kotak® Institutional Equities

INDIA DAILY

January 13, 2021

EQUITY MARKETS

India	12-Jan	Change % 1-day	1-mo	3-mo
Sensex	49,517	0.5	7.4	21.9
Nifty	14,563	0.5	7.8	22.0
Global/Regional indices				
Dow Jones	31,069	0.2	3.4	7.7
Nasdaq Composite	13,072	0.3	5.6	10.1
FTSE	6,754	(0.7)	3.2	13.1
Nikkei	28,206	0.1	5.8	19.5
Hang Seng	28,277	1.3	6.7	14.7
KOSPI	3,133	0.2	13.1	30.1
Value traded – India				
Cash (NSE+BSE)	866		679	567
Derivatives (NSE)	25,889		18,034	15,457
Deri. open interest	5,778		4,767	4,228

Forex/money market

	12-Jan	Change, basis points 1-day	1-mo	3-mo
Rs/US$	73.3	(13)	(32)	(2)
10yr govt bond, %	6.2	1	3	(5)

Net investment (US$ mn)

	11-Jan		MTD	CYTD
FIIs	400		1,373	23,373
MFs	(249)		425	(7,053)

Top movers

	Change, %			
Best performers	**12-Jan**	**1-day**	**1-mo**	**3-mo**
SHTF in Equity	1,263	0.9	21.0	93.7
TATA in Equity	695	(0.1)	11.8	88.7
VEDL in Equity	181	1.1	23.6	81.7
TTMT in Equity	238	7.8	33.0	77.3
DLFU in Equity	268	8.3	22.3	72.5
Worst performers				
RIL in Equity	1,957	3.2	(2.4)	(14.2)
BRIT in Equity	3,632	0.5	(2.7)	(3.0)
HMCL in Equity	3,248	1.6	2.0	(1.2)
UPLL in Equity	502	0.8	15.3	(1.0)
BHIN in Equity	-	0.0	0.0	0.0

Contents

Special Reports

Strategy

Strategy: More fisc, please

Daily Alerts

Change in Reco

Vedanta / Hindustan Zinc: Risk-reward no longer favorable

Company alerts

Tata Motors: JLR volumes remain under pressure

Container Corp.: Concor - case of misplaced expectations

Economy alerts

Economy: Recovery uneven, inflation lower

kspcg.research@kotak.com
Contact: +91 22 6218 6427

For Private Circulation Only. FOR IMPORTANT INFORMATION ABOUT KOTAK SECURITIES' RATING SYSTEM AND OTHER DISCLOSURES.
REFER TO THE END OF THIS MATERIAL.

kotak Institutional Equities

Strategy

Thematic

INDIA

JANUARY 12, 2021

UPDATE

BSE-30: 49,517

More fisc, please. We wonder if governments should focus more on fiscal measures to achieve more balanced and sustainable economic growth as and when central banks begin to normalize their current ultra-loose monetary stance. We note that fiscal measures (direct cash transfers, infrastructure investment) benefit low-income households disproportionately but monetary measures (low interest rates) benefit high-income households disproportionately through higher asset prices.

Fiscal measures—not as one-off stimulus measures but as long-term growth drivers

The full control of the US Congress and presidency by the Democratic Party has raised hopes about meaningful fiscal measures in the form of (1) higher direct cash transfers to households and (2) increased spending on infrastructure. However, it remains to be seen if the incoming administration can achieve meaningful progress given the lack of consensus on (1) the role of the government itself (big or small government), (2) individual and corporate tax rates and (3) the nature of spending (benefits to households, infrastructure spending).

Low consensus on fiscal measures to drive economic growth in the past decade

DM countries have either focused on preset fiscal targets (Europe) or been unable to achieve a consensus on the 'fiscal' role of governments given partisan nature of politics (the US). Thus, governments have shied away from any meaningful fiscal stimulus except for 1-2 years after the global financial crisis (GFC) and during the ongoing Covid-19 pandemic (see Exhibit 1). Instead they have relied heavily on their central banks to support economic growth through monetary stimulus over the past decade. Central banks have done their best by keeping real interest rates low (negative) through rate cuts and continuous QE programs. A corollary has been significant expansion in the balance sheets of central banks (see Exhibit 2) or 'large' 'liquidity'.

Overreliance on monetary measures in the past 10-12 years; easy way out for governments

In our view, the overreliance of governments on central banks for monetary stimulus at the cost of fiscal measures to support economic growth for the past 10-12 years (since GFC) may have contributed to growing inequality in both developed and developing countries. Low nominal and negative real interest rates have been a primary driver of inflation in asset prices, which benefits the rich households disproportionately given their large ownership of assets (see Exhibit 3 for US data). The growing inequality has contributed to (1) a deep divide in politics, (2) the rise of extreme left and right politics in developed countries and (3) a section of the population (low-income households) feeling extremely disfranchised.

India faces twin challenges of high fiscal deficit and broken infrastructure investment model

The forthcoming FY2022 budget (due on February 1) will provide more clarity on the Indian government's fiscal approach given the sharp rise in both consolidated fiscal deficit (see Exhibit 4) and public debt-to-GDP (see Exhibit 5) in FY2021. We are hopeful that the government can spend judiciously to support the ongoing economic recovery, especially in residential real estate sector (household capex) and manufacturing (private sector capex). At the same time, it may want to review the policy and pricing framework of infrastructure investment that has deterred private sector investment, thereby leading to over-reliance on the government (see Exhibit 6).

QUICK NUMBERS

- G-4 central bank balance sheets 4X over the past decade
- India's consolidated fiscal deficit at 9%, public debt-to-GDP at >80% in FY2022
- India's fiscal deficit > public GFCF of 7-8% of GDP

Sanjeev Prasad

Anindya Bhowmik

Sunita Baldawa

kspcg.research@kotak.com
Contact: +91 22 6218 6427

For Private Circulation Only. FOR IMPORTANT INFORMATION ABOUT KOTAK SECURITIES' RATING SYSTEM AND OTHER DISCLOSURES, REFER TO THE END OF THIS MATERIAL.

Judicious fiscal spending versus monetary stimulus only

In our view, judicious fiscal spending can help achieve a more balanced and sustainable model of economic development. For example, investment in infrastructure (both soft infrastructure such as education, healthcare and public security and hard infrastructure such as mobility, power, water) benefits the lower-income households disproportionately as they simply do not have the capacity to find private solutions (high-speed data, private schools or 2-Ws or cars for example). The question always has been funding for the same. In our view, spending on infrastructure financed by moderate increase in taxes for both companies and individuals would be a lot more acceptable across the corporate, household and political spectrum versus larger unemployment benefits being financed by higher taxes.

On the other hand, monetary stimulus benefits rich households disproportionately given their large share of financial and physical assets. Low nominal interest rates benefit all companies and households through lower borrowing costs but also results in asset inflation through lower bond yields or cost of capital/equity, which benefit the rich households. We are seeing the same situation currently with concurrent high asset prices and unemployment rates across countries.

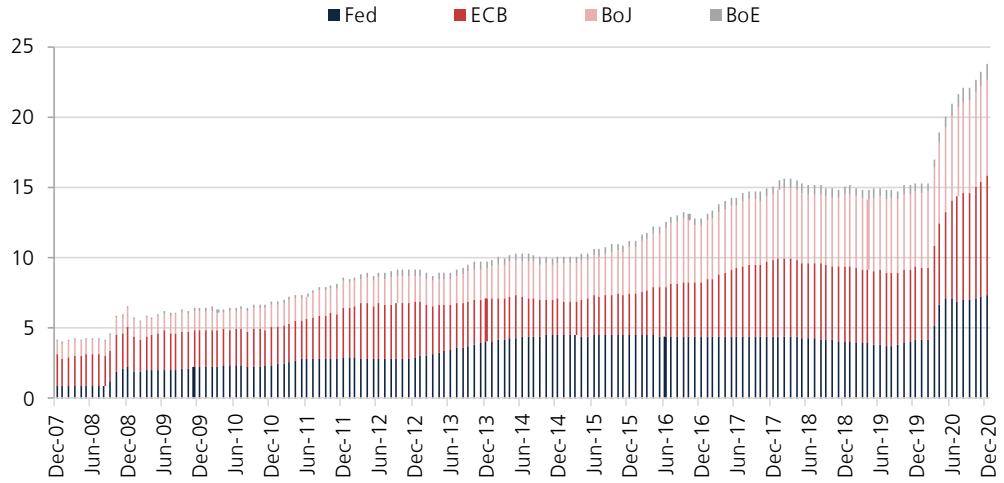
Exhibit 1: Sharp expansion in government spending in CY2020 in response to Covid-19 pandemic
Consolidated GFD/GDP ratio, calendar year-ends December, 2010-2021E (%)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020E	2021E
Argentina	(1.4)	(2.7)	(3.0)	(3.3)	(4.3)	(6.0)	(6.7)	(6.7)	(5.5)	(4.5)	(11.4)	NA
Australia	(5.1)	(4.5)	(3.5)	(2.8)	(2.9)	(2.8)	(2.4)	(1.7)	(1.2)	(3.9)	(10.1)	(10.5)
Brazil	**(3.8)**	**(2.5)**	**(2.5)**	**(3.0)**	**(6.0)**	**(10.3)**	**(9.0)**	**(7.9)**	**(7.2)**	**(6.0)**	**(16.8)**	**(6.5)**
China	(0.4)	(0.1)	(0.3)	(0.8)	(0.9)	(2.8)	(3.7)	(3.8)	(4.7)	(6.3)	(11.9)	(11.8)
France	(6.9)	(5.2)	(5.0)	(4.1)	(3.9)	(3.6)	(3.6)	(2.9)	(2.3)	(3.0)	(10.8)	(6.5)
Germany	**(4.4)**	**(0.9)**	**0.0**	**0.0**	**0.6**	**1.0**	**1.2**	**1.4**	**1.8**	**1.5**	**(8.2)**	**(3.2)**
Greece	(11.2)	(10.3)	(6.6)	(3.6)	(4.1)	(2.8)	0.6	1.0	0.9	0.6	(9.0)	(3.0)
Hong Kong	4.1	3.8	3.1	1.0	3.6	0.6	4.4	5.5	2.4	(1.5)	(11.8)	(6.6)
India	**(8.6)**	**(8.3)**	**(7.6)**	**(7.0)**	**(7.1)**	**(7.2)**	**(7.1)**	**(6.4)**	**(6.3)**	**(8.2)**	**(13.1)**	**(10.9)**
Indonesia	(1.2)	(0.7)	(1.6)	(2.2)	(2.1)	(2.6)	(2.5)	(2.5)	(1.8)	(2.2)	(6.3)	(5.5)
Italy	(4.2)	(3.6)	(2.9)	(2.9)	(3.0)	(2.6)	(2.4)	(2.4)	(2.2)	(1.6)	(13.0)	(6.2)
Japan	(9.5)	(9.4)	(8.6)	(7.9)	(5.6)	(3.8)	(3.7)	(3.1)	(2.5)	(3.3)	(14.2)	(6.4)
Korea	**1.5**	**1.6**	**1.5**	**0.6**	**0.4**	**0.5**	**1.6**	**2.2**	**2.6**	**0.4**	**(3.2)**	**(2.3)**
Malaysia	(4.3)	(3.6)	(3.1)	(3.5)	(2.6)	(2.5)	(2.6)	(2.4)	(3.3)	(3.7)	(6.5)	(4.7)
Mexico	(4.0)	(3.3)	(3.7)	(3.7)	(4.5)	(4.0)	(2.8)	(1.1)	(2.2)	(2.3)	(5.8)	(3.4)
Netherlands	(5.2)	(4.4)	(3.9)	(2.9)	(2.2)	(2.0)	0.0	1.3	1.5	1.7	(8.8)	(4.9)
Philippines	(2.3)	(0.3)	(0.3)	0.2	0.8	0.6	(0.4)	(0.4)	(1.6)	(1.8)	(8.1)	(7.3)
Portugal	(11.4)	(7.7)	(6.2)	(5.1)	(7.3)	(4.3)	(1.9)	(3.0)	(0.4)	0.2	(8.4)	(2.7)
Russia	(3.2)	1.4	0.4	(1.2)	(1.1)	(3.4)	(3.7)	(1.5)	2.9	1.9	(5.3)	(2.6)
Singapore	5.7	8.0	7.3	6.0	4.6	2.9	3.7	5.3	3.7	3.8	(10.8)	1.2
South Africa	**(5.0)**	**(4.1)**	**(4.4)**	**(4.3)**	**(4.3)**	**(4.8)**	**(4.1)**	**(4.4)**	**(4.1)**	**(6.3)**	**(14.0)**	**(11.1)**
Spain	(9.5)	(9.7)	(10.7)	(7.0)	(5.9)	(5.2)	(4.3)	(3.0)	(2.5)	(2.8)	(14.1)	(7.5)
Taiwan	(5.1)	(4.0)	(4.3)	(3.2)	(2.7)	(1.8)	(2.2)	(2.0)	(1.9)	(1.8)	(4.7)	(3.2)
Thailand	(1.1)	0.1	(0.9)	0.5	(0.8)	0.1	0.6	(0.4)	0.1	(0.8)	(5.2)	(4.9)
Turkey	(3.4)	(0.7)	(1.8)	(1.5)	(1.4)	(1.3)	(2.3)	(2.2)	(3.7)	(5.6)	(7.9)	(7.9)
United Kingdom	**(9.3)**	**(7.5)**	**(7.6)**	**(5.5)**	**(5.6)**	**(4.6)**	**(3.3)**	**(2.5)**	**(2.3)**	**(2.2)**	**(16.5)**	**(9.2)**
United States	**(11.0)**	**(9.7)**	**(8.0)**	**(4.6)**	**(4.1)**	**(3.6)**	**(4.4)**	**(4.6)**	**(5.8)**	**(6.3)**	**(18.7)**	**(8.7)**

Notes:
(a) Data for India is for March fiscal year-end; for example, 2019 in the table implies FY2020 for India.

Source: IMF, Kotak Institutional Equities

Exhibit 2: Balance sheet of G-4 central banks expanded to US$24 tn in CY2020 from US$7 tn in CY2010
Monthly balance sheet of G-4 central banks, Calendar year-ends, 2007-20 (US$ tn)



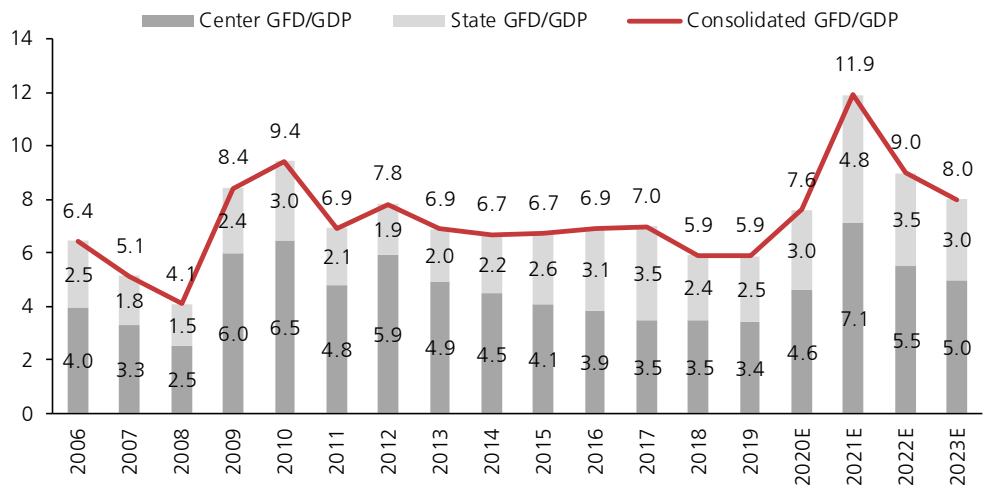
Source: Bloomberg, Kotak Institutional Equities

Exhibit 3: Top quintile of US households by income has significantly large investments in financial assets
Median value of various assets owned by various income groups in US, Calendar year-end, 2017 (US$)

	Net worth	Assets at financial institutions	Stocks and Mutual funds	Equity in businesses	Equity in home	Retirement accounts	Rental property
Lowest quintile	4,715	600	15,000	2,000	80,000	19,850	65,000
Second quintile	34,940	2,000	29,000	2,000	100,000	24,890	80,000
Third quintile	80,120	4,500	29,000	5,000	100,000	30,530	96,000
Fourth quintile	188,300	10,000	30,500	10,000	105,000	61,200	100,000
Highest quintile	**554,700**	**27,000**	**70,000**	**30,000**	**175,600**	**182,000**	**180,000**

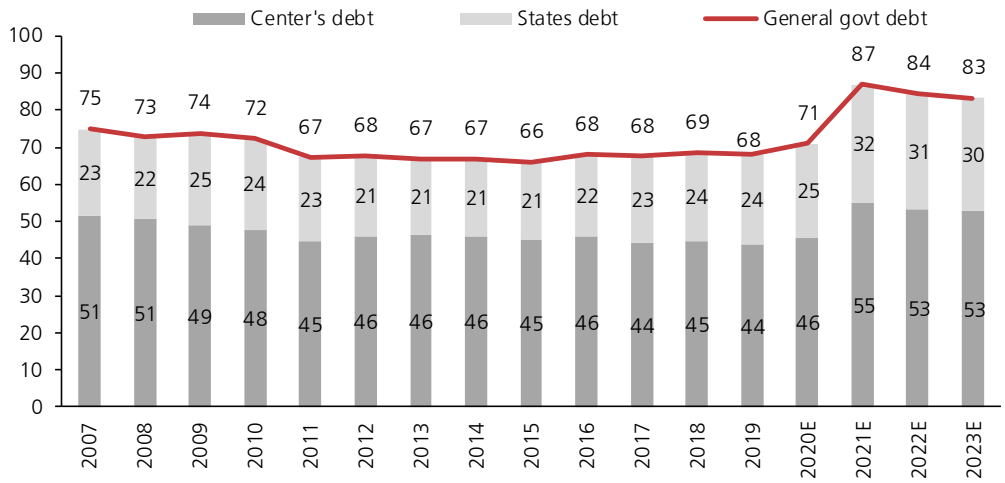
Source: US Census data, Kotak Institutional Equities

Exhibit 4: Consolidated GFD/GDP likely to remain elevated in FY2022-23E
Trend in center, state and consolidated GFD/GDP, March fiscal year-ends, 2006-23E (%)



Source: RBI, Ministry of Finance, Kotak Institutional Equities estimates

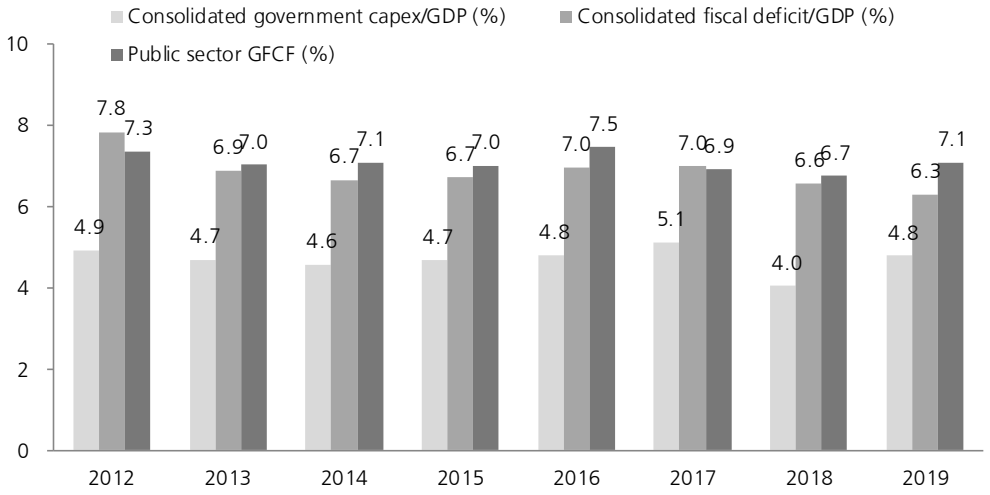
Exhibit 5: Debt stock will spike in FY2021E due to Covid-related impact on fiscal deficit
Trend in debt of center, state and general government, March fiscal year-ends, 2007-23E (% of GDP)



Notes:
(a) Center's liabilities have been adjusted for loans to states and state liabilities have been adjusted for investment in center's T-bills.

Source: CEIC, Kotak Institutional Equities estimates

Exhibit 6: Public sector GFCF is more or less equal to India's consolidated fiscal deficit
Consolidated fiscal deficit, government capex and public sector GFCF as a proportion of GDP, March fiscal year-ends, 2012-19 (%)



Source: CEIC, Kotak Institutional Equities

Vedanta / Hindustan Zinc (VEDL / HZ)

Metals & Mining

REDUCE / BUY

JANUARY 13, 2021

CHANGE IN RECO. / UPDATE

Sector view: Attractive

CMP (₹): 181 / 291

Fair Value (₹): 190 / 335

BSE-30: 49,517

Risk-reward no longer favorable. Strong commodity prices and promoters' renewed attempt to raise stake have fueled VEDL's recent rally. However, parent's debt burden and its high marginal refinancing cost are uncomforting. Promoters' recent voluntary open offer should limit downside, but funding constraints limit their ability to bid higher for minority stake. Buoyant commodity prices should keep cash flows and dividends firm, but we see interest of minority shareholders at odds with that of promoters and risk-reward unfavorable post the recent rally. Downgrade to REDUCE.

Vedanta

Stock data			
CMP(Rs)/FV(Rs)/Rating	181/190/REDUCE		
52-week range (Rs) (high-low)	190-60		
Mcap (bn) (Rs/US$)	674/9.2		
ADTV-3M (mn) (Rs/US$)	5,533/76		
Shareholding pattern (%)			
Promoters	50.1		
FPIs/MFs/BFIs	21.9/8.6/6.4		
Price performance (%)	**1M**	**3M**	**12M**
Absolute	23.6	86.8	13.2
Rel. to BSE-30	15.1	53.1	(4.9)

Forecasts/valuations	2021E	2022E	2023E
EPS (Rs)	18.9	25.5	26.9
EPS growth (%)	189.4	35.1	5.4
P/E (X)	9.6	7.1	6.7
P/B (X)	1.3	1.2	1.2
EV/EBITDA (X)	4.4	3.5	3.2
RoE (%)	13.3	18.0	17.9
Div. yield (%)	15.4	9.7	9.8
Sales (Rs bn)	893	995	1,041
EBITDA (Rs bn)	258	302	309
Net profits (Rs bn)	70	95	100

Hindustan Zinc

Stock data			
CMP(Rs)/FV(Rs)/Rating	291/335/BUY		
52-week range (Rs) (high-low)	328-116		
Mcap (bn) (Rs/US$)	1,229/16.8		
ADTV-3M (mn) (Rs/US$)	444/6		
Shareholding pattern (%)			
Promoters	64.9		
FPIs/MFs/BFIs	1.0/0.3/2.1		
Price performance (%)	**1M**	**3M**	**12M**
Absolute	20.5	46.7	32.7
Rel. to BSE-30	12.2	20.3	11.4

Forecasts/valuations	2021E	2022E	2023E
EPS (Rs)	19.1	23.8	24.0
EPS growth (%)	18.4	25.0	0.9
P/E (X)	15.3	12.2	12.1
P/B (X)	3.8	3.8	3.8
EV/EBITDA (X)	9.5	7.4	7.3
RoE (%)	22.2	31.1	31.4
Div. yield (%)	7.3	8.2	8.3
Sales (Rs bn)	224	269	279
EBITDA (Rs bn)	115	148	151
Net profits (Rs bn)	81	101	102

Strong commodity prices should keep cash flows and dividends intact

Strong demand in China, a sequential recovery ex-China and lagging supply should keep demand-supply balance tight across most commodities in CY2021E. While most commodities are above the 90th percentile cost curve, loose monetary policies across the globe, weak US$ and a gradual normalization of supply should keep prices supported in the near term. We upgrade our zinc and aluminum price assumptions by 9-14% for FY2022/23E and increase VEDL's EBITDA by 14%/8% for FY2022/23E.

Promoters' attempts to increase stake should limit downside

We believe increasing stake in VEDL to reduce dividend leakage is the best strategy to resolve promoters' leverage issues, their Achilles' heel. After failing to delist in October 2020, the promoters are using other means to increase their stake in VEDL – (1) 4.98% creeping acquisition in December 2020 and (2) voluntary open offer in January 2020 to buy 10% stake. This would create a floor to the stock prices and should limit downside. However, funding constraints due to high leverage would limit promoters' ability to significantly revise the open offer price.

Parent debt – kicking the can down the road, marginal funding cost uncomforting

VEDL's parent is saddled with US$7 bn debt with ~US$0.5 bn interest obligations and US$1-1.5 bn annual principal payments. The interest is funded by dividend income but has a 67% leakage to minority (dividend payouts of HZ). In the past six months, the parent has used US$1 bn ICD from VEDL and raised US$1 bn fresh bonds at 13.85% to refinance its debt. The high marginal funding cost despite market tailwind implies a high risk for future refinancing.

Sumangal Nevatia

Tarun Lakhotia

Prayatn Mahajan

kspcg.research@kotak.com
Contact: +91 22 6218 6427

For Private Circulation Only. FOR IMPORTANT INFORMATION ABOUT KOTAK SECURITIES' RATING SYSTEM AND OTHER DISCLOSURES, REFER TO THE END OF THIS MATERIAL.

Minority at odds with promoters, risk-reward unfavorable, downgrade to REDUCE

Our Fair Value increases to Rs190 (from Rs145) due to higher earnings and roll-forward to September 2022E. The stock trades at inexpensive 4.1X EV/EBITDA but given high promoter debt, risk of ICDs and irregular dividends, it is unlikely to trade in line with metal peers. Here, corporate actions would have a significant influence on stock prices in the next 12 months and we prefer to play zinc and silver through HZ (revised FV of Rs335/share).

Aluminum – peak surplus behind us

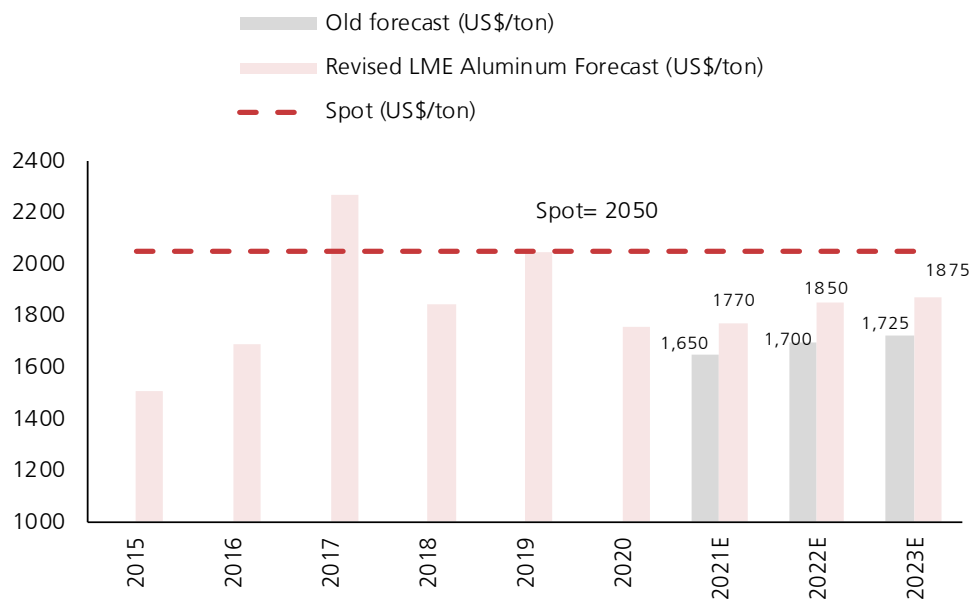
Aluminum prices have rallied strongly, +27% in the past six months. Strong demand recovery in China coupled with falling inventory suggests lagging supply despite strong margins. Within China, an underperforming scrap processing industry due to Covid-19 and scrap import restrictions further supported demand growth of primary aluminum (+4-4.5% yoy in CY2020). Outside of China, the global recovery from 4QCY20 is supporting sequential demand recovery but a weak 2-3QCY20 suggest 10-12% yoy demand decline in CY2020. We estimate a strong +7% yoy global aluminum demand growth in CY2021E led by a weak ex-China base in CY2020.

After ~2.5 mtpa surplus in CY2020, we estimate only a ~1 mtpa surplus in CY2021E led by strong demand recovery. Current prices at US$2,050/ton are 7-8% above the 90th percentile cost curve and we estimate prices to come under pressure from end-CY2021E with ramp-up in supply.

China has seen 2-2.3 mtpa capacity addition in CY2020 and we estimate a similar addition in CY2021. With this, China will reach its capacity cap of ~47 mtpa and do not have any further capacity addition in the pipeline. With limited addition in ex-China, aluminum prices should remain supported in order to incentivize fresh investments in 2-3 years' time as utilization crosses 85% level.

We forecast aluminum price of US$1,850/1,875/ton in FY2022/23E, 10%/9% lower than spot at US$2,050/ton.

Exhibit 1: LME aluminum forecasts are increased by 12%/8%/10% for FY2021/22/23E
LME aluminum annual price and forecast, FY2015-23E (US$/ton)



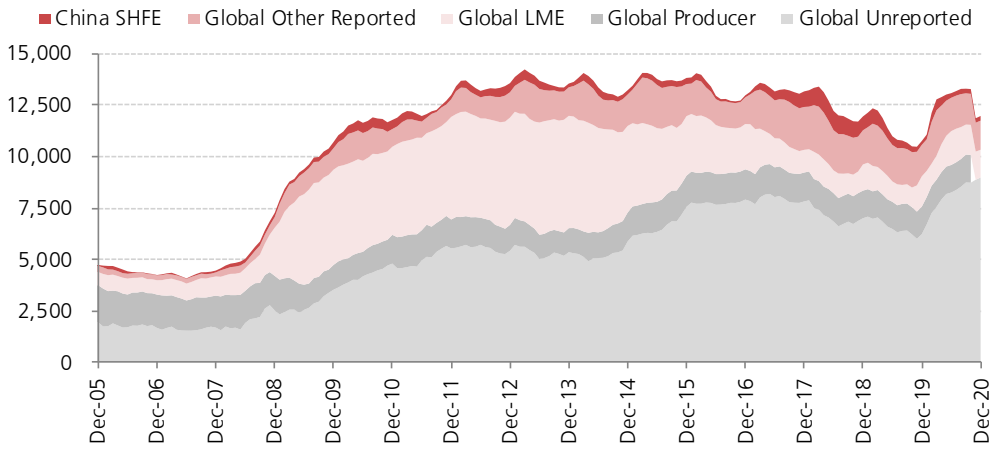
Source: Kotak Institutional Equities estimates, Bloomberg, Industry Data

Exhibit 2: We expect global aluminum markets to be in surplus of only 1 mn tons in CY2021E due to strong demand growth in China
Aluminum demand supply for China and World ex-China, December year ends, 2012-22E ('000 tons)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E
China capacity	**26,140**	**29,470**	**34,287**	**37,690**	**40,960**	**39,000**	**41,000**	**42,500**	**44,800**	**47,200**	**47,200**
World ex-China capacity	31,881	33,132	33,751	33,402	33,157	32,554	33,054	33,954	33,954	34,454	34,954
Global capacity ('000 tons)	**58,021**	**62,602**	**68,038**	**71,092**	**73,840**	**71,554**	**74,054**	**76,454**	**78,754**	**81,654**	**82,154**
World ex-China production (000' tons)	25,759	25,723	25,848	26,308	26,917	27,234	27,683	27,962	28,084	28,505	28,790
World ex-China consumption (000' tons)	25,868	25,873	26,804	27,160	28,004	28,864	29,362	28,373	24,629	27,584	28,274
World ex-China Surplus/(Deficit) (000' tons)	**(109)**	**(150)**	**(956)**	**(852)**	**(1,087)**	**(1,630)**	**(1,679)**	**(411)**	**3,455**	**921**	**517**
China production (000' tons)	22,205	24,884	28,315	30,752	32,069	36,334	36,288	35,230	36,638	39,138	40,338
China consumption (000' tons)	21,518	24,744	27,640	29,304	31,839	34,455	35,854	36,045	37,492	38,991	40,161
China Surplus/(Deficit) (000' tons)	**687**	**141**	**675**	**1,447**	**230**	**1,879**	**434**	**(815)**	**(853)**	**147**	**177**
Global production (000' tons)	47,964	50,607	54,162	57,059	58,986	63,568	63,971	63,192	64,722	67,644	69,129
Global consumption (000' tons)	47,385	50,617	54,444	56,464	59,843	63,319	65,216	64,418	62,120	66,575	68,435
Global Surplus/(Deficit) (000' tons)	**578**	**(10)**	**(281)**	**595**	**(857)**	**249**	**(1,245)**	**(1,226)**	**2,602**	**1,068**	**694**
Utilization rates (%)											
Utilization—world ex-China (%)	81	78	77	79	81	84	84	82	83	83	82
Utilization—China (%)	**85**	**84**	**83**	**82**	**78**	**93**	**89**	**83**	**82**	**83**	**85**
Growth rates (%)											
World ex-China production	(2)	(0)	0	2	2	1	2	1	0	1	1
World ex-China demand	1.4	0.0	3.6	1.3	3.1	3.1	1.7	(3.4)	(13.2)	12.0	2.5
China production	15.3	12.1	13.8	8.6	4.3	13.3	(0.1)	(2.9)	4.0	6.8	3.1
China demand	**10.8**	**15.0**	**11.7**	**6.0**	**8.6**	**8.2**	**4.1**	**0.5**	**4.0**	**4.0**	**3.0**
Global production	5.1	5.5	7.0	5.3	3.4	7.8	0.6	(1.2)	2.4	4.5	2.2
Global demand	5.5	6.8	7.6	3.7	6.0	5.8	3.0	(1.2)	(3.6)	7.2	2.8

Source: CRU, Kotak Institutional Equities estimates

Exhibit 3: Global aluminum inventories continue to increase on normalization of supply
Aluminum, monthly inventory details, December year-ends, 2005-20 ('000 tons)



Source: CRU, Kotak Institutional Equities estimates

Zinc – mine supply lagging demand

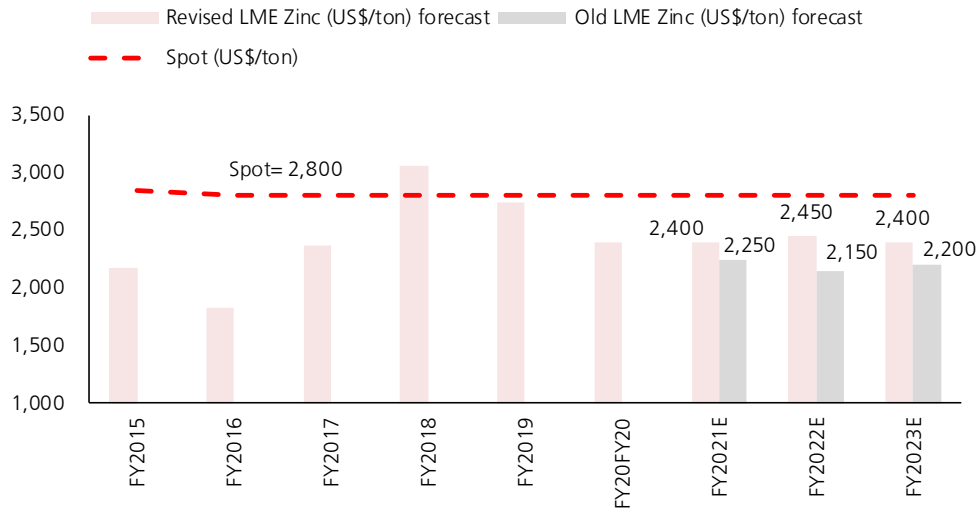
Zinc prices have been on an upward trajectory since October and up 37% in the past six months. The concentrate market remains tight and refined demand is gradually recovering. Also, the supply side disruptions (Gamsberg mine accident) and macro tailwinds (weak US$, US & Europe recovery and Chinese demand) are supporting the zinc price strength.

The refined zinc market was in ~0.5 mn tons surplus in CY2020E mainly built in 1HCY20 and with recovering supply, we expect the surplus to continue in CY2021E.

We see downside risk to spot zinc prices over FY2022/23E. With current prices 8-10% higher than 90% percentile cost curve, we see supply headwinds to increase from end-CY2021E. Also, the delta between the LME zinc and aluminum is now more than US$800/t and a continued high zinc price relative to aluminum poses an increased risk of substitution, a key headwind for further rise in zinc prices. While zinc prices should remain supported in 1HCY21E led by supporting macro and lagging supply growth, however, the tightness and price strength should start reversing from end-CY2021E.

We forecast zinc price of US$2,400/2,450 /ton in FY2022/23E, 13%/14% lower than spot at US$2,800/ton.

Exhibit 4: LME Zinc forecasts increased by 7%/14%/9% for FY2021/22/23E
LME Zinc annual price and forecast, FY2017-23E (US$/ton)



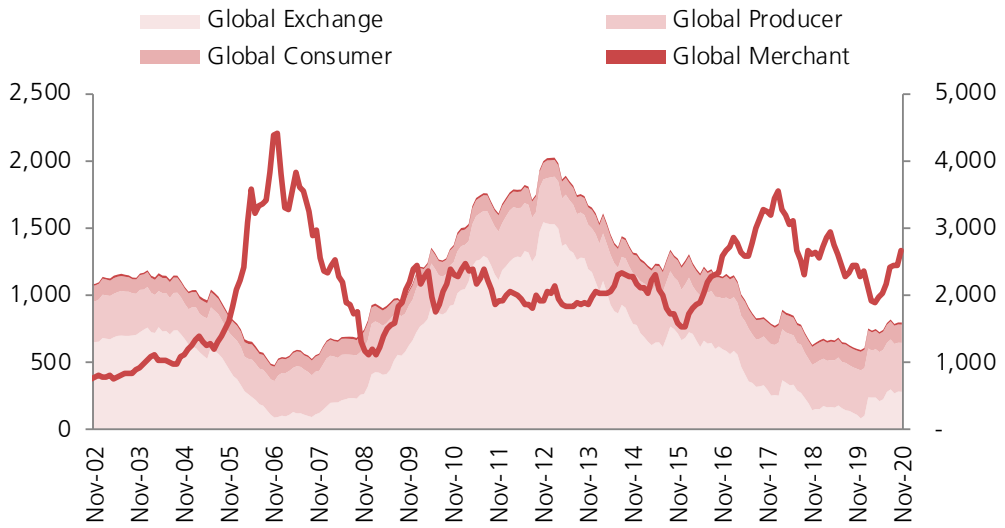
Source: Kotak Institutional Equities Estimates, Bloomberg, Industry Data

Exhibit 5: Global zinc supply deficit is likely to turn into surplus in 2020 as more mine supplies come on stream
Zinc mine production, capacity and demand supply details, December year ends, ('000 tons)

						ILZSG		KIE	
	2015	2016	2017	2018	2019	2020E	2021E	2020E	2021E
Total world mine production (A)	13,622	12,601	12,716	12,779	12,897	12,330	13,140		
YoY change (%)	*1.5*	*(7.5)*	*0.9*	*0.5*	*0.9*	*(4.4)*	*6.6*		
Total world smelter production	13,801	13,566	13,493	13,171	13,537	13,600	13,990	13,469	13,532
YoY change (%)	*3.0*	*(1.7)*	*(0.5)*	*(2.4)*	*2.8*	*0.5*	*2.9*	*(0.5)*	*(0.5)*
Total world zinc consumption (B)	13,627	13,665	13,973	13,693	13,726	12,980	13,520	13,040	13,045
YoY change (%)	*(0.3)*	*0.3*	*2.3*	*(2.0)*	*0.2*	*(5.4)*	*4.2*	*(5.0)*	*0.5*
Surplus/ (Deficit)—refined metal	**174**	**(99)**	**(480)**	**(522)**	**(189)**	**620**	**470**	**430**	**487**
(A-B) Implied concentrate shortage*	**(5)**	**(1,064)**	**(1,257)**	**(914)**	**(829)**	**(650)**	**(380)**	**(13,040)**	**(13,045)**

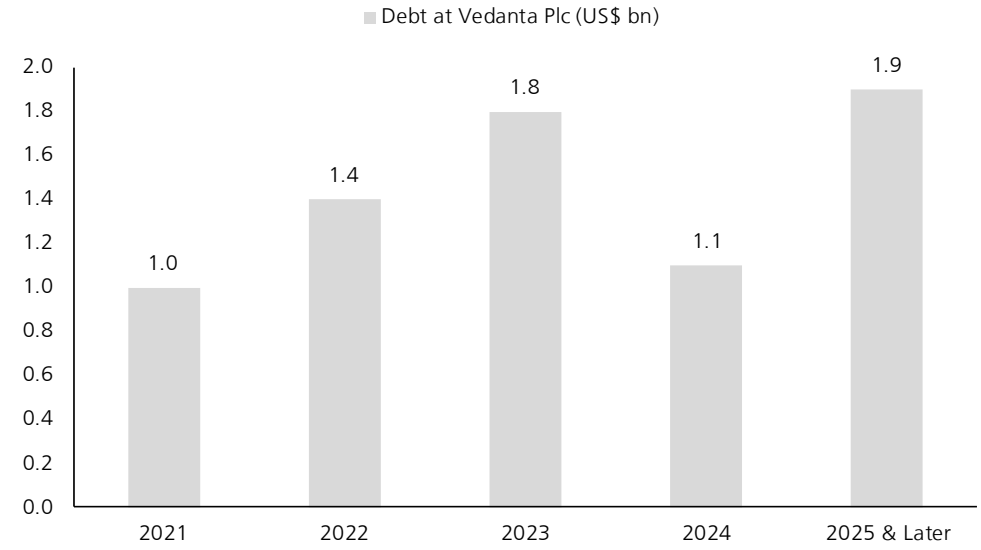
Source: ILZSG data, Kotak Institutional Equities estimates

Exhibit 6: Zinc inventories continue to remain low
Zinc inventory, December year ends, ('000 tons)



Source: ILZSG data, Kotak Institutional Equities estimates

Exhibit 7: Debt Repayments at the parent level remain a key risk for Vedanta
Debt maturity profile of Vedanta Plc (Rs bn, US$ bn)



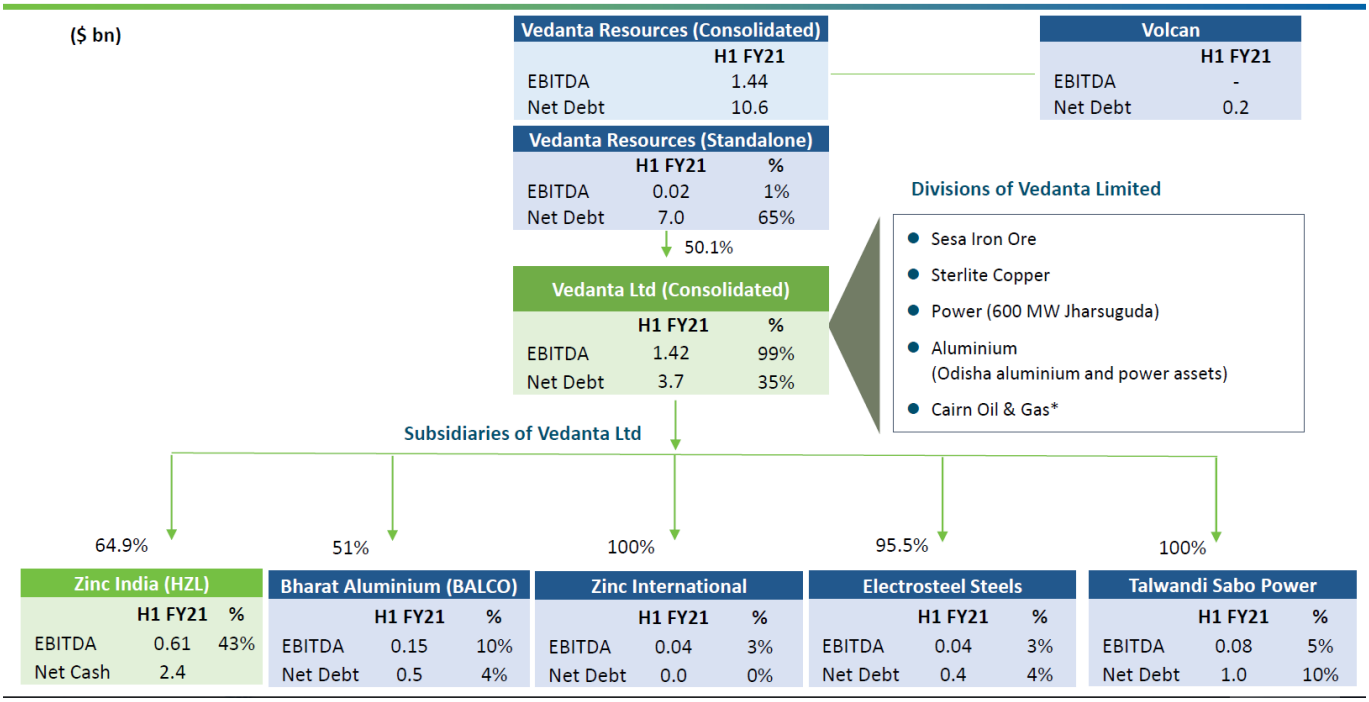
Source: Kotak Institutional Equities estimates

Exhibit 8: Unsecured ICL has been issued to VRL by overseas subsidiaries (CIHL) of Vedanta
Details of the ICL issued by Vedanta Limited (US$ mn)

ICL Outstanding	US$956 mn
Repayment Schedule	US$207 mn due in June 2021
	US$300 mn due in June 2022
	US$300 mn due in June 2023
	US$149 mn due in June 2021
Average Maturity Profile	2.2 Years
Interest Rate	7%

Source: Kotak Institutional Equities estimates

Exhibit 9: Corporate debt structure of Vedanta Resources
Net Debt and EBITDA details for Vedanta Resources (US$ mn)



Source: VEDL presentation , Kotak Institutional Equities estimates

Exhibit 10: Vedanta, change in estimates, March fiscal year-ends, 2021-23E (Rs mn)

	Revised estimate			Previous estimate			Change (%)		
	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E
Prices (US$/ton)									
Aluminum (LME prices)	1,770	1,850	1,875	1,650	1,700	1,725	7	9	9
Zinc (LME prices)	2,400	2,450	2,400	2,250	2,150	2,200	7	14	9
Lead (LME prices)	1,848	1,911	1,920	1,856	1,828	1,870	(0)	5	3
Crude brent (US$/bbl)	40	45	50	40	45	50	—	—	—
Vedanta Consolidated									
Net sales	892,836	994,912	1,040,948	859,966	945,359	973,267	4	5	7
EBITDA	257,512	302,249	309,125	233,171	264,734	285,124	10	14	8
PAT	70,247	94,925	100,046	56,482	75,481	86,828	24	26	15
EPS (Rs)	**18.9**	**25.5**	**26.9**	**15.2**	**20.3**	**23.4**	**24**	**26**	**15**
EBITDA									
VAL	49,948	53,648	55,112	40,885	41,913	43,377	22	28	27
Talwandi Sabo	13,269	13,401	13,534	13,269	13,401	13,534	—	—	—
Sterlite Energy	3,305	3,124	2,959	3,305	3,124	2,959	—	—	—
Iron ore	8,885	8,828	8,488	8,885	8,828	8,488	—	—	—
Copper	(2,581)	(2,129)	(2,198)	(2,749)	(2,308)	(2,377)	(6)	(8)	(8)
Steel	9,325	10,770	11,157	7,544	10,770	11,157	24	—	—
Zinc International	10,772	12,929	13,060	8,753	11,538	13,214	23	12	(1)
Cairn India	37,702	38,856	42,084	37,702	38,856	42,084	—	—	—
Vedl Standalone	121,766	132,428	137,195	108,736	119,123	125,435	12	11	9
Hindustan Zinc	115,349	148,440	150,827	107,724	128,886	143,241	7	15	5
BALCO	20,397	21,381	21,104	16,712	16,725	16,448	22	28	28
Attributable Vedl	207,030	239,670	245,844	187,172	211,299	226,787			
Re/ US$ rate	**74.2**	**75.0**	**75.0**	**74.2**	**75.0**	**75.0**	—	—	—

Source: Kotak Institutional Equities estimates

Exhibit 11: Vedanta, Key assumptions, March fiscal-year ends, 2017-23E (Rs mn)

	2017	2018	2019	2020	2021E	2022E	2023E
Commodity assumptions (US$/ton)							
Zinc	2,365	3,057	2,743	2,410	2,400	2,450	2,400
Lead	2,000	2,379	2,121	1,950	1,848	1,911	1,920
Copper	5,157	6,445	6,750	6,750	6,750	7,000	7,000
Aluminium LME	1,689	2,042	2,050	1,760	1,770	1,850	1,875
Aluminium All-in	1,789	2,167	2,175	1,885	1,870	1,950	1,950
Iron Ore (Rs/ton)	2,100	1,316	2,016	2,549	2,781	2,766	2,766
Iron Ore (US$/ton)	70	65	55	55	55	55	55
Brent Crude (US$/bbl)	49	58	70	61	40	45	50
Steel (US$/Ton)	435	540	545	495	490	505	505
USD:INR	67.1	64.5	69.9	70.9	74.2	75.0	75.0
Volumes (000 tons)							
Zinc	696	791	707	680	736	857	908
Lead	138	168	198	180	220	242	254
Zinc Interational	156	157	144	242	213	238	244
Copper	401	402	118	101	81	81	81
Aluminium	1,071	1,597	1,977	1,922	1,937	2,000	2,000
Balco	380	553	589	579	575	575	575
VAL	691	1,044	1,388	1,343	1,363	1,425	1,425
Silver (HZL) (tons)	67	64	70	71	74	75	75
Cairn India ('000 boe/d)- Gross	190	186	189	173	168	189	209
Iron Ore	10,100	7,600	3,800	6,600	4,800	4,800	4,800
Steel (ESL)		1,028	1,185	1,179	1,200	1,500	1,750
EBITDA/ton (US$/ton)							
Copper	629	504	(271)	(421)	(431)	(352)	(363)
Iron Ore	20	9	22	19	25	25	24
VAL (Vedanta Aluminum)	661	314	128	162	494	502	516
Hindustan Zinc	1,741	1,985	1,688	1,451	1,626	1,801	1,731
BALCO	350	344	233	175	478	496	489
Zinc Interational	887	1,410	633	222	681	724	714
Talwandi Sabo (Rs/unit)	1.71	1.46	1.31	1.61	1.21	1.23	1.24
Sterlite Energy (Rs/unit)	0.85	1.65	0.65	1.10	1.04	0.99	0.93
Cairn India	14	19	25	25	13	12	12
Steel (ESL)		53	117	70	105	96	85

Source: Kotak Institutional Equities estimates

Exhibit 12: We revise our Fair Value of Vedanta to Rs190/share (from Rs145/share)
SoTP-based Fair Value of Vedanta, March fiscal year-end, September 2022E basis (Rs mn)

	EBITDA (Rs bn)	Multiple (X)	EV (Rs bn)	Net debt (Rs bn)	Implied M Cap (Rs bn)	Vedanta's stake (%)	Holdco Discount %	Attributable M Cap (Rs bn)	Contribution Rs/ share
Partially owned Subsidiary									
Hindustan Zinc (at CMP)	150	7	1,094	(132)	1,225	64.9	25	597	160
BALCO	21	4	84	21	63	51	25	24	6
Oil & gas (DCF based value)								174	47
Other (Iron ore, Copper, Power, Steel, VAL, Zinc International)	71	4	291	380	(89)	100		(89)	(24)
Vedanta share price (Rs/share)									**190**

Source: Kotak Institutional Equities estimates

Exhibit 13: Vedanta (consolidated), profit model, balance sheet and cash flow model, March fiscal year-ends, 2017-23E (Rs mn)

	2017	2018	2019	2020	2021E	2022E	2023E
Profit model (Rs mn)							
Net sales	722,250	918,660	920,480	844,470	892,836	994,912	1,040,948
EBITDA	**213,319**	**248,620**	**231,030**	**206,870**	**257,512**	**302,249**	**309,125**
Other income	45,806	32,050	29,770	25,100	23,918	26,089	27,931
Interest	(58,550)	(51,120)	(56,890)	(49,770)	(49,243)	(49,243)	(49,243)
Depreciation	(62,915)	(62,830)	(81,920)	(90,930)	(92,147)	(93,267)	(94,387)
Profit before tax	**137,660**	**166,720**	**121,990**	**91,270**	**140,041**	**185,828**	**193,426**
Extraordinaries	(1,144)	23,590	13,610	(90,910)	—	—	—
Current tax	(22,675)	(53,390)	(26,770)	(17,880)	(24,057)	(30,072)	(42,554)
Deferred tax	1,650	—	(11,850)	(29,910)	(17,956)	(25,676)	(15,474)
Net income before minorities	**115,491**	**136,920**	**96,980**	**(47,430)**	**98,029**	**130,080**	**135,398**
Minority interest	(43,584)	(33,500)	(26,330)	(19,200)	(27,782)	(35,154)	(35,352)
Net income	71,907	103,420	70,650	(66,630)	70,247	94,925	100,046
Adjusted net income	**73,230**	**80,250**	**57,040**	**24,270**	**70,247**	**94,925**	**100,046**
EPS adjusted (Rs)	**19.7**	**21.6**	**15.3**	**6.5**	**18.9**	**25.5**	**26.9**
Balance sheet (Rs mn)							
Shareholder's funds	605,001	633,118	622,970	546,350	512,781	542,262	576,297
Borrowings	828,994	672,590	745,250	681,320	681,320	681,320	681,320
Minority Interest	139,279	159,610	152,270	171,120	142,842	142,656	142,362
Deferred tax liability	20,837	42,180	44,840	28,850	46,806	72,482	87,956
Current liabilities	366,085	338,350	455,100	408,580	431,981	481,369	503,642
Total liabilities	**1,990,296**	**1,845,848**	**2,020,430**	**1,836,220**	**1,815,729**	**1,920,089**	**1,991,577**
Net fixed assets	767,549	802,788	955,150	880,220	816,073	750,806	684,420
Capital work-in-progress	275,567	320,550	249,590	185,850	227,850	269,850	311,850
Goodwill	—	—	8,820	8,820	8,820	8,820	8,820
Cash and cash equivalents	637,912	362,010	392,690	371,600	273,427	358,040	427,617
Current assets	309,268	360,500	414,181	389,730	489,559	532,573	558,870
Total assets	**1,990,296**	**1,845,848**	**2,020,430**	**1,836,220**	**1,815,729**	**1,920,089**	**1,991,577**
Net Debt	191,082	310,580	352,560	309,720	407,893	323,280	253,703
Free cash flow (Rs mn)							
Operating cash flow excl. working capital	100,311	170,350	156,170	149,150	184,213	222,934	217,328
Working capital changes	17,959	(46,750)	21,280	(9,390)	3,572	6,374	(4,024)
Capital expenditure	(54,360)	(72,960)	(88,170)	(76,690)	(70,000)	(70,000)	(70,000)
Free cash flow	**63,910**	**50,640**	**89,280**	**63,070**	**117,784**	**159,308**	**143,304**
Ratios							
EV/EBITDA (Attributable)	5.1	5.2	5.6	5.9	5.3	4.3	3.9
P/E	9.1	8.3	11.7	27.4	9.5	7.0	6.7
P/B	1.1	1.1	1.1	1.2	1.3	1.2	1.2
Net Debt/EBITDA	0.9	1.2	1.5	1.5	1.6	1.1	0.8
FCF Yield	9.6	7.6	13.4	9.5	17.7	23.9	21.5
Debt/equity (X)	1.4	1.1	1.2	1.2	1.3	1.3	1.2
Net debt/equity (X)	0.3	0.5	0.6	0.6	0.8	0.6	0.4
RoE (%)	14.0	13.0	9.1	4.2	13.3	18.0	17.9
Book Value	163	170	168	147	138	146	155

Source: Company, Kotak Institutional Equities estimates

HINDUSTAN ZINC

Exhibit 14: Hindustan Zinc, changes in estimates, March fiscal year-ends, 2021-23E

	Revised estimate			Previous estimate			Change (%)		
	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E
Price (US$/ton)									
Zinc	2,400	2,450	2,400	2,250	2,150	2,200	7	14	9
Lead	1,848	1,911	1,920	1,856	1,828	1,870	(0)	5	3
Silver (US$/ozt)	23.0	22.0	21.0	23.0	22.0	21.0	—	—	—
Volumes (tons)									
Total Metal	956,037	1,099,102	1,161,950	956,037	1,099,102	1,161,950	—	—	—
Zinc ingots	736,343	856,785	908,179	736,343	856,785	908,179	—	—	—
Lead ingots	219,694	242,317	253,771	219,694	242,317	253,771	—	—	—
Refined silver	709	890	926	709	890	926	—	—	—
Earnings estimates (Rs mn)									
Revenues	224,218	269,167	279,437	215,560	246,826	270,734	4	9	3
EBITDA	115,349	148,440	150,827	107,724	128,886	143,241	7	15	5
PAT	**80,538**	**100,676**	**101,549**	**74,666**	**85,619**	**95,708**	8	18	6
EPS	**19.1**	**23.8**	**24.0**	**17.7**	**20.3**	**22.7**	8	18	6
Re/US$ rate	**74.2**	**75.0**	**75.0**	**74.2**	**75.0**	**77.0**	—	—	(3)

Source: Company, Kotak Institutional Equities estimates

Exhibit 15: Hindustan Zinc, key assumptions, March fiscal-year ends, 2017-23E (Rs mn)

	2017	2018	2019	2020	2021E	2022E	2023E
LME-assumptions (US$/ton)							
Zinc	2,365	3,057	2,743	2,402	2,400	2,450	2,400
Lead	2,000	2,379	2,121	1,952	1,848	1,911	1,920
Silver (US$/oz)	17.5	16.9	15.5	16.5	23.0	22.0	21.0
Rs/US$ rate	67.1	64.5	70.1	70.9	74.2	75.0	75.0
Volumes (tons)							
Mined metal production	906,000	947,000	936,000	917,101	997,535	1,146,929	1,213,141
Zinc	696,000	791,000	707,000	680,000	736,343	856,785	908,179
Lead	138,000	168,000	197,802	180,000	219,694	242,317	253,771
Silver	448	558	674	586	709	890	926
Zinc CoP (US$/ton) (ex royalty)	830	976	1,008	1,047	995	917	937
EBITDA (Rs bn)							
Zinc and Lead	85	107	88	70	83	109	111
Silver	12	16	19	19	33	40	39
Total EBITDA	97	123	107	88	115	148	151

Source: Company, Kotak Institutional Equities estimates

Exhibit 16: We increase our Fair Value to Rs335 (Rs295 earlier) on September 2022 financials
Hindustan Zinc, valuation details, September 2022E basis

	EBITDA	Multiple	Enterprise Value	
	(Rs bn)	(X)	(Rs bn)	(Rs/ share)
Zinc and Lead	110	7	793	188
Silver	40	10	395	93
Total	150	7.9	1,188	281
Less: Net debt (dividend adjusted)			(232)	(54)
Arrived market capitalization			**1,420**	**335**
Target price (Rs/share)				**335**

Source: Kotak Institutional Equities estimates

Exhibit 17: Hindustan Zinc, profit model, balance sheet and cash flow model, March fiscal year-ends, 2016-23E (Rs mn)

	2016	2017	2018	2019	2020	2021E	2022E	2023E
Profit model (Rs mn)								
Net sales	141,810	172,730	220,820	211,180	185,610	224,218	269,167	279,437
EBITDA	**66,521**	**97,392**	**122,700**	**106,700**	**88,470**	**115,349**	**148,440**	**150,827**
Other income	27,630	24,740	17,160	17,820	19,340	17,773	14,313	14,229
Interest	(170)	(2,020)	(2,460)	(1,130)	(1,120)	(2,883)	(4,050)	(2,700)
Depreciaiton	(7,450)	(18,112)	(14,830)	(18,830)	(22,790)	(25,644)	(27,954)	(30,474)
Profit before tax	**86,230**	**102,000**	**124,970**	**104,560**	**83,900**	**104,594**	**130,748**	**131,882**
Total taxes	(4,480)	(18,840)	(32,210)	(25,000)	(15,850)	(24,057)	(30,072)	(30,333)
Net profit	**81,750**	**83,160**	**92,760**	**79,560**	**68,050**	**80,538**	**100,676**	**101,549**
Earnings per share (Rs)	**19.4**	**19.7**	**21.5**	**18.8**	**16.1**	**19.1**	**23.8**	**24.0**
Balance sheet (Rs mn)								
Equity	373,851	308,051	359,321	336,051	403,101	323,922	323,915	323,907
Total liabilities	**531,950**	**517,950**	**429,321**	**424,581**	**469,750**	**477,556**	**436,152**	**436,968**
Net fixed assets	128,130	130,640	145,220	170,320	189,580	191,761	193,806	193,332
Investments	352,210	237,830	202,220	194,880	203,290	143,290	108,290	73,290
Cash	510	1,890	19,640	230	19,180	80,155	66,291	101,344
Other current assets	26,120	120,110	19,571	20,611	25,660	30,311	35,726	36,963
Deferred tax assets	—	—	20,590	19,290	13,820	13,820	13,820	13,820
Total assets	**531,950**	**517,950**	**429,321**	**424,581**	**469,750**	**477,556**	**436,153**	**436,969**
Net debt	**(352,720)**	**(160,640)**	**(221,860)**	**(169,730)**	**(216,360)**	**(133,445)**	**(129,581)**	**(129,634)**
Free cash flow (Rs mn)								
Operating cash flow (excl. work cap.)	53,350	76,650	98,830	81,550	80,910	106,182	128,631	132,023
Working capital changes	16,320	1,980	5,170	6,710	(11,170)	(1,556)	(1,811)	(414)
Capital expenditure	(15,500)	(20,080)	(27,230)	(33,410)	(36,180)	(27,825)	(30,000)	(30,000)
Free cash flow	**54,170**	**58,550**	**76,770**	**54,850**	**33,560**	**76,801**	**96,819**	**101,609**
Ratios								
Debt/equity (X)	-	0.3	-	0.1	0.0	0.3	0.1	0.1
P/B	3.5	4.4	3.7	3.9	3.2	4.0	4.0	4.0
P/E	15.1	14.8	13.6	15.5	18.1	15.3	12.3	12.2
FCF yield (%)	4.4	4.7	6.2	4.4	2.7	6.2	7.8	8.2
Dividend yield (%)	10.4	10.1	2.7	6.8	5.6	7.3	8.2	8.2
Net debt/equity (X)	(0.9)	(0.5)	(0.6)	(0.5)	(0.5)	(0.4)	(0.4)	(0.4)
RoAE (%)	20.9	26.4	30.0	24.3	19.4	23.3	32.9	33.2
RoACE (%)	111.8	87.3	59.4	56.1	39.9	38.2	43.3	47.2
Cash as % of Mcap	28.6	13.0	18.0	13.7	17.5	10.8	10.5	10.5

Source: Company, Kotak Institutional Equities estimates

kotak Institutional Equities

Tata Motors (TTMT)

Automobiles & Components

SELL

JANUARY 12, 2021

UPDATE

Sector view: Cautious

CMP (₹): 238

Fair Value (₹): 155

BSE-30: 49,517

JLR volumes remain under pressure. JLR retail volumes declined by 9% yoy in 3QFY21 led by volume decline across regions except China. Even as the management has done a good job in cutting costs and conserving cash, volume outlook for JLR remains weak due to weak global growth and a weak model launch pipeline. We retain SELL but revise fair value to Rs155 (from Rs135 earlier), noting cost-cutting initiatives and roll-over to March 2023E (from December 2022E earlier).

Tata Motors			
Stock data			
CMP(Rs)/FV(Rs)/Rating	238/155/SELL		
52-week range (Rs) (high-low)	252-64		
Mcap (bn) (Rs/US$)	856/10.7		
ADTV-3M (mn) (Rs/US$)	10,683/146		
Shareholding pattern (%)			
Promoters	42.4		
FPIs/MFs/BFIs	26.3/5.6/6.8		
Price performance (%)	**1M**	**3M**	**12M**
Absolute	33.0	75.0	21.1
Rel. to BSE-30	23.8	43.4	1.7

Forecasts/valuations	2021E	2022E	2023E
EPS (Rs)	(10.6)	15.1	22.6
EPS growth (%)	48.8	242.0	49.5
P/E (X)	(22.4)	15.8	10.6
P/B (X)	1.5	1.3	1.2
EV/EBITDA (X)	5.9	4.2	3.4
RoE (%)	(6.5)	8.8	11.9
Div. yield (%)	0.0	0.0	0.0
Sales (Rs bn)	2,468	3,024	3,240
EBITDA (Rs bn)	280	378	424
Net profits (Rs bn)	(41)	58	86

JLR retail volumes down 9% yoy in 3QFY21; China volumes grew by 19% yoy

JLR retail volumes declined by 9% yoy to 128,469 units in 3QFY21. Jaguar volumes declined by 21% yoy while Land Rover volumes declined by only 5% yoy led by the success of the newly launched Defender. China volumes grew by 19% yoy to 32,668 units driven by strong recovery in Chinese regions. UK volumes declined by 9% yoy in 3QFY21 due to concerns around Brexit and a second wave of Covid-19. Other markets continued to struggle with declines in volumes in Europe (-16% yoy), North America (-17% yoy) and rest of the world (-20% yoy) in 3QFY21. In terms of models, new Range Rover Defender continued its uptrend (+66% qoq) in 3QFY21. Jaguar I-Pace volumes increased by 69% yoy led by strong traction for the electric variant yoy and volumes of XE increased by 31% yoy in 3QFY21. In 3QFY21, mix for all-electric stood at 6.1%, PHEV stood at 5.5% and MHEV stood at 41.4%. For CY2020, share of electric vehicles mix stood at 43.3%. We expect JLR volumes to grow by 2% CAGR over FY2020-23E led by recovery from FY2022E onwards. We expect EBITDA margin to improve to 12.8% in FY2023E from 8.7% in FY2020 led by (1) operating leverage benefits and (2) GBP6 bn of cost savings under project Charge and project Charge+. The company expects to save the remaining GBP0.7 bn during 2HFY21E by focus on lowering warranty costs, minimizing overhead cost base and improve current portfolio returns by reducing material cost. We also expect the company to generate FCF over the next two quarters led by improvement in operating performance. However, we expect muted volume growth over the medium-term given weak global economy and weak model pipeline in the electric segment.

Domestic business to bounce back strongly

We expect Tata Motors' standalone volumes to grow by 12% CAGR over FY2020-23E led by (1) strong recovery in truck segment amid rising freight rates and improving fleet utilization levels and (2) 15% volume CAGR in domestic PV segment. We reckon heavy truck demand segment to show a strong 18% CAGR over FY2020-25E led by replacement demand and recovery in freight demand. We expect road freight demand to grow by 3% CAGR over FY2020-25E led by (1) an increase in government and private sector investments and (2) increasing interstate movement of goods and passengers owing to strong growth in FMCG, retail and pharmaceutical industries.

Hitesh Goel

Rishi Vora

kspcg.research@kotak.com
Contact: +91 22 6218 6427

For Private Circulation Only. FOR IMPORTANT INFORMATION ABOUT KOTAK SECURITIES' RATING SYSTEM AND OTHER DISCLOSURES, REFER TO THE END OF THIS MATERIAL.

Increase our FY2022-23E consolidated EBITDA estimates by 4%; maintain SELL

We have increased our consolidated EBITDA estimates by 4% over FY2022-23E led by higher margin assumptions for JLR business. We have increase our FV to Rs155 (from Rs135 earlier) led by (1) higher margin assumptions for JLR business and (2) roll-over to March 2023E (from December 2022E earlier). We maintain our SELL rating on the stock as we have a muted outlook for recovery in JLR volumes. We believe the company will have to step-up its investments in the electric segment in order to stay competitive in this evolving space.

Exhibit 1: JLR retail volumes were down 9% yoy in 3QFY21; Defender continues to do well
Model wise retail volume breakup of JLR, March fiscal year-end, 2019-21 (units)

	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	yoy (%)	qoq (%)	FYTD21	FYTD20	yoy (%)
Jaguar models																
XE	8,091	7,683	6,545	8,111	7,456	6,889	3,495	4,109	4,562	4,944	4,594	31.4	(7.1)	14,100	17,840	(21.0)
XF	8,047	7,419	5,643	5,987	3,186	2,746	3,709	2,085	1,946	2,562	2,807	(24.3)	9.6	7,315	9,641	(24.1)
XJ	1,374	915	804	979	1,566	887	585	497	578	277	100	(82.9)	(63.9)	955	3,038	(68.6)
F-Pace	13,038	12,490	12,671	14,484	10,375	11,447	12,174	9,388	4,700	7,924	5,914	(51.4)	(25.4)	18,538	33,996	(45.5)
F Type	2,065	2,038	1,502	2,265	1,917	1,760	1,286	1,272	927	1,399	1,444	12.3	3.2	3,770	4,963	(24.0)
E-Pace	11,314	10,322	12,048	13,027	10,403	9,928	9,581	7,982	3,593	7,027	5,406	(43.6)	(23.1)	16,026	29,912	(46.4)
I-Pace	195	1,073	5,625	4,443	4,634	3,666	4,612	2,955	2,481	3,214	7,807	69.3	142.9	13,502	12,912	4.6
Total Jaguar	**44,124**	**41,940**	**44,838**	**49,296**	**39,537**	**37,323**	**35,442**	**28,288**	**18,787**	**27,347**	**28,072**	**(20.8)**	**2.7**	**74,206**	**112,302**	**(33.9)**
Land Rover models																
Defender	—	—	—	—	2	—	—	247	2,182	9,813	16,286	NA	66.0	28,281	2	NA
Discovery	10,902	10,934	9,417	9,586	8,576	7,880	9,820	7,398	4,440	6,147	4,831	(50.8)	(21.4)	15,418	26,276	(41.3)
Discovery Sport	24,194	19,294	21,033	23,456	20,387	16,756	22,978	14,450	10,659	16,421	18,862	(17.9)	14.9	45,942	60,121	(23.6)
Range Rover	13,300	11,871	15,290	15,956	11,082	11,975	13,806	10,427	8,063	9,876	12,385	(10.3)	25.4	30,324	36,863	(17.7)
Range Rover Evoque	17,010	14,495	18,474	18,263	17,011	22,405	24,009	21,681	11,168	18,515	18,824	(21.6)	1.7	48,507	63,425	(23.5)
Range Rover Sport	20,354	16,098	20,259	23,711	18,300	18,919	20,770	16,288	11,607	14,434	18,492	(11.0)	28.1	44,533	57,989	(23.2)
Range Rover Velar	15,626	15,255	15,291	18,648	13,720	13,695	14,397	11,090	7,161	11,016	10,717	(25.6)	(2.7)	28,894	41,812	(30.9)
Total Land Rover	**101,386**	**87,947**	**99,764**	**109,620**	**89,078**	**91,630**	**105,780**	**81,581**	**55,280**	**86,222**	**100,397**	**(5.1)**	**16.4**	**241,899**	**286,488**	**(15.6)**
JLR Total	**145,510**	**129,887**	**144,602**	**158,916**	**128,615**	**128,953**	**141,222**	**109,869**	**74,067**	**113,569**	**128,469**	**(9.0)**	**13.1**	**316,105**	**398,790**	**(20.7)**

Source: Company, Kotak Institutional Equities

Exhibit 2: China volumes grew by 19% yoy in 3QFY21; volumes in Europe and US were down 16-17% yoy
Geographical retail volume breakup of JLR, March fiscal year-end, 2019-21(units)

	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	yoy (%)	qoq (%)	FYTD21	FYTD20	yoy (%)
Geographic breakdown																
China Region	34,358	21,096	22,066	21,402	24,324	26,223	27,423	12,154	23,726	27,188	32,668	19.1	20.2	83,582	77,970	7.2
Europe	31,104	25,485	33,013	37,964	28,214	25,713	29,683	23,427	11,527	20,613	24,832	(16.3)	20.5	56,972	83,610	(31.9)
North America	30,886	30,293	39,759	38,840	30,691	29,992	40,187	28,476	20,833	25,262	33,270	(17.2)	31.7	79,365	100,870	(21.3)
UK	26,386	29,679	26,257	35,593	27,065	28,176	23,134	28,237	8,252	27,365	21,065	(8.9)	(23.0)	56,682	78,375	(27.7)
Rest of the world	22,776	23,334	23,507	25,117	18,321	18,849	20,795	17,575	9,729	13,141	16,634	(20.0)	26.6	39,504	57,965	(31.8)
JLR Total	**145,510**	**129,887**	**144,602**	**158,916**	**128,615**	**128,953**	**141,222**	**109,869**	**74,067**	**113,569**	**128,469**	**(9.0)**	**13.1**	**316,105**	**398,790**	**(20.7)**

Source: Company, Kotak Institutional Equities

Exhibit 3: We expect China volumes to increase in the volume mix over the next three years
Geography-wise wholesale volume mix (includes China JV), March fiscal year-ends, 2012-23E (units, %)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Geography												
N.A	58,327	64,885	71,000	79,000	108,900	132,000	136,447	133,237	135,766	108,613	121,646	136,244
UK	61,796	68,054	76,000	88,100	111,100	115,000	114,074	118,734	110,067	88,054	96,859	106,545
Europe (excl Russia and UK)	71,580	78,781	70,000	89,700	124,200	137,000	126,313	119,248	108,710	86,968	95,665	105,231
Russia	15,201	16,721	13,000	10,400	6,000	6,000	6,000	5,000	4,560	3,192	3,511	3,862
China	54,532	79,441	104,000	119,300	98,651	125,004	153,825	97,596	87,762	107,453	123,571	142,107
Asia Pac (excl China)	14,467	18,289	23,000	27,100	29,810	32,791	34,431	34,431	30,987	24,790	27,269	29,996
Rest of World	38,530	45,891	73,000	56,900	65,376	53,009	62,420	57,060	47,550	31,884	66,054	30,770
Total Volumes	**314,433**	**372,062**	**430,000**	**470,500**	**544,037**	**600,804**	**633,510**	**565,306**	**525,402**	**450,953**	**534,576**	**554,755**
Yoy growth (%)	29.1	18.3	15.6	9.4	15.6	10.4	5.4	(10.8)	(7.1)	(14.2)	18.5	3.8
Geographical mix (%)												
N.A	18.5	17.4	16.5	16.8	20.0	22.0	21.5	23.6	25.8	24.1	22.8	24.6
UK	19.7	18.3	17.7	18.7	20.4	19.1	18.0	21.0	20.9	19.5	18.1	19.2
Europe (excl Russia and UK)	22.8	21.2	16.3	19.1	22.8	22.8	19.9	21.1	20.7	19.3	17.9	19.0
Russia	4.8	4.5	3.0	2.2	1.1	1.0	0.9	0.9	0.9	0.7	0.7	0.7
China	17.3	21.4	24.2	25.4	18.1	20.8	24.3	17.3	16.7	23.8	23.1	25.6
Asia Pac (excl China)	4.6	4.9	5.3	5.8	5.5	5.5	5.4	6.1	5.9	5.5	5.1	5.4
Rest of World	12.3	12.3	17.0	12.1	12.0	8.8	9.9	10.1	9.1	7.1	12.4	5.5
Total Volumes	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Notes:
(a) Volumes from CJLR JV has been included in China volumes

Source: Company, Kotak Institutional Equities estimates

Exhibit 4: New models and ramp-up of recent launches will be the key for JLR over the next three years
JLR wholesale model-wise volume mix assumptions (includes China JV), March fiscal year-ends, 2012-23E (units, %)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Model												
XF	33,651	37,984	47,000	49,900	62,951	43,277	38,577	22,202	14,380	22,500	23,500	24,550
XJ	15,843	15,816	19,000	16,300	12,200	10,100	9,000	4,204	2,824	2,000	2,000	2,000
XK	4,545	4,012	3,000	2,100	100	—	—	—	—	—	—	—
F type	—	—	10,000	12,200	12,600	10,900	9,200	7,700	6,346	4,000	4,000	4,000
Small Jaguar	—	—	—	—	39,200	46,700	50,054	29,365	17,812	7,153	7,411	7,682
F Pace	—	—	—	—	1,806	76,000	69,500	50,885	45,943	25,000	25,000	25,000
I-Pace/E-Pace	—	—	—	—	—	—	18,708	68,263	62,163	60,000	65,250	70,988
Jaguar	**54,039**	**57,812**	**79,000**	**80,500**	**128,857**	**186,977**	**195,039**	**182,619**	**149,468**	**120,653**	**127,161**	**134,219**
Defender	19,290	15,089	17,000	20,000	20,200	600	—	4	121	50,000	60,000	65,000
Discovery	46,466	43,579	44,000	50,600	53,700	37,600	52,000	37,635	33,648	28,000	30,000	33,000
Freelander	46,977	52,150	57,000	38,700	—	—	—	7	—	—	—	—
Discovery Sport	—	—	—	13,600	89,800	86,000	74,500	58,363	52,889	30,000	40,000	45,000
Range Rover	31,209	29,835	46,000	61,400	60,100	56,300	54,900	57,051	50,965	30,000	45,000	45,000
RRSport	56,235	57,485	66,000	85,800	90,300	87,500	76,600	82,600	76,339	60,000	75,000	70,000
Evoque	60,217	116,112	121,000	119,900	101,080	136,373	121,173	83,750	106,729	95,000	110,000	115,000
Range Rover Velar	—	—	—	—	—	—	59,200	60,766	52,972	35,000	45,000	45,000
Land Rover	**260,394**	**314,250**	**351,000**	**390,000**	**415,180**	**404,373**	**438,373**	**380,176**	**373,663**	**328,000**	**405,000**	**418,000**
Total Volumes	**314,433**	**372,062**	**430,000**	**470,500**	**544,037**	**591,350**	**633,412**	**562,795**	**523,131**	**448,653**	**532,161**	**552,219**
Model mix (%)												
XF	10.7	10.2	10.9	10.6	11.6	7.3	6.1	3.9	2.7	5.0	4.4	4.4
XJ	5.0	4.3	4.4	3.5	2.2	1.7	1.4	0.7	0.5	0.4	0.4	0.4
XK	1.4	1.1	0.7	0.4	0.0	—	—	—	—	—	—	—
F type	—	—	2.3	2.6	2.3	1.8	1.5	1.4	1.2	0.9	0.8	0.7
Small Jaguar	—	—	—	—	7.2	7.9	7.9	5.2	3.4	1.6	1.4	1.4
F Pace	—	—	—	—	0.3	12.9	11.0	9.0	8.8	5.6	4.7	4.5
I-Pace/E-Pace	—	—	—	—	—	—	3.0	12.1	11.9	13.4	12.3	12.9
Defender	6.1	4.1	4.0	4.3	3.7	—	—	—	—	11.1	11.3	11.8
Discovery	14.8	11.7	10.2	10.8	9.9	6.4	8.2	6.7	6.4	6.2	5.6	6.0
Freelander	14.9	14.0	13.3	8.2	—	—	—	—	—	—	—	—
Discovery Sport	—	—	—	2.9	16.5	14.5	11.8	10.4	10.1	6.7	7.5	8.1
Range Rover	9.9	8.0	10.7	13.0	11.0	9.5	8.7	10.1	9.7	6.7	8.5	8.1
RRSport	17.9	15.5	15.3	18.2	16.6	14.8	12.1	14.7	14.6	13.4	14.1	12.7
Evoque	19.2	31.2	28.1	25.5	18.6	23.1	19.1	14.9	20.4	21.2	20.7	20.8
Range Rover Velar	—	—	—	—	—	—	9.3	10.8	10.1	7.8	8.5	8.1
Total Volumes	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Notes:
(a) Volumes from CJLR JV has been included in China volumes

Source: Company, Kotak Institutional Equities estimates

Exhibit 5: We expect standalone volumes to grow by 12% CAGR over FY2020-23E
Tata Motors standalone volume assumptions, March fiscal year-ends, 2012-23E (units)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
M&HCVs	**221,298**	**152,505**	**122,498**	**142,737**	**176,493**	**175,262**	**190,367**	**224,940**	**124,446**	**77,537**	**131,152**	**205,388**
M&HCVs-domestic	207,014	143,381	110,225	127,011	156,961	148,901	168,013	195,712	111,752	69,286	121,251	194,001
M&HCVs-exports	14,284	9,124	12,273	15,726	19,532	26,361	22,354	29,228	12,694	8,251	9,901	11,387
LCVs	**363,756**	**428,643**	**298,799**	**221,818**	**205,231**	**209,767**	**259,066**	**294,837**	**216,254**	**173,003**	**231,666**	**259,224**
LCVs-domestic	95,791	113,520	85,140	59,598	59,078	54,488	103,410	124,602	87,820	70,256	87,820	100,992
Ace	227,179	280,242	183,059	131,533	111,981	121,821	127,912	148,378	111,283	89,027	124,638	137,101
LCVs-exports	40,786	34,881	30,600	30,687	34,172	33,458	27,744	21,857	17,151	13,721	19,209	21,130
UVs	**56,464**	**48,617**	**32,400**	**25,617**	**19,364**	**20,197**	**53,071**	**80,095**	**60,452**	**67,578**	**75,687**	**79,471**
UVs-domestic	55,744	47,454	31,268	24,609	18,621	18,757	51,891	78,756	59,381	66,507	74,488	78,212
UVs-exports	720	1,163	1,132	1,008	743	1,440	1,180	1,339	1,071	1,071	1,200	1,259
Passenger vehicles	**265,254**	**180,355**	**112,894**	**111,982**	**111,072**	**137,096**	**136,548**	**132,069**	**72,225**	**108,338**	**119,171**	**125,130**
Passenger vehicles-domestic	183,439	120,845	85,648	92,569	86,796	126,908	133,579	131,011	71,816	107,724	118,496	124,421
Passenger vehicles-exports	7,288	5,663	5,707	2,512	3,264	2,597	1,118	682	409	614	675	709
Small car	74,527	53,847	21,539	16,901	21,012	7,591	1,851	376	—	—	—	—
Total domestic sales	843,694	759,289	516,879	452,221	454,449	478,466	586,656	678,835	442,052	402,799	526,692	634,728
Total export sales	63,078	50,831	49,712	49,933	57,711	63,856	52,396	53,106	31,325	23,656	30,985	34,485
Total vehicle sales	**906,772**	**810,120**	**566,591**	**502,154**	**512,160**	**542,322**	**639,052**	**731,941**	**473,377**	**426,456**	**557,677**	**669,213**
Volume growth (yoy %)												
M&HCVs	**5.6**	**(31.1)**	**(19.7)**	**16.5**	**23.6**	**(0.7)**	**8.6**	**18.2**	**(44.7)**	**(37.7)**	**69.1**	**56.6**
M&HCVs-domestic	7.7	(30.7)	(23.1)	15.2	23.6	(5.1)	12.8	16.5	(42.9)	(38.0)	75.0	60.0
M&HCVs-exports	(17.9)	(36.1)	34.5	28.1	24.2	35.0	(15.2)	30.8	(56.6)	(35.0)	20.0	15.0
LCVs	**26.5**	**17.8**	**(30.3)**	**(25.8)**	**(7.5)**	**2.2**	**23.5**	**13.8**	**(26.7)**	**(20.0)**	**33.9**	**11.9**
LCVs-domestic	23.5	18.5	(25.0)	(30.0)	(0.9)	(7.8)	89.8	20.5	(29.5)	(20.0)	25.0	15.0
Ace	28.3	23.4	(34.7)	(28.1)	(14.9)	8.8	5.0	16.0	(25.0)	(20.0)	40.0	10.0
LCVs-exports	24.3	(14.5)	(12.3)	0.3	11.4	(2.1)	(17.1)	(21.2)	(21.5)	(20.0)	40.0	10.0
UVs	**31.1**	**(13.9)**	**(33.4)**	**(20.9)**	**(24.4)**	**4.3**	**162.8**	**50.9**	**(24.5)**	**11.8**	**12.0**	**5.0**
UVs-domestic	31.8	(14.9)	(34.1)	(21.3)	(24.3)	0.7	176.6	51.8	(24.6)	12.0	12.0	5.0
UVs-exports	(6.0)	61.5	(2.7)	(11.0)	(26.3)	93.8	(18.1)	13.5	(20.0)	—	12.0	5.0
Passenger vehicles	**0.8**	**(32.0)**	**(37.4)**	**(0.8)**	**(0.8)**	**23.4**	**(0.4)**	**(3.3)**	**(45.3)**	**50.0**	**10.0**	**5.0**
Passenger vehicles-domestic	(1.3)	(34.1)	(29.1)	8.1	(6.2)	46.2	5.3	(1.9)	(45.2)	50.0	10.0	5.0
Passenger vehicles-exports	3.0	(22.3)	0.8	(56.0)	29.9	(20.4)	(57.0)	(39.0)	(40.0)	50.0	10.0	5.0
Small car	5.8	(27.7)	(60.0)	(21.5)	24.3	(63.9)	(75.6)	(79.7)	(100.0)	NA	NA	NA
Total domestic sales	13.2	(10.0)	(31.9)	(12.5)	0.5	5.3	22.6	15.7	(34.9)	(8.9)	30.8	20.5
Total export sales	8.7	(19.4)	(2.2)	0.4	15.6	10.6	(17.9)	1.4	(41.0)	(24.5)	31.0	11.3
Total vehicle sales	**12.9**	**(10.7)**	**(30.1)**	**(11.4)**	**2.0**	**5.9**	**17.8**	**14.5**	**(35.3)**	**(9.9)**	**30.8**	**20.0**

Source: Company, Kotak Institutional Equities estimates

Exhibit 6: We expect JLR's EBITDA margin to improve over FY2020-23E
Jaguar Land Rover income statement (excluding China JV), March fiscal year-ends, 2012-23E (GBP mn)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Volumes (000s)	314	372	430	467	509	535	545	508	476	374	450	463
Sales	**13,512**	**15,784**	**19,386**	**22,106**	**22,286**	**24,339**	**25,786**	**24,214**	**22,984**	**20,737**	**24,815**	**25,090**
Of which realzied forex losses	—	—	—	240	78	(1,320)	(1,389)	(703)	(544)	(120)	—	—
Realizations per vehicle	42,972	42,422	45,083	47,387	43,759	45,510	47,296	47,677	48,291	55,522	55,143	54,196
Cost of sales	11,373	13,254	15,910	18,129	18,821	21,143	22,880	21,812	20,563	17,850	21,253	21,418
Materials	8,733	9,904	11,904	13,347	13,562	15,071	16,328	15,670	14,684	13,148	15,832	16,008
Labor	1,011	1,333	1,654	1,977	2,321	2,490	2,722	2,820	2,568	2,175	2,366	2,366
Manufacturing costs and SG&A	1,629	2,017	2,352	2,805	2,938	3,582	3,830	3,322	3,311	2,528	3,055	3,044
D&A	466	622	875	1,051	1,418	1,656	2,075	2,164	1,910	1,900	2,100	2,200
Product dev	149	198	236	253	318	368	406	421	421	360	425	450
EBIT	**1,524**	**1,710**	**2,365**	**2,673**	**1,729**	**1,172**	**425**	**(183)**	**90**	**627**	**1,037**	**1,023**
EBITDA	**1,989**	**2,331**	**3,240**	**3,724**	**3,147**	**2,828**	**2,500**	**1,981**	**2,000**	**2,527**	**3,137**	**3,223**
Other income	38	71	153	143	128	379	420	(102)	(212)	—	—	—
Interest	69	(3)	147	87	52	35	52	76	157	200	240	220
PBT	1,492	1,784	2,371	2,729	1,805	1,516	793	(361)	(279)	427	797	803
Tax	26	460	622	576	293	331	398	(308)	47	432	215	217
Forex gains/(losses)	(14)	(108)	137	(216)	(136)	(102)	467	(3,271)	(29)	—	—	—
PAT	**1,481**	**1,216**	**1,886**	**1,937**	**1,376**	**1,083**	**862**	**(3,324)**	**(355)**	**(5)**	**581**	**586**
EBITDA margin (%)	**14.7**	**14.8**	**16.7**	**16.8**	**14.1**	**11.6**	**9.7**	**8.2**	**8.7**	**12.2**	**12.6**	**12.8**
EBIT margin - including China JV profit (%)	**11.3**	**10.8**	**12.2**	**12.1**	**8.0**	**5.5**	**2.6**	**(0.7)**	**(0.1)**	**3.1**	**4.3**	**4.3**

Source: Company, Kotak Institutional Equities estimates

Exhibit 7: We have increased our FY2022-23E consolidated EBITDA estimates by 4% led by increase in EBITDA assumptions of JLR entity
Earnings revision table, March fiscal year-ends, 2021-23E (Rs mn, %)

	New estimates			Old estimates			change (%)		
	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E
Standalone (Rs mn)									
Volumes (units)	426,456	557,677	669,213	426,456	557,677	669,213	—	—	—
Net sales	386,812	538,978	717,307	386,812	538,978	717,307	—	—	—
EBITDA	6,925	39,124	71,426	6,925	39,124	71,426	—	—	—
EBITDA margin (%)	1.8	7.3	10.0	1.8	7.3	10.0			
Adjusted net profit	**(36,465)**	**(4,134)**	**21,319**	**(36,465)**	**(4,134)**	**21,319**			
JLR UK P&L (GBP mn)									
Volumes (units)	373,500	450,000	462,950	373,500	450,000	462,950	—	—	—
Average realization	55,522	55,143	54,196	55,522	55,143	54,196	—	—	—
Net sales	20,737	24,815	25,090	20,737	24,815	25,090	—	—	—
Of which hedged forex losses	(120)	—	—	(120)	—	—			
EBITDA	2,527	3,137	3,223	2,527	2,972	3,058	—	5.6	5.4
EBITDA margin (%)	12.2	12.6	12.8	12.2	12.0	12.2			
Reported net profit	**(5)**	**581**	**586**	**(5)**	**461**	**465**		**26.1**	**25.9**
China JV (GBP mn)									
Volumes (units)	77,453	84,576	91,805	77,453	84,576	91,805	—	—	—
Net sales	2,231	2,436	2,645	2,231	2,436	2,645	—	—	—
EBITDA	247	324	404	247	324	404	—	—	—
EBITDA margin (%)	11.1	13.3	15.3	11.1	13.3	15.3			
Net profit	**35**	**83**	**136**	**35**	**83**	**136**			
Consolidated (Rs mn)									
Net sales	2,467,568	3,023,506	3,239,743	2,467,568	3,023,506	3,239,743	—	—	—
EBITDA	280,279	378,499	423,541	280,279	362,824	407,866	—	4.3	3.8
EBITDA margin (%)	11.4	12.5	13.1	11.4	12.0	12.6			
Adjusted net profit	**(40,672)**	**57,775**	**86,372**	**(40,672)**	**46,332**	**74,929**		**24.7**	**15.3**
EPS	**(10.6)**	**15.1**	**22.6**	**(10.6)**	**12.1**	**19.6**		**24.7**	**15.3**
GBPINR	95.0	95.0	95.0	95.0	95.0	95.0	—	—	—

Source: Kotak Institutional Equities estimates

Exhibit 8: We value Tata Motors at Rs155/share based on SOTP methodology
Tata Motors SOTP valuation

		Multiple (X)	Value (Rs mn)	Value per share (Rs)	Comments
Standalone business (Rs mn)					
CV EBIT	50,000	9	450,000	118	based on March 2023 estimates
PV EBIT			(37,009)	(10)	FCF loss for FY2022E and FY2023E after which we assume FCF breakeven for PV business
Net debt			(219,724)		
Total standalone value				**50**	
JLR					
JLR UK net profit	55,661	5.0	278,306	73	based on March 2023 EPS
JLR China JV valuation				25	based on 5X March 2023 EV/EBITDA
Total standalone + JLR				**148**	
Value of Tata Motors Finance				5	1X P/BV on March 2022E
SOTP-based value				**153**	
Fair Value				**155**	

Source: Kotak Institutional Equities estimates

Exhibit 9: We expect strong recovery in the standalone business led by CV sector
Tata Motors standalone profit and loss, balance sheet and cash flow statement, March fiscal year-ends, 2012-23E (Rs mn)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Profit model (Rs mn)												
Net sales	543,066	447,657	342,881	362,947	428,455	443,163	578,965	692,028	439,282	386,812	538,978	717,307
EBITDA	**41,776**	**17,180**	**(9,112)**	**(12,375)**	**29,466**	**13,577**	**23,907**	**51,548**	**(4,122)**	**6,925**	**39,124**	**71,426**
Other income	2,104	17,046	18,669	18,814	14,023	9,811	24,925	25,547	13,831	11,956	12,058	12,560
Interest	(8,550)	(10,041)	(13,375)	(16,117)	(15,920)	(15,690)	(17,444)	(17,936)	(19,730)	(21,432)	(20,082)	(18,282)
Depreciaton	(16,067)	(18,176)	(20,703)	(26,032)	(23,292)	(30,371)	(31,019)	(30,986)	(33,753)	(33,914)	(35,234)	(37,049)
Profit before tax	**19,263**	**6,008**	**(24,521)**	**(35,710)**	**4,276**	**(22,674)**	**369**	**28,172**	**(43,774)**	**(36,465)**	**(4,134)**	**28,655**
Extra ordinary income/(expenses)	5,852	(8,642)	14,263	(4,038)	(4,948)	(859)	(9,838)	(4,183)	(27,499)	—	—	—
Tax expense	—	6	13,603	(7,642)	73	(571)	(926)	(2,947)	(331)	—	—	(7,336)
Net profit	**12,422**	**(1,354)**	**3,346**	**(47,390)**	**(623)**	**(24,296)**	**(10,349)**	**20,206**	**(72,896)**	**(36,465)**	**(4,134)**	**21,319**
Adjusted net profit	**16,519**	**(3,031)**	**(27,276)**	**(52,240)**	**3,088**	**(23,652)**	**(2,970)**	**23,343**	**(52,272)**	**(36,465)**	**(4,134)**	**21,319**
Adjusted Diluted EPS (Rs)	**4.9**	**(0.9)**	**(8.0)**	**(15.4)**	**0.9**	**(7.0)**	**(0.9)**	**6.9**	**(14.5)**	**(9.5)**	**(1.1)**	**5.6**
Balance sheet (Rs mn)												
Equity	6,348	6,381	6,438	6,438	6,792	6,792	6,792	6,792	7,195	7,658	7,658	7,658
Reserves and Surplus	189,913	187,118	185,328	142,188	225,829	204,834	194,918	214,833	176,681	174,453	170,319	198,974
Deferred tax liability	21,054	19,639	431	—	714	1,476	1,546	2,059	1,986	1,986	1,986	1,986
Total borrowings	158,806	167,990	150,528	211,344	164,733	193,570	184,638	186,360	254,448	234,448	224,448	194,448
Current liabilities	169,073	142,871	154,619	139,462	168,692	182,111	204,229	199,053	185,589	162,401	184,554	218,457
Total liabilities	**545,193**	**523,998**	**497,344**	**499,432**	**566,760**	**588,783**	**592,123**	**609,096**	**625,899**	**580,946**	**588,965**	**621,522**
Net fixed assets	190,562	202,085	215,956	218,240	267,623	280,439	268,004	285,734	290,332	271,418	261,183	254,134
Investments	204,936	199,344	184,584	169,670	152,175	148,584	149,427	156,920	157,309	157,309	157,309	157,309
Cash	18,410	4,629	2,262	9,650	25,343	27,640	26,163	24,820	44,175	43,512	42,346	50,712
Other current assets	128,702	115,790	94,542	101,872	121,619	132,120	148,530	141,622	134,083	108,708	128,127	159,369
Miscellaneous expenditure	2,584	2,150	—	—	—	—	—	—	—	—	—	—
Total assets	**545,193**	**523,998**	**497,344**	**499,432**	**566,760**	**588,783**	**592,123**	**609,096**	**625,899**	**580,946**	**588,965**	**621,522**
Free cash flow (Rs mn)												
Operating cash flow excl. working capital	39,671	17,557	(9,949)	(6,972)	34,789	15,465	40,824	59,848	(5,320)	18,882	51,182	83,986
Working capital changes	(3,135)	5,028	34,583	(15,171)	(7,759)	(931)	515	3,079	(9,226)	2,187	2,734	2,662
Capital expenditure	(28,355)	(25,884)	(30,941)	(30,548)	(32,492)	(34,965)	(27,948)	(47,532)	(45,134)	(15,000)	(25,000)	(30,000)
Free cash flow	**(6,642)**	**(21,394)**	**(23,805)**	**(71,140)**	**(26,321)**	**(39,795)**	**(7,593)**	**(8,153)**	**(82,377)**	**(15,363)**	**8,834**	**38,366**
Ratios												
EBITDA margin (%)	24.6	25.7	26.6	20.7	32.1	28.1	29.2	27.3	29.1	24.8	27.7	28.8
Debt/equity (X)	7.7	3.8	(2.7)	(3.4)	6.9	3.1	4.1	7.4	(0.9)	1.8	7.3	10.0
Net debt/equity (X)	4.7	(0.2)	(8.7)	(10.6)	1.4	(3.8)	(1.2)	3.0	(8.6)	(7.0)	0.7	4.8
RoAE (%)	0.8	0.9	0.8	1.4	0.7	0.9	0.9	0.8	1.4	1.3	1.3	0.9
Book value/share (X)	0.7	0.8	0.8	1.4	0.6	0.8	0.8	0.7	1.1	1.0	1.0	0.7

Source: Company, Kotak Institutional Equities estimates

Exhibit 10: We expect Tata Motors' consolidated EBITDA to grow by 29% CAGR over FY2020-23E
Tata Motors consolidated profit and loss, balance sheet and cash flow statement, March fiscal year-ends, 2012-22E (Rs mn)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Profit model (Rs mn)												
Net sales	1,656,545	1,888,176	2,328,337	2,627,963	2,730,456	2,696,925	2,915,505	3,019,384	2,610,680	2,467,568	3,023,506	3,239,743
EBITDA	**223,112**	**245,473**	**348,377**	**392,387**	**383,075**	**334,988**	**302,724**	**255,702**	**197,258**	**280,279**	**378,499**	**423,541**
Other income	6,618	8,115	8,286	8,987	8,854	7,545	39,576	29,653	29,732	24,000	30,000	30,000
Interest	(29,822)	(35,533)	(47,338)	(48,615)	(48,891)	(42,380)	(46,818)	(57,586)	(72,433)	(79,241)	(84,941)	(84,816)
Depreciaton	(56,254)	(75,693)	(110,782)	(133,886)	(167,108)	(179,050)	(215,536)	(235,906)	(214,254)	(226,414)	(246,734)	(258,049)
Profit before tax	**143,654**	**142,362**	**198,544**	**218,873**	**175,930**	**121,103**	**79,946**	**(8,137)**	**(59,698)**	**(1,377)**	**76,823**	**110,675**
Extra ordinary income/(expenses)	(8,315)	(6,027)	(9,854)	(1,847)	(24,271)	(19,569)	22,123	(269,928)	(46,102)	—	—	—
Tax	400	(37,710)	(47,648)	(76,429)	(40,652)	(40,899)	(33,938)	(11,273)	(3,953)	(38,340)	(19,092)	(24,347)
Minority Interest + Associate income	(574)	301	(1,132)	(734)	4,786	13,908	21,758	1,075	(10,956)	(956)	44	44
Net profit	**135,165**	**98,926**	**139,910**	**139,863**	**115,793**	**74,544**	**89,889**	**(288,262)**	**(120,708)**	**(40,672)**	**57,775**	**86,372**
Adjusted net profit	**143,480**	**104,953**	**149,764**	**141,710**	**140,064**	**94,112**	**67,766**	**(18,335)**	**(74,607)**	**(40,672)**	**57,775**	**86,372**
Adjusted EPS (Rs)	**42.3**	**30.9**	**44.1**	**41.7**	**41.2**	**27.7**	**20.0**	**(5.4)**	**(20.7)**	**(10.6)**	**15.1**	**22.6**
Balance sheet (Rs mn)												
Equity	6,348	6,381	6,438	6,438	6,792	6,792	6,792	6,792	7,195	7,658	7,658	7,658
Reserves and Surplus	325,152	381,331	649,597	556,181	782,732	573,827	947,487	595,003	623,590	617,155	674,929	761,301
Deferred tax liability	21,651	20,195	15,723	13,432	44,748	11,740	61,258	14,910	19,419	19,419	19,419	19,419
Minority Interest	3,071	3,705	4,207	4,333	4,328	4,532	5,251	5,231	8,136	9,092	10,048	11,004
Total borrowings	471,490	535,914	606,423	736,104	733,413	786,040	889,505	1,212,095	1,188,105	1,175,316	1,154,966	1,120,190
Current liabilities	626,116	764,078	917,596	1,070,091	1,099,398	1,354,613	1,403,213	1,237,914	1,374,768	1,284,488	1,491,044	1,597,682
Total liabilities	**1,453,826**	**1,711,603**	**2,199,983**	**2,386,580**	**2,671,412**	**2,737,543**	**3,313,505**	**3,071,945**	**3,221,213**	**3,113,127**	**3,358,065**	**3,517,254**
Net fixed assets	562,125	694,836	973,754	1,124,226	1,323,909	1,289,696	1,613,309	1,423,705	1,556,770	1,548,656	1,571,546	1,585,747
Goodwill	40,937	41,024	49,788	46,970	7,598	6,733	1,165	7,479	7,771	7,771	7,771	7,771
Investments	89,177	90,577	106,867	12,405	45,340	52,968	61,490	68,324	54,469	54,469	54,469	54,469
Cash	182,381	211,127	297,118	462,120	496,934	511,190	492,777	415,872	445,885	367,376	430,875	537,899
Other current assets	574,691	662,701	748,986	717,389	797,630	876,956	1,144,765	1,156,567	1,156,317	1,134,855	1,293,403	1,331,368
Miscellaneous expenditure	4,514	11,339	23,471	23,471	—	—	—	—	—	—	—	—
Total assets	**1,453,826**	**1,711,603**	**2,199,983**	**2,386,580**	**2,671,412**	**2,737,543**	**3,313,505**	**3,071,945**	**3,221,213**	**3,113,127**	**3,358,065**	**3,517,254**
Free cash flow (Rs mn)												
Operating cash flow excl. working capital	206,644	221,302	303,768	388,547	365,864	269,450	317,730	261,114	215,675	265,939	390,407	430,194
Working capital changes	(22,801)	(680)	57,744	(36,718)	13,132	32,542	(64,337)	(72,207)	50,654	(68,818)	48,009	68,672
Capital expenditure	(138,756)	(187,570)	(269,252)	(315,396)	(314,442)	(304,135)	(350,486)	(352,363)	(295,306)	(218,300)	(269,625)	(272,250)
Free cash flow (including finance business debt)	**11,351**	**(13,508)**	**30,554**	**(26,637)**	**7,397**	**(55,506)**	**(151,200)**	**(233,506)**	**(104,160)**	**(100,420)**	**83,849**	**141,800**
Ratios												
EBITDA margin (%)	13.5	13.0	15.0	14.9	14.0	12.4	10.4	8.5	7.6	11.4	12.5	13.1
Debt/equity (X)	1.4	1.4	0.9	1.3	0.9	1.4	0.9	2.0	1.9	1.9	1.7	1.5
Net debt/equity (X)	0.9	0.8	0.5	0.5	0.3	0.5	0.4	1.3	1.2	1.3	1.1	0.8
Book value (Rs per share)	84	99	172	145	230	169	281	175	173	161	176	199
ROAE (%)	54.8	29.2	28.7	23.3	20.7	13.7	8.8	(2.4)	(12.1)	(6.5)	8.8	11.9

Source: Company, Kotak Institutional Equities estimates

Container Corp. (CCRI)

Transportation

SELL

JANUARY 12, 2021

UPDATE

Sector view: Attractive

CMP (₹): 446

Fair Value (₹): 410

BSE-30: 49,517

Concor – case of misplaced expectations. The National Rail Plan focusses on obstacles in (1) realizing modal volume gains after commissioning of DFC and (2) converting such volume gains into EBITDA gains. Such obstacles are likely behind rail losing modal share over the past three-year period of favorable externalities. Concor's stiff and unchanged valuation multiples do not factor in such concerns. SELL. We increase FV by 12% to factor in faster recovery in traffic (6%) and roll forward by six months to March 2023.

Container Corp.			
Stock data			
CMP(Rs)/FV(Rs)/Rating			446/410/SELL
52-week range (Rs) (high-low)			602-263
Mcap (bn) (Rs/US$)			272/3.8
ADTV-3M (mn) (Rs/US$)			1,110/15
Shareholding pattern (%)			
Promoters			54.8
FPIs/MFs/BFIs			24.5/8.7/6.9
Price performance (%)	**1M**	**3M**	**12M**
Absolute	11.2	20.3	(20.9)
Rel. to BSE-30	3.5	(1.4)	(33.6)

Forecasts/valuations	2021E	2022E	2023E
EPS (Rs)	11.0	13.8	17.8
EPS growth (%)	(35.4)	25.5	29.5
P/E (X)	40.7	32.4	25.0
P/B (X)	2.6	2.6	2.5
EV/EBITDA (X)	21.0	17.3	13.9
RoE (%)	6.6	8.0	10.1
Div. yield (%)	1.3	1.7	2.2
Sales (Rs bn)	62	73	85
EBITDA (Rs bn)	12	14	18
Net profits (Rs bn)	7	8	11

NRP – gains on volumes may take time and may not translate into concomitant EBITDA gains

Several obstacles in way of modal share gain. While noting the improvement in speed and reliability of train movement after DFC, the National Rail Plan (NRP) rightfully suggests issues related to (1) select aspects of pricing and weighing by Indian Railways (IR), (2) inordinate time delays at terminals related to double-stacking, (3) large cost of first and last mile connectivity and absence of end-to-end logistics offering and (4) capacity constraints for the remaining rail network even after shift of traffic to DFC. NRP also suggests scope of improvement in road offering and expects modal share for rail to fall on a business as usual basis.

Volume gains may not yield concomitant EBITDA gain. Nowhere in its assessment does it focus on revenue share gain from DFC. The NRP however suggests prospects of lower lead distance profile of new volumes for rail. It also suggests need to lower realization to realize modal share gain for IR. This would likely come from container rail operators having to pass on cost benefits from DFC. Given the high operating ratios, IR would unlikely reduce haulage rates any further. We note the meaningful support IR has given in terms of benign pricing since FY2015.

Past three years of flattish revenues for IR telling, especially given supportive externalities

IR has seen their revenues flatten out over the past three years despite benign pricing (haulage rate) and increased speed and reliability of rail movement (after Covid disruptions). Over this period, port revenues and pricing have grown by ~60%/20%. DFC would only ensure further improvement for IR in terms of speed and reliability of train movement. Other pertinent issues need to be addressed. Concor has separately underperformed among rail container operators over the past three years.

Market, oblivious to history, factors in meaningful modal share and EBITDA gains from DFC

Our unchanged 13X EV/EBITDA Fair Value multiple includes a ~40% premium related to commissioning of DFC and ascribes 1X lower multiple to account for lack of clarity on land license fee. The market continues to value Concor at a higher 16X multiple, which requires aggressive calls on volume and EBITDA gains possible from DFC. We retain SELL and note near-term risks to market share for CCRI as it aims to pass on part of the land license fee to customers starting January 2021.

Aditya Mongia

Teena Virmani

kspcg.research@kotak.com
Contact: +91 22 6218 6427

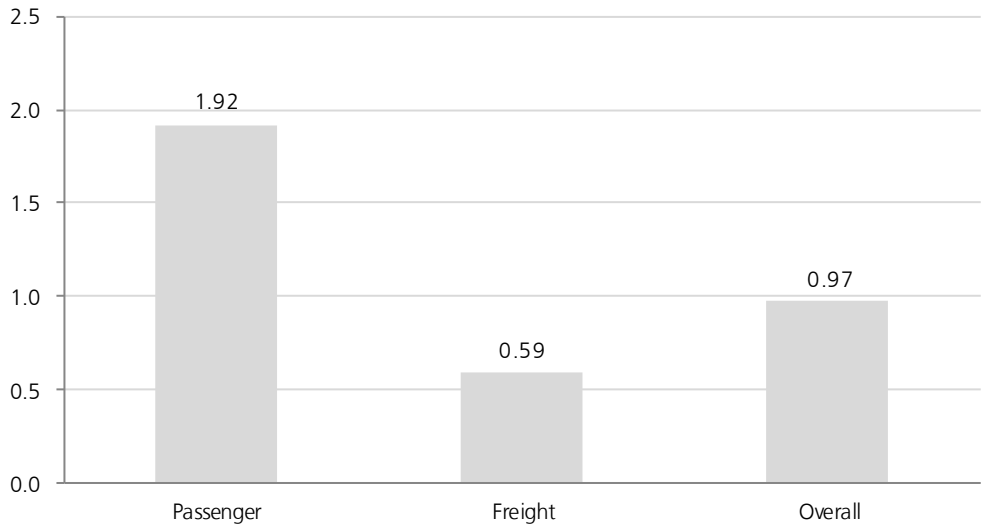
For Private Circulation Only. FOR IMPORTANT INFORMATION ABOUT KOTAK SECURITIES' RATING SYSTEM AND OTHER DISCLOSURES, REFER TO THE END OF THIS MATERIAL.

Exhibit 1: Most of the issues listed below require involvement of Indian Railways, key one being pricing reforms
Key obstacles in way of modal share gains for IR in the container segment

Pricing issues	
Haulage rate	- Absence of an integrated haulage charge covering rail transportation, terminal handling charges and first/last mile connectivity - Absence of rake-based pricing - Origin-destination and thus demand supply not reflected in the current pricing
Weighing practices	Container weight also counted due to lack of clarity on weight to be excluded High penalities linked to reading beyond declared weight in context of faulty in-motion weighh bridges
Light-weight cargo	Presence of minimum weight criteria
Empties movement	Separate charge for empties limits modal share gains
Discounts	Select schemes started over the past three years by IR are not applicable for containers: - Round trip discount - Short and long lead distance discount - Long Term Tariff Contracts
First and last mile connectivity costs	Meaningful share of overall cost spent for a small share of distance covered
Transit time variance	
Interplay of passenger and freight traffic	Capacity constraints on non-DFC corridors would continue and even grow with several sections remaining saturated even after timely completion of all ongoing works
Terminal delays related to doube-stacking	- Compliance with operating procedures related to weighing - Lack of visibility with container train operators of suitable containers for filling the upper stack
Terminal infrastructure	
Handling double-stacking containers	Only a limited number of terminals are equipped for handling double stacking operations

Source: National Rail Plan, Kotak Institutional Equities

Exhibit 2: Cross-subsidization of passenger rail plays a role in pricing of IR's freight business
Operating ratio for Indian Railways for year ending March 2019 (X)

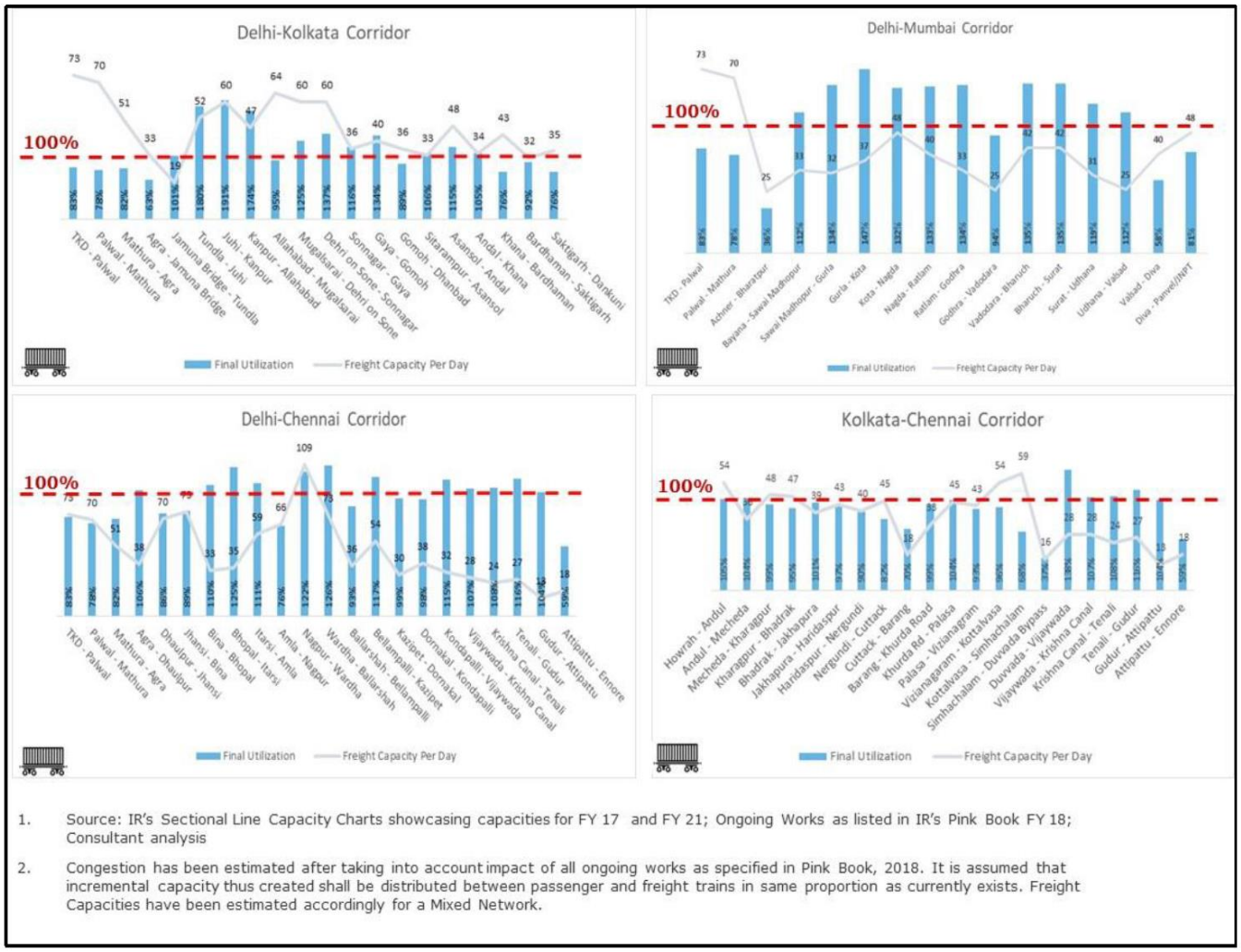


Notes:
(a) Operating ratio is a ratio of expenses to revenues.

Source: National Rail Plan, Kotak Institutional Equities

Exhibit 3: Several parts of the IR network would continue to have more than 100% capacity utilization
Capacity on key rail corridors after completion of sanctioned works

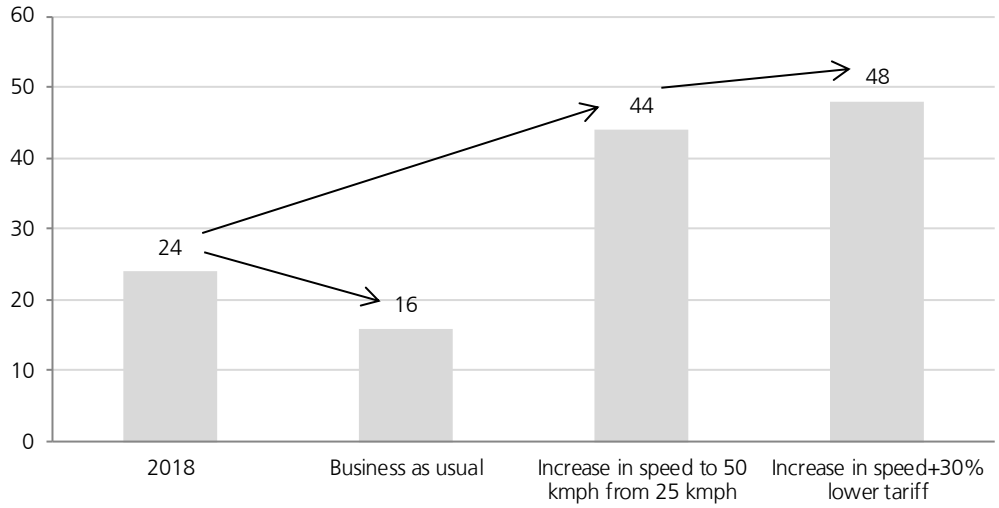
Figure 5-39. Capacity on key rail corridors after completion of sanctions works



1. Source: IR's Sectional Line Capacity Charts showcasing capacities for FY 17 and FY 21; Ongoing Works as listed in IR's Pink Book FY 18; Consultant analysis
2. Congestion has been estimated after taking into account impact of all ongoing works as specified in Pink Book, 2018. It is assumed that incremental capacity thus created shall be distributed between passenger and freight trains in same proportion as currently exists. Freight Capacities have been estimated accordingly for a Mixed Network.

Source: National Rail Plan, Kotak Institutional Equities

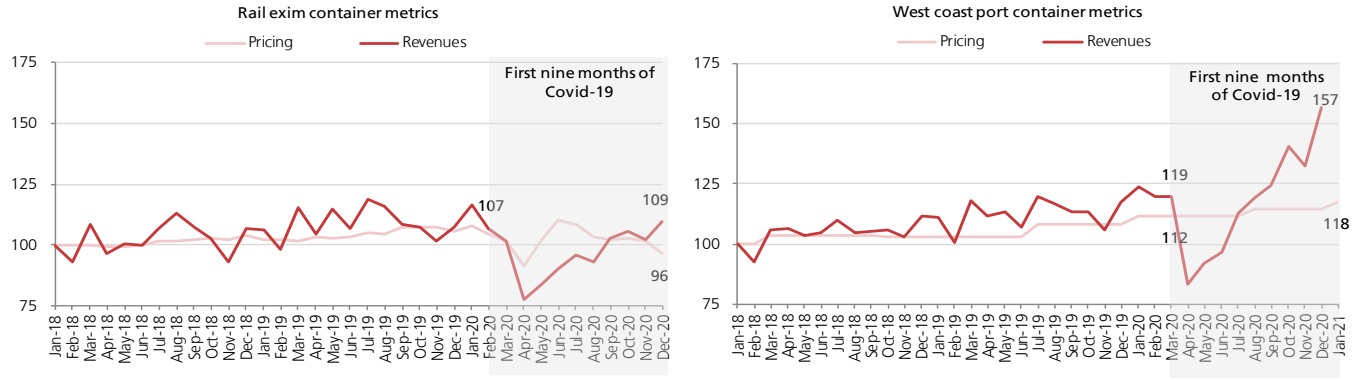
Exhibit 4: Rail would have to compete with an improving rail offering
Rail modal share for containers for year ending March 2031 in different scenarios



Notes:
(a) In business as usual scenario for rail, improvement for road offering are accounted for.

Source: National Rail Plan, Kotak Institutional Equities

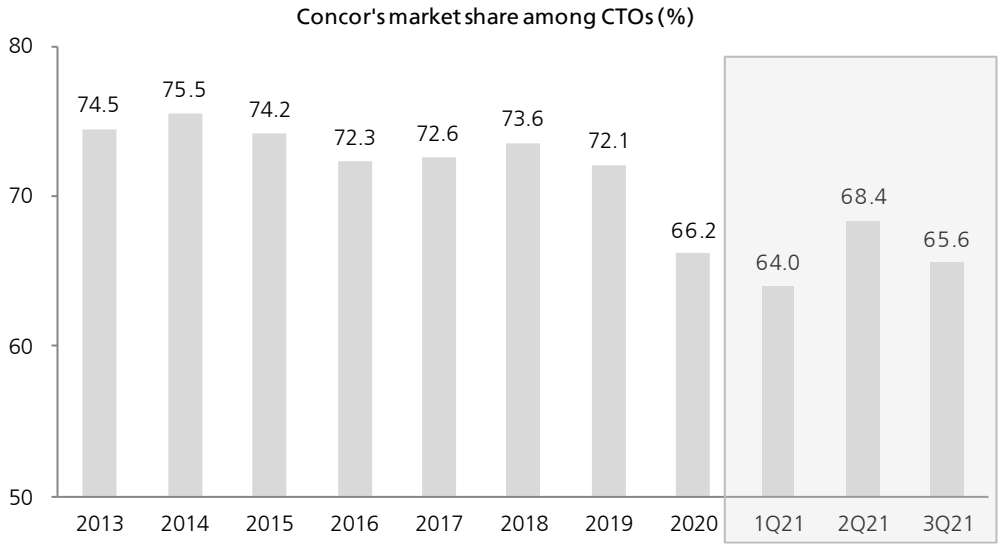
Exhibit 5: Railways have underperformed port operations despite support in form of benign pricing and better speed/higher reliability of rail movement in recent times
Comparison of container pricing and revenues for Indian Railways and west coast container operators indexed to January 2018 (X)



Notes:
(a) Transshipment volume gains for ports may have played some role in the outperformance of port volumes
(b) Majority of container volumes for rail happen on the west coast

Source: Indian Railways, Gateway Distriparks, CMA CGM, Kotak Institutional Equities

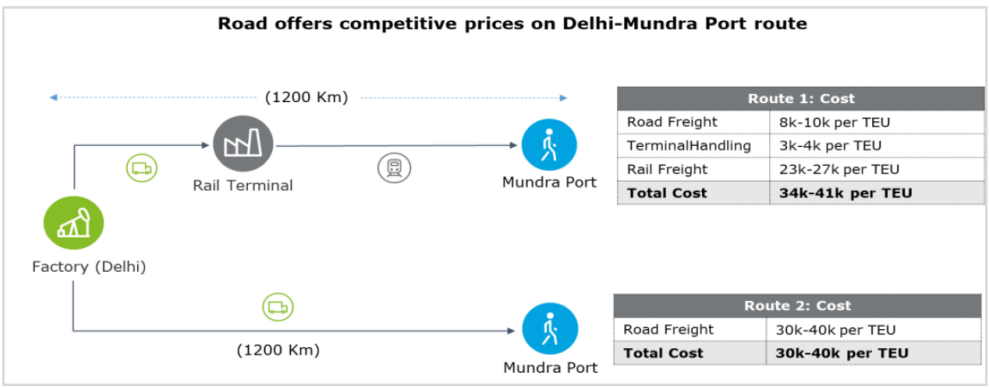
Exhibit 6: Concor has lost meaningful market share since FY2019
Market share for Concor (exim + domestic) among rail container operators, March fiscal year-ends, 2013-3Q21 (%)



Notes:
(a) Adjusted for the one-off volumes of 22,000 TEUs, market share in 2QFY21 would be 66%.

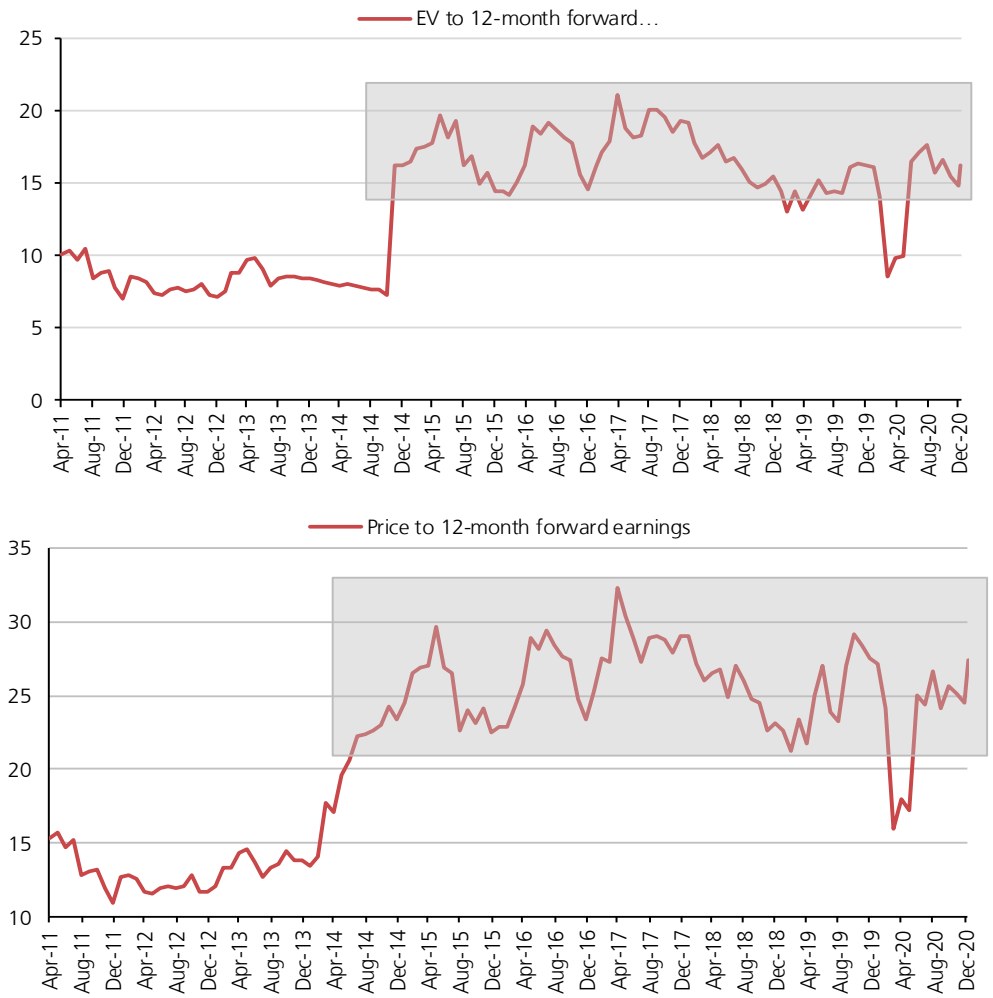
Source: Company, Indian Railways, Kotak Institutional Equities

Exhibit 7: There is a meaningful differential in cost in favor of road freight; CTOs may need to pass on cost savings to gain market share
Comparison of overall cost of transportation along the Delhi-Mundra route



Source: National Rail Plan, Kotak Institutional Equities

Exhibit 8: Concor trades at high 16X FY2022 EV/EBITDA on consensus estimates despite lack of clarity on the land license fee issues, recent loss of rail modal share and of market share
Key valuation metrics of Concor based on past estimates of business metrics (X)



Source: Bloomberg, Kotak Institutional Equities

Exhibit 9: We increase our volume and EBITDA estimates by 6-7% net of lower business estimates for coastal shipping
Change in estimates for Concor, March fiscal year-ends, 2019-23E (Rs mn)

			Revised estimates			Old estimates			% revision		
	2019	2020	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E
Key operating numbers											
Volumes ('000 TEUs)	3,830	3,748	3,570	4,168	4,824	3,346	3,965	4,589	7	5	5
Exim	3,245	3,155	3,002	3,533	4,116	2,809	3,363	3,919	7	5	5
Domestic	585	593	568	635	707	538	602	670	6	6	6
Realization(Rs/TEU)	17,084	17,274	17,144	17,078	17,028	17,161	17,071	17,022	(0)	0	0
Exim	15,601	15,628	15,542	15,572	15,608	15,542	15,572	15,608	—	—	—
Domestic	25,321	26,024	25,615	25,451	25,291	25,615	25,451	25,291	—	—	—
Revenues (less export benefit)	65,427	64,738	61,978	72,876	85,202	58,202	70,480	84,331	6	3	1
Exim	50,626	49,301	46,659	55,012	64,246	43,649	52,374	61,165	7	5	5
Domestic	14,801	15,437	14,543	16,166	17,889	13,777	15,315	16,948	6	6	6
New business	—	206	776	1,698	3,067	776	2,791	6,218	—	(39)	(51)
EBITDA	14,408	16,749	11,885	14,440	17,994	10,611	13,442	16,834	12	7	7
EBITDA margin (%)	22.0	25.9	19.2	19.8	21.1	18.2	19.1	20.0	94 bps	74 bps	115 bps
Other income	3,342	2,797	2,528	2,529	2,535	2,530	2,521	2,501	(0)	0	1
Depreciation	(4,246)	(5,130)	(5,116)	(5,391)	(5,639)	(5,116)	(5,391)	(5,639)	—	—	—
Tax rate (%)	26.3	26.3	25.2	25.2	25.2	25.2	25.2	25.2	0bps	0bps	0bps
Net PAT	9,946	10,354	6,685	8,391	10,868	5,733	7,638	9,975	17	10	9
Adjusted EPS (Rs)	16.3	17.0	11.0	13.8	17.8	9.4	12.5	16.4	17	10	9
Reported unadjusted EPS (Rs)	19.9	6.2	11.0	13.8	17.8	9.4	12.5	16.4			

Source: Company, Kotak Institutional Equities estimates

Exhibit 10: We arrive at FY2023 estimate of Rs17.8 per share, 4% below consensus estimate
Key financials of Container Corporation, March fiscal year-ends, 2012-23E (Rs mn)

	2012	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E
Income statement												
Net revenues	**40,609**	**44,062**	**49,846**	**55,737**	**56,717**	**53,946**	**58,892**	**65,427**	**64,738**	**61,978**	**72,876**	**85,202**
Total operating cost	(30,372)	(33,586)	(38,827)	(42,772)	(45,834)	(43,593)	(46,843)	(51,019)	(47,989)	(50,093)	(58,436)	(67,208)
Terminal+service charges	(27,762)	(30,570)	(35,128)	(38,308)	(41,984)	(39,588)	(41,712)	(45,175)	(42,468)	(45,362)	(51,683)	(58,583)
Employee cost	(999)	(1,072)	(1,235)	(1,579)	(1,568)	(1,869)	(2,779)	(3,368)	(3,135)	(3,323)	(3,655)	(4,018)
Repairs & maintenance	(425)	(485)	(504)	(712)	(806)	(520)	(493)	(614)	(540)	(517)	(608)	(710)
Other S, G & A	(1,187)	(1,459)	(1,960)	(2,173)	(1,476)	(1,616)	(1,859)	(1,862)	(1,846)	(892)	(2,490)	(3,897)
EBIDTA	**10,237**	**10,476**	**11,019**	**12,965**	**10,884**	**10,354**	**12,049**	**14,408**	**16,749**	**11,885**	**14,440**	**17,994**
Other income	3,165	3,372	3,717	3,707	3,175	2,892	3,026	3,342	2,797	2,528	2,529	2,535
Depreciation	(1,585)	(1,727)	(1,893)	(3,727)	(3,478)	(3,518)	(3,927)	(4,246)	(5,130)	(5,116)	(5,391)	(5,639)
Pre tax profits	**11,818**	**12,121**	**12,843**	**12,946**	**10,580**	**9,691**	**11,148**	**13,497**	**14,056**	**8,937**	**11,218**	**14,529**
Tax	(3,039)	(2,721)	(2,995)	(2,469)	(2,746)	(1,622)	(2,372)	(3,551)	(3,702)	(2,252)	(2,827)	(3,661)
Adjusted PAT	**8,779**	**9,400**	**9,848**	**10,477**	**7,833**	**8,069**	**8,776**	**9,946**	**10,354**	**6,685**	**8,391**	**10,868**
Extraordinary items	—	—	—	(1)	1,675	512	1,615	2,208	(6,597)	—	—	—
Reported PAT	**8,779**	**9,400**	**9,848**	**10,476**	**9,508**	**8,580**	**10,390**	**12,154**	**3,758**	**6,685**	**8,391**	**10,868**
Volume handled ('000 TEUs)												
Exim	2,136	2,152	2,361	2,621	2,476	2,641	3,002	3,245	3,155	3,002	3,533	4,116
Domestic	468	434	507	489	448	460	530	585	593	568	635	707
Total volumes	**2,604**	**2,586**	**2,869**	**3,111**	**2,924**	**3,101**	**3,532**	**3,830**	**3,748**	**3,570**	**4,168**	**4,824**
Yoy growth (%)												
Volumes	1.6	(0.7)	10.9	8.4	(6.0)	6.1	13.9	8.4	(2.1)	(4.7)	16.7	15.7
Sales	6.1	8.5	13.1	11.8	1.8	(4.9)	9.2	11.1	(1.1)	(4.3)	17.6	16.9
EBITDA	2.2	2.3	5.2	17.7	(16.1)	(4.9)	16.4	19.6	16.3	(29.0)	21.5	24.6
Net PAT	(0.1)	7.1	4.8	6.4	(25.2)	3.0	8.8	13.3	4.1	(35.4)	25.5	29.5
Key ratios (%)												
EBITDA margin	**25.2**	**23.8**	**22.1**	**23.3**	**19.2**	**19.2**	**20.5**	**22.0**	**25.9**	**19.2**	**19.8**	**21.1**
Net PAT margin	21.6	21.3	19.8	18.8	13.8	15.0	14.9	15.2	16.0	10.8	11.5	12.8
Efffective tax rate	25.7	22.4	23.3	19.1	26.0	16.7	21.3	26.3	26.3	25.2	25.2	25.2
Adjusted EPS (Rs)	**14.4**	**15.4**	**16.2**	**17.2**	**12.9**	**13.2**	**14.4**	**16.3**	**17.0**	**11.0**	**13.8**	**17.8**
Reported EPS (Rs)	**14.4**	**15.4**	**16.2**	**17.2**	**15.6**	**14.1**	**17.1**	**19.9**	**6.2**	**11.0**	**13.8**	**17.8**

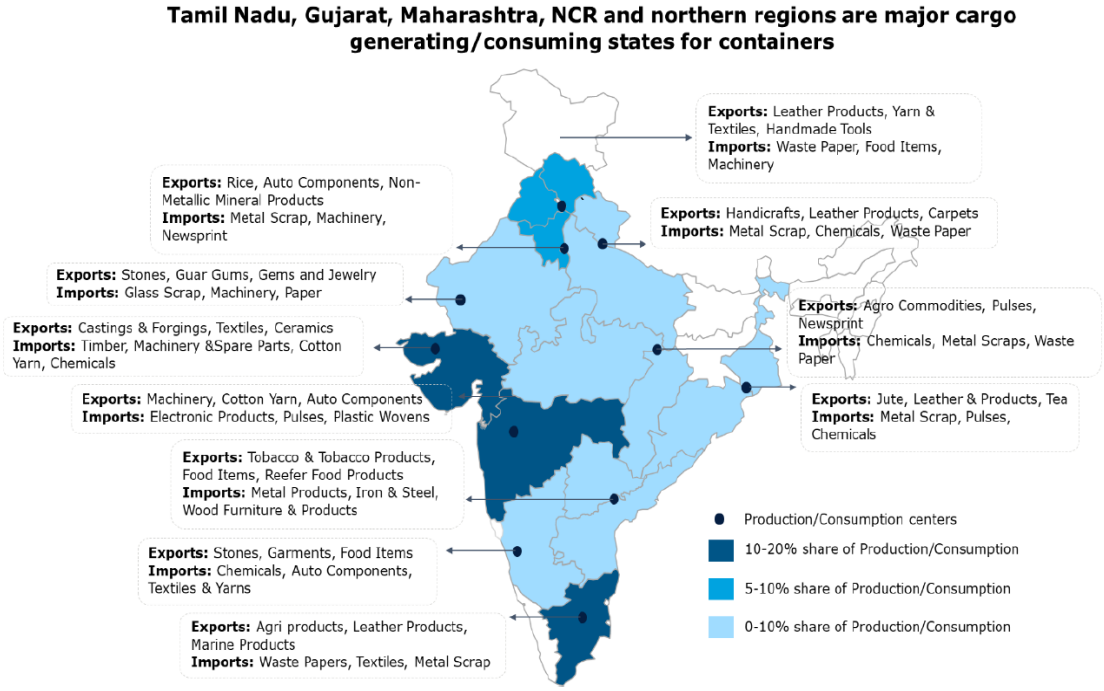
Notes
(a) Higher land license fee leads to ~550 bps margin impact from FY2021 onwards

Source: Company, Kotak Institutional Equities estimates

APPENDIX I: EXIM RAIL CONTAINER ACTIVITY

Exhibit 11: Key production and consumption clusters for container movement

Figure 5-150. Major Production and Consumption Clusters of Container movement (Share %) in FY 2018

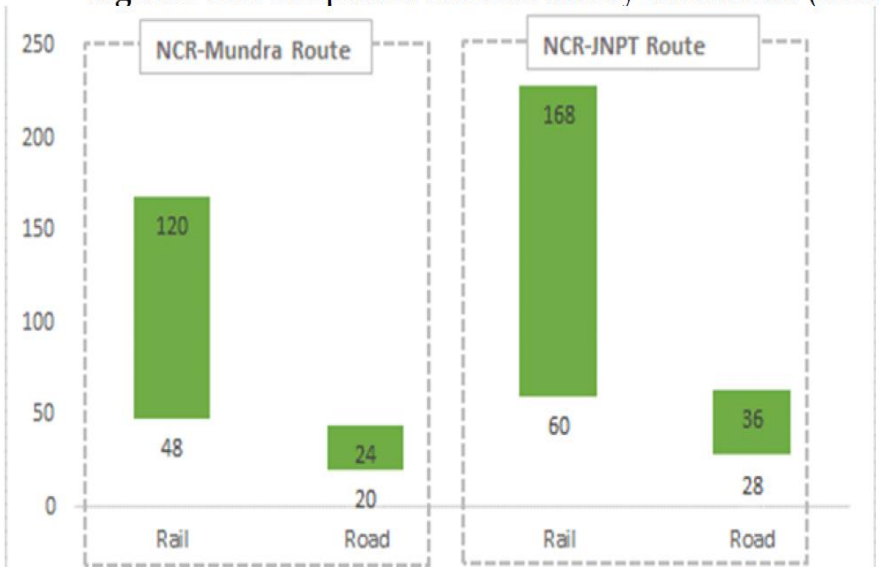


Source: India Container Market Report (FY 2018) and Consultant Analysis

Source: National Rail Plan, Kotak Institutional Equities

Exhibit 12: Part of the variance related to train movement will reduce for rail mode due to commissioning of the DFC
Illustrative variance in transit time between rail and road modes

Figure 5-157. Comparison of transit time by rail and road (Hours)



Source: National Rail Plan, Kotak Institutional Equities

Economy

Inflation

INDIA

JANUARY 12, 2021

UPDATE

BSE-30: 49,517

Recovery uneven, inflation lower. Economic recovery remains patchy as reinforced by a lower IIP reading. A lower CPI reading is a positive, even as scope for additional monetary easing remains low amid gradual economic recovery and risk of demand-side pressures and higher commodity prices. We remain watchful of the pace of policy normalization after the RBI's earlier-than-expected announcements of reverting to pre-Covid liquidity management operations.

CPI inflation at a 14-month low; back within the RBI's target range

December CPI inflation moderated to 4.59% (Kotak: 4.95%) as against 6.93% in November amid falling momentum and favorable base effects (Exhibit 1). Food inflation moderated to 3.4% (9.5% in November) led by vegetables ((-)10.4%), milk and milk products (4%), and cereals (1%) (Exhibit 2). Even as inflation across meat and fish, eggs, and pulses softened, it remains elevated. Meanwhile, fuel and light inflation rose to 3%. Sequentially, CPI inflation fell 1% led by a 3.3% decline in food prices spurred by vegetables (15.7%) and cereals (0.8%). Rural inflation has turned lower than urban inflation due to lower food prices (Exhibits 3-4).

Core inflation at a three-month low

Core inflation (headline CPI inflation excluding food, fuel and pan, tobacco) came in at 5.2% (5.4% in November) and was led by inflation in the personal care segment (11.7%) and transport and communication segment (9.3%). Prices of petrol (11%), gold (31%), and diesel (13%) were some of the major contributors to core inflation (Exhibit 5). On a sequential basis, core inflation grew 0.2%, owing to a 0.8% increase in the recreation and amusement segment and 0.9% increase in the transport and communication segment, even as the housing segment saw a fall of 0.4%. Given the revival in economic activity, surge in commodity prices and excessive liquidity, we expect core inflation to average 5.6% in FY2022 (5.2% in FY2021).

Industrial production loses momentum

November IIP fell 1.9% (October: +4.2%, Kotak: (-)0.1%) and by 2.2% on a sequential basis, pointing towards the uneven pace of economic recovery (Exhibit 6). On a sectoral basis, mining and manufacturing productions were down 7.3% and 1.7%, respectively, while electricity production registered a strong growth of 3.5% (Exhibit 7). As per the use-based classification, production of consumer durables fell marginally by 0.7% (Exhibit 8). Growth in the production of consumer non-durables and capital goods fell 0.7% and 7.1%, respectively, while production of infrastructure/construction rose marginally by 0.7%.

Additional easing unlikely; remain watchful of the pace of policy normalization

The loss of momentum in industrial production reinforces our view of an uneven economic recovery. Going ahead, we expect growth to normalize at a gradual pace as the impact of inventory build-up ahead of festive season and pent-up demand wanes. On the policy front, even as inflation surprised on the downside, we do not see scope for incremental easing. The sharper-than-expected correction in food prices may however push the MPC to revise down its inflation projections for 4QFY21 (MPC: 5.8%, Kotak: 4.8%), even though it may remain watchful of demand-side pressures and the recent surge in commodity prices. The RBI will carefully analyze the upcoming budget (along with the government's pro-growth policies) and its impact on inflation. We now expect CPI inflation to average 6.2% in FY2021 (Exhibit 9). We remain watchful of the pace of policy normalization the RBI will be comfortable with after the earlier-than-expected announcements of reverting to pre-Covid liquidity management operations.

QUICK NUMBERS

- December CPI inflation at 4.59%
- Core inflation at 5.2%
- November IIP growth at (-)1.9%
- Limited scope for incremental monetary easing

Upasna Bhardwaj

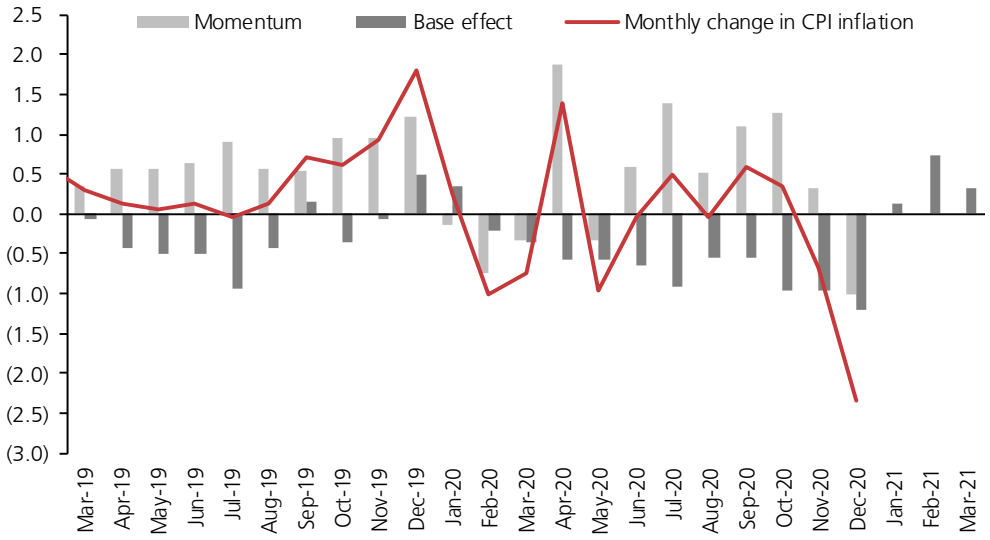
Suvodeep Rakshit

Avijit Puri

kspcg.research@kotak.com
Contact: +91 22 6218 6427

For Private Circulation Only.

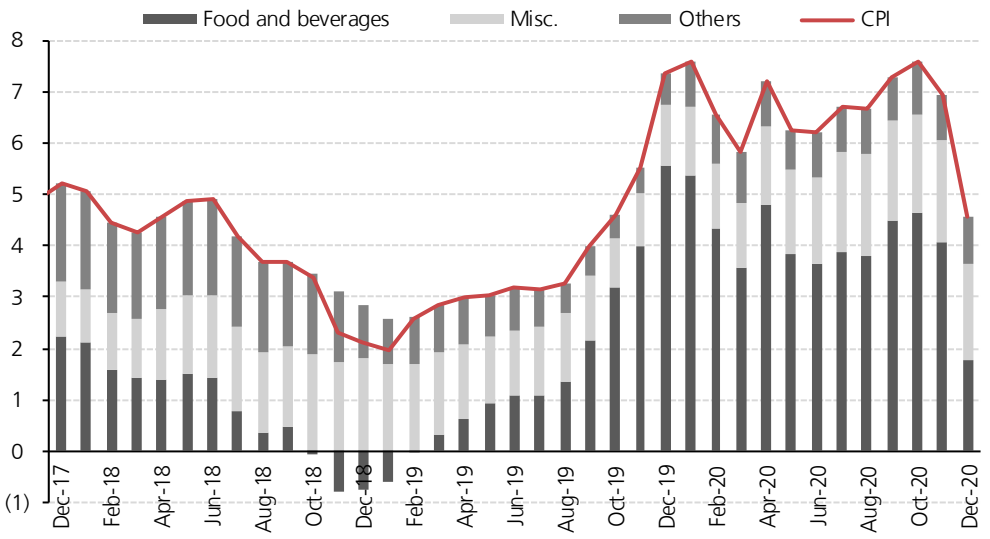
Exhibit 1: Falling momentum and favorable base effect led to a lower CPI reading
Trend in momentum, base effect, and monthly change in CPI inflation (%)



Notes:
(a) Momentum is mom growth while base effect is 12-m prior mom change with signs reversed.

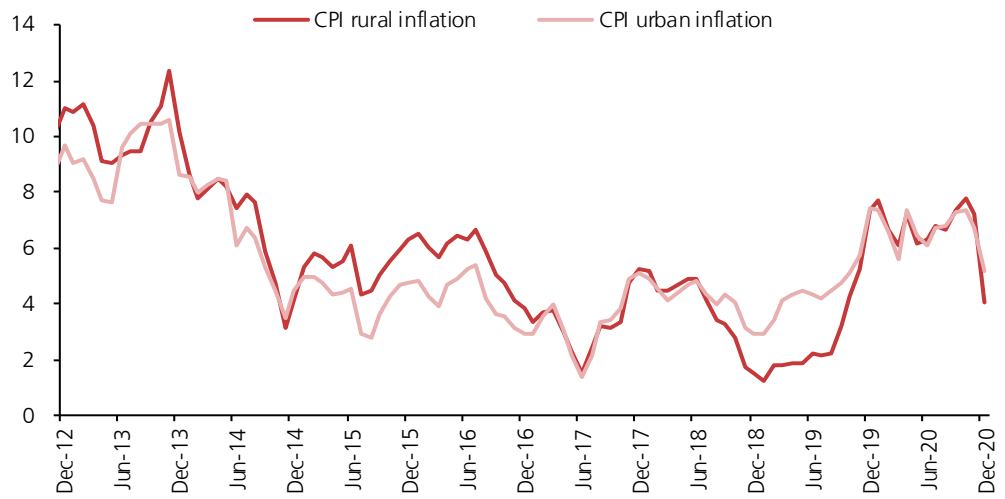
Source: CEIC, Kotak Economics Research

Exhibit 2: Food inflation pushing headline CPI inflation lower
Contribution to CPI inflation by major segments (%)



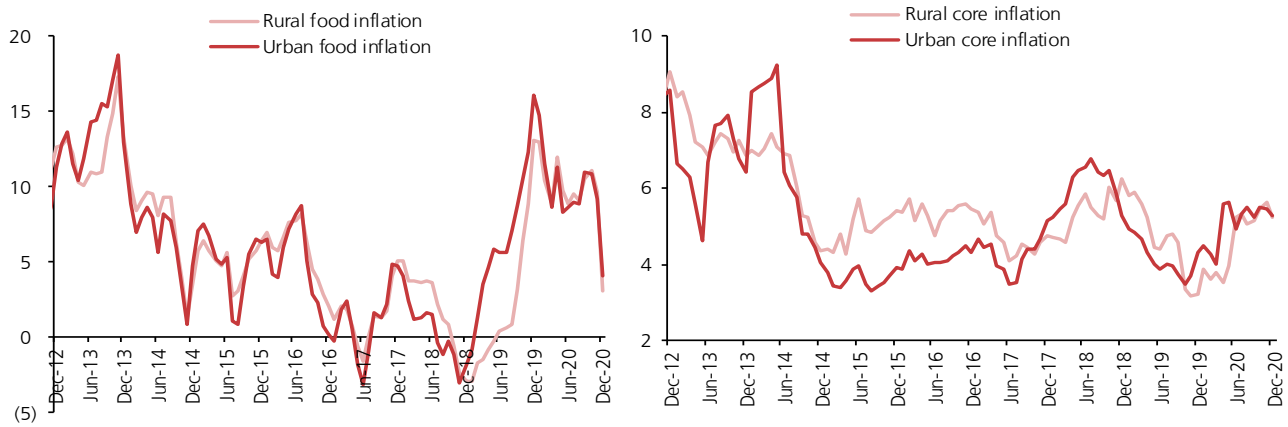
Source: CEIC, Kotak Economics Research

Exhibit 3: Rural CPI inflation has turned lower than urban CPI inflation
Rural and urban CPI inflation, (%)



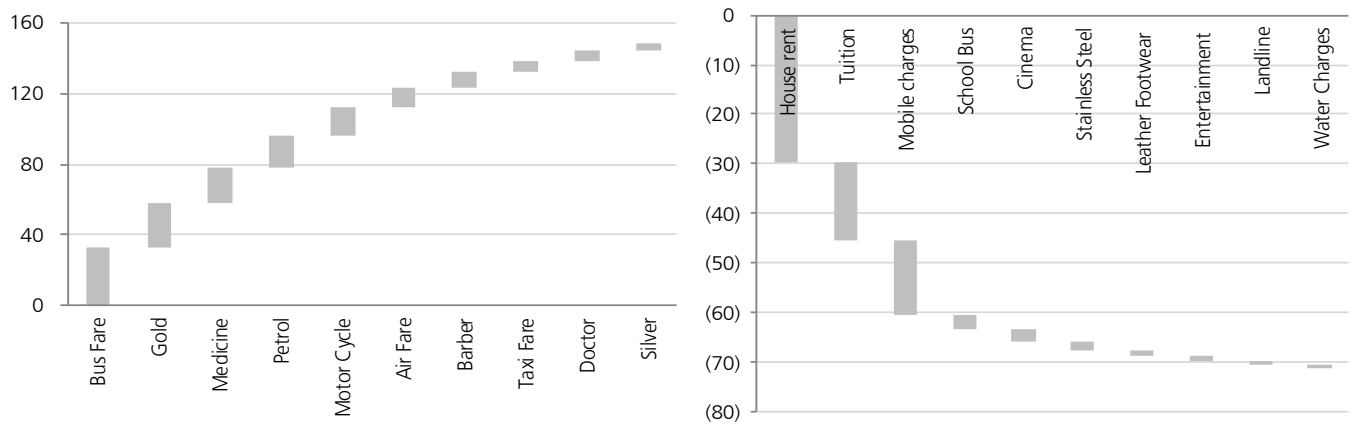
Source: CEIC, Kotak Economics Research

Exhibit 4: Rural food inflation lower than urban food inflation
Trend in components of rural and urban inflation (%)



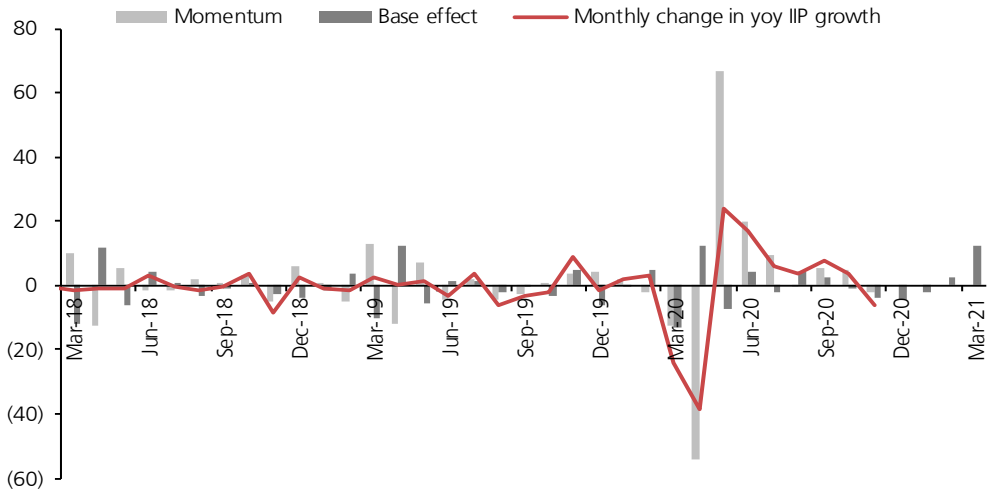
Source: CEIC, Kotak Economics Research

Exhibit 5: Bus fare, petrol, gold, diesel pushing up core inflation
Top 10 positive and negative contributors to December 2020 core CPI inflation over December 2019 (bps)



Source: CEIC, Kotak Economics Research

Exhibit 6: Adverse base effects and falling momentum push IIP growth lower
Trend in momentum, base effect and monthly change in IIP growth (%)



Notes:
(a) Momentum is mom growth while base effect is 12-m prior mom change with signs reversed.

Source: CEIC, Kotak Economics Research

Exhibit 7: Manufacturing growth falls by 1.7% in December
Sectoral classification of IIP growth, March fiscal year-ends, 2019-21 (%)

	Mining (%)			Manufacturing (%)			Electricity (%)			General (%)		
	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
April	3.8	5.1	(26.9)	4.9	2.5	(66.6)	2.1	6.0	(22.9)	4.5	3.2	(57.3)
May	5.8	2.3	(20.4)	3.6	4.4	(37.8)	4.2	7.4	(14.9)	3.8	4.5	(33.4)
June	6.5	1.5	(19.5)	6.9	0.3	(17.0)	8.5	8.6	(10.0)	7.0	1.3	(16.6)
July	3.4	4.9	(12.7)	7.0	4.8	(11.4)	6.6	5.2	(2.5)	6.5	4.9	(10.5)
August	(0.6)	0.0	(8.7)	5.2	(1.7)	(7.6)	7.6	(0.9)	(1.8)	4.8	(1.4)	(7.1)
September	0.1	(8.6)	1.4	4.8	(4.3)	(0.2)	8.2	(2.6)	4.9	4.6	(4.6)	0.5
October	7.3	(8.0)	(1.3)	8.2	(5.7)	4.1	10.8	(12.2)	11.2	8.4	(6.6)	4.2
November	2.7	1.9	(7.3)	(0.7)	3.0	(1.7)	5.1	(5.0)	3.5	0.2	2.1	(1.9)
December	(1.0)	5.7		2.9	(0.3)		4.5	(0.1)		2.5	0.4	
January	3.8	4.4		1.3	1.8		0.9	3.1		1.6	2.2	
February	2.2	9.6		(0.3)	3.8		1.3	11.5		0.2	5.2	
March	0.8	(1.3)		3.1	(22.8)		2.2	(8.2)		2.7	(18.7)	
Average	**2.9**	**1.5**		**3.9**	**(1.2)**		**5.2**	**1.1**		**3.9**	**(0.6)**	

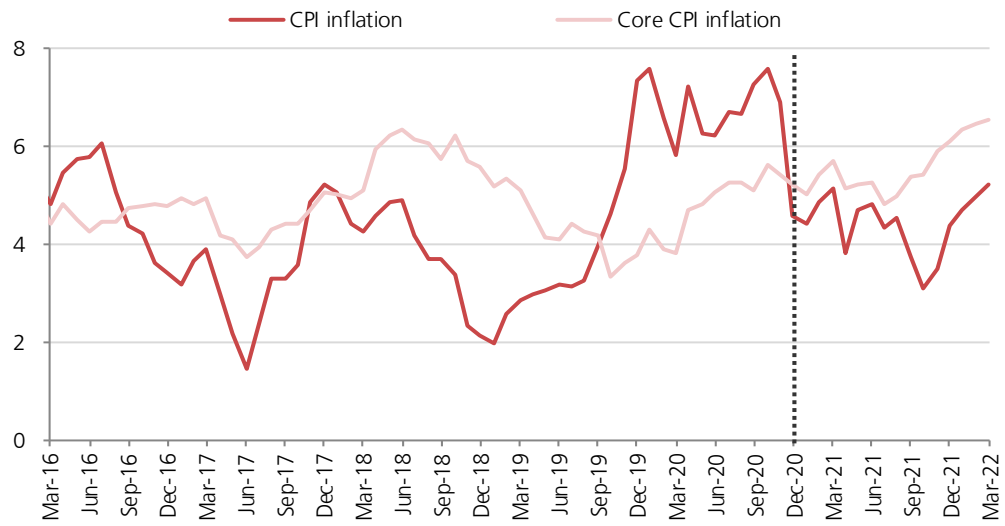
Source: CEIC, Kotak Economics Research

Exhibit 8: Production of consumer durables and capital goods contracted in November
Use-based classification of IIP growth, March fiscal year-ends, 2019-21 (%)

	Primary goods			Capital goods			Intermediate goods			Infrastructure and construction goods			Consumer durables			Consumer non-durables		
	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
April	2.7	5.1	(26.6)	9.8	(1.4)	(92.7)	0.4	3.0	(63.9)	8.5	(0.7)	(85.0)	3.9	2.2	(95.7)	7.5	5.4	(48.1)
May	5.7	2.2	(19.6)	6.4	(2.1)	(65.9)	0.1	12.5	(39.7)	7.6	3.0	(39.0)	6.7	0.2	(70.3)	(1.6)	8.1	(9.7)
June	9.2	0.6	(14.5)	9.7	(6.9)	(37.4)	1.5	12.1	(20.7)	9.4	(1.3)	(18.3)	13.6	(10.2)	(34.8)	0.2	7.4	6.9
July	6.8	3.6	(10.8)	2.3	(7.0)	(22.8)	1.3	15.7	(10.7)	9.2	2.9	(8.2)	14.1	(2.4)	(23.7)	5.3	8.5	1.8
August	2.5	1.0	(10.7)	10.3	(20.9)	(14.4)	2.9	7.3	(4.8)	8.0	(5.7)	0.0	5.5	(9.7)	(10.2)	6.5	3.1	(3.0)
September	2.6	(5.2)	(1.5)	6.9	(20.5)	(1.3)	1.5	6.8	(1.0)	9.5	(7.0)	2.5	5.4	(10.5)	3.4	6.4	(1.1)	2.4
October	6.1	(6.0)	(3.2)	16.9	(22.4)	3.5	2.4	8.7	2.1	9.0	(9.7)	9.9	17.4	(18.9)	18.0	8.6	(3.3)	7.1
November	3.2	(0.2)	(2.6)	(4.1)	(8.9)	(7.1)	(4.2)	17.2	(3.0)	4.8	(0.7)	0.7	(3.0)	(1.4)	(0.7)	(0.3)	1.1	(0.7)
December	(1.1)	2.4		4.2	(18.3)		(0.8)	13.1		9.0	0.2		4.1	(5.6)		6.5	(3.2)	
January	1.4	1.8		(3.6)	(4.4)		(3.2)	15.6		6.4	(0.3)		2.5	(3.7)		3.8	(0.6)	
February	1.3	8.2		(9.3)	(9.6)		(5.1)	23.0		1.9	2.8		0.9	(6.2)		5.0	(0.3)	
March	2.6	(4.0)		(9.1)	(38.8)		(2.5)	(18.6)		5.1	(24.3)		(3.2)	(36.8)		1.4	(22.3)	
Average	**3.6**	**0.8**		**3.4**	**(13.4)**		**(0.5)**	**9.7**		**7.4**	**(3.4)**		**5.6**	**(8.6)**		**4.1**	**0.2**	

Source: CEIC, Kotak Economics Research

Exhibit 9: We expect CPI inflation to average 6.2% in FY2021
Headline and core CPI inflation (%)



Source: CEIC, Kotak Economics Research estimates

December 2020: Results calendar

11-Jan	12-Jan	13-Jan	14-Jan	15-Jan	16-Jan	17-Jan
		CESC		HCL Technologies	HDFC Bank	
		Infosys		L&T Finance Holdings		
		Wipro		PVR		
18-Jan	**19-Jan**	**20-Jan**	**21-Jan**	**22-Jan**	**23-Jan**	**24-Jan**
IRB Infrastructure	Alembic Pharmaceuticals	Bajaj Finance	Asian Paints	HDFC Standard Life	DCB Bank	
Mindtree	CEAT	Bajaj Finserv	Bajaj Auto	JSW Steel	Supreme Industries	
Rallis India	Gateway Distriparks	Federal Bank	Bajaj Holdings & Investment	SBI Life Insurance		
	ICICI Lombard	Havells India	Biocon	Yes Bank		
	L&T Infotech	HDFC AMC	Jindal Steel & Power			
	Tata Communications	L&T Technology	MphasiS			
		Syngene International	SRF			
25-Jan	**26-Jan**	**27-Jan**	**28-Jan**	**29-Jan**	**30-Jan**	**31-Jan**
Larsen & Toubro		Axis Bank	Bharat Electronics	Atul	ICICI Bank	
		Emami	Colgate-Palmolive (India)	Cholamandalam Investment	IDFC Bank	
		Marico	Cummins India	Cipla	Tech Mahindra	
		Nippon Life India Asset Manage	Lupin	Dabur India		
		United Spirits	MMFSL	Dr Reddys Laboratories		
			Pidilite Industries	Exide Industries		
				Sun Pharmaceuticals		
				Tata Motors		
1-Feb	**2-Feb**	**3-Feb**	**4-Feb**	**5-Feb**	**6-Feb**	**7-Feb**
Castrol India	HDFC	Procter & Gamble	Container Corp.	GlaxoSmithkline Pharma	J K Cements	
Kansai Nerolac Paints		The Ramco Cements	Gillette India			
			Hero MotoCorp			
8-Feb	**9-Feb**	**10-Feb**	**11-Feb**	**12-Feb**	**13-Feb**	**14-Feb**
Aditya Birla Fashion	Endurance Technologies	ABB	Bosch	Info Edge (India)	Amara Raja Batteries	
	Mahanagar Gas					
15-Feb	**16-Feb**	**17-Feb**	**18-Feb**	**19-Feb**	**20-Feb**	**21-Feb**
				Mahindra CIE Automative		

Source: NSE, Kotak Institutional Equities

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs)	Fair Value	Upside	Mkt cap.		O/S shares	EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo
		12-Jan-21	(Rs)	(%)	(Rs bn)	(US$ bn)	(mn)	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E	(US$ mn)
Automobiles & Components																													
Amara Raja Batteries	REDUCE	995	730	(27)	170	2.3	171	36	46	52	(7.3)	27.5	13.3	28	21.8	19.2	15.1	12.1	10.5	4.1	3.6	3.2	15.8	17.7	17.6	0.9	1.1	1.3	11.7
Apollo Tyres	REDUCE	193	175	(9)	122	1.7	638	4.3	11.1	16.1	(47.8)	155.7	44.8	44.3	17.3	12.0	8.4	6.5	5.0	1.1	1.1	1.0	2.6	6.2	8.5	0.7	1.4	1.4	21
Ashok Leyland	BUY	122	115	(5)	357	4.9	2,936	(0.3)	3.4	7.5	(121.4)	1,412.9	117.2	NM	35.3	16.2	48.8	16.9	9.6	5.0	4.5	3.8	NM	13.4	25	0.0	0.9	1.8	46
Bajaj Auto	BUY	3,624	3,900	8	1,049	14	289	154	185	216	(12.5)	19.7	17.1	23.5	19.6	16.8	18.0	14.3	11.8	4.8	4.4	4.0	21	23	25	2.6	3.1	3.6	37
Balkrishna Industries	SELL	1,689	1,250	(26)	326	4.5	193	52	62	77	4.2	19.5	24.4	32.6	27.3	22.0	19.2	16.0	12.9	5.8	5.2	4.5	18.9	20	22	1.3	1.4	1.6	23
Bharat Forge	SELL	621	320	(49)	289	3.9	466	(0)	13	19	(102.4)	7,097.2	50.4	NM	49.2	32.7	57.2	24.4	18.5	5.6	5.1	4.5	NM	10.8	14.7	0.0	0.5	0.5	22
CEAT	ADD	1,195	1,250	5	48	0.7	40	75	91	109	20.3	20.2	19.9	15.9	13.2	11.0	8.7	6.9	6.0	1.5	1.4	1.3	10.1	11.1	12.0	1.0	1.0	1.0	3.9
Eicher Motors	SELL	2,882	1,920	(33)	787	10.7	272	57	84	109	(15.7)	47.7	30.8	50.9	34.5	26.4	37.1	26.9	20.8	8.2	6.9	5.7	17.3	22	24	0.5	0.5	0.5	56
Endurance Technologies	REDUCE	1,369	1,020	(25)	193	2.6	141	34	49	59	(16.2)	44.7	21.9	41	28.1	23.1	18.8	14.3	12.0	5.7	4.8	4.1	13.9	17.3	17.9	0.4	0.6	0.7	2.7
Escorts	BUY	1,377	1,680	22	122	2.5	101	80	88	99	45.5	10.6	12.5	17.3	15.7	13.9	10.0	8.8	7.4	2.7	2.3	2.0	15.5	14.9	14.7	0.9	1.0	1.1	34
Exide Industries	REDUCE	204	165	(19)	174	2.4	850	8.0	9.7	10.6	(19.9)	21.1	9.2	25.6	21.1	19.4	13.6	11.5	10.5	2.6	2.4	2.2	10.5	11.8	12.0	1.7	1.7	1.7	10.7
Hero Motocorp	SELL	3,248	2,700	(17)	649	8.9	200	136	175	202	(14.7)	29.2	14.9	23.9	18.5	16.1	15.4	11.5	9.8	4.3	3.9	3.6	18.6	22	23	2.7	3.2	3.7	67
Mahindra CIE Automotive	SELL	166	110	(34)	63	0.9	378	1.8	8.2	12.1	(80.6)	347.1	48.3	90.7	20.3	13.7	17.6	9.2	6.8	1.3	1.3	1.1	1.5	6.4	8.8	—	—	—	0.3
Mahindra & Mahindra	BUY	780	920	18	970	13.2	1,138	19	45	50	(20.8)	138.6	11.7	41.4	17.3	15.5	14.3	11.5	9.9	2.4	2.1	1.9	6.0	12.9	12.9	0.2	0.9	1.0	56
Maruti Suzuki	SELL	8,188	5,800	(29)	2,473	33.8	302	170	253	310	(8.9)	48.6	22.4	48	32	26	31.4	19.9	15.6	4.8	4.3	3.8	10.3	14.0	15.3	0.7	0.8	0.9	120
Motherson Sumi Systems	ADD	169	155	(8)	534	7.3	3,158	2.7	7.5	9.0	(26.2)	173.2	20.5	61.9	22.7	18.8	12.3	6.6	5.5	4.5	3.6	2.9	7.5	17.7	17.1	0.7	0.9	1.1	29
MRF	SELL	85,747	68,000	(21)	364	5.0	4	2,441	3,281	3,947	(27.3)	34.4	20.3	35	26.1	21.7	12.9	10.5	8.7	2.8	2.5	2.2	8.1	10.0	10.9	0.1	0.1	0.1	39
Schaeffler India	SELL	4,550	3,500	(23)	142	1.9	31	87	139	166	(26.5)	60.7	19.5	53	33	27	26.3	17.6	14.7	4.4	3.9	3.5	8.8	12.8	13.5	—	—	—	0.8
SKF	REDUCE	1,835	1,450	(21)	91	1.2	49	43	54	67	(26.4)	26.2	22.9	43	34	28	31.1	23.7	19.1	6.2	5.4	4.6	14.4	15.9	16.9	5.9	0.5	0.6	0.9
Tata Motors	SELL	238	155	(35)	855	10.7	3,829	(10.6)	15.1	22.6	48.8	242.0	49.5	NM	15.8	10.5	5.9	4.2	3.4	1.5	1.3	1.2	NM	8.8	11.9	—	—	—	164
Timken	SELL	1,270	830	(35)	96	1.3	75	22	36	43	(33.6)	64.9	20.0	59	35	30	33.7	21.7	18.0	7.0	5.9	5.0	11.1	18.1	18.4	0.1	0.1	0.1	1.0
TVS Motor	SELL	519	300	(42)	246	3.4	475	7.5	15.5	20.1	(41.9)	106.0	29.4	69	33	26	23.9	16.0	13.2	6.5	5.7	4.9	9.7	18.2	21	0.6	0.7	1.0	18.9
Varroc Engineering	BUY	400	380	(5)	54	0.7	135	(20)	23	35	(10,817.5)	213.9	56.2	NM	17.6	11.3	12.9	5.9	4.7	2.0	1.8	1.6	NM	10.1	13.8	—	—	—	1.3
Automobiles & Components	**Cautious**				**10,175**	**138.8**					**(8)**	**129**	**27**	**54.4**	**23.8**	**18.8**	**14.3**	**10.0**	**8.2**	**3.5**	**3.1**	**2.8**	**6.4**	**13.2**	**14.8**	**0.9**	**1.1**	**1.3**	**767**
Banks																													
AU Small Finance Bank	SELL	905	690	(24)	278	3.8	304	39.6	24.5	32.0	78.4	(38.1)	30.7	23	37	28	—	—	—	5.1	4.5	3.9	24.2	12.5	14.3	—	—	—	12.3
Axis Bank	BUY	676	625	(8)	2,069	28.2	2,822	34.4	43	54	496.2	24.5	25.4	20	15.8	12.6	—	—	—	2.2	2.0	1.8	10.9	12.3	13.9	0.8	1.0	1.2	179
Bandhan Bank	ADD	391	400	2	630	8.6	1,610	20.1	20.4	24.8	7.3	1.0	22.0	19.4	19.2	15.8	—	—	—	3.6	3.0	2.5	19.3	16.3	16.9	—	—	—	54
Bank of Baroda	ADD	71	65	(8)	327	4.5	4,627	8.8	18.3	20	648.3	106.8	9.3	8	3.9	3.5	—	—	—	0.6	0.6	0.5	6.0	11.6	11.5	2.5	5.2	5.7	34
Canara Bank	REDUCE	139	100	(28)	229	3.1	1,454	(1.0)	6.5	18.3	95.2	723.0	181.8	NM	21.4	7.6	—	—	—	0.6	0.7	0.7	NM	2.0	5.3	—	—	—	36
City Union Bank	REDUCE	179	170	(5)	132	1.8	737	13.5	18.8	23.6	109.4	39.3	25.4	13	9.5	7.6	—	—	—	1.3	1.2	1.0	18.2	23	27	1.3	1.9	2.3	4.9
DCB Bank	BUY	122	150	23	38	0.5	310	9.3	11.6	16.7	(14.2)	23.9	44.4	13.0	10.5	7.3	—	—	—	1.2	1.1	1.0	8.8	10.0	13.0	0.8	1.0	1.4	3.4
Equitas Holdings	BUY	74	100	35	25	0.3	342	7.8	8.3	16.3	30.2	5.3	96.9	9.5	9.0	4.6	—	—	—	0.9	0.8	0.7	9.2	8.8	15.4	—	—	—	3.3
Federal Bank	BUY	76	80	5	152	2.1	1,993	7.1	7.7	11.7	(8.4)	8.1	52.4	10.7	9.9	6.5	—	—	—	1.0	1.0	0.9	9.4	9.5	13.2	2.1	2.2	3.4	35
HDFC Bank	ADD	1,481	1,475	(0)	8,157	111.4	5,483	53	58	68	10.3	10.4	16.3	28	25	22	—	—	—	4.3	3.8	3.4	15.9	15.5	16.0	0.7	0.8	0.9	212
ICICI Bank	BUY	548	600	9	3,783	51.6	6,893	23.3	27	30	90.0	15.9	11.4	24	20.3	18.2	—	—	—	2.8	2.5	2.3	12.3	12.3	12.5	0.8	1.0	1.1	192
IndusInd Bank	ADD	928	900	(3)	702	9.6	756	26	61	75	(58.8)	132.4	22.9	35	15.2	12.4	—	—	—	1.9	1.7	1.5	5.5	11.2	12.5	0.4	1.0	1.2	191
Karur Vysya Bank	BUY	48	65	36	38	0.5	799	4.7	7	9	60.5	39.0	42.7	10	7.3	5.1	—	—	—	0.7	0.6	0.6	5.6	7.4	10.0	2.6	3.6	5.1	1.8
Punjab National Bank	REDUCE	37	32	(12)	382	5.2	10,481	0	4	6	(8.2)	858.1	36.1	80	8.3	6.1	—	—	—	0.7	0.7	0.6	0.7	5.4	6.8	—	—	—	39
RBL Bank	BUY	258	270	5	154	2.1	597	9.5	19	24	(4.8)	96.0	28.5	27	13.9	10.8	—	—	—	1.3	1.2	1.1	4.9	8.5	10.1	0.6	1.1	1.4	59
SBI Cards and Payment Services	ADD	962	900	(6)	905	12.3	939	13	20	29	0.4	50.6	45.6	72	48.0	33.0	—	—	—	13.9	11.0	8.4	21.1	26	29	0.1	0.1	0.2	23
State Bank of India	BUY	293	340	16	2,610	35.6	8,925	24	30	39	46.6	24.8	30.4	12	9.9	7.6	—	—	—	1.4	1.2	1.1	8.8	10.0	11.7	0.1	0.1	0.1	182
Ujjivan Financial Services	BUY	298	345	16	36	0.5	121	33.6	44	—	24.9	31.6	(100.0)	9	6.7	-	—	—	—	1.4	1.2	—	17.0	19.3	NM	1.4	2.0	0.0	2.9
Ujjivan Small Finance Bank	ADD	42	40	(6)	73	1.0	1,750	2	2	3	(3.1)	(4.8)	82.5	23	24.3	13.3	—	—	—	2.3	2.1	1.8	10.1	8.9	14.1	0.0	0.0	0.0	1.3
Union Bank	REDUCE	33	27	(18)	211	2.9	6,407	3	0	4	131.7	(86.2)	1,041.9	12	89.0	7.8	—	—	—	0.6	0.6	0.5	3.0	0.4	4.6	1.2	0.2	1.9	3.0
YES Bank	SELL	18	11	(39)	452	6.2	25,055	(1)	(0)	0	95.4	49.9	131.1	NM	NM	192.9	—	—	—	1.6	1.6	1.6	NM	NM	0.7	0.0	0.0	0.0	50
Banks	**Attractive**				**21,385**	**291.9**					**116.2**	**28.4**	**26.0**	**23**	**17.9**	**14.2**				**1.9**	**1.7**	**1.6**	**8.2**	**9.7**	**11.1**	**0.6**	**0.7**	**0.9**	**1,317**

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs) 12-Jan-21	Fair Value (Rs)	Upside (%)	Mkt cap. (Rs bn)	Mkt cap. (US$ bn)	O/S shares (mn)	EPS (Rs) 2021E	EPS (Rs) 2022E	EPS (Rs) 2023E	EPS growth (%) 2021E	EPS growth (%) 2022E	EPS growth (%) 2023E	P/E (X) 2021E	P/E (X) 2022E	P/E (X) 2023E	EV/EBITDA (X) 2021E	EV/EBITDA (X) 2022E	EV/EBITDA (X) 2023E	P/B (X) 2021E	P/B (X) 2022E	P/B (X) 2023E	RoE (%) 2021E	RoE (%) 2022E	RoE (%) 2023E	Dividend yield (%) 2021E	Dividend yield (%) 2022E	Dividend yield (%) 2023E	ADVT 3mo (US$ mn)
Building Products																													
Astral Poly Technik	SELL	1,729	870	(50)	261	3.6	151	19.2	25	31	16.7	32.0	24.3	90	68	55	51.4	40.2	32.2	14.9	12.6	10.8	17.7	20.0	21	0.1	0.3	0.5	5.2
Building Products	**Cautious**				**261**	**3.6**					**16.7**	**32.0**	**24.3**	**90**	**68**	**55**	**51.4**	**40.2**	**32.2**	**14.8**	**12.6**	**10.8**	**16.5**	**18.5**	**19.7**	**0.1**	**0.3**	**0.5**	**5.2**
Capital goods																													
ABB	SELL	1,269	980	(23)	269	3.7	212	8	20	26	(57.1)	165.7	32.0	169	63	48	122.0	42.6	32.1	7.6	7.1	6.5	4.5	11.6	14.1	0.5	0.5	0.7	2.8
Ashoka Buildcon	BUY	96	135	41	27	0.4	281	11.3	11.9	12.9	(18.1)	5.8	7.7	8.5	8.0	7.4	6.3	5.4	4.5	0.9	0.9	0.8	11.6	11.2	11.0	1.9	2.0	2.2	2.0
Bharat Electronics	BUY	134	120	(11)	328	4.5	2,437	7.0	7.3	7.5	(6.9)	4.9	2.5	19.3	18.4	18.0	12.1	10.9	10.2	3.0	2.7	2.5	16.1	15.5	14.6	1.9	2.0	2.1	23
BHEL	SELL	39	26	(35)	137	1.9	3,482	(3.8)	1.8	2.8	10.4	148.5	52.5	NM	21	14.0	(10.0)	7.9	6.0	0.5	0.5	0.5	NM	2.2	3.4	(4.3)	1.9	2.6	22
Carborundum Universal	ADD	406	310	(24)	77	1.1	189	13.6	16.1	18.3	(5.3)	18.1	14.1	30	25	22	17.2	14.4	12.4	3.8	3.5	3.1	13.3	14.3	14.8	0.9	1.1	1.3	1.9
Cochin Shipyard	BUY	392	520	33	52	0.7	132	35	43	43	(27.2)	20.4	1.1	11.1	9.2	9.1	6.0	5.7	5.2	1.3	1.2	1.1	12.0	13.4	12.5	3.0	3.2	3.5	2.2
Cummins India	BUY	623	600	(4)	173	2.4	277	22	28	32	(14.8)	28.4	14.2	29	22	19.6	30.6	22.3	19.1	4.0	3.8	3.6	14.1	17.4	18.8	1.9	2.5	2.8	11.3
Dilip Buildcon	BUY	430	515	20	59	0.8	137	25	45	61	(19.0)	83.2	35.2	17.4	9.5	7.0	6.3	4.8	4.1	1.5	1.3	1.1	8.9	14.5	16.7	0.1	0.2	0.3	1.4
IRB Infrastructure	BUY	116	145	25	41	0.6	351	13	10	9	(37.8)	(20.0)	(10.9)	9.1	11.4	12.8	6.6	6.0	4.9	0.6	0.6	0.5	6.6	5.0	4.3	3.3	1.6	2.1	1.2
Kalpataru Power Transmission	BUY	338	475	41	50	0.7	153	25	39	43	(2.4)	56.8	11.7	13.6	8.7	7.8	5.0	4.1	3.5	1.3	1.1	0.9	10.4	13.5	12.9	1.0	1.3	1.6	2.4
KEC International	BUY	365	380	4	94	1.3	257	24.0	32	35	9.3	31.4	11.3	15.2	11.6	10.4	8.7	7.0	6.2	2.8	2.3	1.9	20	22	20	0.7	0.9	1.0	2.3
L&T	BUY	1,350	1,410	4	1,895	25.9	1,403	39	68	88	(38.6)	75.9	28.9	35	19.7	15.3	21.0	15.7	13.7	2.8	2.5	2.3	8.7	13.4	15.8	1.1	1.6	2.0	97
Siemens	SELL	1,643	1,150	(30)	585	8.0	356	35	40	41	65.8	12.8	4.1	47	41	40	33.1	29.1	28.1	5.7	5.2	4.8	12.7	13.1	12.6	0.6	0.7	0.7	13.6
Thermax	BUY	987	850	(14)	118	1.6	113	18	29	36	(2.6)	55.2	24.6	54	35	28	36.8	25.0	20.3	36.8	25.0	20.3	6.8	10.3	12.3	1.1	1.5	2.0	0.7
Capital goods	**Attractive**				**3,904**	**53.3**					**(25.9)**	**70.4**	**21.3**	**36**	**21**	**17.4**				**2.5**	**2.3**	**2.1**	**7.0**	**11.0**	**12.3**	**0.9**	**1.4**	**1.7**	**184**
Commercial & Professional Services																													
SIS	BUY	415	425	3	61	0.8	149	16	19	24	5.5	17.5	27.5	26	22	17.3	12.6	11.4	9.7	3.8	3.3	2.8	15.8	16.0	17.4	0.2	0.2	0.3	1.0
TeamLease Services	ADD	2,774	2,550	(8)	47	0.6	17	45	67	93	118.9	50.2	38.1	62	41	30	42.7	31.3	24.2	7.3	6.2	5.1	12.5	16.3	18.8	—	—	—	0.9
Commercial & Professional Services	**Attractive**				**109**	**1.5**					**20.7**	**25.5**	**30.6**	**35**	**28**	**21**	**17.8**	**15.4**	**12.8**	**4.8**	**4.1**	**3.5**	**13.9**	**14.9**	**16.4**	**0.1**	**0.1**	**0.2**	**2**
Commodity Chemicals																													
Asian Paints	SELL	2,721	2,400	(12)	2,610	35.6	959	28.6	38.3	45.8	5.1	34.1	19.6	95	71	59	59.7	46.6	39.9	22.5	19.3	16.6	25	29	30	0.5	0.7	0.8	78
Berger Paints	SELL	803	565	(30)	780	10.6	971	7.0	9.8	12.0	3.9	39.7	22.0	114	82	67	69.3	51.8	43.5	24.9	21.0	17.7	24	28	29	0.2	0.4	0.5	11.0
Kansai Nerolac	REDUCE	600	610	2	324	4.4	539	9.1	12.7	15.1	(8.1)	38.5	19.3	66	47	40	42.1	31.2	26.7	7.9	7.2	6.5	12.5	15.9	17.3	0.5	0.7	0.9	2.3
Tata Chemicals	ADD	523	355	(32)	133	1.8	255	20.0	33.3	36.8	(36.9)	66.5	10.7	26	15.7	14.2	8.2	6.2	5.5	1.0	1.0	0.9	3.9	6.3	6.7	1.3	2.2	2.5	33
Commodity Chemicals	**Neutral**				**3,846**	**52.5**					**(3.9)**	**39.2**	**18.7**	**87**	**62**	**53**	**48.0**	**36.9**	**31.9**	**12.0**	**10.8**	**9.7**	**13.8**	**17.4**	**18.5**	**0.5**	**0.7**	**0.8**	**124**
Construction Materials																													
ACC	BUY	1,795	1,800	0	337	4.6	188	76.1	90.8	102.1	5.3	19.2	12.4	24	19.8	17.6	11.0	9.2	7.7	2.8	2.6	2.4	12.1	13.5	14.1	2.1	2.5	2.8	41
Ambuja Cements	BUY	268	300	12	532	7.3	1,986	12.2	14.4	17.4	15.6	18.0	20.5	22	18.6	15.4	8.5	6.8	5.4	2.3	2.1	1.9	10.3	11.8	12.9	6.3	1.0	1.2	31
Dalmia Bharat	BUY	1,185	1,250	5	221	3.0	187	37.5	42.1	63.1	168.8	12.2	50.0	32	28	18.8	9.6	8.8	6.9	2.0	1.9	1.7	6.6	7.0	9.7	—	—	—	3.2
Grasim Industries	ADD	1,010	875	(13)	665	9.1	657	54.2	76.5	100.1	2.9	41.2	30.9	18.7	13.2	10.1	9.1	6.8	5.3	1.1	1.0	0.9	6.1	8.0	9.7	0.1	0.3	0.6	26
J K Cement	ADD	2,196	2,000	(9)	170	2.3	77	81.5	116.9	138.3	26.8	43.4	18.4	27	18.8	15.9	13.0	9.9	8.5	4.7	3.9	3.1	19.1	23	22	0.5	0.5	0.5	4.2
JK Lakshmi Cement	BUY	353	350	(1)	42	0.6	118	22.9	29.6	35.8	(2.6)	29.6	20.7	15.4	11.9	9.9	6.9	6.3	5.9	2.2	1.9	1.6	14.9	16.7	17.3	1.0	1.3	1.5	2.0
Orient Cement	ADD	86	75	(13)	18	0.2	205	8.9	6.7	8.5	109.6	(24.1)	26.9	9.7	12.8	10.1	5.2	5.9	5.1	1.4	1.3	1.2	15.3	10.5	12.3	2.3	2.3	2.3	1.0
Shree Cement	SELL	25,369	17,500	(31)	915	12.5	36	543.6	774.9	904.9	24.9	42.6	16.8	47	33	28	24.9	18.7	16.0	6.3	5.4	4.6	14.3	17.8	17.8	0.4	0.4	0.4	23
UltraTech Cement	ADD	5,639	5,250	(7)	1,628	22.2	289	177.5	231.7	281.1	33.6	30.6	21.3	32	24	20	16.1	13.0	11.1	3.7	3.2	2.8	12.3	14.2	15.0	0.3	0.4	0.4	55
Construction Materials	**Attractive**				**4,527**	**61.8**					**21.1**	**30.5**	**23.1**	**28**	**21**	**17.3**	**12.5**	**10.0**	**8.2**	**2.6**	**2.4**	**2.1**	**9.5**	**11.2**	**12.3**	**1.2**	**0.6**	**0.7**	**187**

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs) 12-Jan-21	Fair Value (Rs)	Upside (%)	Mkt cap. (Rs bn)	Mkt cap. (US$ bn)	O/S shares (mn)	EPS (Rs) 2021E	EPS (Rs) 2022E	EPS (Rs) 2023E	EPS growth (%) 2021E	EPS growth (%) 2022E	EPS growth (%) 2023E	P/E (X) 2021E	P/E (X) 2022E	P/E (X) 2023E	EV/EBITDA (X) 2021E	EV/EBITDA (X) 2022E	EV/EBITDA (X) 2023E	P/B (X) 2021E	P/B (X) 2022E	P/B (X) 2023E	RoE (%) 2021E	RoE (%) 2022E	RoE (%) 2023E	Dividend yield (%) 2021E	Dividend yield (%) 2022E	Dividend yield (%) 2023E	ADVT 3mo (US$ mn)
Consumer Durables & Apparel																													
Crompton Greaves Consumer	SELL	403	255	(37)	253	3.5	627	8.0	9.5	10.6	1.1	18.9	11.7	50	42	38	37	32	29	14.0	11.1	9.0	31	29	26	0.7	0.6	0.6	10.9
Havells India	SELL	1,019	600	(41)	638	8.7	626	14.7	16.2	18.6	24.8	10.3	14.7	69	63	55	47	43	37	13.2	11.7	10.4	20	19.7	20	0.5	0.6	0.6	30
Page Industries	REDUCE	30,050	25,200	(16)	335	4.6	11	285	461	545	(7.3)	61.6	18.3	105	65	55	67	44	37	35.2	27.8	22.8	36	48	45	0.5	0.9	1.1	18.4
Polycab	ADD	1,212	970	(20)	181	2.5	149	44	52	58	(13.7)	18.0	9.9	27	23	21	18	15	13	4.1	3.6	3.1	16.1	16.5	15.9	0.5	0.6	0.6	8.5
TCNS Clothing Co.	REDUCE	438	390	(11)	27	0.4	66	(5)	14	17	(149.5)	358.7	22.9	NM	32	26	45	12	9.9	4.3	3.6	3.1	NM	12.4	12.9	—	—	—	0.4
Vardhman Textiles	ADD	1,087	720	(34)	63	0.9	57	25	90	104	(70.8)	260.6	16.1	44	12.1	10.4	15.5	7.4	6.5	1.0	0.9	0.9	2.3	8.0	8.7	1.2	1.8	2.3	0.8
Voltas	SELL	903	655	(27)	299	4.1	331	14.0	21.3	24.7	(13.6)	51.8	16.1	64	42	36	56	35	31	6.5	5.9	5.3	10.5	14.5	15.2	0.4	0.6	0.7	23
Whirlpool	SELL	2,512	1,750	(30)	319	4.4	127	33	49	61	(12.4)	49.1	24.5	76	51	41	52	36	28	11.3	10.2	9.2	15.6	21	24	0.4	0.8	1.2	3.1
Consumer Durables & Apparel	**Cautious**				**2,114**	**28.9**					**(13.3)**	**42.6**		**62**	**44**	**38**	**40**	**30**	**25**	**8.1**	**7.2**		**12.9**	**16.4**	**16.8**	**0.5**	**0.7**		**94**
Consumer Staples																													
Bajaj Consumer Care	ADD	224	250	12	33	0.5	148	15.0	14.8	15.7	19.7	(1.3)	6.1	14.9	15.1	14.3	11.6	11.6	10.5	4.4	3.9	3.5	31	27	26	3.6	3.6	4.0	1.7
Britannia Industries	ADD	3,632	4,150	14	875	11.9	240	77	78	92	30.6	1.8	17.2	47	46	40	35	33	29	28.0	18.6	16.7	49	48	44	3.0	1.9	2.1	44
Colgate-Palmolive (India)	ADD	1,614	1,680	4	439	6.0	272	34	38	43	18.4	11.8	14.8	48	43	37	31.2	28.0	24.7	27.0	25.8	24.4	57	61	67	2.0	2.2	2.5	17.7
Dabur India	REDUCE	541	535	(1)	956	13.1	1,767	9.7	11.1	12.5	12.6	14.0	12.5	56	49	43	45	39	34	13.2	12.0	10.9	25	26	26	1.1	1.3	1.5	29
Godrej Consumer Products	ADD	762	805	6	779	10.6	1,022	15.7	18.5	21.2	13.7	18.0	14.5	49	41	36	34	28	25	8.6	7.8	7.1	18.9	19.8	21	1.0	1.2	1.5	16.9
Hindustan Unilever	ADD	2,376	2,625	10	5,582	76.2	2,343	35	42	49	11.4	20.6	17.9	68	57	48	48	40	34	12.8	12.3	11.8	32	22	25	1.3	1.6	1.9	74
ITC	BUY	206	255	24	2,540	34.7	12,318	10.4	12.4	13.4	(9.8)	18.5	8.3	19.8	16.7	15.4	14.1	11.7	10.6	3.9	3.7	3.6	18.9	22	23	4.3	5.1	5.6	85
Jyothy Laboratories	ADD	154	170	11	56	0.8	367	6.0	6.3	7.2	27.0	5.2	13.7	26	24	21	17.8	16.9	15.0	4.3	4.0	3.8	17.3	17.0	18.1	2.3	2.6	2.9	1.2
Marico	ADD	423	440	4	546	7.5	1,290	8.9	9.9	11.0	10.1	10.6	12.0	47	43	38	34	30	27	16.5	15.2	14.0	36	37	38	1.7	1.8	2.0	16.8
Nestle India	REDUCE	17,999	17,500	(3)	1,735	23.7	96	220	260	301	7.8	18.2	15.7	82	69	60	53	46	40	79.8	53.6	38.9	103	93	75	1.1	0.8	1.0	39
Tata Consumer Products	ADD	624	625	0	575	7.9	922	10.6	12.5	14.8	33.5	17.0	18.6	59	50	42	34	30	26	4.0	3.8	3.6	6.9	7.7	8.7	0.6	0.7	0.8	32
United Breweries	ADD	1,256	1,260	0	332	4.5	264	3.7	23.1	30.0	(77.2)	525.6	29.5	340	54	42	92	29	24	9.4	8.1	7.0	2.8	16.0	17.8	0.1	0.5	0.7	10.7
United Spirits	ADD	644	680	6	468	6.4	727	5.6	13.6	16.9	(51.3)	143.9	24.0	115	47	38	51	29	24	10.8	8.8	7.6	9.7	20	21	—	—	0.8	18.6
Varun Beverages	BUY	968	1,100	14	280	3.8	289	10.9	28.8	35.9	(32.7)	163.8	24.6	89	34	27	25	15	13	7.6	6.3	5.2	9.0	20	21	0.1	0.3	0.3	4.5
Consumer Staples	**Attractive**				**15,198**	**207.5**					**2.1**	**21.6**	**13.8**	**47**	**38**	**34**	**33**	**27**	**24**	**9.3**	**8.6**	**8.1**	**19.9**	**23**	**24**	**1.8**	**2.0**	**2.3**	**392**
Diversified Financials																													
Bajaj Finance	REDUCE	5,042	3,000	(41)	3,038	41.5	600	73	135	172	(17)	85	27	69	37	29	—	—	—	8.4	7.0	5.8	12.8	20	22	0.1	0.3	0.3	280
Bajaj Finserv	BUY	8,959	8,000	(11)	1,426	19.5	159	270	425	528	28	58	24	33	21	17.0	—	—	—	4.5	3.9	3.3	13.7	19.9	21	0.2	0.2	0.2	107
Cholamandalam	BUY	443	510	15	363	5.0	820	22.0	28.0	33.0	71	27.2	18.0	20	15.8	13.4	—	—	—	4.0	3.3	2.7	20	21	21	0.5	0.7	0.8	27
HDFC	ADD	2,748	2,240	(18)	4,946	67.5	1,789	61	68	81	(40.3)	10	20.4	45	41	34	—	—	—	4.5	4.2	3.9	11.0	10.8	12.0	0.8	0.9	1.0	159
HDFC AMC	REDUCE	3,213	1,950	(39)	684	9.3	213	57	68	79	(3.5)	19	15.8	56	47	41	—	—	—	14.9	13.1	11.4	28	29	30	1.0	1.2	1.3	13.9
IIFL Wealth	ADD	1,059	1,100	4	93	1.3	88	34.7	45.1	60.7	46	29.7	34.6	30	23	17.4	—	—	—	3.2	3.1	2.8	10.4	13.4	17.0	4.7	2.8	2.9	0.5
L&T Finance Holdings	ADD	104	90	(13)	208	2.8	2,005	4	9	13	(55.7)	136	49.6	28	11.7	7.8	—	—	—	1.4	1.3	1.1	5.1	11.2	14.9	1.4	1.6	1.6	20
LIC Housing Finance	ADD	439	400	(9)	221	3.0	505	55.3	73.8	85.9	16	33.4	16.5	7.9	5.9	5.1	—	—	—	1.3	1.1	0.9	14.5	17.0	17.2	2.1	2.8	3.3	35
Mahindra & Mahindra Financial	BUY	190	225	19	234	3.2	1,232	8.6	17.6	21.0	(42)	105.3	19.4	22	10.8	9.0	—	—	—	1.7	1.5	1.4	7.9	13.4	14.4	0.7	1.9	2.2	24
Muthoot Finance	REDUCE	1,277	1,150	(10)	512	7.0	401	83	94	104	11.3	12	11.0	15.3	13.6	12.3	—	—	—	3.6	3.0	2.5	26	24	22	1.3	1.5	1.6	38
Shriram City Union Finance	BUY	1,128	1,400	24	74	1.0	66	138	179	200	(9.0)	30	11.7	8.2	6.3	5.6	—	—	—	1.0	0.9	0.8	12.0	13.9	13.8	1.6	2.4	2.7	0.7
Shriram Transport	BUY	1,263	1,420	12	320	4.4	253	83.9	117.7	149.9	(24)	40.4	27.3	15.1	10.7	8.4	—	—	—	1.6	1.4	1.2	10.8	13.2	14.9	1.0	1.4	1.8	66
Diversified Financials	**Attractive**				**12,182**	**166.3**					**(15.4)**	**37.0**	**19.4**	**35**	**25**	**21**				**4.1**	**3.6**	**3.3**	**11.7**	**14.3**	**15.6**	**0.7**	**0.8**	**0.9**	**774**

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs) 12-Jan-21	Fair Value (Rs)	Upside (%)	Mkt cap. (Rs bn)	Mkt cap. (US$ bn)	O/S shares (mn)	EPS (Rs) 2021E	EPS (Rs) 2022E	EPS (Rs) 2023E	EPS growth (%) 2021E	EPS growth (%) 2022E	EPS growth (%) 2023E	P/E (X) 2021E	P/E (X) 2022E	P/E (X) 2023E	EV/EBITDA (X) 2021E	EV/EBITDA (X) 2022E	EV/EBITDA (X) 2023E	P/B (X) 2021E	P/B (X) 2022E	P/B (X) 2023E	RoE (%) 2021E	RoE (%) 2022E	RoE (%) 2023E	Dividend yield (%) 2021E	Dividend yield (%) 2022E	Dividend yield (%) 2023E	ADVT 3mo (US$ mn)
Electric Utilities																													
CESC	BUY	662	800	21	88	1.2	133	91	105	113	(8)	16.0	7.7	7.3	6.3	5.8	5.2	4.6	4.1	0.6	0.6	0.6	10.4	9.9	9.9	1.9	2.0	2.2	3.2
JSW Energy	BUY	75	65	(13)	123	1.7	1,640	5.2	5.3	6.3	(18)	1	18.9	14.4	14.2	12.0	6.4	5.6	5.3	1.0	0.9	0.9	7.1	6.7	7.4	—	—	—	2.7
NHPC	ADD	25	26	4	251	3.4	10,045	3.0	3.2	3.2	5.8	6	1.0	8.4	7.9	7.8	11.1	10.0	9.4	0.8	0.7	0.7	9.3	9.5	9.2	6.6	7.2	7.2	2.5
NTPC	BUY	100	125	25	991	13.5	9,895	12.7	15.0	16.0	14.2	18.2	6.6	7.9	6.7	6.3	8.1	6.2	5.3	0.8	0.8	0.7	10.7	11.7	11.5	3.4	4.5	4.8	50
Power Grid	BUY	204	220	8	1,066	14.5	5,232	21.8	26	28	8	19.1	7.8	9.4	7.9	7.3	6.9	6.2	5.6	1.5	1.4	1.3	17.0	18.6	18.3	5.3	6.3	6.8	31
Tata Power	BUY	86	67	(22)	275	3.8	3,196	4.0	5.3	6.0	(11)	33	14.0	21.7	16.3	14.3	8.8	8.6	8.1	1.3	1.2	1.1	6.3	7.4	7.8	—	—	—	30
Electric Utilities	**Attractive**				**2,793**	**38.1**					**8.2**	**17.4**	**7.3**	**9.2**	**7.9**	**7.3**				**1.0**	**1.0**	**0.9**	**11.2**	**12.1**	**12.0**	**3.9**	**4.7**	**5.0**	**120**
Fertilizers & Agricultural Chemicals																													
Bayer Cropscience	SELL	5,643	3,900	(31)	254	3.5	45	140.8	156.4	176.5	8.9	11.1	12.8	40	36	32	29	25	22	8.2	7.0	5.9	22	21	20	0.5	0.6	0.6	2.4
Dhanuka Agritech	SELL	791	650	(18)	38	0.5	48	37.0	40.8	45.8	24.4	10.4	12.2	21.4	19.4	17.3	16.0	14.1	12.3	4.5	3.9	3.4	23	21	21	1.2	1.5	2.0	0.9
Godrej Agrovet	SELL	529	455	(14)	102	1.4	192	15.4	18.0	20.9	33.5	17.1	16	34	29	25	18	16	13	4.1	3.7	3.3	12.7	13.4	13.8	1.0	1.2	1.4	1.1
PI Industries	SELL	2,286	1,700	(26)	347	4.7	148	50.9	59.5	70.8	54.2	17	19	45	38	32	32	26	21	10.4	8.6	7.1	26	25	24	0.3	0.4	0.6	17.6
Rallis India	ADD	297	310	5	58	0.8	195	11.8	14.9	18.0	30.5	26.0	21.1	25.1	19.9	16.5	17.8	14.1	11.6	3.6	3.2	2.7	15.3	17.0	17.9	0.9	1.0	1.1	2.2
UPL	SELL	502	375	(25)	383	5.2	765	32.4	37.3	41.2	39.6	15.1	10.3	15	13.4	12.2	8.0	7.2	6.5	2.1	1.9	1.7	14.4	14.9	14.7	1.7	1.9	2.1	62
Fertilizers & Agricultural Chemicals	**Cautious**				**1,180**	**16.1**					**36.3**	**15.7**	**13.1**	**26**	**22**	**19.7**	**12.9**	**11.5**	**10.2**	**4.0**	**3.5**	**3.1**	**15.6**	**15.8**	**15.7**	**0.9**	**1.1**	**1.2**	**87**
Gas Utilities																													
GAIL (India)	BUY	141	140	(1)	638	8.7	4,510	8.0	10.4	11.5	(39.2)	29.4	10.8	17.6	13.6	12.3	12.6	9.6	8.3	1.4	1.3	1.3	8.0	9.9	10.5	2.8	3.5	4.2	36
GSPL	SELL	212	200	(6)	120	1.6	564	13.2	11.8	8.0	(23.1)	(10.6)	(32.2)	16.1	18.0	26.5	6.6	7.0	9.2	1.6	1.5	1.5	10.6	8.7	5.6	0.9	1.1	0.9	2.7
Indraprastha Gas	ADD	567	500	(12)	397	5.4	700	16.1	23.0	25.6	(3.2)	42.4	11.4	35.1	24.7	22.2	25.1	17.9	15.8	6.7	5.7	4.9	21	25	24	0.5	0.9	1.2	24
Mahanagar Gas	BUY	1,127	1,200	7	111	1.5	99	65.3	90.8	96.4	(12.5)	39.1	6.1	17.3	12.4	11.7	11.0	7.9	7.1	3.3	2.9	2.5	20	25	23	2.2	3.1	3.7	16.0
Petronet LNG	BUY	271	300	11	406	5.5	1,500	19.6	21.7	24.1	11.0	11.0	10.8	13.8	12.5	11.2	7.7	7.0	6.5	3.5	3.3	3.2	26	27	29	5.4	6.4	7.6	17.5
Gas Utilities	**Attractive**				**1,672**	**22.8**					**(20.9)**	**22.5**	**7.9**	**18.4**	**15.0**	**13.9**	**11.6**	**9.5**	**8.7**	**2.3**	**2.1**	**2.0**	**12.2**	**14.0**	**14.2**	**2.7**	**3.4**	**4.1**	**96**
Health Care Services																													
Apollo Hospitals	ADD	2,517	2,240	(11)	350	4.8	139	-3.4	40	60	(119)	1,261	50	NM	63.5	42.2	27.4	20.2	18.1	10.6	9.6	8.3	NM	15.9	21	(0.1)	0.6	0.9	47
Dr Lal Pathlabs	SELL	2,390	1,400	(41)	199	2.7	83	30.0	39.3	42.7	10.8	31.1	8.6	79.7	60.8	56.0	51.3	38.3	35.1	16.5	13.9	11.8	22	25	23	0.4	0.5	0.5	6.2
HCG	BUY	156	150	(4)	20	0.3	143	(8.7)	(2.4)	(1.7)	28	73	27	NM	NM	NM	15.9	8.8	7.6	2.3	2.4	2.5	NM	NM	NM	—	—	—	0.3
Metropolis Healthcare	SELL	2,180	1,450	(33)	111	1.5	51	37.1	41.8	45.5	23.8	12.6	9	58.7	52.1	47.9	38.3	33.1	29.9	17.1	14.1	11.9	32	30	27	0.5	0.6	0.6	3.0
Narayana Hrudayalaya	BUY	474	375	(21)	97	1.3	204	-7.8	7.2	10.7	(233.6)	193	48	NM	65.7	44.3	92.1	20.8	16.8	9.9	8.6	7.2	NM	14.0	17.7	—	—	—	1.4
Health Care Services	**Attractive**				**859**	**11.7**					**(70)**	**475**	**31**	**299.8**	**52.2**	**39.7**	**26.0**	**18.0**	**15.9**	**8.1**	**7.3**	**6.4**	**2.7**	**14.0**	**16.1**	**0.1**	**0.4**	**0.6**	**58**
Hotels & Restaurants																													
Jubilant Foodworks	ADD	2,878	3,150	9	380	5.2	132	19	43	54	(20)	128.7	25	152.1	66.5	53.2	45.2	29.0	24.4	29.5	21.6	17.0	21	38	36	0.2	0.5	0.7	38
Lemon Tree Hotels	BUY	42	35	(16)	33	0.5	790	-1.5	0.0	0.7	(1,168)	99	5,898	NM	NM	62.4	64.4	19.8	13.6	4.7	4.9	4.9	NM	NM	7.9	—	0.9	1.3	2.0
Hotels & Restaurants	**Attractive**				**413**	**5.6**					**(57)**	**343**	**35**	**320.4**	**72.3**	**53.7**	**47.0**	**27.4**	**22.1**	**20.8**	**17.0**	**14.2**	**6.5**	**23**	**26**	**0.2**	**0.5**	**0.8**	**40**
Insurance																													
HDFC Life Insurance	ADD	718	650	(10)	1,451	19.8	2,010	6.8	7.4	7.8	5.8	8.2	6.3	105	97	92	—	—	—	19.0	17.5	16.1	18.8	18.7	18.3	0.2	0.3	0.3	47
ICICI Lombard	SELL	1,566	980	(37)	712	9.7	454	34.5	33.7	38.3	31	(2)	14	45	46	41	—	—	—	9.4	8.3	7.1	23	19.6	18.7	0.2	0.5	0.5	14.1
ICICI Prudential Life	BUY	522	530	2	749	10.2	1,436	8.5	9.6	9.9	14	13.2	3.4	61	54	52	—	—	—	8.8	7.8	7.0	15.2	15.2	14.0	0.3	0.3	0.3	14.4
Max Financial Services	NR	720	—	—	248	3.4	343	9.5	26.7	16.0	(6)	180	(40)	75	27	45	—	—	—	—	—	—	13.5	38	17.3	0.1	0.9	0.2	15.7
SBI Life Insurance	BUY	925	1,150	24	925	12.6	1,001	17.8	20.8	23.6	25.3	16.9	13.1	52	44	39	—	—	—	9.8	8.2	7.0	20	20	19.3	0.3	0.4	0.4	20
Insurance	**Attractive**				**4,086**	**55.8**					**19.5**	**21.7**	**2.2**	**65.2**	**53.6**	**52**				**11.4**	**9.3**	**8.7**	**17.6**	**17.3**	**16.5**	**0.2**	**0.2**	**0.2**	**111**

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs) 12-Jan-21	Fair Value (Rs)	Upside (%)	Mkt cap. (Rs bn)	Mkt cap. (US$ bn)	O/S shares (mn)	EPS (Rs) 2021E	EPS (Rs) 2022E	EPS (Rs) 2023E	EPS growth (%) 2021E	EPS growth (%) 2022E	EPS growth (%) 2023E	P/E (X) 2021E	P/E (X) 2022E	P/E (X) 2023E	EV/EBITDA (X) 2021E	EV/EBITDA (X) 2022E	EV/EBITDA (X) 2023E	P/B (X) 2021E	P/B (X) 2022E	P/B (X) 2023E	RoE (%) 2021E	RoE (%) 2022E	RoE (%) 2023E	Dividend yield (%) 2021E	Dividend yield (%) 2022E	Dividend yield (%) 2023E	ADVT 3mo (US$ mn)
Internet Software & Services																													
Info Edge	SELL	5,370	2,910	(46)	690	9.4	128.3	25.8	43.4	53.3	(4.2)	68.6	22.7	208.3	123.6	100.8	199.6	116.5	92.7	15.1	13.9	12.6	9.5	11.7	13.1	0.1	0.2	0.2	41
Just Dial	SELL	717	550	(23)	44	0.6	61.8	25.9	29.9	35.5	(38.2)	15.3	18.8	27.7	24.0	20.2	20.3	17.3	14.8	3.6	3.1	2.7	12.7	14.0	14.4	—	—	—	24
Internet Software & Services	**Cautious**				**735**	**10.0**					**(18.3)**	**51.2**	**21.7**	**149.7**	**99.0**	**81.3**	**142.6**	**93.6**	**76.8**	**12.7**	**11.5**	**10.3**	**8.5**	**11.6**	**12.7**	**0.1**	**0.2**	**0.2**	**65**
IT Services																													
HCL Technologies	ADD	1,062	1,040	(2)	2,882	39.3	2,716	45.9	50.4	55.3	12.5	9.8	9.8	23.1	21.1	19.2	14.2	12.8	11.5	4.8	4.2	3.5	23	21	20.0	1.0	1.3	1.3	103
Infosys	BUY	1,372	1,455	6	5,843	79.8	4,250	44.1	49.2	56.1	13.3	11.5	14.1	31.1	27.9	24.5	20.7	18.7	16.3	8.0	7.2	6.5	27	27	28	1.9	2.2	2.6	182
L&T Infotech	ADD	4,285	3,700	(14)	748	10.2	176	105.5	122.8	145.2	22	16.5	18.2	40.6	34.9	29.5	27.2	24.9	21.2	11.4	9.4	7.7	31	30	29	0.7	0.8	0.9	26
Mindtree	SELL	1,751	1,255	(28)	288	3.9	165	61.1	67.1	73.6	59	10	10	28.7	26.1	23.8	18.2	16.9	15.1	7.6	6.3	5.3	29	26	24	1.0	1.2	1.3	29
Mphasis	REDUCE	1,657	1,480	(11)	309	4.2	187	66.3	74.7	85.4	4	12.7	14.3	25.0	22.2	19.4	16.4	14.3	12.4	4.8	4.3	3.8	20	21	21	2.1	2.1	2.1	8.9
TCS	REDUCE	3,175	3,070	(3)	11,913	162.6	3,744	89.4	106.5	118.8	4	19.0	11.6	35.5	29.8	26.7	24.5	21.0	18.9	13.1	11.0	10.2	38	40	40	1.0	2.0	3.0	141
Tech Mahindra	BUY	1,064	1,100	3	927	12.7	880	48.3	55.9	65.6	5.4	15.8	17.3	22.0	19.0	16.2	12.8	11.1	9.4	3.9	3.6	3.2	18.6	19.7	21	2.1	2.2	2.4	62
Wipro	ADD	458	415	(9)	2,616	35.7	5,650	17.8	19.9	22.2	6.8	12.3	11.6	25.8	23.0	20.6	17.3	15.7	13.9	4.9	4.1	3.5	18.5	19.1	18.5	0.4	1.1	1.1	74
IT Services	**Attractive**				**25,528**	**348.5**					**7.8**	**13.7**	**12.3**	**30.7**	**27.0**	**24.1**	**20.4**	**18.0**	**16.0**	**8.0**	**7.0**	**6.2**	**26**	**26**	**26**	**1.2**	**1.8**	**2.4**	**625**
Media																													
DB Corp.	REDUCE	84	81	(4)	15	0.2	175	5.3	14.1	14.2	(66.5)	166.7	1.2	15.9	6.0	5.9	5.2	2.6	2.7	0.8	0.9	0.9	5.4	14.3	14.6	2.4	14.3	15.5	0.3
Jagran Prakashan	REDUCE	46	37	(19)	13	0.2	281	3.9	7.3	8.4	(43.6)	87	NA	11.7	6.2	NA	2.8	1.8	NA	0.7	0.6	NA	5.7	10.3	11.5	4.4	10.9	10.9	0.3
PVR	BUY	1,452	1,500	3	80	1.1	55	-92.9	39.5	59.5	(421)	143	51	NM	36.8	24.4	(24.9)	12.9	10.0	3.8	3.5	3.1	NM	9.9	13.5	(0.6)	0.3	0.4	36
Sun TV Network	REDUCE	528	435	(18)	208	2.8	394	38.9	39.2	41.4	10	0.7	5.6	13.6	13.5	12.8	9.4	9.2	8.7	3.5	3.3	3.2	26	25	26	4.7	5.2	5.7	20
Zee Entertainment Enterprises	ADD	226	225	(1)	217	3.0	960	10.9	16.5	17.9	(2.1)	51.4	8.4	20.7	13.7	12.6	13.1	8.6	7.5	2.2	2.0	1.8	10.9	15.3	14.9	1.5	1.8	2.0	60
Media	**Cautious**				**533**	**7.3**					**(26.5)**	**67.3**	**9.6**	**23.5**	**14.0**	**12.8**	**13.6**	**8.4**	**7.5**	**2.5**	**2.3**	**2.1**	**10.5**	**16.4**	**16.7**	**2.6**	**3.5**	**3.8**	**117**
Metals & Mining																													
Hindalco Industries	BUY	264	330	25	594	8.1	2,220	19.2	28.9	31.5	7.7	50.6	9	13.8	9.2	8.4	7.0	5.7	5.1	0.9	0.9	0.8	7.1	9.8	9.7	0.4	0.4	0.4	55
Hindustan Zinc	BUY	291	335	15	1,228	16.8	4,225	19.1	23.8	24.0	18.4	25.0	0.9	15.2	12.2	12.1	9.5	7.4	7.3	3.8	3.8	3.8	22	31	31	7.3	8.2	8.3	6.1
Jindal Steel and Power	BUY	294	320	9	300	4.1	1,020	30.0	25.8	26.1	492	(14)	1	9.8	11.4	11.3	5.4	5.2	4.8	0.9	0.8	0.8	9.2	7.4	7.0	—	—	—	37
JSW Steel	ADD	400	375	(6)	966	13.2	2,402	22.2	28.8	34.5	120.1	30	19.8	18.0	13.9	11.6	8.9	7.0	6.0	2.3	2.0	1.7	13.7	15.5	16.0	0.5	0.5	0.5	38
National Aluminium Co.	SELL	48	30	(37)	89	1.2	1,866	2.4	2.0	2.9	228	(16)	42.9	19.7	23.4	16.4	6.5	8.4	7.5	0.9	0.8	0.8	4.4	3.6	5.0	0.0	2.1	3.1	10.7
NMDC	REDUCE	127	95	(25)	390	5.3	2,931	14.0	10.3	10.0	(4.3)	(26.2)	(3)	9.1	12.3	12.8	9.3	21.1	(27.4)	1.3	1.2	1.2	14.5	10.1	9.3	2.7	4.1	3.9	15.9
Tata Steel	BUY	695	800	15	803	11.0	1,146	53.3	82.1	96.1	51	54	17	13.0	8.5	7.2	7.4	6.0	5.6	1.1	1.0	0.8	8.3	11.9	12.4	2.2	2.4	2.5	152
Vedanta	REDUCE	181	190	5	673	9.2	3,717	18.9	25.5	26.9	189	35	5.4	9.6	7.1	6.7	4.4	3.5	3.2	1.3	1.2	1.2	13.3	18.0	17.9	15.4	9.7	9.8	75
Metals & Mining	**Attractive**				**5,044**	**68.9**					**63.5**	**26.3**	**8.8**	**13.1**	**10.4**	**9.6**	**7.0**	**5.9**	**5.5**	**1.5**	**1.4**	**1.3**	**11.4**	**13.3**	**13.2**	**4.5**	**4.2**	**4.2**	**389**

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs)	Fair Value	Upside	Mkt cap.		O/S shares	EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo
		12-Jan-21	(Rs)	(%)	(Rs bn)	(US$ bn)	(mn)	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E	(US$ mn)
Oil, Gas & Consumable Fuels																													
BPCL	BUY	403	425	6	873	11.9	1,967	37	37	39	250.1	0.1	6.1	10.9	10.9	10.3	8.2	8.5	7.7	2.2	2.0	1.8	20.8	18.9	18.3	4.2	4.6	4.9	46.3
Coal India	BUY	147	180	23	904	12.3	6,163	17	17	18	(36)	0.4	4.8	8.4	8.4	8.0	8.9	7.3	6.5	3.0	3.1	3.2	34.1	36.1	39.6	13.6	13.6	13.6	31.6
HPCL	BUY	225	260	16	337	4.6	1,524	46	33	35	548.6	(27.8)	3.4	4.9	6.7	6.5	6.2	7.5	6.8	1.0	0.9	0.9	22.5	14.4	13.8	6.2	6.0	7.7	23.6
IOCL	BUY	98	100	2	922	12.6	9,181	13.8	13.3	14.1	449.2	(3.6)	6.5	7.1	7.4	6.9	6.1	6.0	5.7	0.9	0.8	0.8	13.0	11.7	11.7	6.3	6.1	6.5	27.0
Oil India	SELL	115	70	(39)	125	1.7	1,084	4	6	9	(82)	71.3	52.3	31.6	18.5	12.1	10.1	8.0	6.4	0.5	0.5	0.5	1.6	2.7	4.1	0.7	2.2	3.3	2.1
ONGC	SELL	103	60	(42)	1,301	17.8	12,580	5	7	12	(65)	50.5	73.2	22.2	14.7	8.5	5.7	4.8	3.6	0.6	0.5	0.5	2.5	3.7	6.2	1.9	2.8	4.3	38.6
Reliance Industries	ADD	1,957	2,150	10	11,599	158.3	6,032	67	90	110	0.6	34.4	22.4	29.2	21.7	17.7	15.5	9.8	9.3	2.3	2.1	2.0	8.5	10.4	12.1	0.4	0.4	0.4	421.8
Oil, Gas & Consumable Fuels	**Attractive**				**16,062**	**219.3**					**12.7**	**20.9**	**21.0**	**19.0**	**15.7**	**13.0**	**10.5**	**8.0**	**7.3**	**1.7**	**1.5**	**1.4**	**8.8**	**9.5**	**11.1**	**1.9**	**2.0**	**2.2**	**591**
Pharmaceuticals																													
Aurobindo Pharma	REDUCE	958	830	(13)	561	7.7	586	59	60	63	21.8	1	6.0	16.2	16.0	15.1	9.7	9.2	8.3	2.5	2.2	2.0	15.7	14.0	13.2	0.8	0.9	1.1	41.6
Biocon	SELL	472	240	(49)	566	7.7	1,202	7.8	9.9	11.3	26	27	14.4	61	48	42	26.9	20.8	18.5	7.0	6.3	5.6	11.5	13.2	13.5	0.6	0.7	0.8	26.2
Cipla	BUY	843	915	9	680	9.3	806	29.7	33	49	54.9	12	46	28	25.3	17.3	15.6	14.1	9.8	3.8	3.4	2.9	13.3	13.4	16.9	0.7	0.8	1.1	76.1
Divis Laboratories	REDUCE	3,768	3,000	(20)	1,000	13.7	265	71	86	97	37	21	13.0	53	43.9	38.8	37.2	30.9	27.3	11.7	10.0	8.6	22.1	22.7	22.0	(0.7)	(0.8)	(0.9)	61.5
Dr Reddy's Laboratories	SELL	5,354	4,000	(25)	890	12.2	166	157	203	267	21	29	31.5	34	26.3	20.0	19.3	14.8	11.6	5.0	4.3	3.6	14.8	16.4	18.1	0.5	0.6	0.6	105.7
Laurus Labs	REDUCE	353	310	(12)	189	2.6	536	17.1	18.7	23	257.9	9	22	21	18.9	15.4	14.3	12.4	9.8	7.0	5.1	3.8	34.1	27.2	24.9	—	—	—	19.7
Lupin	ADD	1,060	1,000	(6)	481	6.6	450	27	42	51	24.5	56	21	39	25	20.7	17.1	12.0	9.9	3.5	3.1	2.8	8.9	12.5	13.4	0.4	0.6	0.7	50.1
Sun Pharmaceuticals	ADD	610	525	(14)	1,463	20.0	2,406	21.2	23.7	28	27.0	11	17	29	26	21.9	16.8	14.5	12.4	3.1	2.8	2.6	10.9	11.6	11.6	0.2	0.8	0.9	74.1
Torrent Pharmaceuticals	REDUCE	2,834	2,550	(10)	479	6.5	169	71	88	104	23.6	24	17	40	32	27	19.6	17.1	15.1	8.5	7.3	6.2	21.4	22.7	22.6	0.9	1.1	1.3	18.7
Pharmaceuticals	**Attractive**				**6,310**	**86.1**					**32.5**	**17**	**21**	**32**	**27**	**22.5**	**18.1**	**15.4**	**12.8**	**4.4**	**3.9**	**3.4**	**13.8**	**14.3**	**15.1**	**0.3**	**0.5**	**0.6**	**474**
Real Estate																													
Brigade Enterprises	BUY	275	230	(16)	57	0.8	204	4.7	13	17	(26)	177	31	57.9	20.9	16.0	17.9	7.3	6.1	2.4	2.2	2.0	4.2	11.1	13.2	0.9	0.9	0.9	1.0
DLF	BUY	268	200	(25)	662	9.0	2,475	4.7	8.1	8.8	297	72	10	57	33.2	30.2	48.3	35.1	34.8	1.9	1.8	1.7	3.3	5.6	5.8	0.7	0.7	0.7	46.0
Embassy Office Parks REIT	ADD	356	375	5	337	4.6	772	11.3	13.4	15.4	14	19	15	31	26	23	20.8	18.5	16.8	1.3	1.3	1.4	4.0	4.9	6.0	6.2	7.3	8.4	4.4
Godrej Properties	SELL	1,474	700	(53)	372	5.1	252	10.2	13.3	33.1	(5.2)	31	149.0	145	111	45	2,303.7	173.9	63.0	7.3	6.9	6.0	5.2	6.4	14.4	—	—	—	28.5
Mindspace REIT	ADD	341	330	(3)	202	2.8	593	14	16	18	69.4	9.5	13	23.6	21.5	19.0	19.1	15.4	13.8	1.2	1.2	1.3	9.1	5.7	6.5	2.4	6.0	6.4	2.3
Oberoi Realty	ADD	595	570	(4)	216	3.0	364	21	26	31	13.3	21.0	18	27.7	22.9	19.3	20.9	17.7	14.8	2.3	2.1	1.9	8.7	9.7	10.4	0.3	0.3	0.3	4.7
Prestige Estates Projects	ADD	297	275	(7)	119	1.6	401	4.0	11.5	20	(57.9)	185	71	74	26	15.1	10.4	7.9	6.5	2.2	2.0	1.8	3.0	8.1	12.6	0.5	0.5	0.5	2.5
Sobha	BUY	478	440	(8)	45	0.6	95	11	33	50	(64)	212.3	51.0	44.9	14.4	9.5	7.7	5.7	4.9	1.8	1.7	1.5	4.1	12.2	16.5	1.5	1.5	1.5	2.7
Sunteck Realty	BUY	382	300	(21)	56	0.8	140	8.8	18.4	16	23.0	109	(13)	43	20.8	23.8	33.0	16.4	18.2	1.8	1.6	1.5	4.1	8.2	6.7	0.3	0.3	0.3	2.9
Real Estate	**Attractive**				**2,067**	**28.2**					**77.2**	**49**	**26**	**47**	**32**	**25.1**	**25.7**	**18.9**	**16.1**	**2.0**	**2.0**	**1.9**	**4.4**	**6.3**	**7.7**	**1.4**	**1.9**	**2.1**	**95**
Retailing																													
Aditya Birla Fashion and Retail	BUY	175	180	3	147	2.0	915	(5.7)	2.0	3.5	(201.1)	134.7	78.9	NM	89	50	38.4	11.4	9.9	7.5	6.4	5.7	NM	7.9	12.1	—	—	—	7.5
Avenue Supermarts	SELL	2,998	1,885	(37)	1,942	26.5	648	17.9	33	43	(14.9)	86.6	28.3	168	90	70	110	60	47	15.9	13.5	11.3	9.9	16.2	17.6	—	—	—	26.9
Titan Company	ADD	1,527	1,625	6	1,356	18.5	888	10.4	23	29	(38.4)	123.3	24.7	147	66	53	82	42	34	18.5	15.3	12.7	13.1	25.4	26.2	0.2	0.4	0.5	52.3
Retailing	**Attractive**				**3,445**	**47.0**					**(41.5)**	**182.1**	**28.8**	**221**	**78**	**61**	**90**	**44**	**36**	**15.9**	**13.4**	**11.2**	**7.2**	**17.0**	**18.4**	**0.1**	**0.2**	**0.2**	**87**
Speciality Chemicals																													
Castrol India	BUY	128	165	29	127	1.7	989	6.3	8.9	9.6	(25.2)	41.5	7.9	20.5	14.5	13.4	13.2	9.5	8.7	8.5	8.0	7.5	43.3	57.1	58.0	3.9	6.2	6.6	3.1
Pidilite Industries	REDUCE	1,800	1,800	(0)	915	12.5	508	21.3	30	36	(7.7)	40.9	20.8	85	60	50	57	41	34	17.8	15.2	12.9	22.6	27.3	28.0	0.4	0.6	0.7	23.5
S H Kelkar and Company	BUY	127	130	3	18	0.2	141	8.5	8.8	9.9	83.4	3.2	13.2	14.9	14.4	12.8	9.5	8.4	7.4	1.8	1.7	1.5	13.4	12.2	12.6	1.2	1.8	2.4	1.6
SRF	ADD	5,929	5,000	(16)	351	4.8	58	177	216	271	28.4	22.1	25.2	33.5	27.4	21.9	19.5	16.3	13.3	5.2	4.5	3.8	17.9	17.8	18.8	0.3	0.3	0.4	17.5
Speciality Chemicals	**Attractive**				**1,411**	**19.3**					**(0.1)**	**33.3**	**19.1**	**49**	**37**	**31.1**	**30.9**	**23.7**	**20.1**	**9.9**	**8.6**	**7.3**	**20.1**	**23.1**	**23.6**	**0.7**	**1.0**	**1.1**	**46**

Source: Company, Bloomberg, Kotak Institutional Equities estimates

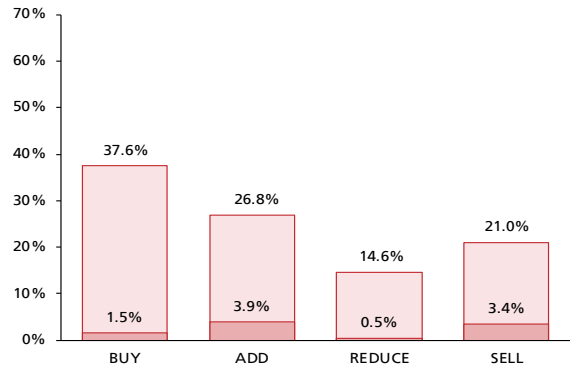
Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs) 12-Jan-21	Fair Value (Rs)	Upside (%)	Mkt cap. (Rs bn)	Mkt cap. (US$ bn)	O/S shares (mn)	EPS (Rs) 2021E	EPS (Rs) 2022E	EPS (Rs) 2023E	EPS growth (%) 2021E	EPS growth (%) 2022E	EPS growth (%) 2023E	P/E (X) 2021E	P/E (X) 2022E	P/E (X) 2023E	EV/EBITDA (X) 2021E	EV/EBITDA (X) 2022E	EV/EBITDA (X) 2023E	P/B (X) 2021E	P/B (X) 2022E	P/B (X) 2023E	RoE (%) 2021E	RoE (%) 2022E	RoE (%) 2023E	Dividend yield (%) 2021E	Dividend yield (%) 2022E	Dividend yield (%) 2023E	ADVT 3mo (US$ mn)
Telecommunication Services																													
Bharti Airtel	BUY	566	710	25	3,086	42.1	5,456	(0.2)	10.2	21.4	NM	NM	NM	NM	55.6	26.5	8.9	7.3	5.9	5.3	5.2	4.6	NM	9.5	18.4	1.1	1.1	1.1	125.7
Vodafone Idea	RS	12	—	—	348	4.7	28,735	(8.7)	(6.8)	(5.0)	NM	NM	NM	NM	NM	NM	11.2	8.9	7.3	(1.0)	(0.7)	(0.6)	167.0	47.1	26.5	—	—	—	47
Tata Communications	BUY	1,112	1,075	(3)	317	4.3	285	45.6	52.5	62.5	24.4	14.9	19.2	24.4	21.2	17.8	9.5	8.4	7.3	NM	25.8	11.2	NM	277	87.6	0.4	0.5	0.6	2.0
Telecommunication Services	**Attractive**				**4,455**	**60.8**					**41.7**	**55.1**	**125.5**	**NM**	**NM**	**186.8**	**9.5**	**7.8**	**6.5**	**12.5**	**16.3**	**19.8**	**NM**	**NM**	**10.6**	**1.4**	**1.4**	**1.5**	**213**
Transportation																													
Adani Ports and SEZ	BUY	511	535	5	1,039	14.2	2,032	22.9	30.7	34.3	(14.8)	33.7	11.9	22.3	16.7	14.9	16.1	12.0	10.3	3.5	3.0	2.6	17.0	19.5	18.5	0.7	0.9	0.9	48.5
Container Corp.	SELL	446	410	(8)	272	3.7	609	11.0	13.8	17.8	(35.4)	25.5	29.5	41	32	25	21.0	17.3	13.9	2.6	2.6	2.5	6.6	8.0	10.1	1.3	1.7	2.2	15.3
Gateway Distriparks	BUY	122	135	10	15	0.2	125	3.7	3.6	6.2	(12.3)	(4.0)	73.7	33.0	34.3	19.8	8.0	8.1	6.8	1.0	1.0	1.0	3.3	3.0	5.1	2.5	2.5	2.5	0.3
GMR Infrastructure	BUY	27	26	(4)	164	2.2	6,036	(3.7)	(1.4)	(0.5)	(23.1)	63.1	65.4	NM	NM	NM	87.7	19.1	13.5	(3.9)	(3.5)	(4.4)	66.3	18.3	7.4	—	—	—	6.7
Gujarat Pipavav Port	BUY	93	120	30	45	0.6	483	4.8	6.3	7.3	(20.5)	31.5	15.1	19.3	14.7	12.8	8.7	7.5	6.5	2.2	2.2	2.2	11.2	14.7	17.0	4.9	6.4	7.3	1.0
InterGlobe Aviation	BUY	1,680	1,990	18	647	8.8	383	(173.8)	87.7	120.3	(2,580.1)	150.5	37.1	NM	19	14.0	NM	5.0	3.7	183.6	17.3	3.7	NM	165.5	76.6	—	—	—	39
Mahindra Logistics	REDUCE	454	340	(25)	33	0.4	71	5.6	11.7	15.6	(37.5)	110.9	33.2	82	39	29	25.4	15.8	12.6	5.7	5.1	4.5	7.1	13.8	16.4	—	—	—	0.4
Transportation	**Attractive**				**2,213**	**30.2**					**(166.3)**	**411.8**	**28.2**	**NM**	**22**	**17.2**	**26.3**	**10.3**	**8.4**	**5.5**	**4.6**	**3.7**	**NM**	**20.7**	**21.5**	**0.6**	**0.8**	**0.9**	**111**
KIE universe					**152,505**	**2081.7**					**21.3**	**36.1**	**20.6**	**32**	**23.4**	**19.4**	**14.8**	**11.8**	**10.3**	**3.3**	**2.9**	**2.7**	**10.2**	**12.6**	**13.9**	**1.2**	**1.4**	**1.7**	

Notes:
(a) We have used adjusted book values for banking companies.
(b) 2021 means calendar year 2020, similarly for 2022 and 2023 for these particular companies.
(c) Exchange rate (Rs/US$)= 73.25

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities Research coverage universe
Distribution of ratings/investment banking relationships



Percentage of companies covered by Kotak Institutional Equities, within the specified category.

Percentage of companies within each category for which Kotak Institutional Equities and or its affiliates has provided investment banking services within the previous 12 months.

* The above categories are defined as follows: Buy = We expect this stock to deliver more than 15% returns over the next 12 months; Add = We expect this stock to deliver 5-15% returns over the next 12 months; Reduce = We expect this stock to deliver -5-+5% returns over the next 12 months; Sell = We expect this stock to deliver less than -5% returns over the next 12 months. Our target prices are also on a 12-month horizon basis. These ratings are used illustratively to comply with applicable regulations. As of 30/09/2020 Kotak Institutional Equities Investment Research had investment ratings on 205 equity securities.

Source: Kotak Institutional Equities

As of December 31, 2020

Ratings and other definitions/identifiers

Definitions of ratings

BUY. We expect this stock to deliver more than 15% returns over the next 12 months.

ADD. We expect this stock to deliver 5-15% returns over the next 12 months.

REDUCE. We expect this stock to deliver -5-+5% returns over the next 12 months.

SELL. We expect this stock to deliver <-5% returns over the next 12 months.

Our Fair Value estimates are also on a 12-month horizon basis.

Our Ratings System does not take into account short-term volatility in stock prices related to movements in the market. Hence, a particular Rating may not strictly be in accordance with the Rating System at all times.

Other definitions

Coverage view. The coverage view represents each analyst's overall fundamental outlook on the Sector. The coverage view will consist of one of the following designations: Attractive, Neutral, Cautious.

Other ratings/identifiers

NR = Not Rated. The investment rating and fair value, if any, have been suspended temporarily. Such suspension is in compliance with applicable regulation(s) and/or Kotak Securities policies in circumstances when Kotak Securities or its affiliates is acting in an advisory capacity in a merger or strategic transaction involving this company and in certain other circumstances.

CS = Coverage Suspended. Kotak Securities has suspended coverage of this company.

NC = Not Covered. Kotak Securities does not cover this company.

RS = Rating Suspended. Kotak Securities Research has suspended the investment rating and fair value, if any, for this stock, because there is not a sufficient fundamental basis for determining an investment rating or fair value. The previous investment rating and fair value, if any, are no longer in effect for this stock and should not be relied upon.

NA = Not Available or Not Applicable. The information is not available for display or is not applicable.

NM = Not Meaningful. The information is not meaningful and is therefore excluded.

Corporate Office
Kotak Securities Ltd.
27 BKC, Plot No. C-27, "G Block"
Bandra Kurla Complex, Bandra (E)
Mumbai 400 051, India
Tel: +91-22-43360000

Kotak Mahindra (UK) Ltd
8th Floor, Portsoken House
155-157 Minories
London EC3N 1LS
Tel: +44-20-7977-6900

Overseas Affiliates
Kotak Mahindra Inc
369 Lexington Avenue
28th Floor, New York
NY 10017, USA
Tel:+1 212 600 8856

Copyright 2021 Kotak Institutional Equities (Kotak Securities Limited). All rights reserved.

1. Note that the research analysts contributing to this report may not be registered/qualified as research analysts with FINRA; and
2. Such research analysts may not be associated persons of Kotak Mahindra Inc and therefore, may not be subject to NASD Rule 2711 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.
3. Any U.S. recipients of the research who wish to effect transactions in any security covered by the report should do so with or through Kotak Mahindra Inc and (ii) any transactions in the securities covered by the research by U.S. recipients must be effected only through Kotak Mahindra Inc at vinay.goenka@kotak.com.

This report is distributed in Singapore by Kotak Mahindra (UK) Limited (Singapore Branch) to institutional investors, accredited investors or expert investors only as defined under the Securities and Futures Act. Recipients of this analysis / report are to contact Kotak Mahindra (UK) Limited (Singapore Branch) (16 Raffles Quay, #35-02/03, Hong Leong Building, Singapore 048581) in respect of any matters arising from, or in connection with, this analysis / report. Kotak Mahindra (UK) Limited (Singapore Branch) is regulated by the Monetary Authority of Singapore.

Kotak Securities Limited and its affiliates are a full-service, integrated investment banking, investment management, brokerage and financing group. We along with our affiliates are leading underwriter of securities and participants in virtually all securities trading markets in India. We and our affiliates have investment banking and other business relationships with a significant percentage of the companies covered by our Investment Research Department. Our research professionals provide important input into our investment banking and other business selection processes. Investors should assume that Kotak Securities Limited and/or its affiliates are seeking or will seek investment banking or other business from the company or companies that are the subject of this material and that the research professionals who were involved in preparing this material may participate in the solicitation of such business. Our research professionals are paid in part based on the profitability of Kotak Securities Limited, which include earnings from investment banking and other business. Kotak Securities Limited generally prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, Kotak Securities Limited generally prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. We are not soliciting any action based on this material. It is for the general information of clients of Kotak Securities Limited. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. Kotak Securities Limited does not provide tax advise to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment. Certain transactions -including those involving futures, options, and other derivatives as well as non-investment-grade securities - give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavor to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so. We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. Kotak Securities Limited and its non US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies affectively assume currency risk. In addition options involve risks and are not suitable for all investors. Please ensure that you have read and understood the current derivatives risk disclosure document before entering into any derivative transactions.

Kotak Securities Limited established in 1994, is a subsidiary of Kotak Mahindra Bank Limited. Kotak Securities is one of India's largest brokerage and distribution house.

Kotak Securities Limited is a corporate trading and clearing member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE), Metropolitan Stock Exchange of India Limited (MSE), National Commodity and Derivatives Exchange (NCDEX) and Multi Commodity Exchange(MCX). Our businesses include stock broking, services rendered in connection with distribution of primary market issues and financial products like mutual funds and fixed deposits, depository services and Portfolio Management.

Kotak Securities Limited is also a depository participant with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Kotak Securities Limited is also registered with Insurance Regulatory and Development Authority as Corporate Agent for Kotak Mahindra Old Mutual Life Insurance Limited and is also a Mutual Fund Advisor registered with Association of Mutual Funds in India (AMFI). Kotak Securities Limited is registered as a Research Analyst under SEBI (Research Analyst) Regulations, 2014.

We hereby declare that our activities were neither suspended nor we have defaulted with any stock exchange authority with whom we are registered in last five years. However SEBI, Exchanges and Depositories have conducted the routine inspection and based on their observations have issued advise letters or levied minor penalty on KSL for certain operational deviations. We have not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has our certificate of registration been cancelled by SEBI at any point of time.

We offer our research services to primarily institutional investors and their employees, directors, fund managers, advisors who are registered with us

Details of Associates are available on website i.e. www.kotak.com

Research Analyst has served as an officer, director or employee of subject company(ies): No

We or our associates may have received compensation from the subject company(ies) in the past 12 months.

We or our associates have managed or co-managed public offering of securities for the subject company(ies) in the past 12 months. YES. Visit our website for more details

We or our associates may have received compensation for investment banking or merchant banking or brokerage services from the subject company(ies) in the past 12 months. We or our associates may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company(ies) in the past 12 months. We or our associates may have received compensation or other benefits from the subject company(ies) or third party in connection with the research report.

Our associates may have financial interest in the subject company(ies).

Research Analyst or his/her relative's financial interest in the subject company(ies): No

Kotak Securities Limited has financial interest in the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report: Tata Motors, Vedanta, Container Corp. - YES

Nature of Financial interest: Holding equity shares or derivatives of the subject company.

Our associates may have actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report.

Research Analyst or his/her relatives has actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report: No

Kotak Securities Limited has actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report: No

Subject company(ies) may have been client during twelve months preceding the date of distribution of the research report.

A graph of daily closing prices of securities is available at https://www.moneycontrol.com/india/stockpricequote/ and http://economictimes.indiatimes.com/markets/stocks/stock-quotes. (Choose a company from the list on the browser and select the"three years" icon in the price chart).

Kotak Securities Limited. Registered Office: 27 BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai 400051. CIN: U99999MH1994PLC134051, Telephone No.: +22 43360000, Fax No.: +22 67132430. Website: www.kotak.com / www.kotaksecurities.com. Correspondence Address: Infinity IT Park, Bldg. No 21, Opp. Film City Road, A K Vaidya Marg, Malad (East), Mumbai 400097. Telephone No: 42856825. SEBI Registration No. INZ000200137(Member of NSE, BSE, MSE, MCX & NCDEX). Member Id: NSE-08081; BSE-673; MSE-1024; MCX-56285; NCDEX-1262. AMFI ARN 0164, PMS INP000000258 and Research Analyst INH000000586. NSDL/CDSL: IN-DP-NSDL-23-97. Compliance Officer Details: Mr. Manoj Agarwal. Call: 022 - 4285 8484, or Email: ks.compliance@kotak.com. Investments in securities market are subject to market risks, read all the related documents carefully before investing.

In case you require any clarification or have any concern, kindly write to us at below email ids:

Level 1: For Trading related queries, contact our customer service at 'service.securities@kotak.com' and for demat account related queries contact us at ks.demat@kotak.com or call us on: Toll free numbers 18002099191 / 1860 266 9191

Level 2: If you do not receive a satisfactory response at Level 1 within 3 working days, you may write to us at ks.escalation@kotak.com or call us on 022-42858445 and if you feel you are still unheard, write to our customer service HOD at ks.servicehead@kotak.com or call us on 022-42858208.

Level 3: If you still have not received a satisfactory response at Level 2 within 3 working days, you may contact our Compliance Officer (Name: Mr. Manoj Agarwal) at ks.compliance@kotak.com or call on 91- (022) 4285 8484.

Level 4 : If you have not received a satisfactory response at Level 3 within 7 working days, you may also approach Managing Director / CEO (Mr. Jaideep Hansraj) at ceo.ks@kotak.com or call on 91-(022) 4285 8301.

First Cut notes published on this site are for information purposes only. They represent early notations and responses by analysts to recent events. Data in the notes may not have been verified by us and investors should not act upon any data or views in these notes. Most First Cut notes, but not necessarily all, will be followed by final research reports on the subject. There could be variance between the First cut note and the final research note on any subject, in which case the contents of the final research note would prevail. We accept no liability for the contents of the First Cut Notes.