BOBCAPS
TRUST | INNOVATION | EXCELLENCE

FIRST LIGHT

20 May 2021

RESEARCH

Minda Corp | Target: Rs 140 | +26% | BUY

Healthy Q4; upgrade to BUY

Astral | Target: Rs 1,210 | –33% | SELL

Good performance but valuations lofty – SELL

Canara Bank | Target: Rs 165 | +13% | ADD

Operating performance stable

SUMMARY

Minda Corp

Minda Corp's (MDA) Q4FY21 topline increased 7% QoQ to Rs 7.9bn. EBITDA margin beat our projections by 70bps to 11.2% and adj. PAT grew 9% QoQ to Rs 546mn. We remain bullish on MDA as better per-unit realisations, a strong order book and export momentum are expected to bolster profitability. We upgrade FY22/FY23 EPS by 20%/32% in light of the better margin performance and introduction of a new tax regime (25%). Our Mar'22 TP rises to Rs 140 (vs. Rs 110), set at an unchanged 16x P/E multiple. Upgrade from ADD to BUY.

Click here for the full report.

Astral

Astral's (ASTRA) Q4FY21 consolidated revenue grew 79% YoY, with 80%/78% growth in pipes/adhesives. EBITDA margin expanded 470bps YoY to 22.6% led by gains across segments, supporting robust EBITDA/PBT growth of 126%/186% YoY. Management has a positive medium-term demand outlook and expects sustainable margins of 15-17% in both segments. We raise FY22-FY23 PAT by ~5% each and revise our Mar'22 TP to Rs 1,210 (vs. Rs 1,076), set at 48x P/E (vs. 45x) – in line with the 5Y average. Valuations remain lofty at 72x FY23E. SELL.

Click here for the full report.

TOP PICKS

LARGE-CAP IDEAS

Company	Rating	Target
Cipla	Buy	1,000
TCS	Buy	3,780
Tech Mahindra	Buy	1,190

MID-CAP IDEAS

Company	Rating	Target
Alkem Labs	Buy	3,750
Laurus Labs	Buy	540
Transport Corp	Buy	320

Source: BOBCAPS Research

DAILY MACRO INDICATORS

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	1.64	(1bps)	6bps	95bps
India 10Y yield (%)	5.98	0bps	(11bps)	20bps
USD/INR	73.04	0.2	1.8	3.4
Brent Crude (US$/bbl)	68.71	(1.1)	2.9	98.3
Dow	34,061	(0.8)	(0.4)	40.7
Shanghai	3,529	0.3	3.0	21.7
Sensex	50,193	1.2	2.8	66.2
India FII (US$ mn)	**17 May**	**MTD**	**CYTD**	**FYTD**
FII-D	20.8	275.4	(2,116.9)	(89.7)
FII-E	(185.3)	(965.9)	4,871.2	(2,455.1)

Source: Bank of Baroda Economics Research

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Canara Bank

Canara Bank (CBK) reported Q4FY21 PAT of Rs 10bn aided by 6% QoQ growth in operating profit. NII grew a tepid 10% YoY due to interest-on-interest reversals worth Rs 7.3bn and proforma slippages. GNPA ratio was stable at 8.9% and FY21 slippages were flat at Rs 180bn, largely arising from the MSME and retail segments. CBK may look to raise growth capital via a QIP in the near term. We raise FY22/ FY23 EPS by 22%/13% to factor in higher loan growth from the RAM book and lower credit costs. Maintain ADD with a new Mar'22 TP of Rs 165 (vs. Rs 150).

Click here for the full report.

BUY
TP: Rs 140 | 26%

MINDA CORPORATION | Auto Components | 19 May 2021

Healthy Q4; upgrade to BUY

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Minda Corp's (MDA) Q4FY21 topline increased 7% QoQ to Rs 7.9bn. EBITDA margin beat our projections by 70bps to 11.2% and adj. PAT grew 9% QoQ to Rs 546mn. We remain bullish on MDA as better per-unit realisations, a strong order book and export momentum are expected to bolster profitability. We upgrade FY22/FY23 EPS by 20%/32% in light of the better margin performance and introduction of a new tax regime (25%). Our Mar'22 TP rises to Rs 140 (vs. Rs 110), set at an unchanged 16x P/E multiple. Upgrade from ADD to BUY.

Slight beat on operating performance: MDA's Q4 revenue grew 7% QoQ to Rs 7.9bn. Gross margin declined 50bps QoQ as estimated, but below-expected employee and other expense (as a percentage of sales) supported a 70bps EBITDA margin beat to 11.2%. Adj. PAT grew 9% QoQ to Rs 546mn.

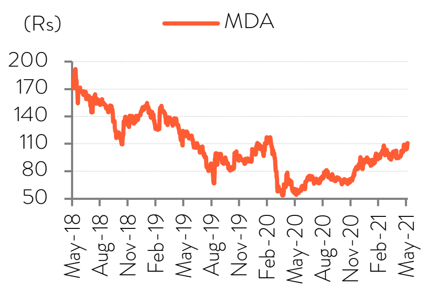
Favourable sales mix to aid growth: During FY21-FY23, we expect MDA's 2W business to grow at 9% CAGR, tractors at 6%, CVs at 34%, 3Ws at 20% and aftermarket business at 13%. We also model for a 20% CAGR in exports over the same period. With stronger margins from an improving sale mix as well as higher contribution from joint ventures, we expect the company's growth momentum to continue.

Upgrade to BUY: We revise our EBITDA margin forecast for FY23 from 10.5% to 11% on the back of a better sales mix. We also align the company's tax rate to the new regime of 25%. Accordingly, our earnings estimates for FY22/FY23 rise by 20%/32%. Based on these revisions, we now expect MDA to clock a revenue/PAT CAGR of 16%/53% over FY21-FY23, in line with consensus. Our Mar'22 TP stands increased to Rs 140 (from Rs 110), based on 16x FY23E P/E (~5yr avg)– upgrade from ADD to BUY.

Ticker/Price	MDA IN/Rs 111
Market cap	US$ 344.4mn
Shares o/s	227mn
3M ADV	US$ 1.1mn
52wk high/low	Rs 114/Rs 54
Promoter/FPI/DII	68%/9%/5%

Source: NSE

STOCK PERFORMANCE



Source: NSE

KEY FINANCIALS

Y/E 31 Mar	FY19A	FY20A	FY21P	FY22E	FY23E
Total revenue (Rs mn)	30,920	28,131	23,679	28,261	31,716
EBITDA (Rs mn)	2,941	2,499	2,170	2,930	3,499
Adj. net profit (Rs mn)	1,692	935	935	1,714	2,090
Adj. EPS (Rs)	7.5	4.1	3.9	7.2	8.7
Adj. EPS growth (%)	8.9	(44.7)	(5.2)	83.2	22.0
Adj. ROAE (%)	14.2	9.6	8.2	13.5	14.8
Adj. P/E (x)	14.8	26.8	28.3	15.5	12.7
EV/EBITDA (x)	8.6	8.7	8.7	6.7	5.8

Source: Company, BOBCAPS Research | P – Provisional

RESULT REVIEW

SELL
TP: Rs 1,210 | ∀ 33%

ASTRAL | Plastic Products | 19 May 2021

Good performance but valuations lofty – SELL

Astral's (ASTRA) Q4FY21 consolidated revenue grew 79% YoY, with 80%/78% growth in pipes/adhesives. EBITDA margin expanded 470bps YoY to 22.6% led by gains across segments, supporting robust EBITDA/PBT growth of 126%/186% YoY. Management has a positive medium-term demand outlook and expects sustainable margins of 15-17% in both segments. We raise FY22-FY23 PAT by ~5% each and revise our Mar'22 TP to Rs 1,210 (vs. Rs 1,076), set at 48x P/E (vs. 45x) – in line with the 5Y average. Valuations remain lofty at 72x FY23E. SELL.

Arun Baid
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Strong revenue growth across businesses: ASTRA's Q4 consolidated revenue grew 79% YoY to Rs 11.3bn due to a soft base on account of the lockdown last year. Standalone revenue in PVC pipes increased 80% YoY (volumes up 26%) and the adhesives business grew 78% as benefits from a change in distribution model kicked in. Per management, demand was healthy until the pandemic resurfaced, with single-digit volume growth in pipes during April. The company is hopeful of better demand in pipes as the market reopens and higher growth in adhesives as its distribution restructuring is complete.

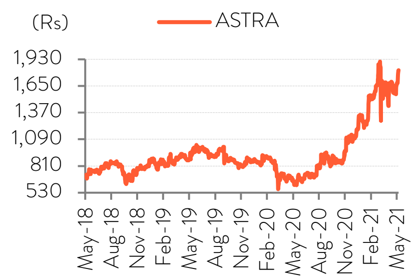
Significant margin gains: EBITDA margin increased 470bps YoY to 22.6% in Q4, aided by a superior showing in both segments, which fuelled EBITDA/PBT growth of 126%/186% YoY. Pipe segment margins increased 435bps YoY to 23.5% due to inventory gains of ~Rs 300mn and a better product mix. Adhesives saw 540bps expansion to 17.7% on operating leverage. Management guided that current margins in pipes are unsustainable and maintained its target of 15-16% levels in the medium term and 16-17% in adhesives.

Retain SELL on rich valuations: ASTRA's results have beaten our estimates, leading us to raise FY22/FY23 PAT forecasts by ~5% each. Though we like the business, the stock is trading at high valuations of 72x FY23E EPS. SELL.

Ticker/Price	ASTRA IN/Rs 1,816
Market cap	US$ 5.0bn
Shares o/s	201mn
3M ADV	US$ 8.5mn
52wk high/low	Rs 1,980/Rs 578
Promoter/FPI/DII	56%/21%/24%

Source: NSE

STOCK PERFORMANCE



Source: NSE

KEY FINANCIALS

Y/E 31 Mar	FY19A	FY20A	FY21P	FY22E	FY23E
Total revenue (Rs mn)	25,073	25,779	31,763	36,042	42,945
EBITDA (Rs mn)	3,853	4,441	6,445	6,463	7,814
Adj. net profit (Rs mn)	1,992	2,498	4,059	4,064	5,052
Adj. EPS (Rs)	9.9	12.4	20.2	20.2	25.2
Adj. EPS growth (%)	17.4	25.4	62.5	0.1	24.3
Adj. ROAE (%)	17.4	18.0	23.9	20.3	22.6
Adj. P/E (x)	183.1	146.0	89.9	89.8	72.2
EV/EBITDA (x)	95.1	82.5	56.8	56.2	46.1

Source: Company, BOBCAPS Research | P – Provisional

RESULT REVIEW

ADD
TP: Rs 165 | 13%

CANARA BANK | Banking | 19 May 2021

Operating performance stable

Canara Bank (CBK) reported Q4FY21 PAT of Rs 10bn aided by 6% QoQ growth in operating profit. NII grew a tepid 10% YoY due to interest-on-interest reversals worth Rs 7.3bn and proforma slippages. GNPA ratio was stable at 8.9% and FY21 slippages were flat at Rs 180bn, largely arising from the MSME and retail segments. CBK may look to raise growth capital via a QIP in the near term. We raise FY22/ FY23 EPS by 22%/13% to factor in higher loan growth from the RAM book and lower credit costs. Maintain ADD with a new Mar'22 TP of Rs 165 (vs. Rs 150).

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GNPA ratio stable at 8.9%: Slippages stood at Rs 40bn in Q4 and Rs 180bn in FY21. Management expects lower slippages in FY22 at Rs 140bn-150bn and believes recoveries could total ~Rs 150bn on potential resolution of an NBFC account in Q1FY22 and NCLT recoveries worth Rs 20bn-25bn during the year. The SMA 1&2 books were stable at 2.2%. Collection efficiency was at 92% for the quarter but dropped to ~89% in April owing to lower collections in MSME and retail. Credit cost is guided at ~2.2% in FY22 and PCR at a steady ~80%.

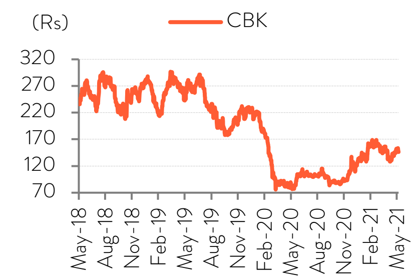
Better outlook for FY22: Growth in CBK's focus areas – retail, agri and MSME or RAM – remained strong at 11% YoY in Q4. However, a conscious reduction of ~5% YoY in corporate loans led to modest 6% growth in domestic advances. Management expects to retain its focus on the RAM portfolio and has a stronger growth outlook for FY22. The bank could look to raise growth capital via a QIP in the near term, which may further dilute book value.

Maintain ADD: We believe the bank's corporate portfolio has largely bottomed out and the RAM focus would aid growth ahead. Based on higher loan growth and lower credit cost expectations, we raise our FY22/FY23 EPS estimates by 22%/13%, leading to a revised Mar'22 TP of Rs 165 (vs. Rs 150). At the same time, we retain ADD as profitability is expected to remain weak.

Ticker/Price	CBK IN/Rs 146
Market cap	US$ 2.9bn
Shares o/s	1,454mn
3M ADV	US$ 41.8mn
52wk high/low	Rs 175/Rs 76
Promoter/FPI/DII	79%/3%/18%

Source: NSE

STOCK PERFORMANCE



Source: NSE

KEY FINANCIALS

Y/E 31 Mar	FY19A	FY20A	FY21P	FY22E	FY23E
Net interest income	144,781	131,239	240,622	275,553	317,421
NII growth (%)	19.0	(9.4)	83.3	14.5	15.2
Adj. net profit (Rs mn)	3,470	(22,357)	25,576	25,879	31,823
EPS (Rs)	4.7	(25.1)	19.1	14.3	16.1
P/E (x)	31.4	(5.8)	7.7	10.3	9.1
P/BV (x)	0.3	0.4	0.4	0.4	0.4
ROA (%)	0.1	(0.3)	0.3	0.2	0.2
ROE (%)	1.0	(5.9)	5.2	4.1	4.7

Source: Company, BOBCAPS Research | P – Provisional

Disclaimer

Recommendation scale: 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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