

**RESEARCH**
**BOB Economics Research | RBI Measures**

RBI strikes again

**Container Corp of India | Target: Rs 420 | +13% | ADD**

Trade slowdown, ICD land purchase to remain overhangs

**VRL Logistics | Target: Rs 230 | +34% | BUY**

Correction offers attractive entry point

**HDFC Bank | Target: Rs 1,200 | +32% | BUY**

Turning to wholesale for growth

**NBFC**

RBI's Covid-19 measures positive but half-hearted

**Banking**

RBI announces fresh measures to cushion lockdown impact

**SUMMARY**
**India Economics: RBI Measures**

Following up on measures announced on 27 March, RBI today announced 1) 25bps reduction in reverse repo rate, 2) TLTRO of Rs 500bn for NBFCs, 3) Higher WMA limits for states, 4) Standstill on asset classification norms, and 5) Scope for further reduction in policy rates. With GDP growth at 1.5% and inflation at 3.8% in FY21, we see another 50bps reduction in repo rate. We also expect more targeted liquidity measures, restructuring to be allowed for stressed sectors and OMOs for transmission and ensuring financial stability.

[Click here for the full report.](#)

**TOP PICKS**
**LARGE-CAP IDEAS**

Company	Rating	Target
<a href="#">Bajaj Finance</a>	Buy	3,000
<a href="#">Cipla</a>	Buy	570
<a href="#">Eicher Motors</a>	Buy	25,000
<a href="#">Petronet LNG</a>	Buy	330
<a href="#">Reliance Industries</a>	Buy	1,500

**MID-CAP IDEAS**

Company	Rating	Target
<a href="#">Alkem Labs</a>	Buy	2,870
<a href="#">Greenply Industries</a>	Buy	145
<a href="#">Laurus Labs</a>	Buy	510
<a href="#">Transport Corp</a>	Buy	255
<a href="#">Ashok Leyland</a>	Sell	64

Source: BOBCAPS Research

**DAILY MACRO INDICATORS**

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	0.63	0bps	(9bps)	(193bps)
India 10Y yield (%)	6.44	2bps	23bps	(98bps)
USD/INR	76.79	(0.5)	(3.4)	(10.7)
Brent Crude (US\$/bbl)	27.82	0.5	(7.4)	(61.3)
Dow	23,538	0.1	16.6	(11.4)
Shanghai	2,820	0.3	1.1	(13.2)
Sensex	30,603	0.7	(2.5)	(21.8)
India FII (US\$ mn)	15 Apr	MTD	CYTD	FYTD
FII-D	44.2	(770.3)	(10,529.8)	(770.3)
FII-E	119.2	338.1	(6,264.9)	338.1

Source: Bank of Baroda Economics Research

**BOBCAPS Research**

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## Container Corp of India

The unprecedented trade slowdown triggered by Covid-19 clouds Container Corp's (CCRI) near-term prospects and has fuelled a 4% YoY drop in Q4FY20 volumes. Additionally, purchase of ICD land from Indian Railways remains an overhang on the stock till clarity emerges. We cut FY20-FY22 EPS by 4-21% baking in the Covid impact. Though we are yet to factor the land deal into estimates, we lower our target FY22E P/E multiple from 25x to 19x to reflect the business challenges. Our Mar'21 TP stands revised to Rs 420 (vs. Rs 630).

[Click here for the full report.](#)

## VRL Logistics

Covid-19 is likely to have a sharper near-term impact on VRL Logistics (VRL) vs. logistics peers due to its high operating leverage and focus on the hard-hit trucking space. But long-term value creation levers – vast network, large clientele, balance sheet quality, cost and capital efficiency – remain firmly in place. Sombre near-term prospects merit a steep cut – we slash FY21/FY22 EPS by 49%/22%, trim our target FY22E P/E to 20x vs. 22x, and move to a lower Mar'21 TP of Rs 230 (vs. Rs 325). Maintain BUY on favourable risk-reward post correction.

[Click here for the full report.](#)

## HDFC Bank

HDFC Bank's (HDFCB) Q4FY20 PAT at Rs 69bn (+18% YoY) was lower estimates as the bank created Rs 15.5bn Covid-related contingent provisions. The lockdown hit loan origination, product distribution and collections. The bank saw a low proportion of moratorium accounts, with ~95% of these not in default. Excluding the impact of forbearance, GNPA/NNPA would have been 10bps/6bps higher. Wholesale loan growth held strong while retail growth could be tepid in the next few quarters. Maintain BUY, Mar'21 TP Rs 1,200.

[Click here for the full report.](#)

## NBFC

RBI has announced key relief measures for NBFCs today, viz. targeted long-term repo operations (TLTRO) 2.0, special refinance facilities for All India Financial Institutions (AIFIs), and a one-year extension for real estate loans. Though the measures are welcome, we think banks will conservatively deploy monies only in NBFCs that offer comfort on credit and on commercial viability. Given the likelihood of selective deployment, we believe the regulator should step in to assume the burden of credit risk.

[Click here for the full report.](#)

## Banking

The RBI today announced the following additional liquidity measures to address near-term concerns amid the Covid-19 pandemic: (1) targeted long-term operations 2.0, (2) asset classification standstill for accounts availing of moratorium, (3) resolution timeline extended to 300 days, (4) distribution of FY20 dividend restricted, (5) liquidity coverage ratio reduced to 80%, and (6) reverse repo rate cut by 25bps.

[Click here for the full report.](#)

## RBI MEASURES

17 April 2020

### RBI strikes again

Following up on measures announced on 27 March, RBI today announced 1) 25bps reduction in reverse repo rate, 2) TLTRO of Rs 500bn for NBFCs, 3) Higher WMA limits for states, 4) Standstill on asset classification norms, and 5) Scope for further reduction in policy rates. With GDP growth at 1.5% and inflation at 3.8% in FY21, we see another 50bps reduction in repo rate. We also expect more targeted liquidity measures, restructuring to be allowed for stressed sectors and OMOs for transmission and ensuring financial stability.

Sameer Narang

Dipanwita Mazumdar | Sonal Badhan

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**Reduction in reverse repo rate:** RBI announced a 25bps reduction in reverse repo rate to 3.75% to incentivise banks to lend. This is in addition to 90bps reduction in reverse repo rate announced on 27 March 2020. This should incentivise banks who deposited Rs 4.9tn with RBI on 16 April 2020.

**Targeted liquidity:** RBI also announced targeted liquidity measures for NBFCs and MFIs with TLTRO 2.0 of Rs 500bn to begin with. SCBs outstanding lending to NBFCs/ MFIs is Rs 7tn. In addition to this, a refinance facility of Rs 500bn has been extended to NABARD, SIDBI and NHB. Given the lower revenues for states due to lockdown, WMA window for states has been increased by 60% from an increase of 30% announced earlier. This should help states in their spacing their borrowing needs. Notably, states had borrowed Rs 5.7tn in FY20 (+23%). *(Details in Regulatory Developments Section)*

**Breather for borrowers:** Standard borrowers as on 29 Feb 2020 who are taking benefit of moratorium to be given breather on 90-day asset classification norm. This has been extended to NBFCs as well who can be guided by IndAs standards. For all the accounts who are under standstill, a 10% provision will have to be made spread over Mar'20 and Jun'20. Commercial real estate projects were given one year extension of completion. The same has been extended to borrowers of NBFCs also.

**Policy space remains:** RBI Governor has indicated that policy space to reduce rates further exists as CPI inflation is expected to come down further. RBI has projected CPI inflation at 3.6% in FY21. A normal monsoon and muted core inflation due to lower aggregate demand implies inflation should come off. We believe there is room for another 50bps reduction in policy rate to support growth.

#### KEY HIGHLIGHTS

- Fixed rate repo reduced by 25bps to 3.75% from 4% earlier.
- Liquidity infusion and credit specific measures announced.
- RBI expects inflation to moderate to 3.6% in FY21.
- Policy space remains to boost growth.



**ADD**

TP: Rs 420 | ▲ 13%

**CONTAINER CORP OF  
INDIA**

| Logistics

| 17 April 2020

## Trade slowdown, ICD land purchase to remain overhangs

The unprecedented trade slowdown triggered by Covid-19 clouds Container Corp's (CCRI) near-term prospects and has fuelled a 4% YoY drop in Q4FY20 volumes. Additionally, purchase of ICD land from Indian Railways remains an overhang on the stock till clarity emerges. We cut FY20-FY22 EPS by 4-21% baking in the Covid impact. Though we are yet to factor the land deal into estimates, we lower our target FY22E P/E multiple from 25x to 19x to reflect the business challenges. Our Mar'21 TP stands revised to Rs 420 (vs. Rs 630).

Sayan Das Sharma

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**Near-term growth visibility shrouded:** After a weak FY20 where volumes slipped 2%, CCRI's near-term prospects remain uncertain. The global spread of Covid-19 and the ensuing lockdown across major economies is likely to fuel a decline in container trade in CY20. India's EXIM trade has also nosedived 31% YoY in March, with April likely to be worse. Factoring in trade headwinds, we model for a 3% volume decline for CCRI in FY21.

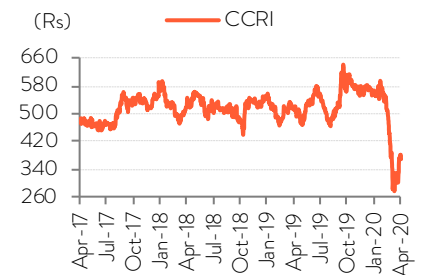
**ICD land purchase a concern:** Purchase of inland container depot (ICD) land currently leased from rail authorities could put pressure on CCRI's fundamentals. Though finer details of the deal are awaited, media sources suggest the transaction could be at the circle rate (~Rs 80bn) or market rate (~Rs 165bn). In our view, the deal would be negative for CCRI in many ways as it could reduce return ratios, dilute balance sheet quality, and limit pricing flexibility. It can also potentially offset DFC benefits and remain an overhang on the stock.

**Moats intact, maintain ADD:** Despite the headwinds, CCRI's competitive edge – strategic network of terminals, market leadership and vast asset base – remains intact. It is also primed to benefit from the shift to rail from road catalysed by the DFC. Thus, we maintain ADD at our revised TP of Rs 420. Unfavourable land purchase price and delay in privatisation are key downside risks.

Ticker/Price	CCRI IN/Rs 371
Market cap	US\$ 2.9bn
Shares o/s	609mn
3M ADV	US\$ 8.4mn
52wk high/low	Rs 666/Rs 263
Promoter/FPI/DII	55%/27%/13%

Source: NSE

## STOCK PERFORMANCE



Source: NSE

## KEY FINANCIALS

Y/E 31 Mar	FY18A	FY19A	FY20E	FY21E	FY22E
Total revenue (Rs mn)	58,910	65,098	65,372	65,763	81,212
EBITDA (Rs mn)	12,067	14,078	14,773	15,582	20,412
Adj. net profit (Rs mn)	10,619	12,154	9,847	9,950	13,204
Adj. EPS (Rs)	17.4	19.9	16.2	16.3	21.7
Adj. EPS growth (%)	12.4	14.5	(19.0)	1.0	32.7
Adj. ROAE (%)	11.7	12.3	9.5	9.4	11.7
Adj. P/E (x)	21.3	18.6	23.0	22.7	17.1
EV/EBITDA (x)	17.1	14.8	14.8	14.5	10.5

Source: Company, BOBCAPS Research



**BUY**

TP: Rs 230 | ▲ 34%

**VRL LOGISTICS**

Logistics

17 April 2020

## Correction offers attractive entry point

**Covid-19 is likely to have a sharper near-term impact on VRL Logistics (VRL) vs. logistics peers due to its high operating leverage and focus on the hard-hit trucking space. But long-term value creation levers – vast network, large clientele, balance sheet quality, cost and capital efficiency – remain firmly in place. Sombre near-term prospects merit a steep cut – we slash FY21/FY22 EPS by 49%/22%, trim our target FY22E P/E to 20x vs. 22x, and move to a lower Mar'21 TP of Rs 230 (vs. Rs 325). Maintain BUY on favourable risk-reward post correction.**

Sayan Das Sharma

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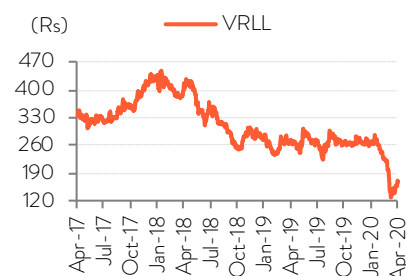
**Tumultuous operating climate:** Amidst the national lockdown, VRL is combating several issues including a plunge in demand, obstacles to truck movement and manpower shortages in the goods transport segment. Its bus operations have also been stalled. Even after the lockdown is lifted, it may take 2-3 weeks for trucking operations to normalise. VRL's profitability is likely to be among the worst hit in our logistics coverage due to its higher operating leverage vs. peers, stemming from its asset-intensive business model. We therefore build in a revenue/EBITDA decline of 3%/13% in FY21.

Ticker/Price	VRL IN/Rs 171
Market cap	US\$ 202.3mn
Shares o/s	90mn
3M ADV	US\$ 0.2mn
52wk high/low	Rs 316/Rs 130
Promoter/FPI/DII	68%/5%/21%

Source: NSE

**Equipped to weather the storm:** We expect VRL to weather the industry turmoil due to its strengths of (1) low leverage (0.3x FY20E debt/EBITDA), (2) lean working capital (13 days), (3) wide network (917 locations, 47 hubs), and (4) large, diversified clientele (top 10 clients form only 5% of revenue). We anticipate a growth revival from Q4FY21 onwards and bake in 11%/23% topline/EBITDA growth in FY22.

## STOCK PERFORMANCE



Source: NSE

**Likely industry consolidation a positive:** Industry sources suggest that a number of small fleet operators may be forced to shut down operations amidst the pandemic-led trade slowdown. Industry consolidation should enable VRL to cement its leadership in the fragmented LTL segment.

## KEY FINANCIALS

Y/E 31 Mar	FY18A	FY19A	FY20E	FY21E	FY22E
Total revenue (Rs mn)	19,223	21,095	21,112	20,463	22,733
EBITDA (Rs mn)	2,342	2,440	3,106	2,694	3,313
Adj. net profit (Rs mn)	926	919	1,026	598	1,048
Adj. EPS (Rs)	10.2	10.2	11.4	6.6	11.6
Adj. EPS growth (%)	32.7	(0.7)	11.7	(41.8)	75.3
Adj. ROAE (%)	16.3	14.8	15.1	8.2	13.7
Adj. P/E (x)	16.7	16.8	15.1	25.9	14.8
EV/EBITDA (x)	7.5	6.9	5.3	6.2	4.9

Source: Company, BOBCAPS Research



**BUY**

TP: Rs 1,200 | ▲ 32%

**HDFC BANK**

| Banking

| 18 April 2020

## Turning to wholesale for growth

**HDFC Bank's (HDFCB) Q4FY20 PAT at Rs 69bn (+18% YoY) was lower estimates as the bank created Rs 15.5bn Covid-related contingent provisions. The lockdown hit loan origination, product distribution and collections. The bank saw a low proportion of moratorium accounts, with ~95% of these not in default. Excluding the impact of forbearance, GNPA/NNPA would have been 10bps/6bps higher. Wholesale loan growth held strong while retail growth could be tepid in the next few quarters. Maintain BUY, Mar'21 TP Rs 1,200.**

Vikesh Mehta

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**Covid-related impact manageable in Q4:** Management highlighted that the share of retail customers applying for moratorium was in the low single digits, with 95-98% of these customers not being in default but applying for the reprieve as a conservative measure. GNPA/NNPA/slippage ratios stood at 1.3%/0.4%/1.2% in Q4 and had 10bps/6bps/40bps of forbearance impact.

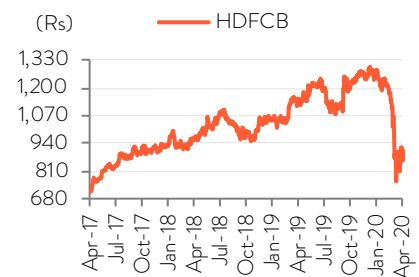
**Built contingent provisions to strengthen balance sheet:** HDFCB built in Covid-19-related contingent provisions worth Rs 15.5bn in Q4 and believes this is higher than that mandated by RBI. Excess liquidity on the balance sheet had a 10bps negative impact on NIM which stood at 4.3%. Card spends in the second half of Mar'20 were 35% lower than the similar periods in Jan/Feb'20.

**Market share gains continue:** HDFCB's wholesale portfolio grew 29% YoY given demand for working capital, capex and NCLT-related purchases from PSUs, nodal agencies, private corporates and MNC entities operating in the power, power infrastructure, agriculture and allied sectors. The bank's wholesale book is fairly diversified across sectors and geographies with 75-80% of the book rated AA & above. Retail loan growth is expected to be tepid over the next few quarters. About 80% of the unsecured portfolio is to salaried clients, 67% of which are employed with AA- &-above, government or MNC entities.

Ticker/Price	HDFCB IN/Rs 910
Market cap	US\$ 32.5bn
Shares o/s	2,733mn
3M ADV	US\$ 193.2mn
52wk high/low	Rs 1,306/Rs 739
Promoter/FPI/DII	27%/39%/34%

Source: NSE

## STOCK PERFORMANCE



Source: NSE

## KEY FINANCIALS

Y/E 31 Mar	FY18A	FY19A	FY20A	FY21E	FY22E
Net interest income	400,949	482,432	561,863	685,104	776,833
NII growth (%)	21.0	20.3	16.5	21.9	13.4
Adj. net profit (Rs mn)	174,867	210,782	262,573	300,015	333,709
EPS (Rs)	33.9	39.6	48.0	54.7	60.9
P/E (x)	26.8	23.0	18.9	16.6	15.0
P/BV (x)	4.4	3.3	2.9	2.5	2.2
ROA (%)	1.8	1.8	1.9	1.8	1.7
ROE (%)	17.9	16.5	16.4	16.2	15.8

Source: Company, BOBCAPS Research



 **NBFC**

17 April 2020

**RBI's Covid-19 measures positive but half-hearted**

RBI has announced key relief measures for NBFCs today, viz. targeted long-term repo operations (TLTRO) 2.0, special refinance facilities for All India Financial Institutions (AIFIs), and a one-year extension for real estate loans. Though the measures are welcome, we think banks will conservatively deploy monies only in NBFCs that offer comfort on credit and on commercial viability. Given the likelihood of selective deployment, we believe the regulator should step in to assume the burden of credit risk.

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**Banks will be selective in TLTRO 2.0:** Based on our interactions with treasury officials of various PSU banks, we expect lively bidding for TLTRO 2.0. Banks will most likely deploy at least 50% of these funds (a) towards NBFCs rated between BBB- and AA- and (b) only in cases where it makes commercial sense. We see a strong likelihood of banks charging 600-700bps over repo rate to NBFCs and MFIs. Further, deployment will likely be limited to entities with longstanding relationships and strong credit comfort.

**Similar conservative approach likely in AIFI refinancing:** AIFIs such as NABARD, SIDBI and NHB have been permitted special refinance facilities of Rs 250bn, Rs 150bn and Rs 100bn respectively. We believe this additional funding would have a salutary effect on the refinancing liabilities of NBFCs, MFIs and HFCs. At the same time, AIFIs will be highly cautious while assessing credit risk and will price in their risk for on-lending operations.

**Breather on asset recognition/real estate loans:** RBI announced that NBFCs will not have to treat moratorium accounts as impaired accounts under Ind-AS. We believe this will allow lenders to create additional provision buffers against these exposures, which can be later used for any delinquencies. NBFCs have also been permitted to extend commercial real estate loans by a year from the date of commencement of commercial operations (DCCO). This should provide relief to NBFCs as well as the real estate sector.





**BANKING**

17 April 2020

**RBI announces fresh measures to cushion lockdown impact**

The RBI today announced the following additional liquidity measures to address near-term concerns amid the Covid-19 pandemic:

**Vikesh Mehta**

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**Targeted long-term operations (TLTRO) 2.0:** RBI will conduct TLTROs amounting to Rs 0.5tn. Liquidity availed by banks under this scheme will have to be deployed in investment-grade bonds, commercial paper, and non-convertible debentures of NBFCs, with at least 50% of the amount availed directed to small and mid-sized NBFCs and MFIs. This move is aimed at ensuring that NBFCs and MFIs have access to funds, but we believe risk aversion by banks, especially private banks, will continue.

**Asset classification standstill for accounts availing of moratorium:** The central bank has allowed banks to exclude all standard accounts (as on 1 Mar 2020) availing of moratorium from the 90-day NPA norm. But RBI has asked banks to build 10% provisions over Q4FY20 and Q1FY21 on accounts under the standstill. These can later be adjusted against provisioning requirements in case of slippage. We view this as a negative for banks as our checks suggest that a large number of retail borrowers could avail of the moratorium, raising the provisioning burden.

**Resolution timeline extended to 300 days:** For large accounts under default, an additional 20% provision has to be made if resolution is not completed within 210 days. Given the current volatile environment, the resolution period has been extended by another 90 days. This extension would reduce provisioning needs, offering some respite to corporate lenders.

**Distribution of FY20 dividend restricted:** Banks are now restricted from distributing dividends out of profits pertaining to FY20 – a decision that will be reviewed based on their financial position as on Q2FY21. This step will aid capital conservation for banks.

**Liquidity coverage ratio (LCR) reduced to 80%:** In order to ease the liquidity position further, LCR requirement for banks has been reduced to 80% from 100% with immediate effect. This requirement shall be gradually restored to original levels in two phases – 90% by 1 Oct 2020 and 100% by 1 Apr 2021.

**Reverse repo rate cut by 25bps:** To uplift credit growth and discourage banks from parking funds with the central bank, the fixed reverse repo rate under the liquidity adjustment facility (LAF) has been reduced by 25bps to 3.75%.



## Disclaimer

### Recommendations and Absolute returns (%) over 12 months

**BUY** – Expected return >+15%

**ADD** – Expected return from >+5% to +15%

**REDUCE** – Expected return from -5% to +5%

**SELL** – Expected return <-5%

**Note:** Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

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