

*Super  
Pack*





## 2021 – A year of Restoration

Central Banks infused a lot of liquidity in their systems and Govts came out with fiscal stimulus to beat the effects of slowdown due to Covid in 2020. This has ensured that interest rates remain low creating a favourable background for equity markets.

Low interest rates support equity valuations in two ways - the rate at which future earnings streams are discounted is low; and equities look more attractive to investors on a relative basis because dividend, earnings and cash flow yields are much higher than fixed income yields.

2020 has been among the worst years for the global economy in more than 70 years. We expect 2021 to be a Year of Restoration. Some segments have reached near-normalcy while others will attain so in the coming months.

A weaker dollar also leads to easier financial conditions for many emerging market countries, as well as companies that earn revenue in local currency but pay debt service in dollars. This dynamic would also help support the recovery in emerging markets in 2021.

We bring to you 10 stocks from different sectors that are likely to benefit from the rebound in the economic activities. These companies are likely to witness superior earnings growth and are likely to outperform the benchmark indices.

Happy Investing!

# Super 10 for 2021



**Bandhan Bank**  
Sector - Banking  
CMP - **406**



**Birla Corporation**  
Sector - Cement  
CMP - **725**



**Gail India**  
Sector - Oil & Gas  
CMP - **123**



**Hindustan Petroleum**  
Sector - Oil & Gas  
CMP - **225**



**Hindustan Unilever**  
Sector - FMCG  
CMP - **2315**



**Infosys**  
Sector - IT  
CMP - **1159**



**Nippon Life India Asset Management**  
Sector - Asset Management  
CMP - **311**



**ONGC**  
Sector - Oil & Gas  
CMP - **101**



**State Bank of India**  
Sector - Banking  
CMP - **267**



**Sun Pharmaceuticals**  
Sector - Pharmaceuticals  
CMP - **571**



## About the Company:

Set up as Bandhan Financial Services Pvt. Ltd (BFSL) in 2006, BFSL was the largest NBFC-MFI in India until 2014 after which, it became the first entity to receive an in-principle universal banking licence from the Reserve Bank of India. It operates through a network of 4,701 branches, doorstep service centres (DSCs), and GRUH centres, spread across 34 states and Union Territories.

## Key Highlights:

- Bandhan Bank is looking to grow its non-micro portfolio to diversify the asset book and increase granularity. Post the merger with Gruh Finance, mortgages account for ~26% of the loan book and has become a focus area for the bank.
- In FY19 the bank started distribution of general and life insurance products from its branches. Core fee income grew by 133% in FY20 to Rs 800cr and contributed 52% to the total other income.
- BBL reaches its customers largely through its extensive network of doorstep service centres, which are low overhead banking outlets located nearby to customers, leading to lower cost-income ratio and strong return ratios.
- BBL has built up its network along with scale of operations, thereby maintaining adequate capitalisation over time. As of Q2FY21 it had a CAR of 25.7% and Tier-I ratio of 22.2%.

## Outlook and Valuation:

Bandhan Bank (BBL) has consistently demonstrated a strong track record in growing its balance sheet/earnings (AUM grew by CAGR 44% FY10-20) and maintained a robust market share/cost leadership with superior return ratios, pristine asset quality and low-cost DSC (door step service centers) network. Despite the slowdown we expect the bank to deliver RoA in the range of 3.3-3.5% and RoE of ~19-20%. At CMP of Rs 410 the bank trades at 3.2x FY22E ABV. We believe the bank would continue to trade at premium valuations given the huge opportunity in MFI business.

## Concerns:

- Competition from large private sector banks in building up its deposit franchise and improving CASA ratio. Private banks are also focusing on scaling up their deposit base Also Banks and new MFIs are expanding their activities in Microfinance bringing competition for BBL.
- Microloans are not generally backed by collateral, they may pose a higher degree of risk than loans secured with physical collateral.

HDFC Scrip Code	BANBANEQNR
BSE Code	541153
NSE Code	BANDHANBNK
Bloomberg	BANDHAN IN
CMP Dec 17, 2020	406
Equity Capital (cr)	1610.4
Face Value (Rs)	10
Eq- Share O/S(cr)	161.0
Market Cap (Rscr)	65429
Adj. Book Value (Rs)	94.37
Avg.52 Wk Volume	1,32,00,000
52 Week High	526.6
52 Week Low	152.4

## Share holding Pattern % (Sep, 2020)

Promoters	40.00
Institutions	38.07
Non Institutions	21.93
Total	100.0

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## Financial Summary:

Particulars (Rs cr)	FY19	FY20	FY21E	FY22E
NII	4496	6,324	7,355	8,761
PPoP	3748	5,447	6,140	7,163
PAT	1952	3,024	2,955	3,675
EPS (Rs)	16.4	18.8	18.4	22.8
P/E (x)	25	21.8	22.3	18
P/ABV (x)	4.5	4.5	3.9	3.2
RoAA (%)	3.9	4.1	3	3.1

(Source: Company, HDFC sec)



## About the Company:

Birla Corporation is a company of the M.P. Birla Group which was incorporated as Birla Jute Manufacturing Company Limited in 1919. Later on, it has entered into the multi-locational cement business. BCL sells cement under various well-established brands, prominent being MP Birla Perfect Plus, MP Birla Unique, MP Birla Samrat, MP Birla Ultimate, MP Birla Ultimate Ultra, MP Birla Chetak, MP Birla Concrecem, MP Birla Multicem, MP Birla PSC with its key markets being Uttar Pradesh, Madhya Pradesh, Rajasthan, Haryana, Bihar, Bengal, Delhi, Gujarat and Maharashtra. BCL has 15.58 MTPA of cement capacity, 52631 metric tons of jute and 3750 metric tons of iron & steel casting installed capacity.

## Key Highlights:

- Birla Corp (BCL) has a significant presence in Central (Madhya Pradesh), Northern regions (Uttar Pradesh & Rajasthan), West Bengal and Maharashtra. It has 4.2% of the market share in the Indian cement industry.
- The company has finalized a plan to scale up its capacity to 25 MTPA by 2025 from current capacity of 15.6 MTPA which provides strong visibility of future growth.
- BCL has a network of 1250 marketing staff, 300 sales promoters and more than 10,000 dealers (both BCL and RCCPL). Birla Corp has a strong presence on the retail front owing to its distribution network and focus on trade sales, which has a share in excess of 80% of total volume sales. Further, the company has been pushing more of premium cement via its trade channels and higher ad spends. This has led premium products to form ~50% of trade sales.
- Increase in sale in blended cement implies higher absorption of fly ash, which reduces clinker consumption, and, in turn, boosts profitability. Fly-ash and captive coal consumption is estimated to lower down costs by ~Rs.30/MT. BCORP has undertaken an organization-wide supply chain improvement exercise, which is expected to contribute ~Rs. 50/MT in cost reduction FY23E onwards.

## Outlook and Valuation:

Birla Corp. is a part of M.P.Birla group with a history of 6+ decades in cement industry. It has 4.2% of the market share in Indian cement industry. It has a 15.58 MTPA of cement capacity, 52631 metric tons of jute and 3750 metric tons of iron & steel casting installed capacity. Its 34% cement capacity is located in Madhya Pradesh followed by 26% capacity in Rajasthan and remaining in other regions. Its debt-funded expansion and ownership fight can create pressure on valuation and performance.

We expect, that the company will get benefit from the regionally diversified position with upcoming capacity. We like Birla Corp due to its extensive retail presence in the lucrative north/central regions, substantial ongoing cost reduction and healthy balance sheet despite significant expansions plans. BCL has finalized plans to reach 25 MTPA of cement capacity by 2025 from current capacity of 15.58 MTPA.

We expect, 2% CAGR in top-line and -1% EPS CAGR over FY20-22E. At the LTP, the company is trading at FY22E EV/T of \$65.68/T, 6.43x FY22E EV/EBITDA.

<b>HDFC Scrip Code</b>	BIRCOREQNR
<b>BSE Code</b>	500335
<b>NSE Code</b>	BIRLACORPN
<b>Bloomberg</b>	BCORP:IN
<b>CMP Dec 17, 2020</b>	725
<b>Equity Capital (cr)</b>	77
<b>Face Value (Rs)</b>	10
<b>Eq- Share O/S(cr)</b>	7.70
<b>Market Cap (Rscr)</b>	5584
<b>Book Value (Rs)</b>	517
<b>Avg.52 Wk Volume</b>	280376
<b>52 Week High</b>	807.60
<b>52 Week Low</b>	372.50

## Share holding Pattern % (Sep, 2020)

Promoters	62.90
Institutions	18.53
Non Institutions	18.57
<b>Total</b>	<b>100.0</b>

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## Concerns:

- BCL is run by non-promoter professional management. A probate court ruled that Lodha, Chairman of the group's flagship firm Birla Corporation, should be removed as chairman of Birla Corporation and as a director on the boards of other MP Birla companies. This could create some uncertainty on promoter front.
- Cement prices have been up due to decent demand. Any fall in demand of cement could lead to lower realisations and margins.

## Financial Summary:

Particulars (Rs cr)	FY19	FY20	FY21E	FY22E
Total Operating Income	6,548.7	6,915.7	6,473.5	7,244.5
EBITDA	948.6	1,336.0	1,275.1	1,475.3
EBIDTAM (%)	14.5	19.3	19.7	20.4
APAT	255.7	505.2	445.6	498.0
Diluted EPS (Rs)	33.2	65.6	57.9	64.7
RoE-%	5.8	10.9	8.9	9.2
P/E (x)	22.3	11.3	12.8	11.5
EV/EBITDA	10.0	7.1	7.4	6.4

(Source: Company, HDFC sec)



## About the Company:

Incorporated in 1984 as a central public sector undertaking (PSU) GAIL is a leading gas transmission and distribution company in India. It is also engaged in various other activities including city gas distribution through stake in Indraprastha Gas Ltd (IGL) in Delhi and Mahanagar Gas Ltd (MGL) in Mumbai. Its wholly owned subsidiary GAIL Gas Ltd has been authorized for implementation of CGD projects in four cities namely Kota, Dewas, Sonapat and Meerut.

## Key Highlights:

- GAIL is planning for expansion in petrochemicals, specialty chemicals and renewables to supplement growth in its core business of natural gas marketing and transportation. It plans to bid for new pipelines put on offer by the regulator. Also, it will continue to grow its gas transmission business by laying important sections of National Gas Grid -- about 7,500-km of lines, mostly to the eastern part of the country.
- The company has developed strong tie ups for supply of natural gas both domestically and internationally with long term contracts. 50% of its gas is sourced through domestic sources and balance 50% is imported from USA, Russia and Qatar
- Government of India is focused on increasing the share of natural gas in the overall energy mix of the country to 15.0% from 6.5% and the government has taken several steps to increase natural gas consumption over the recent past. Going forward the demand for natural gas is expected to remain healthy driven by the City Gas Distribution (CGD) demand from existing and new areas.
- GAIL's financial profile to remain comfortable with higher capex and dividends in FY20. We expect its increasing focus on gas-pipeline expansion and its city-gas distribution segment to keep capex high at around Rs 7500 crore in FY21 vs. Rs 8250 crore in FY20. We also expect dividend payouts could be at a range of 20-25 per cent in FY21E and FY22E.

## Outlook and Valuation:

We expect GAIL's ongoing pipeline projects to enhance its dominant market position over the medium term. GAIL owns 70% of India's gas transmission network which is its stable, non-cyclical and regulated business. This is likely to remain the key operating income contributor over the medium term generating stable cash flows. Cost effective operations, experienced management, attractive valuations and sound financials are key advantages offered by the stock apart from a decent dividend yield. The stock currently trades at 10.2x FY22E EPS.

## Concerns:

- Economic slowdown, volatility in oil and gas prices and regulatory changes could impact its growth story in near future. The changing macro-economic scenario can have an impact on the growth plan of the Company.
- Sustained low crude oil prices could result in low realisations for petroleum products like Petrochemical, LPG and LHC.
- The City Gas Distribution and Gas Transmission industry is under regulatory regime wherein the Regulatory Board (PNGRB) has framed various regulations, which monitors day to day business operations.

HDFC Scrip Code	GAILTDEQNR
BSE Code	532155
NSE Code	GAIL
Bloomberg	GAIL IN
CMP Dec 17, 2020	123
Equity Capital (cr)	4510.1
Face Value (Rs)	10
Eq- Share O/S(cr)	451.0
Market Cap (Rscr)	55858
Book Value (Rs)	97.5
Avg.52 Wk Volume	1,71,45,000
52 Week High	133.4
52 Week Low	65.0

## Share holding Pattern % (Sep, 2020)

Promoters	51.76
Institutions	43.18
Non Institutions	4.39
Total	100.0

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## Financial Summary:

Particulars (Rs cr)	FY19	FY20	FY21E	FY22E
Total Operating Income	76,189.9	72,508.4	48,824.6	58,154.7
EBITDA	9,667.6	9,025.0	5,530.3	7,607.1
RPAT	5,777.6	7,268.0	3,139.8	4,452.2
Diluted EPS (Rs)	14.5	20.9	9.2	12.3
RoE-%	14.3	19.5	8.1	9.7
P/E (x)	8.6	6.0	13.6	10.2
EV/EBITDA	5.9	6.9	11.1	7.9

(Source: Company, HDFC sec)



## About the Company:

Hindustan Petroleum Corporation Ltd (HPCL) is engaged in the business of refining of crude oil and marketing of petroleum products. HPCL owns and operates two coastal refineries at Mumbai and Visakhapatnam with designed capacity of 7.5 MMTPA and 8.3 MMTPA respectively. Apart from this, HPCL holds an equity stake of 16.96% in Mangalore Refinery & Petrochemicals Limited, a state-of-the-art refinery at Mangalore with a capacity of 15 MMTPA. HPCL has about 25 per cent market-share in India among public-sector companies and a strong marketing infrastructure.

## Key Highlights:

- HPCL is one of the three leading public OMCs, with a ~24% market share (including private players) as of end of FY2020. The government has been supporting OMCs through budgeted subsidies and discounts from upstream companies, thereby minimising their sales-related under-recovery burden. HPCL could continue to get government's support by absorbing a large portion of its sales-related under-recoveries, if it occurs.
- HPCL has the second largest share of product pipelines in India with a pipeline network of more than 3370 kms for transportation of petroleum products. has a wide distribution and marketing infrastructure network, including a network of cross-country pipelines, terminals, depots and 16,707 retail outlets. It plans to add 500 retail outlets in FY21.
- HPCL plans to invest over Rs 60,000 crore in the next five years to build and develop infrastructure and HPCL's capex plans include the implementation of major projects such as the capacity expansion at both its refineries, expansion of its pipeline network and setting up of new pipelines.
- HPCL's liquidity profile is expected to remain strong, aided by healthy cash flow generation and sizeable cash and cash equivalents (Rs 5,568 crore as on March 31, 2020). Company has made strong dividend payout of 80% in FY20, with dividend yield at 6.7 per cent.

## Outlook and Valuation:

Hindustan Petroleum Corporation Ltd (HPCL) has dominant market position as one of India's top-three oil marketing companies. HPCL's marketing business is the strongest amongst peers with consistent market share gains in auto fuel segment despite rising private competition. HPCL is targeting the completion of the Mumbai and Vizag expansions in 2021, followed by upgradation at Vizag in 2022 and Rajasthan (Barmer) refinery in 2023. The company expects all pipeline projects to be completed on time as well. The stock is currently trading at 5.3x FY22E EPS.

## Concerns:

- Company's profitability is exposed to volatility of crude prices and crack spreads as well as foreign exchange fluctuations.
- HPCL has seen under-recoveries on account of controlled prices of SKO and LPG in the domestic market over the past. While Govt has provided budgetary support, the absence of an institutionalised mechanism to meet under-recoveries has delayed subsidy receipts in the past.

<b>HDFC Scrip Code</b>	HINPETEQNR
<b>BSE Code</b>	500104
<b>NSE Code</b>	HINDPETRO
<b>Bloomberg</b>	HPCL IN
<b>CMP Dec 17, 2020</b>	225
<b>Equity Capital (cr)</b>	1523.8
<b>Face Value (Rs)</b>	10
<b>Eq- Share O/S(cr)</b>	152.4
<b>Market Cap (Rscr)</b>	34323
<b>Book Value (Rs)</b>	190.0
<b>Avg.52 Wk Volume</b>	74,67,000
<b>52 Week High</b>	270.7
<b>52 Week Low</b>	150.0

## Share holding Pattern % (Sep, 2020)

<b>Promoters</b>	51.11
<b>Institutions</b>	37.78
<b>Non Institutions</b>	11.11
<b>Total</b>	100.0

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## Financial Summary:

Particulars (Rs cr)	FY19	FY20	FY21E	FY22E
Total Operating Income	2,75,473	2,69,092	1,91,628	2,22,322
EBITDA	11,567	4,660	7,549	12,068
RPAT	5,761	3,097	3,263	5,979
Diluted EPS (Rs)	43.9	2.0	23.3	43.2
RoE-%	23.9	8.6	11.0	18.4
P/E (x)	5.2	113.7	9.8	5.3
EV/EBITDA	4.8	14.7	9.6	5.8

(Source: Company, HDFC sec)



## About the Company:

HUL is India's largest FMCG company with a strong presence in the home care and beauty and personal care categories. The company is a subsidiary of Unilever Plc (that holds a 62% stake in HUL), the world's largest consumer goods company present across 190 countries. It has over 40 brands spanning 12 distinct categories such as personal wash, fabric wash, skin care, hair care, oral care, deodorants, color cosmetics, beverages, ice creams, frozen desserts and water purifiers.

## Key Highlights:

- HUL is the No.1 Laundry Company in India with revenues growing at 10% CAGR and a profitability growth of 3.6x (FY13 to FY19), No.1 Haircare company in India with ~59% market share and a growth of 11% CAGR and is the market leader in Tea under the Brooke Bond brand with a growth of 10% CAGR. Apart from these, HUL is also ranked no.1 in skin care, skin cleansing, make up, ranked no.2 in oral care and ranked no.3 in deodorants. The company has a very well diversified portfolio under Home Care (HC), Beauty & Personal Care (BPC), and Food & Refreshments (F&R) categories.
- HUL has one of the widest distribution reach of +7mn outlets. The company is debt free and cash rich (~Rs.5113 cr cash as of FY20) after recent acquisitions of GSK's Consumer business. We expect strong synergy benefits to play out in next 2-3 years.
- In H1FY21 alone, the company has launched 100+ SKU's in H1FY21 in the hygiene category which along with the company's other health and nutrition brands makes up 80% of the portfolio which has seen 10% growth. The stock price has remained muted. Earnings may surprise on the upside and the stock IS likely to get rerated gradually
- HUL's board of directors have approved the proposal to form a new 100% subsidiary with an authorized share capital of Rs.2,000 Cr. The new subsidiary has been formed to leverage the growth opportunities in the change of business environment by commencing manufacturing before March 2023 and to avail benefits of the new tax regime (lower tax rate of 15% plus surcharge and cess). This could lead to higher volume growth, margin expansion, and introduction of new products or backward integration possibilities.

## Outlook and Valuation:

HUL is a play on consumption growth in India. The company has proved its ability to implement effective price hikes and to grow ahead of market. We believe HUL will be able to overcome short-term economy led hurdles as it has done in the past. Disruptive times are particularly hard on un-organized players, which may lead to HUL gaining market share. HUL has the best of breed earnings growth potential in the longer term owing to its diversified portfolio, execution strengths, and RoCE levels well ahead of peers. All these factors indicate that premium multiples are likely to sustain, the stock is currently trading at ~54x FY22E earnings.

## Concerns:

- Volatility and price fluctuation in commodities like tea, palm oil and crude can temporarily affect the company margins.
- Lot of brands and business of HUL are highly matured and have reached such a size and scale that a double-digit kind of growth on a yearly basis might become difficult.

<b>HDFC Scrip Code</b>	HINUNIEQNR
<b>BSE Code</b>	500696
<b>NSE Code</b>	HINDUNILVR
<b>Bloomberg</b>	HUVR:IN
<b>CMP Dec 17, 2020</b>	2315
<b>Equity Capital (cr)</b>	216
<b>Face Value (Rs)</b>	1
<b>Eq- Share O/S(cr)</b>	216
<b>Market Cap (Rscr)</b>	544028
<b>Book Value (Rs)</b>	178.8
<b>Avg.52 Wk Volume</b>	3875241
<b>52 Week High</b>	2614
<b>52 Week Low</b>	1757

## Share holding Pattern % (Sep, 2020)

Promoters	61.9
Institutions	25.36
Non Institutions	12.74
<b>Total</b>	<b>100.0</b>

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## Financial Summary:

Particulars (Rs cr)	FY19	FY20	FY21E	FY22E	FY23E
Net Sales	39,310	39,783	45,759	49,622	53,469
EBITDA	8,880	9,861	11,505	12,870	14,120
EBITDA Margin (%)	22.59	24.79	25.14	25.94	26.41
APAT	6,080	6,860	8,165	9,226	10,129
Diluted EPS (Rs)	28.1	31.7	34.8	39.3	43.1
P/E (x)	82.9	73.5	67.0	59.3	54.1
EV/EBITDA	69.2	47.1	43.6	38.8	35.2
RoCE (%)	69.2	72.2	31.1	21.2	22.7

(Source: Company, HDFC sec)





## About the Company:

Infosys is a leading provider of consulting, technology, outsourcing and next-generation digital services, enabling clients in 46 countries to create and execute strategies for their digital transformation. It caters to industry verticals such as financial services, manufacturing, telecommunications, retail, life sciences, media and entertainment, and energy and utilities.

## Key Highlights:

- Infosys is a global leading consulting and next generation service provider and Company has a diversified range of offerings across service segments and industry verticals. It has steadily increased the share of revenue from digital services. Historically Nasscom data suggests larger Indian players are gaining market share.
- Infosys's business risk profile is supported by its leading market position, large scale of operations with a skilled resource base of 239,000 employees. Company has built specific industry domain and technology expertise, and in methodologies such as Design Thinking and Agile software development.
- Infosys deal pipeline is healthier than before, though cost-cutting and cash conservation measures by clients have led to delayed conversions. It has announced several large deal wins in the recent past.
- Infosys financial profile has been robust led by debt free balance sheet and healthy cash generating ability over the past.

## Outlook and Valuation:

We remain optimistic on its revenue and profitability trajectory as well as cost rationalisation efforts going forward. We expect a repeat of past post crisis opportunity for IT services when it benefitted out of a wave of fresh outsourcing and offshoring demand given India's large pool of engineers and low cost advantage. In the medium term Infosys sees opportunities around vendor consolidation and large re-badging deals which it can capitalise on given its ability to seamlessly transition to work from home and strong balance sheet position. At CMP the stock is trading at 24.5x FY22E EPS.

## Concerns:

- INR appreciation against the USD, pricing pressure, retention of the skilled headcounts, strict immigration norms as well as ban on US H-1B and L1 visa, and rise in visa costs are key concerns.
- Many of its clients' business operations may be negatively impacted due to the economic downturn – resulting in postponement, termination, suspension of some ongoing projects with Infosys and / or reduced demand for its services and solutions.

<b>HDFC Scrip Code</b>	INFTECEQNR
<b>BSE Code</b>	500209
<b>NSE Code</b>	INFY
<b>Bloomberg</b>	INFO IN
<b>CMP Dec 17, 2020</b>	1159
<b>Equity Capital (cr)</b>	2129.8
<b>Face Value (Rs)</b>	5
<b>Eq- Share O/S(cr)</b>	425.9
<b>Market Cap (Rscr)</b>	493722
<b>Adj. Book Value (Rs)</b>	146.2
<b>Avg.52 Wk Volume</b>	1,11,72,000
<b>52 Week High</b>	1186.0
<b>52 Week Low</b>	509.3

## Share holding Pattern % (Sep, 2020)

<b>Promoters</b>	12.95
<b>Institutions</b>	56.28
<b>Non Institutions</b>	30.37
<b>Total</b>	100.0

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## Financial Summary:

Particulars (Rs cr)	FY19	FY20	FY21E	FY22E
Total Operating Income	82,676	90,791	97,061	1,08,170
EBITDA	20,889	22,268	24,807	27,212
RPAT	15,409	16,640	18,103	20,315
Diluted EPS (Rs)	37.1	38.6	42.3	47.5
RoE-%	24.3	25.1	25.1	25.8
P/E (x)	31.3	30.1	27.6	24.5

(Source: Company, HDFC sec)



## About the Company:

Nippon Life Asset Management (NAM India) (formerly known as Reliance Nippon Life Asset Management) is one of the largest asset management companies in India. The total AUM size of the company is ~ Rs. 2.73 lakh Cr as of Jun-20. Besides the mutual fund business, the company has a sizeable AUM under portfolio management services and alternate Investment funds. The company also manages funds for provident fund bodies and government managed pension Funds schemes.

## Key Highlights:

- NAM India has always been known for its strength in the Retail segment. Over the last 2 decades, the Company has meticulously built its assets in this category and created long-term wealth for its retail investors.
- Indian Mutual Fund Industry has a multiyear growth story lying ahead of them on the back of several structural benefits. Currently Indian MF Industry is highly under penetrated- AUM to GDP ratio is mere 12.5% (vs 6.7% in FY12) compared to Global average of 62% and ~46% in other emerging countries like us.
- Recent regulatory change which has revised expense ratios lower for mutual fund investors should also aid in greater retail participation. Recent trend of low interest rates is also good for mutual fund flows, as money moves from low interest rate bank deposits towards higher yielding products.
- NAM India traditionally had an asset mix with higher proportion of debt and institutional investors, but the recent decline in debt and liquid AUMs from corporate investors has changed asset mix towards individual and equity. As AUMs stabilise, operating leverage will drive ROEs.

## Outlook and Valuation:

A complete exit of ADAG and promoter backing of global giant Nippon gives us confidence in the company's future. Extensive expansion to newer locations and industry leading B30 AUM augurs well for NAM India. Given the massive under-penetration of financial products and inclusion in India, there is enough scope for AMCs like NAM India to continue to expand profitably. At CMP it is trading at 8.4x FY22E EPS.

## Concerns:

- Market volatility (especially downward) has high correlation with fund flow into AUM. So any prolonged period of negative returns from equity market can hurt company's revenues hard
- NAM India faces competition from bank backed AMCs like HDFC, Axis, ICICI, Kotak etc who have captive customers in their Banking businesses. In the absence of a bank promoter, NAM has developed strong IFA (independent financial advisor) network of over 76,000 IFAs.
- Any adverse change of regulations can also impact the business of the company.

<b>HDFC Scrip Code</b>	NIPLIFEQNR
<b>BSE Code</b>	540767
<b>NSE Code</b>	NAM-INDIA
<b>Bloomberg</b>	NAM IN
<b>CMP Dec 17, 2020</b>	311
<b>Equity Capital (Cr)</b>	612.7
<b>Face Value (Rs)</b>	10
<b>Eq- Share O/S(mn)</b>	61.2
<b>Market Cap (Rs Cr)</b>	19227
<b>Book Value (Rs)</b>	41.6
<b>Avg.52 Wk Volume</b>	16,05,000
<b>52 Week High</b>	452.9
<b>52 Week Low</b>	207.7

Share holding Pattern % (Sep, 2020)	
Promoters	74.95
Institutions	11.44
Non Institutions	13.61
<b>Total</b>	<b>100.0</b>

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## Financial Summary:

Particulars (Rs cr)	FY19	FY20	FY21E	FY22E
Total Operating Income	1478	1203	1022	1168
EBITDA	539	608	493	596
RPAT	486	415	491	566
Diluted EPS (Rs)	7.9	6.6	7.8	9.0
RoE-%	19.5	16.1	18.5	19.9
P/E (x)	38.6	46.2	39.1	33.9

(Source: Company, HDFC sec)

# Oil and Natural Gas Corporation Ltd



## About the Company:

Oil and Natural Gas Corporation Ltd. (ONGC) is the largest crude oil and natural gas Company in India, contributing around 75 per cent to Indian domestic production. ONGC is a Maharatna PSU, with the GoI holding 60.41% stake in the company. Company undertakes exploration and production activities in 17 other countries through its wholly-owned subsidiary ONGC Videsh Limited (OVL). It has integrated downstream activities in India with two subsidiaries viz. Mangalore Refinery & Petrochemicals Ltd. (MRPL) and Hindustan Petroleum Corporation Ltd. (HPCL).

## Key Highlights:

- ONGC is the country's largest oil and gas producer with 72.6% and 79.85% of India's total production of crude oil and natural gas respectively for the FY20. It is also a significant producer of value-added products such as liquefied petroleum gas (LPG), superior kerosene oil (SKO) and naphtha.
- ONGC's average Capex (standalone) per annum has been in the range of Rs 30,000 to Rs 32,000 crore. Its subsidiary OVL also has large Capex plans to fulfil its mission of 60 MMTOE production by 2030 through both organic and inorganic initiatives.
- On standalone basis, ONGC has consistently reported a healthy reserve replacement ratio of over 1x over the last 14 years with an average reserve life of 15 years, indicating the sustainability of the producing reserves. Company made 12 discoveries – 7 onshore and 5 offshore. 2P Reserve accretion stood at 53.21 Million tonne oil equivalent (MMTOE) with a Reserve Replacement Ratio (RRR) of 1.19.
- ONGC's financial profile remained comfortable in FY20 and Company enjoys high financial flexibility that allows it to raise debt and access capital markets at competitive rates to fund its capex and working capital requirements.

## Outlook and Valuation:

ONGC enjoys a dominant market position in the domestic crude oil and natural gas production business with large proven reserves, globally competitive cost structure, and stable performance of its subsidiary ONGC Videsh Ltd. (OVL). The Government is looking to provide a package of measures to help domestic oil producers pull through the price crash and the uncertainty in the global oil market. Any relief in this regard could be positive for ONGC to add to its profitability. Acquisition of a majority stake in HPCL fits well into the group's integrated energy strategy. At CMP the stock is trading at 12.3x FY22E EPS.

## Concerns:

- E&P business is highly capital intensive activity and has long gestation period with high uncertainty with respect to estimation of reserves. The success of E&P activities depends on quality of the available data engineering, geographies, geologies and geopolitical interpretation. Adverse outcome or failure on E&P project could bring cost burden and impact its profitability.
- ONGC has been experiencing decline in production in its mature fields over the past. Company has launched improved oil recovery (IOR) and enhanced oil recovery (EOR) programs to increase the production as well as the recovery factor. Going forward, replacing reserves and growing production while maintaining a favourable cost structure could remain a key challenge for ONGC.

HDFC Scrip Code	OILNATEQNR
BSE Code	500312
NSE Code	ONGC
Bloomberg	ONGC IN
CMP Dec 17, 2020	101
Equity Capital (cr)	6290.1
Face Value (Rs)	5
Eq- Share O/S(cr)	1258.0
Market Cap (Rscr)	127689
Adj. Book Value (Rs)	154.5
Avg.52 Wk Volume	2,60,67,000
52 Week High	133.4
52 Week Low	50.0

## Share holding Pattern % (Sep, 2020)

Promoters	60.41
Institutions	25.23
Non Institutions	14.36
Total	100.0

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## Financial Summary:

Particulars (Rs cr)	FY19	FY20	FY21E	FY22E
Total Operating Income	4,53,461	4,25,001	3,29,382	3,75,775
EBITDA	83,865	61,169	41,176	56,280
RPAT	30,459	10,506	1,873	9,251
Diluted EPS (Rs)	27.7	14.4	2.4	8.3
RoE-%	16.5	8.5	1.4	5.1
P/E (x)	3.7	7.1	42.9	12.3
EV/EBITDA	2.8	4.0	7.2	5.2

(Source: Company, HDFC sec)



## About the Company:

State Bank of India (SBI) is the oldest and the largest bank in India. Its origin goes back to the 19th century with the establishment of the Bank of Calcutta in 1806, Bank of Bombay in 1804 and Bank of Madras in 1843 and the amalgamation of these banks in 1921. As of FY20 it had over 22,000 branches and 58,555 automated teller machines (ATMs).

## Key Highlights:

- SBI is a financial conglomerate with a presence in insurance, asset management, credit cards and various other services through its subsidiaries. All these are performing exceptionally well and adding substantial value to the bank's valuation.
- SBI holds a dominant position in the Indian banking industry with a market share of 23.2% and 22.4% in the banking system's deposits and advances, respectively. It has a diversified loan book with 35% to large and mid-corporates, 31% to retail, 11% to SME, 9% to agriculture and remaining 15% is foreign Offices Advances.
- SBI has undergone a digital transformation of its services, by launching their flagship venture 'YONO'. This venture offers Banking, Insurance, and Investment products, as well as unmatched service and shopping experience, at one digital platform.
- Asset quality has been improving with moderate slippage rate. Its provision coverage ratio has improved to over 80% and would require limited credit provisioning going forward.

## Outlook and Valuation:

SBI is almost immune to any liability-side risks at this juncture, given its expansive, granular deposit base and government's majority holding. It is better placed to curtail asset quality worries than many other large banks because of its quality of loan book. Moreover, ample provision coverage will curtail incremental loan loss provisions. SBIN has one of the strongest deposit franchises; along with inexpensive valuations. At CMP it is trading at 1.2x FY22E Core ABV.

## Concerns:

- Recent COVID-19 pandemic is likely to have multiple order and far reaching impacts on the banking sector. Credit growth is already low and asset quality issues are likely to spread into many sectors. On-going stress in Corporate and SME segment might accelerate and in fact retail loan segment might emerge as a new source of stress.
- After a prolonged period of stress, Indian banking sector had finally entered into resolution and recovery phase. With this, corporate facing banks like SBI with huge corporate book size had a lot to gain. So any further delay in the process of resolution of large assets due to current uncertainties and extension granted under IBC could be a dampener.

HDFC Scrip Code	STABANEQNR
BSE Code	500112
NSE Code	SBIN
Bloomberg	SBIN IN
CMP Dec 17, 2020	267
Equity Capital	892
Face Value (Rs)	1
Eq- Share O/S	892
Market Cap (Rs Cr)	238822
Core Adj. Book Value (Rs)	175.2
Avg.52 Wk Volume	6,36,70,000
52 Week High	339.9
52 Week Low	149.5

## Share holding Pattern % (Sep, 2020)

Promoters	56.92
Institutions	32.83
Non Institutions	9.01
Total	100.0

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## Financial Summary:

Particulars (Rs bn)	FY19	FY20	FY21E	FY22E
NII	883.5	980.8	1,050	1,123
PPoP	554.4	681.3	686	742
PAT	8.6	144.9	151	245
EPS (Rs)	1.0	16.2	17.0	27.4
P/E (x)	274.2	16.9	16.1	10.0
P/ABV (x)	1.9	1.6	1.4	1.2
RoAA (%)	3.9	4.1	3.0	3.1

(Source: Company, HDFC sec)



## About the Company:

Sun Pharmaceutical Industries is the largest Indian pharma company, with an impressive track record of organic and inorganic growth. Company is ranked no.1 in India while stands at no.8 in USA. Sun Pharma is the largest Indian pharma company in USA. It commands ~8.2% market share in Indian Pharma Market (IPM). Company has 31 brands amongst top-300 brands in IPM.

## Key Highlights:

- Sun Pharma derived ~32% revenues from US, and ~30% from India. Rest of the world (RoW) - mainly Russia, Europe and Japan - contributed 14% to its revenues and Emerging Markets (Russia, Brazil, South Africa, Romania and Asia) revenues contribution stands at 17% while the balance comes from API segment. Company earned ~US\$ 410mn revenues from global specialty business in FY20.
- Company derives ~60% of its domestic revenues from chronic therapeutic area and key being CNS, Cardiac, Anti-diabetic, Gastroenterology, Pain/analgesics, Vitamins and Dermatology. Company is ranked no.1 in CNS, Cardiac, Orthopaedic, Dermatology, Nephrology and Urology.
- US business (~37% of revenues), has recorded ~19% CAGR in FY09-20, on the back of acquisitions and timely product launches. The US product basket remains robust - 495 ANDAs approved and 92 pending for final approval. Some niche launches in the specialty portfolio include Absorica (Skin Cancer), Ilumya (Plaque Psoriasis), Odomzo (Skin Cancer), Cequa (Ophthalmic), Yonsa (Cancer), Bromsite (Ophthalmic). Sun has made ~Rs 12,600cr worth of cumulative R&D investments over the last 6 years (FY15-20), and this bodes well for the company.
- Company has completed remediation measures at Halol facility and requested for desktop audit, awaits response from the US FDA. Sun Pharma reduced ~US\$ 500mn debt in FY20 and US\$ 300mn in H1 FY21.

## Outlook and Valuation:

We estimate 7% revenue, 13% EBITDA and 18% PAT cagr over FY20-23E led by strong domestic revenues and healthy growth in US market. Currently, Sun Pharma trades at ~21x FY23E earnings. We remain positive given Strong Management Team, robust balance sheet, strong earnings growth expected over FY20-23E and compelling valuations. We believe that in the next 2-3 years there will be a gradual comeback for pharma companies, driven by i) healthy growth momentum from domestic market ii) actual and likely regulatory resolutions, iii) moderating price erosion and iv) several product launches across generic and specialty categories in the medium-long term.

## Concerns:

- Slower ramp up in specialty portfolio. Specialty pharma is a vastly different business model compared to traditional generics requiring significantly superior R&D skills and capabilities, business development strategy and risk appetite.
- Delay in US FDA resolution of Halol 483s and higher than estimated price erosion in the US.
- Drug price fixing lawsuits in the US.
- Lower growth in the domestic market; further price control due to DPCO.

<b>HDFC Scrip Code</b>	SUNPHAEQNR
<b>BSE Code</b>	524715
<b>NSE Code</b>	SUNPHARMA
<b>Bloomberg</b>	SUNP: IN
<b>CMP Dec 17, 2020</b>	571
<b>Equity Capital (cr)</b>	239.9
<b>Face Value (Rs)</b>	1
<b>Eq- Share O/S (cr)</b>	239.9
<b>Market Cap (Rs cr)</b>	137082
<b>Adj. Book Value (Rs)</b>	190
<b>Avg.52 Wk Volume</b>	6821893
<b>52 Week High</b>	591.5
<b>52 Week Low</b>	315.2

## Share holding Pattern % (Sep, 2020)

Promoters	54.7
Institutions	32.8
Non Institutions	12.5
<b>Total</b>	<b>100.0</b>

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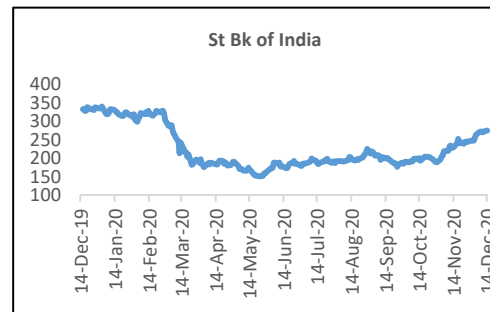
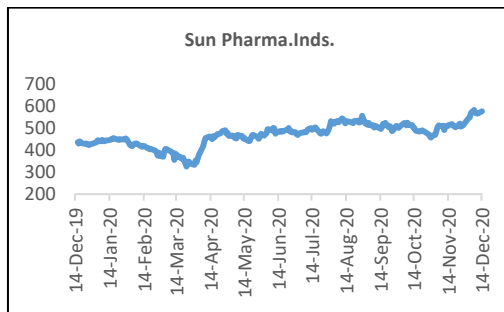
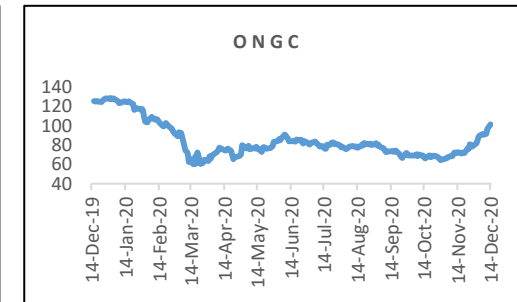
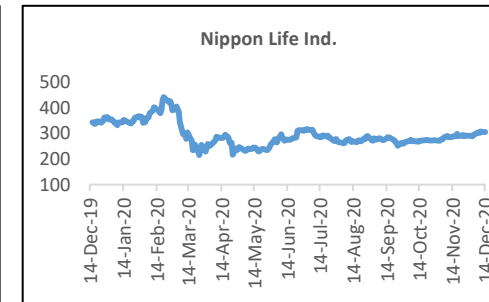
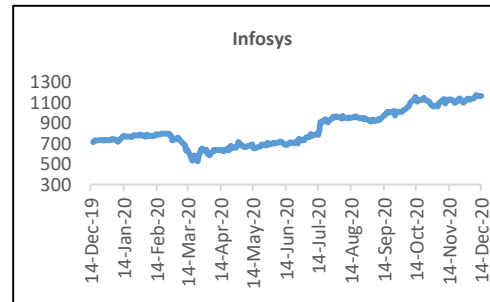
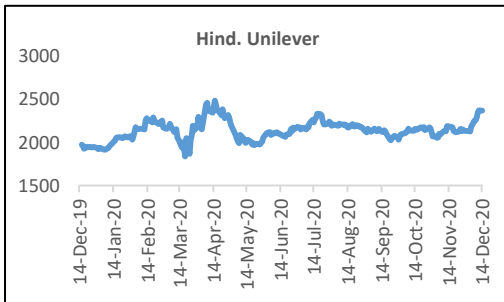
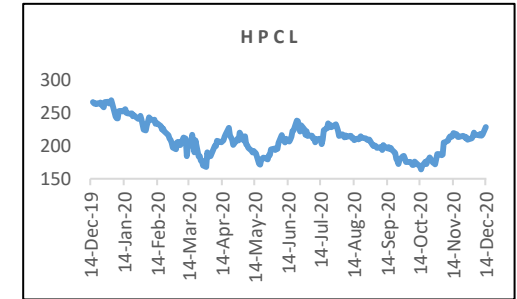
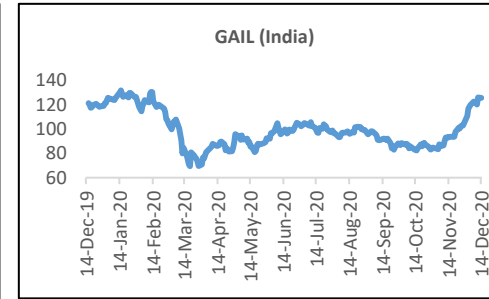
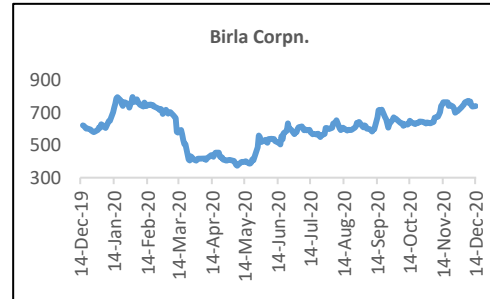
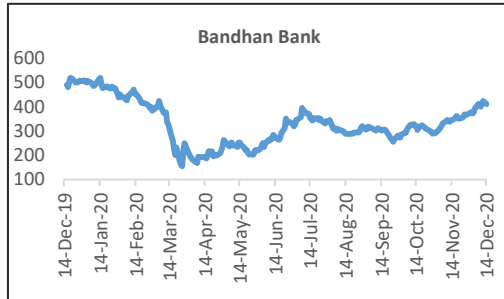
## Financial Summary:

(Rs cr)	FY19	FY20	FY21E	FY22E	FY23E
Revenues	29066	32838	33419	36905	40087
Operating Profit	6401	6974	8351	9092	10127
OPM (%)	22.0	21.2	25.0	24.6	25.3
PAT	3973	4010	5215	5749	6587
EPS (Rs)	16.6	16.7	21.7	24	27.5
P/E (x)	34.7	34.5	26.5	24.0	20.9
RoE (%)	9.6	8.9	11	10.8	11

(Source: Company, HDFC sec)



# One Year Price Chart



Stock	Analyst	Educational Qualification	Holding
Bandhan Bank	Atul Karwa	MMS Finance	No
Birla Corpn.	Jimit Zaveri	MBA - Finance	No
GAIL (India)	Abdul Karim	MBA	Yes
H P C L	Abdul Karim	MBA	No
Hind. Unilever	Karan Shah	BBA	No
Infosys	Abdul Karim	MBA	No
Nippon Life Ind.	Atul Karwa	MMS Finance	No
O N G C	Abdul Karim	MBA	No
St Bk of India	Atul Karwa	MMS Finance	No
Sun Pharma.	Kushal Rughani	MBA	No

#### Disclosure:

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Any holding in stock – No

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