

RESEARCH
Cipla | Target: Rs 570 | +19% | BUY

All-round beat – India drives 6-11% EPS upgrade; retain BUY

Manappuram Finance | Target: Rs 195 | +16% | BUY

Healthy growth in gold and microfinance businesses

Lupin | Target: Rs 840 | +9% | ADD

Q2 a slight miss; US to improve in H2

Transport Corp of India | Target: Rs 365 | +27% | BUY

Growth subdued across segments

SUMMARY
Cipla

Cipla reported a strong quarter with an EBITDA beat of 30%/11% on our/consensus estimates due to a surprise recovery in India sales (up 29% QoQ), 100bps sequential improvement in core margins, and better growth across EM/ EU/US. The beat was despite limited delta from Q1 spillover EM sales. Q2 commentary on normalisation of the trade generics business, plus the 200bps tax reduction are incrementally positive in our view, leading to a 6-11% EPS upgrade for FY20-FY22. Retain BUY with a revised TP of Rs 570 (vs. Rs 555).

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

Manappuram Finance

Manappuram Finance's (MGFL) gold AUM surged 20% YoY to Rs 152bn in Q2FY20, clocking the highest growth rate in the past 11 quarters. Despite buoyant gold prices, MGFL prudently maintained LTV at 60% on the gold book. Higher spreads and range-bound opex fuelled 30% YoY growth in adj. operating profit to Rs 4.1bn. Adj. PAT grew 45% YoY to Rs 2.8bn aided by low credit cost of 10bps. Asirvad MFI also continued its momentum. We raise FY20- FY22 earnings by 6-9% and roll to a new Mar'21 TP of Rs 195 (vs. Rs 165).

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

TOP PICKS
LARGE-CAP IDEAS

Company	Rating	Target
Cipla	Buy	570
GAIL	Buy	200
HPCL	Buy	400
ONGC	Buy	200
TCS	Add	2,230

MID-CAP IDEAS

Company	Rating	Target
Alkem Labs	Buy	2,230
Future Supply	Buy	680
Greenply Industries	Buy	200
Laurus Labs	Buy	480
PNC Infratech	Buy	250

Source: BOBCAPS Research

DAILY MACRO INDICATORS

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	1.86	8bps	33bps	(137bps)
India 10Y yield (%)*	6.72	3bps	3bps	(108bps)
USD/INR	70.69	0.1	0.3	3.2
Brent Crude (US\$/bbl)	62.96	1.3	7.9	(12.7)
Dow	27,493	0.1	3.5	7.2
Shanghai	2,992	0.5	3.0	12.5
Sensex	40,248	(0.1)	6.8	15.0
India FII (US\$ mn)	4 Nov	MTD	CYTD	FYTD
FII-D	146.8	380.4	5,067.3	4,522.6
FII-E	11.5	266.4	10,489.2	3,644.0

Source: Bank of Baroda Economics Research | *7.26% GS 2029

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Lupin

Core Q2 EBITDA, normalised for licensing income, was a 5% miss at Rs 6bn (flat QoQ). Regional sales mix was 3% below estimate. US sales were stable at US\$ 189mn; management expects a robust H2 aided by the Levothyroxine franchise and four injectable launches in Q4. Capacity expansion in Levo will come in early next year but ramp-up is ahead of schedule, per Lupin (LPC). While FY21 growth drivers are on track, the gProventil launch has been moved to H1FY21. Goa/Somerset site reinspection is expected by Q4. Retain ADD.

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

Transport Corp of India

Transport Corp (TRPC) saw muted consolidated revenue/EBITDA growth of 1%/2% YoY in Q2FY20 as the weak demand climate weighed on segmental performance. Higher contribution from the Transystem JV (+50% YoY) and restatement of deferred tax boosted adj. PAT (48% YoY). Though near-term headwinds persist, client addition in the SCS segment, growing LTL share, and steady growth in seaways are key positives. We trim FY20-FY22 EBITDA by 2-4%; on rolling valuations over to Mar'22, we retain our TP of Rs 365.

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

BUY

TP: Rs 570 | ▲ 19%

CIPLA

Pharmaceuticals

06 November 2019

All-round beat – India drives 6-11% EPS upgrade; retain BUY

Cipla reported a strong quarter with an EBITDA beat of 30%/11% on our/ consensus estimates due to a surprise recovery in India sales (up 29% QoQ), 100bps sequential improvement in core margins, and better growth across EM/ EU/US. The beat was despite limited delta from Q1 spillover EM sales. Q2 commentary on normalisation of the trade generics business, plus the 200bps tax reduction are incrementally positive in our view, leading to a 6-11% EPS upgrade for FY20-FY22. Retain BUY with a revised TP of Rs 570 (vs. Rs 555).

Vivek Kumar

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Strong India sales drive EPS upgrade, ROW/US upbeat: India sales rose 29% QoQ, led by a 61% recovery in trade generics. Branded sales grew 13% YoY. India business beat estimates by >Rs 2bn; growth should sustain in coming quarters, ex-acute seasonality. Also, Q2 had limited delta from Q1 spillover EM sales (realised US\$ 5mn vs. US\$ 15mn in Q1), indicating H2 should see good momentum. This coupled with a 200bps drop in ETR from the new tax regime drives our FY21/FY22 EPS raise of 6-11%. Cipla expects gross margins to stay at 66% levels over the next 4-6 quarters. SG&A should rise on specialty field force buildup ahead of Tramadol IV approval and Plazomicin ramp-up by FY22.

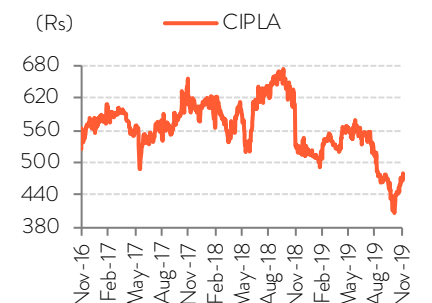
US base stable; gAlbuterol launch moved to H1FY21: US sales were a tad higher than estimates at US\$ 135mn, including gSensipar which has stabilised materially (Cipla retains major 40% share). Ex-Sensipar, we believe base business EBITDA margins have improved ~100bps QoQ/~200bps YoY. Shift in launch of gAlbuterol from Q4FY20 is due to additional test data needed by the FDA.

Call takeaways: (1) Limited competition launches (+US\$ 15mn in value terms) to resume from Q4 in the US. (2) Top 3 products form 30% of US sales. (3) Advair filing on track for FY20-end. (4) Response on Goa 483s submitted to FDA.

Ticker/Price	CIPLA IN/Rs 481
Market cap	US\$ 5.5bn
Shares o/s	806mn
3M ADV	US\$ 19.8mn
52wk high/low	Rs 586/Rs 390
Promoter/FPI/DII	37%/26%/13%

Source: NSE

STOCK PERFORMANCE



Source: NSE

KEY FINANCIALS

Y/E 31 Mar	FY18A	FY19A	FY20E	FY21E	FY22E
Total revenue (Rs mn)	152,181	163,604	169,751	179,280	192,699
EBITDA (Rs mn)	28,254	30,955	33,166	34,944	38,654
Adj. net profit (Rs mn)	12,340	13,409	16,057	17,667	20,160
Adj. EPS (Rs)	15.3	16.6	19.9	21.9	25.0
Adj. EPS growth (%)	(0.2)	8.7	19.7	10.0	14.1
Adj. ROAE (%)	8.9	9.0	10.1	10.2	10.6
Adj. P/E (x)	31.4	28.9	24.1	21.9	19.2
EV/EBITDA (x)	14.7	13.2	12.2	10.9	9.5

Source: Company, BOBCAPS Research



BUY

TP: Rs 195 | ▲ 16%

**MANAPPURAM
FINANCE**

| NBFC

| 07 November 2019

Healthy growth in gold and microfinance businesses

Manappuram Finance's (MGFL) gold AUM surged 20% YoY to Rs 152bn in Q2FY20, clocking the highest growth rate in the past 11 quarters. Despite buoyant gold prices, MGFL prudently maintained LTV at 60% on the gold book. Higher spreads and range-bound opex fuelled 30% YoY growth in adj. operating profit to Rs 4.1bn. Adj. PAT grew 45% YoY to Rs 2.8bn aided by low credit cost of 10bps. Asirvad MFI also continued its momentum. We raise FY20-FY22 earnings by 6-9% and roll to a new Mar'21 TP of Rs 195 (vs. Rs 165).

Shubhranshu Mishra

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Buoyant gold prices fuel AUM growth: At Rs 152bn, MGFL's gold loan AUM grew 20% YoY in Q2FY20, the fastest in the past 11 quarters. This was largely driven by 7% YoY volume growth to 72tonnes. Despite buoyant gold prices, the company has been prudent in maintaining LTV on the gold portfolio at ~60%.

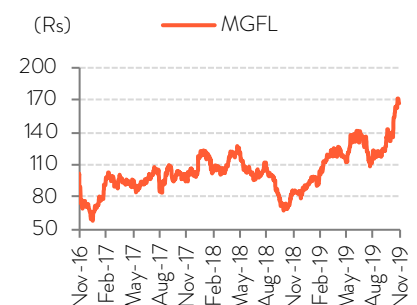
Stronger spreads and cost control bolster operating profit: Spreads (calc.) on gold finance increased 80bps YoY to 19.2%, driven by better yields (+200bps YoY; calc.) and prudent treasury management. Range-bound opex of Rs 29bn-30bn in the last 5 quarters resulted in a lower expense ratio of 8.4% (-100bps YoY). Excluding a Rs 300mn tax write-back, operating profit grew 30% YoY to Rs 4.1bn.

Credit costs benign; MFI performance healthy: Credit costs were contained at 10bps of AUM, resulting in 45% YoY growth in adj. PAT to Rs 2.8bn. Asirvad MFI AUM grew 73% YoY to Rs 47bn largely driven by new customers. The MFI business remains well capitalised at 26%.

Ticker/Price	MGFL IN/Rs 168
Market cap	US\$ 2.0bn
Shares o/s	843mn
3M ADV	US\$ 9.6mn
52wk high/low	Rs 174/Rs 108
Promoter/FPI/DII	35%/43%/5%

Source: NSE

STOCK PERFORMANCE



Source: NSE

KEY FINANCIALS

Y/E 31 Mar	FY18A	FY19A	FY20E	FY21E	FY22E
Net interest income	20,943	23,525	26,723	30,660	33,468
NII growth (%)	5.0	12.3	13.6	14.7	9.2
Adj. net profit (Rs mn)	6,889	7,884	10,715	12,329	13,430
EPS (Rs)	8.2	9.4	12.7	14.6	15.9
P/E (x)	20.5	17.9	13.2	11.5	10.5
P/BV (x)	3.7	3.2	2.7	2.4	2.0
ROA (%)	5.0	4.9	5.5	5.5	5.4
ROE (%)	19.4	19.3	22.5	22.1	20.7

Source: Company, BOBCAPS Research



ADD

TP: Rs 840 | ▲ 9%

LUPIN

Pharmaceuticals

07 November 2019

Q2 a slight miss; US to improve in H2

Core Q2 EBITDA, normalised for licensing income, was a 5% miss at Rs 6bn (flat QoQ). Regional sales mix was 3% below estimate. US sales were stable at US\$ 189mn; management expects a robust H2 aided by the Levothyroxine franchise and four injectable launches in Q4. Capacity expansion in Levo will come in early next year but ramp-up is ahead of schedule, per Lupin (LPC). While FY21 growth drivers are on track, the gProventil launch has been moved to H1FY21. Goa/Somerset site reinspection is expected by Q4. Retain ADD.

Vivek Kumar

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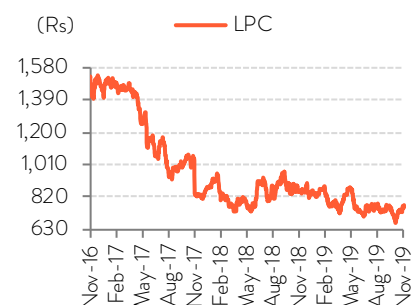
Base margins down QoQ; US sales to improve in H2: While core EBITDA was flat QoQ, the base margin at 14.2% (ex-licensing income) fell 150bps. Near-term margin gains appear unlikely given an expected increase in R&D spend (~10% of sales). Substantial operating leverage from US business (full-year impact of Levo, inj. portfolio, Solosec, gProAir) and cost control will be visible from FY21. LPC continues to target 20% share in Levo by Mar'20 (<5% now) and +65% gross margin. We expect US\$ 440mn in US sales in H2 (\$409mn in H1).

Ticker/Price	LPC IN/Rs 771
Market cap	US\$ 4.9bn
Shares o/s	453mn
3M ADV	US\$ 14.7mn
52wk high/low	Rs 906/Rs 646
Promoter/FPI/DII	47%/25%/12%

Source: NSE

Earnings call takeaways: (1) US\$ 150mn peak sales target on Solosec retained. (2) Expects to launch gEnbrel in Q1FY21 in the EU. (3) gProAir launch moved from Q4FY20 to H1FY21. (4) Second price cut likely in Japan in Dec'19, with focus on cost optimisation as market remains under pressure. (5) Settlement provision of US\$ 53.4mn relates to sales made prior to 2012. (6) US branded sales were US\$ 5mn, flat QoQ. (7) 20 launches in the US/filing rate of 25-30 ANDAs planned for FY21. (8) Levo price erosion lower than traditional drugs.

STOCK PERFORMANCE



Source: NSE

Maintain ADD: We retain our FY21/FY22 EPS estimates and believe the stock is partly pricing in expected EPS growth of 22% over the next two years – hence, maintain ADD with a TP of 840 (12x Sep'21E EV/EBITDA).

KEY FINANCIALS

Y/E 31 Mar	FY18A	FY19A	FY20E	FY21E	FY22E
Total revenue (Rs mn)	158,021	167,010	177,435	196,191	210,728
EBITDA (Rs mn)	31,453	27,020	30,142	35,304	39,624
Adj. net profit (Rs mn)	17,137	9,464	10,319	14,809	17,125
Adj. EPS (Rs)	37.9	20.9	22.8	32.7	37.8
Adj. EPS growth (%)	(41.5)	(44.8)	9.0	43.5	15.6
Adj. ROAE (%)	12.6	6.9	7.4	10.3	11.3
Adj. P/E (x)	20.4	36.9	33.8	23.6	20.4
EV/EBITDA (x)	12.7	14.9	13.2	11.4	10.1

Source: Company, BOBCAPS Research



BUY

TP: Rs 365 | ▲ 27%

TRANSPORT CORP OF INDIA

| Logistics

| 06 November 2019

Growth subdued across segments

Transport Corp (TRPC) saw muted consolidated revenue/EBITDA growth of 1%/2% YoY in Q2FY20 as the weak demand climate weighed on segmental performance. Higher contribution from the Transystem JV (+50% YoY) and restatement of deferred tax boosted adj. PAT (48% YoY). Though near-term headwinds persist, client addition in the SCS segment, growing LTL share, and steady growth in seaways are key positives. We trim FY20-FY22 EBITDA by 2-4%; on rolling valuations over to Mar'22, we retain our TP of Rs 365.

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Sedate growth across segments: TRPC's freight division grew at a modest 3% YoY due to subdued demand and a high base of Q2FY19. In seaways, increased competitive pressure dented volumes and realisations on the west coast, capping growth at 8% YoY. SCS revenue declined 3% YoY but was resilient compared to the plummeting volumes of key auto clients, with non-auto verticals lending support (+15-20% YoY). Considering the challenges, management lowered FY20 topline growth guidance to 8-10% from 11-12%.

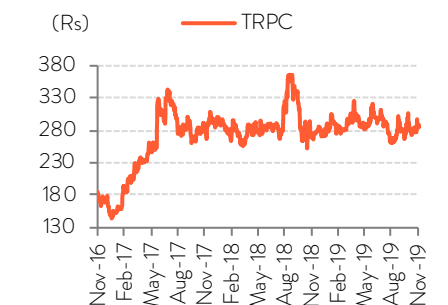
Ticker/Price	TRPC IN/Rs 288
Market cap	US\$ 310.8mn
Shares o/s	77mn
3M ADV	US\$ 0.1mn
52wk high/low	Rs 330/Rs 250
Promoter/FPI/DII	67%/2%/10%

Source: NSE

Margins buoyant: Despite a muted topline, EBITDA margin was steady at 8.6% (+7bps YoY). EBIT margins in seaways/freight expanded 230bps/17bps YoY, while that of SCS fell 80bps YoY due to lower revenue.

Key developments: TRPC has added several new clients in the SCS segment across FMCG, e-commerce and auto verticals. Warehousing revenue is also growing steadily. A new ~28,400dwt ship will bolster its presence in the southwest coast, which is expected to contribute revenues from Q4.

STOCK PERFORMANCE



Source: NSE

Maintain TP: We trim FY20-FY22 revenue and EBITDA estimates by 2-4%. On rollover, our SOTP-based Mar'21 TP remains at Rs 365. Retain BUY.

KEY FINANCIALS

Y/E 31 Mar	FY18A	FY19A	FY20E	FY21E	FY22E
Total revenue (Rs mn)	23,499	27,536	29,433	34,312	40,109
EBITDA (Rs mn)	2,165	2,495	2,741	3,305	3,935
Adj. net profit (Rs mn)	1,238	1,460	1,647	1,902	2,322
Adj. EPS (Rs)	16.2	19.0	21.5	24.8	30.3
Adj. EPS growth (%)	52.4	17.7	12.8	15.5	22.0
Adj. ROAE (%)	17.6	17.7	17.1	17.0	17.9
Adj. P/E (x)	17.8	15.1	13.4	11.6	9.5
EV/EBITDA (x)	11.9	10.6	9.7	7.9	6.6

Source: Company, BOBCAPS Research



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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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