INSTITUTIONAL RESEARCH

HSIE Results Daily

Contents

Results Reviews

- **IndusInd Bank:** IndusInd Bank's (IIB) 4QFY21 operating performance was above our expectations (PPOP growth of 8% YoY), marred by higher-than-expected provisions. While the bank continues to gain traction on deposits mobilisation (27% YoY), it seems to be conservative on assets mobilisation (loan growth of 3% YoY) with greater focus on portfolio re-jigging (granularisation of corporate portfolio). On the asset quality front, CFD witnessed high slippages (5.2%, annualised) along with higher share in the restructured pool (~80%), while the "net slippages" for CCB were relatively muted (1.5% annualised). The strategic priorities in terms of asset mobilisation, along with elevated credit costs, are likely to further prolong ROE normalisation. We reduce our FY22/FY23 EPS by 1.1/5% to factor in lower loan growth and higher credit costs. Maintain REDUCE with revised TP of INR735.
- **Shriram Transport Finance:** Shriram Transport Finance (SHTF) reported in-line P&L performance (13% YoY PPOP growth) with steady AUM growth (~7% YoY) and gradually improving asset quality. AUM growth was largely driven by used vehicles segment with an uptick in economic activity during the quarter. Non-tax provisions remained steady at ~2.7% of AUM and are expected to moderate to 2.0% during FY22-FY23E. GNPLs declined sequentially by 5bps (on pro-forma basis) with write-offs at ~2% of AUM. We revise our FY22/FY23 earnings estimates downwards by 3%/5% to factor in higher LLPs on account of second wave of pandemic and higher provisioning buffer for slippages. Maintain ADD with a revised TP of INR1,441.
- **AU Small Finance Bank:** AU Small Finance Bank's (AUBANK) 4QFY21 PPOP growth was below expectations due to higher-than-expected operating expenses, partially offset by higher fee income (PSLC etc). Balance sheet continued its strong momentum of growth (AUM/disbursement growth of ~14% QoQ), driven by wheels, SBL, and housing. However, the bank surprised negatively on the asset quality front with GNPAs at 4.3% (pro-forma GNPA at 3.3% in 3QFY21), far higher than our expectations. We revise our FY22/FY23 earnings downwards by 9.9%/6.5%, primarily on account of higher LLP, although LGDs are likely to remain unchanged. Maintain ADD with revised TP of INR1,056.
- **Trent:** Trent's 4Q performance surprised positively. Standalone revenue grew 7% YoY to INR7.7bn (HSIE: 2.4%). Westside is estimated to have recovered base-line revenue (in-line), implying that Zudio overshot expectations. Bigger surprise was on GM recovery, which expanded 671bp YoY to 53.2% (HSIE: 47%). We suspect GM expansion was led by (1) write back of inventory provisions made in 1H and (2) better GMs in Zudio. 2H GM recoup helped Trent clock its typical annual GM (49.7%) in FY21. Costs continued to normalise; hence, EBITDAM beat lagged GM beat in 4Q. We revise our FY23 EBITDA estimates upwards (+9%) to account for higher EBITDAM (+100bp vs earlier). However, at 38x FY23 EV/EBITDA, there is no investment case. Maintain our SELL recommendation with an SOTP-based TP of INR 625/sh (implying 30x FY23 EV/EBITDA). Note: TP change largely mimics EPS change.

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- **Ajanta Pharma:** Ajanta delivered solid Q4 with revenue/EBITDA growth of 11%/71% YoY amidst challenging environment. While revenues came in line, strong recovery in India (+23% YoY) and continued growth in the US (+21% YoY) was encouraging. EBITDA margin improved to 34.3% (+200bps QoQ) driven by higher gross margin and lower other expenses. We expect margin to stabilize around ~31%+ levels in FY22 (vs. 26%/34% in FY20/21) as other expenses normalise. With conclusion of major capex and steady growth in key markets, operating leverage benefit is expected to drive ~13% earnings CAGR over FY21-23e and core ROCE expansion to 28% in FY23 (from ~17%/25% in FY20/21). Maintain BUY. Revised TP of INR2,225/sh.

- **Motilal Oswal Financial Services:** Strong cash/derivative volume at +19/20% QoQ drove capital markets APAT +114/12% YoY to INR 917mn. AMC's APAT grew 86/65% to INR 746mn (+73% vs. est.) on the back of healthy equity markets and certain one-offs. Significant MTM gain (INR 2.6bn, +25% QoQ) on treasury resulted in MOFS (ex. MOHFL) APAT growth of 31% sequentially to INR 4.3bn. We have increased our FY22/23E estimates to factor in lower impact of peak-margin requirements. We retain an ADD with a TP of INR 800 (15/25x Mar-23E Broking/AMC APAT, + 0.7/0.5x for Mar-23E treasury/ MOHL).

IndusInd Bank

Portfolio rejigging impairing growth

IndusInd Bank's (IIB) 4QFY21 operating performance was above our expectations (PPOP growth of 8% YoY), marred by higher-than-expected provisions. While the bank continues to gain traction on deposits mobilisation (27% YoY), it seems to be conservative on assets mobilisation (loan growth of 3% YoY) with greater focus on portfolio re-jigging (granularisation of corporate portfolio). On the asset quality front, CFD witnessed high slippages (5.2%, annualised) along with higher share in the restructured pool (~80%), while the "net slippages" for CCB were relatively muted (1.5% annualised). The strategic priorities in terms of asset mobilisation, along with elevated credit costs, are likely to further prolong ROE normalisation. We reduce our FY22/FY23 EPS by 1.1/5% to factor in lower loan growth and higher credit costs. Maintain REDUCE with revised TP of INR735.

- **Core fee income, CoF drive PPOP beat:** IIB reported better-than-expected PPOP growth of 8% YoY, driven primarily by lowering cost of funds (4.54%) and core fee income growth (9% YoY). Yields on CCB portfolio seem to have bottomed out, as portfolio rationalisation (large corporate portfolio down by -11% YoY) is nearing completion, as per management. CFD portfolio also registered muted growth of 5% YoY despite pick-up in economic activity.
- **Asset quality - CFD portfolio surprises negatively; CCB portfolio volatile:** CFD portfolio's asset quality surprised negatively with gross slippages at 5.2% (annualised), along with majority share (~80%) in the restructured pool. CVs, two wheelers, and LAP seem to be major contributors with GNPA >3%. Asset quality on the CCB portfolio remained volatile with gross slippages at ~10%, although a substantial portion was upgraded during the quarter.
- **Asset growth becoming a concern; maintain REDUCE:** With~16% of assets as cash balances, IIB seems to be sub-optimally utilising its balance sheet (3% YoY loan growth), leading to impact on NIMs and concerns on earnings growth. With the onset of the second wave of the pandemic, loan growth is likely to get prolonged, which along with credit costs normalisation, is likely to lead to a longer wait on ROE normalisation. Maintain REDUCE.

Financial summary

(INR bn)	4Q FY21	4Q FY20	YoY (%)	3Q FY21	QoQ (%)	FY20	FY21P	FY22E	FY23E
NII	35.3	32.3	*9.4%*	34.1	*3.8%*	120.6	135.3	154.5	176.3
PPOP	30.6	28.4	*7.9%*	29.7	*3.0%*	107.7	117.3	127.4	144.8
PAT	8.8	3.0	*190.2%*	8.5	*2.7%*	44.2	37.8	57.2	73.3
EPS (INR)	11.3	4.4	*160.2%*	11.3	*0.5%*	63.7	48.9	72.8	93.3
ROAE (%)						14.7	9.9	12.2	13.6
ROAA (%)						1.51	1.13	1.52	1.76
ABVPS (INR)						459	537	614	681
P/ABV (x)						14.8	19.3	13.0	10.1
P/E (x)						2.06	1.76	1.54	1.39

Change in estimates

INR bn	FY22E			FY23E		
	Old	New	*Chg*	Old	New	*Chg*
Loan	2,419	2,383	*-1.5%*	2,792	2,739	*-1.9%*
NIM (%)	4.7	4.7	*-2 bps*	4.9	4.9	*-6 bps*
NII	148.7	154.5	*3.9%*	173.5	176.3	*1.6%*
PPOP	127.5	127.4	*-0.1%*	150.4	144.8	*-3.7%*
PAT	57.9	57.2	*-1.1%*	77.1	73.3	*-5.0%*
ABVPS (INR)	598.1	614.2	*2.7%*	666.3	680.9	*2.2%*

Source: Company, HSIE Research

REDUCE

CMP (*as on 30 Apr 2021*)	**INR 935**
Target Price	**INR735**
NIFTY	**14,631**

KEY CHANGES	**OLD**	**NEW**
Rating	REDUCE	REDUCE
Price Target	INR745	INR735
EPS %	FY22E	FY23E
	-1.1%	-5.0%

KEY STOCK DATA	
Bloomberg code	IIB IN
No. of Shares (mn)	773
MCap (INR bn) / ($ mn)	723/9,714
6m avg traded value (INR mn)	12,252
52 Week high / low	INR 1,165/330

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	10.5	59.6	99.7
Relative (%)	5.1	36.5	55.0

SHAREHOLDING PATTERN (%)	**Dec-20**	**Mar-21**
Promoters	14.7	16.6
FIs & Local MFs	15.8	19.0
FPIs	47.5	50.9
Public & Others	22.1	13.6
Pledged Shares	-	5.5

Source : BSE

Pledged shares as % of total shares

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Shriram Transport Finance

Steadily improving the asset quality

Shriram Transport Finance (SHTF) reported in-line P&L performance (13% YoY PPOP growth) with steady AUM growth (~7% YoY) and gradually improving asset quality. AUM growth was largely driven by used vehicles segment with an uptick in economic activity during the quarter. Non-tax provisions remained steady at ~2.7% of AUM and are expected to moderate to 2.0% during FY22-FY23E. GNPLs declined sequentially by 5bps (on pro-forma basis) with write-offs at ~2% of AUM. We revise our FY22/FY23 earnings estimates downwards by 3%/5% to factor in higher LLPs on account of second wave of pandemic and higher provisioning buffer for slippages. Maintain ADD with a revised TP of INR1,441.

- **In-line P&L performance; NIMs stabilising:** SHTF reported steady operating performance with NII growth of 9.4% YoY, opex to AUM at 1.9% and non-tax provisions normalising. NIMs remained steady at 6.8% and are expected to benefit from the run-down of surplus liquidity (INR171bn, ~15% of AUM) and benign funding environment.
- **Asset quality stabilising, provisions to further normalise:** SHTF is building on the improvements in the asset quality it had reported in 3QFY21 with GNPLs declining sequentially by ~5bps and normalising credit costs (~2.7%). The company restructured INR2.8bn of loans during the quarter (INR3.1bn in 3QFY21) and wrote off INR5.4bn of loans (~2% annualised). With improving PCR at 42% and bulk of impairment recognition over, we expect moderation in credit costs during FY22-FY23E (average LLP of 2.0%).
- **AUM growth likely to be muted in the near term, maintain ADD:** SHTF's AUM growth of ~7% YoY was largely driven by the used vehicles segment, with pick-up in economic activity. With the onset of the second wave of pandemic and increasing lockdowns, we expect the asset growth to remain muted at least in the next quarter (FY22E AUM growth at 8.8%). Maintain ADD with the revised TP of INR1,441 (earlier INR1,471).

Financial summary

(INR bn)	4Q FY21	4Q FY20	*YoY (%)*	3Q FY21	*QoQ (%)*	FY20	FY21P	FY22E	FY23E
NII	21.2	19.3	*9.4*	21.5	*(1.4)*	80.0	80.7	87.0	96.1
PPOP	16.6	14.7	*12.8*	16.6	*(0.1)*	62.3	64.0	67.3	73.9
PAT	7.7	2.2	*247.4*	7.9	*(1.8)*	25.0	24.9	31.7	36.3
EPS (INR)	29.8	9.8	*204.2*	28.8	*3.7*	110.3	98.3	125.4	143.6
ROAE (%)						14.8	12.6	13.7	13.8
ROAA (%)						2.28	2.04	2.41	2.60
ABVPS (INR)						530	662	775	896
P/ABV (x)						2.8	2.2	1.9	1.7
P/E (x)						13.5	15.1	11.8	10.3

Change in estimates

INR bn	FY22E			FY23E		
	Old	New	*Chg*	Old	New	*Chg*
Loan	1,257	1,276	*1.5%*	1,373	1,394	*1.6%*
NIM (%)	7.2	7.1	*-7 bps*	7.2	7.2	*-1 bps*
NII	87.8	87.0	*-0.8%*	94.8	96.1	*1.4%*
PPOP	67.2	67.3	*0.3%*	73.1	73.9	*1.0%*
PAT	32.6	31.7	*-2.8%*	38.4	36.3	*-5.3%*
ABVPS (INR)	750	775	*3.3%*	918	896	*-2.4%*

Source: Company, HSIE Research

ADD

CMP *(as on 30 Apr 2021)*	**INR 1,345**
Target Price	**INR1,441**
NIFTY	**14,631**

KEY CHANGES	**OLD**	**NEW**
Rating	ADD	ADD
Price Target	INR1,471	INR 1,441
EPS %	FY22E	FY23E
	-2.8%	-5.3%

KEY STOCK DATA	
Bloomberg code	SHTF IN
No. of Shares (mn)	253
MCap (INR bn) / ($ mn)	340/4,574
6m avg traded value (INR mn)	4,910
52 Week high / low	INR 1,535/514

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	4.2	94.0	76.8
Relative (%)	(1.2)	70.8	32.1

SHAREHOLDING PATTERN (%)

	Dec-20	Mar-21
Promoters	26.5	26.5
FIs & Local MFs	5.4	6.9
FPIs	61.7	61.0
Public & Others	6.4	5.6
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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AU Small Finance Bank

Negative surprise to the asset quality

AU Small Finance Bank's (AUBANK) 4QFY21 PPOP growth was below expectations due to higher-than-expected operating expenses, partially offset by higher fee income (PSLC etc). Balance sheet continued its strong momentum of growth (AUM/disbursement growth of ~14% QoQ), driven by wheels, SBL, and housing. However, the bank surprised negatively on the asset quality front with GNPAs at 4.3% (pro-forma GNPA at 3.3% in 3QFY21), far higher than our expectations. We revise our FY22/FY23 earnings downwards by 9.9%/6.5%, primarily on account of higher LLP, although LGDs are likely to remain unchanged. Maintain ADD with revised TP of INR1,056.

- **Subdued P&L performance; growth outshines:** AUBANK reported NII growth of 18% YoY, reflating NIMs (5.3%) and C/I ratio of 60% (3QFY21: 52%). The bank resumed its expansion mode with addition of 43 branches and 3.5K employees during the quarter to drive business growth. Disbursements /AUMs grew by ~14% QoQ, and are poised for strong growth in FY22 as well. CASA ratio improved to ~23% (3QFY21: 21%) with cost of SA at 5.7%.
- **Negative surprises in asset quality:** AUBANK's reported GNPA (4.3%) came in way higher than our expectations with pro-forma slippages at ~6% of AUM. While the management has indicated that INR5.4bn of GNPAs are making some form of payments, we remain watchful for such slippages in the next few quarters. The bulk of the slippages were from the Wheels and SBL-MSME segment with LGDs <40% and <30% respectively. Restructured book is also on the higher side at ~2% of AUM. We increase our LLP estimates for FY22 and FY23 by 0.4%/0.3% on account of this disclosure.
- **Rich valuations leave little room for error; maintain ADD:** AUBANK's rich valuations and its track record on asset quality leave little room for such negative surprises. We remain watchful for further developments in the next few quarters on the asset quality front. However, the bank's high steady-state profitability, high growth, and robust asset quality in segments with high-yields have warranted premium valuation. Maintain ADD.

Financial summary

(INR mn)	4Q FY21	4Q FY20	*YoY (%)*	3Q FY21	*QoQ (%)*	FY20	FY21P	FY22E	FY23E
NII	15,158	5,549	*173.1*	6,331	*139.4*	19,089	23,654	29,179	35,771
PPOP	12,338	3,071	*301.8*	3,930	*213.9*	11,112	15,071	18,035	21,564
PAT	10,290	1,223	*741.2*	4,790	*114.8*	6,747	11,707	8,505	11,192
EPS (INR)	33.6	4.0	*734.6*	1.9	*1,678.9*	22.2	37.5	27.2	35.8
ROAE (%)						18.6	22.3	13.6	16.2
ROAA (%)						1.6	1.3	1.5	1.7
ABVPS (INR)						135.1	173.5	176.4	217.1
P/ABV (x)						7.4	5.8	5.7	4.6
P/E (x)						45.2	26.7	36.8	28.0

Change in estimates

INR mn	FY22E			FY23E		
	Old	New	*Chg*	Old	New	*Chg*
Loan	406,773	431,066	*6.0%*	481,021	505,037	*5.0%*
NIM (%)	5.3	5.4	*5 bps*	5.5	5.5	*-7 bps*
NII	28,111	29,179	*3.80%*	34,296	35,771	*4.30%*
PPOP	17,569	18,035	*2.65%*	21,168	21,564	*1.87%*
PAT	9,435	8,505	*-9.86%*	11,969	11,192	*-6.49%*
ABVPS (INR)	196.3	176.4	*-10.13%*	234.4	217.1	*-7.40%*

Source: Company, HSIE Research

ADD

CMP *(as on 30 Apr 2021)*	**INR 1,004**
Target Price	**INR1,056**
NIFTY	**14,631**

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR1,178	INR 1,056
EPS %	FY22E	FY23E
	-9.9%	-6.5%

KEY STOCK DATA	
Bloomberg code	AUBANK IN
No. of Shares (mn)	312
MCap (INR bn) / ($ mn)	314/4,214
6m avg traded value (INR mn)	1,301
52 Week high / low	INR 1,356/366

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	15.1	29.5	84.5
Relative (%)	9.7	6.4	39.9

SHAREHOLDING PATTERN (%)	Dec-20	Mar-21
Promoters	29.0	28.5
FIs & Local MFs	20.1	21.7
FPIs	39.5	35.3
Public & Others	11.4	14.5
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Trent

Surprises positively

Trent's 4Q performance surprised positively. Standalone revenue grew 7% YoY to INR7.7bn (HSIE: 2.4%). Westside is estimated to have recovered base-line revenue (in-line), implying that Zudio overshot expectations. Bigger surprise was on GM recovery, which expanded 671bp YoY to 53.2% (HSIE: 47%). We suspect GM expansion was led by (1) write back of inventory provisions made in 1H and (2) better GMs in Zudio. 2H GM recoup helped Trent clock its typical annual GM (49.7%) in FY21. Costs continued to normalise; hence, EBITDAM beat lagged GM beat in 4Q. We revise our FY23 EBITDA estimates upwards (+9%) to account for higher EBITDAM (+100bp vs earlier). However, at 38x FY23 EV/EBITDA, there is no investment case. Maintain our SELL recommendation with an SOTP-based TP of INR 625/sh (implying 30x FY23 EV/EBITDA). Note: TP change largely mimics EPS change.

- **4QFY21 highlights**: Revenue growth of 7% YoY (INR 7.74bn vs HSIE: INR 7.4bn) was better than expected. Westside recovered its base-line revenue (LTL growth: -4%; in-line), implying that Zudio overshot expectations. While recovery has been encouraging, management highlighted that revenue drop has been sharp post the 2nd round of lockdowns. GMs expanded 671bp YoY to 53.2% (HSIE: 47%), led by (1) write back of inventory provisions made in 1H and (2) better GMs for Zudio. 2H GM recoup helped Trent clock its typical annual GM (49.7%) in FY21. Costs continued to normalise; hence, EBITDAM beat lagged GM beat in 4Q. Adj. PBT/PAT stood at INR0.85/0.57bn respectively. Core CC cycle improved to 35 days in FY21 (39 days in FY20) – a rarity in the apparel space. Trent exited FY21 with 174/133 Westside/Zudio stores resp. Fit-outs for an additional 19/15 Westside/Zudio stores is complete and these stores would open once COVID-related restrictions are lifted.
- **Outlook**: Trent's revenue and margin recovery have been encouraging. This, along with a disciplined handle on working capital and well-capitalised balance sheet (net cash position: INR 7.5bn) means we can't fault the business. However, valuations remain uncomfortably high (38x FY23 EV/EBITDA). Hence, we maintain our SELL recommendation on the stock with an SOTP-based TP of INR 625/sh (implying 30x FY23 EV/EBITDA).

Quarterly financial summary

(Rs mn)	4Q FY21	4Q FY20	*YoY (%)*	3Q FY21	*QoQ (%)*	FY19	FY20	FY21E	FY22E	FY23E
Net Revenue	7,737	7,228	*7.0*	7,254	*6.7*	25,317	31,777	20,475	36,709	46,921
EBITDA	1,366	929	*46.9*	1,800	*(24.1)*	2,365	5,632	2,038	6,419	8,513
APAT	569	26	*2,077.1*	797	*(28.6)*	1,275	1,546	(510)	1,631	2,498
EPS (Rs)	1.6	0.1	*2,077.1*	2.2	*(28.6)*	3.8	4.3	(1.4)	4.6	7.0
P/E (x)						191.1	169.1	(585.3)	160.3	104.7
EV/EBITDA (x)						104.2	46.1	127.0	41.4	31.7
Core RoCE(%)						7.5	7.2	(0.6)	6.4	7.9

Source: Company, HSIE Research, Standalone Financials

Change in estimates

(Rs mn)	FY21E			FY22E			FY23E		
	New	Old	*Change (%)*	New	Old	*Change (%)*	New	Old	*Change (%)*
Revenue	20,475	20,141	*1.7*	36,709	37,565	*(2.3)*	46,921	45,655	*2.8*
Gross Profit	10,179	9,541	*6.7*	17,895	18,291	*(2.2)*	22,816	21,879	*4.3*
Gross Profit Margin (%)	49.7	47.4	***235 bps***	48.7	48.7	***6 bps***	48.6	47.9	***70 bps***
EBITDA	2,038	1,687	*20.8*	6,419	6,582	*(2.5)*	8,513	7,817	*8.9*
EBITDA margin (%)	10.0	8.4	***158 bps***	17.5	17.5	***(4 bps)***	18.1	17.1	***102 bps***

Source: Company, HSIE Research

SELL

CMP *(as on 30 Apr 2021)*	**INR 777**
Target Price	**INR 625**
NIFTY	**14,631**

KEY CHANGES	**OLD**	**NEW**
Rating	SELL	SELL
Price Target	INR 585	INR 625
	FY22E	FY23E
EBITDA %	-2.5	+8.9

KEY STOCK DATA	
Bloomberg code	TRENT IN
No. of Shares (mn)	355
MCap (INR bn) / ($ mn)	276/3,710
6m avg traded value (INR mn)	850
52 Week high / low	INR 945/401

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	25.0	17.8	53.8
Relative (%)	19.6	(5.4)	9.1

SHAREHOLDING PATTERN (%)	**Dec-20**	**Mar-21**
Promoters	37.01	37.01
FIs & Local MFs	10.68	5.95
FPIs	23.13	29.9
Public & Others	29.18	27.14
Pledged Shares	0	0

Source : BSE

Pledged shares as % of total shares

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Ajanta Pharma

Strong show

Ajanta delivered solid Q4 with revenue/EBITDA growth of 11%/71% YoY amidst challenging environment. While revenues came in line, strong recovery in India (+23% YoY) and continued growth in the US (+21% YoY) was encouraging. EBITDA margin improved to 34.3% (+200bps QoQ) driven by higher gross margin and lower other expenses. We expect margin to stabilize around ~31%+ levels in FY22 (vs. 26%/34% in FY20/21) as other expenses normalise. With conclusion of major capex and steady growth in key markets, operating leverage benefit is expected to drive ~13% earnings CAGR over FY21-23e and core ROCE expansion to 28% in FY23 (from ~17%/25% in FY20/21). Maintain BUY. Revised TP of INR2,225/sh.

- **Robust quarter:** Revenue at INR7.6bn grew by +11% YoY as strong growth in India (+23% YoY), US (+7% QoQ, +19% YoY) and Africa Institutional biz (+86% YoY) offset muted growth in EMs (-10% YoY, supply disruption). Gross margin improved to 78% (+386bps YoY, +34bps QoQ) driven by favorable product mix and product recall exp in the base. Other expenses declined to 24% (-850bps YoY, -273bps QoQ) due to lower R&D and operating leverage benefits. In absolute terms, it normalised to ~INR1.8bn from ~INR1.5bn in 1HFY21. EBITDA margin improved to 34.3% (+1,208bps YoY, +200bps QoQ) led by higher gross margins and lower other expenses.
- **Strong recovery in India, outperformance continues:** Ajanta's India revenue grew by 23%+ YoY vs. ~6% growth in IPM. As per AIOCD, cardiac, ophthal and pain significantly outperformed the therapy average by 11%, 13% and 17% respectively. With a continued recovery in domestic market, we expect India business to grow at ~13% CAGR over FY21-23e.
- **EM business to bounce back in coming quarters:** Asia business declined by ~16% YoY and Africa branded business grew by ~2% YoY impacted by supply disruption. Ajanta expects growth to normalize in the coming quarters and aims to sustain its outperformance compared to industry growth. We expect EM business to grow at 11%+ CAGR over FY21-23e driven by steady performance in Philippines (40% of Asia revenues), new launches and volume growth in Asia, stable outlook in Africa (branded business to grow in high single digit, institutional business to remain flat).
- **Key call takeaways:** a) India – 21 new launches in FY21 (incl. 5 first-to-market), MR productivity in ophthal is among the best, scope to improve in cardiac and derma exists; b) US – aims to file 10-12 ANDAs per year, pipeline mainly consists of OSDs, price erosion has normalised; c) operating costs to inch up moderately, R&D to be ~6% of sales; d) Capex: INR2.5bn for FY22, INR150-200bn for FY23; e) extent of outsourcing has reduced for domestic business as production shifted to Guwahati.
- **Maintain BUY, risks:** Our TP of INR2,225/sh is based on 23x FY23e EPS, in line with its 5-year historical average. **Key risks**: Expansion of NLEM list, lower growth in EMs, delay in US approvals, and currency volatility in EMs.

Financial Summary

	4Q FY21	4Q FY20	YoY (%)	3Q FY21	QoQ (%)	FY20	FY21	FY22E	FY23E
Net Sales	7,568	6,820	*11.0*	7,487	*1.1*	25,879	28,897	32,535	36,478
EBITDA	2,594	1,513	*71.4*	2,417	*7.3*	6,833	9,986	10,211	11,860
EBITDA Margin	34.3	22.2	*1,208*	32.3	*200*	26.4	34.6	31.4	32.5
APAT	1,593	1,310	*21.6*	1,766	*(9.8)*	4,705	6,539	6,983	8,372
Diluted EPS (INR)	18.4	14.8	*361*	20.4	*(9.8)*	53.9	75.3	80.7	96.8
P/E (x)						34.1	24.5	22.8	19.0
EV/ EBITDA (x)						23.2	15.6	14.9	12.3
Core-RoCE (%)						17.3	25.2	24.4	28.1

Source: Company, HSIE Research

BUY

CMP *(as on 30 Apr 2021)*	**INR 1,840**
Target Price	**INR 2,225**
NIFTY	**14,631**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR 2,250	INR 2,225
EPS %	FY22E	FY23E
	0%	-1%

KEY STOCK DATA	
Bloomberg code	AJP IN
No. of Shares (mn)	87
MCap (INR bn) / ($ mn)	159/2,140
6m avg traded value (INR mn)	261
52 Week high / low	INR 1,932/1,330

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	4.2	17.0	23.7
Relative (%)	(1.2)	(6.2)	(20.9)

SHAREHOLDING PATTERN (%)	**Mar-21**	**Dec-20**
Promoters	70.34	70.34
FIs & Local MFs	11.86	11.72
FPIs	8.37	7.90
Public & Others	9.43	10.04
Pledged Shares	10.90	10.67

Source : BSE

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Motilal Oswal Financial Services

Strong quarter; beat across all fronts

Strong cash/derivative volume at +19/20% QoQ drove capital markets APAT +114/12% YoY to INR 917mn. AMC's APAT grew 86/65% to INR 746mn (+73% vs. est.) on the back of healthy equity markets and certain one-offs. Significant MTM gain (INR 2.6bn, +25% QoQ) on treasury resulted in MOFS (ex. MOHFL) APAT growth of 31% sequentially to INR 4.3bn. We have increased our FY22/23E estimates to factor in lower impact of peak-margin requirements. We retain an ADD with a TP of INR 800 (15/25x Mar-23E Broking/AMC APAT, + 0.7/0.5x for Mar-23E treasury/ MOHL).

- **4QFY21 highlights: AMC (ex-WM):** Revenue/EBITDA/PAT were at INR 2,076/843/746mn (+33/33/65% QoQ). PAT was 73% ahead of estimates, partly as a result of certain one-offs (1) accrual of performance fees of INR 220mn on the PMS business and exiting an AIF fund in 4Q and (2) favorable tax order resulting in tax benefit of INR 70mn. MOAMC saw net inflows of just INR 1bn as investors booked profits (net flows in MF/PMS/AIF at INR +4/-10/+7bn). Management highlighted that no upfront commission on PMS products has resulted in distributors pushing AIF products. **Capital Markets (in. WM)** reported stellar PAT of INR 917mn (+114/12% YoY/QoQ, +19% vs. estimates). Broking ADTVs grew 117/20% YoY/QoQ, resulting in 59/19% YoY/QoQ growth in broking revenues. Distribution AUM recovered 7.6% QoQ to INR 128bn as a result of healthy equity markets. **Treasury** reported MTM gain on investments of INR 2.6bn (vs. estimated INR 1.1bn) on the back of improvement in the equity markets and half-yearly FV of PE investments (pre-tax INR 1.8bn). **MOHFL** Disbursements picked up to INR 1.4bn/quarter (+2.0/1.8x YoY/QoQ). NNPA was at 1.5% (-80bps QoQ). Collection efficiency saw an improving trend of 74-97% over Jul- Mar-21.
- **Outlook:** While we expect net sales for AMC business to turn positive in FY22E on expectation of flows returning to the market, the prolonged second wave of COVID-19 poses a risk to net inflows. While broking volumes have remained largely unaffected (ex-futures) by the implementation of the second phase of peak margin norms, we do expect moderation in volumes in FY22E, given that FY21 was a year of high volatility. Further stages of peak margin requirements remain a key risk to volumes.

Financial Summary: MOFS (ex-MOHL)

(INR bn)	4QFY21	4QFY20	YoY(%)	3QFY21	QoQ(%)	FY19	FY20	FY21P	FY22E	FY23E
Revenue	9.56	0.65	*1,376.0*	7.74	*23.6*	17.2	13.9	29.3	20.5	22.2
EBITDA	5.37	-2.41	*NM*	4.31	*24.5*	6.1	2.3	14.7	7.6	8.1
EBITDA Margin (%)	56	NM	*NM*	56	*41bps*	35.7	16.3	50.2	37.2	36.4
APAT	4.30	-2.71	*NM*	3.29	*30.5*	4.1	1.1	12.0	5.7	6.2
P/E (x)						21.9	78.8	7.5	15.8	14.4
ROE (%)						15.0	4.0	34.6	13.3	13.3

Source: Company, HSIE Research

Estimate Change

INR bn	FY22E			FY23E		
	Revised	Old	*Change % / bps*	Revised	Old	*Change % / bps*
Revenues	20.48	20.30	*0.9*	22.16	21.88	*1.3*
EBITDA	7.63	7.46	*2.2*	8.06	8.00	*0.8*
EBITDA margin (%)	37.2	36.8	*48*	36.4	36.6	*-18*
APAT	5.70	5.37	*6.2*	6.24	6.02	*3.8*
RoE (%)	13.3	14.9	*-163*	13.3	15.2	*-186*

Source: Company, HSIE Research

ADD

CMP *(as on 30 Apr 2021)*	**INR 638**
Target Price	**INR 800**
NIFTY	**14,631**

KEY CHANGES	**OLD**	**NEW**
Rating	ADD	ADD
Price Target	INR 780	INR 800
EPS %	FY21E	FY22E
	6.2%	3.8%

KEY STOCK DATA	
Bloomberg code	MOFS IN
No. of Shares (mn)	147
MCap (INR bn) / ($ mn)	94/1,256
6m avg traded value (INR mn)	109
52 Week high / low	INR 742/475

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	3.4	13.2	25.9
Relative (%)	(2.0)	(9.9)	(18.8)

SHAREHOLDING PATTERN (%)	**Dec-20**	**Mar-21**
Promoters	70.5	70.7
FIs & Local MFs	4.4	4.5
FPIs	9.4	9.4
Public & Others	15.7	15.4
Pledged Shares	0.0	0.0

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
Krishnan ASV	IndusInd Bank, Shriram Transport Finance, AU Small Finance Bank, Motilal Oswal Financial Services	PGDM	NO
Deepak Shinde	IndusInd Bank, Shriram Transport Finance, AU Small Finance Bank	PGDM	NO
Punit Bahlani	IndusInd Bank, Shriram Transport Finance, AU Small Finance Bank	ACA	NO
Sahej Mittal	Motilal Oswal Financial Services	ACA	NO
Jay Gandhi	Trent	MBA	NO
Bansi Desai	Ajanta Pharma	CFA	NO
Karan Vora	Ajanta Pharma	CA	NO

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