade Enterprises, JMC Projects	CFA	NO
Rohan Rustagi	Kalpataru Power Transmission, Brigade Enterprises, JMC Projects	MBA	NO
Chintan Parikh	Kalpataru Power Transmission, Brigade Enterprises, JMC Projects	MBA	NO
Darpin Shah	Indostar Capital Finance	MBA	NO
Aakash Dattani	Indostar Capital Finance	ACA	NO
Punit Bahlani	Indostar Capital Finance	ACA	NO

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