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EQUITY MARKETS

India	Change %			
	14-Jan	1-day	1-mo	3-mo
Sensex	49,584	0.2	7.2	24.8
Nifty	14,596	0.2	7.6	25.0
Global/Regional indices				
Dow Jones	30,992	(0.2)	3.8	8.7
Nasdaq Composite	13,113	(0.1)	5.4	11.4
FTSE	6,802	0.8	4.4	16.6
Nikkei	28,767	0.2	7.8	22.5
Hang Seng	28,497	0.9	8.7	18.0
KOSPI	3,166	0.5	14.9	34.0
Value traded – India				
Cash (NSE+BSE)	759		699	595
Derivatives (NSE)	62,921		16,549	23,410
Deri. open interest	8,174		5,121	4,467

Forex/money market

	Change, basis points			
	14-Jan	1-day	1-mo	3-mo
Rs/US\$	73.0	(10)	(53)	(25)
10yr govt bond, %	6.2	3	6	1

Net investment (US\$ mn)

	13-Jan	MTD	CYTD
FIs	296	1,373	23,373
MFs	(164)	426	(7,063)

Top movers

Best performers	Change, %			
	14-Jan	1-day	1-mo	3-mo
TTMT in Equity	245	1.0	37.0	93.1
SHTF in Equity	1,218	0.1	11.5	92.7
TATA in Equity	706	(0.4)	11.2	88.9
BOB in Equity	76	1.3	13.5	88.8
VEDL in Equity	176	(2.3)	21.0	85.8
Worst performers				
RIL in Equity	1,961	1.1	(0.7)	(11.1)
BRIT in Equity	3,665	1.2	(2.7)	(1.8)
HMCL in Equity	3,267	0.3	5.0	(1.4)
BHIN in Equity	-	0.0	0.0	0.0
UPLL in Equity	509	3.6	13.5	0.6

JANUARY 15, 2021

THEME

Sector view: **Attractive**

CMP (₹): **1,961**

Fair Value (₹): **2,150**

BSE-30: **49,584**

E2G: JioMart survey. Our three key takeaways from primary survey of 60 retailers using JioMart in Greater Mumbai region are—(1) JioMart is perceived to offer the most attractive economics compared to existing distributors through a combination of lower prices, higher discounts and reasonable credit terms, (2) JioMart's B2B service is regarded well for the range and quality of products it offers and timeliness of delivery and (3) JioMart's kirana-based B2C servicing is picking up at a slow pace amid apprehensions among retailers. Progress on JioMart and other digital forays will be crucial for the stock's recent underperformance to end. ADD.

Reliance Industries				Forecasts/valuations			
Stock data				2021E	2022E	2023E	
CMP(Rs)/FV(Rs)/Rating	1,961/2,150/ADD			67.1	90.2	110.4	
52-week range (Rs) (high-low)	2,369-867			0.6	34.4	22.4	
Mcap (bn) (Rs/US\$)	11,621/159.1			29.2	21.7	17.8	
ADTV-3M (mn) (Rs/US\$)	31,047/425			2.4	2.1	2.0	
Shareholding pattern (%)				EV/EBITDA (X)	15.5	9.8	9.3
Promoters	49.1			RoE (%)	8.5	10.4	12.1
FPIs/MFs/BFIs	27.2/5.0/5.8			Div. yield (%)	0.4	0.4	0.4
Price performance (%)				Sales (Rs bn)	5,068	6,221	6,963
Absolute	1M	3M	12M	EBITDA (Rs bn)	783	1,149	1,399
Rel. to BSE-30	(1.5)	(14.3)	29.4	Net profits (Rs bn)	405	573	700
	(8.2)	(29.5)	9.5				

Survey of grocery retailers: JioMart stacking up as preferred distributor

We surveyed 60 small grocery retailers in and around Mumbai, who have been in a partnership with JioMart for an average of the past nine months. The purpose of this survey was to understand: (1) JioMart's value proposition to retailers versus other distributors, (2) willingness of retailers to act as sellers on JioMart's B2C online platform and (3) perception of JioMart's overall offering in the retailer community. Our survey may have an exclusion bias as we did not include retailers who may have severed their partnership with JioMart during the given period. We present key findings of the survey in brief below and in detail later in the note.

- ▶ **JioMart is perceived to offer the most attractive economics among all distributors.** All but two retailers suggested that product prices offered by JioMart are generally lower than other distributors, while two-thirds of retailers indicated that sourcing from JioMart leads to better profit margins. Nearly half of the retailers recognized that discounts/promotions and credit terms offered by JioMart are also better than existing distribution channels.
- ▶ **JioMart scores well in range and quality of products and timeliness of B2B delivery.** Around 88% of retailers suggested that JioMart offers a wide assortment of products and 37% acknowledged that JioMart pushes its own private labels besides offering several other established brands. Nearly three-fourths of respondents rated them well on quality of products, timeliness of delivery and being a supplier of choice. JioMart seems to adopt a low-touch servicing model compared to existing distributors as over 60% of retailers indicated that JioMart representatives do not visit the stores even on a monthly basis.
- ▶ **JioMart seems to be ahead of B2B competition at least in Mumbai region.** On an average, authorized distributors and wholesalers account for about 69% of overall purchases made by the retailers. JioMart accounts for ~26% and others such as Amazon and Metro account for the remainder ~5% of the retailers' purchases.
- ▶ **Kirana-based B2C servicing seems to be picking up slowly amid apprehensions.** Interestingly, ~82% of respondents mentioned that B2C orders from JioMart's portal are being supplied by JioMart and delivered to households by retailers. Unlike the B2B service, JioMart's B2C service has not made a marked difference to the retailers' daily order volumes.
- ▶ **Mixed utility of Jio PoS device.** Around 30-35% of retailers use Jio PoS device for billing their customers and receiving payments. Over 50% of retailers utilize the PoS device to place orders from JioMart and manage the inventory in the store.

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About E2G and KIE's Primary Research Practice

- ▶ Ear to the Ground (E2G), our market research series, is supported by KIE's Primary Research Practice, a proprietary initiative that focuses on qualitative and quantitative primary market research. The practice is backed by extensive analyst experience in primary market research relating to B2B, B2C and Agriculture.
- ▶ The objective of this practice is to help analysts understand on-ground realities in the context of their research and offer investors a context for our research and insights.
- ▶ KIE's primary research desk also conducts and analyses bespoke market research for clients.

SURVEY OBJECTIVE

E2G – Ear to the Ground is KIE’s market research series, which is our proprietary model focusing on primary research survey. We conducted a primary research survey among 60 retailers based out of Mumbai, Thane and Navi Mumbai. These retailers are primarily small mom-and-pop grocery shops. The key objective of surveying these retailers was to understand: (1) JioMart’s value proposition to retailers versus other distributors, (2) willingness of retailers to act as sellers on JioMart’s B2C online platform, and (3) JioMart’s perception in the retailer community.

We conducted a survey of 60 retail shops in and around Mumbai with an aim to learn more about JioMart’s B2B and B2C grocery operations. All retailers that we interviewed have had a partnership with JioMart for the past few months. We detail below the key purpose of the survey:

- ▶ Key reasons for kirana shops to partner with JioMart.
- ▶ What is JioMart’s overall share in kiranas’ overall product purchase?
- ▶ What proportion of retailers are using JioMart for services other than product procurement (inventory management, B2C sales on JioMart, receiving payments)?
- ▶ What are the most important attributes that determine the order of preference of retailers for selecting their distributor partners?
- ▶ How does JioMart’s distributor service stack up against others?
- ▶ Overall satisfaction levels of retailers with JioMart. How many retailers are happy with JioMart’s service? What can JioMart do better in order to serve its customers better?
- ▶ How do retailers perceive JioMart? What, in their opinion, is the reason for JioMart to seek their partnership?

METHODOLOGY

We conducted field surveys across 60 local grocery shops (selling primarily staples, packaged food, snacks and beverages, HPC, etc.). These retailers have standalone stores that cater largely to walk-in customers. These shops are predominantly present in and around Mumbai. Participants were shop owners who are the primary decision makers of procurement and merchandising. The survey was developed by KIE’s research team covering the retail sector.

(For more details on our methodology, please refer to Appendix 2).

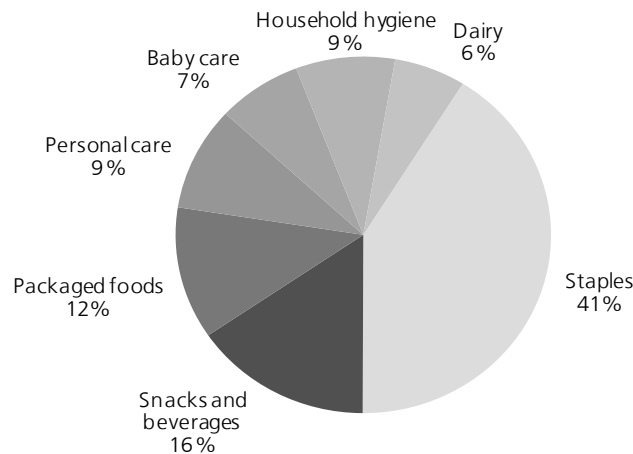
SURVEY OF GROCERY RETAIL SHOPS IN MUMBAI: KEY FINDINGS

Key findings of the survey are: (1) JioMart is offering cheaper product price to retailers compared to other distributors, (2) food and grocery is the most important category accounting for bulk of sales at these retailers, (3) there is room for JioMart to improve its service levels and get more kiranas to act as sellers for the JioMart B2C platform, and (4) for the shops surveyed, JioMart seems to have a much larger share compared to competitors such as Amazon and Metro.

Retailers typically engage with a large number of distributors to source products

- ▶ Foods (staples, snacks and beverages, packaged goods, dairy) constitute 75% of the sales of the retailers we surveyed on an average. Remainder 25% consists of personal care, household hygiene and baby care products. Staples, which is a mix of branded and unbranded items, constitutes a solid 41% of average sales of these retailers.

Exhibit 1: Food sales form a heavy 75% of retailers' average daily sales
Breakdown of retailers' sales mix (% of value)



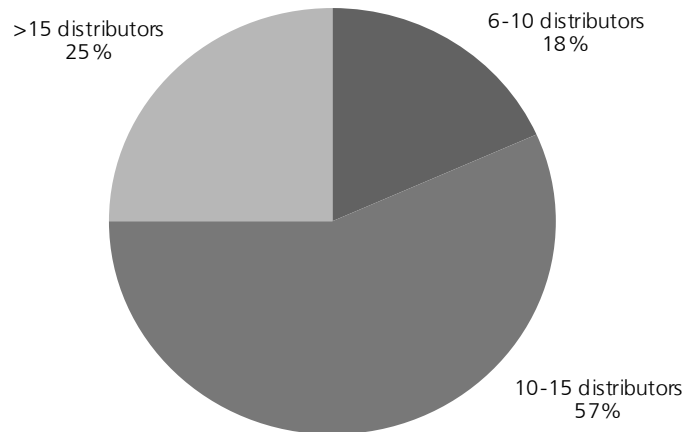
Notes:

- (a) Staples includes dal, pulses, oil, flour, spices, sugar, salt, etc.
- (b) Snacks and Beverages includes biscuits, chips, tea, coffee, soft drinks, etc.
- (c) Packaged foods includes noodles, pasta, ketchup, chocolates, honey, pickles, etc.
- (d) Personal care includes soaps, hair color, oral care, powders, sanitary pads, etc.
- (e) Baby care includes diapers, baby foods, baby bath, skin care, etc.
- (f) Household hygiene includes detergents, cleaners, insect repellents, etc.
- (g) Dairy includes milk, bread, butter, cheese/yogurt, eggs, etc.

Source: E2G Survey-JioMart (Dec'20), Kotak Institutional Equities

- ▶ Our survey also revealed that these retailers typically deal with multiple distributors. A majority of the retailers (57%) engage with 10-15 distributors, 25% deal with more than 15 distributors and the remainder 18% deal with 6-10 distributors.

Exhibit 2: 25% of the retailers deal with more than 15 distributors
Breakdown of distributor count for different retailers (% of respondents)

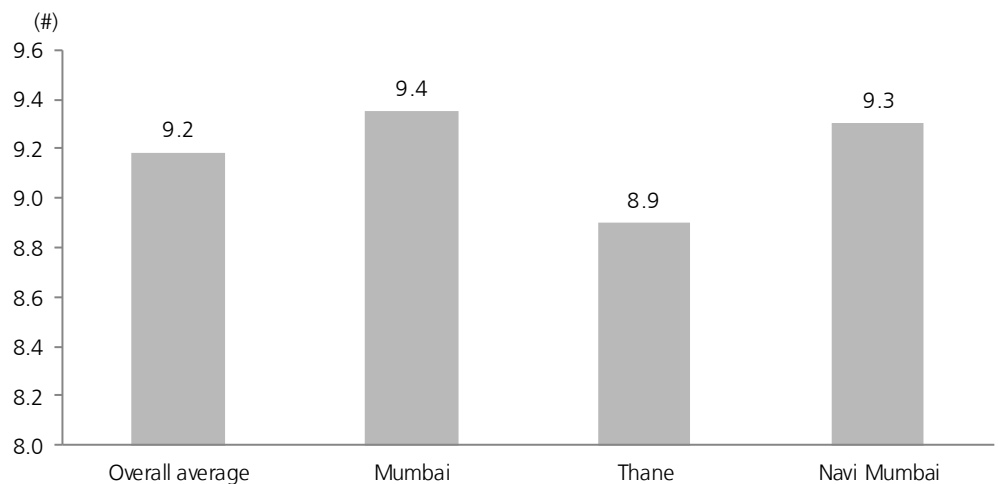


Source: E2G Survey-JioMart (Dec'20), Kotak Institutional Equities

JioMart has cornered a decent 25% market-share among distributors

- ▶ The retailers that we surveyed have been engaged with JioMart for an average of nine months. Most of them seem to have partnered with JioMart during or just after the lockdown in March/April 2020.

Exhibit 3: The retailers we surveyed have been partners with JioMart for an average of 9 months
Location-wise average number of months of partnership with JioMart (#, months)



Source: E2G Survey-JioMart (Dec'20), Kotak Institutional Equities

- ▶ Per our survey, 58% of respondents mentioned that discounts offered by distributors were the most important parameter while deciding on engaging with a distributor. 53% mentioned that availability of goods and marketing support was important, while 52% mentioned that warranty offered on goods was also important. Other important parameters are doorstep deliveries, general service level and credit facility.

Exhibit 4: Retailers' have placed discounts offered as top priority for distributor choice
Key parameters involved in selection of distributors by retailers (% of respondents)



Source: E2G Survey-JioMart (Dec'20), Kotak Institutional Equities

- ▶ JioMart scores high on most of these parameters, particularly price. It also enjoys high approval ratings among retailers that we surveyed. When specifically quizzed on various benefits offered by JioMart, respondents mentioned: (1) margin offered by JioMart is 15-20%, higher than 12-20% offered by the traditional distributors and 10-12% offered by Amazon, (2) JioMart offers an additional 5-7% discount on a case by case basis (4-7% for other distributors, 4-8% for Amazon, ~5% for Metro), (3) it also offers 30 days of credit period compared to 15-60 days for other distributors, and (4) it supports online placement of orders unlike the traditional distributors.

Exhibit 5: JioMart's pricing in the B2B business is the top draw for retailers
Key parameters involved in selection of JioMart as distributor by retailers (% of respondents)



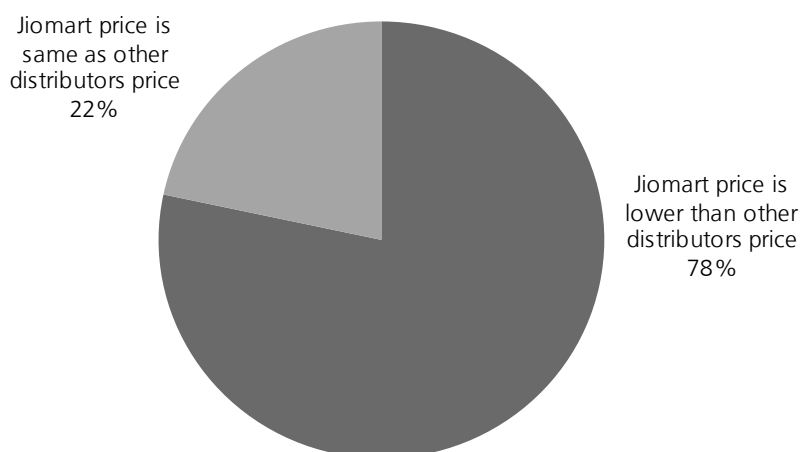
Source: E2G Survey-JioMart (Dec'20), Kotak Institutional Equities

Exhibit 6: JioMart scores meaningfully over other distributors on profit margins and discounts offered

Key operating metrics of distributors as revealed by retailers

	Jio Mart	Distributor	Amazon	Metro CC/Dmart
Profit Margin	15-20% - Depending on product	12-20% depending on product	10-12% depending on product	15-20%
Discounts	5-7% depending on product & company	4-7% depending on product & company	4-8% depending on product & company	5%
Credit period	30 days	15-60 days	Minimum 7 Days or max 30 Days	No credit
Minimum order quantity/value (Rs)	3,000	5,000-20,000	3,000	No MOQ-50% and 15,000-50%
Online Order	Yes	No	Yes	No
Delivery Support	Yes	Yes	Yes	Yes-50%, No-50%
Reconciliation	Yes	Yes	Yes	Yes
Total respondents	60	60	21	4

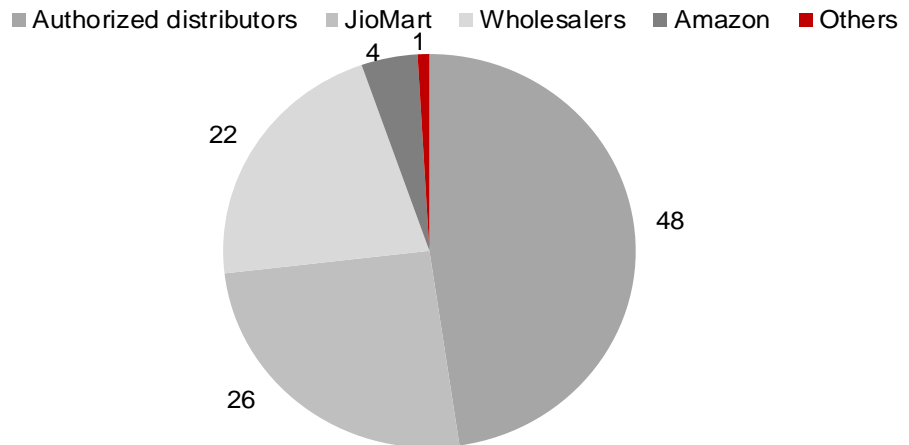
Source: E2G Survey-JioMart (Dec'20), Kotak Institutional Equities

Exhibit 7: 78% of surveyed retailers claim that JioMart prices are lower than other distributors
Retailers' response on JioMart's price vis-à-vis other distributors (% of respondents)

Source: E2G Survey-JioMart (Dec'20), Kotak Institutional Equities

- ▶ JioMart seems to have cornered a sizeable 25% share in the overall distribution business offered by the retailers we surveyed. This is relevant in the context that most retailers deal with multiple distributors.

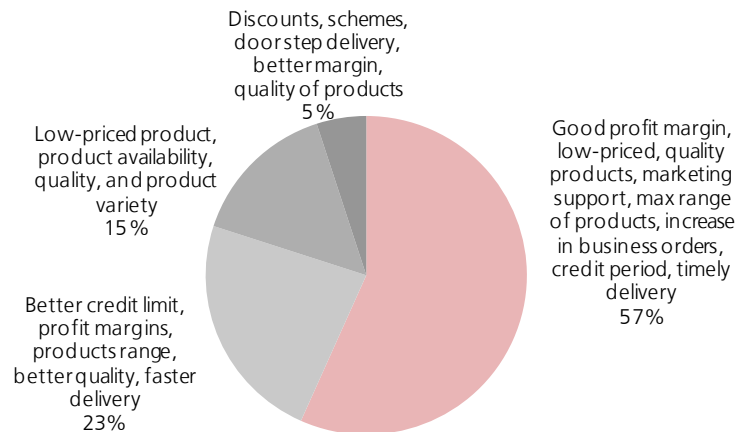
Exhibit 8: JioMart has cornered a significant 25% share of the retailers' distribution needs
Share of different distributors among the retailers surveyed (%)



Source: Company, Kotak Institutional Equities

- ▶ Unsurprisingly, all respondents buy a variety of food, grocery and FMCG products from JioMart. When we questioned the retailers on what JioMart had promised them initially (at the start of their partnership), they mentioned that JioMart promised: (1) good profit margin, (2) low-priced and high-quality products, (3) marketing support and (4) extended credit period.

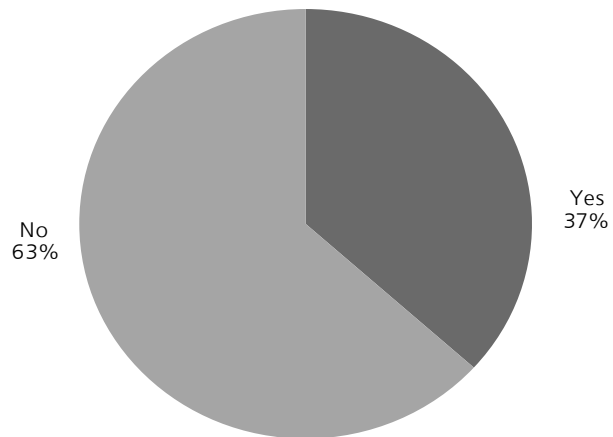
Exhibit 9: Qualitative responses on benefits promised by JioMart
Breakdown of retailers' responses on JioMart's promised benefit (% of respondents)



Source: E2G Survey-JioMart (Dec'20), Kotak Institutional Equities

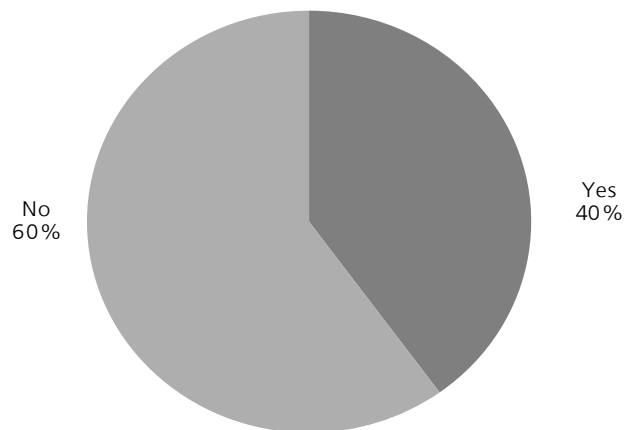
- ▶ Private label products pushed by distributors are slowly building momentum. 37% of the retailers mentioned that JioMart is pushing its private label products. 40% of retailers stock private label products of other distributors such as Amazon and Metro.

Exhibit 10: 37% of retailers have accepted that JioMart pushes for its private labels
Breakdown of retailers' responses on JioMart's private label push (% of respondents)



Source: E2G Survey-JioMart (Dec'20), Kotak Institutional Equities

Exhibit 11: 40% of retailers stock private label products sold by large B2B players such as Amazon
Breakdown of retailers' responses on stocking private labels from other distributors (% of respondents)

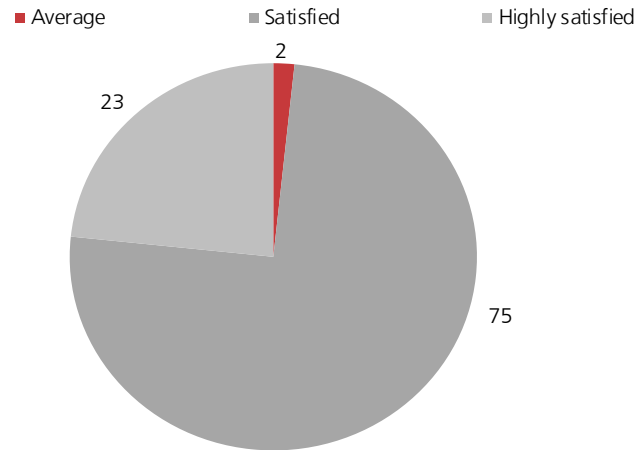


Source: E2G Survey-JioMart (Dec'20), Kotak Institutional Equities

- ▶ Overall, JioMart enjoys fair approval ratings with retailers. This is despite some parameters where JioMart is currently lagging behind its competitors.

Exhibit 12: 98% of retailers are satisfied with JioMart

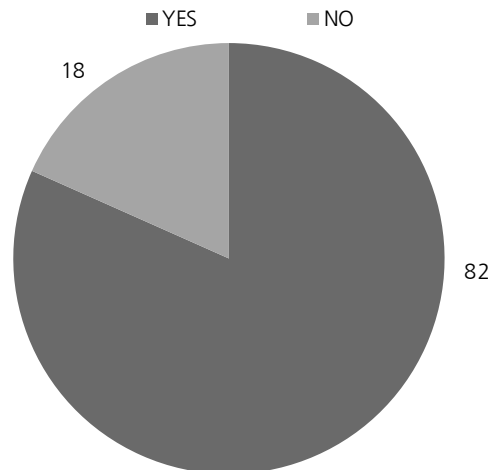
Breakdown of retailers' responses on overall experience with JioMart (% of respondents)



Source: E2G Survey-JioMart (Dec'20), Kotak Institutional Equities

Exhibit 13: 82% of retailers say that business has benefitted post JioMart tie-up

Breakdown of retailers' responses on benefit from JioMart tie-up (% of respondents)



Source: E2G Survey-JioMart (Dec'20), Kotak Institutional Equities

JioMart: engagement on B2C still to pick up

- ▶ JioMart engages with small retailers in two ways: (1) acting as a distributor by supplying products to retailers, and (2) utilizing the small store network to fulfill its orders for JioMart's B2C portal. Mumbai was the first city where JioMart had launched trials for its B2C platform and hence our choice of interacting with retailers based out of Mumbai. Our survey revealed that the B2B and B2C services offered by JioMart are bundled: in order to receive B2C orders from JioMart's portals, a retailer also needs to have a B2B partnership with JioMart.

Exhibit 14: Tie-up with JioMart for distribution is necessary in order to receive orders via JioMart
Breakdown of retailers' responses (% of respondents)

Response on tie-up as distributor to receive orders via Jiomart	Retailer count (#)	% of total retailers
Mandatory	60	100
Not mandatory	—	—
Don't Know	—	—

Source: E2G Survey-JioMart (Dec'20), Kotak Institutional Equities

- ▶ ~82% of respondents mentioned that orders received by JioMart are packed by JioMart and sent to kiranas for last-mile delivery to customers. Only the remainder 18% of respondents pack and deliver orders to customers implying that benefit to these retail shops from JioMart's B2C orders is fairly limited.

Exhibit 15: JioMart fulfills ~82% of B2C orders on its own; retailer does mostly delivery
Breakdown of retailers' responses (% of respondents)

Order packing	Order delivery	% of respondents
Retailer	Retailer	18
Jiomart	Retailer	82
Jiomart	Jiomart	—

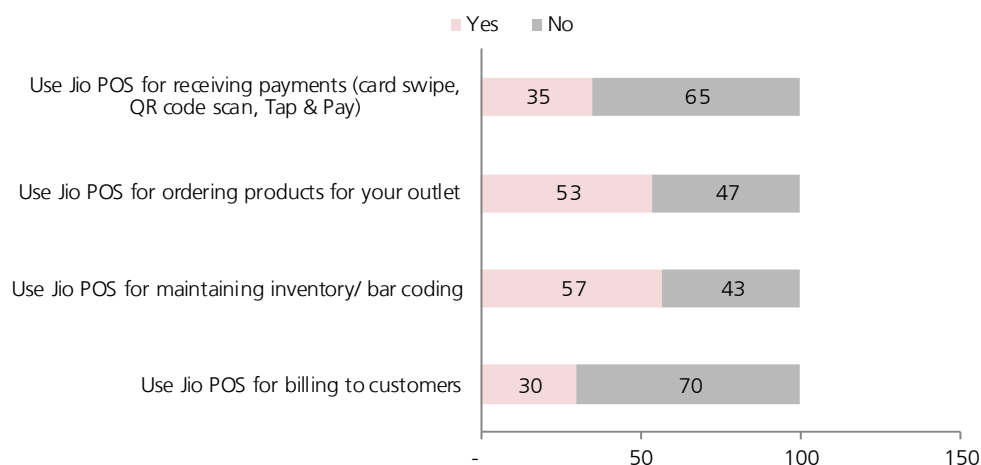
Notes:

- (a) JioMart offers 4-5% of profit margins to retail stores on packing and delivery to customer
- (b) There is a partial overlap in the respondents who operate both kind of models

Source: E2G Survey-JioMart (Dec'20), Kotak Institutional Equities

- ▶ While there have been talks of JioMart withdrawing its PoS machine, 100% of the retailers we surveyed use the PoS machine. They have paid Rs3,000 as a deposit to JioMart. 30-35% of respondents use Jio PoS primarily for billing customers and receiving payments. 57% of respondents use the Jio PoS for maintaining inventory and barcoding while 53% use the device for ordering products.

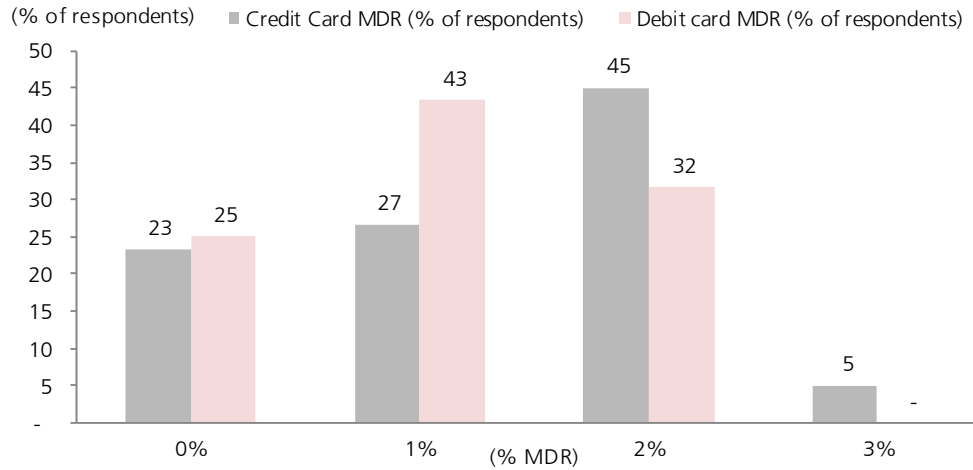
Exhibit 16: Jio PoS machines usage mainly for inventory bar coding and ordering products
Chart on retailers' responses on usefulness of Jio PoS machines (% of respondents)



Source: E2G Survey-JioMart (Dec'20), Kotak Institutional Equities

- ▶ However, we got very different responses when we enquired about the MDR rates charged by JioMart. Either JioMart is charging differential rates to retailers or retailers don't understand the MDR charges correctly.

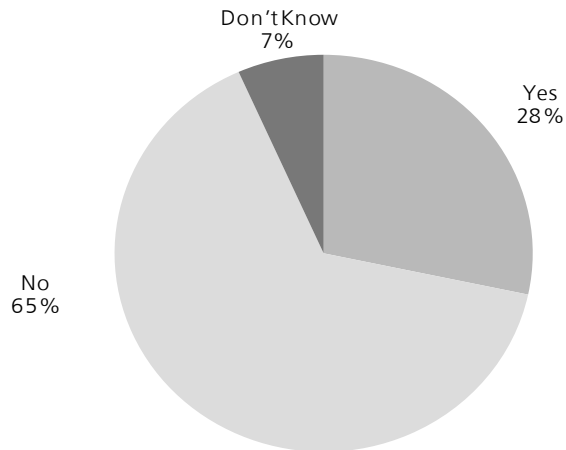
Exhibit 17: Differential merchant discount rates might be charged by JioMart
 Chart on retailers' responses on MDR charged by JioMart (% of respondents)



Source: E2G Survey-JioMart (Dec'20), Kotak Institutional Equities

- ▶ Unlike popular perception, our survey suggests that JioMart has not recalled all of its PoS devices. 65% of respondents mentioned that Jio is not withdrawing these devices, 7% mentioned they are not aware and the remainder 28% mentioned that Jio is phasing out these machines.

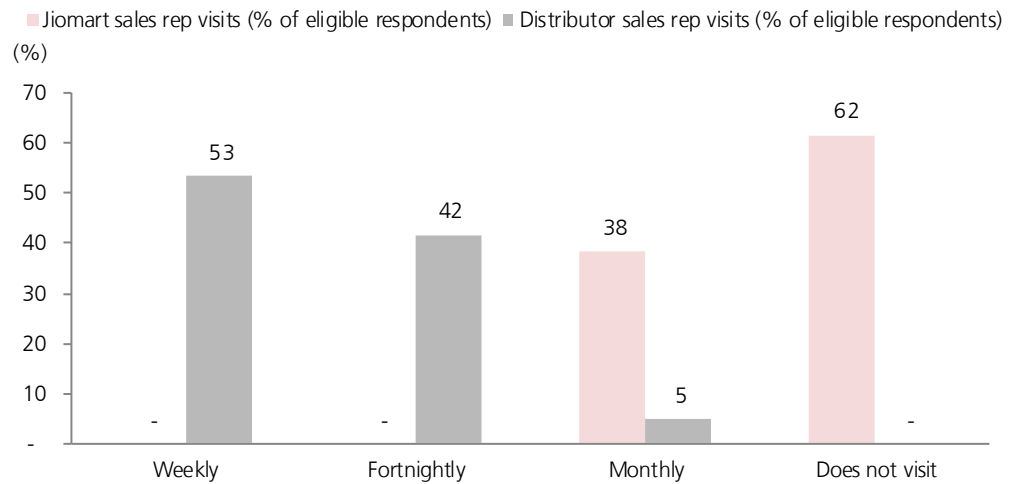
Exhibit 18: 65% Retailers believe that JioMart is not withdrawing away Jio PoS machines
 Chart on retailers' responses on JioMart phasing out PoS machines (% of respondents)



Source: E2G Survey-JioMart (Dec'20), Kotak Institutional Equities

- ▶ JioMart's representatives' visits to the retail shops are fairly infrequent, especially when compared to visits made by regular distributors.

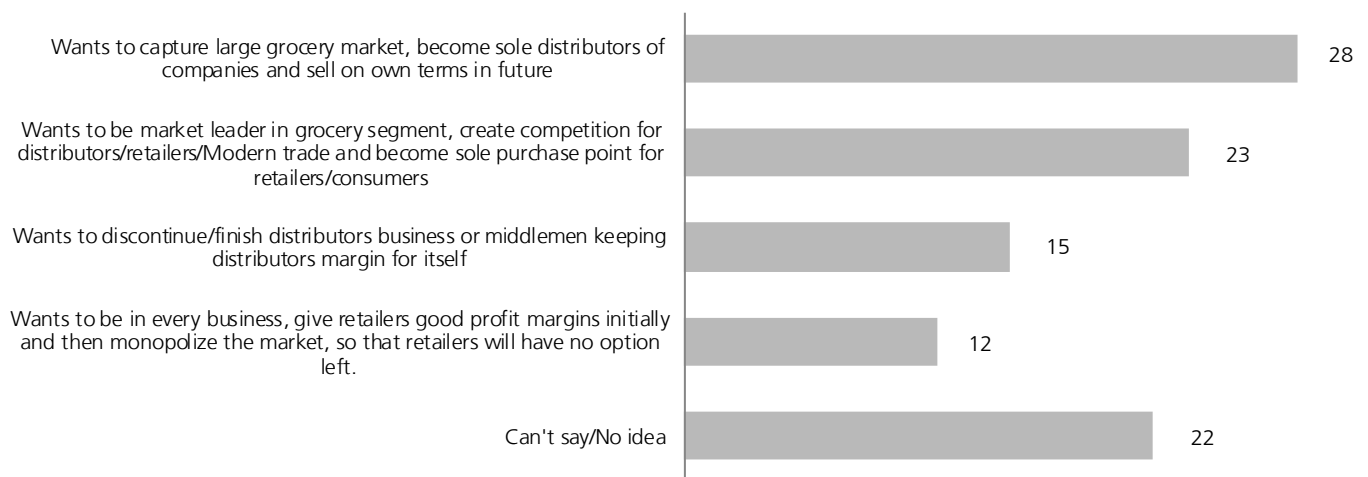
Exhibit 19: JioMart sales representatives visit retailers very infrequently
 Chart on retailers' responses on JioMart salesperson's visit (% of respondents)



Source: E2G Survey-JioMart (Dec'20), Kotak Institutional Equities

- ▶ There is also skepticism in the minds of retailers on JioMart's B2C business and its attempt to bring retailers under its coverage. Retailers believe that JioMart is out to put other distributors out of business and maybe if it becomes large enough, will charge a higher product price to retailers in the next few years.

Exhibit 20: Qualitative responses on intentions of JioMart entering the food and grocery business
 Key reasons regarding intention of JioMart behind partnership with small retailers (% of respondents)



Source: E2G Survey-JioMart (Dec'20), Kotak Institutional Equities

APPENDIX I: DETAILS OF OUR SAMPLE SET

We discuss below a brief profile of the retailers we surveyed.

- ▶ 20 retailers from each of Mumbai, Thane and Navi Mumbai were surveyed, all of whom used JioMart as distributor. 21 of them used Amazon as a distributor as well. The average days of operations of the shop across cities was 30 days with average daily sales of around Rs29,500.

Exhibit 21: Details of surveyed retailers in tie-ups with JioMart and Amazon

Location	Jiomart retailers	Amazon retailers	Total retailers surveyed	Average daily kirana sales (Rs/day)	Average days of operation (in a month)
Mumbai	20	7	20	24,350	30
Thane	20	7	20	34,250	30
Navi Mumbai	20	7	20	30,000	29
Average				29,533	30

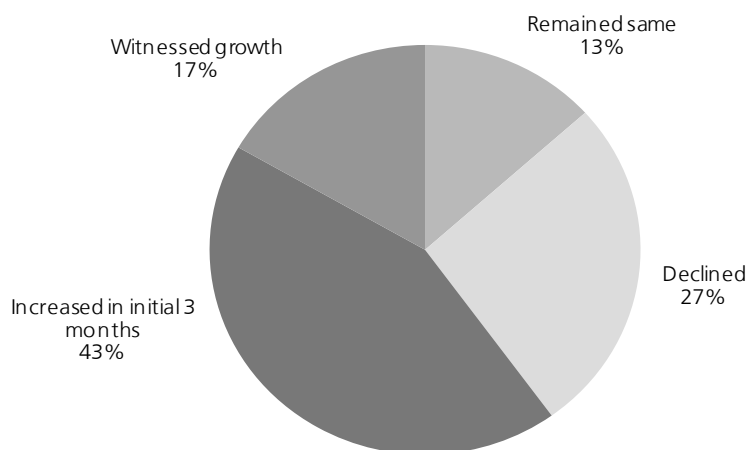
Note:

(1) Amazon retailers form an overlapping set with JioMart retailers. For instance, any Amazon retailer surveyed is a JioMart retailer as well.

Source: E2G Survey-JioMart (Dec'20), Kotak Institutional Equities

- ▶ 17% of the retailers surveyed have reported consistent growth in sales during and post lockdown and 43% say that sales increased in the initial three months of lockdown. For 40% of retailers, sales have either remained flattish or declined compared to pre-lockdown levels.

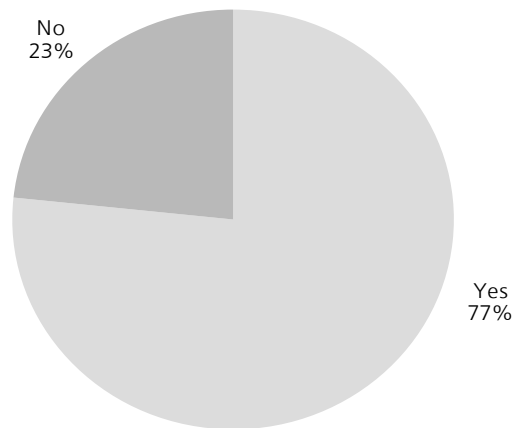
Exhibit 22: 60% of retailers reported an increase in average daily sales during/post-Covid lockdowns
Breakdown of average daily sales growth of retailers (% of respondents)



Source: E2G Survey-JioMart (Dec'20), Kotak Institutional Equities

- ▶ 77% of the surveyed retailers say that the customers are down-trading post-Covid lockdown.

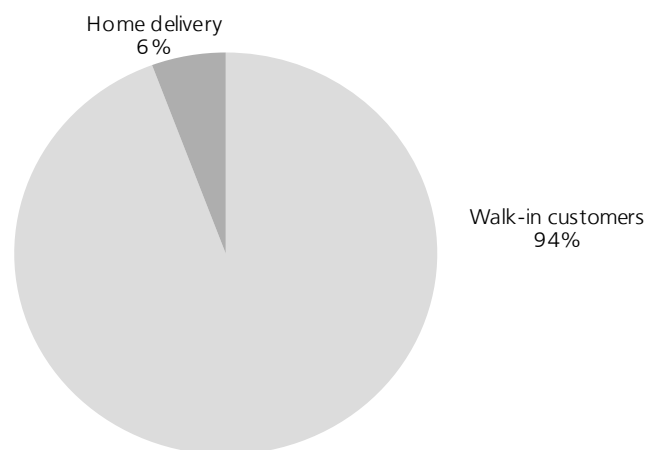
Exhibit 23: 77% of retailers said that the customers were down-trading post-Covid lockdown
Breakdown of average daily sales growth of retailers (% of respondents)



Source: E2G Survey-JioMart (Dec'20), Kotak Institutional Equities

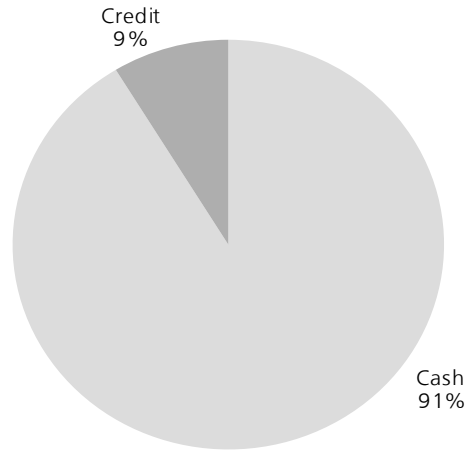
- ▶ Home-delivery customer orders form only 6% of average daily sales for these retailers. Rest is still in-store purchases. The retailers pointed out that 91% of average daily sales happen through cash.

Exhibit 24: 94% of customers prefer to shop in-store
Breakdown by customers order type (% of average daily sales)



Source: E2G Survey-JioMart (Dec'20), Kotak Institutional Equities

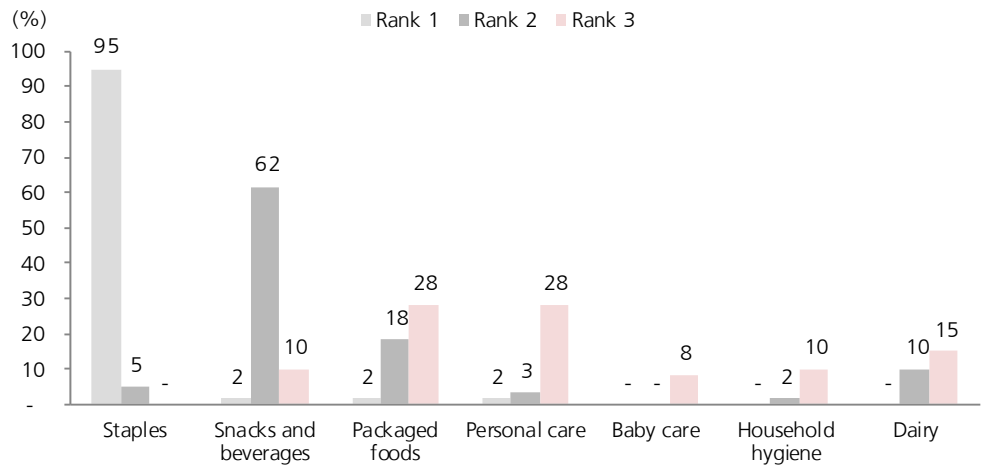
Exhibit 25: We note that 91% of customers paid in cash
 Breakdown by customers' payment method (% of average daily sales)



Source: E2G Survey-JioMart (Dec'20), Kotak Institutional Equities

- ▶ Foods category (staples, snacks and beverages, packaged foods) is seeing better demand post-Covid vis-à-vis pre-Covid demand. About 95% of retailers have ranked staples as the top category which is seeing demand above pre-Covid levels. We highlight the rankings of different categories as provided by the retailers in the exhibit below.

Exhibit 26: Foods category is currently seeing higher customer demand vis-à-vis pre-Covid
 Ranking of higher customers' demand categories post-Covid (% of respondents)



Source: E2G Survey-JioMart (Dec'20), Kotak Institutional Equities

APPENDIX II: DETAILS ON SURVEY OBJECTIVES, METHODOLOGY AND TARGET GROUP

Key objectives

- ▶ Key reasons for kirana shops to partner with JioMart.
- ▶ What is JioMart's overall share in kiranas' overall product purchase?
- ▶ What proportions of retailers are using JioMart for services other than product procurement (inventory management, B2C sales on JioMart, receiving payments)?
- ▶ What are the most important attributes that determine the order of preference of retailers for selecting their distributor partners?
- ▶ How does JioMart's distributor service stack up against others?
- ▶ Overall satisfaction levels of retailers with JioMart. How many retailers are happy with JioMart's service? What can JioMart do better in order to serve its customers better?
- ▶ How do retailers perceive JioMart? What, in their opinion, is the reason for JioMart to seek their partnership?

Methodology

- ▶ Quantitative methodology was used for the survey.
- ▶ Structured questionnaire was developed for the study & pilot phase of a few interviews were covered in Mumbai.
- ▶ Post pilot phase, the questionnaire was finalized, which was used for primary interviews among target groups.
- ▶ Primary face-to-face interviews were conducted among target groups by experienced field teams across different locations in Mumbai.

Research approach and target groups

- ▶ We selected Mumbai MMR region for the survey, primarily as this was the first region where JioMart began to offer its services.
- ▶ Equal distribution of sample size was chosen among key MMR regions like Mumbai, Thane and Navi Mumbai.
- ▶ Standalone grocery shops (selling primarily staples, packaged food, snacks and beverages, HPC, etc.) were covered for the survey.
- ▶ Shop owners who are the primary decision makers of procurement and merchandising were interviewed for the survey.
- ▶ All retailers who were surveyed were shops that were JioMart partners. Additionally, we also tried to identify retail shops who were also buying from Amazon from the same sample set.

Survey execution

- ▶ Before the rollout of primary survey, telephonic briefings were given to field teams on objectives, questionnaire, conducting of interviews and sampling.
- ▶ Primary face-to-face interviews were outsourced to a field agency and conducted by experienced field executives.
- ▶ Purposive sampling methodology was used to recruit and interview target groups that fit the recruitment criteria.
- ▶ Respondents were screened basis recruitment criteria & only interviewed when they met all the criteria.
- ▶ Post completion of face-to-face interviews, quality checks were done and any outliers in data were removed and additional interviews were conducted to minimize the shortfall.

Analysis and report

- ▶ Post completion of face-to-face interviews, data entry of completed interviews done in excel format.
- ▶ Analysis of data and report preparation based on findings.

Sample size covered for the study

- ▶ All retail shops covered for the survey were JioMart partners.
- ▶ Additionally we also identified and interviewed kirana shops who were also buying from Amazon from the same sample set of kirana shops.

Exhibit 27: Sample size covered for the study

Break-up of sample size covered in different cities

Location	Jiomart retailers	Amazon retailers	Total retailers surveyed
Mumbai	20	7	20
Thane	20	7	20
Navi Mumbai	20	7	20
	60	21	60

Notes:

(a) In the survey, Amazon retailers form an overlapping set with JioMart retailers. For instance, any Amazon retailer surveyed is also JioMart retailer as well.

Source: E2G Survey-JioMart (Dec'20), Kotak Institutional Equities

APPENDIX III: A BRIEF SNAPSHOT OF JIOMART'S KIRANA DIGITIZATION PROGRAM

JioMart envisaged its kirana digitization strategy with an aim to: (1) use the vast kirana network to fulfill and deliver to customers for orders generated on its JioMart online platform, and (2) become a distributor partner to these shops who could benefit from Reliance Retail's size and price bargaining power. JioMart launched its B2C operations in 1QCY20 in 200 cities, though its business model is still in a state of flux.

JioMart's kirana digitization strategy to supplement digital commerce

- ▶ We believe JioMart seeks to not only become a meaningful grocery retailer by providing customers the convenience of shopping online, it also seeks a slice of the large B2B market, which hitherto has been driven by traditional distributors. While the proportion of modern trade has been on the rise, we believe RIL would want to integrate its Reliance Market offering with its network of kirana stores, thereby disintermediating the existing value chain (company – distributor – wholesaler – stockist – retailer). We believe this business can be an important feeder to the digital commerce business and can significantly aid supply aggregation in a fragmented market.
- ▶ JioMart's intent to launch its distribution service on a large scale can help it amass sizeable revenues. It will need to establish a virtuous cycle by offering consistently low-priced products to shops, the widest variety while at the same time negotiating for best prices with FMCG companies and other large producers. JioMart has several private labels in its grocery retail business. It can push these private labels on a large scale through this channel and ultimately to customers ordering products online.

JioMart: partnership with kiranas can create large cross-sell opportunities in the future

- ▶ After piloting its operations in parts of Mumbai, Reliance Retail commenced operations of JioMart, its online groceries delivery portal. Besides B2C operations, JioMart has also sought to build a network of small stores by offering them a PoS device for refundable deposit of Rs3,000, with the idea of: (1) connecting these stores with its own B2B supply chain, (2) getting these chains to use JioPay on the PoS machine, and (3) garnering precious data on revenue potential of the shop, SKUs sold, etc. It can offer stores benefits such as cheaper procurement price of products (vs traditional distributors), lower turnaround times leading to higher fill rates (aided by enhanced data availability via PoS), and additional customers via WhatsApp pay.
- ▶ The social commerce interface combining WhatsApp pay and JioPay can create a vast fintech space – potentially representing ways for: (1) providing working capital loans to shop owners with little or no credit history, and (2) potentially earning margins on transactions originating on JioPay. Note JioPay could be a currency of transaction not only in the Reliance-PoS enabled kirana shops, but all across the RIL ecosystem and can be used by vendors and customers alike. Most importantly, these kiranas can act as supply aggregators and delivery agents for the nascent JioMart online business.

JioMart: business model still in a state of flux

- ▶ Per recent media reports (source: Economic Times), Reliance Retail seems to be experimenting with a model wherein all orders received on JioMart platform will be routed to kiranas who will in turn fulfill and deliver the order. Kiranas will be sourcing goods from JioMart or elsewhere. If products ordered on JioMart are not in stock with the kiranas, RR will supply them and margins will be shared equally.
- ▶ JioMart is looking to pilot this model by 1QFY22 in 30 cities and nearly 56,000 kiranas have already been onboarded. Reliance Retail is also looking to convert some of its Reliance Market outlets (cash-and-carry stores) into fulfillment centers for its online business.

- ▶ We believe this strategy may help enhance the retailers' trust on JioMart. However, JioMart does need to solve for customer satisfaction (timely deliveries, good quality products, near 100% fulfillment) in order to gain an edge over rivals.

JANUARY 14, 2021

CHANGE IN RECO.

 Sector view: **Attractive**

 CMP (₹): **1,786**

 Fair Value (₹): **1,875**

 BSE-30: **49,584**

Downgrade to REDUCE. ACC's margin improvement led by better cost management and benefits of a strong balance sheet appears well priced in. It has timely commissioned its East grinding unit but slow progress on Central India expansion could start restricting growth in CY2022E. Renewal of technical know-how fees agreement on previous terms is a relief but a shorter, two-year agreement is not comforting. We revise our Fair Value to Rs1,875 (from Rs1,800) and downgrade the stock to REDUCE given limited upside.

ACC				Forecasts/valuations		
Stock data				2021E	2022E	2023E
CMP(Rs)/FV(Rs)/Rating	1,786/1,875/REDUCE			76.1	90.8	96.9
52-week range (Rs) (high-low)	1,814-895			5.3	19.2	6.7
Mcap (bn) (Rs/US\$)	336/4.6			23.5	19.7	18.4
ADTV-3M (mn) (Rs/US\$)	2,990/41			2.7	2.6	2.4
Shareholding pattern (%)				EV/EBITDA (X)	10.9	9.1
Promoters	54.5			RoE (%)	12.1	13.5
FPIs/MFs/BFIs	6.7/12.8/7.6			Div. yield (%)	2.1	2.5
Price performance (%)				Sales (Rs bn)	140	164
Absolute	1M	3M	12M	EBITDA (Rs bn)	26	30
Rel. to BSE-30	10.6	15.2	17.9	Net profits (Rs bn)	14	17
	3.1	(5.2)	(0.2)			

CY2021E to benefit from low base of CY2020

Covid-19 impacted volumes in 1HCY20 and despite the recovery in 2HCY20, we estimate ACC to witness a 10% yoy volume decline in CY2020. With benefits of a low base, we estimate a 15% yoy volume growth leading to a 20% growth in EPS for ACC in CY2021E. Benefits of operating leverage and further cost efficiencies from MSA (master supply agreement) should more than offset raw material cost inflation in CY2021E. We estimate EBITDA of Rs984/ton in CY2020E increasing marginally to Rs1,008/ton in CY2021E.

Slow progress on capacity expansion could restrict growth

ACC has timely commissioned a 1.4 mtpa grinding unit (GU) at Sindri, Jharkhand in January 2021. However, we note that the progress on its greenfield, 4.5 mtpa GU and 3 mtpa clinker plant has taken a setback due to Covid-19. We estimate commissioning in end-CY2022E with risks of further delays. The 25 MW WHRS is also seeing delays and should commission only in CY2022E. ACC's utilization will reach its previous peak of 85-86% in CY2021E and volume growth could again be constrained in CY2022-23E due to delays in expansion.

Technical know-how fees – no increase for now, but a shorter tenure is not comforting

ACC announced that has renewed its agreement of technical and know-how (TKH) fees with the parent at the earlier rate of 1% of net sales for the next two years (CY2021-22E). This came as a relief given concerns of increase as the same has been attempted in the past. However, the reducing duration of the agreement (two years now versus five years, 2013-17, and three years, 2018-20, in the past) suggests that the concerns/overhang would resurface sooner.

Revise Fair Value to Rs1,875 (Rs1,800 earlier) on rollover and downgrade to REDUCE

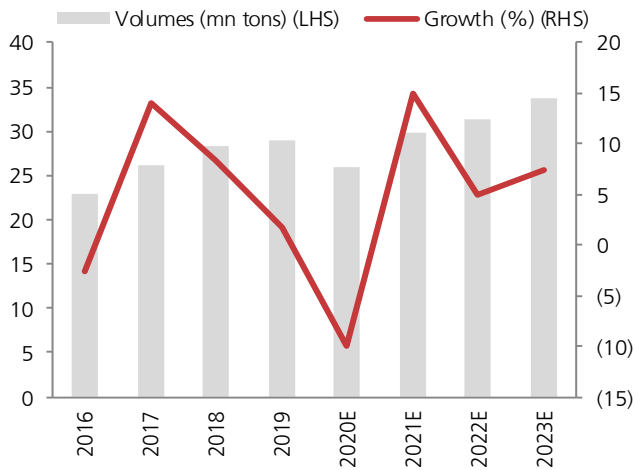
We cut our CY2022E EBITDA by 4% mainly led by lower volumes factoring delays in expansion. Our Fair Value is revised to Rs1,875 (from Rs1,800) as we roll forward to March 2023E at an unchanged 8X EV/EBITDA. Valuations at 7.9X EV/EBITDA (or US\$111 EV/ton) on CY2022E are in line with our FV multiple of 8X EV/EBITDA. Its robust balance sheet and FCF yield should limit downside. We downgrade the stock to REDUCE given limited upside post the recent rally.

Sumangal Nevatia

Prayatin Mahajan

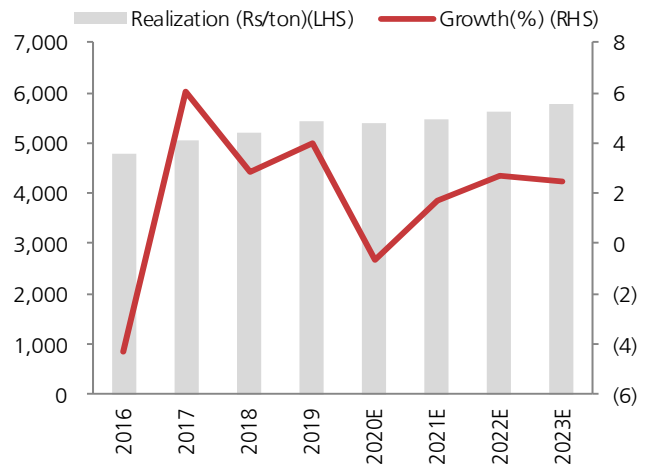
 kspcg.research@kotak.com
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Exhibit 1: We expect volumes to grow 15% yoy in CY2021
 Volumes for ACC, December year-ends, 2016-23E (mn tons, %)



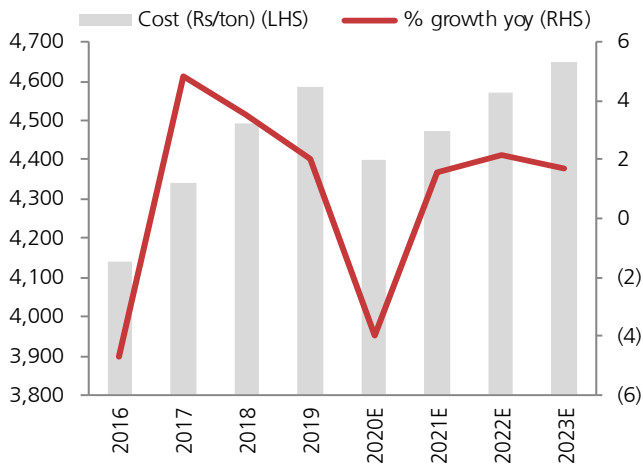
Source: Company, Kotak Institutional Equities

Exhibit 2: We expect realization/ton to grow 2% yoy in CY2021
 Realization/ton for ACC, December year-ends, 2016-23E (Rs/ton, %)



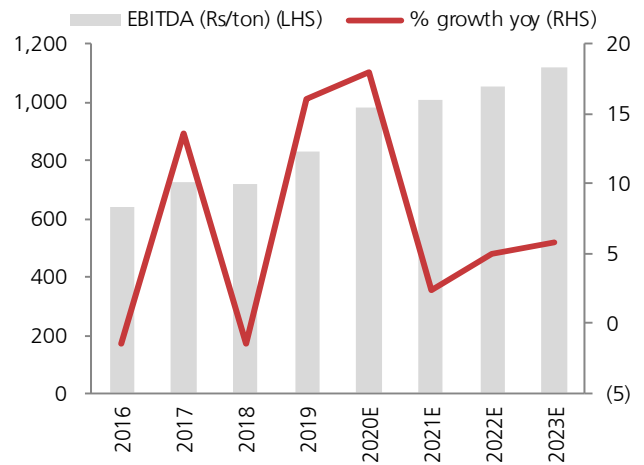
Source: Company, Kotak Institutional Equities

Exhibit 3: We expect cost/ton to grow 2% yoy in CY2021
 Cost/ton for ACC, December year-ends, 2016-23E (Rs/ton, %)



Source: Company, Kotak Institutional Equities

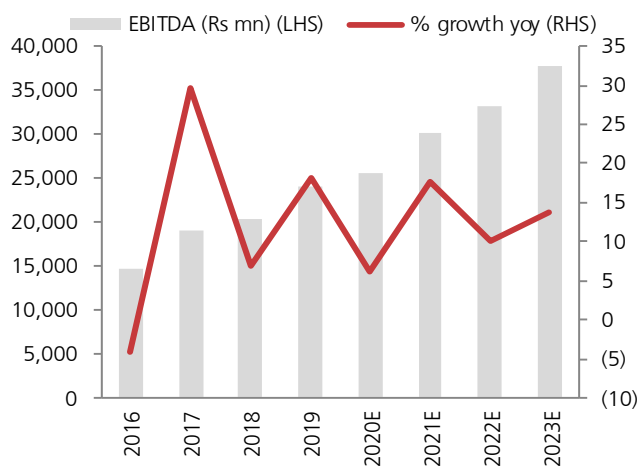
Exhibit 4: We expect EBITDA/ton to grow 2% yoy in CY2021
 EBITDA/ton for ACC, December year-ends, 2016-23E (Rs/ton, %)



Source: Company, Kotak Institutional Equities

Exhibit 5: We expect EBITDA to grow at 14% CAGR for next 3 years

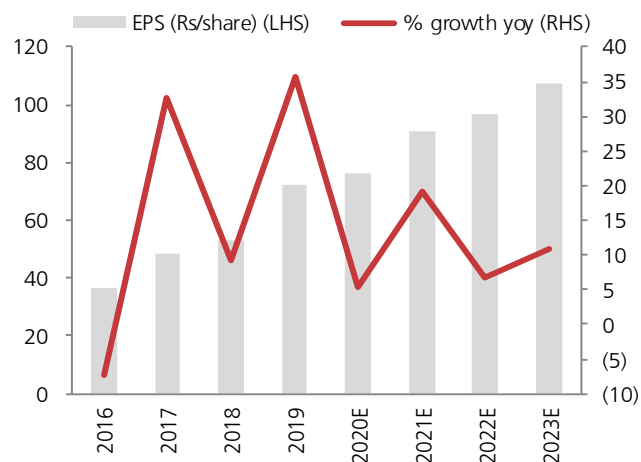
EBITDA for ACC, December year-ends, 2016-23E (Rs mn, %)



Source: Company, Kotak Institutional Equities

Exhibit 6: We expect EPS to grow at 12% CAGR for next 3 years

EPS for ACC, December year-ends, 2016-23E (Rs/ton, %)



Source: Company, Kotak Institutional Equities

Exhibit 7: ACC is increasing capacities in Central and East India

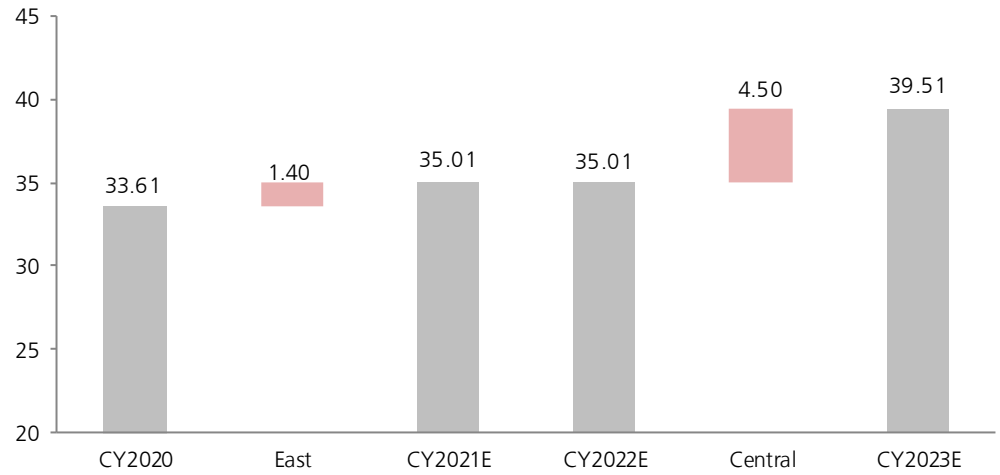
Regional capacities for ACC, December year-ends, 2013-23E (mn tons)

	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E
Capacity											
South	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6
West	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8
Central	7.1	7.1	7.1	8.1	8.1	8.1	8.1	8.1	8.1	8.1	12.6
North	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9
East	4.0	4.6	4.6	5.9	6.1	6.1	6.1	6.1	7.5	7.5	7.5
All India cement capacity (mtpa)	30.5	31.0	31.0	33.5	33.5	33.5	33.5	33.6	35.0	35.0	39.5

Source: Company, Kotak Institutional Equities

Exhibit 8: ACC is increasing capacities in Central and East India

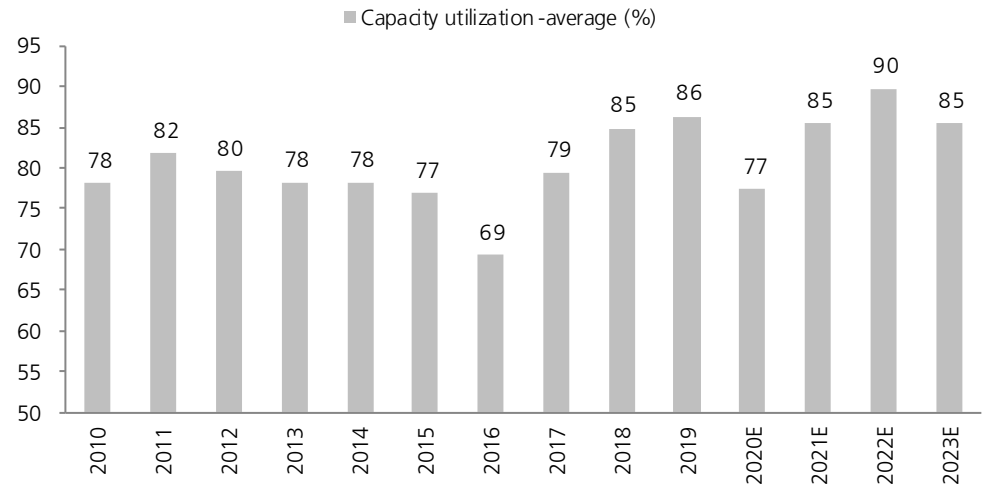
Expected capacity for ACC, December year-ends, 2020-23E (mn tons)



Source: Company, Kotak Institutional Equities

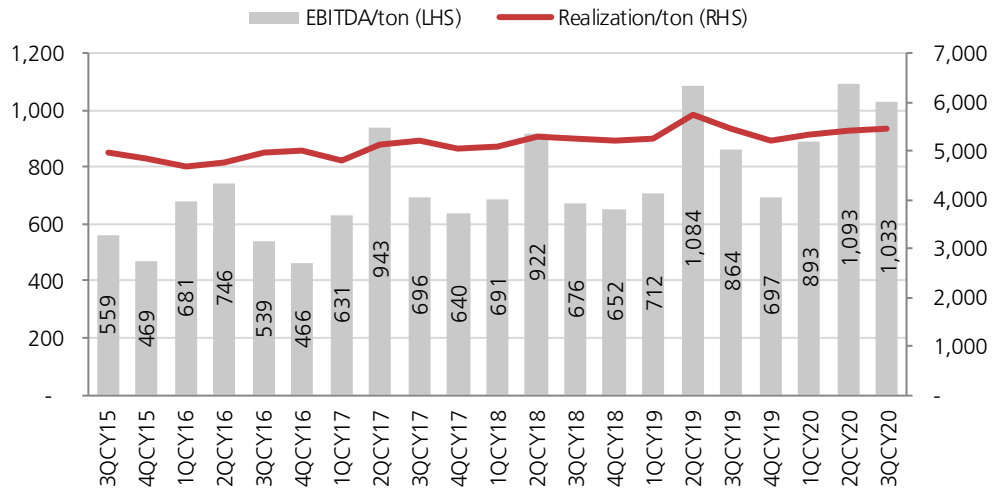
Exhibit 9: ACC is expected to reach its peak utilization in CY2021-22

Utilization for ACC, December year-ends, 2010-23E (%)



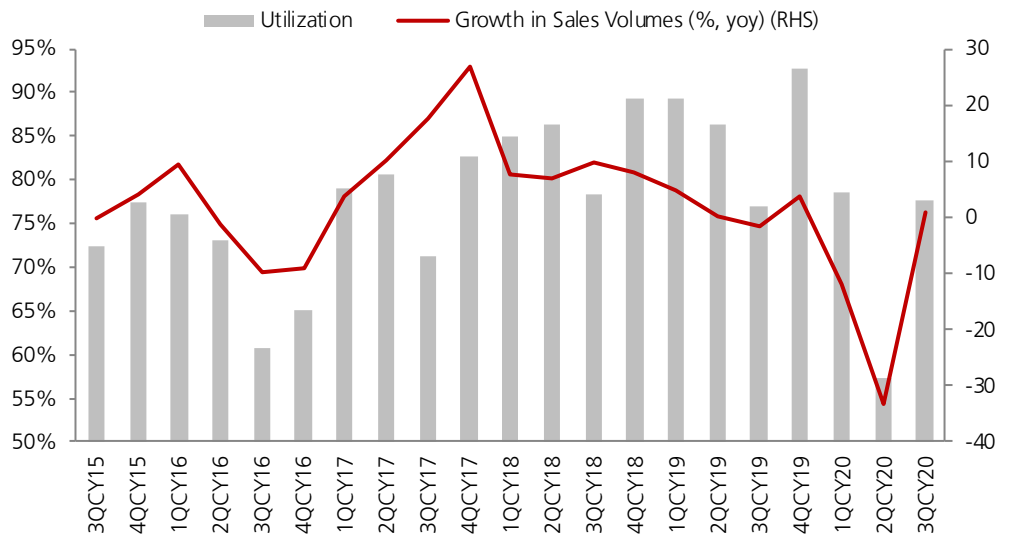
Source: Company, Kotak Institutional Equities

Exhibit 10: ACC EBITDA/ton increased 20% yoy to Rs1,033/ton due to lower costs
 EBITDA/ton and realization/ton for ACC, December year-ends, 3QCY15- 3QCY20 (Rs/ton)



Source: Company, Kotak Institutional Equities

Exhibit 11: ACC continues to run at high utilization levels
 Quarterly plant utilization, growth in cement sales of ACC, 3QCY15-3QCY20 (mn tons)



Source: Company, Kotak Institutional Equities

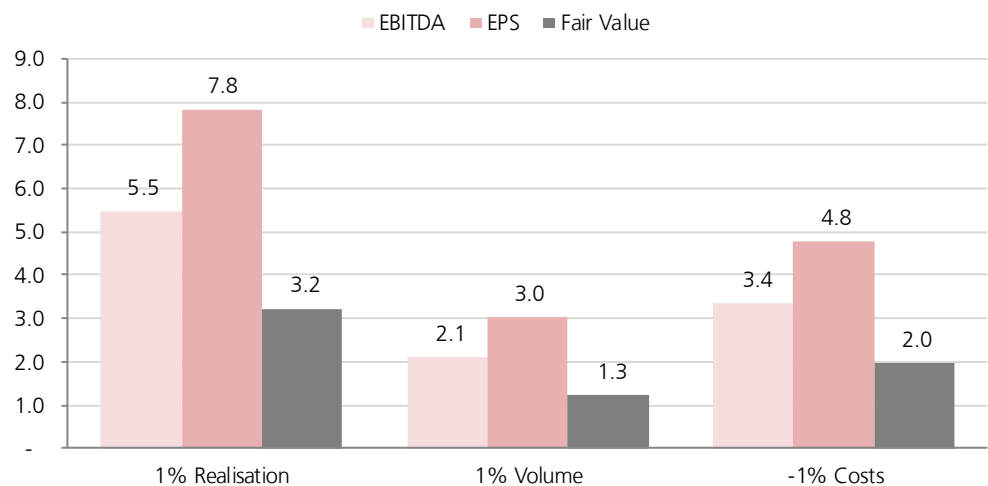
Exhibit 12: All-India prices moderated mom in December 2020

Monthly cement prices across regions in India, December 2019 – 2020 (Rs per 50 kg bag)

	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
North	343	354	359	358	358	375	369	363	353	352	371	370	361
Central	339	350	355	357	357	369	359	362	354	349	362	361	354
East	331	342	344	341	341	352	345	341	338	333	332	325	314
West	308	318	331	331	331	357	353	353	341	333	332	335	332
South	333	340	360	351	351	419	395	390	401	397	404	378	371
All India average	331	341	352	349	349	382	369	367	365	360	368	359	352
Change per bag (% mom)													
North	(1)	3	2	(0)	—	5	(2)	(2)	(3)	(0)	5	(0)	(2)
Central	(2)	3	1	1	—	3	(3)	1	(2)	(2)	4	(0)	(2)
East	(2)	4	—	(1)	—	3	(2)	(1)	(1)	(2)	(0)	(2)	(3)
West	(3)	3	4	0	—	8	(1)	0	(3)	(2)	(0)	1	(1)
South	(2)	2	6	(2)	—	19	(6)	(1)	3	(1)	2	(6)	(2)
All India average	(2)	3	3	(1)	—	10	(3)	(1)	(0)	(1)	2	(3)	(2)
Change per bag (% yoy)													
North	14	16	17	17	4	3	3	2	1	2	7	7	5
Central	3	5	5	9	(1)	(1)	(2)	(1)	(1)	(2)	3	5	5
East	(0)	4	6	3	(4)	(5)	(6)	(5)	(3)	(3)	(2)	(3)	(5)
West	1	5	5	5	(3)	0	2	5	4	3	4	5	8
South	4	8	1	(4)	(8)	13	8	10	15	14	18	12	11
All India average	4	8	5	4	(3)	4	2	4	5	5	8	6	6

Source: Kotak Institutional Equities estimates

Exhibit 13: ACC's earnings remain highly sensitive to realizations and volumes



Source: Company, Kotak Institutional Equities

Exhibit 14: ACC's Fair Value increases by 4.5% for every 1% increase in realizations

Volumes (mn tons)	Realizations (Rs/ton)				
	4,880	4,980	5,080	5,180	5,280
29.4	1,182	1,347	1,511	1,676	1,841
30.4	1,357	1,525	1,693	1,862	2,030
31.4	1,531	1,703	1,875	2,047	2,219
32.4	1,706	1,882	2,057	2,233	2,409
33.4	1,880	2,060	2,239	2,419	2,598

Source: Company, Kotak Institutional Equities

Exhibit 15: ACC's CY2022E EPS increases by 6.3% for every 1% increase in realizations

		Realizations (Rs/ton)				
		4,880	4,980	5,080	5,180	5,280
Volumes (mn tons)	29.4	39	50	62	73	85
	30.4	56	67	79	91	103
	31.4	72	85	97	109	121
	32.4	89	102	114	127	140
	33.4	106	119	132	145	158

Source: Company, Kotak Institutional Equities

Exhibit 16: ACC, changes in estimates, December year-ends, 2020-22E

	Revised estimate				Previous estimate			Change (%)		
	2020E	2021E	2022E	2023E	2020E	2021E	2022E	2020E	2021E	2022E
Volume and realizations (mn tons, Rs/ton)										
Cement sales (mn tons)	26.0	29.9	31.4	33.8	26.0	29.9	32.9	—	—	(5)
Realization (Rs/ton)	5,386	5,480	5,627	5,768	5,386	5,480	5,607	—	—	—
Cost (Rs/ton)	4,402	4,472	4,570	4,648	4,402	4,472	4,553	—	—	—
EBITDA (Rs/ton)	984	1,008	1,058	1,120	984	1,008	1,054	—	—	—
Earnings estimates (Rs mn)										
Revenues *	140,042	163,857	176,668	194,662	140,042	163,857	184,419	—	—	(4)
EBITDA *	25,589	30,135	33,202	37,791	25,589	30,135	34,660	—	—	(4)
PAT	14,315	17,065	18,210	20,175	14,315	17,065	19,187	—	—	(5)
EPS	76.1	90.8	96.9	107.3	76.1	90.8	102.1	—	—	(5)

Source: Kotak Institutional Equities estimates

Exhibit 17: Our assumptions factor a decline in volumes in CY2020 and a sharp uptick in CY2021 volumes
Key assumptions for ACC, December year-ends, 2016-23E (Rs mn)

	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2016	2017	2018	Growth (%)				
												2019	2020E	2021E	2022E	2023E
Key Standalone financials (Rs mn)																
Revenue	109,897	132,846	148,014	156,567	140,042	163,857	176,668	194,662	(7)	21	11	6	(11)	17	8	10
EBITDA	14,737	19,091	20,392	24,095	25,589	30,135	33,202	37,791	(4)	30	7	18	6	18	10	14
PAT	6,899	9,154	10,006	13,589	14,315	17,065	18,210	20,175	(7)	33	9	36	5	19	7	11
EPS	37	49	53	72	76	91	97	107	(7)	33	9	36	5	19	7	11
Key operating metrics																
Volumes (mn tons)	23.0	26.2	28.4	28.9	26.0	29.9	31.4	33.8	(3)	14	8	2	(10)	15	5	8
Realization (Rs/ton)	4,780	5,069	5,212	5,419	5,386	5,480	5,627	5,768	(4)	6	3	4	(1)	2	3	2
Operating cost (Rs/ton)	4,139	4,340	4,494	4,585	4,402	4,472	4,570	4,648	(5)	5	4	2	(4)	2	2	2
Profitability (Rs/ton)	641	728	718	834	984	1,008	1,058	1,120	(1)	14	(1)	16	18	2	5	6

Source: Company, Kotak Institutional Equities estimates

Exhibit 18: Our Fair Value of Rs1,875/share is based on 8X March 2023E EV/EBITDA
ACC, valuation details, March 2023E

	(Rs mn)	Multiple (X)	EV (Rs mn)	(Rs/share)
EBITDA (Rs mn)	34,349	8	279,775	1,488
Cash & cash equivalents (Rs mn)			72,770	387
Equity value (Rs mn)			352,545	1,875
Fair value (Rs/share)				1,875

Source: Kotak Institutional Equities estimates

Exhibit 19: ACC, profit model, balance sheet and cash flow model, December year-ends, 2016-23E (Rs mn)

	2016	2017	2018	2019	2020E	2021E	2022E	2023E
Profit model (Rs mn)								
Net sales	109,897	132,846	148,014	156,567	140,042	163,857	176,668	194,662
EBITDA	14,737	19,091	20,392	24,095	25,589	30,135	33,202	37,791
Other income	1,283	1,317	1,385	3,112	2,988	2,883	2,908	3,051
Interest	(826)	(1,023)	(892)	(862)	(862)	(862)	(862)	(862)
Depreciation	(6,052)	(6,401)	(5,996)	(6,030)	(6,350)	(6,686)	(8,068)	(9,868)
Profit before tax	8,715	12,984	14,889	20,315	21,365	25,470	27,180	30,112
Current tax	(2,350)	(3,511)	(4,570)	(6,898)	(4,273)	(5,094)	(5,436)	(6,022)
Deferred tax	106	(318)	4,694	(317)	(2,777)	(3,311)	(3,533)	(3,915)
Reported net income	6,471	9,154	15,012	13,099	14,315	17,065	18,210	20,175
Adjusted PAT	6,899	9,154	10,006	13,589	14,315	17,065	18,210	20,175
Earnings per share (Rs)	36.7	48.7	53.2	72.3	76.1	90.8	96.9	107.3
Balance sheet (Rs mn)								
Equity	88,319	93,655	105,277	115,213	122,370	130,903	140,008	150,095
Deferred tax liability	4,474	5,414	6,631	6,422	9,200	12,511	16,044	19,959
Borrowings	500	592	—	—	—	—	—	—
Current liabilities	41,103	49,229	48,343	49,186	48,806	56,920	61,018	67,058
Total liabilities	134,396	148,889	160,251	170,821	180,375	200,333	217,070	237,112
Fixed assets	77,858	75,027	74,416	74,267	71,917	79,231	83,662	86,294
Investments	2,585	2,302	2,302	2,302	2,302	2,302	2,302	2,302
Cash	19,451	26,954	30,003	45,381	55,261	61,076	69,707	81,958
Other current assets	34,502	44,606	53,530	48,871	50,896	57,725	61,399	66,559
Total assets	134,396	148,889	160,251	170,821	180,375	200,333	217,070	237,112
Net Debt	(18,951)	(26,362)	(30,003)	(45,381)	(55,261)	(61,076)	(69,707)	(81,958)
Free cash flow (Rs mn)								
Operating cash flow excl. working capital	12,288	16,762	15,556	20,987	23,442	27,062	29,812	33,958
Working capital changes	1,764	(890)	(3,881)	2,661	(2,405)	1,285	425	880
Capital expenditure	(4,976)	(5,194)	(4,951)	(5,404)	(4,000)	(14,000)	(12,500)	(12,500)
Free cash flow	9,077	10,679	6,725	18,243	17,037	14,347	17,737	22,338
Ratios								
Book value (Rs/share)	470	498	560	613	651	696	745	798
RoAE (%)	8	10	10	12	12	13	13	14
RoACE (%)	8	10	15	11	11	12	12	13
CRoCI (%)	14	20	24	19	20	22	21	19
FCF Yield (%)	2.7	3.2	2.0	5.4	5.1	4.3	5.3	6.7
EV/EBITDA	21.5	16.2	15.0	12.0	11.0	9.1	8.0	6.7
EV (US\$/ton)	205	183	154	142	143	121	111	99
P/B	3.8	3.6	3.2	2.9	2.7	2.6	2.4	2.2

Source: Company, Kotak Institutional Equities estimates

A cause for concern. We see risks to underlying earnings of OMCs given the recent sharp moderation in auto fuel marketing margins underpinned by rising global crude prices and lack of commensurate increase in domestic retail prices. The negative impact may be masked by adventitious gains in the near term; however, a sustainable mitigation warrants a reduction in excise duties on auto fuels, which seems less likely for now given the government's own fiscal priorities. Gradual recovery in refining margins may be inadequate to offset lower marketing margins for now.

Auto fuel marketing margin moderates amid rising oil prices and insufficient price hikes

The sporadic and modest increase in auto fuel retail prices by OMCs over the past few months amid rising global oil prices has led to a sharp contraction in marketing margins. OMCs maintained retail prices for auto fuels at steady levels for most of December until early-January and increased them modestly over the past few days, while Dated Brent crude price increased by US\$8/bbl during the given period. Auto fuel marketing margins have declined to around Rs2.5/liter in January, well below Rs4.5-5.5/liter over the past three months. MTM margins drive further concern with auto fuel margins below Rs1/liter currently, well below the normative level of Rs2.5-3/liter historically and Rs3.5-4/liter during FY2019-20. We note that OMCs had maintained steady retail prices during October-November 2020 as well; however, benign global crude prices kept margins well above normative levels during the period.

A reduction in excise duty is desirable, but seems unlikely for now given fiscal priorities

Elevated excise duties and state VAT have curtailed the OMCs' ability to pass on higher prices to end-consumers in a rising crude price environment. The central government had sharply increased excise duties on auto fuels in May 2020 to take advantage of lower global crude oil prices around US\$25-30/bbl then, while a few state governments had increased the VAT around the same time. Crude prices have doubled since then; however, we are yet to see any reversal of duties from the government given its own fiscal priorities. A reduction in duty is desirable to ease out the situation for OMCs in the near term.

Gradual recovery in refining margins inadequate to offset reduction in marketing margins

We highlight that refining margins have remain muted in 3QFY21, albeit recovering gradually from trough levels in the previous quarters amid the demand destruction cause by Covid-19. Kotak India refining margins increased to US\$2.2/bbl in 3QFY21 from US\$0.8/bbl in 1QFY21 and US\$1.1/bbl in 2QFY21. Refining margins in 3QFY21 have been largely driven by a recovery in jet fuel/kerosene spreads amid further opening up of economies and seasonally strong LPG spreads, while margins on gasoline and diesel moderated sequentially. OMCs will benefit from the recent uptick in refining margins; however, the quantum is inadequate to offset the reduction in marketing margins. A US\$1/bbl increase in refining margins can offset around Rs0.5/liter reduction in marketing margins on auto fuels on a like for like basis.

Earnings have high sensitivity to auto fuel marketing margins

The recurring earnings of OMCs have high sensitivity to auto fuel marketing margins—Rs0.5/liter change in marketing margins impacts the recurring EPS by about 19-24% across the three companies. The reported earnings in FY2021 may be impacted lesser, as OMCs may account large adventitious gains due to MTM improvement in crude/petroleum prices; however, recurring forecasts for FY2022 may be at risk unless global crude prices moderate and/or the government reduces excise duties materially, which will allow OMCs to restore auto fuel marketing margins to earlier levels.

Tarun Lakhotia

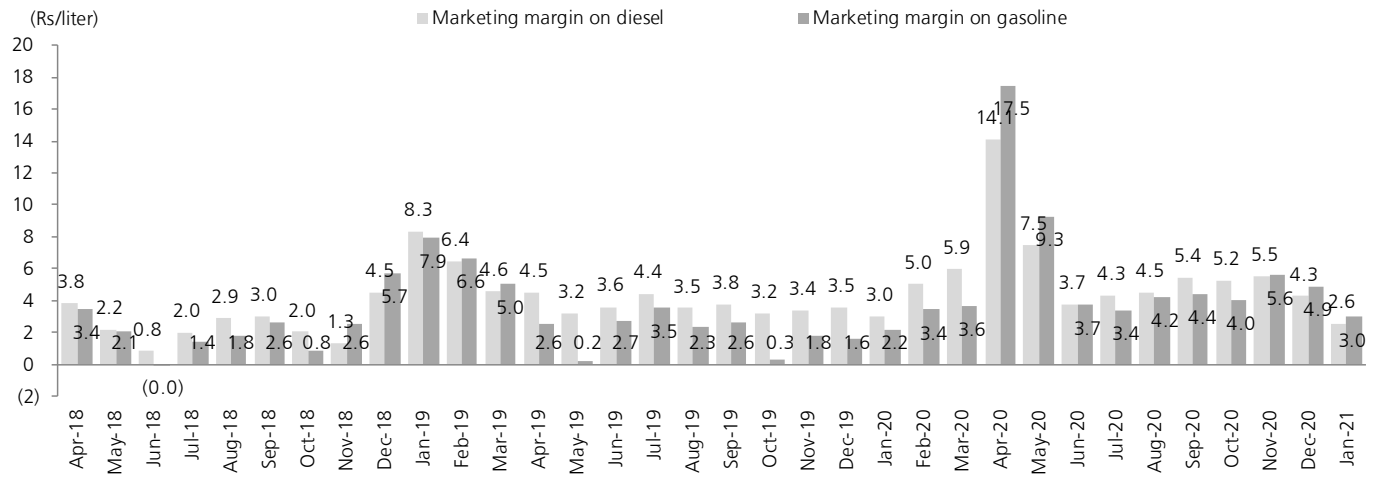
Hemang Khanna

BPCL				Forecasts/valuations							
Stock data				2021E	2022E	2023E					
CMP(Rs)/FV(Rs)/Ratin g	412/425/BUY			EPS (Rs)	36.8	36.9	39.1				
52-week range (Rs) (high-low)	510-252			EPS growth (%)	250.1	0.1	6.1				
Mcap (bn) (Rs/US\$)	894/12.3			P/E (X)	11.2	11.2	10.5				
ADTV-3M (mn) (Rs/US\$)	3,389/46			P/B (X)	2.2	2.0	1.8				
Shareholding pattern (%)				EV/EBITDA (X)	8.4	8.7	7.9				
Promoters	53.0			RoE (%)	20.8	18.9	18.3				
FPIs/MFs/BFIs	12.0/13.8/6.8			Div. yield (%)	4.1	4.5	4.7				
Price performance (%)				1M	3M	12M	Sales (Rs bn)	1,794	2,189	2,314	
Absolute	3.6	21.5	(12.5)	Rel. to BSE-30	(3.5)	(0.3)	(26.0)	EBITDA (Rs bn)	137	130	141
								Net profits (Rs bn)	72	73	77

HPCL				Forecasts/valuations							
Stock data				2021E	2022E	2023E					
CMP(Rs)/FV(Rs)/Ratin g	227/260/BUY			EPS (Rs)	46.3	33.5	34.6				
52-week range (Rs) (high-low)	258-150			EPS growth (%)	548.6	(27.8)	3.4				
Mcap (bn) (Rs/US\$)	341/4.7			P/E (X)	4.9	6.8	6.6				
ADTV-3M (mn) (Rs/US\$)	1,727/24			P/B (X)	1.0	0.9	0.9				
Shareholding pattern (%)				EV/EBITDA (X)	6.2	7.5	6.8				
Promoters	51.1			RoE (%)	22.5	14.4	13.8				
FPIs/MFs/BFIs	15.5/16.4/5.8			Div. yield (%)	6.1	5.9	7.6				
Price performance (%)				1M	3M	12M	Sales (Rs bn)	1,867	2,230	2,359	
Absolute	4.5	33.3	(10.0)	Rel. to BSE-30	(2.7)	9.4	(23.9)	EBITDA (Rs bn)	121	106	117
								Net profits (Rs bn)	71	51	53

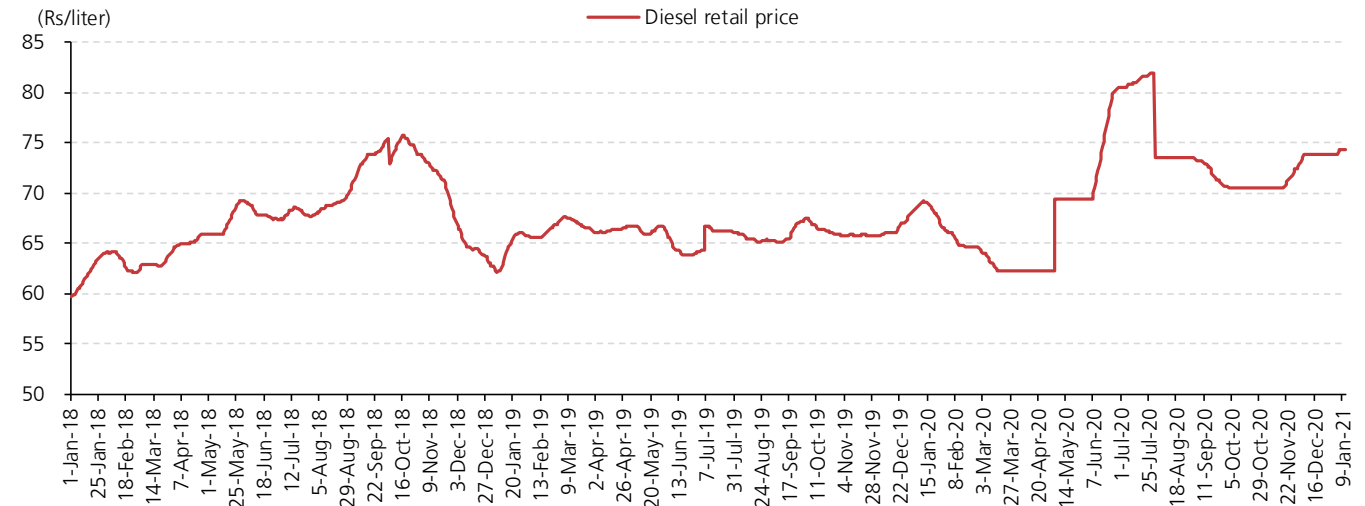
IOCL				Forecasts/valuations							
Stock data				2021E	2022E	2023E					
CMP(Rs)/FV(Rs)/Ratin g	101/100/BUY			EPS (Rs)	13.8	13.3	14.1				
52-week range (Rs) (high-low)	128-71			EPS growth (%)	449.2	(3.6)	6.5				
Mcap (bn) (Rs/US\$)	951/13			P/E (X)	7.3	7.6	7.1				
ADTV-3M (mn) (Rs/US\$)	1,980/27			P/B (X)	0.9	0.9	0.8				
Shareholding pattern (%)				EV/EBITDA (X)	6.2	6.1	5.8				
Promoters	51.5			RoE (%)	13.0	11.7	11.7				
FPIs/MFs/BFIs	6.1/5.7/7.6			Div. yield (%)	6.1	5.9	6.3				
Price performance (%)				1M	3M	12M	Sales (Rs bn)	3,341	4,374	4,674	
Absolute	7.6	32.7	(20.5)	Rel. to BSE-30	0.2	8.9	(32.7)	EBITDA (Rs bn)	265	294	318
								Net profits (Rs bn)	126	122	130

Exhibit 1: Marketing margins on auto fuels have declined in recent months as OMCs have not fully passed on the rise in crude prices
Gross margins on diesel and gasoline, April 2018 onwards (Rs/liter)



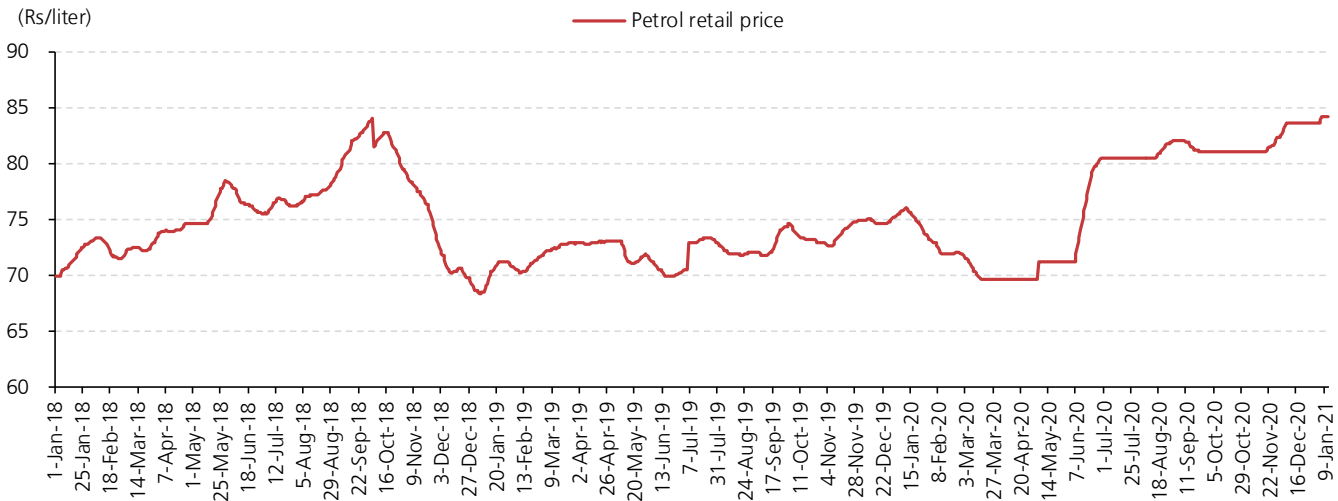
Source: PPAC, Kotak Institutional Equities estimates

Exhibit 2: Retail prices for diesel have not been raised in accordance with rising crude prices
Diesel retail price in Delhi, January 2018 onwards (Rs/liter)



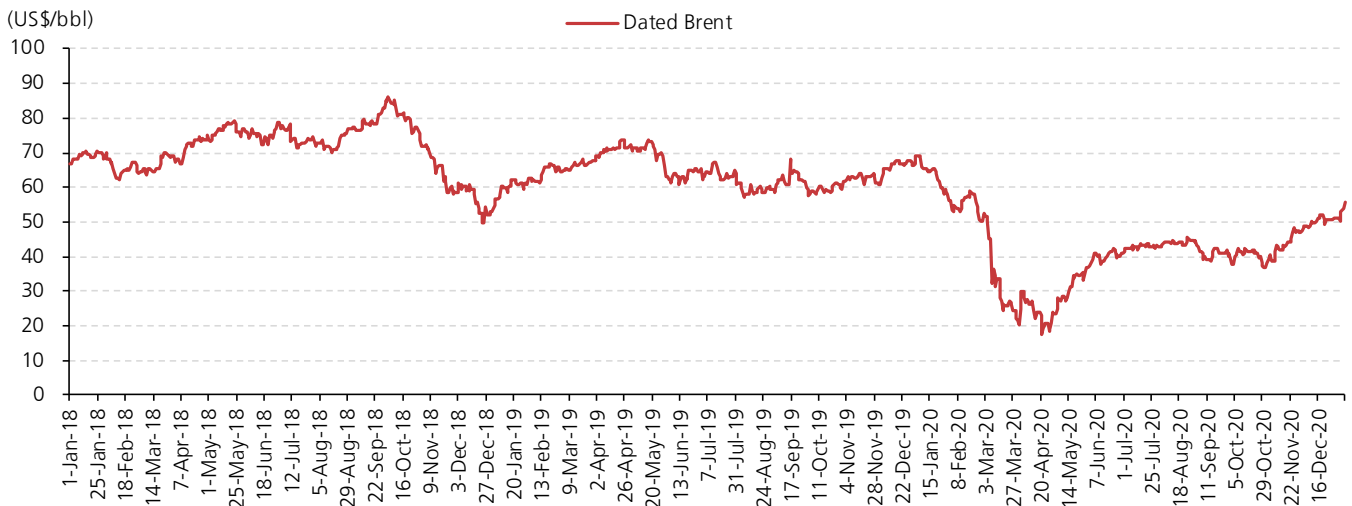
Source: PPAC, Kotak Institutional Equities estimates

Exhibit 3: Retail prices for petrol have not been raised in accordance with rising crude prices
 Petrol retail price in Delhi, January 2018 onwards (Rs/liter)



Source: PPAC, Kotak Institutional Equities estimates

Exhibit 4: Crude prices have recovered to near pre-Covid levels led by optimism on Covid-19 vaccine rollouts and curtailed supplies by OPEC+ countries
 Dated Brent crude price, January 2018 onwards (US\$/bbl)



Source: Bloomberg, Kotak Institutional Equities

Exhibit 5: Refining margins recovering gradually from the trough levels of 1QFY21
Petroleum/crude prices and margins, March year-ends (US\$/bbl)

	Annual average				Quarterly average					Monthly average					Weekly average			
	2017	2018	2019	2020	4Q20	1Q21	2Q21	3Q21	qoq (%)	Sep	Oct	Nov	Dec	mom (%)	Dec 18	Dec 25	Jan 1	Jan 8
	Kotak India refining margin	6.4	7.5	5.8	5.2	4.0	0.8	1.1	2.2	113	0.5	2.4	2.0	2.3	14	2.2	2.8	3.1
Singapore complex margin	5.9	7.2	4.9	3.3	1.2	(1.0)	0.0	1.2	NM	0.3	1.6	1.1	1.1	(7)	0.9	1.5	1.7	1.5
Product prices																		
Gasoline	61	70	77	71	60	32	47	49	4	47	46	49	54	9	54	55	56	57
Naphtha	47	56	65	55	50	26	43	44	2	43	42	44	49	12	49	50	51	53
Diesel	58	69	83	74	64	36	47	48	3	44	43	50	55	9	55	56	56	57
Kerosene	58	69	84	74	62	30	42	47	12	40	42	49	54	10	55	55	56	56
Fuel oil	42	53	67	54	44	28	40	44	10	40	41	45	47	6	48	48	48	49
LPG	33	43	47	38	36	27	30	43	41	31	37	40	48	20	48	51	52	56
Crude prices																		
Dubai	47	56	69	61	53	31	42	44	4	42	40	45	50	9	50	50	50	52
Dated Brent	49	58	70	61	52	32	43	44	4	41	40	43	50	16	51	51	51	53
Arab Light	47	56	70	63	56	27	44	44	0	42	39	42	49	16	50	50	50	52
Arab Heavy	44	54	68	61	53	27	43	44	1	42	39	42	49	16	50	50	50	51
Spreads over Dubai crude																		
Gasoline	14.0	14.6	8.4	10.1	7.2	0.9	4.9	4.8	(1)	5.7	6.5	4.1	4.5	10	4.1	4.7	5.5	5.7
Naphtha	0.2	0.2	(3.8)	(5.4)	(3.0)	(4.6)	0.5	(0.4)	NM	1.5	2.2	(1.8)	(1.0)	NM	(1.5)	(0.4)	0.8	1.7
Diesel	11.4	13.2	14.4	13.6	11.3	4.7	4.8	4.4	(7)	2.2	3.3	4.8	5.1	8	5.3	5.5	5.6	4.8
Kerosene	11.6	13.3	14.9	13.1	9.2	(1.2)	(0.2)	3.3	NM	(2.0)	1.7	3.7	4.5	22	4.6	5.0	5.1	4.5
Fuel oil	(4.7)	(3.2)	(1.5)	(6.9)	(8.6)	(2.7)	(2.4)	(0.1)	NM	(1.8)	0.9	(0.6)	(2.2)	NM	(2.4)	(2.0)	(2.7)	(2.6)
LPG	(13.9)	(13.2)	(22.3)	(22.5)	(16.9)	(3.5)	(12.2)	(1.5)	NM	(10.9)	(2.6)	(5.2)	(1.6)	NM	(2.6)	0.4	1.9	4.6
Crude differentials																		
Arab Light-Heavy	2.8	2.2	2.3	2.2	3.2	0.5	0.3	(0.2)	NM	0.3	(0.2)	(0.1)	(0.2)	NM	(0.2)	(0.2)	(0.2)	0.0
Dated Brent - Dubai	2.3	1.8	1.2	0.4	(0.8)	0.7	0.4	0.4	14	(0.6)	0.5	(2.4)	0.3	NM	0.5	0.8	0.4	1.0

Source: Reuters, Bloomberg, Kotak Institutional Equities estimates

Exhibit 6: We see downside to earnings of OMCs from a sustained decline in marketing margins
Sensitivity of standalone EBITDA, March fiscal year-ends, 2021-22E (Rs bn)

	2021E			2022E		
	BPCL	HPCL	IOCL	BPCL	HPCL	IOCL
Sensitivity to refining margin						
Refining margins (US\$/bbl)	2.7	2.6	2.9	3.5	3.4	3.6
Current EBITDA estimates (Rs bn)	136.8	121.0	264.8	130.3	105.7	294.0
Refining margin lower by US\$1/bbl	123.8	112.2	231.9	112.7	94.8	254.3
Change (%)	(10)	(7)	(12)	(14)	(10)	(14)
Refining margin higher by US\$1/bbl	149.9	129.7	297.7	148.0	116.7	333.7
Change (%)	10	7	12	14	10	14
Sensitivity to marketing margin						
Marketing margin on auto fuels (Rs/liter)	3.8	3.8	3.8	3.0	3.0	3.0
Current EBITDA estimates (Rs bn)	136.8	121.0	264.8	130.3	105.7	294.0
Marketing margin lower by Rs0.5/liter	121.9	107.0	238.8	112.2	89.5	262.6
Change (%)	(11)	(12)	(10)	(14)	(15)	(11)
Marketing margin higher by Rs0.5/liter	151.8	135.0	290.8	148.4	122.0	325.4
Change (%)	11	12	10	14	15	11

Source: Kotak Institutional Equities estimates

Exhibit 7: We see downside to earnings of OMCs from a sustained decline in marketing margins
Sensitivity of standalone EPS estimates, March fiscal year-ends, 2021-22E (Rs)

	2021E			2022E		
	BPCL	HPCL	IOCL	BPCL	HPCL	IOCL
Sensitivity to refining margin						
Refining margins (US\$/bbl)	2.7	2.6	2.9	3.5	3.4	3.6
Current EPS estimates	36.8	46.3	13.8	36.9	33.5	13.3
Refining margin lower by US\$1/bbl	32.2	42.0	11.1	30.2	28.1	10.1
Change (%)	(13)	(9)	(19)	(18)	(16)	(24)
Refining margin higher by US\$1/bbl	41.5	50.7	16.4	43.6	38.9	16.5
Change (%)	13	9	19	18	16	24
Sensitivity to marketing margin						
Marketing margin on auto fuels (Rs/liter)	3.8	3.8	3.8	3.0	3.0	3.0
Current EPS estimates	36.8	46.3	13.8	36.9	33.5	13.3
Marketing margin lower by Rs0.5/liter	31.6	39.4	11.7	30.1	25.5	10.7
Change (%)	(14)	(15)	(15)	(19)	(24)	(19)
Marketing margin higher by Rs0.5/liter	42.1	53.3	15.9	43.7	41.5	15.8
Change (%)	14	15	15	19	24	19

Source: Kotak Institutional Equities estimates

Exhibit 8: HPCL is trading at inexpensive valuation compared to BPCL and IOCL
Implied EV/EBITDA for OMCs, March fiscal year-end, 2022E (Rs bn)

	BPCL	HPCL	IOCL
FY2022E EBITDA			
Standalone EBITDA	130	106	294
EV			
Stock price (Rs)	427	234	103
Shares, net of treasury (# mn)	1,967	1,524	9,181
Market capitalization	839	356	947
Net debt (net of oil bonds)	324	321	932
Value of investments	259	173	86
Implied EV for core business	904	504	1,794
Implied EV/EBITDA (X)	6.9	4.8	6.1

Source: Kotak Institutional Equities estimates

December 2020: Results calendar

11-Jan	12-Jan	13-Jan	14-Jan	15-Jan	16-Jan	17-Jan
				HCL Technologies	HDFC Bank	
				L&T Finance Holdings		
				PVR		
18-Jan	19-Jan	20-Jan	21-Jan	22-Jan	23-Jan	24-Jan
IRB Infrastructure	Alembic Pharmaceuticals	Bajaj Finance	Asian Paints	Crompton Greaves Consumer	DCB Bank	
Mindtree	CEAT	Bajaj Finserv	Bajaj Auto	HDFC Standard Life	Supreme Industries	
Rallis India	Gateway Distriparks	Federal Bank	Bajaj Holdings & Investment	JSW Steel	UltraTech Cement	
	ICICI Lombard	Havells India	Bandhan Bank	SBI Life Insurance		
	L&T Infotech	HDFC AMC	Biocon	Yes Bank		
	Tata Communications	Hindustan Zinc	Jindal Steel & Power			
		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	
		Bank of Baroda	Colgate-Palmolive (India)	Cholamandalam Investment	IDFC Bank	
		Emami	Cummins India	Cipla	Tech Mahindra	
		Hindustan Unilever	Lupin	Dabur India		
		ICICI Pru Life	MMFSL	Dr Reddys Laboratories		
		Marico	Pidilite Industries	Exide Industries		
		Nippon Life India Asset Manager	RBL Bank	Mahindra Logistics		
		PNB Housing		Sun Pharmaceuticals		
		United Spirits		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	
Coromandel International	IIFL Wealth	The Ramco Cements	Gillette India			
Kansai Nerolac Paints			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 Automotive		

Source: NSE, Kotak Institutional Equities

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs)		Upside (%)	Mkt cap.		O/S shares (mn)	EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo (US\$ mn)
		14-Jan-21	Fair Value (Rs)		(Rs bn)	(US\$ bn)		2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E	
Internet Software & Services																													
Info Edge	SELL	5,180	2,910	(44)	666	9.1	128.3	25.8	43.4	53.3	(4.2)	68.6	22.7	201.0	119.2	97.2	192.2	112.1	89.2	14.6	13.4	12.1	9.5	11.7	13.1	0.1	0.2	0.3	42
Just Dial	SELL	709	550	(22)	44	0.6	61.8	25.9	29.9	35.5	(38.2)	15.3	18.8	27.3	23.7	19.9	20.0	17.0	14.5	3.6	3.1	2.7	12.7	14.0	14.4	—	—	—	24
Internet Software & Services	Cautious				710	9.7					(18.3)	51.2	21.7	144.6	95.6	78.6	137.4	90.2	73.9	12.3	11.1	10.0	8.5	11.6	12.7	0.1	0.2	0.2	67
IT Services																													
HCL Technologies	ADD	1,028	1,040	1	2,789	38.2	2,716	45.9	50.4	55.3	12.5	9.8	9.8	22.4	20.4	18.6	13.7	12.4	11.1	4.7	4.0	3.4	23	21	20.0	1.0	1.3	1.3	103
Infosys	BUY	1,371	1,530	12	5,838	79.9	4,250	45.6	51.9	59.6	17.0	14.0	14.7	30.1	26.4	23.0	20.0	17.6	15.3	7.9	7.0	6.2	28	28	29	1.9	2.2	2.6	187
L&T Infotech	ADD	4,391	3,700	(16)	767	10.5	176	105.5	122.8	145.2	22	16.5	18.2	41.6	35.7	30.2	27.9	25.5	21.8	11.7	9.6	7.9	31	30	29	0.7	0.8	0.9	25
Mindtree	SELL	1,744	1,255	(28)	287	3.9	165	61.1	67.1	73.6	59	10	10	28.5	26.0	23.7	18.2	16.8	15.1	7.6	6.3	5.3	29	26	24	1.1	1.2	1.3	28
Mphasis	REDUCE	1,696	1,480	(13)	317	4.3	187	66.3	74.7	85.4	4	12.7	14.3	25.6	22.7	19.9	16.8	14.7	12.7	4.9	4.4	3.9	20	21	21	2.1	2.1	2.1	8.9
TCS	REDUCE	3,251	3,070	(6)	12,198	167.0	3,744	89.4	106.5	118.8	4	19.0	11.6	36.3	30.5	27.4	25.2	21.5	19.4	13.4	11.3	10.4	38	40	40	1.0	2.0	2.9	143
Tech Mahindra	BUY	1,053	1,100	5	917	12.6	880	48.3	55.9	65.6	5.4	15.8	17.3	21.8	18.8	16.0	12.7	10.9	9.3	3.9	3.5	3.2	18.6	19.7	21	2.1	2.3	2.4	63
Wipro	ADD	454	465	2	2,597	35.5	5,662	18.6	20.9	23.4	11.8	12.6	12.0	24.4	21.7	19.4	16.1	14.7	12.8	4.8	4.0	3.5	19.3	19.9	19.2	0.4	1.1	1.1	77
IT Services	Attractive				25,991	355.8					8.9	14.5	12.6	30.6	26.7	23.7	20.3	17.8	15.8	8.1	7.0	6.2	26	26	26	1.2	1.8	2.3	644
Media																													
DB Corp.	REDUCE	83	81	(3)	15	0.2	175	5.3	14.1	14.2	(66.5)	166.7	1.2	15.8	5.9	5.9	5.1	2.6	2.7	0.8	0.8	0.9	5.4	14.3	14.6	2.4	14.4	15.6	0.3
Jagran Prakashan	REDUCE	45	37	(18)	13	0.2	281	3.9	7.3	8.4	(43.6)	87	NA	11.4	6.1	NA	2.7	1.7	NA	0.6	0.6	NA	5.7	10.3	11.5	4.5	11.1	11.1	0.3
PVR	BUY	1,437	1,500	4	79	1.1	55	-92.9	39.5	59.5	(421)	143	51	NM	36.4	24.2	(24.6)	12.8	9.9	3.8	3.5	3.1	NM	9.9	13.5	(0.6)	0.3	0.4	36
Sun TV Network	REDUCE	532	435	(18)	210	2.9	394	38.9	39.2	41.4	10	0.7	5.6	13.7	13.6	12.9	9.5	9.3	8.8	3.5	3.4	3.3	26	25	26	4.7	5.2	5.6	21
Zee Entertainment Enterprises	ADD	229	225	(2)	220	3.0	960	10.9	16.5	17.9	(2.1)	51.4	8.4	21.0	13.9	12.8	13.3	8.8	7.7	2.2	2.0	1.8	10.9	15.3	14.9	1.5	1.7	2.0	58
Media	Cautious				537	7.3					(26.5)	67.3	9.6	23.6	14.1	12.9	13.7	8.4	7.5	2.5	2.3	2.2	10.5	16.4	16.7	2.5	3.4	3.8	116
Metals & Mining																													
Hindalco Industries	BUY	261	330	26	587	8.0	2,220	19.2	28.9	31.5	7.7	50.6	9	13.6	9.1	8.3	7.0	5.7	5.0	0.9	0.8	0.8	7.1	9.8	9.7	0.4	0.4	0.4	55
Hindustan Zinc	BUY	280	335	20	1,182	16.2	4,225	19.1	23.8	24.0	18.4	25.0	0.9	14.7	11.7	11.6	9.1	7.1	7.0	3.6	3.6	3.6	22	31	31	7.6	8.5	8.6	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	11.2	5.4	5.2	4.8	0.9	0.8	0.8	9.2	7.4	7.0	—	—	—	38
JSW Steel	ADD	396	375	(5)	958	13.1	2,402	22.2	28.8	34.5	120.1	30	19.8	17.8	13.8	11.5	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	46	30	(35)	86	1.2	1,866	2.4	2.0	2.9	228	(16)	42.9	19.0	22.6	15.8	6.1	8.0	7.2	0.8	0.8	0.8	4.4	3.6	5.0	0.0	2.2	3.2	11.0
NMDC	REDUCE	125	95	(24)	384	5.3	2,931	14.0	10.3	10.0	(4.3)	(26.2)	(3)	9.0	12.1	12.6	9.1	20.8	(27.0)	1.3	1.2	1.1	14.5	10.1	9.3	2.8	4.1	4.0	16.1
Tata Steel	BUY	706	800	13	817	11.2	1,146	53.3	82.1	96.1	51	54	17	13.3	8.6	7.3	7.5	6.1	5.7	1.1	1.0	0.9	8.3	11.9	12.4	2.2	2.4	2.4	155
Vedanta	REDUCE	176	190	8	656	9.0	3,717	18.9	25.5	26.9	189	35	5.4	9.3	6.9	6.6	4.4	3.4	3.1	1.3	1.2	1.1	13.3	18.0	17.9	15.8	10.0	10.1	71
Metals & Mining	Attractive				4,969	68.0					63.5	26.3	8.8	12.9	10.2	9.4	6.9	5.8	5.5	1.5	1.4	1.2	11.4	13.3	13.2	4.6	4.2	4.3	390

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	EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT		
		14-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	2021E	2022E
Telecommunication Services																														
Bharti Airtel	BUY	581	710	22	3,167	43.4	5,456	(0.2)	10.2	21.4	NM	NM	NM	NM	57.1	27.2	9.1	7.4	6.0	5.5	5.3	4.7	NM	9.5	18.4	1.0	1.0	1.0	135.1	
Vodafone Idea	RS	12	—	—	353	4.8	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	—	—	—	49	
Tata Communications	BUY	1,089	1,075	(1)	310	4.2	285	45.6	52.5	62.5	23.9	14.9	19.2	23.9	20.8	17.4	9.4	8.3	7.2	NM	25.2	10.9	NM	277	87.6	0.4	0.6	0.6	2.2	
Telecommunication Services	Attractive				4,520	61.9					41.7	55.1	125.5	NM	NM	189.5	9.6	7.9	6.6	12.7	16.5	20.0	NM	NM	10.6	1.4	1.4	1.5	225	
Transportation																														
Adani Ports and SEZ	BUY	537	535	(0)	1,091	14.9	2,032	22.9	30.7	34.3	(14.8)	33.7	11.9	23.4	17.5	15.6	16.7	12.5	10.7	3.7	3.2	2.7	17.0	19.5	18.5	0.7	0.8	0.9	50.2	
Container Corp.	SELL	448	410	(9)	273	3.7	609	11.0	13.8	17.8	(35.4)	25.5	29.5	41	33	25	21.2	17.5	14.0	2.7	2.6	2.5	6.6	8.0	10.1	1.3	1.7	2.2	15.7	
Gateway Distriparks	BUY	121	135	11	15	0.2	125	3.7	3.6	6.2	(12.3)	(4.0)	73.7	32.6	34.0	19.6	7.9	8.0	6.7	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)	163	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	91	120	32	44	0.6	483	4.8	6.3	7.3	(20.5)	31.5	15.1	19.0	14.5	12.6	8.6	7.3	6.4	2.1	2.1	2.1	11.2	14.7	17.0	4.9	6.5	7.4	1.0	
InterGlobe Aviation	BUY	1,659	1,990	20	638	8.7	383	(173.8)	87.7	120.3	(2,580.1)	150.5	37.1	NM	19	13.8	NM	4.9	3.6	181.3	17.1	3.6	NM	165.5	76.6	—	—	—	39	
Mahindra Logistics	REDUCE	441	340	(23)	32	0.4	71	5.6	11.7	15.6	(37.5)	110.9	33.2	79	38	28	24.7	15.4	12.2	5.5	4.9	4.3	7.1	13.8	16.4	—	—	—	0.4	
Transportation	Attractive				2,257	30.9					(166.3)	411.8	28.2	NM	22	17.5	26.8	10.5	8.6	5.7	4.7	3.8	NM	20.7	21.5	0.6	0.8	0.8	113	
KIE universe					153,077	2095.4					21.5	36.1	20.6	32	23.4	19.4	14.8	11.8	10.3	3.3	3.0	2.7	10.2	12.6	14.0	1.2	1.4	1.7		

Notes:

(a) We have used adjusted book values for banking companies.

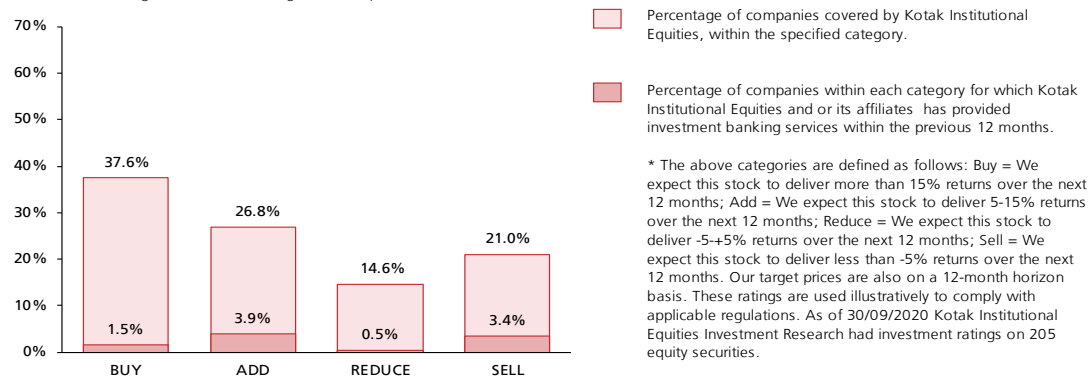
(b) 2021 means calendar year 2020, similarly for 2022 and 2023 for these particular companies.

(c) Exchange rate (Rs/US\$)= 73.05

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities Research coverage universe

Distribution of ratings/investment banking relationships



Source: Kotak Institutional Equities

As of December 31, 2020

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