

**RESEARCH**
**[Sector Report] Pharmaceuticals**

mRNA technology a threat to anti-HIV players

**BOB Economics Research | States Update**

State elections: Economic status of states

**BOB Economics Research | Trade**

Exports and imports moderate in Jan'22

**Greenply Industries | Target: Rs 260 | +35% | BUY**

New capacities to cater the growing demand

**SUMMARY**
**[Sector Report] Pharmaceuticals**

- HIV vaccine development boosted by inclusion of the mRNA platform following its track record of rapid Covid-19 jab rollout
- Moderna recruiting volunteers for phase-1 trial of its mRNA HIV vaccine; experts expect successful outcome as early as CY23
- New vaccine likely to be prophylactic initially but may cause disruptions for Indian ARV majors LAURUS, ARBP and CIPLA

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

**India Economics: States Update**

With 5 states (13.2% of India's GDP) entering their Assembly elections, it is interesting to see how they stack up in relative terms on economic and social indicators. Understandably, the economic indicators may not quite have a bearing on voting patterns, but such a comparison will not only show the progress made between the last two Elections but point to the tasks on hand for the new government that comes to power. Notably, growth in larger States such as UP, Punjab have not picked up much.

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

**Daily macro indicators**

Indicator	11-Feb	14-Feb	Chg (%)
US 10Y yield (%)	1.94	1.99	5
India 10Y yield (%)	6.7	6.67	(3)
USD/INR	75.38	75.60	(0.3)
Brent Crude (US\$/bbl)	94.4	96.5	2.2
Dow	34,738	34,566	(0.5)
Hang Seng	24,907	24,557	(1.4)
Sensex	58,153	56,406	(3.0)
India FII (US\$ mn)	10-Feb	11-Feb	Chg (\$ mn)
FII-D	(4.7)	(7.3)	(2.6)
FII-E	(225.9)	46.6	272.5

Source: Bank of Baroda Economics Research

**BOBCAPS Research**

researchreport@bobcaps.in



### India Economics: Trade

India's trade deficit in FYTD22 has surged to US\$ 154.8bn from US\$ 73.6bn in FYTD21. This has been due to higher imports led by revival in domestic activity and higher commodity prices. Exports too have remained buoyant at US\$ 338bn in FYTD22, and are likely to exceed the government's target of US\$ 400bn in FY22. However, rising oil prices (above ~US\$ 90/bbl currently) are likely to inflate the oil import bill. This will put pressure on trade deficit and INR.

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

### Greenply Industries

- Consolidated Q3 revenue grew 24% YoY backed by 11% increase in plywood volumes and 7% rise in price realisation for India operations
- Consolidated operating margin stood at 10.2% (11% excluding non-cash ESOP cost of Rs 30mn; down 130bps YoY)
- Reiterate BUY with an unchanged TP of Rs 260 based on 22x FY24E EPS

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

**PHARMACEUTICALS**

15 February 2022

**mRNA technology a threat to anti-HIV players**

- **HIV vaccine development boosted by inclusion of the mRNA platform following its track record of rapid Covid-19 jab rollout**
- **Moderna recruiting volunteers for phase-1 trial of its mRNA HIV vaccine; experts expect successful outcome as early as CY23**
- **New vaccine likely to be prophylactic initially but may cause disruptions for Indian ARV majors LAURUS, ARBP and CIPLA**

**Surajit Pal | Saad Shaikh**  
researchreport@bobcaps.in

**Strong potential for mRNA to transform vaccinology market:** Given the frequent emergence of novel virus-led diseases such as Zika, Ebola, avian flu, swine flu, MERS, SARS and now SARS NCov-2 (Covid-19), a new platform to expedite vaccine development was the need of the hour as the traditional process takes over a decade. Further, diseases such as AIDS and herpes remain unaddressed since the 70s due to viral immune evasion. The advent of the flexible and efficient mRNA platform commercially and successfully used by companies such as Moderna to combat Covid fills this void. Both Pfizer/BioNtech and Moderna rolled out Covid vaccines using the mRNA platform within less than 12 months of genome sequence release by China.

**mRNA application for HIV a natural corollary:** With a massive cache of knowledge from a plethora of failed experiments in HIV vaccine development, mRNA technology offers the perfect platform to empower the human immune system to identify and raise a protective shield against HIV. This platform has the potential to match the agility and flexibility of the AIDS virus as it is fully equipped with the genome structure of all existing mutations, as chronicled by research foundations across nations.

**Moderna begins trial of first mRNA HIV vaccine with key sponsors:** Moderna has started recruiting volunteers for its phase-1 clinical trial of an mRNA HIV vaccine. It plans to enrol 56 healthy volunteers to test the safety of two variants of the same vaccine (mRNA-1644 and mRNA-164V2-Core), in collaborations with IAVI (International AIDS Vaccine Initiative) and BMGF (Bill and Melinda Gates Found.).

**Headwinds for LAURUS, ARBP, CIPLA, Hetero if Moderna succeeds:** Experts expect a successful outcome from Moderna trials as early as CY23. A potential HIV vaccine is likely to cause disruptions for large antiretroviral (ARV) majors such as LAURUS, ARBP, CIPLA (listed) and Hetero Drugs (unlisted). ARV sales with multilateral organisations and governments contribute 8-10% of revenues for Indian listed majors while the stakes are higher for Hetero and LAURUS (40-60% contribution from HIV drugs). However, we believe these threats are back-ended and expect CIPLA and ARBP to scale up their non-ARV sales in the interim. Maintain BUY on CIPLA (TP: Rs 1,160) and ARBP (TP: Rs 850) and HOLD on LAURUS (TP: Rs 570).

**Recommendation snapshot**

Ticker	Price	Target	Rating
ARBP IN	680	850	BUY
CIPLA IN	955	1,160	BUY
LAURUS IN	528	570	HOLD

Price & Target in Rupees | Price as of 14 Feb 2022



## STATES UPDATE

15 February 2022

### State elections: Economic status of states

- With 5 states (13.2% of India's GDP) entering their Assembly elections, it is interesting to see how they stack up in relative terms on economic and social indicators. Understandably, the economic indicators may not quite have a bearing on voting patterns, but such a comparison will not only show the progress made between the last two Elections but point to the tasks on hand for the new government that comes to power. Notably, growth in larger States such as UP, Punjab have not picked up much.

**Madan Sabnavis**  
 chief.economist@bankofbaroda.com

Dipanwita Mazumdar | Sonal Badhan

We have done a comparative analysis of these States in terms of economic and social indicators. Indicators such as project announcements, capital outlay/total expenditure, and credit metrics show to an extent the impact of lockdown.

**Growth:** UP and Punjab have the highest share in overall GSDP at 8.2% and 2.5% respectively. A CAGR analysis have shown that UP recorded a lower growth of 1.9% between FY27-FY21 as against 6.9% between FY12-17. Sector wise, share of services has picked up for UP, Uttarakhand and Goa, while share of industry has fallen for all the states. Even the share of agriculture has fallen except for Manipur.

**Eliminating Covid-19 period:** Interestingly, if we compare the CAGR between FY17-20 with the same period in previous election cycle (FY12-15), we get similar results. Growth has been better in smaller states such as Goa (1.2% versus -1.8%) and Manipur (6.6% versus 5.7%), while it was constant at 5.4% for Punjab. In case of UP, it was at 4.9% against 4.8%.

**Inflation pressure reigns:** In FY21, CPI inflation in States such as Uttarakhand (8.1%), Goa (6.9%) have remained elevated (national average: 6.2%). In UP, it was at 6.1% in FY21. In FYTD22 as well, inflation has picked up in all States (except Manipur). It was at 6% in Uttarakhand, 5.2% in Goa, and 5.1% in Punjab and UP (national average: 5.2%).

**Investment:** Investment has been a cause of worry for States. New Project announcements have fallen in FY21 compared with FY17, due to the pandemic. The capital outlay to total expenditure ratio has fallen sharply for UP in FY21 to 16.4% from 22.2% in FY17. Notably, for FY22, all States are expected to witness an increase in capital outlay/total expenditure, which may be growth positive.

**Social indicators:** Except UP, unemployment ratio has increased in all States in FYTD22 against FY12. Per capita income rose the most for Goa followed by Uttarakhand, compared to FY17. Social spending have moderated across the board (except Manipur).



## TRADE

15 February 2022

**Exports and imports moderate in Jan'22**
**Aditi Gupta**  
 Economist

India's trade deficit in FYTD22 has surged to US\$ 154.8bn from US\$ 73.6bn in FYTD21. This has been due to higher imports led by revival in domestic activity and higher commodity prices. Exports too have remained buoyant at US\$ 338bn in FYTD22, and are likely to exceed the government's target of US\$ 400bn in FY22. However, rising oil prices (above ~US\$ 90/bbl currently) are likely to inflate the oil import bill. This will put pressure on trade deficit and INR.

**Export pace weakens in Jan'22:** India's exports moderated to US\$ 34.5bn in Jan'22 (25.3% YoY) from a record-high of US\$ 37.8bn in Dec'21 (38.9%). Oil exports moderated more than non-oil exports. In FYTD22 (Apr-Jan), India's exports have increased at a solid pace of 47.8% to US\$ 338bn, compared with a decline of 13.4% in the same period last year. Improvement in global demand has contributed to the strong export performance. Oil exports have risen sharply by 150% in FYTD22 compared with a dip of 44.4% in FYTD21. In comparison, non-oil exports have risen by 38% compared with a decline of 8.6% in FYTD21. Within non-oil exports, significant improvement can be seen in the exports of gems and jewellery (62.9% in FYTD22 versus -29.3% in FYTD21), textiles (46.9% versus -9.2%), engineering goods (50.8% versus 0.8%) and chemicals (33.2% versus 7.1%). On the other hand, exports of agricultural products (14.6% from 17.5%) and drugs and pharmaceuticals (0.5% from 28.8%) has decelerated. *Compared with FY20, India's exports have increased at a robust pace of 28% during Apr'21-Jan'22.*

**Imports elevated:** Imports growth too moderated to an 11-month low of 23.6% in Jan'22 from 38.5% in Dec'21. While oil and gold imports dipped in Jan'22, non-oil-non-gold imports were broadly stable. On FYTD22 basis, imports have increased by 63% compared with a decline of 25.4% in FYTD21. In the same period, gold imports have increased by 94.1% versus a decline of 15.5% in FYTD21. It must be noted that gold prices declined by 1.9% in FYTD22 compared with an increase of 27.9% in FYTD21. Oil imports too have increased sharply by 97.3% after declining by 42.3% in FYTD21. Oil prices on an average were up 78.6% in FYTD22 compared with a decline of 34.5% in the same period last year. Non-oil-non-gold imports have also done well and risen by 50.1% in FYTD22 as domestic demand improved. The increase was broad-based. Maximum improvement can be seen in imports of coal (83.5% compared with -30.5% in FYTD21). *This can be attributed to higher coal prices amidst the global energy crisis and higher domestic demand as the economy opened up.* Even imports of edible oil imports have shown a sharp jump of 74.4% in FYTD22 (from 12.7%) due to high global prices. Further, imports of pearls and precious stones (75.2% from -24.9%) and ores and minerals (99.6% from -16.4%) have also shown improvement. Capital goods imports too have shown pickup and increased by 26% in FYTD22 compared with a decline of 26.4% in FYTD21. Within this, imports of machinery and transport equipments have improved. On the other hand, imports of project goods has continued to decline. In comparison, imports of machinery at 39.9% has remained muted. It must be noted that the government has announced measures to boost domestic production of capital goods by raising import duties on some equipment and machinery in the Union Budget.

**Trade deficit:** India's trade deficit is tracking higher at US\$ 154.8bn in FYTD22 compared with US\$ 73.6bn in FYTD21 as imports have risen at a faster pace than exports. Oil imports have almost doubled to US\$ 125bn from US\$ 63bn in FYTD22 led both by higher prices as well as improved demand as the economy revived. With oil prices now hovering above US\$ 90/bbl, import bill is likely to remain elevated. **We estimate that a US\$ 10/bbl increase in oil prices will increase oil imports by ~US\$ 2-3bn/month.** This will have an adverse impact on the trade deficit and hence USD/INR.



**BUY**

TP: Rs 260 | ▲ 35%

**GREENPLY INDUSTRIES**

Construction Materials

15 February 2022

### New capacities to cater the growing demand

- Consolidated Q3 revenue grew 24% YoY backed by 11% increase in plywood volumes and 7% rise in price realisation for India operations
- Consolidated operating margin stood at 10.2% (11% excluding non-cash ESOP cost of Rs 30mn; down 130bps YoY)
- Reiterate BUY with an unchanged TP of Rs 260 based on 22x FY24E EPS

Ruchitaa Maheshwari

researchreport@bobcaps.in

**Steady revenue growth:** Greenply (GIL) reported consolidated Q3FY22 revenue growth of 24% YoY to Rs 4.2bn, with India business up 20% as plywood volumes grew 11% and price realisation increased 7% to Rs 235/sqm. Gabon subsidiary revenue climbed 58% YoY, aided by a low base.

**Modest operating margin:** The company took a price hike of ~8% in Q3 to mitigate the rise in input cost but this was implemented with a lag, resulting in sequential gross margin contraction of 335bps YoY to 38.7% in Q3. Operating margin stood at 10.2% (11% adjusted for non-cash ESOP cost) and EBITDA was at Rs 428mn (adj. Rs 458mn). India business also had a 10.2% EBITDA margin (adj. 11%) with gross margin down 400bps YoY. Management has taken a further ~2.5% price hike in Q4 to mitigate the rising inflation in some raw materials from the start of February.

**MDF foray to cost Rs 5.5bn:** GIL plans to foray into MDF manufacturing and is setting up a capacity of 800cbm per day at a cost of Rs 5.5bn for an estimated revenue potential of Rs 6.5bn at peak utilisation. This capacity is slated to come up in Gujarat by Q4FY23 and will be funded via debt and internal accruals. Per management, this will be the first MDF facility in Western India, giving the company a freight advantage over peers when catering to demand in the region. With this foray, GIL will be able to broaden its wood panel portfolio and deepen its presence in a growing market.

**Expect strong plywood recovery:** GIL is geared for a rebound in plywood volumes aided by (a) considerable balance sheet strengthening post Covid driven by the company's stricter control on receivables (which is likely to continue in the near term), and (b) strong recovery in the secondary real estate market, resulting in higher occupation rates of premises which will propel demand for plywood. Also, its strong presence in the plywood industry will facilitate a smooth entry into MDF.

**Maintain BUY:** The stock is trading at 16.3x FY24E P/E compared to its five-year median of 21.4x. We maintain our target FY24E P/E multiple at 22x for a TP of Rs 260 on the back of the anticipated revival in plywood, GIL's entry into the high-margin MDF business, strong brand and pan-India distribution network. Retain BUY.

### Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	MTLM IN/Rs 192
Market cap	US\$ 313.1mn
Free float	48%
3M ADV	US\$ 0.8mn
52wk high/low	Rs 255/Rs 157
Promoter/FPI/DII	52%/4%/44%

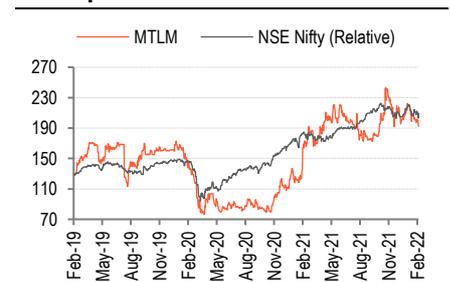
Source: NSE | Price as of 15 Feb 2022

### Key financials

Y/E 31 Mar	FY21A	FY22E	FY23E
Total revenue (Rs mn)	11,653	14,217	16,230
EBITDA (Rs mn)	1,167	1,617	2,088
Adj. net profit (Rs mn)	609	947	1,251
Adj. EPS (Rs)	5.0	7.7	10.2
Consensus EPS (Rs)	5.0	8.8	11.0
Adj. ROAE (%)	15.0	19.7	21.4
Adj. P/E (x)	38.7	24.9	18.8
EV/EBITDA (x)	22.3	15.6	11.9
Adj. EPS growth (%)	(27.6)	55.5	32.1

Source: Company, Bloomberg, BOBCAPS Research

### Stock performance



Source: NSE



## Disclaimer

### Recommendation scale: Recommendations and Absolute returns (%) over 12 months

**BUY** – Expected return >+15%

**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

### Rating distribution

As of 31 January 2022, out of 115 rated stocks in the BOB Capital Markets Limited (BOBCAPS) coverage universe, 63 have BUY ratings, 32 have HOLD ratings, 5 are rated ADD\*, 1 is rated REDUCE\* and 14 are rated SELL. None of these companies have been investment banking clients in the last 12 months. (\*Our ADD and REDUCE ratings are in the process of being migrated to the new recommendation structure.)

### Analyst certification

Each of the analysts mentioned in this research report certify, with respect to the sections of the report for which they are responsible, that (1) all of the views expressed in this report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOBCAPS.

### Important disclosures

This product is a compilation of previously published research notes. To view the complete report along with the associated Analyst certifications and Company-specific disclosures, please click on the hyperlink accompanying each excerpt.

### General disclaimers

BOBCAPS is engaged in the business of Institutional Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS has obtained registration as a Research Entity under SEBI (Research Analysts) Regulations, 2014, having registration No.: INH000000040 valid till 03 February 2025. BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017. BOBCAPS CIN Number: U65999MH1996GOI098009.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities — that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may act as market makers or assume an underwriting commitment in the securities of companies discussed

in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

In the US, this material is only for Qualified Institutional Buyers as defined under rule 144(a) of the Securities Act, 1933. No part of this document may be distributed in Canada or used by private customers in the United Kingdom.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS's prior written consent.

#### **Other disclosures**

BOBCAPS does not have any financial interest in the subject company. BOBCAPS does not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS is not engaged in any market making activities for the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS's associates may have financial interest in the subject company. BOBCAPS's associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.